COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE ADJUSTMENT
OF ELECTRIC RATES OF DUKE ENERGY KENTUCKY, INC.

CASE NO. 2017-00321

FILING REQUIREMENTS

VOLUME 7

Duke Energy Kentucky, Inc.
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Forecasted Test Period Filing Requirements
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Vol. #	Tab #	Filing Requirement	Description	Sponsoring Witness
1	6	807 KAR 5:001 Section 14(2)	If a corporation, the applicant shall identify in the application the state in which it is incorporated and the date of its incorporation, attest that it is currently in good standing in the state in which it is incorporated, and, if it is not a Kentucky corporation, state if it is authorized to transact business in Kentucky.	James P. Henning
1	7	807 KAR 5:001 Section 14(3)	If a limited liability company, the applicant shall identify in the application the state in which it is organized and the date on which it was organized, attest that it is in good standing in the state in which it is organized, and, if it is not a Kentucky limited liability company, state if it is authorized to transact business in Kentucky.	James P. Henning
1	8	807 KAR 5:001 Section 14(4)	If the applicant is a limited partnership, a certified copy of its limited partnership agreement and all amendments, if any, shall be annexed to the application, or a written statement attesting that its partnership agreement and all amendments have been filed with the commission in a prior proceeding and referencing the case number of the prior proceeding.	James P. Henning
1	9	807 KAR 5:001 Section 16 (1)(b)(1)	Reason adjustment is required.	James P. Henning William Don Wathen, Jr.
1	10	807 KAR 5:001 Section 16 (1)(b)(2)	Certified copy of certificate of assumed name required by KRS 365.015 or statement that certificate not necessary.	James P. Henning
1	11	807 KAR 5:001 Section 16 (1)(b)(3)	New or revised tariff sheets, if applicable in a format that complies with 807 KAR 5:011 with an effective date not less than thirty (30) days from the date the application is filed	Bruce L. Sailers
1	12	807 KAR 5:001 Section 16 (1)(b)(4)	Proposed tariff changes shown by present and proposed tariffs in comparative form or by indicating additions in italics or by underscoring and striking over deletions in current tariff.	Bruce L. Sailers
1	13	807 KAR 5:001 Section 16 (1)(b)(5)	A statement that notice has been given in compliance with Section 17 of this administrative regulation with a copy of the notice.	James P. Henning
1	14	807 KAR 5:001 Section 16(2)	If gross annual revenues exceed $5,000,000, written notice of intent filed at least 30 days, but not more than 60 days prior to application. Notice shall state whether application will be supported by historical or fully forecasted test period.	James P. Henning
1	15	807 KAR 5:001 Section 16(3)	Notice given pursuant to Section 17 of this administrative regulation shall satisfy the requirements of 807 KAR 5:051, Section 2.	James P. Henning

1	16	807 KAR 5:001 Section 16(6)(a)	The financial data for the forecasted period shall be presented in the form of pro forma adjustments to the base period.	Robert H. Pratt
1	17	807 KAR 5:001 Section 16(6)(b)	Forecasted adjustments shall be limited to the twelve (12) months immediately following the suspension period.	Sarah E. Lawler Cynthia S. Lee Robert H. Pratt
1	18	807 KAR 5:001 Section 16(6)(c)	Capitalization and net investment rate base shall be based on a thirteen (13) month average for the forecasted period.	Sarah E. Lawler
1	19	807 KAR 5:001 Section 16(6)(d)	After an application based on a forecasted test period is filed, there shall be no revisions to the forecast, except for the correction of mathematical errors, unless the revisions reflect statutory or regulatory enactments that could not, with reasonable diligence, have been included in the forecast on the date it was filed. There shall be no revisions filed within thirty (30) days of a scheduled hearing on the rate application.	Robert H. Pratt
1	20	807 KAR 5:001 Section 16(6)(e)	The commission may require the utility to prepare an alternative forecast based on a reasonable number of changes in the variables, assumptions, and other factors used as the basis for the utility's forecast.	Robert H. Pratt
1	21	807 KAR 5:001 Section 16(6)(f)	The utility shall provide a reconciliation of the rate base and capital used to determine its revenue requirements.	Sarah E. Lawler
1	22	807 KAR 5:001 Section 16(7)(a)	Prepared testimony of each witness supporting its application including testimony from chief officer in charge of Kentucky operations on the existing programs to achieve improvements in efficiency and productivity, including an explanation of the purpose of the program.	All Witnesses
1	23	807 KAR 5:001 Section 16(7)(b)	Most recent capital construction budget containing at minimum 3 year forecast of construction expenditures.	Robert H. Pratt Joseph A. Miller Anthony J. Platz
1	24	807 KAR 5:001 Section 16(7)(c)	Complete description, which may be in prefiled testimony form, of all factors used to prepare forecast period. All econometric models, variables, assumptions, escalation factors, contingency provisions, and changes in activity levels shall be quantified, explained, and properly supported.	Robert H. Pratt
1	25	807 KAR 5:001 Section 16(7)(d)	Annual and monthly budget for the 12 months preceding filing date, base period and forecasted period.	Robert H. Pratt
1	26	807 KAR 5:001 Section 16(7)(e)	Attestation signed by utility's chief officer in charge of Kentucky operations providing: 1. That forecast is reasonable, reliable, made in good faith and that all basic assumptions used have been identified and justified; and 2. That forecast contains same assumptions and methodologies used in forecast prepared for use by management, or an identification and explanation for any differences; and 3. That productivity and efficiency gains are included in the forecast.	James P. Henning

1	27	807 KAR 5:001 Section 16(7)(f)	For each major construction project constituting 5% or more of annual construction budget within 3 year forecast, following information shall be filed: 1. Date project began or estimated starting date; 2. Estimated completion date; 3. Total estimated cost of construction by year exclusive and inclusive of Allowance for Funds Used During construction ("AFUDC") or Interest During construction Credit; and 4. Most recent available total costs incurred exclusive and inclusive of AFUDC or Interest During Construction Credit.	Robert H. Pratt Joseph A. Miller Anthony J. Platz
1	28	807 KAR 5:001 Section 16(7)(g)	For all construction projects constituting less than 5% of annual construction budget within 3 year forecast, file aggregate of information requested in paragraph (f) 3 and 4 of this subsection.	Robert H. Pratt Joseph A. Miller Anthony J. Platz
1	29	807 KAR 5:001 Section 16(7)(h)	Financial forecast for each of 3 forecasted years included in capital construction budget supported by underlying assumptions made in projecting results of operations and including the following information: 1. Operating income statement (exclusive of dividends per share or earnings per share); 2. Balance sheet; 3. Statement of cash flows; 4. Revenue requirements necessary to support the forecasted rate of return; 5. Load forecast including energy and demand (electric); 6. Access line forecast (telephone); 7. Mix of generation (electric); 8. Mix of gas supply (gas); 9. Employee level; 10.Labor cost changes; 11.Capital structure requirements; 12.Rate base; 13.Gallons of water projected to be sold (water); 14.Customer forecast (gas, water); 15.MCF sales forecasts (gas); 16.Toll and access forecast of number of calls and number of minutes (telephone); and 17.A detailed explanation of any other information provided.	Robert H. Pratt John Verderame John L. Sullivan, III Benjamin Passty
1	30	807 KAR 5:001 Section 16(7)(i)	Most recent FERC or FCC audit reports.	David L. Doss
2	31	807 KAR 5:001 Section 16(7)(j)	Prospectuses of most recent stock or bond offerings.	John L. Sullivan, III
2	32	807 KAR 5:001 Section 16(7)(k)	Most recent FERC Form 1 (electric), FERC Form 2 (gas), or PSC Form T (telephone).	David L. Doss
3-4	33	807 KAR 5:001 Section 16(7)(l)	Annual report to shareholders or members and statistical supplements for the most recent 2 years prior to application filing date.	John L. Sullivan, III
5	34	807 KAR 5:001 Section 16(7)(m)	Current chart of accounts if more detailed than Uniform System of Accounts charts.	David L. Doss
5	35	807 KAR 5:001 Section 16(7)(n)	Latest 12 months of the monthly managerial reports providing financial results of operations in comparison to forecast.	David L. Doss

5	36	807 KAR 5:001 Section 16(7)(o)	Complete monthly budget variance reports, with narrative explanations, for the 12 months prior to base period, each month of base period, and subsequent months, as available.	David L. Doss Robert H. Pratt
6-8	37	807 KAR 5:001 Section 16(7)(p)	SEC's annual report for most recent 2 years, Form 10-Ks and any Form 8-Ks issued during prior 2 years and any Form 10-Qs issued during past 6 quarters.	David L. Doss
9	38	807 KAR 5:001 Section 16(7)(q)	Independent auditor's annual opinion report, with any written communication which indicates the existence of a material weakness in internal controls.	David L. Doss
9	39	807 KAR 5:001 Section 16(7)(r)	Quarterly reports to the stockholders for the most recent 5 quarters.	John L. Sullivan
9	40	807 KAR 5:001 Section 16(7)(s)	Summary of latest depreciation study with schedules itemized by major plant accounts, except that telecommunications utilities adopting PSC's average depreciation rates shall identify current and base period depreciation rates used by major plant accounts. If information has been filed in another PSC case, refer to that case's number and style.	John J. Spanos
9	41	807 KAR 5:001 Section 16(7)(t)	List all commercial or in-house computer software, programs, and models used to develop schedules and work papers associated with application. Include each software, program, or model; its use; identify the supplier of each; briefly describe software, program, or model; specifications for computer hardware and operating system required to run program	Sarah E. Lawler
9	42	807 KAR 5:001 Section 16(7)(u)	If utility had any amounts charged or allocated to it by affiliate or general or home office or paid any monies to affiliate or general or home office during the base period or during previous 3 calendar years, file: 1. Detailed description of method of calculation and amounts allocated or charged to utility by affiliate or general or home office for each allocation or payment; 2. method and amounts allocated during base period and method and estimated amounts to be allocated during forecasted test period; 3. Explain how allocator for both base and forecasted test period was determined; and 4. All facts relied upon, including other regulatory approval, to demonstrate that each amount charged, allocated or paid during base period is reasonable.	Jeffrey R. Setser
10	43	807 KAR 5:001 Section 16(7)(v)	If gas, electric or water utility with annual gross revenues greater than $5,000,000, cost of service study based on methodology generally accepted in industry and based on current and reliable data from single time period.	James E. Ziolkowski

11	44	807 KAR 5:001 Section 16(7)(w)	Local exchange carriers with fewer than 50,000 access lines need not file cost of service studies, except as specifically directed by PSC. Local exchange carriers with more than 50,000 access lines shall file: 1. Jurisdictional separations study consistent with Part 36 of the FCC's rules and regulations; and 2. Service specific cost studies supporting pricing of services generating annual revenue greater than $1,000,000 except local exchange access: a. Based on current and reliable data from single time period; and b. Using generally recognized fully allocated, embedded, or incremental cost principles.	N/A
11	45	807 KAR 5:001 Section 16(8)(a)	Jurisdictional financial summary for both base and forecasted periods detailing how utility derived amount of requested revenue increase.	Sarah E. Lawler
11	46	807 KAR 5:001 Section 16(8)(b)	Jurisdictional rate base summary for both base and forecasted periods with supporting schedules which include detailed analyses of each component of the rate base.	Sarah E. Lawler Cynthia S. Lee Robert H. Pratt Lisa M. Belluci James E. Ziolkowski David L. Doss
11	47	807 KAR 5:001 Section 16(8)(c)	Jurisdictional operating income summary for both base and forecasted periods with supporting schedules which provide breakdowns by major account group and by individual account.	Sarah E. Lawler
11	48	807 KAR 5:001 Section 16(8)(d)	Summary of jurisdictional adjustments to operating income by major account with supporting schedules for individual adjustments and jurisdictional factors.	Sarah E. Lawler Cynthia S. Lee Robert H. Pratt James E. Ziolkowski
11	49	807 KAR 5:001 Section 16(8)(e)	Jurisdictional federal and state income tax summary for both base and forecasted periods with all supporting schedules of the various components of jurisdictional income taxes.	Lisa M. Bellucci
11	50	807 KAR 5:001 Section 16(8)(f)	Summary schedules for both base and forecasted periods (utility may also provide summary segregating items it proposes to recover in rates) of organization membership dues; initiation fees; expenditures for country club; charitable contributions; marketing, sales, and advertising; professional services; civic and political activities; employee parties and outings; employee gifts; and rate cases.	Sarah E. Lawler
11	51	807 KAR 5:001 Section 16(8)(g)	Analyses of payroll costs including schedules for wages and salaries, employee benefits, payroll taxes, straight time and overtime hours, and executive compensation by title.	Sarah E. Lawler Tom Silinski
11	52	807 KAR 5:001 Section 16(8)(h)	Computation of gross revenue conversion factor for forecasted period.	Sarah E. Lawler
11	53	807 KAR 5:001 Section 16(8)(i)	Comparative income statements (exclusive of dividends per share or earnings per share), revenue statistics and sales statistics for 5 calendar years prior to application filing date, base period, forecasted period, and 2 calendar years beyond forecast period.	David L. Doss Robert H. Pratt

11	54	807 KAR 5:001 Section 16(8)(j)	Cost of capital summary for both base and forecasted periods with supporting schedules providing details on each component of the capital structure.	John L. Sullivan, III
11	55	807 KAR 5:001 Section 16(8)(k)	Comparative financial data and earnings measures for the 10 most recent calendar years, base period, and forecast period.	Cynthia S. Lee Robert H. Pratt John L. Sullivan David L. Doss
11	56	807 KAR 5:001 Section 16(8)(l)	Narrative description and explanation of all proposed tariff changes.	Bruce L. Sailers
11	57	807 KAR 5:001 Section 16(8)(m)	Revenue summary for both base and forecasted periods with supporting schedules which provide detailed billing analyses for all customer classes.	Bruce L. Sailers
11	58	807 KAR 5:001 Section 16(8)(n)	Typical bill comparison under present and proposed rates for all customer classes.	Bruce L. Sailers
11	59	807 KAR 5:001 Section 16(10)	Request for waivers from the requirements of this section shall include the specific reasons for the request. The commission shall grant the request upon good cause shown by the utility.	Legal
11	60	807 KAR 5:001 Section (17)(1)	(1) Public postings. (a) A utility shall post at its place of business a copy of the notice no later than the date the application is submitted to the commission. (b) A utility that maintains a Web site shall, within five (5) business days of the date the application is submitted to the commission, post on its Web sites: 1. A copy of the public notice; and 2. A hyperlink to the location on the commission's Web site where the case documents are available. (c) The information required in paragraphs (a) and (b) of this subsection shall not be removed until the commission issues a final decision on the application.	James P. Henning

11	61	807 KAR 5:001 Section 17(2)	(2) Customer Notice. (a) If a utility has twenty (20) or fewer customers, the utility shall mail a written notice to each customer no later than the date on which the application is submitted to the commission. (b) If a utility has more than twenty (20) customers, it shall provide notice by: 1. Including notice with customer bills mailed no later than the date the application is submitted to the commission; 2. Mailing a written notice to each customer no later than the date the application is submitted to the commission; 3. Publishing notice once a week for three (3) consecutive weeks in a prominent manner in a newspaper of general circulation in the utility's service area, the first publication to be made no later than the date the application is submitted to the commission; or 4. Publishing notice in a trade publication or newsletter delivered to all customers no later than the date the application is submitted to the commission. (c) A utility that provides service in more than one (1) county may use a combination of the notice methods listed in paragraph (b) of this subsection.	James P. Henning
11	62	807 KAR 5:001 Section 17(3)	(3) Proof of Notice. A utility shall file with the commission no later than forty-five (45) days from the date the application was initially submitted to the commission: (a) If notice is mailed to its customers, an affidavit from an authorized representative of the utility verifying the contents of the notice, that notice was mailed to all customers, and the date of the mailing; (b) If notice is published in a newspaper of general circulation in the utility's service area, an affidavit from the publisher verifying the contents of the notice, that the notice was published, and the dates of the notice's publication; or (c) If notice is published in a trade publication or newsletter delivered to all customers, an affidavit from an authorized representative of the utility verifying the contents of the notice, the mailing of the trade publication or newsletter, that notice was included in the publication or newsletter, and the date of mailing.	James P. Henning

11	63	807 KAR 5:001 Section 17(4)	(4) Notice Content. Each notice issued in accordance with this section shall contain: (a) The proposed effective date and the date the proposed rates are expected to be filed with the commission; (b) The present rates and proposed rates for each customer classification to which the proposed rates will apply; (c) The amount of the change requested in both dollar amounts and percentage change for each customer classification to which the proposed rates will apply; (d) The amount of the average usage and the effect upon the average bill for each customer classification to which the proposed rates will apply, except for local exchange companies, which shall include the effect upon the average bill for each customer classification for the proposed rate change in basic local service; (e) A statement that a person may examine this application at the offices of (utility name) located at (utility address); (f) A statement that a person may examine this application at the commission's offices located at 211 Sower Boulevard, Frankfort, Kentucky, Monday through Friday, 8:00 a.m. to 4:30 p.m., or through the commission's Web site at http://psc.ky.gov; (g) A statement that comments regarding the application may be submitted to the Public Service Commission through its Web site or by mail to Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602; (h) A statement that the rates contained in this notice are the rates proposed by (utility name) but that the Public Service Commission may order rates to be charged that differ from the proposed rates contained in this notice; (i) A statement that a person may submit a timely written request for intervention to the Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602, establishing the grounds for the request including the status and interest of the party; and (j) A statement that if the commission does not receive a written request for intervention within thirty (30) days of initial publication or mailing of the notice, the commission may take final action on the application.	Bruce L. Sailers
11	64	807 KAR 5:001 Section 17(5)	(5) Abbreviated form of notice. Upon written request, the commission may grant a utility permission to use an abbreviated form of published notice of the proposed rates, provided the notice includes a coupon that may be used to obtain all the required information.	N/A
12	-	807 KAR 5:001 Section 16(8)(a) through (k)	Schedule Book (Schedules A-K)	Various
13	-	807 KAR 5:001 Section 16(8)(l) through (n)	Schedule Book (Schedules L-N)	Bruce L. Sailers

14	-	-	Work papers	Various
15	-	807 KAR 5:001 Section 16(7)(a)	Testimony (Volume 1 of 6)	Various
16	-	807 KAR 5:001 Section 16(7)(a)	Testimony (Volume 2 of 6)	Various
17	-	807 KAR 5:001 Section 16(7)(a)	Testimony (Volume 3 of 6)	Various
18	-	807 KAR 5:001 Section 16(7)(a)	Testimony (Volume 4 of 6)	Various
19	-	807 KAR 5:001 Section 16(7)(a)	Testimony (Volume 5 of 6)	Various
20	-	807 KAR 5:001 Section 16(7)(a)	Testimony (Volume 6 of 6)	Various
20	-	KRS 278.2205(6)	Cost Allocation Manual	Legal

TAB 37 continued…

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2015
OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number	Registrant, State of Incorporation or Organization, Address of Principal Executive Offices, and Telephone Number	IRS Employer Identification No.
1-32853	**DUKE ENERGY CORPORATION** (a Delaware corporation) 550 South Tryon Street Charlotte, North Carolina 28202-1803 704-382-3853	20-2777218

Commission file number	Registrant, State of Incorporation or Organization, Address of Principal Executive Offices, Telephone Number and IRS Employer Identification Number	Commission file number	Registrant, State of Incorporation or Organization, Address of Principal Executive Offices, Telephone Number and IRS Employer Identification Number
1-4928	**DUKE ENERGY CAROLINAS, LLC** (a North Carolina limited liability company) 526 South Church Street Charlotte, North Carolina 28202-1803 704-382-3853 56-0205520	1-3274	**DUKE ENERGY FLORIDA, LLC** (formerly DUKE ENERGY FLORIDA, INC.) (a Florida limited liability company) 299 First Avenue North St. Petersburg, Florida 33701 704-382-3853 59-0247770
1-15929	**PROGRESS ENERGY, INC.** (a North Carolina corporation) 410 South Wilmington Street Raleigh, North Carolina 27601-1748 704-382-3853 56-2155481	1-1232	**DUKE ENERGY OHIO, INC.** (an Ohio corporation) 139 East Fourth Street Cincinnati, Ohio 45202 704-382-3853 31-0240030
1-3382	**DUKE ENERGY PROGRESS, LLC** (formerly DUKE ENERGY PROGRESS, INC.) (a North Carolina limited liability company) 410 South Wilmington Street Raleigh, North Carolina 27601-1748 704-382-3853 56-0165465	1-3543	**DUKE ENERGY INDIANA, INC.** (an Indiana corporation) 1000 East Main Street Plainfield, Indiana 46168 704-382-3853 35-0594457

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Duke Energy Corporation (Duke Energy)	Yes ☒	No ☐	Duke Energy Florida, LLC (Duke Energy Florida)	Yes ☒	No ☐
Duke Energy Carolinas, LLC (Duke Energy Carolinas)	Yes ☒	No ☐	Duke Energy Ohio, Inc. (Duke Energy Ohio)	Yes ☒	No ☐
Progress Energy, Inc. (Progress Energy)	Yes ☒	No ☐	Duke Energy Indiana, Inc. (Duke Energy Indiana)	Yes ☒	No ☐
Duke Energy Progress, LLC (Duke Energy Progress)	Yes ☒	No ☐			

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Duke Energy	Yes ☒	No ☐	Duke Energy Florida	Yes ☒	No ☐
Duke Energy Carolinas	Yes ☒	No ☐	Duke Energy Ohio	Yes ☒	No ☐
Progress Energy	Yes ☒	No ☐	Duke Energy Indiana	Yes ☒	No ☐
Duke Energy Progress	Yes ☒	No ☐			

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Duke Energy	Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐	Smaller reporting company ☐
Duke Energy Carolinas	Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☒	Smaller reporting company ☐
Progress Energy	Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☒	Smaller reporting company ☐
Duke Energy Progress	Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☒	Smaller reporting company ☐
Duke Energy Florida	Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☒	Smaller reporting company ☐
Duke Energy Ohio	Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☒	Smaller reporting company ☐
Duke Energy Indiana	Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☒	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Duke Energy	Yes ☐	No ☒	Duke Energy Florida	Yes ☐	No ☒
Duke Energy Carolinas	Yes ☐	No ☒	Duke Energy Ohio	Yes ☐	No ☒
Progress Energy	Yes ☐	No ☒	Duke Energy Indiana	Yes ☐	No ☒
Duke Energy Progress	Yes ☐	No ☒			

Number of shares of Common stock outstanding at November 3, 2015:

Registrant	Description	Shares
Duke Energy	Common stock, $0.001 par value	688,334,378
Duke Energy Carolinas	All of the registrant's limited liability company member interests are directly owned by Duke Energy.	
Progress Energy	All of the registrant's common stock is directly owned by Duke Energy.	
Duke Energy Progress	All of the registrant's limited liability company member interests are indirectly owned by Duke Energy.	
Duke Energy Florida	All of the registrant's limited liability company member interests are indirectly owned by Duke Energy.	
Duke Energy Ohio	All of the registrant's common stock is indirectly owned by Duke Energy.	
Duke Energy Indiana	All of the registrant's common stock is indirectly owned by Duke Energy.	

This combined Form 10-Q is filed separately by seven registrants: Duke Energy, Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio and Duke Energy Indiana (collectively the Duke Energy Registrants). Information contained herein relating to any individual registrant is filed by such registrant solely on its own behalf. Each registrant makes no representation as to information relating exclusively to the other registrants.

Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio and Duke Energy Indiana meet the conditions set forth in General Instructions H(1)(a) and (b) of Form 10-Q and are therefore filing this form with the reduced disclosure format specified in General Instructions H(2) of Form 10-Q.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This document includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are based on management's beliefs and assumptions. These forward-looking statements are identified by terms and phrases such as "anticipate," "believe," "intend," "estimate," "expect," "continue," "should," "could," "may," "plan," "project," "predict," "will," "potential," "forecast," "target," "guidance," "outlook," and similar expressions. Forward-looking statements involve risks and uncertainties that may cause actual results to be materially different from the results predicted. Factors that could cause actual results to differ materially from those indicated in any forward-looking statement include, but are not limited to:

- State, federal and foreign legislative and regulatory initiatives, including costs of compliance with existing and future environmental requirements or climate change, as well as rulings that affect cost and investment recovery or have an impact on rate structures or market prices;
- The extent and timing of the costs and liabilities relating to the Dan River ash basin release and compliance with current regulations and any future regulatory changes related to the management of coal ash;
- The ability to recover eligible costs, including those associated with future significant weather events, and earn an adequate return on investment through the regulatory process;
- The costs of decommissioning Crystal River Unit 3 could prove to be more extensive than amounts estimated and all costs may not be fully recoverable through the regulatory process;
- Credit ratings of the Duke Energy Registrants may be different from what is expected;
- Costs and effects of legal and administrative proceedings, settlements, investigations and claims;
- Industrial, commercial and residential growth or decline in service territories or customer bases resulting from customer usage patterns, including energy efficiency efforts and use of alternative energy sources, including self-generation and distributed generation technologies;
- Additional competition in electric markets and continued industry consolidation;
- Political and regulatory uncertainty in other countries in which Duke Energy conducts business;
- The influence of weather and other natural phenomena on operations, including the economic, operational and other effects of severe storms, hurricanes, droughts and tornadoes;
- The ability to successfully operate electric generating facilities and deliver electricity to customers;
- The impact on facilities and business from a terrorist attack, cybersecurity threats, data security breaches and other catastrophic events;
- The inherent risks associated with the operation and potential construction of nuclear facilities, including environmental, health, safety, regulatory and financial risks;
- The timing and extent of changes in commodity prices, interest rates and foreign currency exchange rates and the ability to recover such costs through the regulatory process, where appropriate, and their impact on liquidity positions and the value of underlying assets;
- The results of financing efforts, including the ability to obtain financing on favorable terms, which can be affected by various factors, including credit ratings and general economic conditions;
- Declines in the market prices of equity and fixed income securities and resultant cash funding requirements for defined benefit pension plans, other post-retirement benefit plans and nuclear decommissioning trust funds;
- Construction and development risks associated with the completion of Duke Energy Registrants' capital investment projects in existing and new generation facilities, including risks related to financing, obtaining and complying with terms of permits, meeting construction budgets and schedules, and satisfying operating and environmental performance standards, as well as the ability to recover costs from customers in a timely manner or at all;
- Changes in rules for regional transmission organizations, including changes in rate designs and new and evolving capacity markets, and risks related to obligations created by the default of other participants;
- The ability to control operation and maintenance costs;
- The level of creditworthiness of counterparties to transactions;
- Employee workforce factors, including the potential inability to attract and retain key personnel;
- The ability of subsidiaries to pay dividends or distributions to Duke Energy Corporation holding company (the Parent);
- The performance of projects undertaken by our nonregulated businesses and the success of efforts to invest in and develop new opportunities;
- The effect of accounting pronouncements issued periodically by accounting standard-setting bodies;
- The impact of potential goodwill impairments;
- The ability to reinvest prospective undistributed earnings of foreign subsidiaries or repatriate such earnings on a tax-efficient basis;
- The expected timing and likelihood of completion of the proposed acquisition of Piedmont Natural Gas Company, Inc. (Piedmont), including the timing, receipt and terms and conditions of any required governmental and regulatory approvals of the proposed acquisition that could reduce anticipated benefits or cause the parties to abandon the acquisition, as well as the ability to successfully integrate the businesses and realize anticipated benefits and the risk that the credit ratings of the combined company or its subsidiaries may be different from what the companies expect; and

- The ability to successfully complete future merger, acquisition or divestiture plans.

In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than described. Forward-looking statements speak only as of the date they are made; the Duke Energy Registrants undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise that occur after that date.

ITEM 1. FINANCIAL STATEMENTS

DUKE ENERGY CORPORATION
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions, except per-share amounts)	**2015**	**2014**	**2015**	**2014**
Operating Revenues				
Regulated electric	$ 6,017	$ 5,861	$ 16,564	$ 16,549
Nonregulated electric and other	377	449	1,157	1,403
Regulated natural gas	89	85	416	414
Total operating revenues	6,483	6,395	18,137	18,366
Operating Expenses				
Fuel used in electric generation and purchased power – regulated	2,113	2,132	5,775	5,940
Fuel used in electric generation and purchased power – nonregulated	61	148	283	410
Cost of natural gas and other	21	27	158	181
Operation, maintenance and other	1,426	1,409	4,274	4,254
Depreciation and amortization	774	788	2,341	2,305
Property and other taxes	293	275	836	936
Impairment charges	111	1	111	81
Total operating expenses	4,799	4,780	13,778	14,107
Gains on Sales of Other Assets and Other, net	4	4	31	11
Operating Income	1,688	1,619	4,390	4,270
Other Income and Expenses				
Equity in earnings of unconsolidated affiliates	17	28	53	97
Other income and expenses, net	57	109	203	293
Total other income and expenses	74	137	256	390
Interest Expense	402	405	1,208	1,212
Income From Continuing Operations Before Income Taxes	1,360	1,351	3,438	3,448
Income Tax Expense from Continuing Operations	420	460	1,118	1,081
Income From Continuing Operations	940	891	2,320	2,367
(Loss) Income From Discontinued Operations, net of tax	(5)	378	29	(578)
Net Income	935	1,269	2,349	1,789
Less: Net Income (Loss) Attributable to Noncontrolling Interests	3	(5)	10	3
Net Income Attributable to Duke Energy Corporation	$ 932	$ 1,274	$ 2,339	$ 1,786
Earnings Per Share – Basic and Diluted				
Income from continuing operations attributable to Duke Energy Corporation common stockholders				
Basic	$ 1.36	$ 1.25	$ 3.31	$ 3.33
Diluted	$ 1.36	$ 1.25	$ 3.31	$ 3.33
(Loss) Income from discontinued operations attributable to Duke Energy Corporation common stockholders				
Basic	$ (0.01)	$ 0.55	$ 0.05	$ (0.81)
Diluted	$ (0.01)	$ 0.55	$ 0.05	$ (0.81)
Net income attributable to Duke Energy Corporation common stockholders				
Basic	$ 1.35	$ 1.80	$ 3.36	$ 2.52
Diluted	$ 1.35	$ 1.80	$ 3.36	$ 2.52
Weighted-average shares outstanding				
Basic	688	707	696	707
Diluted	688	707	696	707

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY CORPORATION
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2015**	**2014**	**2015**	**2014**
Net Income	$ 935	$ 1,269	$ 2,349	$ 1,789
Other Comprehensive Loss, net of tax				
Foreign currency translation adjustments	(122)	(102)	(238)	(50)
Pension and OPEB adjustments	(3)	1	(1)	1
Net unrealized (losses) gains on cash flow hedges	(9)	2	(7)	(10)
Reclassification into earnings from cash flow hedges	1	2	6	5
Unrealized (losses) gains on available-for-sale securities	(2)	—	(5)	2
Other Comprehensive Loss, net of tax	(135)	(97)	(245)	(52)
Comprehensive Income	800	1,172	2,104	1,737
Less: Comprehensive (Loss) Income Attributable to Noncontrolling Interests	(2)	(1)	—	8
Comprehensive Income Attributable to Duke Energy Corporation	$ 802	$ 1,173	$ 2,104	$ 1,729

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY CORPORATION
Condensed Consolidated Balance Sheets
(Unaudited)

(in millions)	September 30, 2015	December 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,370	$ 2,036
Receivables (net of allowance for doubtful accounts of $17 at September 30, 2015 and December 31, 2014)	722	791
Restricted receivables of variable interest entities (net of allowance for doubtful accounts of $54 at September 30, 2015 and $51 at December 31, 2014)	2,037	1,973
Inventory	3,537	3,459
Assets held for sale	—	364
Regulatory assets	963	1,115
Other	1,566	1,837
Total current assets	10,195	11,575
Investments and Other Assets		
Investments in equity method unconsolidated affiliates	501	358
Nuclear decommissioning trust funds	5,566	5,546
Goodwill	16,312	16,321
Assets held for sale	—	2,642
Other	3,205	3,008
Total investments and other assets	25,584	27,875
Property, Plant and Equipment		
Cost	110,795	104,861
Accumulated depreciation and amortization	(37,479)	(34,824)
Generation facilities to be retired, net	460	9
Net property, plant and equipment	73,776	70,046
Regulatory Assets and Deferred Debits		
Regulatory assets	11,290	11,042
Other	188	171
Total regulatory assets and deferred debits	11,478	11,213
Total Assets	$ 121,033	$ 120,709
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$ 2,078	$ 2,271
Notes payable and commercial paper	2,419	2,514
Taxes accrued	628	569
Interest accrued	463	418
Current maturities of long-term debt	2,536	2,807
Liabilities associated with assets held for sale	—	262
Regulatory liabilities	320	204
Other	2,052	2,188
Total current liabilities	10,516	11,233
Long-Term Debt	37,667	37,213
Deferred Credits and Other Liabilities		
Deferred income taxes	13,999	13,423
Investment tax credits	416	427
Accrued pension and other post-retirement benefit costs	1,130	1,145
Liabilities associated with assets held for sale	—	35
Asset retirement obligations	9,713	8,466
Regulatory liabilities	6,129	6,193
Other	1,595	1,675
Total deferred credits and other liabilities	32,982	31,364
Commitments and Contingencies		
Equity		
Common stock, $0.001 par value, 2 billion shares authorized; 688 million and 707 million shares outstanding at September 30, 2015 and December 31, 2014, respectively	1	1

Additional paid-in capital		37,953		39,405
Retained earnings		2,656		2,012
Accumulated other comprehensive loss		(778)		(543)
Total Duke Energy Corporation stockholders' equity		39,832		40,875
Noncontrolling interests		36		24
Total equity		39,868		40,899
Total Liabilities and Equity	$	121,033	$	120,709

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY CORPORATION
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30,	
(in millions)	**2015**	**2014**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 2,349	$ 1,789
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion (including amortization of nuclear fuel)	2,680	2,641
Equity component of AFUDC	(123)	(99)
Gains on sales of other assets	(44)	(27)
Impairment charges	145	848
Deferred income taxes	1,104	562
Equity in earnings of unconsolidated affiliates	(53)	(97)
Accrued pension and other post-retirement benefit costs	53	81
Contributions to qualified pension plans	(143)	—
Payments for asset retirement obligations	(208)	(52)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	(23)	128
Receivables	67	(24)
Inventory	(13)	(17)
Other current assets	(119)	(315)
Increase (decrease) in		
Accounts payable	(182)	(303)
Taxes accrued	41	37
Other current liabilities	79	(99)
Other assets	(143)	(100)
Other liabilities	(71)	214
Net cash provided by operating activities	5,396	5,167
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(4,642)	(3,755)
Investment expenditures	(209)	(65)
Acquisitions	(1,317)	(16)
Purchases of available-for-sale securities	(3,017)	(2,424)
Proceeds from sales and maturities of available-for-sale securities	3,037	2,445
Net proceeds from the sale of Midwest generation business and sales of equity investments and other assets	2,916	172
Change in restricted cash	(49)	(15)
Other	(10)	(76)
Net cash used in investing activities	(3,291)	(3,734)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the:		
Issuance of long-term debt	1,780	2,217
Issuance of common stock related to employee benefit plans	16	24
Payments for the redemption of long-term debt	(1,264)	(2,503)
Proceeds from the issuance of short-term debt with original maturities greater than 90 days	287	—
Payments for the redemption of short-term debt with original maturities greater than 90 days	(931)	—
Notes payable and commercial paper	531	941
Distributions to noncontrolling interests	(7)	(45)
Dividends paid	(1,685)	(1,670)
Repurchase of common shares	(1,500)	—
Other	2	33
Net cash used in financing activities	(2,771)	(1,003)
Net (decrease) increase in cash and cash equivalents	(666)	430
Cash and cash equivalents at beginning of period	2,036	1,501
Cash and cash equivalents at end of period	$ 1,370	$ 1,931

Supplemental Disclosures:

Significant non-cash transactions:				
Accrued capital expenditures	$	610	$	466

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY CORPORATION
Condensed Consolidated Statements of Changes in Equity
(Unaudited)

					Accumulated Other Comprehensive Loss						
(in millions)	Common Stock Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Foreign Currency Translation Adjustments	Net Losses on Cash Flow Hedges	Net Unrealized Gains (Losses) on Available-for-Sale Securities	Pension and OPEB Adjustments	Common Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2013	706	$ 1	$ 39,365	$ 2,363	$ (307)	$ (40)	$ —	$ (52)	$ 41,330	$ 78	$41,408
Net income	—	—	—	1,786	—	—	—	—	1,786	3	1,789
Other comprehensive (loss) income	—	—	—	—	(55)	(5)	2	1	(57)	5	(52)
Common stock issuances, including dividend reinvestment and employee benefits	1	—	23	—	—	—	—	—	23	—	23
Common stock dividends	—	—	—	(1,670)	—	—	—	—	(1,670)	—	(1,670)
Distributions to noncontrolling interest in subsidiaries	—	—	—	—	—	—	—	—	—	(45)	(45)
Balance at September 30, 2014	707	$ 1	$ 39,388	$ 2,479	$ (362)	$ (45)	$ 2	$ (51)	$ 41,412	$ 41	$41,453
Balance at December 31, 2014	707	$ 1	$ 39,405	$ 2,012	$ (439)	$ (59)	$ 3	$ (48)	$ 40,875	$ 24	$40,899
Net income	—	—	—	2,339	—	—	—	—	2,339	10	2,349
Other comprehensive loss	—	—	—	—	(228)	(1)	(5)	(1)	(235)	(10)	(245)
Common stock issuances, including dividend reinvestment and employee benefits	1	—	48	—	—	—	—	—	48	—	48
Stock repurchase	(20)	—	(1,500)	—	—	—	—	—	(1,500)	—	(1,500)
Common stock dividends	—	—	—	(1,685)	—	—	—	—	(1,685)	—	(1,685)
Distributions to noncontrolling interest in subsidiaries	—	—	—	—	—	—	—	—	—	(7)	(7)
Other [(a)]	—	—	—	(10)	—	—	—	—	(10)	19	9
Balance at September 30, 2015	688	$ 1	$ 37,953	$ 2,656	$ (667)	$ (60)	$ (2)	$ (49)	$ 39,832	$ 36	$39,868

(a) The $19 million change in Noncontrolling Interests is primarily related to an acquisition of majority interest in a solar company for an insignificant amount of cash consideration.

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY CAROLINAS, LLC
Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2015**	**2014**	**2015**	**2014**
Operating Revenues	$ 2,061	$ 1,938	$ 5,669	$ 5,693
Operating Expenses				
Fuel used in electric generation and purchased power	548	524	1,553	1,685
Operation, maintenance and other	511	465	1,469	1,415
Depreciation and amortization	269	260	779	750
Property and other taxes	67	59	204	263
Impairment charges	—	—	—	3
Total operating expenses	1,395	1,308	4,005	4,116
Operating Income	666	630	1,664	1,577
Other Income and Expenses, net	42	44	125	137
Interest Expense	105	104	313	307
Income Before Income Taxes	603	570	1,476	1,407
Income Tax Expense	220	193	536	474
Net Income	$ 383	$ 377	$ 940	$ 933
Other Comprehensive Income, net of tax				
Reclassification into earnings from cash flow hedges	1	—	1	2
Unrealized gains on available-for-sale securities	1	—	1	—
Other Comprehensive Income, net of tax	2	—	2	2
Comprehensive Income	$ 385	$ 377	$ 942	$ 935

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY CAROLINAS, LLC
Condensed Consolidated Balance Sheets
(Unaudited)

(in millions)	September 30, 2015	December 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	$ 198	$ 13
Receivables (net of allowance for doubtful accounts of $3 at September 30, 2015 and December 31, 2014)	110	129
Restricted receivables of variable interest entities (net of allowance for doubtful accounts of $6 at September 30, 2015 and December 31, 2014)	687	647
Receivables from affiliated companies	75	75
Notes receivable from affiliated companies	699	150
Inventory	1,167	1,124
Regulatory assets	322	399
Other	164	77
Total current assets	3,422	2,614
Investments and Other Assets		
Nuclear decommissioning trust funds	2,953	3,042
Other	1,018	959
Total investments and other assets	3,971	4,001
Property, Plant and Equipment		
Cost	38,653	37,372
Accumulated depreciation and amortization	(13,445)	(12,700)
Net property, plant and equipment	25,208	24,672
Regulatory Assets and Deferred Debits		
Regulatory assets	2,741	2,465
Other	43	42
Total regulatory assets and deferred debits	2,784	2,507
Total Assets	$ 35,385	$ 33,794
LIABILITIES AND MEMBER'S EQUITY		
Current Liabilities		
Accounts payable	$ 623	$ 709
Accounts payable to affiliated companies	143	154
Taxes accrued	335	146
Interest accrued	146	95
Current maturities of long-term debt	506	507
Regulatory liabilities	36	34
Other	415	434
Total current liabilities	2,204	2,079
Long-Term Debt	8,078	7,584
Long-Term Debt Payable to Affiliated Companies	300	300
Deferred Credits and Other Liabilities		
Deferred income taxes	6,067	5,812
Investment tax credits	200	204
Accrued pension and other post-retirement benefit costs	107	111
Asset retirement obligations	3,599	3,428
Regulatory liabilities	2,747	2,710
Other	618	642
Total deferred credits and other liabilities	13,338	12,907
Commitments and Contingencies		
Member's Equity		
Member's equity	11,476	10,937
Accumulated other comprehensive loss	(11)	(13)
Total member's equity	11,465	10,924
Total Liabilities and Member's Equity	$ 35,385	$ 33,794

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY CAROLINAS, LLC
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30,	
(in millions)	**2015**	**2014**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 940	$ 933
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including amortization of nuclear fuel)	1,016	952
Equity component of AFUDC	(73)	(68)
Impairment charges	—	3
Deferred income taxes	183	47
Accrued pension and other post-retirement benefit costs	11	16
Contributions to qualified pension plans	(42)	—
Payments for asset retirement obligations	(104)	—
(Increase) decrease in		
Receivables	(9)	5
Receivables from affiliated companies	—	(42)
Inventory	(48)	91
Other current assets	42	(130)
Increase (decrease) in		
Accounts payable	(141)	(167)
Accounts payable to affiliated companies	(11)	15
Taxes accrued	182	173
Other current liabilities	49	7
Other assets	97	23
Other liabilities	(61)	21
Net cash provided by operating activities	2,031	1,879
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,372)	(1,289)
Purchases of available-for-sale securities	(1,926)	(1,533)
Proceeds from sales and maturities of available-for-sale securities	1,926	1,516
Notes receivable from affiliated companies	(549)	(117)
Other	(13)	(27)
Net cash used in investing activities	(1,934)	(1,450)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	496	—
Payments for the redemption of long-term debt	(3)	(42)
Distributions to parent	(401)	(376)
Other	(4)	—
Net cash provided by (used in) financing activities	88	(418)
Net increase in cash and cash equivalents	185	11
Cash and cash equivalents at beginning of period	13	23
Cash and cash equivalents at end of period	$ 198	$ 34
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$ 229	$ 177

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY CAROLINAS, LLC
Condensed Consolidated Statements of Changes in Member's Equity
(Unaudited)

			Accumulated Other Comprehensive Loss				
(in millions)		Member's Equity		Net Losses on Cash Flow Hedges		Net Losses on Available-for-Sale Securities		Total
Balance at December 31, 2013	$	10,365	$	(14)	$	(1)	$	10,350
Net income		933		—		—		933
Other comprehensive income		—		2		—		2
Distributions to parent		(376)		—		—		(376)
Balance at September 30, 2014	$	10,922	$	(12)	$	(1)	$	10,909
Balance at December 31, 2014	$	10,937	$	(12)	$	(1)	$	10,924
Net income		940		—		—		940
Other comprehensive income		—		1		1		2
Distributions to parent		(401)		—		—		(401)
Balance at September 30, 2015	$	11,476	$	(11)	$	—	$	11,465

See Notes to Condensed Consolidated Financial Statements

PROGRESS ENERGY, INC.
Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2015**	**2014**	**2015**	**2014**
Operating Revenues	$ 2,929	$ 2,863	$ 7,941	$ 7,825
Operating Expenses				
Fuel used in electric generation and purchased power	1,238	1,214	3,273	3,234
Operation, maintenance and other	539	564	1,672	1,714
Depreciation and amortization	261	294	831	851
Property and other taxes	132	127	367	415
Impairment charges	7	1	7	(16)
Total operating expenses	2,177	2,200	6,150	6,198
Gains on Sales of Other Assets and Other, net	4	2	18	3
Operating Income	756	665	1,809	1,630
Other Income and Expenses, net	17	26	63	54
Interest Expense	170	166	504	502
Income From Continuing Operations Before Income Taxes	603	525	1,368	1,182
Income Tax Expense From Continuing Operations	151	195	435	441
Income From Continuing Operations	452	330	933	741
Loss From Discontinued Operations, net of tax	(1)	—	(2)	(6)
Net Income	451	330	931	735
Less: Net Income Attributable to Noncontrolling Interests	3	1	8	2
Net Income Attributable to Parent	$ 448	$ 329	$ 923	$ 733

Net Income	$ 451	$ 330	$ 931	$ 735
Other Comprehensive Income, net of tax				
Pension and OPEB adjustments	(3)	1	(1)	2
Reclassification into earnings from cash flow hedges	3	1	2	5
Unrealized gains (losses) on available-for-sale securities	—	1	(1)	1
Other Comprehensive Income, net of tax	—	3	—	8
Comprehensive Income	451	333	931	743
Less: Comprehensive Income Attributable to Noncontrolling Interests	3	1	8	2
Comprehensive Income Attributable to Parent	$ 448	$ 332	$ 923	$ 741

See Notes to Condensed Consolidated Financial Statements

PROGRESS ENERGY, INC.
Condensed Consolidated Balance Sheets
(Unaudited)

(in millions)	September 30, 2015	December 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	$ 158	$ 42
Receivables (net of allowance for doubtful accounts of $6 at September 30, 2015 and $8 at December 31, 2014)	172	129
Restricted receivables of variable interest entities (net of allowance for doubtful accounts of $9 at September 30, 2015 and $8 at December 31, 2014)	863	741
Receivables from affiliated companies	121	59
Notes receivable from affiliated companies	251	220
Inventory	1,604	1,590
Regulatory assets	442	491
Other	633	1,285
Total current assets	4,244	4,557
Investments and Other Assets		
Nuclear decommissioning trust funds	2,612	2,503
Goodwill	3,655	3,655
Other	850	670
Total investments and other assets	7,117	6,828
Property, Plant and Equipment		
Cost	41,940	38,650
Accumulated depreciation and amortization	(14,862)	(13,506)
Generation facilities to be retired, net	460	—
Net property, plant and equipment	27,538	25,144
Regulatory Assets and Deferred Debits		
Regulatory assets	5,535	5,408
Other	92	91
Total regulatory assets and deferred debits	5,627	5,499
Total Assets	$ 44,526	$ 42,028
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$ 697	$ 847
Accounts payable to affiliated companies	238	203
Notes payable to affiliated companies	434	835
Taxes accrued	192	114
Interest accrued	198	184
Current maturities of long-term debt	1,265	1,507
Regulatory liabilities	193	106
Other	954	1,021
Total current liabilities	4,171	4,817
Long-Term Debt	14,131	13,247
Deferred Credits and Other Liabilities		
Deferred income taxes	5,001	4,759
Accrued pension and other post-retirement benefit costs	545	533
Asset retirement obligations	5,222	4,711
Regulatory liabilities	2,382	2,379
Other	345	406
Total deferred credits and other liabilities	13,495	12,788
Commitments and Contingencies		
Equity		
Common stock, $0.01 par value, 100 shares authorized and outstanding at September 30, 2015 and December 31, 2014	—	—
Additional paid-in capital	8,092	7,467
Retained earnings	4,703	3,782
Accumulated other comprehensive loss	(41)	(41)

Total Progress Energy Inc. stockholder's equity		12,754		11,208
Noncontrolling interests		(25)		(32)
Total equity		12,729		11,176
Total Liabilities and Equity	**$**	**44,526**	$	42,028

See Notes to Condensed Consolidated Financial Statements

PROGRESS ENERGY, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30,	
(in millions)	**2015**	**2014**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 931	$ 735
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion (including amortization of nuclear fuel)	962	985
Equity component of AFUDC	(40)	(18)
(Gains) losses on sales of other assets	(24)	1
Impairment charges	7	(16)
Deferred income taxes	512	231
Accrued pension and other post-retirement benefit costs	(4)	20
Contributions to qualified pension plans	(42)	—
Payments for asset retirement obligations	(90)	(52)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	6	28
Receivables	(103)	(162)
Receivables from affiliated companies	(62)	(32)
Inventory	44	(45)
Other current assets	298	(147)
Increase (decrease) in		
Accounts payable	(157)	(73)
Accounts payable to affiliated companies	35	142
Taxes accrued	75	166
Other current liabilities	115	(96)
Other assets	(116)	(126)
Other liabilities	(87)	43
Net cash provided by operating activities	2,260	1,584
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,816)	(1,383)
Acquisitions	(1,249)	—
Purchases of available-for-sale securities	(829)	(609)
Proceeds from sales and maturities of available-for-sale securities	895	594
Proceeds from the sale of nuclear fuel	81	—
Notes receivable from affiliated companies	(31)	(89)
Other	(44)	(37)
Net cash used in investing activities	(2,993)	(1,524)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	1,195	875
Payments for the redemption of long-term debt	(555)	(479)
Notes payable to affiliated companies	(401)	(391)
Distributions to noncontrolling interests	(4)	(37)
Capital contribution from parent	625	—
Other	(11)	(39)
Net cash provided by (used in) financing activities	849	(71)
Net increase (decrease) in cash and cash equivalents	116	(11)
Cash and cash equivalents at beginning of period	42	58
Cash and cash equivalents at end of period	$ 158	$ 47
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$ 276	$ 159

See Notes to Condensed Consolidated Financial Statements

PROGRESS ENERGY, INC.
Condensed Consolidated Statements of Changes in Equity
(Unaudited)

			Accumulated Other Comprehensive Loss					
(in millions)	Common Stock	Additional Paid-in Capital	Retained Earnings	Net Losses on Cash Flow Hedges	Net Unrealized Gains on Available-for-Sale Securities	Pension and OPEB Adjustments	Common Stockholder's Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2013	$ —	$ 7,467	$ 3,452	$ (43)	$ —	$ (16)	$ 10,860	$ 4	$10,864
Net income	—	—	733	—	—	—	733	2	735
Other comprehensive income	—	—	—	5	1	2	8	—	8
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(37)	(37)
Transfer of service company net assets to Duke Energy	—	—	(538)	—	—	—	(538)	—	(538)
Balance at September 30, 2014	$ —	$ 7,467	$ 3,647	$ (38)	$ 1	$ (14)	$ 11,063	$ (31)	$11,032
Balance at December 31, 2014	$ —	$ 7,467	$ 3,782	$ (35)	$ 1	$ (7)	$ 11,208	$ (32)	$11,176
Net income	—	—	923	—		—	923	8	931
Other comprehensive income (loss)	—	—	—	2	(1)	(1)	—	—	—
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(4)	(4)
Capital contribution from parent	—	625	—	—	—	—	625	—	625
Other	—	—	(2)	—	—	—	(2)	3	1
Balance at September 30, 2015	$ —	$ 8,092	$ 4,703	$ (33)	$ —	$ (8)	$ 12,754	$ (25)	$12,729

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY PROGRESS, LLC (formerly DUKE ENERGY PROGRESS, INC.)
Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2015**	**2014**	**2015**	**2014**
Operating Revenues	$ 1,488	$ 1,367	$ 4,130	$ 3,980
Operating Expenses				
Fuel used in electric generation and purchased power	584	552	1,608	1,579
Operation, maintenance and other	329	346	1,066	1,074
Depreciation and amortization	147	155	462	441
Property and other taxes	35	29	102	150
Impairment charges	—	—	—	(18)
Total operating expenses	1,095	1,082	3,238	3,226
Gains on Sales of Other Assets and Other, net	1	—	2	1
Operating Income	394	285	894	755
Other Income and Expenses, net	14	18	49	34
Interest Expense	59	57	175	172
Income Before Income Taxes	349	246	768	617
Income Tax Expense	120	89	271	226
Net Income and Comprehensive Income	$ 229	$ 157	$ 497	$ 391

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY PROGRESS, LLC (formerly DUKE ENERGY PROGRESS, INC.)
Condensed Consolidated Balance Sheets
(Unaudited)

(in millions)	September 30, 2015	December 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	$ 123	$ 9
Receivables (net of allowance for doubtful accounts of $4 at September 30, 2015 and $7 at December 31, 2014)	63	43
Restricted receivables of variable interest entities (net of allowance for doubtful accounts of $6 at September 30, 2015 and $5 at December 31, 2014)	468	436
Receivables from affiliated companies	6	10
Notes receivable from affiliated companies	307	237
Inventory	986	966
Regulatory assets	333	287
Other	53	384
Total current assets	2,339	2,372
Investments and Other Assets		
Nuclear decommissioning trust funds	1,943	1,701
Other	484	412
Total investments and other assets	2,427	2,113
Property, Plant and Equipment		
Cost	26,919	24,207
Accumulated depreciation and amortization	(10,207)	(9,021)
Generation facilities to be retired, net	460	—
Net property, plant and equipment	17,172	15,186
Regulatory Assets and Deferred Debits		
Regulatory assets	2,816	2,675
Other	40	34
Total regulatory assets and deferred debits	2,856	2,709
Total Assets	$ 24,794	$ 22,380
LIABILITIES AND MEMBER'S/COMMON STOCKHOLDER'S EQUITY		
Current Liabilities		
Accounts payable	$ 381	$ 481
Accounts payable to affiliated companies	141	120
Taxes accrued	83	47
Interest accrued	86	81
Current maturities of long-term debt	402	945
Regulatory liabilities	80	71
Other	375	409
Total current liabilities	1,548	2,154
Long-Term Debt	6,449	5,256
Deferred Credits and Other Liabilities		
Deferred income taxes	3,097	2,908
Accrued pension and other post-retirement benefit costs	277	290
Asset retirement obligations	4,489	3,905
Regulatory liabilities	1,825	1,832
Other	120	168
Total deferred credits and other liabilities	9,808	9,103
Commitments and Contingencies		
Member's/Common Stockholder's Equity		
Member's Equity	6,989	—
Common stock, no par value; 200 million shares authorized; 160 million shares outstanding at December 31, 2014	—	2,159
Retained earnings	—	3,708
Total member's/common stockholder's equity	6,989	5,867
Total Liabilities and Member's/Common Stockholder's Equity	$ 24,794	$ 22,380

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY PROGRESS, LLC (formerly DUKE ENERGY PROGRESS, INC.)
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30,	
(in millions)	**2015**	**2014**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 497	$ 391
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion (including amortization of nuclear fuel)	587	570
Equity component of AFUDC	(35)	(17)
Gains on sales of other assets	(5)	(1)
Impairment charges	—	(18)
Deferred income taxes	308	152
Accrued pension and other post-retirement benefit costs	(11)	(5)
Contributions to qualified pension plans	(21)	—
Payments for asset retirement obligations	(53)	—
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	(3)	9
Receivables	(51)	33
Receivables from affiliated companies	4	(7)
Inventory	37	(53)
Other current assets	187	(97)
Increase (decrease) in		
Accounts payable	(69)	(67)
Accounts payable to affiliated companies	21	102
Taxes accrued	34	95
Other current liabilities	22	(46)
Other assets	(41)	(28)
Other liabilities	(64)	(23)
Net cash provided by operating activities	1,344	990
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,120)	(871)
Acquisitions	(1,249)	—
Purchases of available-for-sale securities	(511)	(371)
Proceeds from sales and maturities of available-for-sale securities	488	351
Notes receivable from affiliated companies	(70)	—
Other	(35)	(25)
Net cash used in investing activities	(2,497)	(916)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	1,195	650
Payments for the redemption of long-term debt	(544)	(169)
Notes payable to affiliated companies	—	(340)
Capital contribution from parent	625	—
Dividends to parent	—	(224)
Other	(9)	(6)
Net cash provided by (used in) financing activities	1,267	(89)
Net increase (decrease) in cash and cash equivalents	114	(15)
Cash and cash equivalents at beginning of period	9	21
Cash and cash equivalents at end of period	$ 123	$ 6
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$ 136	$ 107

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY PROGRESS, LLC (formerly DUKE ENERGY PROGRESS, INC.)
Condensed Consolidated Statements of Changes in Member's/Common Stockholder's Equity
(Unaudited)

(in millions)	Common Stock	Retained Earnings	Member's Equity	Total Equity
Balance at December 31, 2013	$ 2,159	$ 3,466	$ —	$ 5,625
Net income	—	391	—	391
Dividends to parent	—	(224)	—	(224)
Balance at September 30, 2014	$ 2,159	$ 3,633	$ —	$ 5,792
Balance at December 31, 2014	$ 2,159	$ 3,708	$ —	$ 5,867
Net income	—	355	142	497
Transfer to Member's Equity	(2,159)	(4,063)	6,222	—
Contribution from parent	—	—	625	625
Balance at September 30, 2015	$ —	$ —	$ 6,989	$ 6,989

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY FLORIDA, LLC (formerly DUKE ENERGY FLORIDA, INC.)
Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2015**	**2014**	**2015**	**2014**
Operating Revenues	$ 1,436	$ 1,491	$ 3,803	$ 3,832
Operating Expenses				
Fuel used in electric generation and purchased power	654	662	1,665	1,655
Operation, maintenance and other	208	212	598	626
Depreciation and amortization	113	139	369	410
Property and other taxes	97	99	265	266
Impairment charges	7	1	7	2
Total operating expenses	1,079	1,113	2,904	2,959
Operating Income	357	378	899	873
Other Income and Expenses, net	2	6	12	17
Interest Expense	50	51	149	150
Income Before Income Taxes	309	333	762	740
Income Tax Expense	93	128	268	285
Net Income	$ 216	$ 205	$ 494	$ 455
Other Comprehensive Income, net of tax				
Reclassification into earnings from cash flow hedges	—	—	—	1
Comprehensive Income	$ 216	$ 205	$ 494	$ 456

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY FLORIDA, LLC (formerly DUKE ENERGY FLORIDA, INC.)
Condensed Consolidated Balance Sheets
(Unaudited)

(in millions)	September 30, 2015	December 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	$ 16	$ 8
Receivables (net of allowance for doubtful accounts of $2 at September 30, 2015 and December 31, 2014)	107	84
Restricted receivables of variable interest entities (net of allowance for doubtful accounts of $3 at September 30, 2015 and December 31, 2014)	395	305
Receivables from affiliated companies	98	40
Inventory	618	623
Regulatory assets	108	203
Other	179	521
Total current assets	1,521	1,784
Investments and Other Assets		
Nuclear decommissioning trust funds	669	803
Other	308	204
Total investments and other assets	977	1,007
Property, Plant and Equipment		
Cost	15,011	14,433
Accumulated depreciation and amortization	(4,648)	(4,478)
Net property, plant and equipment	10,363	9,955
Regulatory Assets and Deferred Debits		
Regulatory assets	2,719	2,733
Other	36	39
Total regulatory assets and deferred debits	2,755	2,772
Total Assets	$ 15,616	$ 15,518
LIABILITIES AND MEMBER'S/COMMON STOCKHOLDER'S EQUITY		
Current Liabilities		
Accounts payable	$ 316	$ 365
Accounts payable to affiliated companies	80	70
Notes payable to affiliated companies	245	84
Taxes accrued	108	65
Interest accrued	62	47
Current maturities of long-term debt	563	562
Regulatory liabilities	113	35
Other	553	586
Total current liabilities	2,040	1,814
Long-Term Debt	4,287	4,298
Deferred Credits and Other Liabilities		
Deferred income taxes	2,579	2,452
Accrued pension and other post-retirement benefit costs	249	221
Asset retirement obligations	732	806
Regulatory liabilities	556	547
Other	157	158
Total deferred credits and other liabilities	4,273	4,184
Commitments and Contingencies		
Member's/Common Stockholder's Equity		
Member's equity	5,016	—
Common stock, no par; 60 million shares authorized; 100 shares outstanding at December 31, 2014	—	1,762
Retained earnings	—	3,460
Total member's/common stockholder's equity	5,016	5,222
Total Liabilities and Member's/Common Stockholder's Equity	$ 15,616	$ 15,518

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY FLORIDA, LLC (formerly DUKE ENERGY FLORIDA, INC.)
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30,	
(in millions)	**2015**	**2014**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 494	$ 455
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	373	413
Equity component of AFUDC	(4)	(1)
Impairment charges	7	2
Deferred income taxes	341	194
Accrued pension and other post-retirement benefit costs	4	22
Contributions to qualified pension plans	(21)	—
Payments for asset retirement obligations	(37)	(52)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	3	13
Receivables	(52)	(118)
Receivables from affiliated companies	(58)	(37)
Inventory	7	7
Other current assets	78	(90)
Increase (decrease) in		
Accounts payable	(88)	32
Accounts payable to affiliated companies	10	29
Taxes accrued	43	68
Other current liabilities	97	(50)
Other assets	(73)	(92)
Other liabilities	(29)	(1)
Net cash provided by operating activities	1,095	794
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(696)	(513)
Purchases of available-for-sale securities	(318)	(238)
Proceeds from sales and maturities of available-for-sale securities	408	243
Proceeds from the sale of nuclear fuel	81	—
Notes receivable from affiliated companies	—	(182)
Other	(12)	(14)
Net cash used in investing activities	(537)	(704)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	—	225
Payments for the redemption of long-term debt	(11)	(10)
Notes payable to affiliated companies	161	(181)
Dividends to parent	(350)	(124)
Distribution to parent	(350)	—
Other	—	(1)
Net cash used in financing activities	(550)	(91)
Net increase (decrease) in cash and cash equivalents	8	(1)
Cash and cash equivalents at beginning of period	8	16
Cash and cash equivalents at end of period	$ 16	$ 15
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$ 140	$ 52

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY FLORIDA, LLC (formerly DUKE ENERGY FLORIDA, INC.)
Condensed Consolidated Statements of Changes in Member's/Common Stockholder's Equity
(Unaudited)

							Accumulated Other Comprehensive Loss		
(in millions)		Common Stock		Retained Earnings		Member's Equity		Net Loss on Cash Flow Hedges		Total
Balance at December 31, 2013	$	1,762	$	3,036	$	—	$	(1)	$	4,797
Net income		—		455		—		—		455
Other comprehensive income		—		—		—		1		1
Dividends to parent		—		(124)		—		—		(124)
Balance at September 30, 2014	$	1,762	$	3,367	$	—	$	—	$	5,129
Balance at December 31, 2014	$	1,762	$	3,460	$	—	$	—	$	5,222
Net income		—		351		143		—		494
Dividends to parent		—		(350)		—		—		(350)
Distribution to parent		—		—		(350)		—		(350)
Transfer to Member's Equity		(1,762)		(3,461)		5,223		—		—
Balance at September 30, 2015	$	—	$	—	$	5,016	$	—	$	5,016

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY OHIO, INC.
Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2015**	**2014**	**2015**	**2014**
Operating Revenues				
Regulated electric	$ 367	$ 352	$ 1,005	$ 998
Nonregulated electric and other	6	6	29	17
Regulated natural gas	89	88	419	418
Total operating revenues	462	446	1,453	1,433
Operating Expenses				
Fuel used in electric generation and purchased power – regulated	128	129	350	360
Fuel used in electric generation and purchased power – nonregulated	10	5	36	24
Cost of natural gas	7	8	116	129
Operation, maintenance and other	124	134	370	378
Depreciation and amortization	57	54	172	167
Property and other taxes	60	58	187	170
Impairment charges	—	—	—	94
Total operating expenses	386	388	1,231	1,322
Gains on Sales of Other Assets and Other, net	—	—	8	—
Operating Income	76	58	230	111
Other Income and Expenses, net	—	3	(2)	9
Interest Expense	20	20	58	60
Income From Continuing Operations Before Income Taxes	56	41	170	60
Income Tax Expense From Continuing Operations	22	15	64	21
Income From Continuing Operations	34	26	106	39
(Loss) Income From Discontinued Operations, net of tax	(2)	413	23	(597)
Net Income (Loss) and Comprehensive Income (Loss)	$ 32	$ 439	$ 129	$ (558)

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY OHIO, INC.
Condensed Consolidated Balance Sheets
(Unaudited)

(in millions)	September 30, 2015	December 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	$ 24	$ 20
Receivables (net of allowance for doubtful accounts of $3 at September 30, 2015 and $2 at December 31, 2014)	81	93
Receivables from affiliated companies	61	107
Notes receivable from affiliated companies	—	145
Inventory	103	97
Assets held for sale	—	316
Regulatory assets	32	49
Other	167	167
Total current assets	468	994
Investments and Other Assets		
Goodwill	920	920
Assets held for sale	—	2,605
Other	17	23
Total investments and other assets	937	3,548
Property, Plant and Equipment		
Cost	7,649	7,141
Accumulated depreciation and amortization	(2,474)	(2,213)
Generation facilities to be retired, net	—	9
Net property, plant and equipment	5,175	4,937
Regulatory Assets and Deferred Debits		
Regulatory assets	495	512
Other	8	8
Total regulatory assets and deferred debits	503	520
Total Assets	$ 7,083	$ 9,999
LIABILITIES AND COMMON STOCKHOLDER'S EQUITY		
Current Liabilities		
Accounts payable	$ 219	$ 209
Accounts payable to affiliated companies	42	74
Notes payable to affiliated companies	134	491
Taxes accrued	131	163
Interest accrued	28	19
Current maturities of long-term debt	56	157
Liabilities associated with assets held for sale	—	246
Regulatory liabilities	25	10
Other	151	66
Total current liabilities	786	1,435
Long-Term Debt	1,524	1,584
Long-Term Debt Payable to Affiliated Companies	25	25
Deferred Credits and Other Liabilities		
Deferred income taxes	1,395	1,765
Accrued pension and other post-retirement benefit costs	52	48
Liabilities associated with assets held for sale	—	34
Asset retirement obligations	143	27
Regulatory liabilities	251	241
Other	165	166
Total deferred credits and other liabilities	2,006	2,281
Commitments and Contingencies		
Common Stockholder's Equity		
Common stock, $8.50 par value, 120,000,000 shares authorized; 89,663,086 shares outstanding at September 30, 2015 and December 31, 2014	762	762

Additional paid-in capital		**2,721**		4,782
Accumulated deficit		**(741)**		(870)
Total common stockholder's equity		**2,742**		4,674
Total Liabilities and Common Stockholder's Equity	**$**	**7,083**	$	9,999

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY OHIO, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30,	
(in millions)	**2015**	**2014**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ 129	$ (558)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, amortization and accretion	175	205
Equity component of AFUDC	(2)	(3)
Gains on sales of other assets and other, net	(8)	—
Impairment charges	40	889
Deferred income taxes	127	(285)
Accrued pension and other post-retirement benefit costs	7	6
Contributions to qualified pension plans	(4)	—
Payments for asset retirement obligations	(2)	—
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	(11)	124
Receivables	8	(66)
Receivables from affiliated companies	46	62
Inventory	2	(16)
Other current assets	6	56
Increase (decrease) in		
Accounts payable	7	(42)
Accounts payable to affiliated companies	(32)	(6)
Taxes accrued	(58)	13
Other current liabilities	101	46
Other assets	28	(8)
Other liabilities	(57)	(20)
Net cash provided by operating activities	502	397
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(266)	(242)
Notes receivable from affiliated companies	145	(178)
Other	(9)	—
Net cash used in investing activities	(130)	(420)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for the redemption of long-term debt	(153)	(406)
Notes payable to affiliated companies	(64)	520
Dividends to parent	(149)	(100)
Other	(2)	1
Net cash (used in) provided by financing activities	(368)	15
Net increase (decrease) in cash and cash equivalents	4	(8)
Cash and cash equivalents at beginning of period	20	36
Cash and cash equivalents at end of period	$ 24	$ 28
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$ 24	$ 21
Distribution of membership interest of Duke Energy SAM, LLC to parent	1,912	—

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY OHIO, INC.
Condensed Consolidated Statements of Changes in Common Stockholder's Equity
(Unaudited)

(in millions)	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total
Balance at December 31, 2013	$ 762	$ 4,882	$ (375)	$ 5,269
Net loss	—	—	(558)	(558)
Dividends to parent	—	(100)	—	(100)
Balance at September 30, 2014	$ 762	$ 4,782	$ (933)	$ 4,611
Balance at December 31, 2014	$ 762	$ 4,782	$ (870)	$ 4,674
Net income	—	—	**129**	**129**
Dividends to parent	—	**(149)**	—	**(149)**
Distribution of membership interest of Duke Energy SAM, LLC to parent	—	**(1,912)**	—	**(1,912)**
Balance at September 30, 2015	**$ 762**	**$ 2,721**	**$ (741)**	**$ 2,742**

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY INDIANA, INC.
Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2015**	**2014**	**2015**	**2014**
Operating Revenues	$ 749	$ 790	$ 2,223	$ 2,383
Operating Expenses				
Fuel used in electric generation and purchased power	250	319	779	945
Operation, maintenance and other	164	160	525	465
Depreciation and amortization	109	104	320	309
Property and other taxes	23	25	41	69
Impairment charges	85	—	85	—
Total operating expenses	631	608	1,750	1,808
Loss on Sale of Other Assets and Other, net	(1)	—	—	—
Operating Income	117	182	473	575
Other Income and Expenses, net	—	5	9	16
Interest Expense	44	40	132	127
Income Before Income Taxes	73	147	350	464
Income Tax Expense	27	46	128	163
Net Income	$ 46	$ 101	$ 222	$ 301
Other Comprehensive Loss, net of tax				
Reclassification into earnings from cash flow hedges	(1)	—	(2)	—
Comprehensive Income	$ 45	$ 101	$ 220	$ 301

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY INDIANA, INC.
Condensed Consolidated Balance Sheets
(Unaudited)

(in millions)	September 30, 2015	December 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	$ 62	$ 6
Receivables (net of allowance for doubtful accounts of $2 at September 30, 2015 and $1 at December 31, 2014)	90	87
Receivables from affiliated companies	72	115
Notes receivable from affiliated companies	166	—
Inventory	564	537
Regulatory assets	97	93
Other	167	326
Total current assets	1,218	1,164
Investments and Other Assets	243	251
Property, Plant and Equipment		
Cost	13,765	13,034
Accumulated depreciation and amortization	(4,425)	(4,219)
Net property, plant and equipment	9,340	8,815
Regulatory Assets and Deferred Debits		
Regulatory assets	645	685
Other	22	24
Total regulatory assets and deferred debits	667	709
Total Assets	$ 11,468	$ 10,939
LIABILITIES AND COMMON STOCKHOLDER'S EQUITY		
Current Liabilities		
Accounts payable	$ 149	$ 179
Accounts payable to affiliated companies	50	58
Notes payable to affiliated companies	—	71
Taxes accrued	43	54
Interest accrued	53	56
Current maturities of long-term debt	480	5
Regulatory liabilities	67	54
Other	89	98
Total current liabilities	931	575
Long-Term Debt	3,160	3,636
Long-Term Debt Payable to Affiliated Companies	150	150
Deferred Credits and Other Liabilities		
Deferred income taxes	1,774	1,591
Investment tax credits	138	139
Accrued pension and other post-retirement benefit costs	83	82
Asset retirement obligations	449	32
Regulatory liabilities	758	796
Other	107	90
Total deferred credits and other liabilities	3,309	2,730
Commitments and Contingencies		
Common Stockholder's Equity		
Common stock, no par; $0.01 stated value, 60,000,000 shares authorized; 53,913,701 shares outstanding at September 30, 2015 and December 31, 2014	1	1
Additional paid-in capital	1,384	1,384
Retained earnings	2,532	2,460
Accumulated other comprehensive income	1	3
Total common stockholder's equity	3,918	3,848
Total Liabilities and Common Stockholder's Equity	$ 11,468	$ 10,939

See Notes to Condensed Consolidated Financial Statements

PART I

DUKE ENERGY INDIANA, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30,	
(in millions)	**2015**	**2014**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 222	$ 301
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	323	311
Equity component of AFUDC	(9)	(10)
Impairment charges	85	—
Deferred income taxes	276	136
Accrued pension and other post-retirement benefit costs	10	12
Contributions to qualified pension plans	(9)	—
Payments for asset retirement obligations	(12)	—
(Increase) decrease in		
Receivables	(5)	(20)
Receivables from affiliated companies	43	72
Inventory	(27)	(30)
Other current assets	67	40
Increase (decrease) in		
Accounts payable	11	(44)
Accounts payable to affiliated companies	(8)	4
Taxes accrued	(11)	(36)
Other current liabilities	16	3
Other assets	(50)	(15)
Other liabilities	(1)	44
Net cash provided by operating activities	921	768
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(506)	(462)
Purchases of available-for-sale securities	(5)	(17)
Proceeds from sales and maturities of available-for-sale securities	8	13
Proceeds from the sales of other assets	14	—
Notes receivable from affiliated companies	(166)	96
Other	13	4
Net cash used in investing activities	(642)	(366)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for the redemption of long-term debt	(2)	(2)
Notes payable to affiliated companies	(71)	61
Dividends to parent	(150)	(451)
Other	—	(1)
Net cash used in financing activities	(223)	(393)
Net increase in cash and cash equivalents	56	9
Cash and cash equivalents at beginning of period	6	15
Cash and cash equivalents at end of period	$ 62	$ 24
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$ 46	$ 64

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY INDIANA, INC.
Condensed Consolidated Statements of Changes in Common Stockholder's Equity
(Unaudited)

(in millions)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income — Net Gains on Cash Flow Hedges	Total
Balance at December 31, 2013	$ 1	$ 1,384	$ 2,551	$ 3	$ 3,939
Net income	—	—	301	—	301
Dividends to parent	—	—	(451)	—	(451)
Balance at September 30, 2014	$ 1	$ 1,384	$ 2,401	$ 3	$ 3,789
Balance at December 31, 2014	$ 1	$ 1,384	$ 2,460	$ 3	$ 3,848
Net income	—	—	222	—	222
Other comprehensive loss	—	—	—	(2)	(2)
Dividends to parent	—	—	(150)	—	(150)
Balance at September 30, 2015	$ 1	$ 1,384	$ 2,532	$ 1	$ 3,918

See Notes to Condensed Consolidated Financial Statements

Index to Combined Notes to Condensed Consolidated Financial Statements

The unaudited notes to the condensed consolidated financial statements that follow are a combined presentation. The following list indicates the registrants to which the footnotes apply.

	Applicable Notes																	
Registrant	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**
Duke Energy Corporation	•	•	•	•	•	•	•	•		•	•	•	•	•	•	•	•	•
Duke Energy Carolinas, LLC	•		•	•	•	•	•		•	•	•	•	•			•	•	•
Progress Energy, Inc.	•	•	•	•	•	•	•	•	•	•	•	•	•			•	•	•
Duke Energy Progress, LLC	•	•	•	•	•	•	•		•	•	•	•	•			•	•	•
Duke Energy Florida, LLC	•		•	•	•	•	•		•	•	•	•	•			•	•	•
Duke Energy Ohio, Inc.	•	•	•	•	•	•	•	•	•	•		•	•			•	•	•
Duke Energy Indiana, Inc.	•		•	•	•	•	•		•	•	•	•	•			•	•	•

1. ORGANIZATION AND BASIS OF PRESENTATION

NATURE OF OPERATIONS AND BASIS OF CONSOLIDATION

Duke Energy Corporation (collectively with its subsidiaries, Duke Energy) is an energy company headquartered in Charlotte, North Carolina, subject to regulation by the Federal Energy Regulatory Commission (FERC). Duke Energy operates in the United States (U.S.) and Latin America primarily through its direct and indirect subsidiaries. Duke Energy's subsidiaries include its subsidiary registrants, Duke Energy Carolinas, LLC (Duke Energy Carolinas); Progress Energy, Inc. (Progress Energy); Duke Energy Progress, LLC (Duke Energy Progress, formerly Duke Energy Progress, Inc.); Duke Energy Florida, LLC (Duke Energy Florida, formerly Duke Energy Florida, Inc.); Duke Energy Ohio, Inc. (Duke Energy Ohio) and Duke Energy Indiana, Inc. (Duke Energy Indiana). When discussing Duke Energy's consolidated financial information, it necessarily includes the results of its six separate subsidiary registrants (collectively referred to as the Subsidiary Registrants), which, along with Duke Energy, are collectively referred to as the Duke Energy Registrants (Duke Energy Registrants).

These Condensed Consolidated Financial Statements include, after eliminating intercompany transactions and balances, the accounts of the Duke Energy Registrants and subsidiaries where the respective Duke Energy Registrants have control. These Condensed Consolidated Financial Statements also reflect the Duke Energy Registrants' proportionate share of certain jointly owned generation and transmission facilities.

Duke Energy Carolinas is a regulated public utility primarily engaged in the generation, transmission, distribution and sale of electricity in portions of North Carolina and South Carolina. Duke Energy Carolinas is subject to the regulatory provisions of the North Carolina Utilities Commission (NCUC), Public Service Commission of South Carolina (PSCSC), U.S. Nuclear Regulatory Commission (NRC) and FERC. Substantially all of Duke Energy Carolinas' operations qualify for regulatory accounting.

Progress Energy is a public utility holding company headquartered in Raleigh, North Carolina, subject to regulation by the FERC. Progress Energy conducts operations through its wholly owned subsidiaries, Duke Energy Progress and Duke Energy Florida. Substantially all of Progress Energy's operations qualify for regulatory accounting.

Duke Energy Progress is a regulated public utility primarily engaged in the generation, transmission, distribution and sale of electricity in portions of North Carolina and South Carolina. Duke Energy Progress is subject to the regulatory provisions of the NCUC, PSCSC, NRC and FERC. Substantially all of Duke Energy Progress' operations qualify for regulatory accounting. On August 1, 2015, Duke Energy Progress, a North Carolina corporation, converted into a North Carolina limited liability company.

Duke Energy Florida is a regulated public utility primarily engaged in the generation, transmission, distribution and sale of electricity in portions of Florida. Duke Energy Florida is subject to the regulatory provisions of the Florida Public Service Commission (FPSC), NRC and FERC. Substantially all of Duke Energy Florida's operations qualify for regulatory accounting. On August 1, 2015, Duke Energy Florida, a Florida corporation, converted into a Florida limited liability company.

Duke Energy Ohio is a regulated public utility primarily engaged in the transmission and distribution of electricity in portions of Ohio and Kentucky, in the generation and sale of electricity in portions of Kentucky, and the transportation and sale of natural gas in portions of Ohio and Kentucky. Duke Energy Ohio conducts competitive auctions for retail electricity supply in Ohio whereby the full requirements service price is recovered from retail customers. Operations in Kentucky are conducted through its wholly owned subsidiary, Duke Energy Kentucky, Inc. (Duke Energy Kentucky). References herein to Duke Energy Ohio collectively include Duke Energy Ohio and its subsidiaries, unless otherwise noted. Duke Energy Ohio is subject to the regulatory provisions of the Public Utilities Commission of Ohio (PUCO), Kentucky Public Service Commission (KPSC) and FERC. On April 2, 2015, Duke Energy completed the sale of its nonregulated Midwest generation business, which sold power into wholesale energy markets, to a subsidiary of Dynegy Inc. (Dynegy). See Note 2 (Midwest Generation Exit) for additional information. Substantially all of Duke Energy Ohio's operations that remain after the sale qualify for regulatory accounting.

Duke Energy Indiana is a regulated public utility primarily engaged in the generation, transmission, distribution and sale of electricity in portions of Indiana. Duke Energy Indiana is subject to the regulatory provisions of the Indiana Utility Regulatory Commission (IURC) and FERC. Substantially all of Duke Energy Indiana's operations qualify for regulatory accounting.

BASIS OF PRESENTATION

Duke Energy completed the sale of Duke Energy Ohio's nonregulated Midwest generation business and Duke Energy Retail Sales LLC (Duke Energy Retail), a retail sales business owned by Duke Energy, to Dynegy on April 2, 2015. The results of operations of these businesses prior to the date of sale have been classified as Discontinued Operations on the Condensed Consolidated Statements of Operations for all periods presented. Duke Energy has elected to present cash flows of discontinued operations combined with cash flows of continuing operations. Unless otherwise noted, the notes to these Condensed Consolidated Financial Statements exclude amounts related to discontinued operations, assets held for sale and liabilities associated with assets held for sale. See Note 2 (Midwest Generation Exit) for additional information.

These Condensed Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles (GAAP) in the U.S. for interim financial information and with the instructions to Form 10-Q and Regulation S-X. Accordingly, these Condensed Consolidated Financial Statements do not include all information and notes required by GAAP in the U.S. for annual financial statements. Since the interim Condensed Consolidated Financial Statements and Notes do not include all information and notes required by GAAP in the U.S. for annual financial statements, the Condensed Consolidated Financial Statements and other information included in this quarterly report should be read in conjunction with the Consolidated Financial Statements and Notes in the Duke Energy Registrants' combined Annual Report on Form 10-K for the year ended December 31, 2014.

The information in these combined notes relates to each of the Duke Energy Registrants as noted in the Index to Combined Notes to Condensed Consolidated Financial Statements. However, none of the registrants make any representations as to information related solely to Duke Energy or the subsidiaries of Duke Energy other than itself.

These Condensed Consolidated Financial Statements, in the opinion of the respective companies' management, reflect all normal recurring adjustments necessary to fairly present the financial position and results of operations of each of the Duke Energy Registrants. Amounts reported in Duke Energy's interim Condensed Consolidated Statements of Operations and each of the Subsidiary Registrants' interim Condensed Consolidated Statements of Operations and Comprehensive Income are not necessarily indicative of amounts expected for the respective annual periods due to effects of seasonal temperature variations on energy consumption, regulatory rulings, timing of maintenance on electric generating units, changes in mark-to-market valuations, changing commodity prices and other factors.

In preparing financial statements that conform to GAAP, management must make estimates and assumptions that affect the reported amounts of assets and liabilities, the reported amounts of revenues and expenses, and the disclosure of contingent assets and liabilities at the data of the financial statements. Actual results could differ from those estimates.

Certain prior year amounts have been reclassified to conform to the current year presentation.

UNBILLED REVENUE

Revenues on sales of electricity and natural gas are recognized when service is provided or the product is delivered. Unbilled revenues are recognized by applying customer billing rates to the estimated volumes of energy delivered but not yet billed. Unbilled revenues can vary significantly from period to period as a result of seasonality, weather, customer usage patterns, customer mix, average price in effect for customer classes and meter reading schedules.

Unbilled revenues are included within Receivables and Restricted receivables of variable interest entities on the Condensed Consolidated Balance Sheets as shown in the following table.

(in millions)	September 30, 2015	December 31, 2014
Duke Energy	$ 748	$ 827
Duke Energy Carolinas	247	295
Progress Energy	220	217
Duke Energy Progress	123	135
Duke Energy Florida	97	82
Duke Energy Ohio	6	—
Duke Energy Indiana	25	27

Additionally, Duke Energy Ohio and Duke Energy Indiana sell, on a revolving basis, nearly all of their retail accounts receivable, including receivables for unbilled revenues, to an affiliate, Cinergy Receivables Company, LLC (CRC), and account for the transfers of receivables as sales. Accordingly, the receivables sold are not reflected on the Condensed Consolidated Balance Sheets of Duke Energy Ohio and Duke Energy Indiana. See Note 13 for further information. These receivables for unbilled revenues are shown in the table below.

(in millions)	September 30, 2015	December 31, 2014
Duke Energy Ohio	$ 64	$ 79
Duke Energy Indiana	93	112

AMOUNTS ATTRIBUTABLE TO CONTROLLING INTERESTS

For the three and nine months ended September 30, 2015, the amount of Loss From Discontinued Operations, net of tax presented on the Condensed Consolidated Statements of Operations is fully attributable to controlling interests.

During 2014, Duke Energy and Progress Energy's amount of Income (Loss) from Discontinued Operations, net of tax presented on the Condensed Consolidated Statements of Operations includes amounts attributable to noncontrolling interest. The following table presents Net Income Attributable to Duke Energy Corporation for continuing operations and discontinued operations for the three and nine months ended September 30, 2014.

	Three Months Ended September 30, 2014		Nine Months Ended September 30, 2014	
(in millions)	Duke Energy	Progress Energy	Duke Energy	Progress Energy
Income From Continuing Operations	$ 891	$ 330	$ 2,367	$ 741
Income From Continuing Operations Attributable to Noncontrolling Interests	3	1	11	2
Income From Continuing Operations Attributable to Duke Energy Corporation	$ 888	$ 329	$ 2,356	$ 739
Income (Loss) From Discontinued Operations, net of tax	$ 378	$ —	$ (578)	$ (6)
Loss From Discontinued Operations Attributable to Noncontrolling Interests, net of tax	(8)	—	(8)	—
Income (Loss) From Discontinued Operations Attributable to Duke Energy Corporation, net of tax	$ 386	$ —	$ (570)	$ (6)
Net income	$ 1,269	$ 330	$ 1,789	$ 735
Net (Loss) Income Attributable to Noncontrolling Interests	(5)	1	3	2
Net Income Attributable to Duke Energy Corporation	$ 1,274	$ 329	$ 1,786	$ 733

Other comprehensive income reported on the Condensed Consolidated Statements of Changes in Equity for Progress Energy is attributable only to controlling interests for all periods presented.

ACCUMULATED OTHER COMPREHENSIVE INCOME

For the three and nine months ended September 30, 2015 and 2014, reclassifications out of accumulated other comprehensive income (AOCI) for the Duke Energy Registrants were not material. Changes in AOCI for the Duke Energy Registrants are presented in their respective Condensed Consolidated Statements of Equity.

EXCISE TAXES

Certain excise taxes levied by state or local governments are required to be paid even if not collected from the customer. These taxes are recognized on a gross basis. Otherwise, excise taxes are accounted for net.

Excise taxes recognized on a gross basis are recorded as Operating Revenues and Property and other taxes on the Condensed Consolidated Statements of Operations. The following table provides the amount of excise taxes accounted for on a gross basis.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2015	2014	2015	2014
Duke Energy	**$ 109**	$ 101	**$ 308**	$ 416
Duke Energy Carolinas	**9**	4	**27**	93
Progress Energy	**67**	63	**174**	214
Duke Energy Progress	**4**	—	**12**	56
Duke Energy Florida	**63**	63	**162**	158
Duke Energy Ohio	**24**	24	**80**	80
Duke Energy Indiana	**9**	10	**27**	29

During the third quarter of 2014, the North Carolina gross receipts tax was terminated due to the North Carolina Tax Simplification and Rate Reduction Act. The North Carolina gross receipts tax is no longer imposed effective July 1, 2014.

NEW ACCOUNTING STANDARDS

The new accounting standards adopted for 2015 and 2014 had no significant impact on the presentation or results of operations, cash flows or financial position of the Duke Energy Registrants. During the fourth quarter of 2015, Duke Energy will early adopt certain accounting standards not required until the first quarter of 2016. Adoption of these standards will not have a material impact on the results of operations, cash flows, financial position or disclosures of the Duke Energy Registrants.

ASC 205 – Reporting Discontinued Operations. In April 2014, the Financial Accounting Standards Board (FASB) issued revised accounting guidance for reporting discontinued operations. A discontinued operation would be either (i) a component of an entity or a group of components of an entity that represents a separate major line of business or major geographical area of operations that either has been disposed of or is part of a single coordinated plan to be classified as held for sale or (ii) a business that, upon acquisition, meets the criteria to be classified as held for sale.

For Duke Energy, the revised accounting guidance is effective on a prospective basis for qualified disposals of components or classifications as held for sale that occur after January 1, 2015. Under the standard, the guidance is not effective for a component classified as held for sale before the effective date even if the disposal occurs after the effective date of the guidance. Duke Energy has not reported any discontinued operations under the revised accounting guidance.

The following new Accounting Standards Updates (ASUs) have been issued, but have not yet been adopted by the Duke Energy, as of September 30, 2015.

ASC 606 – Revenue from Contracts with Customers. In May 2014, the FASB issued revised accounting guidance for revenue recognition from contracts with customers. The core principle of this revised accounting guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this update also require disclosure of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

For Duke Energy, the revised accounting guidance is effective for interim and annual periods beginning January 1, 2018, although it can be early adopted for annual periods beginning as early as January 1, 2017. Duke Energy is currently evaluating the requirements. Other than increased disclosures, the revised accounting guidance and impacts to the Duke Energy Registrants have not yet been determined.

ASC 835 – Presentation of Debt Issuance Costs. In April and August 2015, the FASB issued revised accounting guidance for the presentation of debt issuance costs. The core principle of this revised accounting guidance is that debt issuance costs are not assets, but adjustments to the carrying cost of debt. For Duke Energy, this revised accounting guidance is effective retroactively beginning January 1, 2016, but can be adopted earlier.

Duke Energy intends to early adopt this accounting standard during the fourth quarter of 2015. The implementation of this accounting standard will result in a reduction of approximately $165 million in Other within Regulatory Assets and Deferred Debits, and in Long-Term Debt, based on the amount of debt issuance costs reported on the Condensed Consolidated Balance Sheets as of September 30, 2015.

2. ACQUISITIONS AND DISPOSITIONS

ACQUISITIONS

Acquisition of Piedmont Natural Gas

On October 24, 2015, Duke Energy entered into an Agreement and Plan of Merger (Merger Agreement) with Piedmont Natural Gas Company, Inc., (Piedmont) a North Carolina corporation. Under the terms of the Merger Agreement, Duke Energy will acquire Piedmont for $4.9 billion in cash. Upon closing, Piedmont will become a wholly-owned subsidiary of Duke Energy.

Pursuant to the Merger Agreement, upon the closing of the merger, each share of Piedmont common stock issued and outstanding immediately prior to the closing will be converted automatically into the right to receive $60 in cash per share. In addition, Duke Energy will assume $1.8 billion in Piedmont existing debt. Duke Energy expects to finance the transaction with a combination of debt, between $500 million and $750 million of newly issued equity and other cash sources. Duke Energy has a fully underwritten bridge facility to support funding of the merger.

Completion of the transaction is conditioned upon approval by the NCUC, expiration or termination of any applicable waiting period under the federal Hart-Scott-Rodino Antitrust Improvements Act of 1976, and Piedmont shareholder approval. The Merger Agreement contains certain termination rights for both Duke Energy and Piedmont, and provides that, upon termination of the Merger Agreement under specified circumstances, Duke Energy would be required to pay a termination fee of $250 million to Piedmont and Piedmont would be required to pay Duke Energy a termination fee of $125 million.

Subject to receipt of required regulatory approvals and meeting closing conditions, Duke Energy and Piedmont target a closing by the end of 2016.

See Note 4 for additional information regarding Duke Energy and Piedmont's joint investment in Atlantic Coast Pipeline, LLC (ACP).

Purchase of NCEMPA's Generation

On July 31, 2015, Duke Energy Progress completed the purchase of North Carolina Eastern Municipal Power Agency's (NCEMPA) ownership interests in certain generating assets, fuel and spare parts inventory jointly owned with and operated by Duke Energy Progress for approximately $1.25 billion. This purchase was accounted for as an asset acquisition. The purchase resulted in the acquisition of a total of approximately 700 megawatts (MW) of generating capacity at Brunswick Nuclear Plant, Shearon Harris Nuclear Plant, Mayo Steam Plant and Roxboro Steam Plant. The NRC approved the transfer of control of licenses for the Brunswick Nuclear Plant and Shearon Harris Nuclear Plant from NCEMPA to Duke Energy Progress on July 6, 2015. In connection with this transaction, Duke Energy Progress and NCEMPA entered into a 30-year wholesale power agreement, whereby Duke Energy Progress will sell power to NCEMPA to continue to meet the needs of NCEMPA customers.

The purchase price exceeds the historical carrying value of the acquired assets by $350 million, which is a purchase acquisition adjustment, recorded in property, plant and equipment. Duke Energy Progress received FERC approval for inclusion of the purchase acquisition adjustment in wholesale power formula rates on December 9, 2014. On July 8, 2015, the NCUC adopted a new rule that enables a rider mechanism for recovery of the costs to acquire, operate and maintain interests in the assets purchased as allocated to Duke Energy Progress' North Carolina retail operations, including the purchase acquisition adjustment. Duke Energy Progress filed an application with the NCUC to implement the rider to be effective December 1, 2015. Duke Energy Progress also received an order from the PSCSC to defer the recovery of the South Carolina retail allocated costs of the asset purchased until the Company's next general rate case.

Purchase Price Allocation

The ownership interests in generating assets acquired are subject to rate-setting authority of the FERC, NCUC and PSCSC and accordingly, the assets are recorded at historical cost. The purchase price allocation is presented in the following table.

(in millions)	
Inventory	$ 56
Net property, plant and equipment	845
Total assets	**901**
Purchase acquisition adjustment	350
Total purchase price	**$ 1,251**

In connection with the acquisition, Duke Energy Progress acquired NCEMPA's nuclear decommissioning trust fund assets of $287 million and assumed asset retirement obligations of $204 million associated with NCEMPA's interest in the generation assets. The nuclear decommissioning trust fund and the asset retirement obligation are subject to regulatory accounting treatment with any difference between the trust fund assets and the asset retirement obligation accounted for within regulatory assets and liabilities.

Impact of the Acquisition

Incremental costs following the acquisition are allocated between retail and wholesale operations. Costs allocated to Duke Energy Progress' retail operations are being deferred until the costs are reflected in retail rates in North Carolina through a rate rider. Costs allocated to the South Carolina jurisdiction are being deferred until the next rate case when recovery of these costs will be considered.

The impact of the acquired NCEMPA assets and the 30-year wholesale power agreement on Duke Energy Progress' Operating Revenues and Net Income and Comprehensive Income in the Condensed Consolidated Statements of Operations was $40 million and $7 million, respectively, for the three and nine months ended September 30, 2015.

DISPOSITIONS

Midwest Generation Exit

Duke Energy, through indirect subsidiaries, completed the sale of the nonregulated Midwest generation business and Duke Energy Retail (Disposal Group) to a subsidiary of Dynegy on April 2, 2015, for approximately $2.8 billion in cash. On April 1, 2015, prior to the sale, Duke Energy Ohio distributed its indirect ownership interest in the nonregulated Midwest generation business to a subsidiary of Duke Energy Corporation.

The assets and liabilities of the Disposal Group prior to the sale were included in the Commercial Portfolio (formerly Commercial Power) segment and classified as held for sale in Duke Energy's and Duke Energy Ohio's Condensed Consolidated Balance Sheet. The following table presents information related to the Duke Energy Ohio generation plants included in the Disposal Group.

Facility	Plant Type	Primary Fuel	Location	Total MW Capacity[d]	Owned MW Capacity[d]	Ownership Interest
Stuart[a][c]	Fossil Steam	Coal	OH	2,308	900	39%
Zimmer[a]	Fossil Steam	Coal	OH	1,300	605	46.5%
Hanging Rock	Combined Cycle	Natural Gas	OH	1,226	1,226	100%
Miami Fort (Units 7 and 8)[b]	Fossil Steam	Coal	OH	1,020	652	64%
Conesville[a][c]	Fossil Steam	Coal	OH	780	312	40%
Washington	Combined Cycle	Natural Gas	OH	617	617	100%
Fayette	Combined Cycle	Natural Gas	PA	614	614	100%
Killen[b][c]	Fossil Steam	Coal	OH	600	198	33%
Lee	Combustion Turbine	Natural Gas	IL	568	568	100%
Dick's Creek	Combustion Turbine	Natural Gas	OH	136	136	100%
Miami Fort	Combustion Turbine	Oil	OH	56	56	100%
Total Midwest Generation				**9,225**	**5,884**	

(a) Jointly owned with America Electric Power Generation Resources and The Dayton Power & Light Company.
(b) Jointly owned with The Dayton Power & Light Company.
(c) Facility was not operated by Duke Energy Ohio.
(d) Total megawatt (MW) capacity is based on summer capacity.

The Disposal Group also included a retail sales business owned by Duke Energy. In the second quarter of 2014, Duke Energy Ohio removed Ohio Valley Electric Corporation's (OVEC) purchase power agreement from the Disposal Group as it no longer intended to sell it with the Disposal Group.

The results of operations of the Disposal Group prior to the date of sale are classified as discontinued operations in the accompanying Condensed Consolidated Statements of Operations and Comprehensive Income. Certain immaterial costs that may be eliminated as a result of the sale have remained in continuing operations. The following table presents the results of discontinued operations.

Duke Energy

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2015**	**2014**	**2015**	**2014**
Operating Revenues	$ —	$ 620	$ 543	$ 1,233
(Loss) Gain on disposition[a]	(5)	460	(42)	(847)
(Loss) Income before income taxes[b]	$ (5)	$ 623	$ 62	$ (864)
Income tax (benefit) expense	(1)	218	29	(321)
(Loss) Income from discontinued operations of the Disposal Group	(4)	405	33	(543)
Other, net of tax[c]	(1)	(27)	(4)	(35)
(Loss) Income from Discontinued Operations, net of tax	$ (5)	$ 378	$ 29	$ (578)

(a) The (Loss) Gain on disposition includes impairments and reversals to the impairments recorded to adjust the carrying amount of the assets to the estimated fair value of the business, based on the selling price to Dynegy less cost to sell.
(b) The (Loss) Income before income taxes includes the pretax impact of an $81 million charge for the settlement agreement reached in a lawsuit related to the Disposal Group for the nine months ended September 30, 2015. Refer to Note 5 for further information related to the lawsuit.
(c) Includes other discontinued operations related to prior sales of businesses and includes indemnifications provided for certain legal, tax and environmental matters, and foreign currency translation adjustments.

Duke Energy Ohio

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2015**	**2014**	**2015**	**2014**
Operating Revenues	$ —	$ 536	$ 412	$ 853
(Loss) Gain on disposition[a]	(4)	466	(48)	(878)
(Loss) Income before income taxes[b]	$ (4)	$ 647	$ 48	$ (917)
Income tax (benefit) expense	(2)	234	25	(320)
(Loss) Income from Discontinued Operations, net of tax	$ (2)	$ 413	$ 23	$ (597)

(a) The (Loss) Gain on disposition includes impairments and reversals to the impairments recorded to adjust the carrying amount of the assets to the estimated fair value of the business, based on the selling price to Dynegy less cost to sell.
(b) The (Loss) Income before income taxes includes the pretax impact of an $81 million charge for the settlement agreement reached in a lawsuit related to the Disposal Group for the nine months ended September 30, 2015, respectively. Refer to Note 5 for further information related to the lawsuit.

Commercial Portfolio has a revolving credit agreement (RCA) which was used to support the operations of the nonregulated Midwest generation business. Interest expense associated with the RCA was allocated to discontinued operations. No other interest expense related to corporate level debt was allocated to discontinued operations.

Duke Energy Ohio had a power purchase agreement with the Disposal Group for a portion of its standard service offer (SSO) supply requirement. The agreement and the SSO expired in May 2015. Duke Energy will also provide, and receive reimbursement for, transition services provided to Dynegy for a period of up to 12 months. The continuing cash flows are not considered direct cash flows and are not expected to be material. Duke Energy or Duke Energy Ohio will not significantly influence the operations of the Disposal Group during the transition service period.

See Notes 4 and 5 for a discussion of contingencies related to the Disposal Group that are retained by Duke Energy Ohio subsequent to the sale.

3. BUSINESS SEGMENTS

Operating segments are determined based on information used by the chief operating decision-maker in deciding how to allocate resources and evaluate the performance of the business.

Duke Energy evaluates segment performance based on segment income. Segment income is defined as income from continuing operations net of income attributable to noncontrolling interests. Segment income, as discussed below, includes intercompany revenues and expenses that are eliminated in the Condensed Consolidated Financial Statements. Certain governance costs are allocated to each segment. In addition, direct interest expense and income taxes are included in segment income.

Products and services are sold between affiliate companies and reportable segments of Duke Energy at cost. Segment assets presented in the following tables exclude all intercompany assets.

DUKE ENERGY

Duke Energy has the following reportable operating segments: Regulated Utilities, International Energy and Commercial Portfolio.

Regulated Utilities conducts electric and natural gas operations that are substantially all regulated and, accordingly, qualify for regulatory accounting treatment. These operations are primarily conducted through the Subsidiary Registrants and are subject to the rules and regulations of the FERC, NRC, NCUC, PSCSC, FPSC, PUCO, IURC and KPSC.

International Energy principally operates and manages power generation facilities and engages in sales and marketing of electric power, natural gas and natural gas liquids outside the U.S. Its activities principally relate to power generation in Latin America. Additionally, International Energy owns a 25 percent interest in National Methanol Company (NMC), a large regional producer of methyl tertiary butyl ether (MTBE) located in Saudi Arabia. The investment in NMC is accounted for under the equity method of accounting.

Commercial Portfolio builds, develops and operates wind and solar renewable generation and energy transmission projects throughout the U.S. The segment was renamed as a result of the sale of the nonregulated Midwest generation business, as discussed in Note 2. For periods subsequent to the sale, beginning in the second quarter of 2015, certain immaterial results of operations and related assets previously presented in the Commercial Portfolio segment are presented in Regulated Utilities and Other.

The remainder of Duke Energy's operations is presented as Other, which is primarily comprised of unallocated corporate interest expense, unallocated corporate costs, contributions to The Duke Energy Foundation and the operations of Duke Energy's wholly owned captive insurance subsidiary, Bison Insurance Company Limited (Bison).

	Three Months Ended September 30, 2015						
(in millions)	Regulated Utilities	International Energy	Commercial Portfolio	Total Reportable Segments	Other	Eliminations	Consolidated
Unaffiliated revenues	$ 6,138	$ 281	$ 66	$ 6,485	$ (2)	$ —	$ 6,483
Intersegment revenues	9	—	—	9	19	(28)	—
Total revenues	$ 6,147	$ 281	$ 66	$ 6,494	$ 17	$ (28)	$ 6,483
Segment income (loss)[(a)(b)]	$ 905	$ 69	$ (3)	$ 971	$ (34)	$ —	$ 937
Add back noncontrolling interests							3
Loss from discontinued operations, net of tax							(5)
Net income							$ 935
Segment assets	$ 110,520	$ 3,730	$ 3,841	$ 118,091	$ 2,757	$ 185	$ 121,033

(a) Regulated Utilities includes an after-tax charge of $56 million related to the Edwardsport settlement. Refer to Note 4 for further information.
(b) Other includes $15 million of after-tax costs to achieve the 2012 Progress Energy merger.

	Three Months Ended September 30, 2014						
(in millions)	Regulated Utilities	International Energy	Commercial Portfolio	Total Reportable Segments	Other	Eliminations	Consolidated
Unaffiliated revenues	$ 5,975	$ 366	$ 50	$ 6,391	$ 4	$ —	$ 6,395
Intersegment revenues	11	—	—	11	21	(32)	—
Total revenues	$ 5,986	$ 366	$ 50	$ 6,402	$ 25	$ (32)	$ 6,395
Segment income (loss)[a]	$ 920	$ 80	$ (17)	$ 983	$ (92)	$ (3)	$ 888
Add back noncontrolling interests							3
Income from discontinued operations, net of tax							378
Net income							$ 1,269

(a) Other includes $35 million of after-tax costs to achieve the 2012 Progress Energy merger.

	Nine Months Ended September 30, 2015						
(in millions)	Regulated Utilities	International Energy	Commercial Portfolio	Total Reportable Segments	Other	Eliminations	Consolidated
Unaffiliated revenues	$ 17,062	$ 841	$ 214	$ 18,117	$ 20	$ —	$ 18,137
Intersegment revenues	28	—	—	28	58	(86)	—
Total revenues	$ 17,090	$ 841	$ 214	$ 18,145	$ 78	$ (86)	$ 18,137
Segment income (loss)[a][b][c]	$ 2,311	$ 157	$ (35)	$ 2,433	$ (119)	$ (4)	$ 2,310
Add back noncontrolling interests							10
Income from discontinued operations, net of tax[d]							29
Net income							$ 2,349

(a) Regulated Utilities includes an after-tax charge of $56 million related to the Edwardsport settlement. Refer to Note 4 for further information.
(b) Other includes $42 million of after-tax costs to achieve the 2012 Progress Energy merger.
(c) Commercial Portfolio includes state tax expense of $41 million, resulting from changes to state apportionment factors due to the sale of the Disposal Group, that does not qualify for discontinued operations. Refer to Note 2 for further information related to the sale.
(d) Includes after-tax impact of $53 million for the settlement agreement reached in a lawsuit related to the Disposal Group. Refer to Note 5 for further information related to the lawsuit.

	Nine Months Ended September 30, 2014						
(in millions)	Regulated Utilities	International Energy	Commercial Portfolio	Total Reportable Segments	Other	Eliminations	Consolidated
Unaffiliated revenues	$ 17,041	$ 1,111	$ 195	$ 18,347	$ 19	$ —	$ 18,366
Intersegment revenues	33	—	—	33	60	(93)	—
Total revenues	$ 17,074	$ 1,111	$ 195	$ 18,380	$ 79	$ (93)	$ 18,366
Segment income (loss)[a][b]	$ 2,346	$ 356	$ (70)	$ 2,632	$ (269)	$ (7)	$ 2,356
Add back noncontrolling interest							11
Loss from discontinued operations, net of tax							(578)
Net income							$ 1,789

(a) Commercial Portfolio includes a pretax impairment charge of $94 million related to OVEC. Refer to Note 13 for further information.
(b) Other includes $107 million of after-tax costs to achieve the 2012 Progress Energy merger.

DUKE ENERGY OHIO

Duke Energy Ohio had two reportable operating segments, Regulated Utilities and Commercial Portfolio, prior to the sale of the nonregulated Midwest generation business. As a result of the sale discussed in Note 2, Commercial Portfolio no longer qualifies as a Duke Energy Ohio reportable operating segment. Therefore, for periods subsequent to the sale, beginning in the second quarter of 2015, all of the remaining assets and related results of operations previously presented in Commercial Portfolio are presented in Regulated Utilities and Other.

Regulated Utilities transmits and distributes electricity in portions of Ohio and Kentucky, and generates and sells electricity in portions of Kentucky. Regulated Utilities also transports and sells natural gas in portions of Ohio and northern Kentucky. It conducts operations primarily through Duke Energy Ohio and its wholly owned subsidiary, Duke Energy Kentucky.

Other is primarily comprised of governance costs allocated by its parent, Duke Energy, and revenues and expenses related to Duke Energy Ohio's contractual arrangement to buy power from OVEC's power plants. For additional information on related party transactions refer to Note 9.

Duke Energy Ohio had no intersegment revenues for the three and nine months ended September 30, 2015.

	Three Months Ended September 30, 2015			
(in millions)	**Regulated Utilities**	**Other**	**Eliminations**	**Consolidated**
Total revenues	$ 456	$ 6	$ —	$ 462
Segment income (loss)	$ 46	$ (12)	$ —	$ 34
Loss from discontinued operations, net of tax				(2)
Net income				$ 32
Segment assets	$ 6,961	$ 126	$ (4)	$ 7,083

	Three Months Ended September 30, 2014					
(in millions)	**Regulated Utilities**	**Commercial Portfolio**	**Total Reportable Segments**	**Other**	**Eliminations**	**Consolidated**
Unaffiliated revenues	$ 440	$ 6	$ 446	$ —	$ —	$ 446
Intersegment revenues	1	—	1	—	(1)	—
Total revenues	$ 441	$ 6	$ 447	$ —	$ (1)	$ 446
Segment income (loss)	$ 43	$ (13)	$ 30	$ (4)	$ —	$ 26
Income from discontinued operations, net of tax						413
Net income						$ 439

	Nine Months Ended September 30, 2015					
(in millions)	**Regulated Utilities**	**Commercial Portfolio**	**Total Reportable Segments**	**Other**	**Eliminations**	**Consolidated**
Total revenues	$ 1,424	$ 14	$ 1,438	$ 15	$ —	$ 1,453
Segment income (loss)	$ 135	$ (9)	$ 126	$ (20)	$ —	$ 106
Income from discontinued operations, net of tax[(a)]						23
Net income						$ 129

(a) Includes an after-tax charge of $53 million for the settlement agreement reached in a lawsuit related to the Disposal Group. Refer to Note 5 for further information.

	Nine Months Ended September 30, 2014					
(in millions)	**Regulated Utilities**	**Commercial Portfolio**	**Total Reportable Segments**	**Other**	**Eliminations**	**Consolidated**
Unaffiliated revenues	$ 1,416	$ 17	$ 1,433	$ —	$ —	$ 1,433
Intersegment revenues	1	—	1	—	(1)	—
Total revenues	$ 1,417	$ 17	$ 1,434	$ —	$ (1)	$ 1,433
Segment income (loss)[(a)]	$ 151	$ (101)	$ 50	$ (11)	$ —	$ 39
Loss from discontinued operations, net of tax						(597)
Net loss						$ (558)

(a) Commercial Portfolio includes a pretax impairment charge of $94 million related to OVEC. See Note 13 for additional information.

DUKE ENERGY CAROLINAS, PROGRESS ENERGY, DUKE ENERGY PROGRESS, DUKE ENERGY FLORIDA AND DUKE ENERGY INDIANA

The remaining Subsidiary Registrants each have one reportable operating segment, Regulated Utilities, which generates, transmits, distributes and sells electricity. The remainder of each company's operations is classified as Other. While not considered a reportable segment for any of these companies, Other consists of certain unallocated corporate costs. The following table summarizes the net loss for Other at each of these registrants.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2015**	**2014**	**2015**	**2014**
Duke Energy Carolinas	$ (10)	$ (19)	$ (28)	$ (67)
Progress Energy[(a)]	(3)	(48)	(87)	(145)
Duke Energy Progress	(4)	(10)	(12)	(23)
Duke Energy Florida	(3)	(5)	(9)	(16)
Duke Energy Indiana	(2)	(3)	(6)	(10)

(a) Other for Progress Energy also includes interest expense on corporate debt instruments of $61 million and $180 million for the three and nine months ended September 30, 2015, respectively, and $58 million and $181 million for the three and nine months ended September 30, 2014, respectively.

The assets of Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida and Duke Energy Indiana are substantially all included within the Regulated Utilities segment at September 30, 2015 and 2014.

4. REGULATORY MATTERS

RATE RELATED INFORMATION

The NCUC, PSCSC, FPSC, IURC, PUCO and KPSC approve rates for retail electric and natural gas services within their respective states. The FERC approves rates for electric sales to wholesale customers served under cost-based rates (excluding Ohio, Kentucky and Indiana), as well as sales of transmission service.

Duke Energy Carolinas

William States Lee Combined Cycle Facility

On April 9, 2014, the PSCSC granted Duke Energy Carolinas and North Carolina Electric Membership Corporation (NCEMC) a Certificate of Environmental Compatibility and Public Convenience and Necessity (CECPCN) for the construction and operation of a 750 MW combined-cycle natural gas-fired generating plant at Duke Energy Carolinas' existing William States Lee Generating Station in Anderson, South Carolina. Duke Energy Carolinas began construction in July 2015 and estimates a cost to build of $600 million for its share of the facility, including allowance for funds used during construction (AFUDC). The project is expected to be commercially available in late 2017. NCEMC will own approximately 13 percent of the project. On July 3, 2014, the South Carolina Coastal Conservation League and Southern Alliance for Clean Energy jointly filed a Notice of Appeal with the Court of Appeals of South Carolina seeking the court's review of the PSCSC's decision, claiming the PSCSC did not properly consider a request related to a proposed solar facility prior to granting approval of the CECPCN. The case has been fully briefed and is pending in the Court of Appeals. Oral arguments are expected to be heard in January 2016. Duke Energy Carolinas cannot predict the outcome of this matter.

Duke Energy Progress

Sutton Black Start Combustion Turbine CPCN

On April 15, 2015, Duke Energy Progress filed a Certificate of Public Convenience and Necessity (CPCN) application with the NCUC for approval to construct an 84 MW black start combustion turbine (CT) project at the existing Sutton Plant (Sutton Black Start CT Project). The Sutton Black Start CT Project would replace three existing CTs with total capacity of 61 MW with two new 42 MW CT units with black start and fast start capability. In addition to peaking system capacity, the Sutton Black Start CT Project will provide regional black start capability and tertiary backup power services for the Brunswick Nuclear Plant. In June 2015, the Public Staff of the NCUC recommended the NCUC approve Duke Energy Progress' application. On August 3, 2015, the NCUC issued an order granting the application and requiring annual construction and cost progress reports. The new units are expected to be commercially available in the summer of 2017.

Western Carolinas Modernization Plan

In May 2015, Duke Energy Progress announced a $1.1 billion plan to modernize the Western Carolinas energy system. The plan included retirement of the Asheville coal-fired plant, building a 650 MW combined-cycle natural gas power plant, installing solar generation at the site, building new transmission lines, a new substation and upgrades to area substations. On June 24, 2015, the North Carolina governor signed into law the North Carolina Mountain Energy Act of 2015 (Mountain Energy Act) which provides for an expedited CPCN process for the proposed Asheville combined-cycle project and extends certain North Carolina Coal Ash Management Act of 2014 (Coal Ash Act) deadlines for the coal ash basin at the Asheville Plant site.

On November 4, 2015, in response to community feedback, Duke Energy Progress announced a revised plan. The revised plan replaces the planned 650 MW plant with two 280 MW combined-cycle natural gas plants having duel fuel capability, with the option to build a third gas unit in 2023 based upon the outcome of initiatives to reduce the region's power demand. The revised plan includes upgrades to existing transmission lines and substations, but eliminates the need for a new transmission line and a new substation associated with the project in South Carolina. The revised plan has the same overall project cost as the original plan, and the plans to install solar generation remain unchanged. These investments will be made within the next five years in North Carolina. Duke Energy Progress is also working with the local natural gas distribution company to upgrade an existing natural gas pipeline to serve the natural gas plant. The plan requires various approvals including regulatory approvals in North Carolina. Duke Energy Progress plans to file for a CPCN with the NCUC for the new gas units in January 2016.

The carrying value of the 376 MW Asheville coal-fired plant, including associated ash basin closure costs, of $460 million is included in Generation facilities to be retired, net on Duke Energy Progress' Condensed Consolidated Balance Sheet as of September 30, 2015.

Duke Energy Florida

FERC Transmission Return on Equity Complaint

Seminole Electric Cooperative, Inc. and Florida Municipal Power Agency filed multiple complaints with the FERC alleging Duke Energy Florida's current rate of return on equity in transmission formula rates of 10.8 percent is unjust and unreasonable. The latest complaint, filed on August 12, 2014, claims the rate of return on equity should be reduced to 8.69 percent. The FERC consolidated all complaints for the purposes of settlement, hearing and decision. On July 21, 2015, the parties filed with the FERC for approval of a settlement agreement under which (i) Duke Energy Florida will pay a total of $14.1 million as refunds for all periods through December 31, 2014, (ii) the rate of return on equity will be 10 percent effective January 1, 2015, and (iii) none of the parties will seek a change in the rate of return on equity prior to January 1, 2018. Amounts to be refunded are included in Other within Current Liabilities on the Condensed Consolidated Balance Sheets as of September 30, 2015. FERC approval of the settlement is pending.

Citrus County Combined Cycle Facility

On October 2, 2014, the FPSC granted Duke Energy Florida a Determination of Need for the construction of a 1,640 MW combined-cycle natural gas plant in Citrus County, Florida. On May 5, 2015, the Florida Department of Environmental Protection approved Duke Energy Florida's Site Certification Application. The facility is expected to be commercially available in 2018 at an estimated cost of $1.5 billion, including AFUDC. The project has received all required permits and approvals and construction began in October 2015.

Purchase of Osprey Energy Center

In December 2014, Duke Energy Florida and Osprey Energy Center, LLC, a wholly owned subsidiary of Calpine Corporation (Calpine), entered into an Asset Purchase and Sale Agreement for the purchase of a 599 MW combined-cycle natural gas plant in Auburndale, Florida (Osprey Plant acquisition) for approximately $166 million. On January 30, 2015, Duke Energy Florida petitioned the FPSC requesting a determination that the Osprey Plant acquisition or, alternatively, the construction of a 320 MW combustion turbine at its existing Suwannee generating facility (Suwannee project) with an estimated cost of $197 million, is the most cost-effective generation alternative to meet Duke Energy Florida's remaining generation need prior to 2018. On July 21, 2015, the FPSC approved the Osprey Plant acquisition as the most cost-effective alternative and issued an order of approval on July 31, 2015. On July 24, 2015, the FERC issued an order approving the Osprey Plant acquisition. Closing of the acquisition is contingent upon the expiration of the Hart-Scott-Rodino waiting period and is expected to occur by the first quarter of 2017, upon the expiration of an existing Power Purchase Agreement between Calpine and Duke Energy Florida.

Crystal River Unit 3

On May 22, 2015, Duke Energy Florida petitioned the FPSC for approval to include in base rates the revenue requirement for the projected $1.298 billion Crystal River Unit 3 regulatory asset as authorized by the 2013 Revised and Restated Stipulation and Settlement Agreement (2013 Agreement). On September 15, 2015, the FPSC approved Duke Energy Florida's motion for approval of a settlement agreement with intervenors to reduce the value of the projected Crystal River Unit 3 regulatory asset to be recovered to $1.283 billion as of December 31, 2015. An impairment charge of $15 million was recognized in the third quarter of 2015 to adjust the regulatory asset balance. The initial annual revenue requirement for this approved value is estimated to be $168 million.

In June 2015, the governor of Florida signed legislation to allow utilities to petition for a financing order for securitization of certain retired nuclear generation assets. On July 27, 2015, Duke Energy Florida petitioned the FPSC for a financing order to issue nuclear asset-recovery bonds to finance the Crystal River Unit 3 regulatory asset. If the FPSC issues an acceptable financing order and Duke Energy Florida issues the bonds, the securitization would replace the base rate recovery methodology authorized by the 2013 Agreement and result in a lower rate impact to customers. The annual revenue requirement with securitization, subject to changes in assumed interest rates and timing of issuance of the securitization bonds, is estimated to be approximately $93 million. On October 14, 2015, the FPSC approved an agreement on all securitization-related issues and is expected to issue a final financing order in the fourth quarter of 2015. If approved, Duke Energy Florida expects to issue securitization bonds in early 2016.

Levy Nuclear Project

On April 16, 2015, the FPSC approved Duke Energy Florida's petition to cease collection of the Levy Nuclear Project fixed charge beginning with the first billing cycle in May 2015. Duke Energy Florida also sought approval to defer collection of the $54 million regulatory asset until the conclusion of litigation with Westinghouse Electric Co. The FPSC determined it was unnecessary to act on the request, finding that its previous order requiring a downward adjustment in projected costs primarily affected the timing of when the fixed charge would end and did not disallow the recovery of costs previously determined to be prudent. On August 18, 2015, the FPSC approved to leave the Levy Nuclear Project portion of the Nuclear Cost Recovery Clause charge at zero dollars for 2016 and 2017, consistent with the 2013 Settlement. Duke Energy Florida will submit by May 2017 a true-up of Levy Nuclear Project costs or credits to be recovered no earlier than January 2018. To the extent costs become known after May 2017, Duke Energy Florida will petition for recovery at that time.

Duke Energy Ohio

DE Ohio Energy Efficiency Cost Recovery

On March 28, 2014, Duke Energy Ohio filed an application for recovery of program costs, lost distribution revenue and performance incentives related to its energy efficiency and peak demand reduction programs. These programs are undertaken to comply with environmental mandates set forth in Ohio law. After a comment period, the PUCO approved Duke Energy Ohio's application, but found that Duke Energy Ohio was not permitted to use banked energy savings from previous years in order to calculate the amount of allowed incentive. This conclusion represented a change to the cost recovery mechanism that had been agreed to by intervenors and approved by the PUCO in previous cases. As a result of the PUCO's decision, Duke Energy Ohio reversed $23 million in revenues for the period between January 2013 and April 2015 in second quarter 2015. The PUCO granted Duke Energy Ohio's application for rehearing on July 8, 2015. Substantive ruling on the application for rehearing is pending.

2014 Electric Security Plan

In April 2015, the PUCO modified and approved Duke Energy Ohio's proposed ESP, with a three-year term and an effective date of June 1, 2015. The PUCO approved a competitive procurement process for SSO load, a distribution capital investment rider and a tracking mechanism for incremental distribution expenses caused by major storms. The PUCO order also approved a placeholder tariff for a price stabilization rider, but denied Duke Energy Ohio's specific request to include OVEC in the rider at this time; however, the order allows Duke Energy Ohio to submit additional information to request recovery in the future. On May 4, 2015, Duke Energy Ohio filed an application for rehearing requesting the PUCO to modify or amend certain aspects of the order. On May 14, 2015, Duke Energy Ohio completed a competitive bidding process to procure a portion of the supply for its SSO load for the term of the ESP. The PUCO approved the results on May 15, 2015. On May 28, 2015, the PUCO granted all applications for rehearing filed in the case for future consideration. Duke Energy Ohio cannot predict the outcome of this matter.

2012 Natural Gas Rate Case

On November 13, 2013, the PUCO issued an order approving a settlement among Duke Energy Ohio, the PUCO Staff and intervening parties (the Gas Settlement). The Gas Settlement provided for (i) no increase in base rates for natural gas distribution service and (ii) a return on equity of 9.84 percent. The Gas Settlement provided for a subsequent hearing on Duke Energy Ohio's request for rider recovery of environmental remediation costs associated with its former manufactured gas plant (MGP) sites. The PUCO authorized Duke Energy Ohio to recover $56 million, excluding carrying costs, of environmental remediation costs. The MGP rider became effective in April 2014 for a five-year period. On March 31, 2014, Duke Energy Ohio filed an application with the PUCO to adjust the MGP rider for investigation and remediation costs incurred in 2013.

Certain consumer groups appealed the PUCO's decision authorizing the MGP rider to the Ohio Supreme Court and asked the court to stay implementation of the PUCO's order and collections under the MGP rider pending their appeal. The Ohio Supreme Court granted the motion to stay and subsequently required the posting of a bond to effectuate the stay. When the bond was not posted, the PUCO approved Duke Energy Ohio's request, in January 2015, to reinstate collections under the MGP rider and Duke Energy Ohio resumed billings. Amounts collected prior to the suspension of the rider were immaterial. On March 31, 2015, Duke Energy Ohio filed an application to adjust the MGP rider to recover remediation costs incurred in 2014. Duke Energy Ohio cannot predict the outcome of the appeal of this matter.

Regional Transmission Organization (RTO) Realignment

Duke Energy Ohio, including Duke Energy Kentucky, transferred control of its transmission assets from Midcontinent Independent System Operator, Inc. (MISO) to PJM Interconnection, LLC (PJM), effective December 31, 2011.

On December 22, 2010, the KPSC approved Duke Energy Kentucky's request to effect the RTO realignment, subject to a commitment not to seek double recovery in a future rate case of the transmission expansion fees that may be charged by MISO and PJM in the same period or overlapping periods.

On May 25, 2011, the PUCO approved a settlement between Duke Energy Ohio, Ohio Energy Group, the Office of Ohio Consumers' Counsel and the PUCO Staff related to Duke Energy Ohio's recovery of certain costs of the RTO realignment via a non-bypassable rider. Duke Energy Ohio is allowed to recover all MISO Transmission Expansion Planning (MTEP) costs, including but not limited to Multi Value Project (MVP) costs, directly or indirectly charged to Ohio customers. Duke Energy Ohio also agreed to vigorously defend against any charges for MVP projects from MISO.

Upon its exit from MISO on December 31, 2011, Duke Energy Ohio recorded a liability for its exit obligation and share of MTEP costs, excluding MVP. This liability was recorded within Other in Current liabilities and Other in Deferred credits and other liabilities on Duke Energy Ohio's Condensed Consolidated Balance Sheets.

As of September 30, 2015, Duke Energy Ohio had recorded obligations of $91 million related to its withdrawal from MISO and a Regulatory asset of $72 million recorded on the Condensed Consolidated Balance Sheets. MTEP costs billed by MISO are recovered by Duke Energy Ohio through a non-bypassable rider.

MVP. MISO approved 17 MVP proposals prior to Duke Energy Ohio's exit from MISO on December 31, 2011. Construction of these projects is expected to continue through 2020. Costs of these projects, including operating and maintenance costs, property and income taxes, depreciation and an allowed return, are allocated and billed to MISO transmission owners.

On December 29, 2011, MISO filed a tariff with the FERC providing for the allocation of MVP costs to a withdrawing owner based on monthly energy usage. The FERC set for hearing (i) whether MISO's proposed cost allocation methodology to transmission owners who withdrew from MISO prior to January 1, 2012 is consistent with the tariff at the time of their withdrawal from MISO and, (ii) if not, what the amount of and methodology for calculating any MVP cost responsibility should be. In 2012, MISO estimated Duke Energy Ohio's MVP obligation over the period from 2012 to 2071 at $2.7 billion, on an undiscounted basis. On July 16, 2013, a FERC Administrative Law Judge (ALJ) issued an initial decision. Under this initial decision, Duke Energy Ohio would be liable for MVP costs. Duke Energy Ohio filed exceptions to the initial decision, requesting the FERC overturn the ALJ's decision.

On October 29, 2015, the FERC issued an order reversing the ALJ's decision. FERC ruled that the cost allocation methodology is not consistent with the MISO tariff and that Duke Energy Ohio has no liability for MVP costs after its withdrawal from MISO. MISO has 30 days from the date of the order to file a request for rehearing with FERC.

FERC Transmission Return on Equity and MTEP Cost Settlement

On October 14, 2011, Duke Energy Ohio and Duke Energy Kentucky submitted with the FERC proposed modifications to the PJM Interconnection Open Access Transmission Tariff pertaining to recovery of the transmission revenue requirement as PJM transmission owners. The filing was made in connection with Duke Energy Ohio's and Duke Energy Kentucky's move from MISO to PJM effective December 31, 2011. On April 24, 2012, the FERC issued an order accepting the proposed filing effective January 1, 2012, except that the order denied a request to recover certain costs associated with the move from MISO to PJM without prejudice to the right to submit another filing seeking such recovery and including certain additional evidence, and set the rate of return on equity of 12.38 percent for settlement and hearing. On April 16, 2015, the FERC approved a settlement agreement between Duke Energy Ohio, Duke Energy Kentucky and six PJM transmission customers with load in the Duke Energy Ohio and Duke Energy Kentucky zone. The principal terms of the settlement agreement are that, effective upon the date of FERC approval, (i) the return on equity for wholesale transmission service is reduced to 11.38 percent, (ii) the settling parties agreed not to seek a change in the return on equity that would be effective prior to June 1, 2017, and (iii) Duke Energy Ohio and Duke Energy Kentucky will recover 30 percent of the wholesale portion of costs arising from their obligation to pay any portion of the costs of projects included in any MTEP that was approved prior to the date of Duke Energy Ohio's and Duke Energy Kentucky's integration into PJM.

Duke Energy Indiana

Edwardsport Integrated Gasification Combined Cycle (IGCC) Plant

On November 20, 2007, the IURC granted Duke Energy Indiana a CPCN for the construction of the Edwardsport IGCC Plant. The Citizens Action Coalition of Indiana, Inc., Sierra Club, Inc., Save the Valley, Inc., and Valley Watch, Inc. (collectively, the Joint Intervenors) were intervenors in several matters related to the Edwardsport IGCC Plant. The Edwardsport IGCC Plant was placed in commercial operation in June 2013. Costs for the Edwardsport IGCC Plant are recovered from retail electric customers via a tracking mechanism, the IGCC rider. Updates to the IGCC rider are filed semi-annually.

The ninth semi-annual IGCC rider order was appealed by the Joint Intervenors. On September 8, 2014, the Indiana Court of Appeals remanded the IURC order in the ninth IGCC rider proceeding back to the IURC for further findings. On February 25, 2015, the IURC issued a new order upholding its prior decision and provided additional detailed findings. Joint Intervenors appealed this remand order to the Indiana Court of Appeals. On September 23, 2015, the Indiana Court of Appeals affirmed the IURC remand decision on one of the key financial issues. The Indiana Court of Appeals found that there was sufficient evidence for the IURC to find that the three-month delay in construction for this time period was not unreasonable and therefore the costs of such delay should be borne by Duke Energy Indiana customers. The Indiana Court of Appeals found that the IURC did not support its findings regarding the ratemaking impact of the tax in-service declaration and reversed and remanded this issue back to the IURC, with direction to hold further proceedings and issue additional findings on the issue. The Joint Intervenors have requested a rehearing of the Indiana Court of Appeals decision.

The 10th semi-annual IGCC rider order was also appealed by the Joint Intervenors. On August 21, 2014 the Indiana Court of Appeals affirmed the IURC order in the 10th IGCC rider proceeding and on October 29, 2014 denied the Joint Intervenors' request for rehearing. The Joint Intervenors requested the Indiana Supreme Court to review the decision, which was denied on April 23, 2015, concluding the appeal. Duke Energy Indiana has filed the 14th and 15th semi-annual IGCC rider proceedings.

The 11th through 15th semi-annual IGCC riders and a subdocket to Duke Energy Indiana's fuel adjustment clause are currently in various stages of approval by the IURC in the filing process. Issues in these filings include the determination whether the IGCC plant was properly declared in service for ratemaking purposes in June 2013 and a review of the operational performance of the plant. On September 17, 2015, Duke Energy Indiana, the OUCC, the Industrial Group and Nucor Steel Indiana reached a settlement agreement to resolve these pending issues. The proposed settlement will result in customers not being billed for previously incurred but deferred operating costs of $78 million, a refund of previously recovered operating costs of $7 million and for additional Duke Energy Indiana payments and commitments of $5 million for attorneys' fees and to fund consumer programs. Duke Energy Indiana recorded Impairment charges of $85 million and Other Income and Expenses, net of $5 million in the Condensed Consolidated Statements of Operations and Comprehensive Income for the three and nine months ended September 30, 2015. Duke Energy Indiana also recorded a $78 million reduction of Regulatory assets within Regulatory Assets and Deferred Debits, an additional $7 million of Other within Deferred Credits and Other Liabilities and $5 million of Accounts payable within Current Liabilities on the Condensed Consolidated Balance Sheets at September 30, 2015. Additionally, under the proposed settlement, the operating and maintenance expenses and ongoing maintenance capital at the plant are subject to certain caps during the years of 2016 and 2017. Pursuant to the settlement, the in-service date used for accounting and ratemaking will remain as June 2013. Remaining deferred costs will be recovered over eight years and not earn a carrying cost. As of September 30, 2015, deferred costs related to the project are approximately $108 million. Future IGCC riders will be filed annually, rather than every six months, with the next filing scheduled for first quarter 2017. The settlement is subject to IURC approval, which the parties hope to receive in the first half of 2016. Duke Energy Indiana cannot predict the outcome of the settlement of these matters or future IGCC rider proceedings.

FERC Transmission Return on Equity Complaint

Customer groups have filed with the FERC complaints against MISO and its transmission-owning members, including Duke Energy Indiana, alleging, among other things, that the current base rate of return on equity earned by MISO transmission owners of 12.38 percent is unjust and unreasonable. The latest complaint, filed on February 12, 2015, claims the base rate of return on equity should be reduced to 8.67 percent and requests a consolidation of complaints. On January 5, 2015, the FERC issued an order accepting the MISO transmission owners 0.50 percent adder to the base rate of return on equity based on participation in an RTO subject to it being applied to a return on equity that is shown to be just and reasonable in the pending return on equity complaint. A hearing in the base return on equity proceeding was held in August 2015. The motion to consolidate complaints was denied. A hearing on the second complaint proceeding is scheduled to begin February 16, 2016. Duke Energy Indiana cannot predict the outcome of this matter.

Grid Infrastructure Improvement Plan

On August 29, 2014, Duke Energy Indiana filed a seven-year grid infrastructure improvement plan with the IURC with an estimated cost of $1.9 billion, focusing on the reliability, integrity and modernization of the transmission and distribution system. In May 2015, the IURC denied the proposal due to an insufficient level of detailed projects and cost estimates in the plan. Duke Energy Indiana is evaluating the order and plans to file a revised infrastructure improvement plan by the end of 2015.

OTHER REGULATORY MATTERS

Atlantic Coast Pipeline

On September 2, 2014, Duke Energy, Dominion Resources (Dominion), Piedmont and AGL Resources announced the formation of a company, ACP, to build and own the proposed Atlantic Coast Pipeline (the pipeline), a 564-mile interstate natural gas pipeline. The pipeline is designed to meet the needs identified in requests for proposals by Duke Energy Carolinas, Duke Energy Progress and Piedmont Natural Gas. Dominion will build and operate the pipeline and has a 45 percent ownership percentage in ACP. Duke Energy has a 40 percent ownership interest in ACP through its Commercial Portfolio segment. Piedmont owns 10 percent and the remaining share is owned by AGL Resources. Duke Energy Carolinas and Duke Energy Progress, among others, will be customers of the pipeline. Purchases will be made under several 20-year supply contracts, subject to state regulatory approval. In October 2014, the NCUC and PSCSC approved the Duke Energy Carolinas and Duke Energy Progress requests to enter into certain affiliate agreements, pay compensation to ACP and to grant a waiver of certain Code of Conduct provisions relating to contractual and jurisdictional matters. On September 18, 2015, ACP filed an application with the FERC requesting a CPCN authorizing ACP to construct the pipeline. ACP requested approval of the application by July 1, 2016 to enable construction to begin by September 2016, with an in-service date of on or before November 1, 2018. ACP also requested approval of an open access tariff and the precedent agreements it entered into with future pipeline customers, including Duke Energy Carolinas and Duke Energy Progress.

On October 24, 2015, Duke Energy entered into a Merger Agreement with Piedmont. The ACP partnership agreement includes provisions to allow Dominion an option to purchase additional ownership interest in ACP to maintain a leading ownership percentage. Any change in ownership interests is not expected to be material to Duke Energy. Refer to Note 2 for further information related to Duke Energy's proposed acquisition of Piedmont.

Sabal Trail Transmission, LLC Pipeline

On May 4, 2015, Duke Energy acquired a 7.5 percent ownership interest from Spectra Energy in the proposed 500-mile Sabal Trail natural gas pipeline. Spectra Energy will continue to own 59.5 percent of the Sabal Trail pipeline and NextEra Energy will own the remaining 33 percent. The Sabal Trail pipeline will traverse Alabama, Georgia and Florida to meet rapidly growing demand for natural gas in those states. The primary customers of the Sabal Trail pipeline, Duke Energy Florida and Florida Power & Light Company, have each contracted to buy pipeline capacity for 25-year initial terms. The Sabal Trail pipeline, scheduled to begin service in 2017, requires federal and other regulatory approvals.

East Bend Station

On December 30, 2014, Duke Energy Ohio acquired The Dayton Power and Light Company's (DP&L) 31 percent interest in the jointly owned East Bend Station for approximately $12.4 million. The purchase price, in accordance with FERC guidelines, was reflected with the net purchase amount as an increase to property, plant and equipment as of December 31, 2014 and with the DP&L's historical original cost as an increase to property, plant and equipment and accumulated depreciation as of September 30, 2015. On August 20, 2015, the KPSC approved Duke Energy Kentucky's application to use the purchase price as the value of the newly acquired interest in the East Bend Station for depreciation purposes and ratemaking.

NC WARN FERC Complaint

On December 16, 2014, North Carolina Waste Awareness and Reduction Network filed a complaint with the FERC against Duke Energy Carolinas and Duke Energy Progress that alleged (i) Duke Energy Carolinas and Duke Energy Progress manipulated the electricity market by constructing costly and unneeded generation facilities leading to unjust and unreasonable rates; (ii) Duke Energy Carolinas and Duke Energy Progress failed to comply with Order 1000 by not effectively connecting their transmission systems with neighboring utilities which also have excess capacity; (iii) the plans of Duke Energy Carolinas and Duke Energy Progress for unrealistic future growth lead to unnecessary and expensive generating plants; (iv) the FERC should investigate the practices of Duke Energy Carolinas and Duke Energy Progress and the potential benefits of having them enter into a regional transmission organization; and (v) the FERC should force Duke Energy Carolinas and Duke Energy Progress to purchase power from other utilities rather than construct wasteful and redundant power plants. NC WARN also filed a copy of the complaint with the PSCSC on January 6, 2015. In April 2015, the FERC and the PSCSC issued separate orders dismissing the NC WARN petition. On May 14, 2015, NC WARN filed with FERC a motion for reconsideration.

Potential Coal Plant Retirements

The Subsidiary Registrants periodically file Integrated Resource Plans (IRP) with their state regulatory commissions. The IRPs provide a view of forecasted energy needs over a long term (10 to 20 years), and options being considered to meet those needs. Recent IRPs filed by the Subsidiary Registrants included planning assumptions to potentially retire certain coal-fired generating facilities in North Carolina, Florida and Indiana earlier than their current estimated useful lives. These facilities do not have the requisite emission control equipment, primarily to meet United States Environmental Protection Agency (EPA) regulations recently approved or proposed.

The table below contains the net carrying value of generating facilities planned for retirement or included in recent IRPs as evaluated for potential retirement due to a lack of requisite environmental control equipment. Dollar amounts in the table below are included in Net property, plant and equipment on the Condensed Consolidated Balance Sheets.

	September 30, 2015			
	Duke Energy	Progress Energy[(b)]	Duke Energy Florida[(b)]	Duke Energy Indiana[(c)]
Capacity (in MW)	1,541	873	873	668
Remaining net book value (in millions)[(a)]	$ 207	$ 121	$ 121	$ 86

(a) Remaining net book value amounts presented exclude any capitalized asset retirement costs related to closure of ash basins.
(b) Includes Crystal River Units 1 and 2.
(c) Includes Wabash River Units 2 through 6. Wabash River Unit 6 is being evaluated for potential conversion to natural gas. Duke Energy Indiana committed to retire or convert the Wabash River Units 2 through 6 by June 2018 in conjunction with a settlement agreement associated with the Edwardsport air permit.

On October 23, 2015, the EPA published in the Federal Register the Clean Power Plan (CPP) rule for regulating carbon dioxide (CO_2) emissions from existing fossil fuel-fired electric generating units (EGUs). The CPP establishes CO_2 emission rates and mass cap goals that apply to fossil fuel-fired generation. Under the CPP, states are required to develop and submit a final compliance plan, or an initial plan with an extension request, to the EPA by September 6, 2016, or no later than September 2, 2018 with an approved extension. These state plans are subject to EPA approval, with a federal plan applied to states that fail to submit a plan to the EPA or if a state plan is not approved. Legal challenges to the CPP have been filed by stakeholders and motions to stay the requirements of the rule pending the outcome of the litigation have also been filed. Final resolution of these legal challenges could take several years. Compliance with CPP could cause the industry to replace coal generation with natural gas and renewables, especially in states that have significant CO_2 reduction targets under the rule. Costs to operate coal-fired generation plants continue to grow due to increasing environmental compliance requirements, including ash management costs unrelated to CPP, and this may result in the retirement of coal-fired generation plants earlier than the current useful lives. Duke Energy continues to evaluate the need to retire generating facilities and plans to seek regulatory recovery, where appropriate, for amounts that have not been recovered upon asset retirements. However, recovery is subject to future regulatory approval, including the recovery of carrying costs on remaining book values, and therefore cannot be assured.

In addition to evaluations based on the extent facilities are equipped to comply with environmental regulations, Duke Energy continually monitors and evaluates the appropriate generation mix and fuel diversity for its generation fleet when making retirement decisions. Duke Energy Carolinas is evaluating the potential retirement of coal-fired generating units with a net carrying value of approximately $110 million, excluding capitalized asset retirement costs related to closure of ash basins, included in Net property, plant and equipment on the Condensed Consolidated Balance Sheets. These generating units are not included in the table above.

Refer to the "Western Carolinas Modernization Plan" discussion above for details of Duke Energy Progress' planned retirements.

5. COMMITMENTS AND CONTINGENCIES

ENVIRONMENTAL

Duke Energy is subject to international, federal, state and local regulations regarding air and water quality, hazardous and solid waste disposal, and other environmental matters. The Subsidiary Registrants are subject to federal, state and local regulations regarding air and water quality, hazardous and solid waste disposal and other environmental matters. These regulations can be changed from time to time, imposing new obligations on the Duke Energy Registrants.

The following environmental matters impact all of the Duke Energy Registrants.

Remediation Activities

The Duke Energy Registrants are responsible for environmental remediation at various contaminated sites. These include certain properties that are part of ongoing operations and sites formerly owned or used by Duke Energy entities. These sites are in various stages of investigation, remediation and monitoring. Managed in conjunction with relevant federal, state and local agencies, remediation activities vary based upon site conditions and location, remediation requirements, complexity and sharing of responsibility. If remediation activities involve joint and several liability provisions, strict liability, or cost recovery or contribution actions, the Duke Energy Registrants could potentially be held responsible for contamination caused by other potentially responsible parties, and may also benefit from insurance policies or contractual indemnities that cover some or all cleanup costs. Liabilities are recorded when losses become probable and are reasonably estimable. The total costs that may be incurred cannot be estimated because the extent of environmental impact, allocation among potentially responsible parties, remediation alternatives and/or regulatory decisions have not yet been determined. Additional costs associated with remediation activities are likely to be incurred in the future and could be significant. Costs are typically expensed as Operation, maintenance and other in the Condensed Consolidated Statements of Operations unless regulatory recovery of the costs is deemed probable.

The following tables contain information regarding reserves for probable and estimable costs related to the various environmental sites. These reserves are recorded in Other within Deferred Credits and Other Liabilities on the Condensed Consolidated Balance Sheets.

	Nine Months Ended September 30, 2015						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Balance at beginning of period	$ 97	$ 10	$ 17	$ 5	$ 12	$ 54	$ 10
Provisions/adjustments	4	—	3	—	3	1	3
Cash reductions	(4)	—	(2)	(1)	(1)	(1)	(1)
Balance at end of period	$ 97	$ 10	$ 18	$ 4	$ 14	$ 54	$ 12

	Nine Months Ended September 30, 2014						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Balance at beginning of period	$ 79	$ 11	$ 27	$ 8	$ 19	$ 27	$ 7
Provisions/adjustments	34	(1)	4	3	1	28	3
Cash reductions	(8)	—	(6)	(4)	(2)	(1)	(1)
Balance at end of period	$ 105	$ 10	$ 25	$ 7	$ 18	$ 54	$ 9

Additional losses in excess of recorded reserves that could be incurred for the stages of investigation, remediation and monitoring for environmental sites that have been evaluated at this time are presented in the table below.

(in millions)	
Duke Energy	$ 79
Duke Energy Carolinas	25
Progress Energy	4
Duke Energy Progress	1
Duke Energy Florida	3
Duke Energy Ohio	43
Duke Energy Indiana	7

North Carolina and South Carolina Ash Basins

On February 2, 2014, a break in a stormwater pipe beneath an ash basin at Duke Energy Carolinas' retired Dan River Steam Station caused a release of ash basin water and ash into the Dan River. On February 8, 2014, a permanent plug was installed in the stormwater pipe, stopping the release of materials into the river. Duke Energy Carolinas estimates 30,000 to 39,000 tons of ash and 24 million to 27 million gallons of basin water were released into the river. In July 2014, Duke Energy completed remediation work identified by the EPA and continues to cooperate with the EPA's civil enforcement process. Total repairs and remediation expenses incurred by Duke Energy Carolinas related to the release were approximately $24 million. No additional expenses were recorded in 2015. Duke Energy Carolinas will not seek recovery of these costs from ratepayers. See the "Litigation" section below for additional information on litigation, investigations and enforcement actions related to ash basins, including the Memorandum of Plea Agreement (Plea Agreements) in connection to the North Carolina Ash Basin Grand Jury Investigation. Other costs related to the Dan River release, including pending or future state or federal civil enforcement proceedings, future regulatory directives, natural resources damages, additional pending litigation, future claims or litigation and long-term environmental impact costs, cannot be reasonably estimated at this time.

On September 20, 2014, the Coal Ash Act became law and was amended on June 24, 2015, by the Mountain Energy Act. The Coal Ash Act, as amended, (i) establishes a Coal Ash Management Commission (Coal Ash Commission) to oversee handling of coal ash within the state; (ii) prohibits construction of new and expansion of existing ash impoundments and use of existing impoundments at retired facilities; (iii) requires closure of ash impoundments at Duke Energy Progress' Asheville and Sutton plants and Duke Energy Carolinas' Riverbend and Dan River stations no later than August 1, 2019 (the Mountain Energy Act provides for the potential extension of closure of the Asheville impoundment until 2022); (iv) requires dry disposal of fly ash at active plants, excluding the Asheville Plant, not retired by December 31, 2018; (v) requires dry disposal of bottom ash at active plants, excluding the Asheville Plant, by December 31, 2019, or retirement of active plants; (vi) requires all remaining ash impoundments in North Carolina to be categorized as high-risk, intermediate-risk or low-risk no later than December 31, 2015 by the North Carolina Department of Environmental Quality (NCDEQ), formerly the North Carolina Department of Environment and Natural Resources, with the method of closure and timing to be based upon the assigned risk, with closure no later than December 31, 2029; (vii) establishes requirements to deal with groundwater and surface water impacts from impoundments; and (viii) increases the level of regulation for structural fills utilizing coal ash. The Coal Ash Act includes a variance procedure for compliance deadlines and modification of requirements regarding structural fills and compliance boundaries. Provisions of the Coal Ash Act prohibit cost recovery in customer rates for unlawful discharge of ash basin waters occurring after January 1, 2014. The Coal Ash Act leaves the decision on cost recovery determinations related to closure of coal combustion residual (CCR) surface impoundments (ash basins or impoundments) to the normal ratemaking processes before utility regulatory commissions. Duke Energy has and will periodically submit to NCDEQ site-specific coal ash impoundment closure plans or excavation plans in advance of closure plans. These plans and all associated permits must be approved by NCDEQ before any excavation or closure work can begin.

In September 2014, Duke Energy Carolinas executed a consent agreement with the South Carolina Department of Health and Environmental Control (SCDHEC) requiring the excavation of an inactive ash basin and ash fill area at the W.S. Lee Steam Station. As part of this agreement, in December 2014, Duke Energy Carolinas filed an ash removal plan and schedule with SCDHEC. In April 2015, the federal CCR rules were published and Duke Energy Carolinas subsequently executed an agreement with the conservation groups Upstate Forever and Save Our Saluda that requires Duke Energy Carolinas to remediate all active and inactive ash storage areas at the W.S. Lee Steam Station. Coal-fired generation at W.S. Lee ceased in 2014 and unit 3 was converted to natural gas in March 2015. In July 2015, Duke Energy Progress executed a consent agreement with the SCDHEC requiring the excavation of an inactive ash fill area at the Robinson Plant within eight years. The Robinson Plant and W.S. Lee Station sites are required to be closed pursuant to the recently issued CCR rule and the provisions of these consent agreements are consistent with the federal CCR closure requirements.

Asset retirement obligations recorded on the Duke Energy Carolinas and Duke Energy Progress Condensed Consolidated Balance Sheets at September 30, 2015 and December 31, 2014 include the legal obligation for closure of coal ash basins and the disposal of related ash as a result of the Coal Ash Act, the EPA's CCR rule and other agreements. Cost recovery for future expenditures will be pursued through the normal ratemaking process with federal and state utility commissions, which permit recovery of necessary and prudently incurred costs associated with Duke Energy's regulated operations. See Note 7 for additional information.

Coal Combustion Residuals

On April 17, 2015, the EPA published in the Federal Register a rule to regulate the disposal of CCR from electric utilities as solid waste. The federal regulation classifies CCR as nonhazardous waste under Subtitle D of the Resource Conservation and Recovery Act and allows beneficial use of CCRs with some restrictions. The regulation applies to all new and existing landfills, new and existing surface impoundments receiving CCR and existing surface impoundments that are no longer receiving CCR but contain liquid located at stations currently generating electricity (regardless of fuel source). The rule establishes requirements regarding landfill design, structural integrity design and assessment criteria for surface impoundments, groundwater monitoring and protection procedures and other operational and reporting procedures to ensure the safe disposal and management of CCR. In addition to the requirements of the federal CCR regulation, CCR landfills and surface impoundments will continue to be independently regulated by most states. Duke Energy records an asset retirement obligation when it has a legal obligation to incur retirement costs associated with the retirement of a long-lived asset and the obligation can be reasonably estimated.

Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Ohio and Duke Energy Indiana recorded additional asset retirement obligation amounts in the second quarter of 2015 as a result of the EPA's CCR rule. Cost recovery for future expenditures will be pursued through the normal ratemaking process with federal and state utility commissions, which permit recovery of necessary and prudently incurred costs associated with Duke Energy's regulated operations. See Note 7 for additional information.

LITIGATION

Duke Energy

Ash Basin Shareholder Derivative Litigation

Five shareholder derivative lawsuits were filed in Delaware Chancery Court relating to the release at Dan River and to the management of Duke Energy's ash basins. On October 31, 2014, the five lawsuits were consolidated in a single proceeding titled "In Re Duke Energy Corporation Coal Ash Derivative Litigation." On December 2, 2014, plaintiffs filed a Corrected Verified Consolidated Shareholder Derivative Complaint (Consolidated Complaint). The Consolidated Complaint names as defendants several current and former Duke Energy officers and directors (collectively, the "Duke Energy Defendants"). Duke Energy is named as a nominal defendant.

The Consolidated Complaint alleges the Duke Energy Defendants breached their fiduciary duties by failing to adequately oversee Duke Energy's ash basins and that these breaches of fiduciary duty may have contributed to the incident at Dan River and continued thereafter. The lawsuit also asserts claims against the Duke Energy Defendants for corporate waste (relating to the money Duke Energy has spent and will spend as a result of the fines, penalties and coal ash removal) and unjust enrichment (relating to the compensation and director remuneration that was received despite these alleged breaches of fiduciary duty). The lawsuit seeks both injunctive relief against Duke Energy and restitution from the Duke Energy Defendants. On January 21, 2015, the Duke Energy Defendants filed a Motion to Stay and an alternative Motion to Dismiss. On August 31, 2015, the court issued an order staying the case through November 15, 2015. In October 2015, the Duke Energy Defendants provided an update to the court on the related coal ash litigation.

On March 5, 2015, shareholder Judy Mesirov filed a shareholder derivative complaint (Mesirov Complaint) in North Carolina state court. The lawsuit, styled *Mesirov v. Good*, is similar to the consolidated derivative action pending in Delaware Chancery Court and was filed against the same current directors and former directors and officers as the Delaware litigation. Duke Energy Corporation, Duke Energy Progress and Duke Energy Carolinas are named as nominal defendants. The Mesirov Complaint alleges that the Duke Energy Board of Directors was aware of Clean Water Act (CWA) compliance issues and failures to maintain structures in ash basins, but that the Board of Directors did not require Duke Energy Carolinas and Duke Energy Progress to take action to remedy deficiencies. The Mesirov Complaint further alleges that the Board of Directors sanctioned activities to avoid compliance with the law by allowing improper influence of NCDEQ to minimize regulation and by opposing previously anticipated citizen suit litigation. The Mesirov Complaint seeks corporate governance reforms and damages relating to costs associated with the Dan River release, remediation of ash basins that are out of compliance with the CWA and defending and payment of fines, penalties and settlements relating to criminal and civil investigations and lawsuits.

In addition to the above derivative complaints, Duke Energy has also received two shareholder litigation demand letters. On May 28, 2014, Duke Energy received a shareholder litigation demand letter sent on behalf of shareholder Mitchell Pinsly. The letter alleges that the members of the Board of Directors and certain officers breached their fiduciary duties by allowing the company to illegally dispose of and store coal ash pollutants. The letter demands that the Board of Directors take action to recover damages associated with those breaches of fiduciary duty; otherwise, the attorney will file a shareholder derivative action. By letter dated July 3, 2014, counsel for the shereholder was informed that the Board of Directors appointed a Demand Review Committee to evaluate the allegations in the demand letter.

On March 24, 2015, Duke Energy received a shareholder litigation demand letter sent on behalf of shareholder Saul Bresalier. The letter alleges that the members of the Board of Directors and certain officers breached their fiduciary duties in their management of Duke Energy's environmentel practices, as well as in their decision-making relating to the leadership changes following the close of the Progress Energy merger in July 2012. The letter demands that the Board of Directors take action to recover damages associated with those alleged breaches of fiduciary duty; otherwise, the attorney will file a shareholder derivative action. In May 2015, counsel for the shareholder was informed that the matter had been referred to the Demand Review Committee.

By letter dated September 4, 2015, attorneys for the shareholders were informed that, on the recommendation of the Demand Review Committee, the Board of Directors concluded not to pursue potential claims against individuals. Shareholder Mitchell Pinsly sent a formal demand for records and Duke Energy is responding to this request.

On October 30, 2015, shareholder Saul Bresalier filed a shareholder derivative complaint (Bresalier Complaint) in the U. S. District Court for the District of Delaware. The lawsuit alleges that the Duke Energy Defendants breached their fiduciary duties in connection with coal ash environmental issues, the post-merger change in Chief Executive Officer and oversight of political contributions. Duke Energy is named as a nominal defendant. The Bresalier Complaint contends that the Demand Review Committee failed to appropriately consider the shareholder's earlier demand for litigation and improperly decided not to pursue claims against the Duke Energy Defendants.

It is not possible to predict whether Duke Energy will incur any liability or to estimate tha damages, if any, it might incur in connection with these matters.

Ash Basin Shareholder Securities Litigation

On May 26, 2015, Plaintiff E.F. Greenberg (Plaintiff) filed a lawsuit against the members of the Duke Energy Board of Directors (the Board) alleging violations of Section 14(a) of the Exchange Act for false or misleading statements contained in Duke Energy's 2015 Proxy Statement. The plaintiff contends the Board caused Duke Energy to omit material facts from the 2015 Proxy Statement that a reasonable shareholder would consider important in casting a vote, especially with respect to the election of directors. Accordingly, Plaintiff alleges that shareholdars were misled in casting their votes. Plaintiff seeks a determination that the 2015 Proxy Statement was false and misleading, an order from the court invalidating all votes from the Annual Meeting and requiring a revised 2015 Proxy Statement, as well as attorneys' fees. On July 31, 2015, the defendants filed a Motion to Dismiss the case. On October 2, 2015, the Plaintiff filed a Motion for Summary Judgment. On October 30, 2015, the parties signed an agreement whereby the Plaintiff will voluntarily dismiss the case. The terms of the agreement are immaterial to Duke Energy.

Progress Energy Merger Shareholder Litigation

Duke Energy, the 11 members of the Board of Directors who were also members of the pre-merger Board of Directors (Legacy Duke Energy Directors) and certain Duke Energy officers are defendants in a purported securities class action lawsuit *(Nieman v. Duke Energy Corporation, et al)*. This lawsuit consolidates three lawsuits originally filed in July 2012 and is pending in the United States District Court for the Western District of North Carolina. The plaintiffs allege federal Securities Act and Exchange Act claims based on allegations of materially false and misleading representations and omissions in the Registration Statement filed on July 7, 2011, and purportedly incorporated into other documents, all in connection with the post-merger change in Chief Executive Officer (CEO).

On August 15, 2014 the parties reached an agreement in principle to settle the litigation. On March 10, 2015, the parties filed a Stipulation of Settlement and a Motion for Preliminary Approval of the Settlement. The court issued an order for preliminary approval of the settlement on March 25, 2015. Under the terms of the agreement, Duke Energy agreed to pay $146 million to settle the claim. On April 22, 2015, Duke Energy made a payment of $25 million into the settlement escrow account. The remainder of $121 million was paid by insurers into the settlement escrow account. Notice has been sent to members of the class and a final approval hearing was held on August 12, 2015. The final order approving the settlement was issued on November 2, 2015.

On May 31, 2013, the Delaware Chancery Court consolidated four shareholder derivative lawsuits filed in 2012. The Court also appointed a lead plaintiff and counsel for plaintiffs and designated the case as *In Re Duke Energy Corporation Derivative Litigation*. The lawsuit names as defendants the Legacy Duke Energy Directors. Duke Energy is named as a nominal defendant. The case alleges claims for breach of fiduciary duties of loyalty and care in connection with the post-merger change in CEO. The case is stayed pending resolution of the *Nieman v. Duke Energy Corporation, et al.* case in North Carolina.

Two shareholder Derivative Complaints, filed in 2012 in federal district court in Delaware, were consolidated as *Tansey v. Rogers, et al.* The case alleges claims for breach of fiduciary duty and waste of corporate assets, as well as claims under Section 14(a) and 20(a) of the Exchange Act. Duke Energy is named as a nominal defendant. Pursuant to an order entered on September 2, 2014, the court administratively closed this consolidated derivative action. The parties filed a status report with the court on December 1, 2014, and will continue to do so every six months thereafter until the Nieman v. Duke Energy Corporation, et al. case in North Carolina has been resolved.

It is not possible to predict whether Duke Energy will incur any liability or to estimate the damages, if any, it might incur in connection with the remaining litigation.

Price Reporting Cases

Five lawsuits filed against a Duke Energy affiliate, Duke Energy Trading and Marketing, LLC, and other energy companies remain pending in a consolidated, single federal court proceeding in Nevada. Each of these lawsuits contains similar claims that defendants allegedly manipulated natural gas markets by various means, including providing false information to natural gas trade publications and entering into unlawful arrangements and agreements in violation of the antitrust laws of the respective states. Plaintiffs seek damages in unspecified amounts.

On July 18, 2011, the judge granted a defendant's motion for summary judgment in two of five cases. The U.S. Court of Appeals for the Ninth Circuit subsequently reversed the lower court's decision. On April 21, 2015, the Supreme Court affirmed the U.S. Court of Appeals decision. The case has been reassigned to the same consolidated federal court proceeding in Nevada for further proceedings.

It is not possible to predict whether Duke Energy will incur any liability or to estimate the damages, if any, it might incur in connection with the remaining matters.

Brazil Expansion Lawsuit

On August 9, 2011, the State of São Paulo sued Duke Energy International Geracao Paranapenema S.A. (DEIGP) in Brazilian state court. The lawsuit claims DEIGP is under a continuing obligation to expand installed generation capacity in the State of São Paulo by 15 percent pursuant to a stock purchase agreement under which DEIGP purchased generation assets from the state. On August 10, 2011, a judge granted an ex parte injunction ordering DEIGP to present a detailed expansion plan in satisfaction of the 15 percent obligation. DEIGP has previously taken a position that the expansion obligation is no longer viable given changes that have occurred in the electric energy sector since privatization. DEIGP submitted its proposed expansion plan on November 11, 2011, but reserved objections regarding enforceability. In January 2013, DEIGP filed appeals in the federal courts, which are still pending, regarding various procedural issues. A decision on the merits in the first instance court is also pending. It is not possible to predict whether Duke Energy will incur any liability or to estimate the damages, if any, it might incur in connection with this matter.

Brazil Generation

Record drought conditions in Brazil continue to impact Duke Energy International, Geracao Paranapanema S.A. (DEIGP). A number of electric generators have filed lawsuits seeking relief in the Brazilian courts to mitigate hydrological exposure and diminishing dispatch levels. Some courts have granted injunction orders to limit the financial exposure of certain generators. The implication of these orders is that other electricity market participants not covered by the injunctions may be required to compensate for the financial impact of the liability limitations. The Independent Power Producer Association (APINE) filed one such lawsuit on behalf of DEIGP and other hydroelectric generators against the Brazilian electric regulatory agency. On July 2, 2015, an injunction was granted in favor of APINE limiting the financial exposure of DEIGP and the other plaintiff generators, until the merits of the lawsuit are determined. The APINE decision is subject to appeal and the outcome of these lawsuits is uncertain. It is not possible to predict the impact to Duke Energy from the outcome of these matters.

Duke Energy Carolinas and Duke Energy Progress

NCDEQ Notices of Violation (NOV)

In August 2014, NCDEQ issued an NOV for alleged groundwater violations at Duke Energy Progress' L.V. Sutton Plant. On March 10, 2015, NCDEQ issued a civil penalty of approximately $25 million to Duke Energy Progress for environmental damages related to the groundwater contamination at the L.V. Sutton Plant. On April 9, 2015, Duke Energy Progress filed a Petition for Contested Case hearing in the Office of Administrative Hearings. In February 2015, NCDEQ issued an NOV for alleged groundwater violations at Duke Energy Progress' Asheville Plant. Duke Energy Progress responded to NCDEQ regarding this NOV.

On September 29, 2015, Duke Energy Progress and Duke Energy Carolinas entered into a settlement agreement with NCDEQ resolving all former, current and future groundwater issues at all Duke Energy Carolinas and Duke Energy Progress coal facilities in North Carolina. Under the agreement, Duke Energy Progress will pay approximately $6 million and Duke Energy Carolinas will pay approximately $1 million. In addition to these payments, Duke Energy Progress and Duke Energy Carolinas will accelerate remediation actions at the Sutton, Asheville, Belews Creek and H.F. Lee Plants. The court entered a consent order resolving the contested case relating to the Sutton plant and NCDEQ rescinded the NOVs relating to alleged groundwater violations at both the Sutton and Asheville plants.

On October 13, 2015, the SELC, representing multiple conservation groups, filed a lawsuit in North Carolina Superior Court seeking judicial review of the order approving the settlement agreement with NCDEQ. The conservation groups contend that the Administrative Judge exceeded his statutory authority in approving a settlement that provided for past, present, and future resolution of groundwater issues at facilities which were not at issue in the penalty appeal. It is not possible to predict the outcome of this matter.

NCDEQ State Enforcement Actions

In the first quarter of 2013, non-government environmental organizations sent notices of intent to sue Duke Energy Carolinas and Duke Energy Progress related to alleged groundwater violations and CWA violations from coal ash basins at two of their coal-fired power plants in North Carolina. NCDEQ filed enforcement actions against Duke Energy Carolinas and Duke Energy Progress alleging violations of water discharge permits and North Carolina groundwater standards. The case against Duke Energy Carolinas was filed in Mecklenburg County Superior Court. The case against Duke Energy Progress was filed in Wake County Superior Court. The cases are being heard before a single judge.

On October 4, 2013, Duke Energy Carolinas, Duke Energy Progress and NCDEQ negotiated a proposed consent order covering these two plants. The consent order would have assessed civil penalties and imposed a compliance schedule requiring Duke Energy Carolinas and Duke Energy Progress to undertake monitoring and data collection activities toward making appropriate corrective action to address any substantiated violations. In light of the coal ash release that occurred at Dan River on February 2, 2014, on March 21, 2014, NCDEQ withdrew its support of the consent orders and requested that the court proceed with the litigation.

On August 16, 2013, NCDEQ filed an enforcement action against Duke Energy Carolinas and Duke Energy Progress related to their remaining plants in North Carolina, alleging violations of the CWA and violations of the North Carolina groundwater standards. The case against Duke Energy Carolinas was filed in Mecklenburg County Superior Court. The case against Duke Energy Progress was filed in Wake County Superior Court. Both of these cases have been assigned to the judge handling the enforcement actions discussed above. The Southern Environmental Law Center (SELC), on behalf of several environmental groups, has been permitted to intervene in these cases.

On July 10, 2015, Duke Energy Carolinas and Duke Energy Progress filed Motions for Partial Summary Judgment in the case on the basis that there is no longer either a genuine controversy or disputed material facts about the relief for seven of the 14 North Carolina plants with coal ash basins. On September 14, 2015, the court granted the Motions for Partial Summary Judgment pending court approval of the terms through an order. The court requested the parties reach agreement on the language of the order by October 30, 2015, or submit separate proposed orders and objections on November 2, 2015. Deadlines for discovery and motions for the remaining seven plants were extended by 180 days.

It is not possible to predict any liability or estimate any damages Duke Energy Carolinas or Duke Energy Progress might incur in connection with these matters.

North Carolina Declaratory Judgment Action

On October 10, 2012, the SELC, on behalf of the same environmental groups that were permitted to challenge the consent decrees discussed above, filed a petition with the North Carolina Environmental Management Commission (EMC) asking for a declaratory ruling seeking to clarify the application of the state's groundwater protection rules to coal ash basins. The petition sought to change the interpretation of regulations that permitted NCDEQ to assess the extent, cause and significance of any groundwater contamination before ordering action to eliminate the source of contamination, among other issues. Duke Energy Carolinas and Duke Energy Progress were both permitted to intervene in the matter. On December 3, 2012, the EMC affirmed this interpretation of the regulations.

On March 6, 2014, the North Carolina State Court judge overturned the ruling of the EMC holding that in the case of groundwater contamination, NCDEQ was required to issue an order to immediately eliminate the source of the contamination before an assessment of the nature, significance and extent of the contamination or the continuing damage to the groundwater was conducted. Duke Energy Carolinas, Duke Energy Progress and the EMC appealed the ruling in April 2014. On May 16, 2014, the North Carolina Court of Appeals denied a petition to stay the case during the appeal. On October 10, 2014, the parties were notified the case has been transferred to the North Carolina Supreme Court (NCSC). Oral argument was held on March 16, 2015. On June 11, 2015, the NCSC issued its opinion in favor of Duke Energy Carolinas, Duke Energy Progress and the EMC and remanded the matter to the state court judge with instructions to dismiss the case.

Federal Citizens Suits

There are currently five cases filed in various North Carolina federal courts contending that the NCDEO state enforcement actions discussed above do not adequately address the issues raised in the notices of intent to sue related to the Riverbend, Sutton, Cape Fear, H.F. Lee and Buck plants.

On June 11, 2013, Catawba Riverkeeper Foundation, Inc. (Catawba Riverkeeper) filed a separate action in the United States Court for the Western District of North Carolina. The lawsuit contends the state enforcement action discussed above does not adequately address issues raised in Catawba Riverkeeper's notice of intent to sue relating to the Riverbend Steam Station. On April 11, 2014, the Court denied Catawba Riverkeeper's objections to the Magistrate Judge's recommendation that plaintiff's case be dismissed as well as Duke Energy Carolinas' motion to dismiss. The Court allowed limited discovery, after which Duke Energy Carolinas may file any renewed motions to dismiss. On August 13, 2015, the court issued an order suspending all proceedings until further order from the court.

On September 12, 2013, Cape Fear River Watch, Inc., Sierra Club and Waterkeeper Alliance filed a citizen suit in the Federal District Court for the Eastern District of North Carolina. The lawsuit alleges unpermitted discharges to surface water and groundwater violations at the Sutton Plant. On June 9, 2014, the court granted Duke Energy Progress' request to dismiss the groundwater claims but rejected its request to dismiss the surface water claims. In response to a motion filed by the SELC, on August 1, 2014, the court modified the original June 9 order to dismiss only the plaintiff's federal law claim based on hydrologic connections at Sutton Lake. The claims related to the alleged state court violations of the permits are back in the case. On August 26, 2015, the court suspended the proceedings until further order from the court.

On September 3, 2014, three cases were filed by various environmental groups: (i) a citizen suit in the United States Court for the Middle District of North Carolina alleging unpermitted discharges to surface water and groundwater violations at the Cape Fear Plant; (ii) a citizen suit in the United States Court for the Eastern District of North Carolina alleging unpermitted discharges to surface water and groundwater violations at the H.F. Lee Plant; and (iii) a citizen suit in the United States Court for the Middle District of North Carolina alleging unpermitted discharges to surface water and groundwater violations at the Buck Steam Station. Motions to Stay or Dismiss the proceedings were filed in each of the three cases. The proceedings related to Cape Fear and H.F. Lee have been stayed. On October 20, 2015, the court issued an order denying the motions in the Buck proceedings.

It is not possible to predict whether Duke Energy Carolinas or Duke Energy Progress will incur any liability or to estimate the damages, if any, they might incur in connection with these matters.

North Carolina Ash Basin Grand Jury Investigation

As a result of the Dan River ash basin water release discussed above, NCDEO issued a Notice of Violation and Recommendation of Assessment of Civil Penalties with respect to this matter on February 28, 2014, which the company responded to on March 13, 2014. Duke Energy and certain Duke Energy employees received subpoenas issued by the United States Attorney for the Eastern District of North Carolina in connection with a criminal investigation related to all 14 of the North Carolina facilities with ash basins and the nature of Duke Energy's contacts with NCDEO with respect to those facilities. This is a multidistrict investigation that also involves state law enforcement authorities.

On February 20, 2015, Duke Energy Carolinas, Duke Energy Progress and Duke Energy Business Services LLC (DEBS), a wholly owned subsidiary of Duke Energy, each entered into Plea Agreements in connection with the investigation initiated by the United States Department of Justice Environmental Crimes Section and the United States Attorneys for the Eastern District of North Carolina, the Middle District of North Carolina and the Western District of North Carolina (collectively, USDOJ). On May 14, 2015, the United States District Court for the Eastern District of North Carolina approved the Plea Agreements.

Under the Plea Agreements, DEBS and Duke Energy Progress pleaded guilty to four misdemeanor CWA violations related to violations at Duke Energy Progress' H.F. Lee Steam Electric Plant, Cape Fear Steam Electric Plant and Asheville Steam Electric Generating Plant. Duke Energy Carolinas and DEBS pleaded guilty to five misdemeanor CWA violations related to violations at Duke Energy Carolinas' Dan River Steam Station and Riverbend Steam Station. DEBS, Duke Energy Carolinas and Duke Energy Progress also agreed (i) to a five-year probation period, (ii) to pay a total of approximately $68 million in fines and restitution and $34 million for community service and mitigation (the Payments), (iii) to fund and establish environmental compliance plans subject to the oversight of a court-appointed monitor in addition to certain other conditions set out in the Plea Agreements. Duke Energy Carolinas and Duke Energy Progress also agree to each maintain $250 million under their Master Credit Facility as security to meet their obligations under the Plea Agreements. Payments under the Plea Agreements will be borne by shareholders and are not tax deductible. Duke Energy Corporation has agreed to issue a guarantee of all payments and performance due from DEBS, Duke Energy Carolinas and Duke Energy Progress, including but not limited to payments for fines, restitution, community service, mitigation and the funding of, and obligations under, the environmental compliance plans. Payment of the amounts relating to fines and restitution were made between May and July 2015. Duke Energy Carolinas and Duke Energy Progress each have a remaining liability of $5 million in Accounts payable within their respective Condensed Consolidated Balance Sheets as of September 30, 2015.

On May 14, 2015, Duke Energy reached an Interim Administrative Agreement with the U.S. Environmental Protection Agency Office of Suspension and Debarment that avoids debarment of DEBS, Duke Energy Carolinas or Duke Energy Progress with respect to all active generating facilities. The Interim Administrative Agreement imposes a number of requirements relating to environmental and ethical compliance, subject to the oversight of an independent monitor. The Plea Agreements do not cover pending civil claims related to the Dan River coal ash release and operations at other North Carolina coal plants.

Potential Groundwater Contamination Claims

Beginning in May 2015, a number of residents living in the vicinity of the North Carolina facilities with ash basins received letters from NCDEQ advising them not to drink water from the private wells on their land tested by NCDEQ as the samples were found to have certain substances at levels higher than the criteria set by the North Carolina Department of Health and Human Services (DHHS). The criteria, in some cases, are considerably more stringent than federal drinking water standards established to protect human health and welfare. The Coal Ash Act requires additional groundwater monitoring and assessments for each of the 14 coal-fired plants in North Carolina, including sampling of private water supply wells. The data gathered through these comprehensive groundwater assessments will be used to determine whether the water quality of these private water supply wells has been adversely impacted by the ash basins. Duke Energy has submitted Comprehensive Site Assessment Reports (CSAs) documenting the results of extensive groundwater monitoring around coal ash basins at all 14 of the plants with coal ash basins. CSAs are required by the Coal Ash Act for all North Carolina facilities with coal ash impoundments. Data from these reports will be used by NCDEQ to assess whether the private water supply wells have been impacted by contamination from ash basins. Generally, the data gathered through the installation of new monitoring wells and soil and water samples across the state have been consistent with historical data provided to state regulators over many years. The DHHS and NCDEQ sent follow-up letters on October 15, 2015 to residents near coal ash plants who have had their wells tested, stating that private well samplings at a considerable distance from coal ash impoundments, as well as some municipal water supplies, contain similar levels of vanadium and hexavalent chromium which leads investigators to believe these constituents are naturally occurring. It is not possible to estimate the maximum exposure of loss, if any, that may occur in connection with claims which might be made by these residents.

Duke Energy Carolinas

New Source Review

In 1999-2000, the U.S. Department of Justice (DOJ) on behalf of the EPA filed a number of complaints and notices of violation against multiple utilities, including Duke Energy Carolinas, for alleged violations of the New Source Review (NSR) provisions of the Clean Air Act (CAA). The government alleges the utilities violated the CAA when undertaking certain maintenance and repair projects at certain coal plants without (i) obtaining NSR permits and (ii) installing the best available emission controls for sulfur dioxide, nitrogen oxide and particulate matter. The complaints seek the installation of pollution control technology on generating units that allegedly violated the CAA, and unspecified civil penalties in amounts of up to $37,500 per day for each violation.

In 2000, the government sued Duke Energy Carolinas in the U.S. District Court in Greensboro, North Carolina, claiming NSR violations for 29 projects performed at 25 of Duke Energy Carolinas' coal-fired units. Duke Energy Carolinas asserts there were no CAA violations because the applicable regulations do not require NSR permitting in cases where the projects undertaken are routine or otherwise do not result in an increase in emissions. In 2011, the parties filed a stipulation agreeing to dismiss with prejudice all but 13 claims at 13 generating units, 11 of which have since been retired. On October 20, 2015, the Court approved and entered a consent decree to resolve this matter. Under the consent decree, Duke Energy Carolinas will retire by the end of 2024 the remaining units at the Allen plant that are part of the litigation as well as a third unit that is not part of the litigation. Prior to closure, Duke Energy Carolinas will comply with new, lower emissions limits at the Allen units named in the litigation. Additionally, Duke Energy Carolinas will spend approximately $4 million on environmental projects and donations and pay a civil penalty of approximately $1 million. The Condensed Consolidated Statements of Operations and Comprehensive Income include a charge of $2 million in Operations, maintenance and other for the three and nine months ended September 30, 2015. The Condensed Consolidated Balances Sheets include $3 million in Other within Investments and Other Assets and $5 million in Accounts payable within Current Liabilities as of September 30, 2015.

Asbestos-related Injuries and Damages Claims

Duke Energy Carolinas has experienced numerous claims for indemnification and medical cost reimbursement related to asbestos exposure. These claims relate to damages for bodily injuries alleged to have arisen from exposure to or use of asbestos in connection with construction and maintenance activities conducted on its electric generation plants prior to 1985. As of September 30, 2015, there were 150 asserted claims for non-malignant cases with the cumulative relief sought of up to $37 million, and 63 asserted claims for malignant cases with the cumulative relief sought of up to $9 million. Based on Duke Energy Carolinas' experience, it is expected that the ultimate resolution of most of these claims likely will be less than the amount claimed.

Duke Energy Carolinas has recognized asbestos-related reserves of $551 million at September 30, 2015 and $575 million at December 31, 2014. These reserves are classified in Other within Deferred Credits and Other Liabilities and Other within Current Liabilities on the Condensed Consolidated Balance Sheets. These reserves are based upon the minimum amount of the range of loss for current and future asbestos claims through 2033, are recorded on an undiscounted basis and incorporate anticipated inflation. In light of the uncertainties inherent in a longer-term forecast, management does not believe they can reasonably estimate the indemnity and medical costs that might be incurred after 2033 related to such potential claims. It is possible Duke Energy Carolinas may incur asbestos liabilities in excess of the recorded reserves.

Duke Energy Carolinas has third-party insurance to cover certain losses related to asbestos-related injuries and damages above an aggregate self-insured retention. Duke Energy Carolinas' cumulative payments began to exceed the self-insurance retention in 2008. Future payments up to the policy limit will be reimbursed by the third-party insurance carrier. The insurance policy limit for potential future insurance recoveries indemnification and medical cost claim payments is $847 million in excess of the self-insured retention. Receivables for insurance recoveries were $599 million at September 30, 2015 and $616 million at December 31, 2014. These amounts are classified in Other within Investments and Other Assets and Receivables on the Condensed Consolidated Balance Sheets. Duke Energy Carolinas is not aware of any uncertainties regarding the legal sufficiency of insurance claims. Duke Energy Carolinas believes the insurance recovery asset is probable of recovery as the insurance carrier continues to have a strong financial strength rating.

Duke Energy Florida

Westinghouse Contract Litigation

On March 28, 2014, Duke Energy Florida filed a lawsuit against Westinghouse in the U.S. District Court for the Western District of North Carolina. The lawsuit seeks recovery of $54 million in milestone payments in excess of work performed under the terminated engineering, procurement and construction agreement (EPC) for Levy as well as a determination by the court of the amounts due to Westinghouse as a result of the termination of the EPC.

On March 31, 2014, Westinghouse filed a lawsuit against Duke Energy Florida in U.S. District Court for the Western District of Pennsylvania. The Pennsylvania lawsuit alleged damages under the EPC in excess of $510 million for engineering and design work, costs to end supplier contracts and an alleged termination fee.

On June 9, 2014, the judge in the North Carolina case ruled that the litigation will proceed in the Western District of North Carolina. In November 2014, Westinghouse filed a Motion for Partial Judgment on the pleadings, which was denied on March 30, 2015. Trial is set for June 2016. It is not possible to predict the outcome of the litigation and whether Duke Energy Florida will incur any liability for terminating the EPC or to estimate the damages, if any, it might incur in connection with these matters. Ultimate resolution of these matters could have a material effect on the results of operations, financial position or cash flows of Duke Energy Florida. However, appropriate regulatory recovery will be pursued for the retail portion of any costs incurred in connection with such resolution.

Duke Energy Ohio

Antitrust Lawsuit

In January 2008, four plaintiffs, including individual, industrial and nonprofit customers, filed a lawsuit against Duke Energy Ohio in federal court in the Southern District of Ohio. Plaintiffs alleged Duke Energy Ohio conspired to provide inequitable and unfair price advantages for certain large business consumers by entering into nonpublic option agreements in exchange for their withdrawal of challenges to Duke Energy Ohio's Rate Stabilization Plan implemented in early 2005. In March 2014, a federal judge certified this matter as a class action. Plaintiffs allege claims for antitrust violations under the federal Robinson Patman Act as well as fraud and conspiracy allegations under the federal Racketeer Influenced and Corrupt Organizations statute and the Ohio Corrupt Practices Act.

On October 21, 2015, the parties received preliminary court approval for a settlement agreement. A litigation settlement reserve was recorded for the full amount of $81 million and classified in Other within Current Liabilities on Duke Energy Ohio's Condensed Consolidated Balance Sheets as of September 30, 2015. Duke Energy Ohio recognized the full amount in (Loss) Income From Discontinued Operations, net of tax in the Condensed Consolidated Statements of Operations and Comprehensive Income for the nine months ended September 30, 2015. See Note 2 for further discussion on the Midwest Generation Exit.

W.C. Beckjord Fuel Release

On August 18, 2014, approximately 9,000 gallons of fuel oil were inadvertently discharged into the Ohio River during a fuel oil transfer at the W.C. Beckjord generating plant. The Ohio Environmental Protection Agency (Ohio EPA) issued a Notice of Violation related to the discharge. Duke Energy Ohio is cooperating with the Ohio EPA, the EPA and the U.S. Attorney for the Southern District of Ohio. No Notice of Violation has been issued by the EPA and no civil or criminal penalty amount has been established. Total repair and remediation costs related to the release were not material. Other costs related to the release, including state or federal civil or criminal enforcement proceedings, cannot be reasonably estimated at this time.

Duke Energy Indiana

Edwardsport IGCC

On December 11, 2012, Duke Energy Indiana filed an arbitration action against General Electric Company and Bechtel Corporation in connection with their work at the Edwardsport IGCC facility. Duke Energy Indiana sought damages equaling some or all of the additional costs incurred in the construction of the project not recovered at the IURC. The arbitration hearing concluded in December 2014. On May 6, 2015, the arbitration panel issued its final decision unanimously dismissing all of Duke Energy Indiana's claims. This ruling resolves all outstanding issues in the arbitration.

Other Litigation and Legal Proceedings

The Duke Energy Registrants are involved in other legal, tax and regulatory proceedings arising in the ordinary course of business, some of which involve significant amounts. The Duke Energy Registrants believe the final disposition of these proceedings will not have a material effect on their results of operations, cash flows or financial position.

The table below presents recorded reserves based on management's best estimate of probable loss for legal matters, excluding asbestos-related reserves. Reserves are classified on the Condensed Consolidated Balance Sheets in Other within Deferred Credits and Other Liabilities and Accounts payable and Other within Current Liabilities. The reasonably possible range of loss in excess of recorded reserves is not material, other than as described above.

(in millions)	September 30, 2015	December 31, 2014
Reserves for Legal Matters		
Duke Energy	$ 178	$ 323
Duke Energy Carolinas	12	72
Progress Energy	74	93
Duke Energy Progress	17	37
Duke Energy Florida	36	36
Duke Energy Ohio	81	—

OTHER COMMITMENTS AND CONTINGENCIES

General

As part of their normal business, the Duke Energy Registrants are party to various financial guarantees, performance guarantees and other contractual commitments to extend guarantees of credit and other assistance to various subsidiaries, investees and other third parties. These guarantees involve elements of performance and credit risk, which are not fully recognized on the Condensed Consolidated Balance Sheets and have unlimited maximum potential payments. However, the Duke Energy Registrants do not believe these guarantees will have a material effect on their results of operations, cash flows or financial position.

In addition, the Duke Energy Registrants enter into various fixed-price, noncancelable commitments to purchase or sell power, take-or-pay arrangements, transportation, or throughput agreements and other contracts that may or may not be recognized on their respective Condensed Consolidated Balance Sheets. Some of these arrangements may be recognized at fair value on their respective Condensed Consolidated Balance Sheets if such contracts meet the definition of a derivative and the normal purchase/normal sale (NPNS) exception does not apply. In most cases, the Duke Energy Registrants' purchase obligation contracts contain provisions for price adjustments, minimum purchase levels and other financial commitments.

6. DEBT AND CREDIT FACILITIES

SUMMARY OF SIGNIFICANT DEBT ISSUANCES

The following table summarizes significant debt issuances (in millions).

			Nine Months Ended September 30, 2015		
Issuance Date	**Maturity Date**	**Interest Rate**	**Duke Energy**	**Duke Energy Carolinas**	**Duke Energy Progress**
First Mortgage Bonds					
March 2015[(a)]	June 2045	3.750%	$ 500	$ 500	$ —
August 2015[(b)]	August 2025	3.250%	500	—	500
August 2015[(b)]	August 2045	4.200%	700	—	700
Total issuances			$ 1,700	$ 500	$ 1,200

(a) Proceeds were used to redeem at maturity $500 million of first mortgage bonds due October 2015.
(b) Proceeds were used to repay short-term money pool and commercial paper borrowings issued to fund a portion of the NCEMPA acquisition, see Note 2 for further information. Additionally, proceeds will be used to refinance at maturity $400 million of first mortgage bonds due December 2015.

CURRENT MATURITIES OF LONG-TERM DEBT

The following table shows the significant components of Current maturities of long-term debt on the Condensed Consolidated Balance Sheets. The Duke Energy Registrants currently anticipate satisfying these obligations with cash on hand and proceeds from additional borrowings.

(in millions)	Maturity Date	Interest Rate	September 30, 2015
Unsecured Debt			
Progress Energy (Parent)	January 2016	5.625%	$ 300
Duke Energy Indiana	June 2016	6.05%	325
First Mortgage Bonds			
Duke Energy Carolinas	October 2015	5.300%	500
Duke Energy Florida	November 2015	0.650%	250
Duke Energy Florida	December 2015	5.100%	300
Duke Energy Progress	December 2015	5.250%	400
Duke Energy Indiana	July 2016	0.636%	150
Other			311
Current maturities of long-term debt			$ 2,536

MASTER CREDIT FACILITY

Duke Energy has a Master Credit Facility with a capacity of $7.5 billion through January 2020. The Duke Energy Registrants, excluding Progress Energy (Parent), have borrowing capacity under the Master Credit Facility up to a specified sublimit for each borrower. Duke Energy has the unilateral ability at any time to increase or decrease the borrowing sublimits of each borrower, subject to a maximum sublimit for each borrower. The amount available under the Master Credit Facility has been reduced to backstop issuances of commercial paper, certain letters of credit, variable-rate demand tax-exempt bonds that may be put to the Duke Energy Registrants at the option of the holder and as security to meet obligations under the Plea Agreements. The table below includes the current borrowing sublimits and available capacity under the Master Credit Facility.

	September 30, 2015						
(in millions)	Duke Energy	Duke Energy (Parent)	Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Facility size[(a)]	$ 7,500	$ 3,300	$ 800	$ 1,300	$ 1,200	$ 400	$ 500
Reduction to backstop issuances							
Commercial paper[(b)]	(1,793)	(1,318)	(300)	—	—	(25)	(150)
Outstanding letters of credit	(72)	(64)	(4)	(3)	(1)	—	—
Tax-exempt bonds	(116)	—	(35)	—	—	—	(81)
Coal ash set-aside[(c)]	(500)	—	(250)	(250)	—	—	—
Available capacity	$ 5,019	$ 1,918	$ 211	$ 1,047	$ 1,199	$ 375	$ 269

(a) Represents the sublimit of each borrower.

(b) Duke Energy issued $475 million of commercial paper and loaned the proceeds through the money pool to Duke Energy Carolinas, Duke Energy Ohio and Duke Energy Indiana. The balances are classified as Long-Term Debt Payable to Affiliated Companies in the Condensed Consolidated Balance Sheets.

(c) On May 14, 2015, the United States District Court for the Eastern District of North Carolina approved the separate Plea Agreements entered into by Duke Energy Carolinas, Duke Energy Progress and DEBS, a wholly owned subsidiary of Duke Energy, in connection with the investigation initiated by the USDOJ. Duke Energy Carolinas and Duke Energy Progress are required to each maintain $250 million of available capacity under the Master Credit Facility as security to meet their obligations under the Plea Agreements, in addition to certain other conditions. See Note 5 for further details.

7. ASSET RETIREMENT OBLIGATIONS

COAL COMBUSTION RESIDUALS

Duke Energy records an asset retirement obligation (ARO) when it has a legal obligation to incur retirement costs associated with the retirement of a long-lived asset and the obligation can be reasonably estimated.

DUKE ENERGY CORPORATION – DUKE ENERGY CAROLINAS, LLC – PROGRESS ENERGY, INC. –
DUKE ENERGY PROGRESS, LLC – DUKE ENERGY FLORIDA, LLC – DUKE ENERGY OHIO, INC. – DUKE ENERGY INDIANA, INC.
Combined Notes to Condensed Consolidated Financial Statements – (Continued)
(Unaudited)

On April 17, 2015, the EPA published in the Federal Register a rule to regulate the disposal of CCR from electric utilities as solid waste. The federal regulation, which became effective in October 2015, classifies CCR as nonhazardous waste under Subtitle D of the Resource Conservation and Recovery Act and allows beneficial use of CCRs with some restrictions. The regulation applies to all new and existing landfills, new and existing surface impoundments receiving CCR and existing surface impoundments that are no longer receiving CCR but contain liquid located at stations currently generating electricity (regardless of fuel source). The rule establishes requirements regarding landfill design, structural integrity design and assessment criteria for surface impoundments, groundwater monitoring and protection procedures and other operational and reporting procedures to ensure the safe disposal and management of CCR. In addition to the requirements of the federal CCR regulation, CCR landfills and surface impoundments will continue to be independently regulated by most states. As a result of the EPA rule, Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Ohio and Duke Energy Indiana recorded additional asset retirement obligation amounts during the second quarter of 2015. Cost recovery is believed to be probable and will be pursued through normal ratemaking processes. See footnote 5 for additional information.

The ARO amount recorded that relates to the EPA rule was based upon estimated closure costs for ash basins at seven plants located in South Carolina, Indiana and Kentucky. The amount recorded represents the discounted cash flows for estimated closure costs of these ash basins based upon probability weightings of the potential closure methods as evaluated on a site-by-site basis. Actual costs to be incurred will be dependent upon factors that vary from site to site. The most significant factors are the method and time frame of closure at the individual sites. Closure methods considered include removing the water from the basins and capping the ash with a synthetic barrier, excavating and relocating the ash to a lined structural fill or lined landfill, or recycling the ash for concrete or some other beneficial use. The ultimate method and timetable for closure will be in compliance with standards set by the EPA rule and any state regulations. The ARO amount will be adjusted as additional information is gained through the closure process, including acceptance and approval of compliance approaches which may change management assumptions, and may result in a material change to the balance.

The following table presents changes in the liability associated with asset retirement obligations for Duke Energy and the Subsidiary Registrants.

(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Balance at December 31, 2014[(a)]	$ 8,466	$ 3,428	$ 4,711	$ 3,905	$ 806	$ 27	$ 32
Acquisitions[(b)]	213	—	204	204	—	—	—
Accretion expense[(c)]	278	123	150	123	26	2	11
Liabilities settled[(d)]	(274)	(107)	(153)	(53)	(100)	(2)	(12)
Liabilities incurred in the current year[(e)]	983	178	270	270	—	116	418
Revisions in estimates of cash flows	47	(23)	40	40	—	—	—
Balance at September 30, 2015	$ 9,713	$ 3,599	$ 5,222	$ 4,489	$ 732	$ 143	$ 449

(a) Primarily relates to decommissioning nuclear power facilities, closure of ash basins in North Carolina and South Carolina, asbestos removal, closure of landfills at fossil generation facilities, retirement of natural gas mains and removal of renewable energy generation assets.
(b) Primarily relates to the NCEMPA acquisition. See footnote 2 for additional information.
(c) For the nine months ended September 30, 2015, substantially all accretion expense relates to previously established asset retirement obligations from Duke Energy's regulated electric operations and has been deferred in accordance with regulatory accounting treatment.
(d) Primarily relates to ash basin closures in North Carolina and South Carolina and nuclear decommissioning of Crystal River Unit 3 in Florida.
(e) Primarily relates to amounts recorded in the second quarter of 2015 as a result of the EPA's rule for disposal of CCR as solid waste.

Asset retirement costs associated with the asset retirement obligations for operating plants and retired plants are included in Net property, plant and equipment, and Regulatory assets, respectively, on the Condensed Consolidated Balance Sheets. The following table summarizes the associated long-lived assets related to ARO liabilities incurred during the nine months ended September 30, 2015.

	September 30, 2015					
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Ohio	Duke Energy Indiana
Net property, plant and equipment	$ 535	$ —	$ —	$ —	$ 116	$ 418
Regulatory Assets	448	178	270	270	—	—

8. GOODWILL AND INTANGIBLE ASSETS

GOODWILL

The following table presents goodwill by reportable operating segment for Duke Energy.

Duke Energy

(in millions)	Regulated Utilities	International Energy	Commercial Portfolio	Total
Goodwill at December 31, 2014 [(a)]	15,950	307	64	16,321
Foreign exchange and other changes	—	(33)	—	(33)
Acquisitions	—	—	24	24
Goodwill at September 30, 2015	$ 15,950	$ 274	$ 88	$ 16,312

(a) Excludes fully impaired Goodwill related to the nonregulated Midwest generation business which was sold in the second quarter of 2015. See Note 2 for further information related to the sale.

Duke Energy Ohio

Duke Energy Ohio's Goodwill balance of $920 million is included in the Regulated Utilities operating segment and presented net of accumulated impairment charges of $216 million on the Condensed Consolidated Balance Sheets at September 30, 2015 and December 31, 2014.

Progress Energy

Progress Energy's Goodwill is included in the Regulated Utilities operating segment and there are no accumulated impairment charges.

Impairment Testing

Duke Energy, Duke Energy Ohio and Progress Energy are required to perform an annual goodwill impairment test as of the same date each year and, accordingly, perform their annual impairment testing of goodwill as of August 31. Duke Energy, Duke Energy Ohio and Progress Energy update their test between annual tests if events or circumstances occur that would more likely than not reduce the fair value of a reporting unit below its carrying value. As the fair value of Duke Energy, Duke Energy Ohio and Progress Energy's reporting units exceeded their respective carrying values at the date of the annual impairment analysis, no impairment charges were recorded in the third quarter of 2015.

INTANGIBLE ASSETS

During 2014, Duke Energy Ohio reduced the carrying amount of OVEC to zero. A charge of $94 million is recorded in Impairment charges on Duke Energy Ohio's Condensed Consolidated Statement of Operations for the nine months ended September 30, 2014. See Note 13 for additional information.

9. RELATED PARTY TRANSACTIONS

The Subsidiary Registrants engage in related party transactions in accordance with the applicable state and federal commission regulations and are generally performed at cost. Refer to the Condensed Consolidated Balance Sheets of the Subsidiary Registrants for balances due to or due from related parties. Material amounts related to transactions with related parties included in the Condensed Consolidated Statements of Operations and Comprehensive Income are presented in the following table.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2015**	**2014**	**2015**	**2014**
Duke Energy Carolinas				
Corporate governance and shared service expenses[(a)]	$ 211	$ 199	$ 632	$ 638
Indemnification coverages[(b)]	6	5	18	16
Joint Dispatch Agreement (JDA) revenue[(c)]	7	13	47	125
Joint Dispatch Agreement (JDA) expense[(c)]	48	36	143	127
Progress Energy				
Corporate governance and shared service expenses[(a)]	$ 184	$ 182	$ 523	$ 560
Indemnification coverages[(b)]	10	8	29	25
JDA revenue[(c)]	48	36	143	127
JDA expense[(c)]	7	13	47	125
Duke Energy Progress				
Corporate governance and shared service expenses[(a)]	$ 101	$ 91	$ 296	$ 291
Indemnification coverages[(b)]	4	4	12	13
JDA revenue[(c)]	48	36	143	127
JDA expense[(c)]	7	13	47	125
Duke Energy Florida				
Corporate governance and shared service expenses[(a)]	$ 83	$ 91	$ 227	$ 269
Indemnification coverages[(b)]	6	4	17	12
Duke Energy Ohio				
Corporate governance and shared service expenses[(a)]	$ 88	$ 83	$ 276	$ 242
Indemnification coverages[(b)]	1	3	5	10
Duke Energy Indiana				
Corporate governance and shared service expenses[(a)]	$ 87	$ 94	$ 259	$ 293
Indemnification coverages[(b)]	2	3	6	8

(a) The Subsidiary Registrants are charged their proportionate share of corporate governance and other shared services costs, primarily related to human resources, employee benefits, legal and accounting fees, as well as other third-party costs. These amounts are recorded in Operation, maintenance and other on the Condensed Consolidated Statements of Operations and Comprehensive Income.

(b) The Subsidiary Registrants incur expenses related to certain indemnification coverages through Bison, Duke Energy's wholly owned captive insurance subsidiary. These expenses are recorded in Operation, maintenance and other on the Condensed Consolidated Statements of Operations and Comprehensive Income.

(c) Duke Energy Carolinas and Duke Energy Progress participate in a JDA which allows the collective dispatch of power plants between the service territories to reduce customer rates. Revenues from the sale of power under the JDA are recorded in Operating Revenues on the Condensed Consolidated Statements of Operations and Comprehensive Income. Expenses from the purchase of power under the JDA are recorded in Fuel used in electric generation and purchased power on the Condensed Consolidated Statements of Operations and Comprehensive Income.

In addition to the amounts presented above, the Subsidiary Registrants record the impact of other affiliate transactions in net income, including rental of office space, participation in a money pool arrangement, other operational transactions and their proportionate share of certain charged expenses. See Note 6 to the Consolidated Financial Statements in the Annual Report on Form 10-K for more information regarding money pool. The net impact of these transactions was not material for the three and nine months ended September 30, 2015 and 2014 for the Subsidiary Registrants.

As discussed in Note 13, certain trade receivables have been sold by Duke Energy Ohio and Duke Energy Indiana to CRC, an affiliate formed by a subsidiary of Duke Energy. The proceeds obtained from the sales of receivables are largely cash but also include a subordinated note from the affiliate for a portion of the purchase price.

Duke Energy Ohio's nonregulated indirect subsidiary, Duke Energy Commercial Asset Management (DECAM), owned generating plants included in the Disposal Group sold to Dynegy on April 2, 2015. On April 1, 2015, Duke Energy Ohio distributed its indirect ownership interest in DECAM to a Duke Energy subsidiary and non-cash settled DECAM's intercompany loan payable of $294 million. The intercompany loan payable recorded in Notes payable to affiliated companies on Duke Energy Ohio's Condensed Consolidated Balance Sheets was $459 million as of December 31, 2014.

Refer to Note 2 for further information on the sale of the Disposal Group.

10. DERIVATIVES AND HEDGING

The Duke Energy Registrants use commodity and interest rate contracts to manage commodity price and interest rate risks. The primary use of energy commodity derivatives is to hedge the generation portfolio against changes in the prices of electricity and natural gas. Interest rate swaps are used to manage interest rate risk associated with borrowings.

All derivative instruments not identified as NPNS are recorded at fair value as assets or liabilities on the Condensed Consolidated Balance Sheets. Cash collateral related to derivative instruments executed under master netting agreement is offset against the collateralized derivatives on the balance sheet. The cash impacts of settled derivatives are recorded as operating activities on the Condensed Consolidated Statements of Cash Flows.

Changes in the fair value of derivative instruments that either do not qualify for or have not been designated as hedges are reflected in current earnings or as regulatory assets or liabilities.

FAIR VALUE AND CASH FLOW HEDGES

For a derivative designated as hedging the exposure to variable cash flows of a future transaction, referred to as a cash flow hedge, the effective portion of the derivative's gain or loss is initially reported as a component of other comprehensive income and subsequently reclassified into earnings once the future transaction effects earnings. Gains and losses reclassified out of AOCI for the three and nine months ended September 30, 2015 and 2014 were immaterial.

Amounts for interest rate contracts are reclassified to earnings as interest expense over the term of the related debt.

At September 30, 2015, there were no open commodity derivative instruments designated as hedges.

COMMODITY PRICE RISK

The Duke Energy Registrants are exposed to the impact of changes in the future prices of electricity, coal and natural gas. Exposure to commodity price risk is influenced by a number of factors including the term of contracts, the liquidity of markets and delivery locations.

Regulated public utilities may have cost-based rate regulations and various other cost recovery mechanisms that result in a limited exposure to market volatility of commodity fuel prices. Financial derivative contracts, where approved by the respective state regulatory commission, can be used to manage the risk of price volatility. Wholesale generating capacity used to sell electricity results in exposure to market volatility in energy-related commodity prices.

Undesignated Contracts

Undesignated contracts may include contracts not designated as a hedge because they are accounted for under Regulated Operations accounting, contracts that do not qualify for hedge accounting, derivatives that do not or no longer qualify for the NPNS scope exception, and de-designated hedge contracts.

Mark-to-market gains or losses on contracts accounted for under Regulated Operations are deferred and recorded as Regulatory Liabilities or Regulatory Assets, respectively. The Subsidiary Registrants utilize cost-tracking mechanisms, commonly referred to as fuel adjustment clauses. These clauses allow for the recovery of fuel and fuel-related costs, including settlements of undesignated derivatives for fuel commodities, and portions of purchased power costs through surcharges on customer rates. The difference between the costs incurred and the surcharge revenues is recorded as an adjustment to Fuel used in electric generation and purchased power – regulated or as Operating Revenues – Regulated electric on the Consolidated Statements of Operations with an offsetting impact on regulatory assets or liabilities. Therefore, due to the regulatory accounting followed by our Regulated Operations for undesignated derivatives, realized and unrealized gains and losses on undesignated derivatives do not have an immediate impact on reported net income.

Mark-to-market gains and losses related to the nonregulated Midwest generation business are recorded in discontinued operations and open positions at April 2, 2015 were included in the sale of the Disposal Group. Refer to Note 2 for further information on the sale of the Disposal Group. Gains and losses on undesignated derivative contracts for nonregulated continuing operations are immaterial, including electric contracts used to hedge renewables generation in Electric Reliability Council of Texas (ERCOT), hedges for a business that is winding down by the end of 2016, and revenues during 2014 for mitigation contracts which were terminated by December 31, 2014.

Undesignated contracts expire as late as 2018.

Volumes

The tables below show information relating to volumes of outstanding commodity derivatives. Amounts disclosed represent the absolute value of notional volumes of commodity contracts excluding NPNS. The Duke Energy Registrants have netted contractual amounts where offsetting purchase and sale contracts exist with identical delivery locations and times of delivery. Where all commodity positions are perfectly offset, no quantities are shown.

	September 30, 2015						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Electricity (gigawatt-hours)	76	—	—	—	—	3	39
Natural gas (millions of decatherms)	389	61	328	110	218	—	—

	December 31, 2014						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Electricity (gigawatt-hours)[(a)(b)]	25,370	—	—	—	—	19,141	—
Natural gas (millions of decatherms)[(a)]	676	35	328	116	212	313	—

(a) Amounts at Duke Energy Ohio include volumes related to the nonregulated Midwest generation business sold during the second quarter of 2015. Refer to Note 2 for further information on the sale.
(b) Amounts at Duke Energy Ohio include intercompany positions that eliminate at Duke Energy.

INTEREST RATE RISK

The Duke Energy Registrants are exposed to changes in interest rates as a result of their issuance or anticipated issuance of variable-rate and fixed-rate debt and commercial paper. Interest rate risk is managed by limiting variable-rate exposures to a percentage of total debt and by monitoring changes in interest rates. To manage risk associated with changes in interest rates, the Duke Energy Registrants may enter into interest rate swaps, U.S. Treasury lock agreements and other financial contracts. In anticipation of certain fixed-rate debt issuances, a series of forward starting interest rate swaps may be executed to lock in components of current market interest rates. These instruments are later terminated prior to or upon the issuance of the corresponding debt. Pretax gains or losses recognized from inception to termination of the hedges are amortized as a component of interest expense over the life of the debt.

Duke's interest rate swaps for its Regulated Utilities operations employ Regulated Operations accounting. Regulated Operations accounting records the Mark-to-Market on the swaps as Regulatory Assets or Regulatory Liabilities. The accrual of interest on the swaps is recorded as Interest Expense. Regulatory assets and liabilities are amortized consistent with the treatment of the related costs in the ratemaking process.

The following table shows notional amounts for derivatives related to interest rate risk.

	September 30, 2015					December 31, 2014			
(in millions)	Duke Energy	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy	Progress Energy	Duke Energy Florida	Duke Energy Ohio
Cash flow hedges[(a)]	$ 714	$ —	$ —	$ —	$ —	$ 750	$ —	$ —	$ —
Undesignated contracts[(b)]	527	500	250	250	27	277	250	250	27
Total notional amount	$ 1,241	$ 500	$ 250	$ 250	$ 27	$ 1,027	$ 250	$ 250	$ 27

(a) Duke Energy includes amounts related to consolidated Variable Interest Entities (VIEs) of $509 million and $541 million at September 30, 2015 and December 31, 2014, respectively.
(b) In January 2015, Duke Energy Progress executed fixed-to-floating rate swaps. The swaps were issued to economically convert $250 million of fixed rate first mortgage bonds due September 15, 2021, to floating rate with an initial rate of approximately 1.75 percent.

In October 2015, Duke Energy Carolinas entered into $400 million notional amount of forward starting interest rate swaps that was designated as a hedge of debt anticipated to be issued in 2018.

LOCATION AND FAIR VALUE OF DERIVATIVE ASSETS AND LIABILITIES RECOGNIZED IN THE CONDENSED CONSOLIDATED BALANCE SHEETS

The following tables show the fair value of derivatives and the line items in the Condensed Consolidated Balance Sheets where they are reported. Although derivatives subject to master netting arrangements are netted on the Condensed Consolidated Balance Sheets, the fair values presented below are shown gross and cash collateral on the derivatives has not been netted against the fair values shown.

Derivative Assets	September 30, 2015						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Commodity Contracts							
Designated as Hedging Instruments							
Current Assets: Other	$ 1	$ —	$ —	$ —	$ —	$ —	$ —
Not Designated as Hedging Instruments							
Current Assets: Other	17	—	—	—	—	4	12
Current Liabilities: Other	2	—	1	—	1	—	—
Deferred Credits and Other Liabilities: Other	2	—	2	—	2	—	—
Total Derivative Assets – Commodity Contracts	$ 22	$ —	$ 3	$ —	$ 3	$ 4	$ 12
Interest Rate Contracts							
Designated as Hedging Instruments							
Investments and Other Assets: Other	$ 1	$ —	$ —	$ —	$ —	$ —	$ —
Not Designated as Hedging Instruments							
Current Assets: Other	6	—	6	2	4	—	—
Investments and Other Assets: Other	4	—	4	—	4	—	—
Total Derivative Assets – Interest Rate Contracts	$ 11	$ —	$ 10	$ 2	$ 8	$ —	$ —
Total Derivative Assets	$ 33	$ —	$ 13	$ 2	$ 11	$ 4	$ 12

Derivative Liabilities	September 30, 2015						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Commodity Contracts							
Designated as Hedging Instruments							
Not Designated as Hedging Instruments							
Current Liabilities: Other	$ 242	$ 25	$ 215	$ 77	$ 138	$ —	$ —
Deferred Credits and Other Liabilities: Other	100	8	91	16	71	—	—
Total Derivative Liabilities – Commodity Contracts	$ 342	$ 33	$ 306	$ 93	$ 209	$ —	$ —
Interest Rate Contracts							
Designated as Hedging Instruments							
Current Liabilities: Other	$ 14	$ —	$ —	$ —	$ —	$ —	$ —
Deferred Credits and Other Liabilities: Other	41	—	—	—	—	—	—
Not Designated as Hedging Instruments							
Current Liabilities: Other	1	—	—	—	—	1	—
Deferred Credits and Other Liabilities: Other	8	—	3	2	—	6	—
Total Derivative Liabilities – Interest Rate Contracts	$ 64	$ —	$ 3	$ 2	$ —	$ 7	$ —
Total Derivative Liabilities	$ 406	$ 33	$ 309	$ 95	$ 209	$ 7	$ —

Derivative Assets	December 31, 2014						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Commodity Contracts							
Not Designated as Hedging Instruments							
Current Assets: Other	$ 18	$ —	$ —	$ —	$ —	$ 1	$ 14
Current Assets: Assets held for sale	15	—	—	—	—	28	—
Investments and Other Assets: Other	3	—	—	—	—	—	—
Investments and Other Assets: Assets held for sale	15	—	—	—	—	26	—
Current Liabilities: Other	1	—	—	—	—	—	—
Current Liabilities: Assets held for sale	174	—	—	—	—	175	—
Deferred Credits and Other Liabilities: Other	2	—	—	—	—	—	—
Deferred Credits and Other Liabilities: Assets held for sale	111	—	—	—	—	111	—
Total Derivative Assets – Commodity Contracts	$ 339	$ —	$ —	$ —	$ —	$ 341	$ 14
Interest Rate Contracts							
Designated as Hedging Instruments							
Investments and Other Assets: Other	10	—	—	—	—	—	—
Not Designated as Hedging Instruments							
Current Assets: Other	2	—	2	—	2	—	—
Total Derivative Assets – Interest Rate Contracts	$ 12	$ —	$ 2	$ —	$ 2	$ —	$ —
Total Derivative Assets	$ 351	$ —	$ 2	$ —	$ 2	$ 341	$ 14

Derivative Liabilities	December 31, 2014						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Commodity Contracts							
Designated as Hedging Instruments							
Current Liabilities: Other	$ —	$ —	$ 1	$ 1	$ —	$ —	$ —
Not Designated as Hedging Instruments							
Current Assets: Assets held for sale	—	—	—	—	—	4	—
Investments and Other Assets: Assets held for sale	—	—	—	—	—	4	—
Current Liabilities: Other	307	14	288	108	180	—	—
Current Liabilities: Assets held for sale	253	—	—	—	—	252	—
Deferred Credits and Other Liabilities: Other	91	5	80	23	57	—	—
Deferred Credits and Other Liabilities: Assets held for sale	208	—	—	—	—	207	—
Total Derivative Liabilities – Commodity Contracts	$ 859	$ 19	$ 369	$ 132	$ 237	$ 467	$ —
Interest Rate Contracts							
Designated as Hedging Instruments							
Current Liabilities: Other	$ 13	$ —	$ —	$ —	$ —	$ —	$ —
Deferred Credits and Other Liabilities: Other	29	—	—	—	—	—	—
Not Designated as Hedging Instruments							
Current Liabilities: Other	1	—	—	—	—	1	—
Deferred Credits and Other Liabilities: Other	7	—	2	—	2	5	—
Total Derivative Liabilities – Interest Rate Contracts	$ 50	$ —	$ 2	$ —	$ 2	$ 6	$ —
Total Derivative Liabilities	$ 909	$ 19	$ 371	$ 132	$ 239	$ 473	$ —

OFFSETTING ASSETS AND LIABILITIES

The following tables show the balance sheet location of derivative contracts subject to enforceable master netting agreements and include collateral posted to offset the net position. This disclosure is intended to enable users to evaluate the effect of netting arrangements on financial position. The amounts shown were calculated by counterparty. Accounts receivable or accounts payable may also be available to offset exposures in the event of bankruptcy. These amounts are not included in the tables below.

Derivative Assets	September 30, 2015						
(in millions)	**Duke Energy**	**Duke Energy Carolinas**	**Progress Energy**	**Duke Energy Progress**	**Duke Energy Florida**	**Duke Energy Ohio**	**Duke Energy Indiana**
Current							
Gross amounts recognized	$ 26	$ —	$ 7	$ 2	$ 5	$ 4	$ 12
Gross amounts offset	(2)	—	(1)	—	(1)	—	—
Net amounts subject to master netting	24	—	6	2	4	4	12
Amounts not subject to master netting	—	—	—	—	—	—	—
Net amounts recognized on the Condensed Consolidated Balance Sheet	$ 24	$ —	$ 6	$ 2	$ 4	$ 4	$ 12
Non-Current							
Gross amounts recognized	$ 7	$ —	$ 6	$ —	$ 6	$ —	$ —
Gross amounts offset	(2)	—	(2)	—	(2)	—	—
Net amounts subject to master netting	5	—	4	—	4	—	—
Amounts not subject to master netting	—	—	—	—	—	—	—
Net amounts recognized on the Condensed Consolidated Balance Sheet	$ 5	$ —	$ 4	$ —	$ 4	$ —	$ —

Derivative Liabilities	September 30, 2015						
(in millions)	**Duke Energy**	**Duke Energy Carolinas**	**Progress Energy**	**Duke Energy Progress**	**Duke Energy Florida**	**Duke Energy Ohio**	**Duke Energy Indiana**
Current							
Gross amounts recognized	$ 257	$ 25	$ 215	$ 77	$ 138	$ 1	$ —
Gross amounts offset	(15)	—	(14)	—	(14)	—	—
Net amounts subject to master netting	242	25	201	77	124	1	—
Amounts not subject to master netting	—	—	—	—	—	—	—
Net amounts recognized on the Condensed Consolidated Balance Sheet	$ 242	$ 25	$ 201	$ 77	$ 124	$ 1	$ —
Non-Current							
Gross amounts recognized	$ 144	$ 8	$ 89	$ 18	$ 71	$ 6	$ —
Gross amounts offset	(9)	—	(9)	—	(9)	—	—
Net amounts subject to master netting	135	8	80	18	62	6	—
Amounts not subject to master netting	5	—	5	—	—	—	—
Net amounts recognized on the Condensed Consolidated Balance Sheet	$ 140	$ 8	$ 85	$ 18	$ 62	$ 6	$ —

Derivative Assets	December 31, 2014						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Current							
Gross amounts recognized	$ 210	$ —	$ 2	$ —	$ 2	$ 204	$ 14
Gross amounts offset	(153)	—	(2)	—	(2)	(179)	—
Net amounts subject to master netting	57	—	—	—	—	25	14
Amounts not subject to master netting	—	—	—	—	—	—	—
Net amounts recognized on the Condensed Consolidated Balance Sheet	$ 57	$ —	$ —	$ —	$ —	$ 25	$ 14
Non-Current							
Gross amounts recognized	$ 136	$ —	$ —	$ —	$ —	$ 137	$ —
Gross amounts offset	(88)	—	—	—	—	(114)	—
Net amounts subject to master netting	48	—	—	—	—	23	—
Amounts not subject to master netting	5	—	—	—	—	—	—
Net amounts recognized on the Condensed Consolidated Balance Sheet	$ 53	$ —	$ —	$ —	$ —	$ 23	$ —

Derivative Liabilities	December 31, 2014						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Current							
Gross amounts recognized	$ 573	$ 14	$ 289	$ 109	$ 180	$ 257	$ —
Gross amounts offset	(213)	—	(17)	—	(17)	(222)	—
Net amounts subject to master netting	360	14	272	109	163	35	—
Amounts not subject to master netting	1	—	—	—	—	—	—
Net amounts recognized on the Condensed Consolidated Balance Sheet	$ 361	$ 14	$ 272	$ 109	$ 163	$ 35	$ —
Non-Current							
Gross amounts recognized	$ 319	$ 5	$ 82	$ 23	$ 59	$ 216	$ —
Gross amounts offset	(173)	—	(8)	—	(8)	(193)	—
Net amounts subject to master netting	146	5	74	23	51	23	—
Amounts not subject to master netting	16	—	—	—	—	—	—
Net amounts recognized on the Condensed Consolidated Balance Sheet	$ 162	$ 5	$ 74	$ 23	$ 51	$ 23	$ —

CREDIT RISK

Certain derivative contracts contain contingent credit features. These features may include (i) material adverse change clauses or payment acceleration clauses that could result in immediate payments or (ii) the posting of letters of credit or termination of the derivative contract before maturity if specific events occur, such as a credit rating downgrade below investment grade.

DUKE ENERGY CORPORATION – DUKE ENERGY CAROLINAS, LLC – PROGRESS ENERGY, INC. –
DUKE ENERGY PROGRESS, LLC – DUKE ENERGY FLORIDA, LLC – DUKE ENERGY OHIO, INC. – DUKE ENERGY INDIANA, INC.
Combined Notes to Condensed Consolidated Financial Statements – (Continued)
(Unaudited)

The following tables show information with respect to derivative contracts that are in a net liability position and contain objective credit-risk-related payment provisions. Amounts for Duke Energy Indiana were not material.

	September 30, 2015					
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio
Aggregate fair value amounts of derivative instruments in a net liability position	$ 316	$ 33	$ 301	$ 94	$ 207	$ —
Fair value of collateral already posted	20	—	20	—	20	—
Additional cash collateral or letters of credit in the event credit-risk-related contingent features were triggered	296	33	281	94	187	—

	December 31, 2014					
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio
Aggregate fair value amounts of derivative instruments in a net liability position	$ 845	$ 19	$ 370	$ 131	$ 239	$ 456
Fair value of collateral already posted	209	—	23	—	23	186
Additional cash collateral or letters of credit in the event credit-risk-related contingent features were triggered	407	19	347	131	216	41

The Duke Energy Registrants have elected to offset cash collateral and fair values of derivatives. For amounts to be netted, the derivative must be executed with the same counterparty under the same master netting agreement. Amounts disclosed below represent the receivables related to the right to reclaim cash collateral and payables related to the obligation to return cash collateral under master netting arrangements.

	September 30, 2015	December 31, 2014
(in millions)	Receivables	Receivables
Duke Energy		
Amounts offset against net derivative positions	$ 20	$ 145
Amounts not offset against net derivative positions	—	64
Progress Energy		
Amounts offset against net derivative positions	20	23
Duke Energy Florida		
Amounts offset against net derivative positions	20	23
Duke Energy Ohio		
Amounts offset against net derivative positions	—	122
Amounts not offset against net derivative positions	—	64

11. INVESTMENTS IN DEBT AND EQUITY SECURITIES

The Duke Energy Registrants classify their investments in debt and equity securities as either trading or available-for-sale.

TRADING SECURITIES

Investments in debt and equity securities held in grantor trusts associated with certain deferred compensation plans and certain other investments are classified as trading securities. These investments were sold prior to September 30, 2015. The fair value of these investments was $7 million at December 31, 2014.

AVAILABLE-FOR-SALE SECURITIES

All other investments in debt and equity securities are classified as available-for-sale securities.

Duke Energy's available-for-sale securities are primarily comprised of investments held in (i) the Nuclear Decommissioning Trust Fund (NDTF) at Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida, (ii) grantor trusts at Duke Energy Progress, Duke Energy Florida and Duke Energy Indiana related to other post-retirement benefit obligations (OPEB) plans and deferred compensation plans, (iii) Duke Energy's captive insurance investment portfolio and (iv) Duke Energy's foreign operations investment portfolio.

Duke Energy classifies all other investments in debt and equity securities as long term, unless otherwise noted.

Investment Trusts

The investments within the NDTF at Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida and the Duke Energy Progress, Duke Energy Florida and Duke Energy Indiana grantor trusts (Investment Trusts) are managed by independent investment managers with discretion to buy, sell and invest pursuant to the objectives set forth by the trust agreements. The Duke Energy Registrants have limited oversight of the day-to-day management of these investments. As a result, the ability to hold investments in unrealized loss positions is outside the control of the Duke Energy Registrants. Accordingly, all unrealized losses associated with debt and equity securities within the Investment Trusts are considered other-than-temporary impairments and are recognized immediately. Pursuant to regulatory accounting, substantially all realized and unrealized gains and losses associated with investments within the Investment Trusts are deferred as a regulatory asset or liability. As a result, there is no immediate impact on earnings of the Duke Energy Registrants.

Other Available-for-Sale Securities

Unrealized gains and losses on all other available-for-sale securities are included in other comprehensive income until realized, unless it is determined the carrying value of an investment is other-than-temporarily impaired. If an other-than-temporary impairment exists, the unrealized loss is included in earnings based on the criteria discussed below.

The Duke Energy Registrants analyze all investment holdings each reporting period to determine whether a decline in fair value should be considered other-than-temporary. Criteria used to evaluate whether an impairment associated with equity securities is other-than-temporary includes, but is not limited to, (i) the length of time over which the market value has been lower than the cost basis of the investment, (ii) the percentage decline compared to the cost of the investment and (iii) management's intent and ability to retain its investment for a period of time sufficient to allow for any anticipated recovery in market value. If a decline in fair value is determined to be other-than-temporary, the investment is written down to its fair value through a charge to earnings.

If the entity does not have an intent to sell a debt security and it is not more likely than not management will be required to sell the debt security before the recovery of its cost basis, the impairment write-down to fair value would be recorded as a component of other comprehensive income, except for when it is determined a credit loss exists. In determining whether a credit loss exists, management considers, among other things, (i) the length of time and the extent to which the fair value has been less than the amortized cost basis, (ii) changes in the financial condition of the issuer of the security, or in the case of an asset-backed security, the financial condition of the underlying loan obligors, (iii) consideration of underlying collateral and guarantees of amounts by government entities, (iv) ability of the issuer of the security to make scheduled interest or principal payments and (v) any changes to the rating of the security by rating agencies. If a credit loss exists, the amount of impairment write-down to fair value is split between credit loss and other factors. The amount related to credit loss is recognized in earnings. The amount related to other factors is recognized in other comprehensive income. There were no credit losses as of September 30, 2015 and December 31, 2014.

DUKE ENERGY

The following table presents the estimated fair value of investments in available-for-sale securities.

	September 30, 2015			December 31, 2014		
(in millions)	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses(b)	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses(b)	Estimated Fair Value
NDTF						
Cash and cash equivalents	$ —	$ —	$ 156	$ —	$ —	$ 136
Equity securities	1,655	71	3,396	1,926	29	3,650
Corporate debt securities	9	7	500	14	2	454
Municipal bonds	4	2	207	5	—	184
U.S. government bonds	23	1	1,131	19	2	978
Other debt securities	1	3	172	1	2	147
Total NDTF(c)	$ 1,692	$ 84	$ 5,562	$ 1,965	$ 35	$ 5,549
Other Investments						
Cash and cash equivalents	$ —	$ —	$ 32	$ —	$ —	$ 15
Equity securities	27	1	90	34	—	96
Corporate debt securities	1	2	98	1	1	58
Municipal bonds	3	1	73	3	1	76
U.S. government bonds	1	—	52	—	—	27
Other debt securities	—	1	69	1	1	80
Total Other Investments(a)	$ 32	$ 5	$ 414	$ 39	$ 3	$ 352
Total Investments	$ 1,724	$ 89	$ 5,976	$ 2,004	$ 38	$ 5,901

(a) These amounts are recorded in Other with Investments and Other Assets on the Condensed Consolidated Balance Sheets.
(b) Substantially all these amounts are considered other-than-temporary impairments on investments within Investment Trusts that have been recognized immediately as a regulatory asset.

(c) As of September 30, 2015, the estimated fair value of the NDTF includes NDTF assets acquired with the purchase of NCEMPA's ownership interest in certain generating assets. Refer to Note 2 for further information. This increase in estimated fair value compared to December 31, 2014, is partially offset due to reimbursements from the NDTF for Duke Energy Florida's costs related to ongoing decommissioning activity of the Crystal River Unit 3 Nuclear Plant.

The table below summarizes the maturity date for debt securities.

(in millions)	September 30, 2015
Due in one year or less	$ 74
Due after one through five years	781
Due after five through 10 years	635
Due after 10 years	812
Total	$ 2,302

Realized gains and losses, which were determined on a specific identification basis, from sales of available-for-sale securities were as follows.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2015	2014	2015	2014
Realized gains	$ 30	$ 28	$ 160	$ 90
Realized losses	28	51	59	57

DUKE ENERGY CAROLINAS

The following table presents the estimated fair value of investments in available-for-sale securities.

	September 30, 2015			December 31, 2014		
(in millions)	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses(b)	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses(b)	Estimated Fair Value
NDTF						
Cash and cash equivalents	$ —	$ —	$ 25	$ —	$ —	$ 51
Equity securities	930	42	1,990	1,102	17	2,162
Corporate debt securities	5	6	342	8	2	316
Municipal bonds	1	1	69	1	—	62
U.S. government bonds	6	1	383	7	1	308
Other debt securities	1	3	141	1	2	133
Total NDTF	$ 943	$ 53	$ 2,950	$ 1,119	$ 22	$ 3,032
Other Investments						
Other debt securities	$ —	$ 1	$ 3	$ —	$ 1	$ 3
Total Other Investments(a)	$ —	$ 1	$ 3	$ —	$ 1	$ 3
Total Investments	$ 943	$ 54	$ 2,953	$ 1,119	$ 23	$ 3,035

(a) These amounts are recorded in Other within Investments and Other Assets on the Condensed Consolidated Balance Sheets.
(b) Substantially all these amounts represent other-than-temporary impairments on investments within Investment Trusts that have been recognized immediately as a regulatory asset.

The table below summarizes the maturity date for debt securities.

(in millions)	September 30, 2015
Due in one year or less	$ 13
Due after one through five years	209
Due after five through 10 years	293
Due after 10 years	423
Total	$ 938

Realized gains and losses, which were determined on a specific identification basis, from sales of available-for-sale securities were as follows.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2015**	**2014**	**2015**	**2014**
Realized gains	$ 25	$ 20	$ 132	$ 72
Realized losses	24	48	47	50

PROGRESS ENERGY

The following table presents the estimated fair value investments in available-for-sale securities.

	September 30, 2015			December 31, 2014		
(in millions)	**Gross Unrealized Holding Gains**	**Gross Unrealized Holding Losses(b)**	**Estimated Fair Value**	**Gross Unrealized Holding Gains**	**Gross Unrealized Holding Losses(b)**	**Estimated Fair Value**
NDTF						
Cash and cash equivalents	$ —	$ —	$ 131	$ —	$ —	$ 85
Equity securities	725	29	1,406	824	12	1,488
Corporate debt securities	4	1	158	6	—	138
Municipal bonds	3	1	138	4	—	122
U.S. government bonds	17	—	748	12	1	670
Other debt securities	—	—	31	—	—	14
Total NDTF(c)	$ 749	$ 31	$ 2,612	$ 846	$ 13	$ 2,517
Other Investments						
Cash and cash equivalents	$ —	$ —	$ 23	$ —	$ —	$ 15
Municipal bonds	3	—	43	3	—	43
Total Other Investments(a)	$ 3	$ —	$ 66	$ 3	$ —	$ 58
Total Investments	$ 752	$ 31	$ 2,678	$ 849	$ 13	$ 2,575

(a) These amounts are recorded in Other within Investments and Other Assets on the Condensed Consolidated Balance Sheets.
(b) Substantially all these amounts represent other-than-temporary impairments on investments within Investment Trusts that have been recognized immediately as a regulatory asset.
(c) As of September 30, 2015, the estimated fair value of the NDTF includes NDTF assets acquired with the purchase of NCEMPA's ownership interest in certain generating assets. Refer to Note 2 for further information. This increase in estimated fair value compared to December 31, 2014, is partially offset due to reimbursements from the NDTF for Duke Energy Florida's costs related to ongoing decommissioning activity of the Crystal River Unit 3 Nuclear Plant.

The table below summarizes the maturity date for debt securities.

(in millions)	**September 30, 2015**
Due in one year or less	$ 38
Due after one through five years	476
Due after five through 10 years	271
Due after 10 years	333
Total	$ 1,118

Realized gains and losses, which were determined on a specific identification basis, from sales of available-for-sale securities were as follows.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2015**	**2014**	**2015**	**2014**
Realized gains	$ 5	$ 8	$ 26	$ 17
Realized losses	4	3	10	6

DUKE ENERGY PROGRESS

The following table presents the estimated fair value of investments in available-for-sale securities.

	September 30, 2015			December 31, 2014		
(in millions)	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses(b)	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses(b)	Estimated Fair Value
NDTF						
Cash and cash equivalents	$ —	$ —	$ 87	$ —	$ —	$ 50
Equity securities	535	23	1,107	612	10	1,171
Corporate debt securities	3	1	109	5	—	97
Municipal bonds	3	1	136	4	—	120
U.S. government bonds	12	—	485	9	1	265
Other debt securities	—	—	19	—	—	8
Total NDTF (c)	$ 553	$ 25	$ 1,943	$ 630	$ 11	$ 1,711
Other Investments						
Cash and cash equivalents	$ —	$ —	$ 1	$ —	$ —	$ —
Total Other Investments(a)	$ —	$ —	$ 1	$ —	$ —	$ —
Total Investments	$ 553	$ 25	$ 1,944	$ 630	$ 11	$ 1,711

(a) These amounts are recorded in Other with Investments and Other Assets on the Condensed Consolidated Balance Sheets.
(b) Substantially all these amounts represent other-than-temporary impairments on investments within Investment Trusts that have been recognized immediately as a regulatory asset.
(c) As of September 30, 2015, the estimated fair value of the NDTF includes NDTF assets acquired with the purchase of NCEMPA's ownership interest in certain generating assets. Refer to Note 2 for further information.

The table below summarizes the maturity date for debt securities.

(in millions)	September 30, 2015
Due in one year or less	$ 12
Due after one through five years	278
Due after five through 10 years	219
Due after 10 years	240
Total	$ 749

Realized gains and losses, which were determined on a specific identification basis, from sales of available-for-sale securities were as follows.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2015	2014	2015	2014
Realized gains	$ 4	$ 4	$ 21	$ 11
Realized losses	3	2	8	4

DUKE ENERGY FLORIDA

The following table presents the estimated fair value of investments in available-for-sale securities.

	September 30, 2015			December 31, 2014		
(in millions)	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses(b)	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses(b)	Estimated Fair Value
NDTF						
Cash and cash equivalents	$ —	$ —	$ 44	$ —	$ —	$ 35
Equity securities	190	6	299	212	2	317
Corporate debt securities	1	—	49	1	—	41
Municipal bonds	—	—	2	—	—	2
U.S. government bonds	5	—	263	3	—	405
Other debt securities	—	—	12	—	—	6
Total NDTF(c)	$ 196	$ 6	$ 669	$ 216	$ 2	$ 806
Other Investments						
Cash and cash equivalents	$ —	$ —	$ 11	$ —	$ —	$ 1
Municipal bonds	3	—	43	3	—	43
Total Other Investments(a)	$ 3	$ —	$ 54	$ 3	$ —	$ 44
Total Investments	$ 199	$ 6	$ 723	$ 219	$ 2	$ 850

(a) These amounts are recorded in Other with Investments and Other Assets on the Condensed Consolidated Balance Sheets.
(b) Substantially all these amounts represent other-than-temporary impairments on investments within Investment Trusts that have been recognized immediately as a regulatory asset.
(c) The estimated fair value at September 30, 2015, compared to the balance at December 31, 2014, is lower due to current year reimbursements from the NDTF for costs related to ongoing decommissioning activity of the Crystal River Unit 3 Nuclear Plant.

The table below summarizes the maturity date for debt securities.

(in millions)	September 30, 2015
Due in one year or less	$ 26
Due after one through five years	198
Due after five through 10 years	52
Due after 10 years	93
Total	$ 369

Realized gains and losses, which were determined on a specific identification basis, from sales of available-for-sale securities were as follows.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2015	2014	2015	2014
Realized gains	$ 1	$ 3	$ 5	$ 5
Realized losses	1	1	2	2

DUKE ENERGY INDIANA

The following table presents the estimated fair value of investments in available-for-sale securities.

	September 30, 2015			December 31, 2014		
(in millions)	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses(b)	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses(b)	Estimated Fair Value
Other Investments						
Equity securities	$ 23	$ —	$ 67	$ 28	$ —	$ 71
Corporate debt securities	—	—	3	—	—	—
Municipal bonds	—	1	27	—	1	30
Total Other Investments(a)	$ 23	$ 1	$ 97	$ 28	$ 1	$ 101
Total Investments	$ 23	$ 1	$ 97	$ 28	$ 1	$ 101

(a) These amounts are recorded in Other within Investments and Other Assets on the Condensed Consolidated Balance Sheets.
(b) Substantially all these amounts represent other-than-temporary impairments on investments within Investment Trusts that have been recognized immediately as a regulatory asset.

The table below summarizes the maturity date for debt securities.

(in millions)	September 30, 2015
Due in one year or less	$ 2
Due after one through five years	16
Due after five through 10 years	8
Due after 10 years	4
Total	$ 30

Realized gains and losses, which were determined on a specific identification basis, from sales of available-for-sale securities were insignificant for the three and nine months ended September 30, 2015 and 2014.

12. FAIR VALUE MEASUREMENTS

Fair value is the exchange price to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. The fair value definition focuses on an exit price versus the acquisition cost. Fair value measurements use market data or assumptions market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs may be readily observable, corroborated by market data or generally unobservable. Valuation techniques maximize the use of observable inputs and minimize use of unobservable inputs. A midmarket pricing convention (the midpoint price between bid and ask prices) is permitted for use as a practical expedient.

Fair value measurements are classified in three levels based on the fair value hierarchy:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity can access at the measurement date. An active market is one in which transactions for an asset or liability occur with sufficient frequency and volume to provide ongoing pricing information.

Level 2 – A fair value measurement utilizing inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly, for an asset or liability. Inputs include (i) quoted prices for similar assets or liabilities in active markets, (ii) quoted prices for identical or similar assets or liabilities in markets that are not active and (iii) inputs other than quoted market prices that are observable for the asset or liability, such as interest rate curves and yield curves observable at commonly quoted intervals, volatilities and credit spreads. A Level 2 measurement cannot have more than an insignificant portion of its valuation based on unobservable inputs. Instruments in this category include non-exchange-traded derivatives, such as over-the-counter forwards, swaps and options; certain marketable debt securities; and financial instruments traded in less than active markets.

Level 3 – Any fair value measurement which includes unobservable inputs for more than an insignificant portion of the valuation. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. Level 3 measurements may include longer-term instruments that extend into periods in which observable inputs are not available.

Fair value accounting guidance permits entities to elect to measure certain financial instruments that are not required to be accounted for at fair value, such as equity method investments or the company's own debt, at fair value. The Duke Energy Registrants have not elected to record any of these items at fair value.

Transfers between levels represent assets or liabilities that were previously (i) categorized at a higher level for which the inputs to the estimate became less observable or (ii) classified at a lower level for which the inputs became more observable during the period. The Duke Energy Registrant's policy is to recognize transfers between levels of the fair value hierarchy at the end of the period. Transfers between levels 1 and 2 during the three and nine months ended September 30, 2015 and 2014 were immaterial. Transfers out of Level 3 during the three and nine months ended September 30, 2015 are the result of forward commodity prices becoming observable due to the passage of time.

Valuation methods of the primary fair value measurements disclosed are as follows.

Investments in equity securities

The majority of investments in equity securities are valued using Level 1 measurements. Investments in equity securities are typically valued at the closing price in the principal active market as of the last business day of the quarter. Principal active markets for equity prices include published exchanges such as Nasdaq composite (NASDAQ) and

New York Stock Exchange (NYSE). Foreign equity prices are translated from their trading currency using the currency exchange rate in effect at the close of the principal active market. There was no after-hours market activity that was required to be reflected in the reported fair value measurements. Investments in equity securities that are Level 2 or 3 are typically ownership interests in commingled investment funds.

Investments in debt securities

With the exception of U.S. Treasuries which are classified as Level 1, most investments in debt securities are valued using Level 2 measurements because the valuations use interest rate curves and credit spreads applied to the terms of the debt instrument (maturity and coupon interest rate) and consider the counterparty credit rating. If the market for a particular fixed income security is relatively inactive or illiquid, the measurement is Level 3.

Commodity derivatives

Commodity derivatives with clearinghouses are classified as Level 1. Other commodity derivatives are primarily fair valued using internally developed discounted cash flow models which incorporate forward price, adjustments for liquidity (bid-ask spread) and credit or nonperformance risk (after reflecting credit enhancements such as collateral), and are discounted to present value. Pricing inputs are derived from published exchange transaction prices and other observable data sources. In the absence of an active market, the last available price may be used. If forward price curves are not observable for the full term of the contract and the unobservable period had more than an insignificant impact on the valuation, the commodity derivative is classified as Level 3. In isolation, increases (decreases) in natural gas forward prices result in favorable (unfavorable) fair value adjustments for natural gas purchase contracts; and increases (decreases) in electricity forward prices result in unfavorable (favorable) fair value adjustments for electricity sales contracts. Duke Energy regularly evaluates and validates pricing inputs used to estimate fair value of natural gas commodity contracts by a market participant price verification procedure. This procedure provides a comparison of internal forward commodity curves to market participant generated curves.

Interest rate derivatives

Most over-the-counter interest rate contract derivatives are valued using financial models which utilize observable inputs for similar instruments and are classified as Level 2. Inputs include forward interest rate curves, notional amounts, interest rates and credit quality of the counterparties.

Goodwill, long-lived assets and assets held for sale

See Note 8 for a discussion of the valuation of goodwill and long-lived assets. See Note 2 related to the assets and liabilities of the Disposal Group classified as held for sale, and the purchase of NCEMPA's ownership interests in certain generating assets.

DUKE ENERGY

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Condensed Consolidated Balance Sheets. Derivative amounts in the table below exclude cash collateral, which is disclosed in Note 10. See Note 11 for additional information related to investments by major security type.

	September 30, 2015			
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**
Nuclear decommissioning trust fund equity securities	$ 3,396	$ 3,224	$ 1	$ 171
Nuclear decommissioning trust fund debt securities	2,166	557	1,609	—
Other trading and available-for-sale equity securities	90	90	—	—
Other trading and available-for-sale debt securities	324	85	234	5
Derivative assets	33	—	16	17
Total assets	6,009	3,956	1,860	193
Derivative liabilities	(406)	(4)	(402)	—
Net assets	$ 5,603	$ 3,952	$ 1,458	$ 193

	December 31, 2014			
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**
Nuclear decommissioning trust fund equity securities	$ 3,650	$ 3,493	$ 6	$ 151
Nuclear decommissioning trust fund debt securities	1,899	648	1,251	—
Other trading and available-for-sale equity securities	96	96	—	—
Other trading and available-for-sale debt securities	263	41	217	5
Derivative assets	110	49	24	37
Total assets	6,018	4,327	1,498	193
Derivative liabilities	(668)	(162)	(468)	(38)
Net assets	$ 5,350	$ 4,165	$ 1,030	$ 155

The following tables provide reconciliations of beginning and ending balances of assets and liabilities measured at fair value using Level 3 measurements. Amounts included in earnings for derivatives are primarily included in Operating Revenues.

	Three Months Ended September 30, 2015		
(in millions)	**Investments**	**Derivatives (net)**	**Total**
Balance at beginning of period	$ 173	$ 23	$ 196
Purchases, sales, issuances and settlements:			
Purchases	2	—	2
Sales	(3)	—	(3)
Settlements	—	(6)	(6)
Total gains (losses) included on the Condensed Consolidated Balance Sheet as regulatory assets or liabilities	4	—	4
Balance at end of period	$ 176	$ 17	$ 193

	Three Months Ended September 30, 2014		
(in millions)	**Investments**	**Derivatives (net)**	**Total**
Balance at beginning of period	$ 188	$ 22	$ 210
Total pretax realized or unrealized gains (losses) included in earnings	—	(33)	(33)
Purchases, sales, issuances and settlements:			
Purchases	13	(1)	12
Sales	(13)	—	(13)
Issuances	—	1	1
Transfers out of Level 3 due to observability of inputs	—	(1)	(1)
Total gains (losses) included on the Condensed Consolidated Balance Sheet as regulatory assets or liabilities	4	(10)	(6)
Balance at end of period	$ 192	$ (22)	$ 170
Pretax amounts included in the Condensed Consolidated Statements of Comprehensive Income related to Level 3 measurements outstanding	$ —	$ (49)	$ (49)

	Nine Months Ended September 30, 2015		
(in millions)	**Investments**	**Derivatives (net)**	**Total**
Balance at beginning of period	$ 156	$ (1)	$ 155
Total pretax realized or unrealized gains (losses) included in earnings[(a)]	—	18	18
Purchases, sales, issuances and settlements:			
Purchases	14	24	38
Sales	(7)	—	(7)
Settlements	—	(28)	(28)
Total gains (losses) included on the Condensed Consolidated Balance Sheet as regulatory assets or liabilities	13	4	17
Balance at end of period	$ 176	$ 17	$ 193

(a) Includes amounts related to nonregulated operations and classified as (Loss) Income From Discontinued Operations, net of tax in Duke Energy's Condensed Consolidated Statements of Operations.

	Nine Months Ended September 30, 2014		
(in millions)	**Investments**	**Derivatives (net)**	**Total**
Balance at beginning of period	$ 98	$ 13	$ 111
Total pretax realized or unrealized gains (losses) included in earnings	—	(21)	(21)
Purchases, sales, issuances and settlements:			
Purchases	29	50	79
Sales	(15)	—	(15)
Settlements	—	(45)	(45)
Transfers out of Level 3 due to observability of inputs	68	(4)	64
Total gains (losses) included on the Condensed Consolidated Balance Sheet as regulatory assets or liabilities	12	(15)	(3)
Balance at end of period	$ 192	$ (22)	$ 170
Pretax amounts included in the Condensed Consolidated Statements of Comprehensive Income related to Level 3 measurements outstanding	$ —	$ (49)	$ (49)

DUKE ENERGY CAROLINAS

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Condensed Consolidated Balance Sheets. Derivative amounts in the table below exclude cash collateral, which is disclosed in Note 10. See Note 11 for additional information related to investments by major security type.

	September 30, 2015			
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**
Nuclear decommissioning trust fund equity securities	$ 1,990	$ 1,818	$ 1	$ 171
Nuclear decommissioning trust fund debt securities	960	203	757	—
Other trading and available-for-sale debt securities	3	—	—	3
Total assets	2,953	2,021	758	174
Derivative liabilities	(33)	—	(33)	—
Net assets	$ 2,920	$ 2,021	$ 725	$ 174

	December 31, 2014			
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**
Nuclear decommissioning trust fund equity securities	$ 2,162	$ 2,005	$ 6	$ 151
Nuclear decommissioning trust fund debt securities	870	138	732	—
Other trading and available-for-sale debt securities	3	—	—	3
Total assets	3,035	2,143	738	154
Derivative liabilities	(19)	—	(19)	—
Net assets	$ 3,016	$ 2,143	$ 719	$ 154

The following tables provide reconciliations of beginning and ending balances of assets and liabilities measured at fair value using Level 3 measurements.

	Three Months Ended September 30, 2015		
(in millions)	Investments	Derivatives (net)	Total
Balance at beginning of period	$ 171	$ —	$ 171
Purchases, sales, issuances and settlements:			
Purchases	2	—	2
Sales	(3)	—	(3)
Total gains (losses) included on the Condensed Consolidated Balance Sheet as regulatory assets or liabilities	4	—	4
Balance at end of period	$ 174	$ —	$ 174

	Three Months Ended September 30, 2014		
(in millions)	Investments	Derivatives (net)	Total
Balance at beginning of period	$ 171	$ (3)	$ 168
Purchases, sales, issuances and settlements:			
Purchases	13	—	13
Sales	(13)	—	(13)
Settlements	—	3	3
Total gains (losses) included on the Condensed Consolidated Balance Sheet as regulatory assets or liabilities	4	—	4
Balance at end of period	$ 175	$ —	$ 175

	Nine Months Ended September 30, 2015		
(in millions)	Investments	Derivatives (net)	Total
Balance at beginning of period	$ 154	$ —	$ 154
Purchases, sales, issuances and settlements:			
Purchases	14	—	14
Sales	(7)	—	(7)
Total gains (losses) included on the Condensed Consolidated Balance Sheet as regulatory assets or liabilities	13	—	13
Balance at end of period	$ 174	$ —	$ 174

	Nine Months Ended September 30, 2014		
(in millions)	Investments	Derivatives (net)	Total
Balance at beginning of period	$ 81	$ (2)	$ 79
Purchases, sales, issuances and settlements:			
Purchases	29	—	29
Sales	(15)	—	(15)
Settlements	—	2	2
Transfers out of Level 3 to observability of inputs	68	—	68
Total gains (losses) included on the Condensed Consolidated Balance Sheet as regulatory assets or liabilities	12	—	12
Balance at end of period	$ 175	$ —	$ 175

PROGRESS ENERGY

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Condensed Consolidated Balance Sheets. Derivative amounts in the table below exclude cash collateral, which is disclosed in Note 10. See Note 11 for additional information related to investments by major security type.

	September 30, 2015			
(in millions)	Total Fair Value	Level 1	Level 2	Level 3
Nuclear decommissioning trust fund equity securities	$ 1,406	$ 1,406	$ —	$ —
Nuclear decommissioning trust fund debt securities	1,206	354	852	—
Other trading and available-for-sale debt securities	66	23	43	—
Derivative assets	13	—	13	—
Total assets	2,691	1,783	908	—
Derivative liabilities	(309)	—	(309)	—
Net assets	$ 2,382	$ 1,783	$ 599	$ —

	December 31, 2014			
(in millions)	Total Fair Value	Level 1	Level 2	Level 3
Nuclear decommissioning trust fund equity securities	$ 1,488	$ 1,488	$ —	$ —
Nuclear decommissioning trust fund debt securities	1,029	510	519	—
Other trading and available-for-sale debt securities	58	15	43	—
Derivative assets	4	—	4	—
Total assets	2,579	2,013	566	—
Derivative liabilities	(373)	—	(373)	—
Net assets	$ 2,206	$ 2,013	$ 193	$ —

DUKE ENERGY PROGRESS

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Condensed Consolidated Balance Sheets. Derivative amounts in the table below exclude cash collateral, which is disclosed in Note 10. See Note 11 for additional information related to investments by major security type.

	September 30, 2015			
(in millions)	Total Fair Value	Level 1	Level 2	Level 3
Nuclear decommissioning trust fund equity securities	$ 1,107	$ 1,107	$ —	$ —
Nuclear decommissioning trust fund debt securities	836	136	700	—
Other trading and available-for-sale debt securities	1	1	—	—
Derivative assets	2	—	2	—
Total assets	1,946	1,244	702	—
Derivative liabilities	(95)	—	(95)	—
Net assets	$ 1,851	$ 1,244	$ 607	$ —

	December 31, 2014			
(in millions)	Total Fair Value	Level 1	Level 2	Level 3
Nuclear decommissioning trust fund equity securities	$ 1,171	$ 1,171	$ —	$ —
Nuclear decommissioning trust fund debt securities	540	151	389	—
Total assets	1,711	1,322	389	—
Derivative liabilities	(132)	—	(132)	—
Net assets	$ 1,579	$ 1,322	$ 257	$ —

DUKE ENERGY FLORIDA

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Condensed Consolidated Balance Sheets. Derivative amounts in the table below exclude cash collateral, which is disclosed in Note 10. See Note 11 for additional information related to investments by major security type.

	September 30, 2015			
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**
Nuclear decommissioning trust fund equity securities	$ 299	$ 299	$ —	$ —
Nuclear decommissioning trust fund debt securities and other	370	219	151	—
Other trading and available-for-sale debt securities and other	54	11	43	—
Derivative assets	11	—	11	—
Total assets	734	529	205	—
Derivative liabilities	(209)	—	(209)	—
Net assets (liabilities)	$ 525	$ 529	$ (4)	$ —

	December 31, 2014			
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**
Nuclear decommissioning trust fund equity securities	$ 317	$ 317	$ —	$ —
Nuclear decommissioning trust fund debt securities and other	489	359	130	—
Other trading and available-for-sale debt securities and other	44	—	44	—
Derivative assets	4	—	4	—
Total assets	854	676	178	—
Derivative liabilities	(241)	—	(241)	—
Net assets (liabilities)	$ 613	$ 676	$ (63)	$ —

DUKE ENERGY OHIO

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Condensed Consolidated Balance Sheets. Derivative amounts in the table below exclude cash collateral, which is disclosed in Note 10.

	September 30, 2015			
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**
Derivative assets	$ 4	$ —	$ —	$ 4
Derivative liabilities	(7)	—	(7)	—
Net liabilities	$ (3)	$ —	$ (7)	$ 4

	December 31, 2014			
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**
Derivative assets	$ 49	$ 20	$ 9	$ 20
Derivative liabilities	(181)	(117)	(26)	(38)
Net liabilities	$ (132)	$ (97)	$ (17)	$ (18)

The following tables provide reconciliations of beginning and ending balances of assets and liabilities measured at fair value using Level 3 measurements.

	Derivatives (net)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2015**	**2014**	**2015**	**2014**
Balance at beginning of period	$ 5	$ (28)	$ (18)	$ (4)
Total pretax realized or unrealized gains (losses) included in earnings[(a)]	—	(24)	21	(43)
Purchases, sales, issuances and settlements:				
Purchases	5	—	5	1
Sales	(5)	—	—	—
Settlements	(1)	(2)	(4)	(6)
Total gains included on the Condensed Consolidated Balance Sheet as regulatory assets or liabilities	—	(1)	—	1
Transfers out of Level 3 due to observability of inputs	—	—	—	(4)
Balance at end of period	$ 4	$ (55)	$ 4	$ (55)
Pretax amounts included in the Condensed Consolidated Statements of Operations and Comprehensive Income related to Level 3 measurements outstanding at September 30, 2014	$ —	$ —	$ —	(52)

(a) Includes amounts related to nonregulated operations and classified as (Loss) Income From Discontinued Operations, net of tax in Duke Energy Ohio's Condensed Consolidated Statements of Operations and Comprehensive Income.

DUKE ENERGY INDIANA

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Condensed Consolidated Balance Sheets. Derivative amounts in the table below exclude cash collateral, which is disclosed in Note 10. See Note 11 for additional information related to investments by major security type.

	September 30, 2015			
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**
Available-for-sale equity securities	$ 67	$ 67	$ —	$ —
Available-for-sale debt securities	30	—	30	—
Derivative assets	12	—	—	12
Net assets	$ 109	$ 67	$ 30	$ 12

	December 31, 2014			
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**
Available-for-sale equity securities	$ 71	$ 71	$ —	$ —
Available-for-sale debt securities	30	—	30	—
Derivative assets	14	—	—	14
Net assets	$ 115	$ 71	$ 30	$ 14

The following tables provide reconciliations of beginning and ending balances of assets and liabilities measured at fair value using Level 3 measurements.

	Derivatives (net)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2015**	**2014**	**2015**	**2014**
Balance at beginning of period	$ 17	$ 45	$ 14	$ 12
Total pretax realized or unrealized gains (losses) included in earnings	—	(13)	—	14
Purchases, sales, issuances and settlements:				
Purchases	1	—	19	49
Settlements	(6)	—	(25)	(38)
Total gains included on the Condensed Consolidated Balance Sheet as regulatory assets or liabilities	—	(10)	4	(15)
Balance at end of period	$ 12	$ 22	$ 12	$ 22

QUANTITATIVE DISCLOSURES ABOUT UNOBSERVABLE INPUTS

The following table includes quantitative information about the Duke Energy Registrants' derivatives classified as Level 3.

	September 30, 2015			
Investment Type	**Fair Value (in millions)**	**Valuation Technique**	**Unobservable Input**	**Range**
Duke Energy				
Swing options	1	Discounted cash flow	Forward capacity option curves – price per MMBtu	$ 18.50 – $ 84.35
Financial transmission rights (FTRs)	16	RTO auction pricing	FTR price – per MWh	(0.81) – 7.23
Total Level 3 derivatives	$ 17			
Duke Energy Ohio				
FTRs	4	RTO auction pricing	FTR price – per MWh	0.37 – 2.17
Duke Energy Indiana				
FTRs	$ 12	RTO auction pricing	FTR price – per MWh	(0.81) – 7.23

	December 31, 2014			
Investment Type	**Fair Value (in millions)**	**Valuation Technique**	**Unobservable Input**	**Range**
Duke Energy				
Natural gas contracts	$ (5)	Discounted cash flow	Forward natural gas curves – price per MMBtu	$ 2.12 – $ 4.35
Financial transmission rights (FTRs)	14	RTO auction pricing	FTR price – per MWh	(1.92) – 9.86
Electricity contracts	(1)	Discounted cash flow	Forward electricity curves – price per MWh	25.16 – 51.75
Commodity capacity option contracts	2	Discounted cash flow	Forward capacity option curves – price per MW day	21.00 – 109.00
Commodity contract reserves	(11)		Bid-ask spreads, implied volatility, probability of default	
Total Level 3 derivatives	$ (1)			
Duke Energy Ohio				
Electricity contracts	$ (6)	Discounted cash flow	Forward electricity curves – price per MWh	25.25 – 51.75
Natural gas contracts	(5)	Discounted cash flow	Forward natural gas curves – price per MMBtu	2.12 – 4.35
Commodity contract reserves	(7)		Bid-ask spreads, implied volatility, probability of default	
Total Level 3 derivatives	$ (18)			
Duke Energy Indiana				
FTRs	$ 14	RTO auction pricing	FTR price – per MWh	(1.92) – 9.86

OTHER FAIR VALUE DISCLOSURES

The fair value and book value of long-term debt, including current maturities, is summarized in the following table. Estimates determined are not necessarily indicative of amounts that could have been settled in current markets. Fair value of long-term debt uses Level 2 measurements.

	September 30, 2015		December 31, 2014	
(in millions)	**Book Value**	**Fair Value**	**Book Value**	**Fair Value**
Duke Energy	$ 40,203	$ 43,864	$ 40,020	$ 44,566
Duke Energy Carolinas	8,884	9,860	8,391	9,626
Progress Energy	15,396	17,146	14,754	16,951
Duke Energy Progress	6,851	7,214	6,201	6,696
Duke Energy Florida	4,850	5,585	4,860	5,767
Duke Energy Ohio	1,605	1,766	1,766	1,970
Duke Energy Indiana	3,790	4,330	3,791	4,456

At both September 30, 2015 and December 31, 2014, the fair value of cash and cash equivalents, accounts and notes receivable, accounts payable, notes payable and commercial paper, and nonrecourse notes payable of variable interest entities are not materially different from their carrying amounts because of the short-term nature of these instruments and/or because the stated rates approximate market rates.

13. VARIABLE INTEREST ENTITIES

A VIE is an entity that is evaluated for consolidation using more than a simple analysis of voting control. The analysis to determine whether an entity is a VIE considers contracts with an entity, credit support for an entity, the adequacy of the equity investment of an entity and the relationship of voting power to the amount of equity invested in an entity. This analysis is performed either upon the creation of a legal entity or upon the occurrence of an event requiring reevaluation, such as a significant change in an entity's assets or activities. A qualitative analysis of control determines the party that consolidates a VIE. This assessment is based on (i) what party has the power to direct the activities of the VIE that most significantly impact its economic performance and (ii) what party has rights to receive benefits or is obligated to absorb losses that could potentially be significant to the VIE. The analysis of the party that consolidates a VIE is a continual reassessment.

No financial support was provided to any of the consolidated VIEs during the nine months ended September 30, 2015 and the year ended December 31, 2014, or is expected to be provided in the future, that was not previously contractually required.

CONSOLIDATED VIEs

The following tables summarize the impact of VIEs consolidated by Duke Energy and the Subsidiary Registrants on the Condensed Consolidated Balance Sheets.

	September 30, 2015						
	Duke Energy						
	Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida				
(in millions)	DERF	DEPR[c]	DEFR[c]	CRC	Renewables	Other	Total
ASSETS							
Current Assets							
Cash and Cash Equivalents	$ —	$ —	$ —	$ —	$ 2	$ —	$ 2
Restricted receivables of variable interest entities (net of allowance for doubtful accounts)	687	468	395	453	12	22	2,037
Other	—	1	2	—	215	4	222
Investments and Other Assets							
Other	—	—	—	—	20	5	25
Property, Plant and Equipment							
Property, plant and equipment, cost[a]	—	—	—	—	1,926	19	1,945
Accumulated depreciation and amortization	—	—	—	—	(302)	(5)	(307)
Regulatory Assets and Deferred Debits							
Other	—	—	—	—	37	1	38
Total assets	$ 687	$ 469	$ 397	$ 453	$ 1,910	$ 46	$ 3,962
LIABILITIES AND EQUITY							
Current Liabilities							
Accounts payable	$ —	$ —	$ —	$ —	$ 6	$ —	$ 6
Taxes accrued	5	3	1	—	6	—	15
Current maturities of long-term debt	—	—	—	—	73	18	91
Other	—	—	—	—	23	4	27
Long-Term Debt[b]	400	300	225	325	916	3	2,169
Deferred Credits and Other Liabilities							
Deferred income taxes	—	—	—	—	325	—	325
Asset retirement obligations	—	—	—	—	30	—	30
Other	—	—	—	—	42	—	42
Total liabilities	$ 405	$ 303	$ 226	$ 325	$ 1,421	$ 25	$ 2,705
Net assets of consolidated variable interest entities	$ 282	$ 166	$ 171	$ 128	$ 489	$ 21	$ 1,257

(a) Restricted as collateral for nonrecourse debt of VIEs.
(b) Nonrecourse to the general assets of the applicable registrant.
(c) The amount for Progress Energy is equal to the sum of the amounts for Duke Energy Progress Receivables Company, LLC (DEPR) and Duke Energy Florida Receivables Company, LLC (DEFR).

	December 31, 2014						
	Duke Energy						
	Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida				
(in millions)	**DERF**	**DEPR[c]**	**DEFR[c]**	**CRC**	**Renewables**	**Other**	**Total**
ASSETS							
Current Assets							
Restricted receivables of variable interest entities (net of allowance for doubtful accounts)	$ 647	$ 436	$ 305	$ 547	$ 20	$ 18	$ 1,973
Other	—	—	—	—	68	6	74
Investments and Other Assets							
Other	—	—	—	—	25	25	50
Property, Plant and Equipment							
Property, plant and equipment, cost[a]	—	—	—	—	1,855	18	1,873
Accumulated depreciation and amortization	—	—	—	—	(250)	(5)	(255)
Regulatory Assets and Deferred Debits							
Other	—	—	—	—	34	2	36
Total assets	$ 647	$ 436	$ 305	$ 547	$ 1,752	$ 64	$ 3,751
LIABILITIES AND EQUITY							
Current Liabilities							
Accounts payable	$ —	$ —	$ —	$ —	$ 3	$ —	$ 3
Taxes accrued	—	—	—	—	6	—	6
Current maturities of long-term debt	—	—	—	—	68	16	84
Other	—	—	—	—	16	5	21
Long-Term Debt[b]	400	300	225	325	967	17	2,234
Deferred Credits and Other Liabilities							
Deferred income taxes	—	—	—	—	283	—	283
Asset retirement obligations	—	—	—	—	29	—	29
Other	—	—	—	—	34	4	38
Total liabilities	$ 400	$ 300	$ 225	$ 325	$ 1,406	$ 42	$ 2,698
Net assets of consolidated variable interest entities	$ 247	$ 136	$ 80	$ 222	$ 346	$ 22	$ 1,053

(a) Restricted as collateral for nonrecourse debt of VIEs.
(b) Nonrecourse to the general assets of the applicable registrant.
(c) The amount for Progress Energy is equal to the sum of the amounts for DEPR and DEFR.

The obligations of these VIEs are nonrecourse to Duke Energy, Duke Energy Carolinas, Progress Energy, Duke Energy Progress and Duke Energy Florida. These entities have no requirement to provide liquidity to, purchase assets of or guarantee performance of these VIEs unless noted in the following paragraphs.

DERF / DEPR / DEFR

Duke Energy Receivables Finance Company, LLC (DERF), DEPR and DEFR are bankruptcy remote, special purpose subsidiaries of Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida, respectively. On a daily basis, DERF, DEPR and DEFR buy certain accounts receivable arising from the sale of electricity and/or related services from their parent companies. DERF, DEPR and DEFR are wholly owned limited liability companies with separate legal existence from their parents, and their assets are not generally available to creditors of their parent companies. DERF, DEPR and DEFR borrow amounts under credit facilities to buy the receivables. Borrowing availability is limited to the amount of qualified receivables sold, which is generally expected to be in excess of the credit facilities. The credit facilities are reflected on the Condensed Consolidated Balance Sheets as Long-Term Debt. The secured credit facilities were not structured to meet the criteria for sale accounting treatment under the accounting guidance for transfers and servicing of financial assets.

The following table summarizes the amounts and expiration dates of the credit facilities reflected on the Condensed Consolidated Balance Sheets as Long-Term Debt.

	DERF	DEPR	DEFR
Credit facility amount (in millions)	$ 400	$ 300	$ 225
Expiration date	December 2016	December 2016	March 2017

The activities that most significantly impact the economic performance of DERF, DEPR and DEFR are the decisions made to manage delinquent receivables. Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida consolidate DERF, DEPR and DEFR, respectively, as they are the related parties most closely associated with the VIE.

CRC

On a revolving basis, CRC buys certain accounts receivable arising from the sale of electricity and/or related services from Duke Energy Ohio and Duke Energy Indiana. Receivables sold are securitized by CRC through a credit facility managed by two unrelated third parties. The proceeds Duke Energy Ohio and Duke Energy Indiana receive from the sale of receivables to CRC are typically 75 percent cash and 25 percent in the form of a subordinated note from CRC. The subordinated note is a retained interest in the receivables sold. Cash collections from the receivables are the sole source of funds to satisfy the related debt obligation. Depending on experience with collections, additional equity infusions to CRC may be required by Duke Energy to maintain a minimum equity balance of $3 million. Borrowing availability is limited to the amount of qualified receivables sold, which is generally expected to be in excess of the credit facility. The credit facility expires in November 2016 and is reflected on the Condensed Consolidated Balance Sheets as Long-Term Debt.

CRC is considered a VIE because (i) equity capitalization is insufficient to support its operations, (ii) power to direct the activities that most significantly impact the economic performance of the entity are not performed by the equity holder, Cinergy, and (iii) deficiencies in net worth of CRC are not funded by Cinergy, but by Duke Energy. The most significant activities of CRC are decisions made related to the management of delinquent receivables. Duke Energy consolidates CRC as it makes these decisions. Neither Duke Energy Ohio nor Duke Energy Indiana consolidate CRC.

Renewables

Certain of Duke Energy's renewable energy facilities are VIEs due to long-term fixed-price power purchase agreements. These fixed-price agreements effectively transfer commodity price risk to the buyer of the power. Certain other of Duke Energy's renewable energy facilities are VIEs due to Duke Energy issuing guarantees for debt service and operations and maintenance reserves in support of debt financings. For certain VIEs, assets are restricted and cannot be pledged as collateral or sold to third parties without prior approval of debt holders. The activities that most significantly impact the economic performance of these renewable energy facilities were decisions associated with siting, negotiating purchase power agreements, engineering, procurement and construction, and decisions associated with ongoing operations and maintenance-related activities. Duke Energy consolidates the entities as it makes all of these decisions.

NON-CONSOLIDATED VIEs

The following tables include VIEs not consolidated and how these entities impact the Condensed Consolidated Balance Sheets.

	September 30, 2015				
	Duke Energy			Duke Energy	Duke Energy
(in millions)	Renewables	Other	Total	Ohio	Indiana
Receivables	$ —	$ —	$ —	$ 43	$ 64
Investments in equity method unconsolidated affiliates	223	125	348	—	—
Total assets	$ 223	$ 125	$ 348	$ 43	$ 64
Other current liabilities	—	2	2	—	—
Deferred credits and other liabilities	—	14	14	—	—
Total liabilities	$ —	$ 16	$ 16	$ —	$ —
Net assets	$ 223	$ 109	$ 332	$ 43	$ 64

	December 31, 2014				
	Duke Energy			Duke Energy	Duke Energy
(in millions)	Renewables	Other	Total	Ohio	Indiana
Receivables	$ —	$ —	$ —	$ 91	$ 113
Investments in equity method unconsolidated affiliates	150	38	188	—	—
Investments and other assets	—	4	4	—	—
Total assets	$ 150	$ 42	$ 192	$ 91	$ 113
Other current liabilities	—	3	3	—	—
Deferred credits and other liabilities	—	14	14	—	—
Total liabilities	$ —	$ 17	$ 17	$ —	$ —
Net assets	$ 150	$ 25	$ 175	$ 91	$ 113

The Duke Energy Registrants are not aware of any situations where the maximum exposure to loss significantly exceeds the carrying values shown above except for the power purchase agreement with OVEC, which is discussed below, and various guarantees, reflected in the table above as Deferred credits and other liabilities. For more information on various guarantees, refer to Note 5, "Commitments and Contingencies."

Renewables

Duke Energy has investments in various renewable energy project entities. Some of these entities are VIEs due to long-term fixed-price power purchase agreements. These fixed-price agreements effectively transfer commodity price risk to the buyer of the power. Duke Energy does not consolidate these VIEs because power to direct and control key activities is shared jointly by Duke Energy and other owners.

Other

Duke Energy holds a 50 percent equity interest in Duke-American Transmission Company, LLC (DATC). DATC is considered a VIE due to insufficient equity at risk to permit DATC to finance its own activities without additional subordinated financial support. The activities that most significantly impact DATC's economic performance are the decisions related to investing in existing and development of new transmission facilities. The power to direct these activities is jointly and equally shared by Duke Energy and the other joint venture partner and, therefore, Duke Energy does not consolidate.

Duke Energy has a 40 percent equity interest and a 7.5 percent equity interest in ACP and Sabal Trail Transmission, LLC (Sabal Trail), respectively. These entities are considered VIEs as their equity is not sufficient to permit the entities to finance their activities without additional subordinated financial support. The activity that most significantly impacts the economic performance of both ACP and Sabal Trail is construction. Duke Energy does not control these activities and therefore does not consolidate ACP or Sabal Trail.

OVEC

Duke Energy Ohio's 9 percent ownership interest in OVEC is considered a non-consolidated VIE. Through its ownership interest in OVEC, Duke Energy Ohio has a contractual arrangement to buy power from OVEC's power plants through June 2040. Proceeds from the sale of power by OVEC to its power purchase agreement counterparties are designed to be sufficient to meet its operating expenses, fixed costs, debt amortization and interest expense, as well as earn a return on equity. Accordingly, the value of this contract is subject to variability due to fluctuations in power prices and changes in OVEC's costs of business, including costs associated with its 2,256 MW of coal-fired generation capacity. Proposed environmental rule-making could increase the costs of OVEC, which would be passed through to Duke Energy Ohio. In 2014, Duke Energy Ohio recorded a $94 million impairment related to OVEC.

CRC

See discussion under Consolidated VIEs for additional information related to CRC.

Amounts included in Receivables in the above table for Duke Energy Ohio and Duke Energy Indiana reflect their retained interest in receivables sold to CRC. These subordinated notes held by Duke Energy Ohio and Duke Energy Indiana are stated at fair value. Carrying values of retained interests are determined by allocating carrying value of the receivables between assets sold and interests retained based on relative fair value. The allocated bases of the subordinated notes are not materially different than their face value because (i) the receivables generally turn over in less than two months, (ii) credit losses are reasonably predictable due to the broad customer base and lack of significant concentration, and (iii) the equity in CRC is subordinate to all retained interests and thus would absorb losses first. The hypothetical effect on fair value of the retained interests assuming both a 10 percent and a 20 percent unfavorable variation in credit losses or discount rates is not material due to the short turnover of receivables and historically low credit loss history. Interest accrues to Duke Energy Ohio and Duke Energy Indiana on the retained interests using the acceptable yield method. This method generally approximates the stated rate on the notes since the allocated basis and the face value are nearly equivalent. An impairment charge is recorded against the carrying value of both retained interests and purchased beneficial interest whenever it is determined that an other-than-temporary impairment has occurred.

Key assumptions used in estimating fair value are detailed in the following table.

	Duke Energy Ohio		Duke Energy Indiana	
	2015	2014	2015	2014
Anticipated credit loss ratio	0.6%	0.6%	0.3%	0.3%
Discount rate	1.2%	1.2%	1.2%	1.2%
Receivable turnover rate	12.9%	12.8%	10.6%	10.5%

The following table shows the gross and net receivables sold.

	Duke Energy Ohio		Duke Energy Indiana	
(in millions)	September 30, 2015	December 31, 2014	September 30, 2015	December 31, 2014
Receivables sold	$ 221	$ 273	$ 271	$ 310
Less: Retained interests	43	91	64	113
Net receivables sold	$ 178	$ 182	$ 207	$ 197

The following table shows sales and cash flows related to receivables sold.

	Duke Energy Ohio				Duke Energy Indiana			
	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2015	2014	2015	2014	2015	2014	2015	2014
Sales								
Receivables sold	$ 449	$ 477	$ 1,518	$ 1,705	$ 679	$ 739	$ 2,032	$ 2,173
Loss recognized on sale	2	3	7	9	3	3	8	8
Cash flows								
Cash proceeds from receivables sold	461	494	1,568	1,761	692	759	2,074	2,233
Collection fees received	—	—	1	1	—	—	1	1
Return received on retained interests	—	—	2	3	1	2	4	5

Cash flows from sales of receivables are reflected within Operating Activities on Duke Energy Ohio's and Duke Energy Indiana's Condensed Consolidated Statements of Cash Flows.

Collection fees received in connection with servicing transferred accounts receivable are included in Operation, maintenance and other on Duke Energy Ohio's and Duke Energy Indiana's Condensed Consolidated Statements of Operations and Comprehensive Income. The loss recognized on sales of receivables is calculated monthly by multiplying receivables sold during the month by the required discount. The required discount is derived monthly utilizing a three-year weighted-average formula that considers charge-off history, late charge history and turnover history on the sold receivables, as well as a component for the time value of money. The discount rate, or component for the time value of money, is the prior month-end London Interbank Offered Rate (LIBOR) plus a fixed rate of 1.00 percent.

14. COMMON STOCK

Basic Earnings Per Share (EPS) is computed by dividing net income attributable to Duke Energy common shareholders, adjusted for distributed and undistributed earnings allocated to participating securities, by the weighted-average number of common shares outstanding during the period. Diluted EPS is computed by dividing net income attributable to Duke Energy common shareholders, as adjusted for distributed and undistributed earnings allocated to participating securities, by the diluted weighted-average number of common shares outstanding during the period. Diluted EPS reflects the potential dilution that could occur if securities or other agreements to issue common stock, such as stock options, were exercised or settled. Duke Energy's participating securities are restricted stock units that are entitled to dividends declared on Duke Energy common shares during the restricted stock unit's vesting periods.

The following table presents Duke Energy's basic and diluted EPS calculations and reconciles the weighted-average number of common shares outstanding to the diluted weighted-average number of common shares outstanding.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions, except per share amounts)	**2015**	**2014**	**2015**	**2014**
Income from continuing operations attributable to Duke Energy common shareholders	$ 935	$ 887	$ 2,307	$ 2,351
Weighted-average shares outstanding – basic	688	707	696	707
Weighted-average shares outstanding – diluted	688	707	696	707
Earnings per share from continuing operations attributable to Duke Energy common shareholders				
Basic	$ 1.36	$ 1.25	$ 3.31	$ 3.33
Diluted	$ 1.36	$ 1.25	$ 3.31	$ 3.33
Potentially dilutive shares excluded from the calculation[(a)]			2	2
Dividends declared per common share	$ 0.825	$ 0.795	$ 2.42	$ 2.355

(a)Performance stock awards and certain stock options were not included in the dilutive securities calculation because either the performance measures related to the awards had not been met or the option exercise prices were greater than the average market price of the common shares during the presented periods.

On April 6, 2015, Duke Energy entered into agreements with each of Goldman, Sachs & Co. and JPMorgan Chase Bank, National Association (the Dealers) to repurchase a total of $1.5 billion of Duke Energy common stock under an accelerated stock repurchase program (the ASR). Duke Energy made payments of $750 million to each of the Dealers and was delivered 16.6 million shares, with a total fair value of $1.275 billion, which represented approximately 85 percent of the total number of shares of Duke Energy common stock expected to be repurchased under the ASR. The $225 million unsettled portion met the criteria to be accounted for as a forward contract indexed to Duke Energy's stock and qualified as an equity instrument. The company recorded the $1.5 billion payment as a reduction to common stock as of April 6, 2015. In June 2015, the Dealers delivered 3.2 million additional shares to Duke Energy to complete the ASR. Approximately 19.8 million shares, in total, were delivered to Duke Energy and retired under the ASR at an average price of $75.75 per share. The final number of shares repurchased was based upon the average of the daily volume weighted-average stock prices of Duke Energy's common stock during the term of the program, less a discount.

15. STOCK-BASED COMPENSATION

For employee awards, equity classified stock-based compensation cost is measured at the service inception date or the grant date, based on the estimated achievement of certain performance metrics or the fair value of the award, and is recognized as expense or capitalized as a component of property, plant and equipment over the requisite service period.

The Duke Energy Corporation 2015 Long-Term Incentive Plan (the 2015 Plan) provides for the grant of stock-based compensation awards to employees and outside directors. The 2015 Plan reserves 10 million shares of common stock for issuance under the Plan. The 2015 Plan supersedes the 2010 Long-Term Incentive Plan, as amended (the 2010 Plan), and the Progress Energy, Inc. 2007 Equity Incentive Plan (the Progress Plan). No additional grants will be made from the 2010 Plan and the Progress Plan.

Pretax stock-based compensation costs, the tax benefit associated with stock-based compensation expense, and stock-based compensation costs capitalized are included in the following table.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2015**	**2014**	**2015**	**2014**
Restricted stock unit awards	$ 9	$ 8	$ 29	$ 30
Performance awards	5	4	18	14
Pretax stock-based compensation cost	$ 14	$ 12	$ 47	$ 44
Tax benefit associated with stock-based compensation expense	$ 6	$ 5	$ 18	$ 17
Stock-based compensation costs capitalized	1	1	3	3

16. EMPLOYEE BENEFIT PLANS

DEFINED BENEFIT RETIREMENT PLANS

Duke Energy maintains, and the Subsidiary Registrants participate in, qualified, non-contributory defined benefit retirement plans. The plans cover most U.S. employees using a cash balance formula. Under a cash balance formula, a plan participant accumulates a retirement benefit consisting of pay credits equal to a percentage of current eligible earnings based on age and/or years of service, and interest credits. Certain employees are covered under plans that use a final average earnings formula. Under these average earnings formulas, a plan participant accumulates a retirement benefit equal to the sum of percentages of their (i) highest three-year or four-year average earnings, (ii) highest three-year or four-year average earnings in excess of covered compensation per year of participation (maximum of 35 years) and/or (iii) highest three-year or four-year average earnings times years of participation in excess of 35 years. Duke Energy also maintains, and the Subsidiary Registrants participate in, non-qualified, non-contributory defined benefit retirement plans which cover certain executives. The qualified and non-qualified, non-contributory defined benefit plans are closed to new and rehired non-union and certain unionized employees.

Duke Energy uses a December 31 measurement date for its defined benefit retirement plan assets and obligations. Duke Energy's policy is to fund amounts on an actuarial basis to provide assets sufficient to meet benefit payments to be paid to plan participants. The following table includes information related to the Duke Energy Registrants' contributions to its U.S. qualified defined benefit pension plans.

	Nine Months Ended September 30, 2015						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Contributions	$ 143	$ 42	$ 42	$ 21	$ 21	$ 4	$ 9

Duke Energy and Duke Energy Ohio made contributions of $11 million and $3 million, respectively, to their U.S. qualified defined benefit pension plans during the three months ended September 30, 2015. Duke Energy did not make any contributions to its U.S. qualified defined benefit pension plans during the nine months ended September 30, 2014.

Net periodic benefit costs disclosed in the tables below represent the cost of the respective benefit plan for the periods presented. However, portions of the net periodic benefit costs disclosed in the tables below have been capitalized as a component of property, plant and equipment. Amounts presented in the tables below for the Subsidiary Registrants represent the amounts of pension and other post-retirement benefit costs allocated by Duke Energy for employees of the Subsidiary Registrants. Additionally, the Subsidiary Registrants are allocated their proportionate share of pension and post-retirement benefit costs for employees of Duke Energy's shared services affiliate that provides support to the Subsidiary Registrants. These allocated amounts are included in the governance and shared service costs discussed in Note 9.

QUALIFIED PENSION PLANS

The following tables include the components of net periodic pension costs for qualified pension plans.

	Three Months Ended September 30, 2015						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Service cost	$ 40	$ 13	$ 11	$ 6	$ 5	$ 1	$ 3
Interest cost on projected benefit obligation	81	21	26	12	14	5	7
Expected return on plan assets	(129)	(35)	(43)	(20)	(22)	(7)	(10)
Amortization of actuarial loss	44	10	17	8	8	3	3
Amortization of prior service credit	(4)	(2)	(1)	—	—	—	—
Other	2	1	1	—	—	—	—
Net periodic pension costs	$ 34	$ 8	$ 11	$ 6	$ 5	$ 2	$ 3

DUKE ENERGY CORPORATION – DUKE ENERGY CAROLINAS, LLC – PROGRESS ENERGY, INC. –
DUKE ENERGY PROGRESS, LLC – DUKE ENERGY FLORIDA, LLC – DUKE ENERGY OHIO, INC. – DUKE ENERGY INDIANA, INC.
Combined Notes to Condensed Consolidated Financial Statements – (Continued)
(Unaudited)

	Three Months Ended September 30, 2014						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Service cost	$ 34	$ 10	$ 10	$ 6	$ 5	$ 1	$ 3
Interest cost on projected benefit obligation	86	22	28	13	14	5	7
Expected return on plan assets	(128)	(33)	(44)	(21)	(21)	(7)	(10)
Amortization of actuarial loss	37	8	17	8	8	1	3
Amortization of prior service credit	(4)	(2)	—	—	—	—	—
Other	3	1	1	—	—	—	—
Net periodic pension costs	$ 28	$ 6	$ 12	$ 6	$ 6	$ —	$ 3

	Nine Months Ended September 30, 2015						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Service cost	$ 119	$ 38	$ 33	$ 18	$ 15	$ 3	$ 8
Interest cost on projected benefit obligation	244	62	78	36	41	14	21
Expected return on plan assets	(387)	(104)	(127)	(61)	(66)	(20)	(31)
Amortization of actuarial loss	131	30	51	25	24	8	10
Amortization of prior service credit	(11)	(6)	(3)	(1)	(1)	—	—
Other	6	2	2	1	1	—	—
Net periodic pension costs	$ 102	$ 22	$ 34	$ 18	$ 14	$ 5	$ 8

	Nine Months Ended September 30, 2014						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Service cost	$ 102	$ 31	$ 30	$ 16	$ 15	$ 3	$ 7
Interest cost on projected benefit obligation	258	64	84	40	43	15	22
Expected return on plan assets	(383)	(99)	(130)	(64)	(64)	(20)	(30)
Amortization of actuarial loss	111	26	51	24	24	3	9
Amortization of prior service credit	(11)	(6)	(2)	(1)	(1)	—	—
Other	6	2	2	1	1	—	—
Net periodic pension costs	$ 83	$ 18	$ 35	$ 16	$ 18	$ 1	$ 8

NON-QUALIFIED PENSION PLANS

The following tables include the components of net periodic pension costs for non-qualified pension plans for registrants with non-qualified pension costs.

	Three Months Ended September 30, 2015				
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida
Service cost	$ 1	$ —	$ —	$ —	$ —
Interest cost on projected benefit obligation	3	—	1	—	1
Amortization of actuarial loss	2	—	1	—	—
Net periodic pension costs	$ 6	$ —	$ 2	$ —	$ 1

	Three Months Ended September 30, 2014				
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida
Service cost	$ 1	$ —	$ —	$ 1	$ —
Interest cost on projected benefit obligation	3	1	2	—	—
Amortization of actuarial loss	1	—	—	—	—
Amortization of prior service credit	—	—	(1)	—	—
Net periodic pension costs	$ 5	$ 1	$ 1	$ 1	$ —

	Nine Months Ended September 30, 2015				
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida
Service cost	$ 2	$ —	$ 1	$ —	$ —
Interest cost on projected benefit obligation	10	1	3	1	2
Amortization of actuarial loss	5	—	2	—	1
Net periodic pension costs	$ 17	$ 1	$ 6	$ 1	$ 3

	Nine Months Ended September 30, 2014				
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida
Service cost	$ 2	$ —	$ 1	$ 1	$ —
Interest cost on projected benefit obligation	10	1	4	1	1
Amortization of actuarial loss	2	—	1	—	—
Amortization of prior service cost	—	—	(1)	—	—
Net periodic pension costs	$ 14	$ 1	$ 5	$ 2	$ 1

OTHER POST-RETIREMENT BENEFIT PLANS

Duke Energy provides, and the Subsidiary Registrants participate in, some health care and life insurance benefits for retired employees on a contributory and non-contributory basis. Employees are eligible for these benefits if they have met age and service requirements at retirement, as defined in the plans. The health care benefits include medical, dental and prescription drug coverage and are subject to certain limitations, such as deductibles and co-payments.

Duke Energy did not make any pre-funding contributions to its other post-retirement benefit plans during the nine months ended September 30, 2015 and 2014.

The following tables include the components of net periodic other post-retirement benefit costs.

	Three Months Ended September 30, 2015						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Service cost	$ 1	$ —	$ —	$ —	$ —	$ —	$ —
Interest cost on accumulated post-retirement benefit obligation	9	2	4	2	2	—	1
Expected return on plan assets	(3)	(2)	—	—	—	—	—
Amortization of actuarial loss	6	—	7	5	3	—	—
Amortization of prior service credit	(35)	(4)	(26)	(17)	(9)	—	—
Net periodic other post-retirement benefit costs	$ (22)	$ (4)	$ (15)	$ (10)	$ (4)	$ —	$ 1

	Three Months Ended September 30, 2014						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Service cost	$ 2	$ —	$ 1	$ —	$ —	$ —	$ —
Interest cost on accumulated post-retirement benefit obligation	13	3	6	3	3	—	1
Expected return on plan assets	(3)	(2)	—	—	—	—	—
Amortization of actuarial loss	9	1	10	8	3	—	—
Amortization of prior service credit	(31)	(3)	(24)	(19)	(5)	—	—
Net periodic other post-retirement benefit costs	$ (10)	$ (1)	$ (7)	$ (8)	$ 1	$ —	$ 1

	Nine Months Ended September 30, 2015						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Service cost	$ 4	$ 1	$ 1	$ —	$ —	$ —	$ —
Interest cost on accumulated post-retirement benefit obligation	27	6	11	6	5	1	3
Expected return on plan assets	(9)	(6)	—	—	—	—	—
Amortization of actuarial loss (gain)	19	(1)	21	14	8	—	(1)
Amortization of prior service credit	(105)	(11)	(77)	(50)	(25)	—	—
Net periodic other post-retirement benefit costs	$ (64)	$ (11)	$ (44)	$ (30)	$ (12)	$ 1	$ 2

	Nine Months Ended September 30, 2014						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Service cost	$ 7	$ 1	$ 3	$ 1	$ 2	$ —	$ —
Interest cost on accumulated post-retirement benefit obligation	38	9	17	8	9	1	4
Expected return on plan assets	(9)	(6)	—	—	—	—	(1)
Amortization of actuarial loss (gain)	29	2	31	23	8	(1)	—
Amortization of prior service credit	(94)	(8)	(71)	(55)	(16)	—	—
Net periodic other post-retirement benefit costs	$ (29)	$ (2)	$ (20)	$ (23)	$ 3	$ —	$ 3

EMPLOYEE SAVINGS PLANS

Duke Energy sponsors, and the Subsidiary Registrants participate in, employee savings plans that cover substantially all U.S. employees. Effective January 1, 2015, all then-existing employee savings plans were merged into a single plan. Most employees participate in a matching contribution formula where Duke Energy provides a matching contribution generally equal to 100 percent of employee before-tax and Roth
401(k) contributions of up to 6 percent of eligible pay per pay period. Prior to 2015, Duke Energy also provided a match on after-tax contributions for certain plans. Dividends on Duke Energy shares held by the savings plans are charged to retained earnings when declared and shares held in the plans are considered outstanding in the calculation of basic and diluted earnings per share.

For new and rehired non-union and certain unionized employees who are not eligible to participate in Duke Energy's defined benefit plans, an additional employer contribution of 4 percent of eligible pay per pay period, subject to three-year vesting, is provided to the employee's savings plan account.

The following table includes employer matching contributions, as well as the additional contribution of 4 percent of eligible pay per pay period for employees not eligible to participate in a defined benefit plan, made by Duke Energy and expensed by the Subsidiary Registrants.

(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Three Months Ended September 30,							
2015	**$ 34**	**$ 11**	**$ 10**	**$ 7**	**$ 3**	**$ —**	**$ 1**
2014	30	10	10	7	3	—	1
Nine Months Ended September 30,							
2015	**$ 120**	**$ 40**	**$ 36**	**$ 26**	**$ 10**	**$ 2**	**$ 5**
2014	110	36	33	23	10	2	5

17. INCOME TAXES

The effective tax rates from continuing operations for each of the Duke Energy Registrants are included in the following table.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	**2014**	**2015**	**2014**
Duke Energy	**30.9%**	34.0%	**32.5%**	31.4%
Duke Energy Carolinas	**36.5%**	33.9%	**36.3%**	33.7%
Progress Energy	**25.0%**	37.1%	**31.8%**	37.3%
Duke Energy Progress	**34.4%**	36.3%	**35.3%**	36.6%
Duke Energy Florida	**30.1%**	38.5%	**35.2%**	38.6%
Duke Energy Ohio	**39.3%**	38.3%	**37.6%**	34.9%
Duke Energy Indiana	**37.0%**	31.6%	**36.6%**	35.2%

The decrease in the effective tax rate for Duke Energy for the three months ended September 30, 2015, is primarily due to the tax benefit related to the manufacturing deduction in 2015, which was limited in the prior year due to taxable income, and a tax benefit from the legal entity restructuring of Duke Energy Florida and Duke Energy Progress. The increase in the effective tax rate for the nine months ended September 30, 2015, is primarily due to a deferred tax benefit related to the merger of two Chilean subsidiaries recorded in the second quarter of 2014 and a deferred tax charge for changes in apportionment related to state income taxes recorded in the second quarter of 2015 offset by the tax benefit related to the manufacturing deduction in 2015, which was limited in the prior year due to taxable income, and a tax benefit from the legal entity restructuring of Duke Energy Florida and Duke Energy Progress.

The increase in the effective tax rate for Duke Energy Carolinas for the three months ended September 30, 2015, is primarily due to a decrease in the tax benefit of the manufacturing deduction in 2015 as compared to 2014, partially offset by a reduction of the North Carolina statutory corporate state income tax rate. The increase in the effective tax rate for the nine months ended September 30, 2015, is primarily due to favorable prior year audit settlements and changes in apportionment related to state income tax.

The decrease in the effective tax rate for Progress Energy for the three and nine months ended September 30, 2015, is primarily due to a reduction of the North Carolina statutory corporate state income tax rate and release of tax reserves due to expired tax statutes.

The decrease in the effective tax rate for Duke Energy Progress for the three and nine months ended September 30, 2015, is primarily due to a reduction of the North Carolina statutory corporate state income tax rate.

The decrease in the effective tax rate for Duke Energy Florida for the three and nine months ended September 30, 2015, is primarily due to a release of tax reserves due to expired tax statutes.

The increase in the effective tax rate for Duke Energy Ohio for the three months ended September 30, 2015, is primarily due to certain nondeductible book depreciation offset by the tax benefit related to the manufacturing deduction in 2014. The increase in the effective tax rate for the nine months ended September 30, 2015, is primarily due to the tax benefit related to the manufacturing deduction in 2014.

The increase in the effective tax rate for Duke Energy Indiana for the three and nine months ended September 30, 2015, is primarily due to a prior period audit settlement in 2014, partially offset by a reduction in the Indiana statutory corporate state income tax rate.

18. SUBSEQUENT EVENTS

For information on subsequent events related to acquisitions and dispositions, regulatory matters, commitments and contingencies, and derivatives and hedging see Notes 2, 4, 5 and 10, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following combined Management's Discussion and Analysis of Financial Condition and Results of Operations is separately filed by Duke Energy Corporation (collectively with its subsidiaries, Duke Energy) and Duke Energy Carolinas, LLC (Duke Energy Carolinas), Progress Energy, Inc. (Progress Energy), Duke Energy Progress, LLC (Duke Energy Progress, formerly Duke Energy Progress, Inc.), Duke Energy Florida, LLC (Duke Energy Florida, formerly Duke Energy Florida, Inc.), Duke Energy Ohio, Inc. (Duke Energy Ohio) and Duke Energy Indiana, Inc. (Duke Energy Indiana) (collectively referred to as the Subsidiary Registrants). However, none of the registrants makes any representation as to information related solely to Duke Energy or the Subsidiary Registrants of Duke Energy other than itself.

DUKE ENERGY

Duke Energy is an energy company headquartered in Charlotte, North Carolina. Duke Energy operates in the United States (U.S.) primarily through its wholly owned subsidiaries, Duke Energy Carolinas, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio and Duke Energy Indiana, as well as in Latin America.

When discussing Duke Energy's consolidated financial information, it necessarily includes the results of the Subsidiary Registrants, which, along with Duke Energy, are collectively referred to as the Duke Energy Registrants.

Management's Discussion and Analysis includes financial information prepared in accordance with generally accepted accounting principles (GAAP) in the U.S., as well as certain non-GAAP financial measures such as adjusted earnings, adjusted diluted earnings per share (EPS) and adjusted segment income, discussed below. Generally, a non-GAAP financial measure is a numerical measure of financial performance, financial position or cash flows that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP. The non-GAAP financial measures should be viewed as a supplement to, and not a substitute for, financial measures presented in accordance with GAAP. Non-GAAP measures presented herein may not be comparable to similarly titled measures used by other companies.

Management's Discussion and Analysis should be read in conjunction with the Condensed Consolidated Financial Statements and Notes for the nine months ended September 30, 2015, and with Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2014.

Acquisition of Piedmont Natural Gas

On October 24, 2015, Duke Energy entered into an Agreement and Plan of Merger (Merger Agreement) with Piedmont Natural Gas Company, Inc., (Piedmont) a North Carolina corporation. Under the terms of the Merger Agreement, Duke Energy will acquire Piedmont for $4.9 billion in cash. Upon closing, Piedmont will become a wholly-owned subsidiary of Duke Energy.

Pursuant to the Merger Agreement, upon the closing of the merger, each share of Piedmont common stock issued and outstanding immediately prior to the closing will be converted automatically into the right to receive $60 in cash per share. In addition, Duke Energy will assume $1.8 billion in Piedmont existing debt. Duke Energy expects to finance the transaction with a combination of debt, between $500 million and $750 million of newly issued equity and other cash sources. Duke Energy has a fully underwritten bridge facility to support funding of the merger.

Completion of the transaction is conditioned upon approval by the North Carolina Utilities Commission (NCUC), expiration or termination of any applicable waiting period under the federal Hart-Scott-Rodino Antitrust Improvements Act of 1976, and Piedmont shareholder approval. The Merger Agreement contains certain termination rights for both Duke Energy and Piedmont, and provides that, upon termination of the Merger Agreement under specified circumstances, Duke Energy would be required to pay a termination fee of $250 million to Piedmont and Piedmont would be required to pay Duke Energy a termination fee of $125 million.

Subject to receipt of required regulatory approvals and meeting closing conditions, Duke Energy and Piedmont are targeting a closing by the end of 2016.

See Note 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information regarding Duke Energy and Piedmont's joint investment in Atlantic Coast Pipeline, LLC (ACP).

Midwest Generation Exit

Duke Energy, through indirect subsidiaries, completed the sale of the nonregulated Midwest generation business and Duke Energy Retail Sales LLC (Disposal Group) to a subsidiary of Dynegy Inc. (Dynegy) on April 2, 2015, for approximately $2.8 billion in cash. Refer to Note 2 to the Condensed Consolidated Financial Statements, "Acquisitions and Dispositions," for additional information on this transaction.

Commercial Portfolio (formerly Commercial Power) builds, develops and operates wind and solar renewable generation and energy transmission projects throughout the U.S. The segment was renamed as a result of the sale of the nonregulated Midwest generation business, as discussed in Note 2. For periods subsequent to the sale, beginning in the second quarter of 2015, certain immaterial results of operations and related assets previously presented in the Commercial Portfolio segment are presented in Regulated Utilities and Other.

Accelerated Stock Repurchase Program

On April 6, 2015, Duke Energy entered into agreements with each of Goldman, Sachs & Co. and JPMorgan Chase Bank, National Association (the Dealers) to repurchase a total of $1.5 billion of Duke Energy common stock under an accelerated stock repurchase program (the ASR). Duke Energy made payments of $750 million to each of the Dealers and was delivered 16.6 million shares, with a total fair value of $1.275 billion, which represented approximately 85 percent of the total number of shares of Duke Energy common stock expected to be repurchased under the ASR. The $225 million unsettled portion met the criteria to be accounted for as a forward contract indexed to Duke Energy's stock and qualified as an equity instrument. The company recorded the $1.5 billion payment as a reduction to common stock as of April 6, 2015. In June 2015, the Dealers delivered 3.2 million additional shares to Duke Energy to complete the ASR. Approximately 19.8 million shares, in total, were delivered to Duke Energy and retired under the ASR at an average price of $75.75 per share. The final number of shares repurchased was based upon the average of the daily volume weighted-average stock prices of Duke Energy's common stock during the term of the program, less a discount.

For additional information on the details of this transaction, see Note 14 to the Condensed Consolidated Financial Statements, "Common Stock."

Results of Operations

In this section, Duke Energy provides analysis and discussion of earnings and factors affecting earnings on both a GAAP and non-GAAP basis.

Management evaluates financial performance in part based on the non-GAAP financial measures, adjusted earnings and adjusted diluted EPS. These items are measured as income from continuing operations net of income (loss) attributable to noncontrolling interests, adjusted for the dollar and per-share impact of mark-to-market impacts of economic hedges in the Commercial Portfolio segment and special items including the operating results of the Disposal Group classified as discontinued operations for GAAP purposes. Special items represent certain charges and credits, which management believes will not be recurring on a regular basis, although it is reasonably possible such charges and credits could recur. Operating results of the Disposal Group sold to Dynegy are reported as discontinued operations, including a portion of the mark-to-market adjustments associated with derivative contracts. Management believes that including the operating results of the Disposal Group reported as discontinued operations better reflects its financial performance and therefore has included these results in adjusted earnings and adjusted diluted EPS prior to the sale of the Disposal Group. Additionally, as a result of completing the sale of the Disposal Group during the second quarter of 2015, state income tax expense increased as state income tax apportionments changed. The additional tax expense was recognized in Continuing Operations on a GAAP basis. This impact to state income taxes has been reflected in Discontinued Operations in the Commercial Portfolio segment for adjusted diluted EPS purposes as management believes these impacts are incidental to the sale of the Disposal Group. Derivative contracts are used in Duke Energy's hedging of a portion of the economic value of its generation assets in the Commercial Portfolio segment. The mark-to-market impact of derivative contracts is recognized in GAAP earnings immediately and, if associated with the Disposal Group, classified as discontinued operations, as such derivative contracts do not qualify for hedge accounting or regulatory treatment. The economic value of generation assets is subject to fluctuations in fair value due to market price volatility of input and output commodities (e.g., coal, electricity, natural gas). Economic hedging involves both purchases and sales of those input and output commodities related to generation assets. Operations of the generation assets are accounted for under the accrual method. Management believes excluding impacts of mark-to-market changes of the derivative contracts from adjusted earnings until settlement better matches the financial impacts of the derivative contract with the portion of economic value of the underlying hedged asset. Management believes the presentation of adjusted earnings and adjusted diluted EPS provides useful information to investors, as it provides them an additional relevant comparison of Duke Energy's performance across periods. Management uses these non-GAAP financial measures for planning and forecasting and for reporting results to the Duke Energy Board of Directors (Board of Directors), employees, shareholders, analysts and investors concerning Duke Energy's financial performance. Adjusted diluted EPS is also used as a basis for employee incentive bonuses. The most directly comparable GAAP measures for adjusted earnings and adjusted diluted EPS are Net Income Attributable to Duke Energy Corporation and Diluted EPS Attributable to Duke Energy Corporation common shareholders, which include the dollar and per-share impact of special items, mark-to-market impacts of economic hedges in the Commercial Portfolio segment and discontinued operations.

Management evaluates segment performance based on segment income. Segment income is defined as income from continuing operations net of income attributable to noncontrolling interests. Segment income, as discussed below, includes intercompany revenues and expenses that are eliminated in the Consolidated Financial Statements. Management also uses adjusted segment income as a measure of historical and anticipated future segment performance. Adjusted segment income is a non-GAAP financial measure, as it is based upon segment income adjusted for the mark-to-market impacts of economic hedges in the Commercial Portfolio segment and special items, including the operating results of the Disposal Group classified as discontinued operations for GAAP purposes. Management believes the presentation of adjusted segment income as presented provides useful information to investors, as it provides them with an additional relevant comparison of a segment's performance across periods. The most directly comparable GAAP measure for adjusted segment income is segment income, which represents segment income from continuing operations, including any special items and the mark-to-market impacts of economic hedges in the Commercial Portfolio segment.

Duke Energy's adjusted earnings, adjusted diluted EPS and adjusted segment income may not be comparable to similarly titled measures of another company because other entities may not calculate the measures in the same manner.

See Note 3 to the Condensed Consolidated Financial Statements, "Business Segments," for a discussion of Duke Energy's segment structure.

Executive Overview

The following table reconciles non-GAAP measures to their most directly comparable GAAP measures.

	Three Months Ended September 30, 2015							
(in millions, except per-share amounts)	Regulated Utilities	International Energy	Commercial Portfolio	Total Reportable Segments	Other	Eliminations/ Discontinued Operations	Duke Energy	Per Diluted Share
Adjusted segment income/Adjusted earnings	$ 965	$ 69	$ (4)	$ 1,030	$ (19)	$ —	$ 1,011	$ 1.47
Costs to achieve Progress Energy merger	—	—	—	—	(15)	—	(15)	(0.02)
Edwardsport Settlement	(56)	—	—	(56)	—	—	(56)	(0.08)
Ash Basin Settlement	(4)	—	—	(4)	—	—	(4)	(0.01)
Economic hedges (mark-to-market)	—	—	1	1	—	—	1	—
Discontinued operations	—	—	—	—	—	(5)	(5)	(0.01)
Segment income (loss)/Net Income Attributable to Duke Energy Corporation	$ 905	$ 69	$ (3)	$ 971	$ (34)	$ (5)	$ 932	$ 1.35

	Three Months Ended September 30, 2014							
(in millions, except per-share amounts)	Regulated Utilities	International Energy	Commercial Portfolio	Total Reportable Segments	Other	Eliminations/ Discontinued Operations	Duke Energy	Per Diluted Share
Adjusted segment income/Adjusted earnings	$ 920	$ 80	$ 51	$ 1,051	$ (58)	$ —	$ 993	$ 1.40
Costs to achieve Progress Energy merger	—	—	—	—	(35)	—	(35)	(0.05)
Midwest generation operations	—	—	(68)	(68)	(8)	76	—	—
Asset sales	—	—	—	—	9	—	9	0.01
Discontinued operations	—	—	—	—	—	307	307	0.44
Segment income (loss)/Net Income Attributable to Duke Energy Corporation	$ 920	$ 80	$ (17)	$ 983	$ (92)	$ 383	$ 1,274	$ 1.80

The variance in adjusted earnings for three months ended September 30, 2015, compared to the same period in 2014, was primarily due to:

- Warmer weather in 2015 compared to 2014;
- Increased retail pricing primarily due to prior-year fuel settlements and increased rider revenues resulting from energy efficiency programs;
- Increased wholesale net margins largely due to a new wholesale contract with the North Carolina Eastern Municipal Power Agency (NCEMPA) and increases in contracted amounts and prices on existing contracts;
- The impact of a lower effective income tax rate; and
- Reduction in shares outstanding due to the Duke Energy stock repurchase (only impacts per diluted share amounts in the tables above).

Partially offset by:

- The sale of the nonregulated Midwest generation business in the second quarter of 2015;
- Higher operations and maintenance expense primarily due to planned increased spending and higher storm restoration costs; and
- Lower results in Latin America primarily due to weaker foreign currency exchange rates and an asset impairment in Ecuador, partially offset by lower purchased power costs in Brazil.

	Nine Months Ended September 30, 2015							
(in millions, except per-share amounts)	Regulated Utilities	International Energy	Commercial Portfolio	Total Reportable Segments	Other	Eliminations/ Discontinued Operations	Duke Energy	Per Diluted Share
Adjusted segment income/Adjusted earnings	$ 2,371	$ 157	$ 99	$ 2,627	$ (77)	$ —	$ 2,550	$ 3.66
Midwest generation operations	—	—	(94)	(94)	—	94	—	—
Costs to achieve Progress Energy merger	—	—	—	—	(42)	—	(42)	(0.05)
Edwardsport Settlement	(56)	—	—	(56)	—	—	(56)	(0.08)
Ash Basin Settlement	(4)	—	—	(4)	—	—	(4)	(0.01)
Economic hedges (mark-to-market)	—	—	1	1	—	—	1	—
Discontinued operations	—	—	(41)	(41)	—	(69)	(110)	(0.16)
Segment income (loss)/Net Income Attributable to Duke Energy Corporation	$ 2,311	$ 157	$ (35)	$ 2,433	$ (119)	$ 25	$ 2,339	$ 3.36

	Nine Months Ended September 30, 2014							
(in millions, except per-share amounts)	Regulated Utilities	International Energy	Commercial Portfolio	Total Reportable Segments	Other	Eliminations/ Discontinued Operations	Duke Energy	Per Diluted Share
Adjusted segment income/Adjusted earnings	$ 2,346	$ 356	$ 77	$ 2,779	$ (171)	$ —	$ 2,608	$ 3.69
Costs to achieve Progress Energy merger	—	—	—	—	(107)	—	(107)	(0.15)
Midwest generation operations	—	—	(82)	(82)	—	82	—	—
Asset impairment	—	—	(59)	(59)	—	—	(59)	(0.08)
Economic hedges (mark-to-market)	—	—	(6)	(6)	—	—	(6)	(0.01)
Asset sales	—	—	—	—	9	—	9	0.01
Discontinued operations	—	—	—	—	—	(659)	(659)	(0.94)
Segment Income (loss)/Net Loss Attributable to Duke Energy Corporation	$ 2,346	$ 356	$ (70)	$ 2,632	$ (269)	$ (577)	$ 1,786	$ 2.52

The variance in adjusted earnings for nine months ended September 30, 2015, compared to the same period in 2014, was primarily due to:

- Lower results in Latin America primarily due to unfavorable hydrology in Brazil, a prior-year tax benefit related to the reorganization of Chilean operations, weakness in foreign currency exchange rates, and lower dispatch in Central America due to increased competition;
- Higher operations and maintenance expense primarily due to planned increased spending and the prior-year benefit associated with the adoption of nuclear outage levelization, partially offset by lower storm restoration costs;
- Higher depreciation and amortization expense primarily due to higher depreciable base; and
- Lower equity in earnings of unconsolidated affiliates due to lower margins at National Methanol Company (NMC), largely driven by lower methyl tertiary butyl ether (MTBE) prices, partially offset by lower butane costs.

Partially offset by:

- Increased retail pricing primarily due to higher base rates and rate riders in certain jurisdictions, including increased revenues related to energy efficiency programs;
- Increased wholesale net margins largely due to increases in contracted amounts and prices and a new wholesale contract with NCEMPA;
- Favorable weather in 2015 compared to 2014;
- Higher results at the nonregulated Midwest generation business prior to its sale on April 2, 2015, due to higher PJM Interconnection LLC (PJM) capacity revenues and increased generation margins;
- The impact of a lower effective income tax rate; and
- Reduction in shares outstanding due to the Duke Energy stock repurchase (only impacts per diluted share amounts in the tables above).

SEGMENT RESULTS

The remaining information in this discussion of results of operations is presented on a GAAP basis.

Regulated Utilities

	Three Months Ended September 30,			Nine Months Ended September 30,		
(in millions)	2015	2014	Variance	2015	2014	Variance
Operating Revenues	$ 6,147	$ 5,986	$ 161	$ 17,090	$ 17,074	$ 16
Operating Expenses	4,481	4,361	120	12,789	12,807	(18)
Gains on Sales of Other Assets and Other, net	1	1	—	10	2	8
Operating Income	1,667	1,626	41	4,311	4,269	42
Other Income and Expenses, net	56	75	(19)	187	206	(19)
Interest Expense	280	271	9	829	816	13
Income Before Income Taxes	1,443	1,430	13	3,669	3,659	10
Income Tax Expense	538	510	28	1,358	1,313	45
Segment Income	$ 905	$ 920	$ (15)	$ 2,311	$ 2,346	$ (35)
Duke Energy Carolinas GWh sales	23,737	22,821	916	67,511	67,350	161
Duke Energy Progress GWh sales	18,283	16,540	1,743	50,000	47,394	2,606
Duke Energy Florida GWh sales	11,513	11,550	(37)	30,788	30,051	737
Duke Energy Ohio GWh sales	6,698	6,465	233	19,698	18,768	930
Duke Energy Indiana GWh sales	8,784	8,224	560	25,217	25,553	(336)
Total Regulated Utilities GWh sales	69,015	65,600	3,415	193,214	189,116	4,098
Net proportional MW capacity in operation				50,033	49,471	562

Three Months Ended September 30, 2015 as Compared to September 30, 2014

Regulated Utilities' results were impacted by impairment expense associated with the September 2015 Edwardsport Integrated Gasification Combined Cycle (IGCC) settlement, higher operation and maintenance costs, and the impact of a higher effective tax rate. These impacts were largely offset by slightly favorable weather in 2015 compared to a mild summer in 2014 and an increase in wholesale power margins. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by:

- a $94 million increase in electric sales (net of fuel revenue) to retail customers due to favorable weather conditions. For the three months ended September 30, 2015 in the Carolinas, cooling degree days were 4 percent above normal as compared with 11 percent below normal during the same period in 2014. For the three months ended September 30, 2015 in the Midwest, cooling degree days were 13 percent below normal as compared with 29 percent below normal during the same period in 2014. For the three months ended September 30, 2015 in Florida, cooling degree days were 2 percent below normal as compared with 1 percent below normal during the same period in 2014; and
- a $54 million increase in wholesale power revenues, net of sharing, primarily due to additional volumes and capacity charges for customers served under long-term contracts, including the NCEMPA wholesale contract that became effective August 1, 2015.

Operating Expenses. The variance was driven primarily by:

- an $85 million impairment charge related to the September 2015 Edwardsport IGCC settlement. See Note 4 to the Condensed Consolidated Financial Statement, "Regulatory Matters," for additional information;
- a $54 million increase in operations and maintenance expense primarily due to higher maintenance costs at fossil generation stations, higher costs for transmission and distribution and higher storm restoration costs; and
- a $14 million increase in property and other taxes primarily due to higher property taxes.

Partially offset by:

- a $19 million decrease in depreciation and amortization expense primarily due to reductions in amounts recoverable at Duke Energy Florida through the nuclear cost recovery clause and the environmental cost recovery clause, partially offset by increased depreciation due to plant additions.

Other Income and Expenses, net. The variance was driven primarily by lower net returns recognized on projects and other charges related to the September 2015 Edwardsport IGCC settlement.

Income Tax Expense. The variance was primarily due to an increase in the effective tax rate. The effective tax rate for the three months ended September 30, 2015 and 2014 was 37.3 percent and 35.7 percent, respectively. The increase in the effective tax rate is primarily due to an unfavorable tax-basis balance sheet adjustment and a lower manufacturing deduction in 2015, partially offset by a reduction of tax reserves.

Nine Months Ended September 30, 2015 as Compared to September 30, 2014

Regulated Utilities' results were impacted by impairment expense associated with the September 2015 Edwardsport IGCC settlement and the impact of a higher effective tax rate. These impacts were partially offset by an increase in wholesale power margins, favorable weather and higher weather-normal sales volumes. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by:

- a $121 million increase in wholesale power revenues, net of sharing, primarily due to additional volumes and capacity charges for customers served under long-term contracts, including the NCEMPA wholesale contract that became effective August 1, 2015;
- a $117 million increase in electric sales (net of fuel revenue) to retail customers due to favorable weather conditions. For the nine months ended September 30, 2015 in the Carolinas, cooling degree days were 8 percent above normal as compared with 5 percent below normal during the same period in 2014, and heating degree days were 11 percent above normal as compared with 15 percent above normal during the same period in 2014. For the nine months ended September 30, 2015 in the Midwest, cooling degree days were 9 percent below normal as compared with 21 percent below normal during the same period in 2014, and heating degree days were 14 percent above normal as compared with 23 percent above normal during the same period in 2014. For the nine months ended September 30, 2015 in Florida, cooling degree days were 9 percent above normal as compared with 1 percent below normal during the same period in 2014, and heating degree days were 6 percent below normal as compared with 1 percent above normal during the same period in 2014; and
- a $29 million increase in weather-normal sales volumes to retail customers (net of fuel revenue) reflecting increased demand.

Partially offset by:

- a $131 million decrease in gross receipts tax revenue due to the North Carolina Tax Simplification and Rate Reduction Act, which terminated the collection of the North Carolina gross receipts tax effective July 1, 2014; and
- a $125 million decrease in fuel revenues driven primarily by overall lower fuel rates for electric retail customers. Fuel revenues represent sales to retail and wholesale customers.

Operating Expenses. The variance was driven primarily by:

- a $177 million decrease in fuel expense (including purchased power and natural gas purchases for resale) primarily due to (i) lower natural gas prices, and (ii) lower volumes of coal and oil used in electric generation, partially offset by (iii) higher volumes of natural gas used in electric generation; and
- a $115 million decrease in property and other taxes primarily due to the termination of the collection of the North Carolina gross receipts tax as mentioned above, and lower sales and use tax, partially offset by a favorable 2014 Ohio gas excise tax settlement.

Partially offset by:

- a $164 million increase in operations and maintenance expense primarily due to planned spending and the prior-year benefit of the adoption of nuclear outage levelization, higher costs for transmission and distribution, and higher maintenance costs at fossil generation stations, partially offset by lower storm restoration costs;
- an $85 million impairment charge related to the September 2015 Edwardspert IGCC settlement. See Note 4 to the Condensed Consolidated Financial Statement, "Regulatory Matters," for additional information; and
- a $21 million increase in depreciation and amortization expense primarily due to increases in depreciation as a result of additional plant in service.

Other Income and Expenses, net. The variance was driven primarily by a decrease in amortization of deferred returns for projects that had been completed prior to being reflected in customer rates and overall decreases within miscellaneous income, partially offset by higher allowance for funds used during construction (AFUDC) equity, primarily due to nuclear plant expenditures.

Interest Expense. The variance is primarily due to higher interest on bonds due to new issuances of debt.

Income Tax Expense. The variance was primarily due to an increase in the effective tax rate. The effective tax rate for the nine months ended September 30, 2015 and 2014 was 37.0 percent and 35.9 percent, respectively. The increase in the effective tax rate is primarily due to favorable audit settlements and changes in apportionment related to state income tax recorded in 2014.

Matters Impacting Future Regulated Utilities Results

Duke Energy is a party to multiple lawsuits and could be subject to fines and other penalties related to the Dan River coal ash release and operations at other North Carolina facilities with ash basins. The outcome of these lawsuits and potential fines and penalties could have an adverse impact to Regulated Utilities' financial position, results of operations and cash flows. See Note 5 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

An order from regulatory authorities disallowing recovery of costs related to closure of ash basins could have an adverse impact to Regulated Utilities' financial position, results of operations and cash flows. See Note 5 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

In 2013, a Federal Energy Regulatory Commission (FERC) Administrative Law Judge (ALJ) issued an initial decision that Duke Energy is responsible for costs associated with Multi Value Projects (MVP), a type of Transmission Expansion Planning (MTEP) cost, approved by Midcontinent Independent System Operator, Inc. (MISO) prior to the date of Duke Energy's withdrawal. On October 29, 2015, the FERC issued an order reversing the ALJ's decision. FERC ruled that Duke Energy has no liability for MVP costs after its withdrawal from MISO. MISO has 30 days from the date of the order in which to file a request for rehearing with FERC. If the FERC decision were appealed and Duke Energy is deemed responsible for these costs, and if the regulatory commissions disallow recovery of these costs, there would be an adverse impact to Regulated Utilities' financial position, results of operations and cash flows. See Note 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

Duke Energy Florida has a pending proceeding with the Florida Public Service Commission (FPSC) for a financing order to securitize the Crystal River Unit 3 Regulatory asset with low-cost securities. If the FPSC issues an acceptable financing order and Duke Energy Florida issues the bonds, securitization would replace the base rate recovery methodology established in the 2013 Agreement described above, and would result in a lower rate impact to customers. Securitization of the costs of the retired Crystal River Unit 3 Nuclear Plant would result in an initial acceleration of cash, followed by a reduction to Regulated Utilities' future results of operations and ongoing cash flows as it would no longer earn an equity return on these costs. Under a previous settlement agreement with the FPSC, the allowed return on equity for Crystal River Unit 3 is limited to 70 percent of the approved return on equity, which is currently 10.5 percent. On October 15, 2015, the FPSC approved an agreement on all securitization-related issues and is expected to issue a final financing order in the fourth quarter of 2015. Regulated Utilities cannot predict the outcome of this matter.

In September 2015, Duke Energy Indiana entered into a settlement agreement with multiple parties that will resolve all disputes, claims and issues from the Indiana Utility Regulatory Commission (IURC) proceedings regarding the Edwardsport IGCC generating facility. Pursuant to the terms of the agreement, Regulated Utilities recognized an impairment and related charges of $90 million. Additionally, the agreement stipulates the recovery of the remaining regulatory asset over an eight-year period and confirms the conclusion that the in-service date for accounting and ratemaking purposes will remain June 7, 2013. The settlement agreement will also impose a cost cap for recoverable operations and maintenance retail costs of $73 million in 2016 and $77 million in 2017 as well as a cost cap for on-going capital expenditures through 2017. The settlement is subject to IURC approval and if approved would resolve and close a number of outstanding issues pending before the IURC related to post commercial operating performance and recovery of ongoing operating and capital costs at Edwardsport. If the settlement is not approved, outstanding issues before the IURC related to Edwardsport would resume, the ultimate resolution of which could have an adverse impact on Regulated Utilities' financial position, results of operations and cash flows. In addition, the inability to manage operating and capital costs under caps imposed under the settlement could have an adverse impact on Regulated Utilities' financial position, results of operations and cash flows. See Note 4 to the Consolidated Financial Statements, "Regulatory Matters," for additional information.

On October 23, 2015, the EPA published in the Federal Register the Clean Power Plan (CPP) rule for regulating carbon dioxide (CO_2) emissions from existing fossil fuel-fired electric generating units (EGUs). The CPP establishes CO_2 emission rates and mass cap goals that apply to fossil fuel-fired generation. Under the CPP, states are required to develop and submit a final compliance plan, or an initial plan with an extension request, to the EPA by September 6, 2016, or no later than September 2, 2018 with an approved extension. These state plans are subject to EPA approval, with a federal plan applied to states that fail to submit a plan to the EPA or if a state plan is not approved. Legal challenges to the CPP have been filed by stakeholders and motions to stay the requirements of the rule pending the outcome of the litigation have also been filed. Final resolution of these legal challenges could take several years. Compliance with CPP could cause the industry to replace coal generation with natural gas and renewables, especially in states that have significant CO_2 reduction targets under the rule. Costs to operate coal-fired generation plants continue to grow due to increasing environmental compliance requirements, including ash management costs unrelated to CPP, and this may result in the retirement of coal-fired generation plants earlier than the current useful lives. Regulated Utilities continues to evaluate the need to retire generating facilities and plans to seek regulatory recovery, where appropriate, for amounts that have not been recovered upon asset retirements. However, recovery is subject to future regulatory approval, including the recovery of carrying costs on remaining book values, and therefore cannot be assured. In addition, Regulated Utilities could incur increased fuel, purchased power, operation and maintenance, and other costs for replacement generation as a result of this rule. Regulated Utilities cannot predict the outcome of these matters.

International Energy

	Three Months Ended September 30,			Nine Months Ended September 30,		
(in millions)	2015	2014	Variance	2015	2014	Variance
Operating Revenues	$ 281	$ 366	$ (85)	$ 841	$ 1,111	$ (270)
Operating Expenses	200	275	(75)	639	760	(121)
Gains (Losses) on Sales of Other Assets and Other, net	—	2	(2)	(1)	7	(8)
Operating Income	81	93	(12)	201	358	(157)
Other Income and Expense, net	24	43	(19)	69	152	(83)
Interest Expense	21	25	(4)	66	71	(5)
Income Before Income Taxes	84	111	(27)	204	439	(235)
Income Tax Expense	14	29	(15)	44	74	(30)
Less: Income Attributable to Noncontrolling Interests	1	2	(1)	3	9	(6)
Segment Income	$ 69	$ 80	$ (11)	$ 157	$ 356	$ (199)
Sales, GWh	4,590	4,292	298	13,580	13,814	(234)
Net proportional MW capacity in operation				4,333	4,358	(25)

Three Months Ended September 30, 2015 as Compared to September 30, 2014

International Energy's results were impacted by an impairment loss in Ecuador, lower equity earnings in NMC, and unfavorable exchange rates partially offset by lower purchased power costs in Brazil and a lower effective tax rate. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by:

- a $48 million decrease in Brazil due to unfavorable exchange rates partially offset by higher average contract prices; and
- a $34 million decrease in Central America due to lower average prices as a result of increased competition.

Operating Expenses. The variance was driven primarily by:

- a $59 million decrease in Brazil due to lower purchased power costs and favorable exchange rates; and
- a $23 million decrease in Central America due to lower fuel consumption.

Partially offset by:

- a $19 million increase in Ecuador due to an impairment loss, higher maintenance costs and provision for asset retirement obligation.

Other Income and Expenses, net. The variance is primarily due to lower interest income in Brazil and lower equity earnings in NMC as a result of lower average MTBE prices and sales volumes, partially offset by lower butane costs.

Income Tax Expense. The variance is primarily due to lower pretax income and a lower effective tax rate. The effective tax rate for the three months ended September 30, 2015 and 2014 was 16.3 percent and 25.9 percent, respectively. The decrease in the effective tax rate was primarily due to 2015 tax return adjustments.

Nine Months Ended September 30, 2015 as Compared to September 30, 2014

International Energy's results were impacted by unfavorable hydrology and exchange rates in Brazil, the absence of a prior year merger step-up tax benefit in Chile, lower dispatch in Central America and lower equity earnings in NMC. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by:

- a $136 million decrease in Brazil due to unfavorable exchange rates and lower spot sales, partially offset by higher average prices;
- a $100 million decrease in Central America due to lower average prices and dispatch as a result of increased competition; and
- a $25 million decrease in Peru due to lower average hydrocarbon prices and unfavorable exchanges rates.

Operating Expenses. The variance was driven primarily by:

- a $61 million decrease in Central America due to lower fuel costs partially offset by higher purchased power costs;
- a $40 million decrease in Brazil due to favorable exchange rates partially offset by higher purchased power costs; and
- a $34 million decrease in Peru due to lower fuel consumption and purchased power costs.

Other Income and Expenses, net. The variance is primarily due to a net remeasurement loss in Latin America, lower interest income in Brazil and lower equity earnings in NMC as a result of lower average MTBE prices and sales volumes, partially offset by lower butane costs.

Income Tax Expense. The variance is primarily due to lower pretax income, partially offset by a higher effective tax rate. The effective tax rate for the nine months ended September 30, 2015 and 2014 was 21.6 percent and 16.9 percent, respectively. The increase in the effective tax rate is primarily due to a tax benefit recorded in the second quarter of 2014, as a result of the merger of two Chilean subsidiaries, partially offset by tax return adjustments recorded in the third quarter of 2015.

Matters Impacting Future International Energy Results

International Energy's operations include conventional hydroelectric power generation facilities located in Brazil where water reservoirs are at abnormally low levels due to a lack of rainfall. Weather and economic conditions within Brazil have resulted in higher energy prices, a reduction in electricity demand and the devaluation of Brazil's currency. In addition, International Energy's equity earnings from NMC reflect sales of methanol and MTBE, which generate margins that are directionally correlated with crude oil prices. These weather and economic conditions have also resulted in lawsuits brought to the Brazilian courts by certain hydroelectric generators to limit the financial exposure to the generators. International Energy's earnings and future cash flows could continue to be adversely impacted by a further sustained period of low reservoir levels, a further decline of economic conditions within Brazil, the outcome of legal matters in the Brazilian courts or from a significant decline in crude oil prices.

Commercial Portfolio

	Three Months Ended September 30,			Nine Months Ended September 30,		
(in millions)	**2015**	**2014**	**Variance**	**2015**	**2014**	**Variance**
Operating Revenues	$ 66	$ 50	$ 16	$ 214	$ 195	$ 19
Operating Expenses	82	87	(5)	255	355	(100)
Gains on Sales of Other Assets and Other, net	—	—	—	6	—	6
Operating Loss	(16)	(37)	21	(35)	(160)	125
Other Income and Expense, net	(3)	5	(8)	(3)	15	(18)
Interest Expense	11	14	(3)	33	41	(8)
Loss Before Income Taxes	(30)	(46)	16	(71)	(186)	115
Income Tax Benefit	(26)	(29)	3	(35)	(116)	81
Less: Loss Attributable to Noncontrolling Interests	(1)	—	(1)	(1)	—	(1)
Segment Loss	$ (3)	$ (17)	$ 14	$ (35)	$ (70)	$ 35
Coal-fired plant production, GWh	—	192	(192)	—	867	(867)
Renewable plant production, GWh	1,230	1,054	176	3,913	4,112	(199)
Total Commercial Portfolio production, GWh	1,230	1,246	(16)	3,913	4,979	(1,066)
Net proportional MW capacity in operation				1,634	1,698	(64)

Three Months Ended September 30, 2015 as Compared to September 30, 2014

Commercial Portfolio's results were positively impacted by the retirement of the Beckjord Station (Beckjord) in 2014. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by a $21 million increase in electric revenues from new solar and wind generation placed in service, partially offset by a $6 million decrease in electric revenues due to the shift of the residual Midwest Generation business out of Commercial Portfolio following the sale of the Disposal Group.

Operating Expenses. The variance was driven primarily by a $17 million decrease in operating and maintenance expenses due to the 2014 retirement of Beckjord, partially offset by a $12 million increase in operating and maintenance expenses resulting from new solar portfolio activity.

Other Income and Expense, net. The variance was primarily due to a net gain recognized for the sale of certain renewable development essets in 2014 and lower equity earnings for the renewables portfolio due to lower production resulting from changing wind patterns.

Income Tax Benefit. The effective tax rate for the three months ended September 30, 2015 and 2014 was 88.8 percent and 64.1 percent, respectively. The increase in the effective tax rate is primarily due to the impact of production tax credits for the renewables portfolio with a decrease in pretax losses.

Nine Months Ended September 30, 2015 as Compared to September 30, 2014

Commercial Portfolio's results were positively impacted by the 2014 impairment recorded for an intangible asset, partially offset by the impact of changes in apportionment related to state income taxes resulting from the sale of the Disposal Group. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by:

- a $37 million increase in electric revenues from new solar generation placed in service; and
- a $9 million increase in mark-to-market revenues due to prior year losses that did not recur.

Partially offset by:

- a $17 million decrease in electric revenues due to lower wind production resulting primarily from changes in wind patterns; and
- a $12 million decrease in electric revenues due to the shift of the residual Midwest Generation business out of Commercial Portfolio following the sale of the Disposal Group.

Operating Expenses. The variance was driven primarily by the 2014 impairment related to Ohio Valley Electric Corporation (OVEC). See Note 8 to the Condensed Consolidated Financial Statements, "Goodwill and Intangible Assets," for additional information.

Other Income and Expense, net. The variance was primarily due to a net gain recognized for the sale of certain renewable development assets in 2014 and lower equity earnings in the renewables portfolio due to lower production resulting from changing wind patterns.

Income Tax Benefit. The variance is primarily due to a decrease in pretax losses. The effective tax rate for the nine months ended September 30, 2015 and 2014 was 49.1 percent and 62.4 percent, respectively. The decrease in the effective tax rate is primarily due to changes to state apportionment factors on deferred taxes due to the Disposal Group sale in the second quarter of 2015, partially offset by the impact of the production tax credits for the renewables portfolio.

Other

	Three Months Ended September 30,			Nine Months Ended September 30,		
(in millions)	**2015**	**2014**	**Variance**	**2015**	**2014**	**Variance**
Operating Revenues	$ 17	$ 25	$ (8)	$ 78	$ 79	$ (1)
Operating Expenses	64	84	(20)	177	269	(92)
Gains on Sales of Other Assets and Other, net	3	1	2	16	2	14
Operating Loss	(44)	(58)	14	(83)	(188)	105
Other Income and Expense, net	(2)	18	(20)	8	33	(25)
Interest Expense	91	101	(10)	285	302	(17)
Loss Before Income Taxes	(137)	(141)	4	(360)	(457)	97
Income Tax Benefit	(106)	(50)	(56)	(249)	(190)	(59)
Less: Income Attributable to Noncontrolling Interests	3	1	2	8	2	6
Net Expense	$ (34)	$ (92)	$ 58	$ (119)	$ (269)	$ 150

Three Months Ended September 30, 2015 as Compared to September 30, 2014

Other's results were positively impacted by a decrease in operating expenses and an income tax benefit. The following is a detailed discussion of the variance drivers by line item.

Operating Expenses. The decrease was primarily due to lower charges related to the Progress Energy merger and higher prior-year captive insurance loss experience, partially offset by higher expenses in the current year due to the shift of the residual Midwest Generation business to Other in 2015.

Other Income and Expenses, net. The decrease was primarily due to a gain on an investment sale in the prior year and lower returns on investments that support benefit obligations.

Interest Expense. The variance was primarily due to lower interest on long-term debt.

Income Tax Benefit. The variance was primarily due to a higher effective tax rate. The effective tax rate for the three months ended September 30, 2015 and 2014 was 77.3 percent and 35.2 percent, respectively. The increase in the effective tax rate is primarily due to a higher tax benefit related to the manufacturing deduction in 2015 as the prior year was limited by taxable income, a tax benefit from the legal entity restructuring of Duke Energy Florida and Duke Energy Progress and tax levelization.

Nine Months Ended September 30, 2015 as Compared to September 30, 2014

Other's results were positively impacted by a decrease in operating expenses and an income tax benefit. The following is a detailed discussion of the variance drivers by line item.

Operating Expenses. The decrease was primarily due to lower charges related to the Progress Energy merger and higher prior year captive insurance loss experience, partially offset by higher charges in the current year due to the shift of the residual Midwest Generation business to Other in 2015 and North Carolina franchise taxes.

Gains on Sales of Other Assets and Other, net. The variance was primarily due to the benefit from the sale of telecommunication leases.

Other Income and Expenses, net. The variance was primarily due to interest income from the resolution of a an income tax matter, offset by a gain on an investment sale in the prior year and lower returns on investments that support benefit obligations.

Interest Expense. The decrease was primarily due to lower interest on long-term debt.

Income Tax Benefit. The variance was primarily due to a higher effective tax rate, partially offset by a decrease in pretax losses. The effective tax rate for the nine months ended September 30, 2015 and 2014 was 69.4 percent and 41.5 percent, respectively. The increase in the effective tax rate is primarily due to the tax benefit related to the manufacturing deduction in 2015 as the prior year was limited by taxable income and tax levelization.

Matters Impacting Future Other Results

Duke Energy Ohio's retired Beckjord generating station (Beckjord) became an asset of Other after the sale of the nonregulated Midwest Generation business in the second quarter of 2015. Beckjord, a nonregulated facility retired during 2014, is not subject to the recently enacted Environmental Protection Agency (EPA) rule related to the disposal of coal combustion residuals (CCR) from electric utilities. However, if costs are incurred as a result of environmental regulations or to mitigate risk associated with coal ash, the costs could have an adverse impact on Other's financial position, results of operations and cash flows. See Note 3, "Business Segments," and Note 5, "Commitments and Contingencies," to the Condensed Consolidated Financial Statements for additional information.

INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX

Three Months Ended September 30, 2015 as Compared to September 30, 2014

Discontinued Operations, Net of Tax. The variance was primarily driven by the 2014 impairment true-up recognized and unrealized mark-to-market losses on economic hedges for the Disposal Groups. Foregone depreciation for the three months ended September 30, 2014, was approximately $40 million.

Nine Months Ended September 30, 2015 as Compared to September 30, 2014

Discontinued Operations, Net of Tax. The variance was primarily driven by the 2014 impairment and unrealized mark-to-market losses on economic hedges, and favorable operating results in 2015, partially offset by a litigation reserve recorded in 2015, as discussed in Note 5, "Commitments and Contingencies," to the Condensed Consolidated Financial Statements. Operating results in 2015 were favorable primarily due to higher PJM capacity revenues related to higher average cleared capacity auction pricing, increased generation margins and lower depreciation expense. Included in the variance is the impact of ceasing depreciation on the assets of the Disposal Group beginning in the second quarter of 2014. The foregone depreciation for the nine months ended September 30, 2015, and September 30, 2014, was approximately $40 million and $82 million, respectively.

DUKE ENERGY CAROLINAS

Management's Discussion and Analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes for the nine months ended September 30, 2015 and 2014 and the Annual Report on Form 10-K for the year ended December 31, 2014.

Results of Operations

	Nine Months Ended September 30,		
(in millions)	**2015**	**2014**	**Variance**
Operating Revenues	$ 5,669	$ 5,693	$ (24)
Operating Expenses	4,005	4,116	(111)
Operating Income	1,664	1,577	87
Other Income and Expenses, net	125	137	(12)
Interest Expense	313	307	6
Income Before Income Taxes	1,476	1,407	69
Income Tax Expense	536	474	62
Net Income	$ 940	$ 933	$ 7

The following table shows the percent changes in GWh sales and average number of customers. The below percentages for retail customer classes represent billed sales only. Total sales includes billed and unbilled retail sales, and wholesale sales to incorporated municipalities and to public and private utilities and power marketers. Amounts are not weather-normalized.

(Decrease) increase over prior year	2015
Residential sales	2.3 %
General service sales	1.8 %
Industrial sales	3.1 %
Wholesale power sales	2.7 %
Joint dispatch sales	(45.8)%
Total sales	0.2 %
Average number of customers	1.3 %

Nine Months Ended September 30, 2015 as Compared to September 30, 2014

Operating Revenues. The variance was driven primarily by:

- a $104 million decrease in fuel revenues driven primarily by lower natural gas and coal prices, as well as change in fuel mix, partially offset by an increase in demand from retail customers. Fuel revenues represent sales to retail and wholesale customers; and

- a $78 million decrease in franchise tax revenue due to the North Carolina Tax Simplification and Rate Reduction Act, which terminated the collection of North Carolina gross receipts tax effective July 1, 2014.

Partially offset by:

- a $68 million increase in electric sales (net of fuel revenues) to retail customers due to favorable weather conditions. Cooling degree days for the first nine months of 2015 were 10 percent above normal compared to 7 percent below normal during the same period in 2014;
- a $57 million increase in retail pricing and rate riders, which primarily reflects increased revenues related to the energy efficiency programs and the second year base rate step-up from the 2013 South Carolina rate case; and
- a $30 million increase in wholesale power revenues, net of sharing, primarily due to additional volumes for customers served under long-term contracts.

Operating Expenses. The variance was driven primarily by:

- a $132 million decrease in fuel expense (including purchased power) primarily related to lower natural gas and coal prices, as well as change in fuel mix; and
- a $59 million decrease in property and other tax expenses primarily due to lower revenue-related taxes driven by the elimination of the North Carolina gross receipts tax as mentioned above.

Partially offset by:

- a $54 million increase in operations and maintenance expenses primarily due to higher expenses at generating plants, including the impacts of nuclear levelization, higher energy efficiency program costs and higher transmission and distribution expenses, partially offset by lower costs associated with the Progress Energy merger, lower storm costs, and repairs and remediation expenses associated with the Dan River coal ash discharge in 2014, which did not recur in 2015; and
- a $29 million increase in depreciation and amortization expense primarily due to higher depreciation as a result of additional plant in service, partially offset by lower nuclear decommissioning costs and lower amortization of certain regulatory assets.

Other Income and Expenses, net. The variance was primarily due to a decrease in amortization of deferred returns for projects that had been completed prior to being reflected in customer rates.

Income Tax Expense. The variance was primarily due to an increase in pretax income. The effective tax rate for the nine months ended September 30, 2015 and 2014 was 36.3 percent and 33.7 percent, respectively. The increase in the effective tax rate is primarily due to favorable prior-year audit settlements and changes in apportionment related to state income tax recorded.

Matters Impacting Future Results

Duke Energy Carolinas is a party to multiple lawsuits and subject to fines and other penalties related to the Dan River coal ash release and operations at other North Carolina facilities with ash basins. The outcome of these lawsuits, fines and penalties could have an adverse impact to Duke Energy Carolinas' financial position, results of operations and cash flows. See Note 5 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

An order from regulatory authorities disallowing recovery of costs related to closure of ash basins could have an adverse impact to Duke Energy Carolinas' financial position, results of operations and cash flows. See Note 5 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

On October 23, 2015, the EPA published in the Federal Register the CPP rule for regulating CO_2 emissions from existing fossil fuel-fired EGUs. The CPP establishes CO_2 emission rates and mass cap goals that apply to fossil fuel-fired generation. Under the CPP, states are required to develop and submit a final compliance plan, or an initial plan with an extension request, to the EPA by September 6, 2016, or no later than September 2, 2018 with an approved extension. These state plans are subject to EPA approval, with a federal plan applied to states that fail to submit a plan to the EPA or if a state plan is not approved. Legal challenges to the CPP have been filed by stakeholders and motions to stay the requirements of the rule pending the outcome of the litigation have also been filed. Final resolution of these legal challenges could take several years. Compliance with CPP could cause the industry to replace coal generation with natural gas and renewables, especially in states that have significant CO_2 reduction targets under the rule. Costs to operate coal-fired generation plants continue to grow due to increasing environmental compliance requirements, including ash management costs unrelated to CPP, and this may result in the retirement of coal-fired generation plants earlier than the current useful lives. Duke Energy Carolinas continues to evaluate the need to retire generating facilities and plans to seek regulatory recovery, where appropriate, for amounts that have not been recovered upon asset retirements. However, recovery is subject to future regulatory approval, including the recovery of carrying costs on remaining book values, and therefore cannot be assured. In addition, Duke Energy Carolinas could incur increased fuel, purchased power, operation and maintenance, and other costs for replacement generation as a result of this rule. Duke Energy Carolinas cannot predict the outcome of these matters.

PROGRESS ENERGY

Management's Discussion and Analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes for the nine months ended September 30, 2015 and 2014 and the Annual Report on Form 10-K for the year ended December 31, 2014.

Results of Operations

	Nine Months Ended September 30,		
(In millions)	**2015**	**2014**	**Variance**
Operating Revenues	$ 7,941	$ 7,825	$ 116
Operating Expenses	6,150	6,198	(48)
Gains on Sales of Other Assets and Other, net	18	3	15
Operating Income	1,809	1,630	179
Other Income and Expenses, net	63	54	9
Interest Expense	504	502	2
Income From Continuing Operations Before Taxes	1,368	1,182	186
Income Tax Expense From Continuing Operations	435	441	(6)
Income From Continuing Operations	933	741	192
Loss From Discontinued Operations, net of tax	(2)	(6)	4
Net Income	931	735	196
Less: Net Income Attributable to Noncontrolling Interest	8	2	6
Net Income Attributable to Parent	$ 923	$ 733	$ 190

Nine Months Ended September 30, 2015 as Compared to September 30, 2014

Operating Revenues. The variance was driven primarily by:

- a $93 million increase in wholesale power revenues primarily due to a new NCEMPA contract effective August 1, 2015 coupled with increased overall demand rates and higher peak demand at Duke Energy Progress and increased capacity rates on contracts at Duke Energy Florida;
- a $72 million increase in fuel revenues and capacity revenues driven primarily by a new NCEMPA wholesale contract and increased demand from wholesale and retail customers, partially resulting from favorable weather conditions at Duke Energy Progress, and increased usage in the current year at Duke Energy Florida. Fuel revenues represent sales to retail and wholesale customers;
- a $57 million increase in retail pricing and rate riders at Duke Energy Progress, which primarily reflect increased revenues related to the energy efficiency programs and the second year base rate step up from the 2013 North Carolina retail rate case; and
- a $39 million increase driven by favorable weather conditions. For Duke Energy Progress, cooling degree days for the first nine months of 2015 were 6 percent above normal compared to 3 percent below normal during the same period in 2014. For Duke Energy Florida, cooling degree days for the nine months ended September 30, 2015, were 9 percent above normal compared to 1 percent below normal in the prior year.

Partially offset by:

- a $106 million decrease in the energy conservation cost recovery clause and environmental cost recovery clause revenues due to lower recovery rates and the nuclear cost recovery clause due to suspending Levy recovery at Duke Energy Florida; and
- a $48 million decrease in gross receipts tax revenue at Duke Energy Progress due to the North Carolina Tax Simplification and Rate Reduction Act, which terminated the collection of North Carolina gross receipts tax effective July 1, 2014.

Operating Expenses. The variance was driven primarily by:

- a $48 million decrease in property and other taxes at Duke Energy Progress primarily due to the termination of the collection of the North Carolina gross receipts tax as mentioned above;
- a $42 million decrease in operations and maintenance expense primarily due to lower storm restoration costs and a favorable pension expense adjustment recorded in 2015, partially offset by higher nuclear refueling outage costs, net of the impacts of levelization, due to three refueling outages in 2015 compared to one outage during the same period in 2014 at Duke Energy Progress, and to decreased expenses related to costs that were recoverable through the energy conservation clause at Duke Energy Florida; and
- a $20 million decrease in depreciation and amortization expense primarily to reductions in amounts recovered through the nuclear cost recovery clause and the environmental cost recovery clause at Duke Energy Florida, partially offset by increased depreciation due to plant additions at Duke Energy Progress and Duke Energy Florida.

Partially offset by:

- a $39 million increase in fuel used in electric generation and purchase power related to the acquisition of NCEMPA's ownership interests in certain generating assets on July 31, 2015, and increased retail volumes primarily due to weather, partially offset by an expense in the prior year mainly related to the disallowance of certain replacement power costs at Duke Energy Progress and to recovery of prior year under-collections of fuel and increased purchased power, partially offset by lower fuel prices at Duke Energy Florida; and
- a $23 million increase in impairment charges due to an $18 million prior-year reversal of an impairment at Duke Energy Progress related to planned transmission projects for which recovery is not expected, and certain costs associated with mitigation sales pursuant to merger settlement agreements with the FERC, and a $15 million impairment charge as a result of a settlement reached on the value of the Crystal River Unit 3 retail regulatory asset in August 2015 offset by gains on the non-retail portion of certain fuel sales at Duke Energy Florida.

Gains on Sales of Other Assets and Other, net. The variance was primarily due to the benefit from the sale of telecommunication leases.

Income Tax Expense. The variance was primarily due to an increase in pretax income. The effective tax rate for the nine months ended September 30, 2015 and 2014 was 31.8 percent and 37.3 percent, respectively. The decrease in the effective tax rate was primarily due to a reduction of the North Carolina statutory corporate state income tax rate and release of tax reserves due to expired tax statutes.

Matters Impacting Future Results

Progress Energy is a party to multiple lawsuits and subject to fines and other penalties related to the Dan River coal ash release and operations at other North Carolina facilities with ash basins. The outcome of these lawsuits, fines and penalties could have an adverse impact to Progress Energy's financial position, results of operations and cash flows. See Note 5 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

An order from regulatory authorities disallowing recovery of costs related to closure of ash basins could have an adverse impact to Progress Energy's financial position, results of operations and cash flows. See Note 5 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

Duke Energy Florida has a pending proceeding with the FPSC for a financing order to securitize the Crystal River Unit 3 Regulatory asset with low-cost securities. If the FPSC issues an acceptable financing order and Duke Energy Florida issues the bonds, securitization would replace the base rate recovery methodology established in the 2013 Agreement described above and would result in a lower rate impact to customers. Securitization of the costs of the retired Crystal River Unit 3 Nuclear Plant would result in an initial acceleration of cash, followed by a reduction to Progress Energy's future results of operations and ongoing cash flows as it would no longer earn an equity return on these costs. Under a previous settlement agreement with the FPSC, the allowed return on equity for Crystal River Unit 3 is limited to 70 percent of the approved return on equity, which is currently 10.5 percent. On October 15, 2015, the FPSC approved an agreement on all securitization-related issues and is expected to issue a final financing order in the fourth quarter of 2015. Progress Energy cannot predict the outcome of this matter.

On October 23, 2015, the EPA published in the Federal Register the CPP rule for regulating CO_2 emissions from existing fossil fuel-fired EGUs. The CPP establishes CO_2 emission rates and mass cap goals that apply to fossil fuel-fired generation. Under the CPP, states are required to develop and submit a final compliance plan, or an initial plan with an extension request, to the EPA by September 6, 2016, or no later than September 2, 2018 with an approved extension. These state plans are subject to EPA approval, with a federal plan applied to states that fail to submit a plan to the EPA or if a state plan is not approved. Legal challenges to the CPP have been filed by stakeholders and motions to stay the requirements of the rule pending the outcome of the litigation have also been filed. Final resolution of these legal challenges could take several years. Compliance with CPP could cause the industry to replace coal generation with natural gas and renewables, especially in states that have significant CO_2 reduction targets under the rule. Costs to operate coal-fired generation plants continue to grow due to increasing environmental compliance requirements, including ash management costs unrelated to CPP, and this may result in the retirement of coal-fired generation plants earlier than the current useful lives. Progress Energy continues to evaluate the need to retire generating facilities and plans to seek regulatory recovery, where appropriate, for amounts that have not been recovered upon asset retirements. However, recovery is subject to future regulatory approval, including the recovery of carrying costs on remaining book values, and therefore cannot be assured. In addition, Progress Energy could incur increased fuel, purchased power, operation and maintenance, and other costs for replacement generation as a result of this rule. Progress Energy cannot predict the outcome of these matters.

DUKE ENERGY PROGRESS

Management's Discussion and Analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes for the nine months ended September 30, 2015 and 2014 and the Annual Report on Form 10-K for the year ended December 31, 2014.

Results of Operations

	Nine Months Ended September 30,		
(in millions)	**2015**	**2014**	**Variance**
Operating Revenues	$ 4,130	$ 3,980	$ 150
Operating Expenses	3,238	3,226	12
Gains on Sales of Other Assets and Other, net	2	1	1
Operating Income	894	755	139
Other Income and Expenses, net	49	34	15
Interest Expense	175	172	3
Income Before Income Taxes	768	617	151
Income Tax Expense	271	226	45
Net Income and Comprehensive Income	$ 497	$ 391	$ 106

The following table shows the percent changes in GWh sales and average number of customers. The below percentages for retail customer classes represent billed sales only. Total sales includes billed and unbilled retail sales, and wholesale sales to incorporated municipalities and to public and private utilities and power marketers. Amounts are not weather-normalized.

Increase over prior period	2015
Residential sales	1.9 %
General service sales	2.0 %
Industrial sales	(0.3)%
Wholesale power sales	10.4 %
Joint dispatch sales	36.1 %
Total sales	5.5 %
Average number of customers	1.4 %

Nine Months Ended September 30, 2015 as Compared to September 30, 2014

Operating Revenues. The variance was driven primarily by:

- a $76 million increase in wholesale power revenues primarily due to a new NCEMPA contract effective August 1, 2015 coupled with increased overall demand rates and higher peak demand;
- a $57 million increase in retail pricing and rate riders, which primarily reflect increased revenues related to the energy efficiency programs and the second year base rate step up from the 2013 North Carolina retail rate case;
- a $52 million increase in fuel revenues driven primarily by a new NCEMPA wholesale contract and increased demand from wholesale and retail customers, partially resulting from favorable weather conditions; and
- an $18 million increase in electric sales (net of fuel revenues) to retail customers due to favorable weather conditions. Cooling degree days for the first nine months of 2015 were 6 percent above normal compared to 3 percent below normal during the same period in 2014.

Partially offset by:

- a $48 million decrease in franchise tax revenue due to the North Carolina Tax Simplification and Rate Reduction Act, which terminated the collection of North Carolina gross receipts tax effective July 1, 2014.

Operating Expenses. The variance was driven primarily by:

- a $29 million increase in fuel expense (including purchased power) primarily due to the acquisition of NCEMPA's ownership interests in certain generating assets on July 31, 2015, and increased retail volumes primarily due to weather, partially offset by an expense in the prior year mainly related to the disallowance of certain replacement power costs;
- a $21 million increase in depreciation and amortization expenses primarily due to higher depreciation as a result of additional plant in service; and
- an $18 million prior-year reversal of an impairment. These charges related to planned transmission projects for which recovery is not expected, and certain costs associated with mitigation sales pursuant to merger settlement agreements with the FERC.

Partially offset by:

- a $48 million decrease in property and other taxes primarily due to the termination of the collection of the North Carolina gross receipts tax as mentioned above; and
- an $8 million decrease in operations and maintenance expenses, primarily due to lower storm restoration costs and a favorable pension expense adjustment recorded in 2015, partially offset by higher nuclear refueling outage costs, net of the impacts of levelization, due to three refueling outages in 2015 compared to one outage during the same period in 2014.

Other Income and Expenses, net. The variance is due to higher AFUDC equity, primarily due to nuclear plant expenditures.

Income Tax Expense. The variance was primarily due to an increase in pretax income. The effective tax rate for the nine months ended September 30, 2015 and 2014 was 35.3 percent and 36.6 percent, respectively. The decrease in the effective tax rate was primarily due to a reduction of the North Carolina statutory corporate state income tax rate.

Matters Impacting Future Results

Duke Energy Progress is a party to multiple lawsuits and subject to fines and other penalties related to the Dan River coal ash release and operations at other North Carolina facilities with ash basins. The outcome of these lawsuits, fines and penalties could have an adverse impact to Duke Energy Progress' financial position, results of operations and cash flows. See Note 5 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

An order from regulatory authorities disallowing recovery of costs related to closure of ash basins could have an adverse impact to Duke Energy Progress' financial position, results of operations and cash flows. See Note 5 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

On October 23, 2015, the EPA published in the Federal Register the CPP rule for regulating CO_2 emissions from existing fossil fuel-fired EGUs. The CPP establishes CO_2 emission rates and mass cap goals that apply to fossil fuel-fired generation. Under the CPP, states are required to develop and submit a final compliance plan, or an initial plan with an extension request, to the EPA by September 6, 2016, or no later than September 2, 2018 with an approved extension. These state plans are subject to EPA approval, with a federal plan applied to states that fail to submit a plan to the EPA or if a state plan is not approved. Legal challenges to the CPP have been filed by stakeholders and motions to stay the requirements of the rule pending the outcome of the litigation have also been filed. Final resolution of these legal challenges could take several years. Compliance with CPP could cause the industry to replace coal generation with natural gas and renewables, especially in states that have significant CO_2 reduction targets under the rule. Costs to operate coal-fired generation plants continue to grow due to increasing environmental compliance requirements, including ash management costs unrelated to CPP, and this may result in the retirement of coal-fired generation plants earlier than the current useful lives. Duke Energy Progress continues to evaluate the need to retire generating facilities and plans to seek regulatory recovery, where appropriate, for amounts that have not been recovered upon asset retirements. However, recovery is subject to future regulatory approval, including the recovery of carrying costs on remaining book values, and therefore cannot be assured. In addition, Duke Energy Progress could incur increased fuel, purchased power, operation and maintenance, and other costs for replacement generation as a result of this rule. Duke Energy Progress cannot predict the outcome of these matters.

DUKE ENERGY FLORIDA

Management's Discussion and Analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes for the nine months ended September 30, 2015 and 2014 and the Annual Report on Form 10-K for the year ended December 31, 2014.

Results of Operations

	Nine Months Ended September 30,		
(in millions)	**2015**	**2014**	**Variance**
Operating Revenues	$ 3,803	$ 3,832	$ (29)
Operating Expenses	2,904	2,959	(55)
Operating Income	899	873	26
Other Income and Expenses, net	12	17	(5)
Interest Expense	149	150	(1)
Income Before Income Taxes	762	740	22
Income Tax Expense	268	285	(17)
Net Income	$ 494	$ 455	$ 39

The following table shows the percent changes in GWh sales and average number of customers. The below percentages for retail customer classes represent billed sales only. Wholesale power sales include both billed and unbilled sales. Total sales includes billed and unbilled retail sales, and wholesele sales to incorporated municipalities and to public and private utilities and power marketers. Amounts are not weather-normalized.

Increase (decrease) over prior period	**2015**
Residential sales	3.7 %
General service sales	1.2 %
Industrial sales	(0.1)%
Wholesale power sales	(3.7)%
Total sales	2.5 %
Average number of customers	1.5 %

Nine Months Ended September 30, 2015 as Compared to September 30, 2014

Operating Revenues. The variance was driven primarily by:

- a $106 million decrease in the energy conservation cost recovery clause and environmental cost recovery clause revenues due to lower recovery rates and the nuclear cost recovery clause due to suspending Levy recovery.

Partially offset by:

- a $21 million increase driven by favorable weather conditions. Cooling degree days for the nine months ended September 30, 2015, were 9 percent above normal compared to 1 percent below normal in the prior year;
- a $21 million increase due to weather-normal sales volumes to residential customers;
- a $20 million increase in fuel and capacity revenues driven by increased usage in the current year. Fuel revenues represent sales to retail and wholesale customers; and
- a $17 million increase in wholesale power revenues primarily driven by increased capacity rates on contracts.

Operating Expenses. The variance was driven primarily by:

- a $41 million decrease in depreciation and amortization expense due to reductions in amounts recovered through the nuclear cost recovery clause and the environmental cost recovery clause, partially offset by increased depreciation due to plant additions; and
- a $28 million decrease in operations and maintenance expense primarily due to decreased expenses related to costs that were recoverable through the energy conservation clause.

Partially offset by:

- a $10 million increase in fuel used in electric generation and purchase power related to recovery of prior year under-collections of fuel and increased purchased power, partially offset by lower fuel prices; and
- a $5 million increase related to a $15 million impairment charge as a result of a settlement reached on the value of the Crystal River Unit 3 retail regulatory asset in August 2015 offset by gains on the non-retail portion of certain fuel sales.

Income Tax Expense. The variance was primarily due to a decrease in the effective tax rate. The effective tax rate for the nine months ended September 30, 2015 and 2014 was 35.2 percent and 38.6 percent, respectively. The decrease in the effective tax rate was primarily due to a release of tax reserves due to expired tax statutes.

Matters Impacting Future Results

Duke Energy Florida has a pending proceeding with the FPSC for a financing order to securitize the Crystal River Unit 3 Regulatory asset with low-cost securities. If the FPSC issues an acceptable financing order and Duke Energy Florida issues the bonds, securitization would replace the base rate recovery methodology established in the 2013 Agreement described above and would result in a lower rate impact to customers. Securitization of the costs of the retired Crystal River Unit 3 Nuclear Plant would result in an initial acceleration of cash, followed by a reduction to Duke Energy Florida's future results of operations and ongoing cash flows as it would no longer earn an equity return on these costs. Under a previous settlement agreement with the FPSC, the allowed return on equity for Crystal River Unit 3 is limited to 70 percent of the approved return on equity, which is currently 10.5 percent. On October 15, 2015, the FPSC approved an agreement on all securitization-related issues and is expected to issue a final financing order in the fourth quarter of 2015. Duke Energy Florida cannot predict the outcome of this matter.

On October 23, 2015, the EPA published in the Federal Register the CPP rule for regulating CO_2 emissions from existing fossil fuel-fired EGUs. The CPP establishes CO_2 emission rates and mass cap goals that apply to fossil fuel-fired generation. Under the CPP, states are required to develop and submit a final compliance plan, or an initial plan with an extension request, to the EPA by September 6, 2016, or no later than September 2, 2018 with an approved extension. These state plans are subject to EPA approval, with a federal plan applied to states that fail to submit a plan to the EPA or if a state plan is not approved. Legal challenges to the CPP have been filed by stakeholders and motions to stay the requirements of the rule pending the outcome of the litigation have also been filed. Final resolution of these legal challenges could take several years. Compliance with CPP could cause the industry to replace coal generation with natural gas and renewables, especially in states that have significant CO_2 reduction targets under the rule. Costs to operate coal-fired generation plants continue to grow due to increasing environmental compliance requirements, including ash management costs unrelated to CPP, and this may result in the retirement of coal-fired generation plants earlier than the current useful lives. Duke Energy Florida continues to evaluate the need to retire generating facilities and plans to seek regulatory recovery, where appropriate, for amounts that have not been recovered upon asset retirements. However, recovery is subject to future regulatory approval, including the recovery of carrying costs on remaining book values, and therefore cannot be assured. In addition, Duke Energy Florida could incur increased fuel, purchased power, operation and maintenance, and other costs for replacement generation as a result of this rule. Duke Energy Florida cannot predict the outcome of these matters.

DUKE ENERGY OHIO

Management's Discussion and Analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes for the nine months ended September 30, 2015 and 2014 and the Annual Report on Form 10-K for the year ended December 31, 2014.

Results of Operations

	Nine Months Ended September 30,		
(in millions)	**2015**	**2014**	**Variance**
Operating Revenues	$ 1,453	$ 1,433	$ 20
Operating Expenses	1,231	1,322	(91)
Gains on Sales of Other Assets and Other, net	8	—	8
Operating Income	230	111	119
Other Income and Expenses, net	(2)	9	(11)
Interest Expense	58	60	(2)
Income from Continuing Operations Before Income Taxes	170	60	110
Income Tax Expense from Continuing Operations	64	21	43
Income from Continuing Operations	106	39	67
Income (Loss) from Discontinued Operations, net of tax	23	(597)	620
Net Income	$ 129	$ (558)	$ 687

The following table shows the percent changes in Regulated Utilities' GWh sales and average number of customers. The below percentages for retail customer classes represent billed sales only. Total sales includes billed and unbilled retail sales, and wholesale sales to incorporated municipalities and to public and private utilities and power marketers. Amounts are not weather-normalized.

(Decrease) Increase over prior year	2015
Residential sales	(0.5)%
General service sales	0.1 %
Industrial sales	0.1 %
Wholesale power sales	314.5 %
Total sales	5.0 %
Average number of customers	0.7 %

Nine Months Ended September 30, 2015 as Compared to September 30, 2014

Operating Revenues. The variance was driven primarily by:

- a $25 million increase in Kentucky wholesale revenues primarily due to the purchase of the additional capacity in the East Bend Station in December 2014, the profits from which are shared with Duke Energy Kentucky retail customers;
- a $19 million increase in regulated natural gas rate riders primarily due to rate increases;
- a $13 million increase in electric rate riders, excluding Ohio Energy Efficiency, due to rate increases and 2014 true-ups; and
- a $6 million increase in PJM transmission revenues.

Partially offset by:

- A $30 million decrease in fuel revenues primarily driven by lower electric fuel and natural gas costs offset by increased sales volume; and
- A $28 million decrease due to an unfavorable Ohio Energy Efficiency regulatory order.

Operating Expenses. The variance was driven primarily by a $94 million impairment taken in 2014 related to OVEC.

Other Income and Expense, net. The variance is primarily driven by an accrual for the contribution to economic development programs in Ohio and lower interest income due to a 2014 favorable tax adjustment related to a federal tax audit settlement.

Income Tax Expense. The variance was primarily due to an increase in pretax income. The effective tax rate for the nine months ended September 30, 2015 and 2014 was 37.6 percent and 34.9 percent, respectively. The increase in the effective tax rate was primarily due to the tax benefit related to the manufacturing deduction in 2014.

Discontinued Operations, Net of Tax. The variance was primarily driven by the 2014 impairment and unrealized mark-to-market losses on economic hedges for the Disposal Group and favorable operating results in 2015, partially offset by a litigation reserve recorded in 2015, as discussed in Note 5, "Commitments and Contingencies," to the Condensed Consolidated Financial Statements. Operating results in 2015 were favorable primarily due to higher PJM capacity revenues related to higher average cleared capacity auction pricing, increased generation margins and lower depreciation expense. Included in the variance is the impact of ceasing depreciation on the assets of the Disposal Group beginning in the second quarter of 2014. The foregone depreciation for the nine months ended September 30, 2015, and September 30, 2014, was approximately $40 million and $82 million, respectively.

Matters Impacting Future Results

In 2013, a FERC ALJ issued an initial decision that Duke Energy Ohio is responsible for costs associated with certain MVP costs, a type of MTEP cost, approved by MISO prior to the date of Duke Energy Ohio's withdrawal. On October 29, 2015, the FERC issued an order reversing the ALJ's decision. FERC ruled that Duke Energy Ohio has no liability for MVP costs after its withdrawal from MISO. MISO has 30 days from the date of the order in which to file a request for rehearing with FERC. If the FERC decision were appealed and Duke Energy Ohio is deemed responsible for these costs, and if the regulatory commissions disallow recovery of these costs, there would be an adverse impact to Duke Energy Ohio's financial position, results of operations and cash flows. See Note 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

Duke Energy Ohio's nonregulated Beckjord Station, a facility retired during 2014, is not subject to the recently enacted EPA rule related to the disposal of CCR from electric utilities. However, if costs are incurred as a result of environmental regulations or to mitigate risk associated with coal ash, the costs could have an adverse impact on Duke Energy Ohio's financial position, results of operations and cash flows. See Note 5, "Commitments and Contingencies," to the Condensed Consolidated Financial Statements for additional information.

On October 23, 2015, the EPA published in the Federal Register the CPP rule for regulating CO_2 emissions from existing fossil fuel-fired EGUs. The CPP establishes CO_2 emission rates and mass cap goals that apply to fossil fuel-fired generation. Under the CPP, states are required to develop and submit a final compliance plan, or an initial plan with an extension request, to the EPA by September 6, 2016, or no later than September 2, 2018 with an approved extension. These state plans are subject to EPA approval, with a federal plan applied to states that fail to submit a plan to the EPA or if a state plan is not approved. Legal challenges to the CPP have been filed by stakeholders and motions to stay the requirements of the rule pending the outcome of the litigation have also been filed. Final resolution of these legal challenges could take several years. Compliance with CPP could cause the industry to replace coal generation with natural gas and renewables, especially in states that have significant CO_2 reduction targets under the rule. Costs to operate coal-fired generation plants continue to grow due to increasing environmental compliance requirements, including ash management costs unrelated to CPP, and this may result in the retirement of coal-fired generation plants earlier than the current useful lives. Duke Energy Ohio continues to evaluate the need to retire generating facilities and plans to seek regulatory recovery, where appropriate, for amounts that have not been recovered upon asset retirements. However, recovery is subject to future regulatory approval, including the recovery of carrying costs on remaining book values, and therefore cannot be assured. In addition, Duke Energy Ohio could incur increased fuel, purchased power, operation and maintenance, and other costs for replacement generation as a result of this rule. Duke Energy Ohio cannot predict the outcome of these matters.

DUKE ENERGY INDIANA

Management's Discussion and Analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes for the nine months ended September 30, 2015 and 2014 and the Annual Report on Form 10-K for the year ended December 31, 2014.

Results of Operations

	Nine Months Ended September 30,		
(in millions)	**2015**	**2014**	**Variance**
Operating Revenues	$ 2,223	$ 2,383	$ (160)
Operating Expenses	1,750	1,808	(58)
Operating Income	473	575	(102)
Other Income and Expenses, net	9	16	(7)
Interest Expense	132	127	5
Income Before Income Taxes	350	464	(114)
Income Tax Expense	128	163	(35)
Net Income	$ 222	$ 301	$ (79)

The following table shows the percent changes in GWh sales and average number of customers. The below percentages for retail customer classes represent billed sales only. Total sales includes billed and unbilled retail sales, and wholesale sales to incorporated municipalities and to public and private utilities and power marketers. Amounts are not weather-normalized.

(Decrease) increase over prior year	**2015**
Residential sales	(2.2)%
General service sales	— %
Industrial sales	(1.0)%
Wholesale power sales	(10.2)%
Total sales	(1.3)%
Average number of customers	0.8 %

Nine Months Ended September 30, 2015 as Compared to September 30, 2014

Operating Revenues. The variance was driven primarily by a $160 million decrease in fuel revenues primarily due to a decrease in fuel rates as a result of lower fuel and purchased power costs.

Operating Expenses. The variance was driven primarily by:

- a $166 million decrease in fuel used in electric generation and purchased power primarily due to lower fuel prices; and
- a $28 million decrease in property and other taxes, primarily as a result of lower sales and use tax.

Partially offset by:

- an $85 million impairment charge related to the September 2015 Edwardsport IGCC settlement. See Note 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information;
- a $40 million increase in operations and maintenance expense primarily due to timing and increased scope of outage work at generation plants; and
- an $11 million increase in depreciation and amortization expense primarily due to higher depreciation as a result of additional plant in service.

Income Tax Expense. The variance was primarily due to a decrease in pretax income. The effective tax rate for the nine months ended September 30, 2015 and 2014 was 36.6 percent and 35.2 percent, respectively. The increase in the effective tax rate was primarily due to a prior period audit settlement in 2014, partially offset by a reduction in the Indiana statutory corporate state income tax rate.

Matters Impacting Future Results

Duke Energy Indiana is evaluating converting Wabash River Unit 6 to a natural gas-fired unit or retiring the unit earlier than its current estimated useful life. If Duke Energy Indiana elects early retirement of the unit, recovery of remaining book values and associated carrying costs totaling approximately $40 million could be subject to future regulatory approvals and therefore cannot be assured.

On April 17, 2015, the EPA published in the Federal Register a rule to regulate the disposal of CCR from electric utilities as solid waste. Duke Energy Indiana has interpreted the rule to identify the coal ash basin sites impacted and has assessed the amounts of coal ash subject to the rule and a method of compliance. Duke Energy Indiana's interpretation of the requirements of the CCR rule, which becomes effective in October 2015, is subject to potential legal challenges and further regulatory approvals, which could result in additional ash basin closure requirements, higher costs of compliance and greater asset retirement obligations. An order from regulatory authorities disallowing recovery of costs related to closure of ash basins could have an adverse impact to the Duke Energy Indiana's financial position, results of operations and cash flows. See Note 5 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

In September 2015, Duke Energy Indiana entered into a settlement agreement with multiple parties that will resolve all disputes, claims and issues from the IURC proceedings regarding the Edwardsport IGCC generating facility. Pursuant to the terms of the agreement, Duke Energy Indiana recognized an impairment and related charges of $90 million. Additionally, the settlement agreement stipulates the recovery of the remaining regulatory asset over an eight-year period and confirms the conclusion that the in-service date for accounting and ratemaking purposes will remain June 7, 2013. The settlement agreement will also impose a cost cap for recoverable operations and maintenance retail costs of $73 million in 2016 and $77 million in 2017 as well as a cost cap for ongoing capital expenditures through 2017. The settlement is subject to IURC approval and, if approved, would resolve and close a number of outstanding issues pending before the IURC related to post commercial operating performance and recovery of ongoing operating and capital costs at Edwardsport. If the settlement is not approved, outstanding issues before the IURC related to Edwardsport would resume, the ultimate resolution of which could have an adverse impact on Duke Energy Indiana's financial position, results of operations and cash flows. In addition, the inability to manage operating and capital costs under caps imposed under the settlement could have an adverse impact on Duke Energy Indiana's financial position, results of operations and cash flows. See Note 4 to the Consolidated Financial Statements, "Regulatory Matters," for additional information.

On October 23, 2015, the EPA published in the Federal Register the CPP rule for regulating CO_2 emissions from existing fossil fuel-fired EGUs. The CPP establishes CO_2 emission rates and mass cap goals that apply to fossil fuel-fired generation. Under the CPP, states are required to develop and submit a final compliance plan, or an initial plan with an extension request, to the EPA by September 6, 2016, or no later than September 2, 2018 with an approved extension. These state plans are subject to EPA approval, with a federal plan applied to states that fail to submit a plan to the EPA or if a state plan is not approved. Legal challenges to the CPP have been filed by stakeholders and motions to stay the requirements of the rule pending the outcome of the litigation have also been filed. Final resolution of these legal challenges could take several years. Compliance with CPP could cause the industry to replace coal generation with natural gas and renewables, especially in states that have significant CO_2 reduction targets under the rule. Costs to operate coal-fired generation plants continue to grow due to increasing environmental compliance requirements, including ash management costs unrelated to CPP, and this may result in the retirement of coal-fired generation plants earlier than the current useful lives. Duke Energy Indiana continues to evaluate the need to retire generating facilities and plans to seek regulatory recovery, where appropriate, for amounts that have not been recovered upon asset retirements. However, recovery is subject to future regulatory approval, including the recovery of carrying costs on remaining book values, and therefore cannot be assured. In addition, Duke Energy Indiana could incur increased fuel, purchased power, operation and maintenance, and other costs for replacement generation as a result of this rule. Duke Energy Indiana cannot predict the outcome of these matters.

LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Cash

Duke Energy relies primarily upon cash flows from operations, debt issuances and its existing cash and cash equivalents to fund its domestic liquidity and capital requirements. Duke Energy's capital requirements arise primarily from capital and investment expenditures, repaying long-term debt and paying dividends to shareholders. See Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2014 for a summary of primary sources and uses of cash for 2015-2017 and a more detailed discussion of each.

The Subsidiary Registrants generally maintain minimal cash balances and use short-term borrowings to meet their working capital needs and other cash requirements. The Subsidiary Registrants, excluding Progress Energy (Parent), support their short-term borrowing needs through participation with Duke Energy and certain of its other subsidiaries in a money pool arrangement. The companies with short-term funds may provide short-term loans to affiliates participating under this arrangement.

Duke Energy and the Subsidiary Registrants, excluding Progress Energy (Parent), may also use short-term debt, including commercial paper and the money pool, as a bridge to long-term debt financings. The levels of borrowing may vary significantly over the course of the year due to the timing of long-term debt financings and the impact of fluctuations in cash flows from operations. Duke Energy's current liabilities may at times exceed current assets resulting from the use of short-term debt as a funding source to meet scheduled maturities of long-term debt, as well as cash needs, which can fluctuate due to the seasonality of its business.

Credit Facility and Registration Statements

Master Credit Facility Summary

Duke Energy has a Master Credit Facility with a capacity of $7.5 billion through January 2020. The Duke Energy Registrants, excluding Progress Energy (Parent), have borrowing capacity under the Master Credit Facility up to a specified sublimit for each borrower. Duke Energy has the unilateral ability at any time to increase or decrease the borrowing sublimits of each borrower, subject to a maximum sublimit for each borrower. The amount available under the Master Credit Facility has been reduced to backstop issuances of commercial paper, certain letters of credit, variable-rate demand tax-exempt bonds that may be put to the Duke Energy Registrants at the option of the holder and as security to meet obligations under the Plea Agreements. The table below includes the current borrowing sublimits and available capacity under the Master Credit Facility.

	September 30, 2015						
(in millions)	Duke Energy	Duke Energy (Parent)	Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Facility size[(a)]	$ 7,500	$ 3,300	$ 800	$ 1,300	$ 1,200	$ 400	$ 500
Reduction to backstop issuances							
Commercial paper[(b)]	(1,793)	(1,318)	(300)	—	—	(25)	(150)
Outstanding letters of credit	(72)	(64)	(4)	(3)	(1)	—	—
Tax-exempt bonds	(116)	—	(35)	—	—	—	(81)
Coal ash set-aside[(c)]	(500)	—	(250)	(250)	—	—	—
Available capacity	$ 5,019	$ 1,918	$ 211	$ 1,047	$ 1,199	$ 375	$ 269

(a) Represents the sublimit of each borrower.
(b) Duke Energy issued $475 million of commercial paper and loaned the proceeds through the money pool to Duke Energy Carolinas, Duke Energy Ohio and Duke Energy Indiana. The balances are classified as Long-Term Debt Payable to Affiliated Companies in the Condensed Consolidated Balance Sheets.
(c) On May 14, 2015, the United States District Court for the Eastern District of North Carolina approved the separate Plea Agreements entered into by Duke Energy Carolinas, Duke Energy Progress and Duke Energy Business Services LLC (DEBS), a wholly owned subsidiary of Duke Energy in connection with the investigation initiated by the USDOJ. Duke Energy Carolinas and Duke Energy Progress are required to each maintain $250 million of available capacity under the Master Credit Facility as security to meet their obligations under the Plea Agreements, in addition to certain other conditions. See Note 5 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

PremierNotes

Duke Energy has an effective Form S-3 with the Securities and Exchange Commission (SEC) to sell up to $3 billion of variable denomination floating-rate demand notes, called PremierNotes. The Form S-3 states that no more than $1.5 billion of the notes will be outstanding at any particular time. The notes are offered on a continuous basis and bear interest at a floating rate per annum determined by the Duke Energy PremierNotes Committee, or its designee, on a weekly basis. The interest rate payable on notes held by an investor may vary based on the principal amount of the investment. The notes have no stated maturity date, are non-transferable and may be redeemed in whole or in part by Duke Energy or at the investor's option at any time. The balance as of September 30, 2015 and December 31, 2014 was $1,101 million and $968 million, respectively. The notes are short-term debt obligations of Duke Energy and are classified within Notes payable and commercial paper on Duke Energy's Condensed Consolidated Balance Sheets.

Shelf Registration

In September 2013, Duke Energy filed a Form S-3 with the SEC. Under this Form S-3, which is uncapped, the Duke Energy Registrants, excluding Progress Energy, may issue debt and other securities in the future at amounts, prices and with terms to be determined at the time of future offerings. The registration statement also allows for the issuance of common stock by Duke Energy.

DEBT MATURITIES

The following table shows the significant components of Current maturities of long-term debt on the Condensed Consolidated Balance Sheets. The Duke Energy Registrants currently anticipate satisfying these obligations with cash on hand and proceeds from additional borrowings.

(in millions)	Maturity Date	Interest Rate	September 30, 2015
Unsecured Debt			
Progress Energy (Parent)	January 2016	5.625%	300
Duke Energy Indiana	June 2016	6.05%	325
First Mortgage Bonds			
Duke Energy Carolinas	October 2015	5.300%	500
Duke Energy Florida	November 2015	0.650%	250
Duke Energy Florida	December 2015	5.100%	300
Duke Energy Progress	December 2015	5.250%	400
Duke Energy Indiana	July 2016	0.636%	150
Other			311
Current maturities of long-term debt			$ 2,536

CASH FLOWS FROM OPERATING ACTIVITIES

The relatively stable operating cash flows of Regulated Utilities compose a substantial portion of Duke Energy's cash flows from operations. Regulated Utilities' cash flows from operations are primarily driven by sales of electricity and natural gas and costs of operations. Weather conditions, commodity price fluctuations and unanticipated expenses, including unplanned plant outages, storms and legal costs and related settlements, can affect the timing and level of cash flows from operations.

Cash flows from operations are subject to a number of other factors, including but not limited to regulatory constraints, economic trends and market volatility (see "Item 1A. Risk Factors," in the Duke Energy Registrants' Annual Report on Form 10-K for the year ended December 31, 2014 for additional information).

At September 30, 2015, Duke Energy had cash and cash equivalents of $1.4 billion, of which $710 million is held by entities domiciled in foreign jurisdictions. In December 2014, Duke Energy declared a taxable dividend of historical foreign earnings in the form of notes payable to repatriate approximately $2.7 billion of cash held and expected to be generated by International Energy over a period of up to eight years. In June 2015, approximately $1.2 billion was remitted. The remaining amount will be remitted by 2022. The remittances will principally be used to support Duke Energy's dividend and growth in the domestic business. Duke Energy recorded U.S. income tax expense as a result of the 2014 decision to repatriate all cumulative historic undistributed foreign earnings. Duke Energy's intention is to indefinitely reinvest prospective undistributed earnings generated by Duke Energy's foreign subsidiaries. As a result, no U.S. tax is recorded on such prospective earnings. Duke Energy would be required to accrue taxes on these foreign earnings if they were to be repatriated. As of September 30, 2015, the amount of unrecognized deferred tax liability related to undistributed earnings was not material.

Restrictive Debt Covenants

The Duke Energy Registrants' debt and credit agreements contain various financial and other covenants. The Master Credit Facility contains a covenant requiring the debt-to-total capitalization ratio to not exceed 65 percent for each borrower. Failure to meet those covenants beyond applicable grace periods could result in accelerated due dates and/or termination of the agreements. As of September 30, 2015, each of the Duke Energy Registrants was in compliance with all covenants related to their significant debt agreements. In addition, some credit agreements may allow for acceleration of payments or termination of the agreements due to nonpayment, or the acceleration of other significant indebtedness of the borrower or some of its subsidiaries. None of the significant debt or credit agreements contain material adverse change clauses.

Credit Ratings

Credit ratings are intended to provide credit lenders a framework for comparing the credit quality of securities and are not a recommendation to buy, sell or hold. The Duke Energy Registrants' credit ratings are dependent on the rating agencies' assessments of their ability to meet their debt principal and interest obligations when they come due. If, as a result of market conditions or other factors, the Duke Energy Registrants are unable to maintain current balance sheet strength, or if earnings and cash flow outlook materially deteriorate, credit ratings could be negatively impacted.

The Duke Energy Registrants each hold credit ratings by Fitch Ratings, Inc. (Fitch), Moody's Investors Service, Inc. (Moody's) and Standard & Poor's Rating Services (S&P). In April 2015, S&P upgraded Duke Energy's and Progress Energy's corporate credit rating to A- from BBB+ and their unsecured credit rating to BBB+ from BBB. The unsecured credit ratings of the other Subsidiary Registrants were upgraded to A- from BBB+. In June 2015, Moody's placed Duke Energy, Progress Energy and Duke Energy Progress on negative outlook from stable. In June 2015, Fitch upgraded Duke Energy Carolinas' issuer default rating to A from A-, its unsecured credit rating to A+ from A and its secured credit rating to AA- from A+. Fitch also placed Duke Energy Indiana on positive outlook from stable.

Subsequent to Duke Energy's announcement to acquire Piedmont, S&P placed the Duke Energy Registrants on negative outlook from stable. Fitch and Moody's placed the long-term ratings of Duke Energy on review for possible downgrade. Moody's also placed the long-term ratings of Progress Energy and Duke Energy Progress on review for possible downgrade. For further information related to the acquisition, see Note 2 to the Condensed Consolidated Financial Statements, "Acquisitions and Dispositions".

Cash Flow Information

The following table summarizes Duke Energy's cash flows.

	Nine Months Ended September 30,	
(in millions)	2015	2014
Cash flows provided by (used in):		
Operating activities	$ 5,396	$ 5,167
Investing activities	(3,291)	(3,734)
Financing activities	(2,771)	(1,003)
Net (decrease) increase in cash and cash equivalents	(666)	430
Cash and cash equivalents at beginning of period	2,036	1,501
Cash and cash equivalents at end of period	$ 1,370	$ 1,931

OPERATING CASH FLOWS

The following table summarizes key components of Duke Energy's operating cash flows.

	Nine Months Ended September 30,	
(in millions)	2015	2014
Net income	$ 2,349	$ 1,789
Non-cash adjustments to net income	3,762	3,909
Contributions to qualified pension plans	(143)	—
Payments for asset retirement obligations	(208)	(52)
Working capital	(364)	(479)
Net cash provided by operating activities	$ 5,396	$ 5,167

The variance was driven primarily due to:

- a $413 million increase in net income after non-cash adjustments, mainly due to higher PJM capacity prices and operating margins for the nonregulated Midwest generation business, higher BPM and wholesale origination results primarily due to increases in volume and capacity rates and new wholesale contract with NCEMPA, higher retail pricing and rate riders and favorable weather.

Partially offset by:

- a $156 million increase in payments for asset retirement obligations and
- a $143 million increase in contributions to qualified pension plans.

INVESTING CASH FLOWS

The following table summarizes key components of Duke Energy's investing cash flows.

	Nine Months Ended September 30,	
(in millions)	2015	2014
Capital, investment and acquisition expenditures	$ (6,168)	$ (3,836)
Available for sale securities, net	20	21
Proceeds from sales of other assets	2,916	172
Other investing items	(59)	(91)
Net cash used in investing activities	$ (3,291)	$ (3,734)

The variance was primarily due to:

- a $2,744 million increase in proceeds mainly due to sale of the nonregulated Midwest generation business to Dynegy.

Partially offset by:

- a $2,332 million increase in capital, investment and acquisition expenditures mainly due to the acquisition of NCEMPA ownership interests in certain generating assets, fuel and spare parts inventory jointly owned with and operated by Duke Energy Progress and growth initiatives in electric and natural gas infrastructure, solar projects and natural-gas fired generation.

FINANCING CASH FLOWS

The following table summarizes key components of Duke Energy's financing cash flows.

(in millions)	Nine Months Ended September 30, 2015	2014
Issuance of common stock related to employee benefit plans	$ 16	$ 24
Issuances (Redemptions) of long-term debt, net	516	(286)
Notes payable and commercial paper	(113)	941
Dividends paid	(1,685)	(1,670)
Repurchase of common shares	(1,500)	—
Other financing items	(5)	(12)
Net cash used in financing activities	$ (2,771)	$ (1,003)

The variance was due primarily to:

- a $1,500 million increase in cash outflows due to the repurchase of 19.8 million common shares under the ASR; and
- a $1,054 million decrease in proceeds from net issuances of notes payable and commercial paper, primarily due to the repayment of commercial paper. These cash outflows were primarily made with proceeds from the sale of the nonregulated Midwest generation business to Dynegy.

Partially offset by:

- a $802 million increase in net issuances of long-term debt, primarily due to the timing of issuances and redemptions across years.

Summary of Significant Debt Issuances

The following table summarizes significant debt issuances (in millions).

Issuance Date	Maturity Date	Interest Rate	Nine Months Ended September 30, 2015 Duke Energy	Duke Energy Carolinas	Duke Energy Progress
First Mortgage Bonds					
March 2015[(a)]	June 2045	3.750%	$ 500	$ 500	$ —
August 2015[(b)]	August 2025	3.250%	500	—	500
August 2015[(b)]	August 2045	4.200%	700	—	700
Total issuances			$ 1,700	$ 500	$ 1,200

(a) Proceeds were used to redeem $500 million of first mortgage bonds due October 2015.
(b) Proceeds were used to repay short-term money pool and commercial paper borrowings issued to fund a portion of the NCEMPA acquisition. See Note 2 to the Condensed Consolidated Financial Statements, "Acquisitions and Dispositions," for further information. Additionally, proceeds will be used to refinance at maturity $400 million of first mortgage bonds due December 2015.

OTHER MATTERS

Environmental Regulations

Duke Energy is subject to international, federal, state and local regulations regarding air and water quality, hazardous and solid waste disposal, and other environmental matters. The Subsidiary Registrants are subject to federal, state and local regulations regarding air and water quality, hazardous and solid waste disposal and other environmental matters. These regulations can be changed from time to time and result in new obligations of the Duke Energy Registrants.

The following sections outline various proposed and recently enacted regulations that may impact the Duke Energy Registrants. Refer to Note 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for further information regarding potential plant retirements and regulatory filings related to the Duke Energy Registrants.

Coal Combustion Residuals

On April 17, 2015, the EPA published in the Federal Register a rule to regulate the disposal of CCR from electric utilities as solid waste. The federal regulation, which became effective in October 2015, classifies CCR as nonhazardous waste under Subtitle D of the Resource Conservation and Recovery Act and allows for beneficial use of CCRs with some restrictions. The regulation applies to all new and existing landfills, new and existing surface impoundments receiving CCR and existing surface impoundments that are no longer receiving CCR but contain liquid located at stations currently generating electricity (regardless of fuel source). The rule establishes requirements regarding landfill design, structural integrity design and assessment criteria for surface impoundments, groundwater monitoring and protection procedures and other operational and reporting procedures to ensure the safe disposal and management of CCR. In addition to the requirements of the federal CCR regulation, CCR landfills and surface impoundments will continue to be independently regulated by most states. Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Ohio and Duke Energy Indiana recorded asset retirement obligation amounts during the second quarter of 2015. Cost recovery for future expenditures will be pursued through the normal ratemaking process with federal and state utility commissions, which permit recovery of necessary and prudently incurred costs associated with Duke Energy's regulated operations. For more information, see Note 7 to the Condensed Consolidated Financial Statements, "Asset Retirement Obligations."

Duke Energy Ohio's nonregulated Beckjord Station, a facility retired during 2014, is not subject to the recently enacted EPA rule related to the disposal of CCR from electric utilities. However, if costs are incurred as a result of environmental regulations or to mitigate risk associated with coal ash at the facility, the costs could have an adverse impact to Duke Energy Ohio's financial position, results of operations and cash flows.

Coal Ash Management Act of 2014

On September 20, 2014, the North Carolina Coal Ash Management Act (Coal Ash Act) became law and was amended on June 24, 2015, by the North Carolina Mountain Energy Act (Mountain Energy Act). The Coal Ash Act, as amended, (i) establishes a Coal Ash Management Commission (Coal Ash Commission) to oversee handling of coal ash within the state; (ii) prohibits construction of new and expansion of existing ash impoundments and use of existing impoundments at retired facilities; (iii) requires closure of ash impoundments at Duke Energy Progress' Asheville and Sutton plants and Duke Energy Carolinas' Riverbend and Dan River stations no later than August 1, 2019 (the Mountain Energy Act provides for the potential extension of closure of the Asheville impoundment until 2022); (iv) requires dry disposal of fly ash at active plants, excluding the Asheville Plant, not retired by December 31, 2018; (v) requires dry disposal of bottom ash at active plants, excluding the Asheville Plant, by December 31, 2019, or retirement of active plants; (vi) requires all remaining ash impoundments in North Carolina to be categorized as high-risk, intermediate-risk or low-risk no later than December 31, 2015 by the North Carolina Department of Environmental Quality (NCDEQ), formerly the North Carolina Department of Environment and Natural Resources, with the method of closure and timing to be based upon the assigned risk, with closure no later than December 31, 2029; (vii) establishes requirements to deal with groundwater and surface water impacts from impoundments; and (viii) increases the level of regulation for structural fills utilizing coal ash. The Coal Ash Act includes a variance procedure for compliance deadlines and modification of requirements regarding structural fills and compliance boundaries. Provisions of the Coal Ash Act prohibit cost recovery in customer rates for unlawful discharge of ash basin waters occurring after January 1, 2014. The Coal Ash Act leaves the decision on cost recovery determinations related to closure of coal combustion residual (CCR) surface impoundments (ash basins or impoundments) to the normal ratemaking processes before utility regulatory commissions. Duke Energy has and will periodically submit to NCDEQ site-specific coal ash impoundment closure plans or excavation plans in advance of closure plans. These plans and all associated permits must be approved by NCDEQ before any excavation or closure work can begin.

In September 2014, Duke Energy Carolinas executed a consent agreement with the South Carolina Department of Health and Environmental Control (SCDHEC) requiring the excavation of an inactive ash basin and ash fill area at the W.S. Lee Steam Station. As part of this agreement, in December 2014, Duke Energy Carolinas filed an ash removal plan and schedule with SCDHEC. In April 2015, the federal CCR rules were published and Duke Energy Carolinas subsequently executed an agreement with the conservation groups Upstate Forever and Save Our Saluda that requires Duke Energy Carolinas to remediate all active and inactive ash storage areas at the W.S. Lee Steam Station. Coal-fired generation at W.S. Lee ceased in 2014 and unit 3 was converted to natural gas in March 2015. In July 2015, Duke Energy Progress executed a consent agreement with the SCDHEC requiring the excavation of an inactive ash fill area at the Robinson Plant within eight years. The Robinson Plant and W.S. Lee Station sites are required to be closed pursuant to the recently issued CCR rule and the provisions of these consent agreements are consistent with the federal CCR closure requirements.

For further information, refer to Note 5 of the Condensed Consolidated Financial Statements, "Commitments and Contingencies."

Mercury and Air Toxics Standards

The final Mercury and Air Toxics Standards (MATS) rule was issued on February 16, 2012. The rule establishes emission limits for hazardous air pollutants from new and existing coal-fired and oil-fired steam electric generating units. The rule requires sources to comply with emission limits by April 16, 2015. Under the Clean Air Act (CAA), permitting authorities have the discretion to grant up to a one-year compliance extension, on a case-by-case basis, to sources that are unable to complete the installation of emission controls before the compliance deadline. The Duke Energy Registrants have requested and received compliance extensions for a number of plants. The rule requirements apply where a compliance extension was not received. Duke Energy Registrants are on track to meet the requirements. Strategies to achieve compliance include installation of new air emission control equipment, development of monitoring processes, fuel switching and acceleration of retirement for some coal-fired electric-generation units. For additional information, refer to Note 4 of the Condensed Consolidated Financial Statements, "Regulatory Matters," regarding potential plant retirements.

In April 2014, several petitions for review of the final rule were denied by the U.S. Court of Appeals for the District of Columbia (D.C. Circuit Court). On November 25, 2014, the Supreme Court granted a petition for review based on the issue of whether the EPA unreasonably refused to consider costs in determining whether it is appropriate and necessary to regulate hazardous air pollutants from coal-fired and oil-fired steam electric generating units. In June 2015, the Supreme Court reversed the D.C. Circuit Court's decision and remanded the case to the D.C. Circuit Court for further proceedings, finding that the EPA erred in refusing to consider costs when deciding whether it was appropriate and necessary to regulate emissions of hazardous air pollutants from steam electric generating units. Pending action by the D.C. Circuit Court, the rule remains in effect. The Duke Energy Registrants cannot predict the results of these proceedings.

Clean Water Act 316(b)

The EPA published the final 316(b) cooling water intake structure rule on August 15, 2014, with an effective date of October 14, 2014. The rule applies to 26 of the electric generating facilities the Duke Energy Registrants own and operate. The rule allows for several options to demonstrate compliance and provides flexibility to the state environmental permitting agencies to make determinations on controls, if any, that will be required for cooling water intake structures. Any required intake structure modifications and/or retrofits are expected to be installed in the 2019 to 2022 time frame. Petitions challenging the rule have been filed by several groups. It is unknown at this time when the courts will rule on the petitions.

Steam Electric Effluent Limitations Guidelines

On November 3, 2015, the final Steam Electric Effluent Limitations Guidelines (ELG) rule was published in the Federal Register. The rule establishes new requirements for wastewater streams associated with steam electric power generation and includes more stringent controls for any new coal plants that may be built in the future. Affected facilities must comply between 2018 and 2023, depending on timing of new Clean Water Act permits. Most, if not all, of the steam electric generating facilities the Duke Energy Registrants own are likely affected sources. The Duke Energy Registrants are well positioned to meet the requirements of the ELGs due to current efforts to convert to dry ash handling.

Estimated Cost and Impacts of Rulemakings

Duke Energy will incur capital expenditures to comply with the environmental regulations and rules discussed above. The following 5-year table provides estimated costs, excluding AFUDC, of new control equipment that may need to be installed on existing power plants primarily to comply with the Coal Ash Act requirements for conversion to dry disposal of bottom ash and fly ash, MATS, Clean Water Act 316(b) and ELGs, through December 31, 2019.

(in millions)		Estimated Cost
Duke Energy	$	**1,450**
Duke Energy Carolinas		550
Progress Energy		400
Duke Energy Progress		300
Duke Energy Florida		100
Duke Energy Ohio		100
Duke Energy Indiana		400

The table excludes ash basin closure costs recorded as Asset retirement obligations on the Condensed Consolidated Balance Sheets. For more information, see Note 7 to the Condensed Consolidated Financial Statements.

The Duke Energy Registrants also expect to incur increased fuel, purchased power, operation and maintenance, and other expenses, in addition to costs for replacement generation for potential coal-fired power plant retirements as a result of these regulations. Actual compliance costs incurred may be materially different from these estimates due to reasons such as the timing and requirements of EPA regulations and the resolution of legal challenges to the rules. The Duke Energy Registrants intend to seek rate recovery of necessary and prudently incurred costs associated with regulated operations to comply with these regulations.

Cross-State Air Pollution Rule

On August 8, 2011, the final Cross-State Air Pollution Rule (CSAPR) was published in the Federal Register. The CSAPR established state-level annual sulfur dioxide (SO_2) budgets and annual and seasonal nitrogen oxide (NO_x) budgets that were to take effect on January 1, 2012.

On August 21, 2012, the D.C. Circuit Court vacated the CSAPR. The court also directed the EPA to continue administering the Clean Air Interstate Rule (CAIR), which required additional reductions in SO_2 and NO_x emissions beginning in 2015. On April 29, 2014, the U.S. Supreme Court (Supreme Court) reversed the D.C. Circuit Court's decision, finding that with CSAPR the EPA reasonably interpreted the good neighbor provision of the CAA. The case was remanded to the D.C. Circuit Court for further proceedings consistent with the Supreme Court's opinion. On October 23, 2014, the D.C. Circuit Court lifted the CSAPR stay, which allowed Phase 1 of the rule to take effect on January 1, 2015, terminating the CAIR. Where the CSAPR requirements are constraining, actions to meet the requirements could include purchasing emission allowances, power purchases, curtailing generation and utilizing low sulfur fuel. The CSAPR will not result in Duke Energy Registrants adding new emission controls.

Additional legal challenges to the CSAPR filed in 2012, not addressed by the D.C. Circuit Court decision to vacate the CSAPR, are still ongoing. Oral arguments were held February 25, 2015. On July 28, 2015, the court issued decisions finding certain Phase 1 and 2 emissions budgets invalid, which impact South Carolina, North Carolina and Florida. The court remanded the CSAPR to the EPA for reconsideration of the budgets in question. The Duke Energy Registrants cannot predict the outcome of these proceedings.

Carbon Pollution Standards for New, Modified and Reconstructed Power Plants

On October 23, 2015, the EPA published in the Federal Register rules establishing carbon dioxide (CO_2) emissions limits for new, modified and reconstructed power plants. The requirements for new plants do not apply to any facility that Duke Energy currently has in operation, but would apply to any plants that will be constructed going forward. The EPA set an emissions standard for coal units of 1,400 lbs. CO_2 per gross megawatt hour (MWh). While this limit is higher than the EPA's proposed standard of 1,100 lbs. per MWh, it would still require the application of partial carbon capture and storage (CCS) technology for a coal unit to be able to meet the limit. The final standard of 1,000 lbs. CO_2 per gross MWh for new natural gas combined-cycle units is the same as the proposed limit. Because utility-scale CCS is not currently a demonstrated and commercially available technology for coal-fired electric generating units, the final standards effectively bar the development of new coal-fired generation. The Duke Energy Registrants do not expect the impacts of the final standards will be material.

Clean Power Plan

On October 23, 2015, the EPA published in the Federal Register the Clean Power Plan (CPP) rule that regulates CO_2 emissions from existing fossil fuel-fired electric generating units (EGUs). The CPP establishes CO_2 emission rates and mass cap goals that apply to fossil fuel-fired generation. Under the CPP, states are required to develop and submit a final compliance plan, or an initial plan with an extension request, to the EPA by September 6, 2016. States that receive an extension must submit a final completed plan to the EPA by September 6, 2018. The EPA will review state plans within 12 months and approve or disapprove the plans. The CPP does not directly impose regulatory requirements on the Duke Energy Registrants. State implementation plans will include the regulatory requirements that will apply to the Duke Energy Registrants. The EPA also published a proposed federal plan for public comment. A federal plan would be applied to states that fail to submit a plan to EPA or where a state plan is not approved by the EPA. Comments on the proposed federal plan are due by January 21, 2016.

Legal challenges to the final CPP have been filed by stakeholders and motions to stay the requirements of the rule pending the outcome of the litigation have also been filed. Final resolution of these legal challenges could take several years. Compliance with CPP could cause the industry to replace coal generation with natural gas and renewables, especially in states with significant CO_2 reduction targets under the rule. Costs to operate coal-fired generation plants continue to grow due to increasing environmental compliance requirements, including ash management costs unrelated to CPP, and this may result in the retirement of coal-fired generation plants earlier than the current useful lives. The Duke Energy Registrants could incur increased fuel, purchased power, operation and maintenance, and other costs for replacement generation as a result of this rule. The Duke Energy Registrants cannot predict the outcome of these matters.

The Duke Energy Registrants cannot predict the outcome of these proceedings. The Duke Energy Registrants are studying the rule and working with states to identify the best approach for developing state plans and are unable to determine impacts of the rule until such plans are developed and approved by the EPA.

Global Climate Change

For other information on global climate change and the potential impacts on Duke Energy, see "Other Issues" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2014.

Nuclear Matters

For other information on nuclear matters and the potential impacts on Duke Energy, see "Other Issues" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Duke Energy's Annuel Report on Form 10-K for the year ended December 31, 2014.

New Accounting Standards

See Note 1 to the Condensed Consolidated Financial Statements, "Organization and Basis of Presentation," for a discussion of the impact of new accounting standards.

Off-Balance Sheet Arrangements

During the three and nine months ended September 30, 2015, there were no material changes to Duke Energy's off-balance sheet arrangements. For information on Duke Energy's off-balance sheet arrangements, see "Off-Balance Sheet Arrangements" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2014.

Contractual Obligations

Duke Energy enters into contracts that require payment of cash at certain specified periods, based on certain specified minimum quantities and prices. During the three and nine months ended September 30, 2015, there were no material changes in Duke Energy's contractual obligations. For an in-depth discussion of Duke Energy's contractual obligations, see "Contractual Obligations" and "Quantitative and Qualitative Disclosures about Market Risk" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2014.

Subsequent Events

See Note 18 to the Condensed Consolidated Financial Statements, "Subsequent Events," for a discussion of subsequent events.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

During the three and nine months ended September 30, 2015, there were no material changes to Duke Energy's disclosures about market risk. For an in-depth discussion of Duke Energy's market risks, see "Management's Discussion and Analysis of Quantitative and Qualitative Disclosures about Market Risk" in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2014.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by the Duke Energy Registrants in the reports they file or submit under the Securities Exchange Act of 1934 (Exchange Act) is recorded, processed, summarized and reported within the time periods specified by the SEC rules and forms.

Disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that information required to be disclosed by the Duke Energy Registrants in the reports they file or submit under the Exchange Act is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, the Duke Energy Registrants have evaluated the effectiveness of their disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2015, and, based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are effective in providing reasonable assurance of compliance.

Changes in Internal Control over Financial Reporting

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, the Duke Energy Registrants have evaluated changes in internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the fiscal quarter ended September 30, 2015 and have concluded no change has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

ITEM 1. LEGAL PROCEEDINGS

For information regarding legal proceedings that became reportable events or in which there were material developments in the third quarter of 2015, see Note 4 and Note 5 to the Condensed Consolidated Financial Statements, "Regulatory Matters" and "Commitments and Contingencies," respectively.

Virginia Department of Environmental Quality Civil Enforcement

In June 2015, the Virginia State Water Control Board voted to approve a consent order to resolve the civil enforcement claim of the Virginia Department of Environmental Quality (VDEQ) against Duke Energy Carolinas related to the February 2014 Dan River coal ash release. Pursuant to the terms of the $2.5 million settlement, Duke Energy Carolinas is required to perform $2.25 million of environmental projects that benefit Virginia communities and fund an additional $250,000 for VDEQ to respond to environmental emergencies. Failure to perform sufficient environmental projects will require Duke Energy Carolinas to make a cash payment in the amount of the shortfall.

MTBE Litigation

On June 28, 2007, the New Jersey Department of Environmental Protection (NJDEP) filed suit against, among others, Duke Energy Merchants (DEM), alleging contamination of "waters of the state" by MTBE from leaking gasoline storage tanks. MTBE is a gasoline additive intended to increase the oxygen level in gasoline and make it burn cleaner. The case was removed to federal court and consolidated in an existing multi-district litigation docket of pending MTBE cases. DEM and NJDEP have reached an agreement in principle to settle the case for a payment by DEM of $1.7 million. Such agreement is subject to the execution of a Consent Decree and approval of the Court.

DEM is also a defendant in a similar case filed by the Commonwealth of Pennsylvania on June 19, 2014. That case has also been moved to the consolidated multidistrict proceeding. Discovery in this case continues.

ITEM 1A. RISK FACTORS

Please see below updated risk factors affecting Duke Energy's business in addition to those presented in Part I, "Item 1A. Risk Factors" in the Duke Energy Registrants' Annual Report on Form 10-K for the year ended December 31, 2014, which could materially affect the Duke Energy Registrants' financial condition or future results. Except for the updates below, there have been no material changes in our assessment of our risk factors from those set forth in our Annual Report on Form 10-K for the year ended December 31, 2014.

Duke Energy may be unable to obtain the approvals required to complete its acquisition of Piedmont or, in order to do so, the combined company may be required to comply with material restrictions or conditions.

On October 26, 2015, Duke Energy announced the execution of a merger agreement with Piedmont. Before the acquisition may be completed, approval by the shareholders of Piedmont will have to be obtained. In addition, various filings must be made with various state utility, regulatory, antitrust and other authorities in the U.S. These governmental authorities may impose conditions on the completion, or require changes to the terms, of the transaction, including restrictions or conditions on the business, operations, or financial performance of the combined company following completion of the transaction. These conditions or changes could have the effect of delaying completion of the acquisition or imposing additional costs on or limiting the revenues of the combined company following the transaction, which could have a material adverse effect on the financial position, results of operations or cash flows of the combined company and/or cause either Duke Energy or Piedmont to abandon the transaction.

If completed, Duke Energy's acquisition of Piedmont may not achieve its intended results.

Duke Energy and Piedmont entered into the merger agreement with the expectation that the transaction would result in various benefits, including, among other things, being accretive to earnings and foundational to establishing a broader gas infrastructure business within Duke Energy. Achieving the anticipated benefits of the transaction is subject to a number of uncertainties, including whether the business of Piedmont is integrated in an efficient and effective manner. Failure to achieve these anticipated benefits could result in increased costs; decreases in the amount of expected revenues generated by the combined company and diversion of management's time and energy, all of which could have an adverse effect on the combined company's financial position, results of operations or cash flows.

Failure to complete the transaction with Piedmont could negatively impact Duke Energy's stock price and Duke Energy's future business and financial results.

If Duke Energy's acquisition of Piedmont is not completed, Duke Energy's ongoing business and financial results may be adversely effected and Duke Energy will be subject to a number of risks, including the following:

- Duke Energy may be required, under specified circumstances set forth in the Merger Agreement, to pay Piedmont a termination fee of $250 million;
- Duke Energy will be required to pay costs relating to the transaction, including legal, accounting, financial advisory, filing and printing costs, whether or not the transaction is completed; and
- execution of Duke Energy's acquisition of Piedmont (including integration planning) may require substantial commitments of time and resources by our management, which could otherwise have been devoted to other opportunities that may have been beneficial to Duke Energy.

Duke Energy could also be subject to litigation related to any failure to complete our transaction with Piedmont. If the transaction is not completed, these risks may materialize and may adversely affect Duke Energy's financial position, results of operations or cash flows.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

ISSUER PURCHASES OF EQUITY SECURITIES

On April 6, 2015, Duke Energy entered into agreements to repurchase a total of $1.5 billion of Duke Energy common stock under an accelerated stock repurchase program. During the second quarter, Duke Energy repurchased and retired approximately 19.8 million shares for approximately $1.5 billion to complete the transaction. See Note 14 for further information.

ITEM 6. EXHIBITS

Exhibits filed herein are designated by an asterisk (*). All exhibits not so designated are incorporated by reference to a prior filing, as indicated. Items constituting management contracts or compensatory plans or arrangements are designated by a double asterisk (**). The Company agrees to furnish upon request to the Commission a copy of any omitted schedules or exhibits upon request on all items designated by a triple asterisk (***).

Exhibit Number		Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
2.1	Agreement and Plan of Merger dated as of October 24, 2015 by and among Piedmont Natural Gas Company, Duke Energy Corporation, and Forest Subsidiary, Inc. (incorporated by reference to Exhibit 2.1 to Registrant's Current Report on Form 8-K filed on October 26, 2015, File No. 1-32853).	X						
4.1	Eighty-fifth Supplemental Indenture, dated as of August 1, 2015, (incorporated by reference to Exhibit 4.1 to Duke Energy Progress, LLC's Current Report on Form 8-K filed on August 13, 2015, File No. 001-3382).				X			
*12	Computation of Ratio of Earnings to Fixed Charges – DUKE ENERGY CORPORATION	X						
*31.1.1	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X						
*31.1.2	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.		X					
*31.1.3	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			X				
*31.1.4	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X			
*31.1.5	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X		
*31.1.8	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.						X	
*31.1.7	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.							X
*31.2.1	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X						
*31.2.2	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.		X					
*31.2.3	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			X				
*31.2.4	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X			
*31.2.5	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X		
*31.2.6	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.						X	
*31.2.7	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.							X
*32.1.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X						
*32.1.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.		X					

*32.1.3	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			X				
*32.1.4	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X			
*32.1.5	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X		
*32.1.6	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.						X	
*32.1.7	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.							X
*32.2.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X						
*32.2.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.		X					
*32.2.3	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			X				
*32.2.4	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X			
*32.2.5	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X		
*32.2.6	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.						X	
*32.2.7	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.							X
*101.INS	XBRL Instance Document	X	X	X	X	X	X	X
*101.SCH	XBRL Taxonomy Extension Schema Document	X	X	X	X	X	X	X
*101.CAL	XBRL Taxonomy Calculation Linkbase Document	X	X	X	X	X	X	X
*101.LAB	XBRL Taxonomy Label Linkbase Document	X	X	X	X	X	X	X
*101.PRE	XBRL Taxonomy Presentation Linkbase Document	X	X	X	X	X	X	X
*101.DEF	XBRL Taxonomy Definition Linkbase Document	X	X	X	X	X	X	X

The total amount of securities of the registrant or its subsidiaries authorized under any instrument with respect to long-term debt not filed as an exhibit does not exceed 10 percent of the total assets of the registrant and its subsidiaries on a consolidated basis. The registrant agrees, upon request of the SEC, to furnish copies of any or all of such instruments to it.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized.

DUKE ENERGY CORPORATION
DUKE ENERGY CAROLINAS, LLC
PROGRESS ENERGY, INC.
DUKE ENERGY PROGRESS, LLC
DUKE ENERGY FLORIDA, LLC
DUKE ENERGY OHIO, INC.
DUKE ENERGY INDIANA, INC.

Date: November 5, 2015

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

Date: November 5, 2015

/s/ BRIAN D. SAVOY

Brian D. Savoy
Senior Vice President, Chief Accounting Officer and Controller

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES - DUKE ENERGY CORPORATION

The ratio of earnings to fixed charges is calculated using the Securities and Exchange Commission guidelines.

	Nine Months Ended September 30,	Years Ended December 31,				
(in millions)	**2015**	**2014**	**2013[d]**	**2012[a] [d]**	**2011[d]**	**2010[d]**
Earnings as defined for fixed charges calculation						
Add:						
Pretax income from continuing operations[b]	$ 3,375	$ 3,998	$ 3,657	$ 2,068	$ 1,975	$ 2,062
Fixed charges	1,418	1,871	1,886	1,510	1,057	1,045
Distributed income of equity investees	49	136	109	151	149	111
Deduct:						
Preferred dividend requirements of subsidiaries	—	—	—	3	—	—
Interest capitalized	11	7	8	30	46	54
Total earnings	$ 4,831	$ 5,998	$ 5,644	$ 3,696	$ 3,135	$ 3,164
Fixed charges:						
Interest on debt, including capitalized portions	$ 1,297	$ 1,733	$ 1,760	$ 1,420	$ 1,026	$ 1,008
Estimate of interest within rental expense	121	138	126	87	31	37
Preferred dividend requirements	—	—	—	3	—	—
Total fixed charges	$ 1,418	$ 1,871	$ 1,886	$ 1,510	$ 1,057	$ 1,045
Ratio of earnings to fixed charges	3.4	3.2	3.0	2.4	3.0	3.0
Ratio of earnings to fixed charges and preferred dividends combined[c]	3.4	3.2	3.0	2.4	3.0	3.0

(a) Includes the results of Progress Energy, Inc. beginning on July 2, 2012.
(b) Excludes amounts attributable to noncontrolling interests and income or loss from equity investees.
(c) For the period presented, Duke Energy Corporation had no preferred stock outstanding.
(d) Operating results have been revised to reflect the impact of discontinued operations.

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Lynn J. Good, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Corporation;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2015

/s/ LYNN J. GOOD

Lynn J. Good
Vice Chairman, President and
Chief Executive Officer

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Lynn J. Good, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Carolinas, LLC;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrent's internal control over financial reporting.

Date: November 5, 2015

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Lynn J. Good, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Progress Energy, Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2015

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Lynn J. Good, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Progress, LLC;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2015

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Lynn J. Good, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Florida, LLC;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2015

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Lynn J. Good, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Ohio, Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2015

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Lynn J. Good, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Indiana, Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2015

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Steven K. Young, certify that:

1) I have reviewed this querterly report on Form 10-Q of Duke Energy Corporation;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2015

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Steven K. Young, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Carolinas, LLC;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2015

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Steven K. Young, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Progress Energy, Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2015

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Steven K. Young, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Progress, LLC;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2015

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Steven K. Young, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Florida, LLC;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2015

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Steven K. Young, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Ohio, Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstences under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially effected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2015

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Steven K. Young, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Indiana, Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2015

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Corporation ("Duke Energy") on Form 10-Q for the period ending September 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynn J. Good, Vice Chairman, President and Chief Executive Officer of Duke Energy, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy.

/s/ LYNN J. GOOD

Lynn J. Good
Vice Chairman, President and
Chief Executive Officer

November 5, 2015

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Carolinas, LLC ("Duke Energy Carolinas") on Form 10-Q for the period ending September 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynn J. Good, Chief Executive Officer of Duke Energy Carolinas, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Carolinas.

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

November 5, 2015

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Progress Energy, Inc. ("Progress Energy") on Form 10-Q for the period ending September 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynn J. Good, Chief Executive Officer of Progress Energy, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Progress Energy.

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

November 5, 2015

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Progress, LLC ("Duke Energy Progress") on Form 10-Q for the period ending September 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynn J. Good, Chief Executive Officer of Duke Energy Progress, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Progress.

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

November 5, 2015

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Florida, LLC ("Duke Energy Florida") on Form 10-Q for the period ending September 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynn J. Good, Chief Executive Officer of Duke Energy Florida, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Florida.

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

November 5, 2015

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Ohio, Inc. ("Duke Energy Ohio") on Form 10-Q for the period ending September 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynn J. Good, Chief Executive Officer of Duke Energy Ohio, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Ohio.

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

November 5, 2015

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Indiana, Inc. ("Duke Energy Indiana") on Form 10-Q for the period ending September 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynn J. Good, Chief Executive Officer of Duke Energy Indiana, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Indiana.

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

November 5, 2015

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Corporation ("Duke Energy") on Form 10-Q for the period ending September 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven K. Young, Executive Vice President and Chief Financial Officer of Duke Energy, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy.

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

November 5, 2015

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Carolinas, LLC ("Duke Energy Carolinas") on Form 10-Q for the period ending September 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven K. Young, Executive Vice President and Chief Financial Officer of Duke Energy Carolinas, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Carolinas.

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

November 5, 2015

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Progress Energy, Inc. ("Progress Energy") on Form 10-Q for the period ending September 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven K. Young, Executive Vice President and Chief Financial Officer of Progress Energy, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Progress Energy.

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

November 5, 2015

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Progress, LLC ("Duke Energy Progress") on Form 10-Q for the period ending September 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven K. Young, Executive Vice President and Chief Financial Officer of Duke Energy Progress, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Progress.

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

November 5, 2015

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Florida, LLC ("Duke Energy Florida") on Form 10-Q for the period ending September 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven K. Young, Executive Vice President and Chief Financial Officer of Duke Energy Florida, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Florida.

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

November 5, 2015

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Ohio, Inc. ("Duke Energy Ohio") on Form 10-Q for the period ending September 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven K. Young, Executive Vice President and Chief Financial Officer of Duke Energy Ohio, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Ohio.

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

November 5, 2015

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Duke Energy Indiana, Inc. ("Duke Energy Indiana") on Form 10-Q for the period ending September 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven K. Young, Executive Vice President and Chief Financial Officer of Duke Energy Indiana, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Indiana.

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

November 5, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2016
OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number	Registrant, State of Incorporation or Organization, Address of Principal Executive Offices, and Telephone Number	IRS Employer Identification No.
1-32853	**DUKE ENERGY CORPORATION** (a Delaware corporation) 550 South Tryon Street Charlotte, North Carolina 28202-1803 704-382-3853	20-2777218

Commission file number	Registrant, State of Incorporation or Organization, Address of Principal Executive Offices, Telephone Number and IRS Employer Identification Number	Commission file number	Registrant, State of Incorporation or Organization, Address of Principal Executive Offices, Telephone Number and IRS Employer Identification Number
1-4928	**DUKE ENERGY CAROLINAS, LLC** (a North Carolina limited liability company) 526 South Church Street Charlotte, North Carolina 28202-1803 704-382-3853 56-0205520	1-3274	**DUKE ENERGY FLORIDA, LLC** (a Florida limited liability company) 299 First Avenue North St. Petersburg, Florida 33701 704-382-3853 59-0247770
1-15929	**PROGRESS ENERGY, INC.** (a North Carolina corporation) 410 South Wilmington Street Raleigh, North Carolina 27601-1748 704-382-3853 56-2155481	1-1232	**DUKE ENERGY OHIO, INC.** (an Ohio corporation) 139 East Fourth Street Cincinnati, Ohio 45202 704-382-3853 31-0240030
1-3382	**DUKE ENERGY PROGRESS, LLC** (a North Carolina limited liability company) 410 South Wilmington Street Raleigh, North Carolina 27601-1748 704-382-3853 56-0165465	1-3543	**DUKE ENERGY INDIANA, LLC** (an Indiana limited liability company) 1000 East Main Street Plainfield, Indiana 46168 704-382-3853 35-0594457

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Duke Energy Corporation (Duke Energy)	Yes ☒	No ☐	Duke Energy Florida, LLC (Duke Energy Florida)	Yes ☒	No ☐
Duke Energy Carolinas, LLC (Duke Energy Carolinas)	Yes ☒	No ☐	Duke Energy Ohio, Inc. (Duke Energy Ohio)	Yes ☒	No ☐
Progress Energy, Inc. (Progress Energy)	Yes ☒	No ☐	Duke Energy Indiana, LLC (Duke Energy Indiana)	Yes ☒	No ☐
Duke Energy Progress, LLC (Duke Energy Progress)	Yes ☒	No ☐			

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Duke Energy	Yes ☒	No ☐	Duke Energy Florida	Yes ☒	No ☐
Duke Energy Carolinas	Yes ☒	No ☐	Duke Energy Ohio	Yes ☒	No ☐
Progress Energy	Yes ☒	No ☐	Duke Energy Indiana	Yes ☒	No ☐
Duke Energy Progress	Yes ☒	No ☐			

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Duke Energy	Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐	Smaller reporting company ☐
Duke Energy Carolinas	Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☒	Smaller reporting company ☐
Progress Energy	Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☒	Smaller reporting company ☐
Duke Energy Progress	Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☒	Smaller reporting company ☐
Duke Energy Florida	Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☒	Smaller reporting company ☐
Duke Energy Ohio	Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☒	Smaller reporting company ☐
Duke Energy Indiana	Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☒	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Duke Energy	Yes ☐	No ☒	Duke Energy Florida	Yes ☐	No ☒
Duke Energy Carolinas	Yes ☐	No ☒	Duke Energy Ohio	Yes ☐	No ☒
Progress Energy	Yes ☐	No ☒	Duke Energy Indiana	Yes ☐	No ☒
Duke Energy Progress	Yes ☐	No ☒			

Number of shares of Common stock outstanding at April 30, 2016:

Registrant	Description	Shares
Duke Energy	Common stock, $0.001 par value	688,903,766
Duke Energy Carolinas	All of the registrant's limited liability company member interests are directly owned by Duke Energy.	
Progress Energy	All of the registrant's common stock is directly owned by Duke Energy.	
Duke Energy Progress	All of the registrant's limited liability company member interests are indirectly owned by Duke Energy.	
Duke Energy Florida	All of the registrant's limited liability company member interests are indirectly owned by Duke Energy.	
Duke Energy Ohio	All of the registrant's common stock is indirectly owned by Duke Energy.	
Duke Energy Indiana	All of the registrant's limited liability company member interests are indirectly owned by Duke Energy.	

This combined Form 10-Q is filed separately by seven registrants: Duke Energy, Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio and Duke Energy Indiana (collectively the Duke Energy Registrants). Information contained herein relating to any individual registrant is filed by such registrant solely on its own behalf. Each registrant makes no representation as to information relating exclusively to the other registrants.

Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio and Duke Energy Indiana meet the conditions set forth in General Instructions H(1)(a) and (b) of Form 10-Q and are therefore filing this form with the reduced disclosure format specified in General Instructions H(2) of Form 10-Q.

TABLE OF CONTENTS

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This document includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are based on management's beliefs and assumptions and can often be identified by terms and phrases that include "anticipate," "believe," "intend," "estimate," "expect," "continue," "should," "could," "may," "plan," "project," "predict," "will," "potential," "forecast," "target," "guidance," "outlook" or other similar terminology. Various factors may cause actual results to be materially different than the suggested outcomes within forward-looking statements; accordingly, there is no assurance that such results will be realized. These factors include, but are not limited to:

- State, federal and foreign legislative and regulatory initiatives, including costs of compliance with existing and future environmental requirements or climate change, as well as rulings that affect cost and investment recovery or have an impact on rate structures or market prices;
- The extent and timing of costs and liabilities to comply with federal and state laws, regulations, and legal requirements related to coal ash remediation, including amounts for required closure of certain ash impoundments, are uncertain and difficult to estimate;
- The ability to recover eligible costs, including amounts associated with coal ash impoundment retirement obligations and costs related to significant weather events, and to earn an adequate return on investment through the regulatory process;
- The costs of decommissioning Crystal River Unit 3 and other nuclear facilities could prove to be more extensive than amounts estimated and all costs may not be fully recoverable through the regulatory process;
- Credit ratings of the Duke Energy Registrants may be different from what is expected;
- Costs and effects of legal and administrative proceedings, settlements, investigations and claims;
- Industrial, commercial and residential growth or decline in service territories or customer bases resulting from variations in customer usage patterns, including energy efficiency efforts and use of alternative energy sources, including self-generation and distributed generation technologies;
- Federal and state regulations, laws and other efforts designed to promote and expand the use of energy efficiency measures and distributed generation technologies, such as rooftop solar and battery storage, in Duke Energy service territories could result in customers leaving the electric distribution system, excess generation resources as well as stranded costs;
- Advancements in technology;
- Additional competition in electric markets and continued industry consolidation;
- Political, economic and regulatory uncertainty in Brazil and other countries in which Duke Energy conducts business;
- The influence of weather and other natural phenomena on operations, including the economic, operational and other effects of severe storms, hurricanes, droughts, earthquakes and tornadoes;
- The ability to successfully operate electric generating facilities and deliver electricity to customers including direct or indirect effects to the company resulting from an incident that affects the U.S. electric grid or generating resources;
- The impact on facilities and business from a terrorist attack, cybersecurity threats, data security breaches, and other catastrophic events such as fires, explosions, pandemic health events or other similar occurrences;
- The inherent risks associated with the operation and potential construction of nuclear facilities, including environmental, health, safety, regulatory and financial risks;
- The timing and extent of changes in commodity prices, interest rates and foreign currency exchange rates and the ability to recover such costs through the regulatory process, where appropriate, and their impact on liquidity positions and the value of underlying assets;
- The results of financing efforts, including the ability to obtain financing on favorable terms, which can be affected by various factors, including credit ratings, interest rate fluctuations, and general economic conditions;
- Declines in the market prices of equity and fixed income securities and resultant cash funding requirements for defined benefit pension plans, other post-retirement benefit plans and nuclear decommissioning trust funds;
- Construction and development risks associated with the completion of Duke Energy Registrents' capital investment projects, including risks related to financing, obtaining and complying with terms of permits, meeting construction budgets and schedules, and satisfying operating and environmental performance standards, as well as the ability to recover costs from customers in a timely manner or at all;
- Changes in rules for regional transmission organizations, including changes in rate designs and new and evolving capacity markets, and risks related to obligations created by the default of other participants;
- The ability to control operation and maintenance costs;
- The level of creditworthiness of counterparties to transactions;
- Employee workforce factors, including the potential inability to attract and retain key personnel;
- The ability of subsidiaries to pay dividends or distributions to Duke Energy Corporation holding company (the Parent);
- The performance of projects undertaken by our nonregulated businesses and the success of efforts to invest in and develop new opportunities;
- The effect of accounting pronouncements issued periodically by accounting standard-setting bodies;
- The impact of potential goodwill impairments;
- The ability to successfully complete future merger, acquisition or divestiture plans;

- The expected timing and likelihood of completion of the proposed acquisition of Piedmont Natural Gas Company, Inc. (Piedmont), including the timing, receipt and terms and conditions of any required governmental and regulatory approvals of the proposed acquisition that could reduce anticipated benefits or cause the parties to abandon the acquisition, and under certain specified circumstances pay a termination fee of $250 million, as well as the ability to successfully integrate the businesses and realize anticipated benefits and the risk that the credit ratings of the combined company or its subsidiaries may be different from what the companies expect; and
- The likelihood, terms and timing of the potential sale of International Energy, excluding the equity investment in National Methanol Company (NMC), could change the presentation of certain assets, liabilities and results of operations as assets held for sale, liabilities associated with assets held for sale, and discontinued operations, respectively.

Additional risks and uncertainties are identified and discussed in the Duke Energy Registrants' reports filed with the SEC and available at the SEC's website at www.sec.gov. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than described. Forward-looking statements speak only as of the date they are made and the Duke Energy Registrants expressly disclaim an obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

ITEM 1. FINANCIAL STATEMENTS

DUKE ENERGY CORPORATION
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended March 31,	
(in millions, except per-share amounts)	**2016**	**2015**
Operating Revenues		
Regulated electric	$ 5,053	$ 5,457
Nonregulated electric and other	400	377
Regulated natural gas	169	231
Total operating revenues	5,622	6,065
Operating Expenses		
Fuel used in electric generation and purchased power – regulated	1,577	1,941
Fuel used in electric generation and purchased power – nonregulated	58	104
Cost of natural gas	60	111
Operation, maintenance and other	1,489	1,426
Depreciation and amortization	814	777
Property and other taxes	297	264
Impairment charges	3	—
Total operating expenses	4,298	4,623
Gains on Sales of Other Assets and Other, net	9	14
Operating Income	1,333	1,456
Other Income and Expenses		
Equity in earnings of unconsolidated affiliates	8	13
Other income and expenses, net	79	74
Total other income and expenses	87	87
Interest Expense	511	403
Income From Continuing Operations Before Income Taxes	909	1,140
Income Tax Expense from Continuing Operations	213	364
Income From Continuing Operations	698	776
Income From Discontinued Operations, net of tax	3	91
Net Income	699	867
Less: Net Income Attributable to Noncontrolling Interests	5	3
Net Income Attributable to Duke Energy Corporation	$ 694	$ 864
Earnings Per Share – Basic and Diluted		
Income from continuing operations attributable to Duke Energy Corporation common stockholders		
Basic	$ 1.00	$ 1.09
Diluted	$ 1.00	$ 1.09
Income from discontinued operations attributable to Duke Energy Corporation common stockholders		
Basic	$ 0.01	$ 0.13
Diluted	$ 0.01	$ 0.13
Net income attributable to Duke Energy Corporation common stockholders		
Basic	$ 1.01	$ 1.22
Diluted	$ 1.01	$ 1.22
Weighted average shares outstanding		
Basic	689	708
Diluted	689	708

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY CORPORATION
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

	Three Months Ended March 31,	
(in millions)	**2016**	**2015**
Net Income	$ 699	$ 867
Other Comprehensive Income (Loss), net of tax		
Foreign currency translation adjustments	49	(125)
Pension and OPEB adjustments	—	(5)
Net unrealized losses on cash flow hedges	(14)	(7)
Reclassification into earnings from cash flow hedges	2	4
Unrealized gains on available-for-sale securities	4	—
Other Comprehensive Income (Loss), net of tax	41	(133)
Comprehensive Income	740	734
Less: Comprehensive Income (Loss) Attributable to Noncontrolling Interests	6	(1)
Comprehensive Income Attributable to Duke Energy Corporation	$ 734	$ 735

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY CORPORATION
Condensed Consolidated Balance Sheets
(Unaudited)

(in millions)	March 31, 2016	December 31, 2015
ASSETS		
Current Assets		
Cash and cash equivalents	$ 778	$ 857
Receivables (net of allowance for doubtful accounts of $18 at March 31, 2016 and December 31, 2015)	609	703
Restricted receivables of variable interest entities (net of allowance for doubtful accounts of $55 at March 31, 2016 and $53 at December 31, 2015)	1,714	1,748
Inventory	3,721	3,810
Regulatory assets	813	877
Other	308	327
Total current assets	7,943	8,322
Investments and Other Assets		
Investments in equity method unconsolidated affiliates	547	499
Nuclear decommissioning trust funds	5,880	5,825
Goodwill	16,349	16,343
Other	3,036	3,042
Total investments and other assets	25,812	25,709
Property, Plant and Equipment		
Cost	113,942	112,826
Accumulated depreciation and amortization	(38,154)	(37,665)
Generation facilities to be retired, net	644	548
Net property, plant and equipment	76,432	75,709
Regulatory Assets and Deferred Debits		
Regulatory assets	11,483	11,373
Other	39	43
Total regulatory assets and deferred debits	11,522	11,416
Total Assets	$ 121,709	$ 121,156
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$ 2,086	$ 2,400
Notes payable and commercial paper	3,486	3,633
Taxes accrued	394	348
Interest accrued	481	430
Current maturities of long-term debt	2,075	2,074
Regulatory liabilities	404	400
Other	1,965	2,115
Total current liabilities	10,891	11,400
Long-Term Debt	38,232	37,495
Deferred Credits and Other Liabilities		
Deferred income taxes	12,825	12,705
Investment tax credits	493	472
Accrued pension and other post-retirement benefit costs	1,077	1,088
Asset retirement obligations	10,269	10,264
Regulatory liabilities	6,278	6,255
Other	1,703	1,706
Total deferred credits and other liabilities	32,645	32,490
Commitments and Contingencies		
Equity		
Common stock, $0.001 par value, 2 billion shares authorized; 689 million and 688 million shares outstanding at March 31, 2016 and December 31, 2015, respectively	1	1
Additional paid-in capital	37,969	37,968
Retained earnings	2,688	2,564
Accumulated other comprehensive loss	(766)	(806)
Total Duke Energy Corporation stockholders' equity	39,892	39,727

Noncontrolling interests		49		44
Total equity		**39,941**		39,771
Total Liabilities and Equity	**$**	**121,709**	$	121,156

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY CORPORATION
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended March 31,	
(in millions)	**2016**	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 699	$ 867
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion (including amortization of nuclear fuel)	931	883
Equity component of AFUDC	(42)	(42)
Gains on sales of other assets	(9)	(16)
Impairment charges	3	43
Deferred income taxes	181	368
Equity in earnings of unconsolidated affiliates	(8)	(13)
Accrued pension and other post-retirement benefit costs	4	18
Contributions to qualified pension plans	—	(132)
Payments for asset retirement obligations	(112)	(26)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	102	(47)
Receivables	121	(41)
Inventory	89	57
Other current assets	13	(63)
Increase (decrease) in		
Accounts payable	(210)	(201)
Taxes accrued	40	(63)
Other current liabilities	(81)	(85)
Other assets	45	30
Other liabilities	(102)	(97)
Net cash provided by operating activities	1,664	1,440
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,645)	(1,411)
Investment expenditures	(59)	(14)
Acquisitions	—	(29)
Purchases of available-for-sale securities	(1,347)	(1,035)
Proceeds from sales and maturities of available-for-sale securities	1,362	1,069
Net proceeds from the sales of other assets	1	1
Change in restricted cash	(32)	(36)
Other	(38)	(1)
Net cash used in investing activities	(1,758)	(1,456)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the:		
Issuance of long-term debt	1,140	497
Issuance of common stock related to employee benefit plans	7	15
Payments for the redemption of long-term debt	(389)	(403)
Proceeds from the issuance of short-term debt with original maturities greater than 90 days	—	187
Payments for the redemption of short-term debt with original maturities greater than 90 days	(92)	(643)
Notes payable and commercial paper	(66)	1,727
Distributions to noncontrolling interests	(1)	—
Dividends paid	(570)	(564)
Other	(14)	(15)
Net cash provided by financing activities	15	801
Net (decrease) increase in cash and cash equivalents	(79)	785
Cash and cash equivalents at beginning of period	857	2,036
Cash and cash equivalents at end of period	$ 778	$ 2,821
Supplemental Disclosures:		
Significant non-cash transactions:		

Accrued capital expenditures	$ 576	$ 438

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY CORPORATION
Condensed Consolidated Statements of Changes in Equity
(Unaudited)

					Accumulated Other Comprehensive Loss						
(in millions)	Common Stock Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Foreign Currency Translation Adjustments	Net Losses on Cash Flow Hedges	Net Unrealized Gains (Losses) on Available-for-Sale-Securities	Pension and OPEB Adjustments	Total Duke Energy Corporation Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2014	707	$ 1	$ 39,405	$ 2,012	$ (439)	$ (59)	$ 3	$ (48)	$ 40,875	$ 24	$40,899
Net income	—	—	—	864	—	—	—	—	864	3	867
Other comprehensive (loss) income	—	—	—	—	(121)	(3)	—	(5)	(129)	(4)	(133)
Common stock issuances, including dividend reinvestment and employee benefits	1	—	8	—	—	—	—	—	8	—	8
Common stock dividends	—	—	—	(564)	—	—	—	—	(564)	—	(564)
Other[(a)]	—	—	—	(3)	—	—	—	—	(3)	13	10
Balance at March 31, 2015	708	$ 1	$ 39,413	$ 2,309	$ (560)	$ (62)	$ 3	$ (53)	$ 41,051	$ 36	$41,087
Balance at December 31, 2015	688	$ 1	$ 37,968	$ 2,564	$ (692)	$ (50)	$ (3)	$ (61)	$ 39,727	$ 44	$39,771
Net income	—	—	—	694	—	—	—	—	694	5	699
Other comprehensive income (loss)	—	—	—	—	48	(12)	4	—	40	1	41
Common stock issuances, including dividend reinvestment and employee benefits	1	—	1	—	—	—	—	—	1	—	1
Common stock dividends	—	—	—	(570)	—	—	—	—	(570)	—	(570)
Distributions to noncontrolling interest in subsidiaries	—	—	—	—	—	—	—	—	—	(1)	(1)
Balance at March 31, 2016	689	$ 1	$ 37,969	$ 2,688	$ (644)	$ (62)	$ 1	$ (61)	$ 39,892	$ 49	$39,941

(a) The $13 million change in Noncontrolling Interests is primarily related to an acquisition of majority interest in a solar company for an insignificant amount of cash consideration.

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY CAROLINAS, LLC
Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

	Three Months Ended March 31,	
(in millions)	**2016**	**2015**
Operating Revenues	**$ 1,740**	$ 1,901
Operating Expenses		
Fuel used in electric generation and purchased power	**421**	578
Operation, maintenance and other	**512**	489
Depreciation and amortization	**259**	249
Property and other taxes	**67**	70
Total operating expenses	**1,259**	1,386
Operating Income	**481**	515
Other Income and Expenses, net	**37**	42
Interest Expense	**107**	102
Income Before Income Taxes	**411**	455
Income Tax Expense	**140**	163
Net Income	**$ 271**	$ 292
Other Comprehensive Income, net of tax		
Reclassification into earnings from cash flow hedges	**1**	—
Comprehensive Income	**$ 272**	$ 292

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY CAROLINAS, LLC
Condensed Consolidated Balance Sheets
(Unaudited)

(in millions)		March 31, 2016		December 31, 2015
ASSETS				
Current Assets				
Cash and cash equivalents	$	17	$	13
Receivables (net of allowance for doubtful accounts of $2 at March 31, 2016 and $3 at December 31, 2015)		129		142
Restricted receivables of variable interest entities (net of allowance for doubtful accounts of $7 at March 31, 2016 and December 31, 2015)		615		596
Receivables from affiliated companies		74		107
Notes receivable from affiliated companies		854		163
Inventory		1,236		1,276
Regulatory assets		269		305
Other		32		128
Total current assets		3,226		2,730
Investments and Other Assets				
Nuclear decommissioning trust funds		3,081		3,050
Other		1,003		999
Total investments and other assets		4,084		4,049
Property, Plant and Equipment				
Cost		39,833		39,398
Accumulated depreciation and amortization		(13,769)		(13,521)
Net property, plant and equipment		26,064		25,877
Regulatory Assets and Deferred Debits				
Regulatory assets		2,801		2,766
Other		4		4
Total regulatory assets and deferred debits		2,805		2,770
Total Assets	$	36,179	$	35,426
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable	$	597	$	753
Accounts payable to affiliated companies		250		229
Taxes accrued		76		25
Interest accrued		134		95
Current maturities of long-term debt		468		356
Regulatory liabilities		48		39
Other		452		519
Total current liabilities		2,025		2,016
Long-Term Debt		8,592		7,711
Long-Term Debt Payable to Affiliated Companies		300		300
Deferred Credits and Other Liabilities				
Deferred income taxes		6,298		6,146
Investment tax credits		197		199
Accrued pension and other post-retirement benefit costs		105		107
Asset retirement obligations		3,913		3,918
Regulatory liabilities		2,829		2,802
Other		642		621
Total deferred credits and other liabilities		13,984		13,793
Commitments and Contingencies				
Equity				
Member's equity		11,288		11,617
Accumulated other comprehensive loss		(10)		(11)
Total equity		11,278		11,606
Total Liabilities and Equity	$	36,179	$	35,426

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY CAROLINAS, LLC
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended March 31,	
(in millions)	**2016**	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 271	$ 292
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including amortization of nuclear fuel)	330	324
Equity component of AFUDC	(23)	(24)
Deferred income taxes	145	113
Accrued pension and other post-retirement benefit costs	1	4
Contributions to qualified pension plans	—	(42)
Payments for asset retirement obligations	(52)	(6)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	3	—
Receivables	2	16
Receivables from affiliated companies	33	(16)
Inventory	40	7
Other current assets	102	2
Increase (decrease) in		
Accounts payable	(165)	(133)
Accounts payable to affiliated companies	21	50
Taxes accrued	52	(17)
Other current liabilities	21	(27)
Other assets	26	44
Other liabilities	(26)	(11)
Net cash provided by operating activities	781	576
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(459)	(448)
Purchases of available-for-sale securities	(785)	(643)
Proceeds from sales and maturities of available-for-sale securities	785	643
Notes receivable from affiliated companies	(691)	(605)
Other	(18)	4
Net cash used in investing activities	(1,168)	(1,049)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	992	496
Payments for the redemption of long-term debt	(1)	—
Distributions to parent	(600)	—
Other	—	(6)
Net cash provided by financing activities	391	490
Net increase in cash and cash equivalents	4	17
Cash and cash equivalents at beginning of period	13	13
Cash and cash equivalents at end of period	$ 17	$ 30
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$ 179	$ 102

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY CAROLINAS, LLC
Condensed Consolidated Statements of Changes in Equity
(Unaudited)

		Accumulated Other Comprehensive Loss		
(in millions)	Member's Equity	Net Losses on Cash Flow Hedges	Net Losses on Available-for-Sale Securities	Total Equity
Balance at December 31, 2014	$ 10,937	$ (12)	$ (1)	$ 10,924
Net income	292	—	—	292
Balance at March 31, 2015	$ 11,229	$ (12)	$ (1)	$ 11,216
Balance at December 31, 2015	$ 11,617	$ (11)	$ —	$ 11,606
Net income	271	—	—	271
Other comprehensive income	—	1	—	1
Distributions to parent	(600)	—	—	(600)
Balance at March 31, 2016	**$ 11,288**	**$ (10)**	**$ —**	**$ 11,278**

See Notes to Condensed Consolidated Financial Statements

PROGRESS ENERGY, INC.
Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

	Three Months Ended March 31,	
(in millions)	**2016**	**2015**
Operating Revenues	$ 2,332	$ 2,536
Operating Expenses		
Fuel used in electric generation and purchased power	860	1,032
Operation, maintanance and other	592	565
Depreciation and amortization	290	287
Property and other taxes	119	111
Impairment charges	2	—
Total operating expenses	1,863	1,995
Gains on Sales of Other Assets and Other, net	6	8
Operating Income	475	549
Other Income and Expenses, net	20	27
Interest Expense	160	168
Income From Continuing Operations Before Income Taxes	335	408
Income Tax Expense From Continuing Operations	123	144
Income From Continuing Operations	212	264
Loss From Discontinued Operations, net of tax	—	(1)
Net Income	212	263
Less: Net Income Attributable to Noncontrolling Interests	3	3
Net Income Attributable to Parent	$ 209	$ 260

Net Income	$ 212	$ 263
Other Comprehensive Income (Loss), net of tax		
Pension and OPEB adjustments	1	1
Reclassification into earnings from cash flow hedges	1	(2)
Unrealized gains on available-for-sale securities	1	—
Other Comprehensive Income (Loss), net of tax	3	(1)
Comprehensive Income	215	262
Less: Comprehensive Income Attributable to Noncontrolling Interests	3	3
Comprehensive Income Attributable to Parent	$ 212	$ 259

See Notes to Condensed Consolidated Financial Statements

PROGRESS ENERGY, INC.
Condensed Consolidated Balance Sheets
(Unaudited)

(in millions)	March 31, 2016	December 31, 2015
ASSETS		
Current Assets		
Cash and cash equivalents	$ 41	$ 44
Receivables (net of allowance for doubtful accounts of $6 at March 31, 2016 and December 31, 2015)	110	151
Restricted receivables of variable interest entities (net of allowance for doubtful accounts of $8 at March 31, 2016 and December 31, 2015)	627	658
Receivables from affiliated companies	37	375
Inventory	1,748	1,751
Regulatory assets	333	362
Other	237	156
Total current assets	3,133	3,497
Investments and Other Assets		
Nuclear decommissioning trust funds	2,798	2,775
Goodwill	3,655	3,655
Other	876	834
Total investments and other assets	7,329	7,264
Property, Plant and Equipment		
Cost	43,166	42,666
Accumulated depreciation and amortization	(15,008)	(14,867)
Generation facilities to be retired, net	531	548
Net property, plant and equipment	28,689	28,347
Regulatory Assets and Deferred Debits		
Regulatory assets	5,498	5,435
Other	5	5
Total regulatory assets and deferred debits	5,503	5,440
Total Assets	$ 44,654	$ 44,548
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$ 666	$ 722
Accounts payable to affiliated companies	256	311
Notes payable to affiliated companies	1,436	1,308
Taxes accrued	95	53
Interest accrued	185	195
Current maturities of long-term debt	265	315
Regulatory liabilities	279	286
Other	861	891
Total current liabilities	4,043	4,081
Long-Term Debt	13,795	13,999
Long-Term Debt Payable to Affiliated Companies	150	150
Deferred Credits and Other Liabilities		
Deferred income taxes	4,937	4,790
Accrued pension and other post-retirement benefit costs	533	536
Asset retirement obligations	5,372	5,369
Regulatory liabilities	2,386	2,387
Other	371	383
Total deferred credits and other liabilities	13,599	13,465
Commitments and Contingencies		
Equity		
Common stock, $0.01 par value, 100 shares authorized and outstanding at March 31, 2016 and December 31, 2015	—	—
Additional paid-in capital	8,092	8,092
Retained earnings	5,040	4,831
Accumulated other comprehensive loss	(45)	(48)

Total Progress Energy, Inc. stockholders' equity		13,087		12,875
Noncontrolling interests		(20)		(22)
Total equity		13,067		12,853
Total Liabilities and Equity	$	44,654	$	44,548

See Notes to Condensed Consolidated Financial Statements

PROGRESS ENERGY, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended March 31,	
(in millions)	**2016**	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 212	$ 263
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion (including amortization of nuclear fuel)	342	329
Equity component of AFUDC	(14)	(14)
Gains on sales of other assets	(7)	(8)
Impairment charges	2	—
Deferred income taxes	182	196
Accrued pension and other post-retirement benefit costs	(6)	(1)
Contributions to qualified pension plans	—	(42)
Payments for asset retirement obligations	(54)	(20)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	6	(22)
Receivables	70	(66)
Receivables from affiliated companies	295	(21)
Inventory	3	47
Other current assets	(76)	302
Increase (decrease) in		
Accounts payable	9	(107)
Accounts payable to affiliated companies	(55)	83
Taxes accrued	42	47
Other current liabilities	(64)	(10)
Other assets	(46)	(21)
Other liabilities	(7)	(28)
Net cash provided by operating activities	834	907
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(750)	(563)
Purchases of available-for-sale securities	(533)	(298)
Proceeds from sales and maturities of available-for-sale securities	548	367
Proceeds from insurance	43	—
Notes receivable from affiliated companies	—	42
Other	(15)	(20)
Net cash used in investing activities	(707)	(472)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	53	—
Payments for the redemption of long-term debt	(310)	(245)
Notes payable to affiliated companies	128	(185)
Distributions to noncontrolling interests	(1)	—
Other	—	(3)
Net cash used in financing activities	(130)	(433)
Net (decrease) increase in cash and cash equivalents	(3)	2
Cash and cash equivalents at beginning of period	44	42
Cash and cash equivalents at end of period	$ 41	$ 44
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$ 228	$ 176

See Notes to Condensed Consolidated Financial Statements

PROGRESS ENERGY, INC.
Condensed Consolidated Statements of Changes in Equity
(Unaudited)

				Accumulated Other Comprehensive Loss					
(in millions)	Common Stock	Additional Paid-in Capital	Retained Earnings	Net Losses on Cash Flow Hedges	Net Unrealized Gains on Available-for-Sale Securities	Pension and OPEB Adjustments	Total Progress Energy, Inc. Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2014	$ —	$ 7,467	$ 3,782	$ (35)	$ 1	$ (7)	$ 11,208	$ (32)	$11,176
Net income	—	—	260	—	—	—	260	3	263
Other comprehensive (loss) income	—	—	—	(2)	—	1	(1)	—	(1)
Other	—	—	(3)	—	—	—	(3)	3	—
Balance at March 31, 2015	$ —	$ 7,467	$ 4,039	$ (37)	$ 1	$ (6)	$ 11,464	$ (26)	$11,438
Balance at December 31, 2015	$ —	$ 8,092	$ 4,831	$ (31)	$ —	$ (17)	$ 12,875	$ (22)	$12,853
Net income	—	—	209	—		—	209	3	212
Other comprehensive income	—	—	—	1	1	1	3	—	3
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(1)	(1)
Balance at March 31, 2016	**$ —**	**$ 8,092**	**$ 5,040**	**$ (30)**	**$ 1**	**$ (16)**	**$ 13,087**	**$ (20)**	**$13,067**

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY PROGRESS, LLC
Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

	Three Months Ended March 31,	
(in millions)	**2016**	**2015**
Operating Revenues	$ 1,307	$ 1,449
Operating Expenses		
Fuel used in electric generation and purchased power	448	575
Operation, maintenance and other	386	375
Depreciation and amortization	175	152
Property and other taxes	41	32
Total operating expenses	1,050	1,134
Gains on Sales of Other Assets and Other, net	1	1
Operating Income	258	316
Other Income and Expenses, net	17	20
Interest Expense	63	60
Income Before Income Taxes	212	276
Income Tax Expense	75	93
Net Income and Comprehensive Income	$ 137	$ 183

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY PROGRESS, LLC
Condensed Consolidated Balance Sheets
(Unaudited)

(in millions)		March 31, 2016		December 31, 2015
ASSETS				
Current Assets				
Cash and cash equivalents	$	11	$	15
Receivables (net of allowance for doubtful accounts of $4 at March 31, 2016 and December 31, 2015)		47		87
Restricted receivables of variable interest entities (net of allowance for doubtful accounts of $5 at March 31, 2016 and December 31, 2015)		372		349
Receivables from affiliated companies		6		16
Inventory		1,074		1,088
Regulatory assets		222		264
Other		51		121
Total current assets		1,783		1,940
Investments and Other Assets				
Nuclear decommissioning trust funds		2,068		2,035
Other		521		486
Total investments and other assets		2,589		2,521
Property, Plant and Equipment				
Cost		27,503		27,313
Accumulated depreciation and amortization		(10,266)		(10,141)
Generation facilities to be retired, net		531		548
Net property, plant and equipment		17,768		17,720
Regulatory Assets and Deferred Debits				
Regulatory assets		2,768		2,710
Other		2		3
Total regulatory assets and deferred debits		2,770		2,713
Total Assets	$	24,910	$	24,894
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable	$	295	$	399
Accounts payable to affiliated companies		176		190
Notes payable to affiliated companies		108		209
Taxes accrued		33		15
Interest accrued		80		96
Current maturities of long-term debt		252		2
Regulatory liabilities		93		85
Other		382		412
Total current liabilities		1,419		1,408
Long-Term Debt		6,163		6,366
Long-Term Debt Payable to Affiliated Companies		150		150
Deferred Credits and Other Liabilities				
Deferred income taxes		3,089		3,027
Investment tax credits		154		132
Accrued pension and other post-retirement benefit costs		261		262
Asset retirement obligations		4,573		4,567
Regulatory liabilities		1,876		1,878
Other		29		45
Total deferred credits and other liabilities		9,982		9,911
Commitments and Contingencies				
Equity				
Member's Equity		7,196		7,059
Total equity		7,196		7,059
Total Liabilities and Equity	$	24,910	$	24,894

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY PROGRESS, LLC
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended March 31,	
(in millions)	**2016**	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 137	$ 183
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion (including amortization of nuclear fuel)	223	193
Equity component of AFUDC	(10)	(13)
Gains on sales of other assets	(2)	(1)
Deferred income taxes	100	138
Accrued pension and other post-retirement benefit costs	(8)	(4)
Contributions to qualified pension plans	—	(21)
Payments for asset retirement obligations	(42)	(6)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	(1)	(4)
Receivables	18	(92)
Receivables from affiliated companies	10	6
Inventory	15	37
Other current assets	83	170
Increase (decrease) in		
Accounts payable	(16)	(52)
Accounts payable to affiliated companies	(14)	63
Taxes accrued	18	14
Other current liabilities	(39)	(28)
Other assets	(17)	(2)
Other liabilities	(4)	(17)
Net cash provided by operating activities	451	564
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(379)	(338)
Purchases of available-for-sale securities	(390)	(149)
Proceeds from sales and maturities of available-for-sale securities	384	144
Notes receivable from affiliated companies	—	32
Other	(13)	(12)
Net cash used in investing activities	(398)	(323)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	53	—
Payments for the redemption of long-term debt	(8)	(243)
Notes payable to affiliated companies	(101)	—
Other	(1)	(1)
Net cash used in financing activities	(57)	(244)
Net decrease in cash and cash equivalents	(4)	(3)
Cash and cash equivalents at beginning of period	15	9
Cash and cash equivalents at end of period	$ 11	$ 6
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$ 55	$ 82

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY PROGRESS, LLC
Condensed Consolidated Statements of Changes in Equity
(Unaudited)

(in millions)	Common Stock	Retained Earnings	Member's Equity	Total Equity
Balance at December 31, 2014	$ 2,159	$ 3,708	$ —	$ 5,867
Net income	—	183	—	183
Balance at March 31, 2015	$ 2,159	$ 3,891	$ —	$ 6,050
Balance at December 31, 2015	$ —	$ —	$ 7,059	$ 7,059
Net income	—	—	137	137
Balance at March 31, 2016	**$ —**	**$ —**	**$ 7,196**	**$ 7,196**

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY FLORIDA, LLC
Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

	Three Months Ended March 31,	
(in millions)	2016	2015
Operating Revenues	$ 1,024	$ 1,086
Operating Expenses		
Fuel used in electric generation and purchased power	412	457
Operation, maintenance and other	205	188
Depreciation and amortization	114	134
Property and other taxes	78	80
Impairment charges	2	—
Total operating expenses	811	859
Operating Income	213	227
Other Income and Expenses, net	5	6
Interest Expense	41	49
Income Before Income Taxes	177	184
Income Tax Expense	67	71
Net Income	$ 110	$ 113
Other Comprehensive Income, net of tax		
Unrealized gains on investments in available-for-sale securities	1	—
Comprehensive Income	$ 111	$ 113

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY FLORIDA, LLC
Condensed Consolidated Balance Sheets
(Unaudited)

(in millions)	March 31, 2016	December 31, 2015
ASSETS		
Current Assets		
Cash and cash equivalents	$ 12	$ 8
Receivables (net of allowance for doubtful accounts of $2 at March 31, 2016 and December 31, 2015)	61	60
Restricted receivables of variable interest entities (net of allowance for doubtful accounts of $3 at March 31, 2016 and December 31, 2015)	256	308
Receivables from affiliated companies	27	84
Inventory	674	663
Regulatory assets	111	98
Other	52	21
Total current assets	1,193	1,242
Investments and Other Assets		
Nuclear decommissioning trust funds	730	740
Other	301	292
Total investments and other assets	1,031	1,032
Property, Plant and Equipment		
Cost	15,652	15,343
Accumulated depreciation and amortization	(4,734)	(4,720)
Net property, plant and equipment	10,918	10,623
Regulatory Assets and Deferred Debits		
Regulatory assets	2,730	2,725
Other	2	2
Total regulatory assets and deferred debits	2,732	2,727
Total Assets	$ 15,874	$ 15,624
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$ 371	$ 322
Accounts payable to affiliated companies	76	116
Notes payable to affiliated companies	948	813
Taxes accrued	62	132
Interest accrued	59	43
Current maturities of long-term debt	13	13
Regulatory liabilities	186	200
Other	451	452
Total current liabilities	2,166	2,091
Long-Term Debt	4,252	4,253
Deferred Credits and Other Liabilities		
Deferred income taxes	2,544	2,460
Accrued pension and other post-retirement benefit costs	240	242
Asset retirement obligations	799	802
Regulatory liabilities	509	509
Other	132	146
Total deferred credits and other liabilities	4,224	4,159
Commitments and Contingencies		
Equity		
Member's equity	5,231	5,121
Accumulated other comprehensive income	1	—
Total equity	5,232	5,121
Total Liabilities and Equity	$ 15,874	$ 15,624

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY FLORIDA, LLC
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended March 31,	
(in millions)	**2016**	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 110	$ 113
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	116	136
Equity component of AFUDC	(4)	(1)
Impairment charges	2	—
Deferred income taxes	83	39
Accrued pension and other post-retirement benefit costs	1	1
Contributions to qualified pension plans	—	(21)
Payments for asset retirement obligations	(12)	(14)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	7	(20)
Receivables	52	24
Receivables from affiliated companies	14	(20)
Inventory	(12)	10
Other current assets	(44)	143
Increase (decrease) in		
Accounts payable	25	(54)
Accounts payable to affiliated companies	(40)	15
Taxes accrued	(70)	61
Other current liabilities	(14)	24
Other assets	(30)	(17)
Other liabilities	(6)	(15)
Net cash provided by operating activities	178	404
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(370)	(224)
Purchases of available-for-sale securities	(143)	(149)
Proceeds from sales and maturities of available-for-sale securities	164	223
Proceeds from insurance	43	—
Other	(1)	(7)
Net cash used in investing activities	(307)	(157)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for the redemption of long-term debt	(2)	(2)
Notes payable to affiliated companies	135	108
Dividends to parent	—	(350)
Other	—	(1)
Net cash provided by (used in) financing activities	133	(245)
Net increase in cash and cash equivalents	4	2
Cash and cash equivalents at beginning of period	8	8
Cash and cash equivalents at end of period	$ 12	$ 10
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$ 173	$ 94

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY FLORIDA, LLC
Condensed Consolidated Statements of Changes in Equity
(Unaudited)

(in millions)	Common Stock	Retained Earnings	Member's Equity	Accumulated Other Comprehensive Income — Net Unrealized Gains on Available-for-Sale Securities	Total Equity
Balance at December 31, 2014	$ 1,762	$ 3,460	$ —	$ —	$ 5,222
Net income	—	113	—	—	113
Dividends to parent	—	(350)	—	—	(350)
Balance at March 31, 2015	$ 1,762	$ 3,223	$ —	$ —	$ 4,985
Balance at December 31, 2015	$ —	$ —	$ 5,121	$ —	$ 5,121
Net income	—	—	110	—	110
Other comprehensive income	—	—	—	1	1
Balance at March 31, 2016	$ —	$ —	$ 5,231	$ 1	$ 5,232

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY OHIO, INC.
Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

	Three Months Ended March 31,	
(in millions)	**2016**	**2015**
Operating Revenues		
Regulated electric	$ 340	$ 339
Nonregulated electric and other	6	14
Regulated natural gas	170	233
Total operating revenues	516	586
Operating Expenses		
Fuel used in electric generation and purchased power – regulated	111	115
Fuel used in electric generation and purchased power – nonregulated	10	14
Cost of natural gas	49	97
Operation, maintenance and other	119	128
Depreciation and amortization	61	57
Property and other taxes	71	70
Total operating expenses	421	481
Gains on Sales of Other Assets and Other, net	1	6
Operating Income	96	111
Other Income and Expenses, net	2	3
Interest Expense	20	20
Income From Continuing Operations Before Income Taxes	78	94
Income Tax Expense From Continuing Operations	21	35
Income From Continuing Operations	57	59
Income From Discontinued Operations, net of tax	2	90
Net Income and Comprehensive Income	$ 59	$ 149

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY OHIO, INC.
Condensed Consolidated Balance Sheets
(Unaudited)

(in millions)	March 31, 2016	December 31, 2015
ASSETS		
Current Assets		
Cash and cash equivalents	$ 19	$ 14
Receivables (net of allowance for doubtful accounts of $2 at March 31, 2016 and December 31, 2015)	85	66
Receivables from affiliated companies	93	84
Notes receivable from affiliated companies	19	—
Inventory	105	105
Regulatory assets	26	36
Other	32	110
Total current assets	379	415
Investments and Other Assets		
Goodwill	920	920
Other	20	20
Total investments and other assets	940	940
Property, Plant and Equipment		
Cost	7,803	7,750
Accumulated depreciation and amortization	(2,515)	(2,507)
Net property, plant and equipment	5,288	5,243
Regulatory Assets and Deferred Debits		
Regulatory assets	503	497
Other	2	2
Total regulatory assets and deferred debits	505	499
Total Assets	$ 7,112	$ 7,097
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$ 211	$ 207
Accounts payable to affiliated companies	53	53
Notes payable to affiliated companies	8	103
Taxes accrued	141	171
Interest accrued	29	18
Current maturities of long-term debt	55	106
Regulatory liabilities	18	12
Other	151	153
Total current liabilities	666	823
Long-Term Debt	1,562	1,467
Long-Term Debt Payable to Affiliated Companies	25	25
Deferred Credits and Other Liabilities		
Deferred income taxes	1,427	1,407
Accrued pension and other post-retirement benefit costs	55	56
Asset retirement obligations	125	125
Regulatory liabilities	245	245
Other	164	165
Total deferred credits and other liabilities	2,016	1,998
Commitments and Contingencies		
Equity		
Common stock, $8.50 par value, 120,000,000 shares authorized; 89,663,086 shares outstanding at March 31, 2016 and December 31, 2015	762	762
Additional paid-in capital	2,720	2,720
Accumulated deficit	(639)	(698)
Total equity	2,843	2,784
Total Liabilities and Equity	$ 7,112	$ 7,097

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY OHIO, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended March 31,	
(in millions)	**2016**	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 59	$ 149
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	62	58
Equity component of AFUDC	(1)	(1)
Gains on sales of other assets and other, net	(1)	(6)
Impairment charges	—	40
Deferred income taxes	11	25
Accrued pension and other post-retirement benefit costs	1	2
Contributions to qualified pension plans	—	(1)
Payments for asset retirement obligations	(1)	—
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	2	(28)
Receivables	(18)	(8)
Receivables from affiliated companies	(9)	16
Inventory	1	(3)
Other current assets	78	80
Increase (decrease) in		
Accounts payable	(1)	20
Accounts payable to affiliated companies	—	49
Taxes accrued	(31)	(4)
Other current liabilities	14	24
Other assets	(2)	15
Other liabilities	—	(74)
Net cash provided by operating activities	164	353
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(85)	(81)
Net proceeds from the sales of other assets	1	—
Notes receivable from affiliated companies	(19)	105
Other	(5)	—
Net cash (used in) provided by investing activities	(108)	24
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	95	—
Payments for the redemption of long-term debt	(51)	(151)
Notes payable to affiliated companies	(95)	(193)
Other	—	(1)
Net cash used in financing activities	(51)	(345)
Net increase in cash and cash equivalents	5	32
Cash and cash equivalents at beginning of period	14	20
Cash and cash equivalents at end of period	$ 19	$ 52
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$ 31	$ 15

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY OHIO, INC.
Condensed Consolidated Statements of Changes in Equity
(Unaudited)

(in millions)	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total Equity
Balance at December 31, 2014	$ 762	$ 4,782	$ (870)	$ 4,674
Net Income	—	—	149	149
Balance at March 31, 2015	$ 762	$ 4,782	$ (721)	$ 4,823
Balance at December 31, 2015	$ 762	$ 2,720	$ (698)	$ 2,784
Net income	—	—	59	59
Balance at March 31, 2016	$ 762	$ 2,720	$ (639)	$ 2,843

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY INDIANA, LLC
Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

	Three Months Ended March 31,	
(in millions)	**2016**	**2015**
Operating Revenues	**$ 714**	$ 788
Operating Expenses		
Fuel used in electric generation and purchased power	**228**	294
Operation, maintenance and other	**162**	181
Depreciation and amortization	**125**	104
Property and other taxes	**23**	(1)
Total operating expenses	**538**	578
Operating Income	**176**	210
Other Income and Expenses, net	**4**	5
Interest Expense	**44**	45
Income Before Income Taxes	**136**	170
Income Tax Expense	**41**	62
Net Income	**$ 95**	$ 108
Other Comprehensive Loss, net of tax		
Reclassification into earnings from cash flow hedges	**(1)**	(1)
Comprehensive Income	**$ 94**	$ 107

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY INDIANA, LLC
Condensed Consolidated Balance Sheets
(Unaudited)

(in millions)	March 31, 2016	December 31, 2015
ASSETS		
Current Assets		
Cash and cash equivalents	$ 17	$ 9
Receivables (net of allowance for doubtful accounts of $1 at March 31, 2016 and December 31, 2015)	82	96
Receivables from affiliated companies	64	71
Notes receivable from affiliated companies	102	83
Inventory	525	570
Regulatory assets	114	102
Other	16	15
Total current assets	920	946
Investments and Other Assets	208	212
Property, Plant and Equipment		
Cost	13,864	14,007
Accumulated depreciation and amortization	(4,472)	(4,484)
Generation facilities to be retired, net	113	—
Net property, plant and equipment	9,505	9,523
Regulatory Assets and Deferred Debits		
Regulatory assets	766	716
Other	2	2
Total regulatory assets and deferred debits	768	718
Total Assets	$ 11,401	$ 11,399
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$ 124	$ 189
Accounts payable to affiliated companies	61	83
Taxes accrued	119	89
Interest accrued	51	56
Current maturities of long-term debt	547	547
Regulatory liabilities	60	62
Other	78	97
Total current liabilities	1,040	1,123
Long-Term Debt	3,071	3,071
Long-Term Debt Payable to Affiliated Companies	150	150
Deferred Credits and Other Liabilities		
Deferred income taxes	1,650	1,657
Investment tax credits	138	138
Accrued pension and other post-retirement benefit costs	78	80
Asset retirement obligations	525	525
Regulatory liabilities	759	754
Other	60	65
Total deferred credits and other liabilities	3,210	3,219
Commitments and Contingencies		
Equity		
Member's equity	3,930	—
Common stock, no par; $0.01 stated value, 60,000,000 shares authorized; 53,913,701 shares outstanding at December 31, 2015	—	1
Additional paid-in capital	—	1,384
Retained earnings	—	2,450
Accumulated other comprehensive income	—	1
Total equity	3,930	3,836
Total Liabilities and Equity	$ 11,401	$ 11,399

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY INDIANA, LLC
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended March 31,	
(in millions)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 95	$ 108
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	127	105
Equity component of AFUDC	(3)	(3)
Deferred income taxes	(16)	140
Accrued pension and other post-retirement benefit costs	2	3
Contributions to qualified pension plans	—	(9)
Payments for asset retirement obligations	(5)	—
(Increase) decrease in		
Receivables	16	3
Receivables from affiliated companies	7	1
Inventory	45	(5)
Other current assets	(19)	9
Increase (decrease) in		
Accounts payable	(44)	21
Accounts payable to affiliated companies	(22)	1
Taxes accrued	30	13
Other current liabilities	(18)	6
Other assets	(4)	(8)
Other liabilities	(11)	(24)
Net cash provided by operating activities	180	361
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(151)	(188)
Purchases of available-for-sale securities	(5)	(3)
Proceeds from sales and maturities of available-for-sale securities	4	2
Notes receivable from affiliated companies	(19)	(106)
Other	(1)	16
Net cash used in investing activities	(172)	(279)
CASH FLOWS FROM FINANCING ACTIVITIES		
Notes payable to affiliated companies	—	(71)
Other	—	(1)
Net cash used in financing activities	—	(72)
Net increase in cash and cash equivalents	8	10
Cash and cash equivalents at beginning of period	9	6
Cash and cash equivalents at end of period	$ 17	$ 16
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$ 42	$ 60

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY INDIANA, LLC
Condensed Consolidated Statements of Changes in Equity
(Unaudited)

						Accumulated Other Comprehensive Income	
(in millions)	**Common Stock**	**Additional Paid-in Capital**	**Retained Earnings**	**Member's Equity**		**Net Gains on Cash Flow Hedges**	**Total Equity**
Balance at December 31, 2014	$ 1	$ 1,384	$ 2,460	$ —		$ 3	$ 3,848
Net income	—	—	108	—		—	108
Other comprehensive loss	—	—	—	—		(1)	(1)
Balance at March 31, 2015	$ 1	$ 1,384	$ 2,568	$ —		$ 2	$ 3,955
Balance at December 31, 2015	$ 1	$ 1,384	$ 2,450	$ —		$ 1	$ 3,836
Net Income	—	—	—	95		—	95
Other comprehensive loss	—	—	—	—		(1)	(1)
Transfer to Member's Equity	(1)	(1,384)	(2,450)	3,835		—	—
Balance at March 31, 2016	$ —	$ —	$ —	$ 3,930		$ —	$ 3,930

See Notes to Condensed Consolidated Financial Statements

Index to Combined Notes to Condensed Consolidated Financial Statements

The unaudited notes to the condensed consolidated financial statements that follow are a combined presentation. The following list indicates the registrants to which the footnotes apply. Tables within the notes may not sum across due to Progress Energy's consolidation of Duke Energy Progress, Duke Energy Florida and other subsidiaries that are not registrants as the Duke Energy amounts include balances from subsidiaries that are not registrants.

	Applicable Notes																
Registrant	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**
Duke Energy Corporation	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Duke Energy Carolinas, LLC	•		•	•	•	•		•	•	•	•	•			•	•	•
Progress Energy, Inc.	•	•	•	•	•	•	•	•	•	•	•	•			•	•	•
Duke Energy Progress, LLC	•	•	•	•	•	•		•	•	•	•	•			•	•	•
Duke Energy Florida, LLC	•		•	•	•	•		•	•	•	•	•			•	•	•
Duke Energy Ohio, Inc.	•	•	•	•	•	•	•	•	•		•	•			•	•	•
Duke Energy Indiana, LLC	•		•	•	•	•		•	•	•	•	•			•	•	•

1. ORGANIZATION AND BASIS OF PRESENTATION

NATURE OF OPERATIONS AND BASIS OF CONSOLIDATION

Duke Energy Corporation (collectively with its subsidiaries, Duke Energy) is an energy company headquartered in Charlotte, North Carolina, subject to regulation by the Federal Energy Regulatory Commission (FERC). Duke Energy operates in the United States (U.S.) and Latin America primarily through its direct and indirect subsidiaries. Duke Energy's subsidiaries include its subsidiary registrants, Duke Energy Carolinas, LLC (Duke Energy Carolinas); Progress Energy, Inc. (Progress Energy); Duke Energy Progress, LLC (Duke Energy Progress); Duke Energy Florida, LLC (Duke Energy Florida); Duke Energy Ohio, Inc. (Duke Energy Ohio) and Duke Energy Indiana, LLC (Duke Energy Indiana, formerly Duke Energy Indiana, Inc.). When discussing Duke Energy's consolidated financial information, it necessarily includes the results of its six separate subsidiary registrants (collectively referred to as the Subsidiary Registrants), which, along with Duke Energy, are collectively referred to as the Duke Energy Registrants (Duke Energy Registrants).

These Condensed Consolidated Financial Statements include, after eliminating intercompany transactions and balances, the accounts of the Duke Energy Registrants and subsidiaries where the respective Duke Energy Registrants have control. These Condensed Consolidated Financial Statements also reflect the Duke Energy Registrants' proportionate share of certain jointly owned generation and transmission facilities.

Duke Energy Carolinas is a regulated public utility primarily engaged in the generation, transmission, distribution and sale of electricity in portions of North Carolina and South Carolina. Duke Energy Carolinas is subject to the regulatory provisions of the North Carolina Utilities Commission (NCUC), Public Service Commission of South Carolina (PSCSC), U.S. Nuclear Regulatory Commission (NRC) and FERC. Substantially all of Duke Energy Carolinas' operations qualify for regulatory accounting.

Progress Energy is a public utility holding company headquartered in Raleigh, North Carolina, subject to regulation by the FERC. Progress Energy conducts operations through its wholly owned subsidiaries, Duke Energy Progress and Duke Energy Florida. Substantially all of Progress Energy's operations qualify for regulatory accounting.

Duke Energy Progress is a regulated public utility primarily engaged in the generation, transmission, distribution and sale of electricity in portions of North Carolina and South Carolina. Duke Energy Progress is subject to the regulatory provisions of the NCUC, PSCSC, NRC and FERC. Substantially all of Duke Energy Progress' operations qualify for regulatory accounting.

Duke Energy Florida is a regulated public utility primarily engaged in the generation, transmission, distribution and sale of electricity in portions of Florida. Duke Energy Florida is subject to the regulatory provisions of the Florida Public Service Commission (FPSC), NRC and FERC. Substantially all of Duke Energy Florida's operations qualify for regulatory accounting.

Duke Energy Ohio is a regulated public utility primarily engaged in the transmission and distribution of electricity in portions of Ohio and Kentucky, the generation and sale of electricity in portions of Kentucky, and the transportation and sale of natural gas in portions of Ohio and Kentucky. Duke Energy Ohio conducts competitive auctions for retail electricity supply in Ohio whereby the energy price is recovered from retail customers and recorded in Operating Revenues on the Condensed Consolidated Statements of Operations and Comprehensive Income. Operations in Kentucky are conducted through its wholly owned subsidiary, Duke Energy Kentucky, Inc. (Duke Energy Kentucky). References herein to Duke Energy Ohio collectively include Duke Energy Ohio and its subsidiaries, unless otherwise noted. Duke Energy Ohio is subject to the regulatory provisions of the Public Utilities Commission of Ohio (PUCO), Kentucky Public Service Commission (KPSC) and FERC. On April 2, 2015, Duke Energy completed the sale of its nonregulated Midwest generation business, which sold power into wholesale energy markets, to a subsidiary of Dynegy Inc. (Dynegy). See Note 2 for additional information. Substantially all of Duke Energy Ohio's operations that remain after the sale qualify for regulatory accounting.

Duke Energy Indiana is a regulated public utility primarily engaged in the generation, transmission, distribution and sale of electricity in portions of Indiana. Duke Energy Indiana is subject to the regulatory provisions of the Indiana Utility Regulatory Commission (IURC) and FERC. Substantially all of Duke Energy Indiana's operations qualify for regulatory accounting. On January 1, 2016, Duke Energy Indiana, an Indiana corporation, converted into an Indiana limited liability company.

BASIS OF PRESENTATION

Duke Energy completed the sale of Duke Energy Ohio's nonregulated Midwest generation business and Duke Energy Retail Sales (collectively, the Disposal Group), a retail sales business owned by Duke Energy, to Dynegy on April 2, 2015. The results of operations of these businesses prior to the date of sale have been classified as Discontinued Operations on the Condensed Consolidated Statements of Operations. Duke Energy has elected to present cash flows of discontinued operations combined with cash flows of continuing operations. Unless otherwise noted, the notes to these Condensed Consolidated Financial Statements exclude amounts related to discontinued operations, assets held for sale and liabilities associated with assets held for sale. See Note 2 for additional information.

These Condensed Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles (GAAP) in the U.S. for interim financial information and with the instructions to Form 10-Q and Regulation S-X. Accordingly, these Condensed Consolidated Financial Statements do not include all information and notes required by GAAP in the U.S. for annual financial statements. Since the interim Condensed Consolidated Financial Statements and Notes do not include all information and notes required by GAAP in the U.S. for annual financial statements, the Condensed Consolidated Financial Statements and other information included in this quarterly report should be read in conjunction with the Consolidated Financial Statements and Notes in the Duke Energy Registrants' combined Annual Report on Form 10-K for the year ended December 31, 2015.

The information in these combined notes relates to each of the Duke Energy Registrants as noted in the Index to Combined Notes to Condensed Consolidated Financial Statements. However, none of the registrants make any representations as to information related solely to Duke Energy or the subsidiaries of Duke Energy other than itself.

These Condensed Consolidated Financial Statements, in the opinion of the respective companies' management, reflect all normal recurring adjustments necessary to fairly present the financial position and results of operations of each of the Duke Energy Registrants. Amounts reported in Duke Energy's interim Condensed Consolidated Statements of Operations and each of the Subsidiary Registrants' interim Condensed Consolidated Statements of Operations and Comprehensive Income are not necessarily indicative of amounts expected for the respective annual periods due to effects of seasonal temperature variations on energy consumption, regulatory rulings, timing of maintenance on electric generating units, changes in mark-to-market valuations, changing commodity prices and other factors.

In preparing financial statements that conform to GAAP, management must make estimates and assumptions that affect the reported amounts of assets and liabilities, the reported amounts of revenues and expenses, and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Certain prior year amounts have been reclassified to conform to the current year presentation.

UNBILLED REVENUE

Revenues on sales of electricity and natural gas are recognized when service is provided or the product is delivered. Unbilled revenues are recognized by applying customer billing rates to the estimated volumes of energy delivered but not yet billed. Unbilled revenues can vary significantly from period to period as a result of seasonality, weather, customer usage patterns, customer mix, average price in effect for customer classes, timing of rendering customer bills and meter reading schedules.

Unbilled revenues, which are included within Receivables and Restricted receivables of variable interest entities on the Condensed Consolidated Balance Sheets, are presented in the following table.

(in millions)	March 31, 2016	December 31, 2015
Duke Energy	$ 715	$ 748
Duke Energy Carolinas	288	283
Progress Energy	158	172
Duke Energy Progress	85	102
Duke Energy Florida	73	70
Duke Energy Ohio	2	3
Duke Energy Indiana	33	31

Additionally, Duke Energy Ohio and Duke Energy Indiana sell nearly all of their retail accounts receivable to an affiliate, Cinergy Receivables Company, LLC (CRC), on a revolving basis. These transfers of receivables are accounted for as sales and include receivables for unbilled revenues. Accordingly, the receivables sold are not reflected on the Condensed Consolidated Balance Sheets of Duke Energy Ohio and Duke Energy Indiana. See Note 12 for further information. These receivables for unbilled revenues are shown in the table below.

(in millions)	March 31, 2016	December 31, 2015
Duke Energy Ohio	$ 61	$ 71
Duke Energy Indiana	88	97

AMOUNTS ATTRIBUTABLE TO CONTROLLING INTERESTS

Income from Discontinued Operations, net of tax presented on the respective Condensed Consolidated Statements of Operations for Duke Energy and Progress Energy is attributable only to controlling interests for all periods presented. Other comprehensive income reported on the Condensed Consolidated Statements of Changes in Equity for Progress Energy is attributable only to controlling interests for all periods presented.

ACCUMULATED OTHER COMPREHENSIVE INCOME

For the three months ended March 31, 2016 and 2015, reclassifications out of accumulated other comprehensive income (AOCI) for the Duke Energy Registrants were not material. Changes in AOCI for the Duke Energy Registrants are presented in their respective Condensed Consolidated Statements of Equity.

EXCISE TAXES

Certain excise taxes levied by state or local governments are required to be paid even if not collected from the customer. These taxes are recognized on a gross basis. Otherwise, excise taxes are accounted for net.

Excise taxes accounted for on a gross basis as both operating revenues and property and other taxes on the Condensed Consolidated Statements of Operations were as follows.

	Three Months Ended March 31,	
(in millions)	**2016**	**2015**
Duke Energy	$ 91	$ 100
Duke Energy Carolinas	8	9
Progress Energy	47	49
Duke Energy Progress	5	4
Duke Energy Florida	42	45
Duke Energy Ohio	28	32
Duke Energy Indiana	8	10

NEW ACCOUNTING STANDARDS

The new accounting standards adopted for 2016 and 2015 had no material impact on the presentation or results of operations, cash flows or financial position of the Duke Energy Registrants. The following accounting standards were adopted by the Duke Energy Registrants during 2015.

Reporting Discontinued Operations. In April 2014, the Financial Accounting Standards Board (FASB) issued revised accounting guidance for reporting discontinued operations. A discontinued operation would be either (i) a component of an entity or a group of components of an entity that represents a separate major line of business or major geographical area of operations that either has been disposed of or is part of a single coordinated plan to be classified as held for sale or (ii) a business that, upon acquisition, meets the criteria to be classified as held for sale.

For Duke Energy, the revised accounting guidance is effective on a prospective basis for qualified disposals of components or classifications as held for sale that occur after January 1, 2015. Duke Energy has not reported any discontinued operations under the revised accounting guidance.

Balance Sheet Classification of Deferred Taxes. In November 2015, the FASB issued revised accounting guidance for the Balance Sheet classification of deferred taxes. The core principle of this revised accounting guidance is that all deferred tax assets and liabilities should be classified as noncurrent. For Duke Energy, this revised accounting guidance was adopted prospectively for December 31, 2015.

Balance Sheet Presentation of Debt Issuance Costs. In April and August of 2015, the FASB issued revised accounting guidance for the presentation of debt issuance costs. The core principle of this revised accounting guidance is that debt issuance costs are not assets, but adjustments to the carrying cost of debt. For Duke Energy, this revised accounting guidance was adopted retrospectively.

The implementation of this accounting standard resulted in a reduction of Other within Regulatory Assets and Deferred Debits and in Long-Term Debt of $173 million and $170 million on the Condensed Consolidated Balance Sheets as of March 31, 2016 and December 31, 2015, respectively.

Fair Value Disclosures for Certain Investments. In May 2015, the FASB issued revised accounting guidance for investments in certain entities that use net asset value per share (or its equivalent) as a practical expedient to determine fair value. The core principle of this revised accounting guidance is that the valuation of investments using the practical expedient should not be categorized within the fair value hierarchy (i.e., as Level 1, 2 or 3). The practical expedient applies to investments in investment companies for which there is not a readily determinable fair value (market quote) or the investment is not in a mutual fund with a publicly available net asset value. For Duke Energy, this revised accounting guidance was adopted retrospectively.

The implementation of this guidance is reflected in Note 11, "Fair Value Measurements."

The following new Accounting Standards Updates (ASUs) have been issued, but have not yet been adopted by Duke Energy, as of March 31, 2016.

Revenue from Contracts with Customers. In May 2014, the FASB issued revised accounting guidance for revenue recognition from contracts with customers. The core principle of this guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this update also require disclosure of sufficient information to allow users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

For Duke Energy, the revised accounting guidance is effective for interim and annual periods beginning January 1, 2018, although it can be early adopted for annual periods beginning January 1, 2017. The guidance can be applied retrospectively to all prior reporting periods presented or retrospectively with a cumulative effect as of the initial date of application. Duke Energy is currently evaluating the requirements. The ultimate impact of the new standard has not yet been determined.

Financial Instruments Classification and Measurement. In January 2016, the FASB issued revised accounting guidance for the classification and measurement of financial instruments. Changes in the fair value of all equity securities will be required to be recorded in net income. Current GAAP allows some changes in fair value for available-for-sale equity securities to be recorded in AOCI. Additional disclosures will be required to present separately the financial assets and financial liabilities by measurement category and form of financial asset. Investments accounted for using the equity method of accounting are not included within the scope of this revised guidance.

For Duke Energy, the revised accounting guidance is effective for interim and annual periods beginning January 1, 2018, by recording a cumulative effect to the balance sheet as of January 1, 2018. This guidance is expected to have a minimal impact on Duke Energy's Condensed Consolidated Statements of Comprehensive Income as changes in the fair value of most of Duke Energy's available-for-sale equity securities are deferred as regulatory assets or liabilities.

Leases. In February 2016, the FASB issued revised accounting guidance for leases. The core principle of this guidance is that a lessee should recognize the assets and liabilities that arise from leases on the balance sheet. For Duke Energy, this guidance is effective for interim and annual periods beginning January 1, 2019, although it can be early adopted. The guidance is applied using a modified retrospective approach. Duke Energy is currently evaluating the requirements. Other than an expected increase in assets and liabilities, the ultimate impact of the new standard has not yet been determined.

Stock-Based Compensation and Income Taxes. In March 2016, the FASB issued revised accounting guidance for stock-based compensation and the associated income taxes. This is a simplification initiative of the FASB. This standard changes certain aspects of accounting for share-based payment awards to employees including the accounting for income taxes, statutory tax withholding requirements, as well as the classification on the Condensed Consolidated Statements of Cash Flows. This guidance will be applied prospectively, retrospectively, or using a modified retrospective transition method depending on the item changed. For Duke Energy, this guidance is effective for interim and annual periods beginning January 1, 2017, although it can be early adopted. Duke Energy is currently evaluating the requirements. The primary change expected is an increase in the volatility of income tax expense.

2. ACQUISITIONS AND DISPOSITIONS

ACQUISITIONS

The Duke Energy Registrants consolidate assets and liabilities from acquisitions as of the purchase date, and include earnings from acquisitions in consolidated earnings after the purchase date.

Acquisition of Piedmont Natural Gas

On October 24, 2015, Duke Energy entered into an Agreement and Plan of Merger (Merger Agreement) with Piedmont Natural Gas Company, Inc. (Piedmont), a North Carolina corporation. Under the terms of the Merger Agreement, Duke Energy will acquire Piedmont for $4.9 billion in cash and Piedmont will become a wholly owned subsidiary of Duke Energy. In addition, Duke Energy will assume Piedmont's existing debt, which was approximately $2.0 billion at January 31, 2016, the end of Piedmont's most recent quarter. Duke Energy expects to finance the transaction with a combination of debt, equity issuances and other cash sources. As of March 31, 2016, Duke Energy entered into $1.4 billion of forward-starting interest rate swaps to manage interest rate exposure for the expected financing of the Piedmont acquisition. For additional information on the forward-starting swaps, see Note 9.

In March, 2016, Duke Energy marketed an equity offering of 10.6 million shares of Duke Energy common stock. In lieu of issuing equity at the time of the offering, Duke Energy entered into equity forward sale agreements (the Equity Forwards) with Barclays Capital, Inc. (Barclays). Duke Energy expects to settle the Equity Forwards on or around the closing date of the Piedmont acquisition. The net proceeds received upon settlement are expected to be used to finance a portion of the acquisition of Piedmont. For additional information regarding the Equity Forwards, see Note 13.

In connection with the Merger Agreement with Piedmont, Duke Energy entered into a $4.9 billion senior unsecured bridge financing facility (Bridge Facility) with Barclays. The Bridge Facility, if drawn upon, may be used to (i) fund the cash consideration for the transaction and (ii) pay certain fees and expenses in connection with the transaction. In November 2015, Barclays syndicated its commitment under the Bridge Facility to a broader group of lenders. Duke Energy does not expect to draw upon the Bridge Facility. The amount of the Bridge Facility is reduced by any financings related to the Piedmont acquisition entered into by Duke Energy, and has accordingly been reduced to $4.2 billion as a result of the Equity Forwards.

Piedmont's shareholders have approved the company's acquisition by Duke Energy and the Federal Trade Commission (FTC) has granted early termination of the 30-day waiting period under the federal Hart-Scott-Rodino Antitrust Improvements Act of 1976. On January 15, 2016, Duke Energy and Piedmont filed an application with the NCUC for approval of the proposed business combination and associated financing transactions. On January 29, 2016, the NCUC approved Duke Energy's proposed financing transactions. The NCUC issued its Scheduling Order on March 2, 2016, setting a public and evidentiary hearing to begin on July 18, 2016. On March 7, 2016, the KPSC granted Duke Energy's declaratory request that the transaction does not constitute a change in control and does not require KPSC approval. The Tennessee Regulatory Authority approved Duke Energy's and Piedmont's request of the change in control resulting from the transaction at its March 14, 2016 meeting. Subject to receipt of required regulatory approvals and meeting closing conditions, Duke Energy and Piedmont expect to close the transaction by the end of 2016.

The Merger Agreement contains certain termination rights for both Duke Energy and Piedmont, and provides that, upon termination of the Merger Agreement under specified circumstances, Duke Energy would be required to pay a termination fee of $250 million to Piedmont and Piedmont would be required to pay Duke Energy a termination fee of $125 million.

See Note 4 for additional information regarding Duke Energy and Piedmont's joint investment in Atlantic Coast Pipeline, LLC (ACP).

Purchase of NCEMPA's Generation

On July 31, 2015, Duke Energy Progress completed the purchase of North Carolina Eastern Municipal Power Agency's (NCEMPA) ownership interests in certain generating assets, fuel and spare parts inventory jointly owned with and operated by Duke Energy Progress for approximately $1.25 billion. This purchase was accounted for as an asset acquisition. The purchase resulted in the acquisition of a total of approximately 700 megawatts (MW) of generating capacity at Brunswick Nuclear Plant, Shearon Harris Nuclear Plant, Mayo Steam Plant and Roxboro Steam Plant. In connection with this transaction, Duke Energy Progress and NCEMPA entered into a 30-year wholesale power agreement, whereby Duke Energy Progress will sell power to NCEMPA to continue to meet the needs of NCEMPA customers.

The purchase price exceeds the historical carrying value of the acquired assets by $350 million, which was recognized as an acquisition adjustment, and recorded in property, plant and equipment. Duke Energy Progress established a rider in North Carolina to recover the costs to acquire, operate and maintain interests in the assets purchased as allocated to its North Carolina retail operations, including the purchase acquisition adjustment, and included the purchase acquisition adjustment in wholesale power formula rates. Duke Energy Progress received an order from the PSCSC to defer the recovery of the South Carolina retail allocated costs of the asset purchased until the Company's next general rate case.

DISPOSITIONS

Potential Sale of International Energy

In February 2016, Duke Energy announced it had initiated a process to divest the International Energy business segment, excluding the equity method investment in National Methanol Company (NMC). Duke Energy is in the early stages and there have been no binding or non-binding offers submitted. Duke Energy can provide no assurance that this process will result in a transaction and there is no specific timeline for execution of a potential transaction. Proceeds from a successful exit would be used by Duke Energy to fund the operations and growth of domestic businesses. If the potential of a sale were to progress, it could result in classification of International Energy as assets held for sale and as a discontinued operation. As of March 31, 2016, the International Energy segment had a carrying value of approximately $2.6 billion, adjusted for $644 million of cumulative foreign currency translation losses currently classified as accumulated other comprehensive loss.

Midwest Generation Exit

Duke Energy, through indirect subsidiaries, completed the sale of the Disposal Group to a subsidiary of Dynegy on April 2, 2015, for approximately $2.8 billion in cash. The nonregulated Midwest generation business included generation facilities with approximately 5,900 MW of owned capacity located in Ohio, Pennsylvania, and Illinois. On April 1, 2015, prior to the sale, Duke Energy Ohio distributed its indirect ownership interest in the nonregulated Midwest generation business to a subsidiary of Duke Energy Corporation.

The Disposal Group's results of operations are classified as discontinued operations in the accompanying Condensed Consolidated Statements of Operations and Comprehensive Income. Current-year activity primarily relates to tax adjustments related to the Disposal Group. The following table presents the results of discontinued operations for the three months ended March 31, 2015.

(in millions)	Duke Energy	Duke Energy Ohio
Operating Revenues	$ 543	$ 412
Loss on disposition	(43)	(44)
Income before income taxes	$ 147	$ 140
Income tax expense	51	50
Income from discontinued operations of the Disposal Group	96	90
Other, net of tax[(a)]	(5)	—
Income from Discontinued Operations, net of tax	$ 91	$ 90

(a) Relates to discontinued operations of businesses not related to the Disposal Group and includes indemnifications provided for certain legal, tax and environmental matters, and foreign currency translation adjustments.

Commercial Portfolio utilized a revolving credit agreement (RCA) to support the operations of the nonregulated Midwest generation business. Interest expense associated with the RCA was allocated to discontinued operations. No other interest expense related to corporate level debt was allocated to discontinued operations. Duke Energy Ohio had a power purchase agreement with the Disposal Group for a portion of its standard service offer (SSO) supply requirement. The agreement and the SSO expired in May 2015.

3. BUSINESS SEGMENTS

Duke Energy evaluates segment performance based on segment income. Segment income is defined as income from continuing operations net of income attributable to noncontrolling interests. Segment income, as discussed below, includes intercompany revenues and expenses that are eliminated in the Condensed Consolidated Financial Statements. Certain governance costs are allocated to each segment. In addition, direct interest expense and income taxes are included in segment income.

During the first quarter of 2016, the Duke Energy chief operating decision-maker began to evaluate interim period segment performance based on financial information that includes the impact of income tax levelization within segment income. This represents a change from the previous measure, where the interim period impacts of income tax levelization were included within Other, and therefore excluded from segment income. As a result, prior period segment results presented have been recast to conform to this change.

Operating segments are determined based on information used by the chief operating decision-maker in deciding how to allocate resources and evaluate the performance of the business.

Products and services are sold between affiliate companies and reportable segments of Duke Energy at cost. Segment assets as presented in the tables that follow exclude all intercompany assets.

DUKE ENERGY

Duke Energy has the following reportable operating segments: Regulated Utilities, International Energy and Commercial Portfolio.

Regulated Utilities conducts electric and natural gas operations that are substantially all regulated and, accordingly, qualify for regulatory accounting treatment. These operations are primarily conducted through the Subsidiary Registrants and are subject to the rules and regulations of the FERC, NRC, NCUC, PSCSC, FPSC, PUCO, IURC and KPSC.

International Energy principally operates and manages power generation facilities and engages in sales and marketing of electric power, natural gas and natural gas liquids outside the U.S. Its activities principally target power generation in Latin America. Additionally, International Energy owns a 25 percent interest in NMC, a large regional producer of methyl tertiary butyl ether (MTBE) located in Saudi Arabia. The investment in NMC is accounted for under the equity method of accounting. In February 2016, Duke Energy announced it had initiated a process to potentially divest its International Energy business segment, excluding the investment in NMC. See Note 2 for further information.

Commercial Portfolio builds, develops and operates wind and solar renewable generation and energy transmission projects throughout the U.S. For periods subsequent to the sale of the Disposal Group, beginning in the second quarter of 2015, certain immaterial results of operations and related assets previously presented in the Commercial Portfolio segment are presented in Regulated Utilities and Other.

The remainder of Duke Energy's operations is presented as Other, which is primarily comprised of unallocated corporate interest expense, unallocated corporate costs, contributions to the Duke Energy Foundation and the operations of Duke Energy's wholly owned captive insurance subsidiary, Bison Insurance Company Limited (Bison).

	Three Months Ended March 31, 2016						
(in millions)	Regulated Utilities	International Energy	Commercial Portfolio	Total Reportable Segments	Other	Eliminations	Consolidated
Unaffiliated revenues	$ 5,250	$ 246	$ 114	$ 5,610	$ 12	$ —	$ 5,622
Intersegment revenues	9	—	—	9	17	(26)	—
Total revenues	$ 5,259	$ 246	$ 114	$ 5,619	$ 29	$ (26)	$ 5,622
Segment income (loss)[a]	$ 695	$ 123	$ 27	$ 845	$ (154)	$ —	$ 691
Add back noncontrolling interests							5
Income from discontinued operations, net of tax							3
Net income							$ 699
Segment assets	$ 111,838	$ 3,247	$ 4,183	$ 119,268	$ 2,263	$ 178	$ 121,709

(a) Other includes $74 million of after-tax costs to achieve mergers and a $12 million after-tax charge related to cost savings initiatives.

	Three Months Ended March 31, 2015						
(in millions)	Regulated Utilities	International Energy	Commercial Portfolio	Total Reportable Segments	Other	Eliminations	Consolidated
Unaffiliated revenues	$ 5,713	$ 273	$ 73	$ 6,059	$ 6	$ —	$ 6,065
Intersegment revenues	10	—	—	10	21	(31)	—
Total revenues	$ 5,723	$ 273	$ 73	$ 6,069	$ 27	$ (31)	$ 6,065
Segment income (loss)[(a)]	$ 774	$ 36	$ 7	$ 817	$ (43)	$ (1)	$ 773
Add back noncontrolling interests							3
Income from discontinued operations, net of tax							91
Net income							$ 867
Segment assets	$ 106,642	$ 4,892	$ 6,202	$ 117,736	$ 4,230	$ 176	$ 122,142

(a) Other includes after-tax costs to achieve the 2012 Progress Energy merger of $13 million.

DUKE ENERGY CAROLINAS, PROGRESS ENERGY, DUKE ENERGY PROGRESS, DUKE ENERGY FLORIDA, DUKE ENERGY OHIO AND DUKE ENERGY INDIANA

The Subsidiary Registrants each have one reportable operating segment, Regulated Utilities, which generates, transmits, distributes and sells electricity, and for Duke Energy Ohio, also transports and sells natural gas. The remainder of each company's operations is classified as Other. While not considered a reportable segment for any of these companies, Other consists of certain unallocated corporate costs. Other for Progress Energy also includes interest expense on corporate debt instruments of $56 million and $60 million for the three months ended March 31, 2016 and 2015, respectively. Other for Duke Energy Ohio also includes amounts related to Duke Energy Ohio's contractual arrangement to buy power from Ohio Valley Electric Corporations (OVEC's) power plants. The following table summarizes the net loss for Other for each of these entities.

	Three Months Ended March 31,	
(in millions)	2016	2015
Duke Energy Carolinas	$ (17)	$ (8)
Progress Energy	(49)	(42)
Duke Energy Progress	(8)	(4)
Duke Energy Florida	(4)	(3)
Duke Energy Ohio	(9)	(2)
Duke Energy Indiana	(2)	(2)

The assets at Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio and Duke Energy Indiana are substantially all included within the Regulated Utilities segment at March 31, 2016.

Duke Energy Ohio

Duke Energy Ohio had two reportable operating segments, Regulated Utilities and Commercial Portfolio, prior to the sale of the nonregulated Midwest generation business. As a result of the sale discussed in Note 2, Commercial Portfolio no longer qualifies as a Duke Energy Ohio reportable operating segment. Therefore, for periods subsequent to the sale, beginning in the second quarter of 2015, all of the remaining assets and related results of operations previously presented in Commercial Portfolio are presented in Regulated Utilities and Other. The following table summarizes segment information prior to the sale of the nonregulated Midwest generation business.

	Three Months Ended March 31, 2015					
(in millions)	Regulated Utilities	Commercial Portfolio	Total Reportable Segments	Other	Eliminations	Consolidated
Total revenues	$ 572	$ 14	$ 586	$ —	$ —	$ 586
Segment income (loss)	$ 70	$ (9)	$ 61	$ (2)	$ —	$ 59
Income from discontinued operations, net of tax						90
Net income						$ 149
Segment assets	$ 6,782	$ 2,984	$ 9,766	$ 43	$ (13)	$ 9,796

4. REGULATORY MATTERS

RATE RELATED INFORMATION

The NCUC, PSCSC, FPSC, IURC, PUCO and KPSC approve rates for retail electric and natural gas services within their states. The FERC approves rates for electric sales to wholesale customers served under cost-based rates (excluding Ohio, Kentucky and Indiana), as well as sales of transmission service.

Duke Energy Carolinas and Duke Energy Progress

FERC Transmission Return on Equity Complaints

On January 7, 2016, a group of transmission service customers filed a complaint with the FERC that the rate of return on equity of 10.2 percent in Duke Energy Carolinas' transmission formula rates is excessive and should be reduced to no higher than 8.49 percent, effective upon the complaint date. On the same date a similar complaint was filed with the FERC claiming that the rate of return on equity of 10.8 percent in Duke Energy Progress' transmission formula rates is excessive and should be reduced to no higher than 8.49 percent, effective upon the complaint date. On April 21, 2016, the FERC issued an order which consolidated the cases, set a refund effective date of January 7, 2016, and set the consolidated case for settlement and hearing. Duke Energy Carolinas and Duke Energy Progress do not expect the potential impact on results of operations, cash flows or financial position to be material. It is not possible to predict the outcome of this matter.

Duke Energy Carolinas

William States Lee Combined Cycle Facility

On April 9, 2014, the PSCSC granted Duke Energy Carolinas and North Carolina Electric Membership Corporation (NCEMC) a Certificate of Environmental Compatibility and Public Convenience and Necessity (CECPCN) for the construction and operation of a 750 MW combined-cycle natural gas-fired generating plant at Duke Energy Carolinas' existing William States Lee Generating Station in Anderson, South Carolina. Duke Energy Carolinas began construction in July 2015 and estimates a cost to build of $600 million for its share of the facility, including AFUDC. The project is expected to be commercially available in late 2017. NCEMC will own approximately 13 percent of the project. On July 3, 2014, the South Carolina Coastal Conservation League (SCCL) and Southern Alliance for Clean Energy (SACE) jointly filed a Notice of Appeal with the Court of Appeals of South Carolina (S.C. Court of Appeals) seeking the court's review of the PSCSC's decision, claiming the PSCSC did not properly consider a request related to a proposed solar facility prior to granting approval of the CECPCN. The S.C. Court of Appeals affirmed the PSCSC's decision on February 10, 2016, and on March 24, 2016, denied a request for rehearing filed by SCCL and SACE. On April 21, 2016, SCCL and SACE petitioned the South Carolina Supreme Court for review of the S.C. Court of Appeals decision. Duke Energy Carolinas has 30 days to respond. Duke Energy Carolinas cannot predict the outcome of this matter.

Duke Energy Progress

Western Carolinas Modernization Plan

On November 4, 2015, in response to community feedback, Duke Energy Progress announced a revised Western Carolinas Modernization Plan with an estimated cost of $1.1 billion. The revised plan includes retirement of the existing Asheville coal-fired plant, the construction of two 280 MW combined-cycle natural gas plants having dual fuel capability, with the option to build a third natural gas simple cycle unit in 2023 based upon the outcome of initiatives to reduce the region's power demand. The revised plan includes upgrades to existing transmission lines and substations, but eliminates the need for a new transmission line and a new substation associated with the project in South Carolina. The revised plan has the same overall project cost as the original plan and the plans to install solar generation remain unchanged. Duke Energy Progress has also proposed to add a pilot battery storage project. These investments will be made within the next seven years. Duke Energy Progress is also working with the local natural gas distribution company to upgrade an existing natural gas pipeline to serve the natural gas plant. The plan requires various approvals including regulatory approvals in North Carolina. Duke Energy Progress filed for a Certificate of Public Convenience and Necessity (CPCN) with the NCUC for the new natural gas units on January 15, 2016. On March 28, 2016, the NCUC issued an order approving the CPCN for the new combined-cycle natural gas plants, but denying the CPCN for the contingent simple cycle unit without prejudice to Duke Energy Progress to refile for approval in the future. Construction of these plants is scheduled to begin in 2016 and the plants are expected to be in service by late 2019. Duke Energy Progress plans to file for future approvals related to the proposed solar generation and pilot battery storage project. On April 26, 2016, the NCUC granted a motion from North Carolina Waste Awareness and Reduction Network (NC WARN) and The Climate Times to extend the deadline for parties to appeal the CPCN order until May 27, 2016. On April 27, 2016, the NCUC issued an order to establish the procedure to set the appeal bond related to this motion.

The carrying value of the 376 MW Asheville coal-fired plant, including associated ash basin closure costs, of $531 million and $548 million are included in Generation facilities to be retired, net on Duke Energy Progress' Condensed Consolidated Balance Sheet as of March 31, 2016 and December 31, 2015, respectively.

Duke Energy Florida

Purchase of Osprey Energy Center

In December 2014, Duke Energy Florida and Osprey Energy Center, LLC, a wholly owned subsidiary of Calpine Corporation (Calpine), entered into an Asset Purchase and Sale Agreement for the purchase of a 599 MW combined-cycle natural gas plant in Auburndale, Florida (Osprey Plant acquisition) for approximately $166 million. In July 2015, the FERC and the FPSC issued separate orders of approval for the Osprey Plant acquisition. Closing of the acquisition is contingent upon the expiration of the Hart-Scott-Rodino waiting period and is expected to occur by the first quarter of 2017, upon the expiration of an existing Power Purchase Agreement between Calpine and Duke Energy Florida. On March 31, 2016, Duke Energy Florida and Calpine made Hart-Scott-Rodino filings with the Federal Trade Commission and the Department of Justice.

Crystal River Unit 3

On May 22, 2015, Duke Energy Florida petitioned the FPSC for approval to include in base rates the revenue requirement for the projected $1.298 billion Crystal River Unit 3 Nuclear Plant (Crystal River Unit 3) regulatory asset as authorized by the 2013 Revised and Restated Stipulation and Settlement Agreement (2013 Agreement). On September 15, 2015, the FPSC approved Duke Energy Florida's motion for approval of a settlement agreement with intervenors to reduce the value of the projected Crystal River Unit 3 regulatory asset to be recovered to $1.283 billion. On April 5, 2016, the FPSC granted Duke Energy Florida's motion to reduce the value of the Crystal River Unit 3 regulatory asset by $36 million and allow recovery of this amount, including carrying costs, through the capacity cost recovery clause over the years 2017 and 2018.

In June 2015, the governor of Florida signed legislation to allow utilities to issue nuclear asset-recovery bonds to finance the recovery of certain retired nuclear generation assets, with approval of the FPSC. On November 19, 2015, the FPSC issued a financing order approving Duke Energy Florida's request to issue nuclear asset-recovery bonds to finance its unrecovered regulatory asset related to Crystal River Unit 3 through a wholly owned special purpose entity. Nuclear asset-recovery bonds would replace the base rate recovery methodology authorized by the 2013 Agreement and result in a lower rate impact to customers with an approximately 20-year recovery period. On March 31, 2016, Duke Energy Florida filed its Second Amendment to the registration statement for the proposed initial public offering of the bonds. The registration statement is subject to review and declaration of its effectiveness by the Securities and Exchange Commission. Duke Energy Florida expects to issue nuclear asset-recovery bonds in mid-2016.

Duke Energy Ohio

Accelerated Natural Gas Service Line Replacement Rider

On January 20, 2015, Duke Energy Ohio filed an application for approval of an accelerated natural gas service line replacement program (ASRP). Under the ASRP, Duke Energy Ohio proposes to replace certain natural gas service lines on an accelerated basis. The program is proposed to last 10 years. Through the ASRP, Duke Energy Ohio also proposes to complete preliminary survey and investigation work related to natural gas service lines that are customer owned and for which it does not have valid records and, further, to relocate interior natural gas meters to suitable exterior locations where such relocation can be accomplished. Duke Energy Ohio projects total capital and operations and maintenance expenditures under the ASRP to approximate $320 million. The filing also seeks approval of Rider ASRP to recover related expenditures. Duke Energy Ohio proposes to update Rider ASRP on an annual basis. Duke Energy Ohio's application is pending before the PUCO and it is uncertain when an order will be issued. Intervenors oppose the ASRP, primarily because they believe the program is neither required nor necessary under federal pipeline regulation. The hearing concluded on November 19, 2015, and initial and reply briefs were filed, with briefing complete on December 23, 2015. Duke Energy Ohio cannot predict the outcome of this matter.

Energy Efficiency Cost Recovery

On March 28, 2014, Duke Energy Ohio filed an application for recovery of program costs, lost distribution revenue and performance incentives related to its energy efficiency and peak demand reduction programs. These programs are undertaken to comply with environmental mandates set forth in Ohio law. After a comment period, the PUCO approved Duke Energy Ohio's application, but found that Duke Energy Ohio was not permitted to use banked energy savings from previous years in order to calculate the amount of allowed incentive. This conclusion represented a change to the cost recovery mechanism that had been agreed to by intervenors and approved by the PUCO in previous cases. The PUCO granted the applications for rehearing filed by Duke Energy Ohio and an intervenor on July 8, 2015. Substantive ruling on the application for rehearing is pending. On January 6, 2016, Duke Energy Ohio and PUCO Staff entered into a stipulation pending PUCO approval, resolving the issues related to, among other things, performance incentives and the PUCO Staff audit of 2013 costs. Based on the stipulation, in December 2015, Duke Energy Ohio re-established approximately $20 million of revenues that had been reversed in the second quarter of 2015. A hearing on the stipulation commenced on March 10, 2016 and the post-hearing briefing schedule will conclude by May 13, 2016. Duke Energy Ohio cannot predict the outcome of this matter.

Regional Transmission Organization (RTO) Realignment

Duke Energy Ohio, including Duke Energy Kentucky, transferred control of its transmission assets from Midcontinent Independent System Operator, Inc. (MISO) to PJM Interconnection, LLC (PJM), effective December 31, 2011. The PUCO approved a settlement related to Duke Energy Ohio's recovery of certain costs of the RTO realignment via a non-bypassable rider. Duke Energy Ohio is allowed to recover all MISO Transmission Expansion Planning (MTEP) costs, including but not limited to Multi Value Project (MVP) costs, directly or indirectly charged to Ohio customers. Duke Energy Ohio also agreed to vigorously defend against any charges for MVP projects from MISO. The KPSC also approved a request to effect the RTO realignment, subject to a commitment not to seek double recovery in a future rate case of the transmission expansion fees that may be charged by MISO and PJM in the same period or overlapping periods.

Duke Energy Ohio had a recorded liability for its exit obligation and share of MTEP costs, excluding MVP, of $91 million and $92 million, respectively, at March 31, 2016 and December 31, 2015, within Other in Current liabilities and Other in Deferred credits and other liabilities on Duke Energy Ohio's Condensed Consolidated Balance Sheets. MTEP costs billed by MISO are recovered by Duke Energy Ohio through a non-bypassable rider. As of March 31, 2016 and December 31, 2015, Duke Energy Ohio had $72 million recorded in Regulatory assets on the Condensed Consolidated Balance Sheets.

MVP. MISO approved 17 MVP proposals prior to Duke Energy Ohio's exit from MISO on December 31, 2011. Construction of these projects is expected to continue through 2020. Costs of these projects, including operating and maintenance costs, property and income taxes, depreciation and an allowed return, are allocated and billed to MISO transmission owners.

On December 29, 2011, MISO filed a tariff with the FERC providing for the allocation of MVP costs to a withdrawing owner based on monthly energy usage. The FERC set for hearing (i) whether MISO's proposed cost allocation methodology to transmission owners who withdrew from MISO prior to January 1, 2012, is consistent with the tariff at the time of their withdrawal from MISO and, (ii) if not, what the amount of and methodology for calculating any MVP cost responsibility should be. In 2012, MISO estimated Duke Energy Ohio's MVP obligation over the period from 2012 to 2071 at $2.7 billion, on an undiscounted basis. On July 16, 2013, a FERC Administrative Law Judge (ALJ) issued an initial decision. Under this initial decision, Duke Energy Ohio would be liable for MVP costs. Duke Energy Ohio filed exceptions to the initial decision, requesting FERC to overturn the ALJ's decision.

On October 29, 2015, the FERC issued an order reversing the ALJ's decision. The FERC ruled the cost allocation methodology is not consistent with the MISO tariff and that Duke Energy Ohio has no liability for MVP costs after its withdrawal from MISO. On November 30, 2015, MISO filed with the FERC a request for rehearing. Duke Energy Ohio cannot predict the outcome of this matter.

Duke Energy Indiana

Coal Combustion Residual (CCR) Plan

On March 17, 2016, Duke Energy Indiana filed for approval of its first group of federally mandated CCR rule compliance projects (Phase I CCR Compliance Projects) to comply with the U.S. Environmental Protection Agency's (EPA) CCR rule. The projects in this Phase I filing are CCR compliance projects, including the conversion of Cayuga and Gibson Stations to dry bottom ash handling and related water treatment. Duke Energy Indiana has requested timely recovery of costs under a federal mandate tracker which provides for timely recovery of 80 percent of such costs and deferral with carrying costs of 20 percent of such costs for recovery in a subsequent retail base rate case. A procedural schedule has not been set for this matter. Duke Energy Indiana cannot predict the outcome of this matter.

Edwardsport Integrated Gasification Combined Cycle (IGCC) Plant

On November 20, 2007, the IURC granted Duke Energy Indiana a CPCN for the construction of the Edwardsport IGCC Plant. The Citizens Action Coalition of Indiana, Inc., Sierra Club, Inc., Save the Valley, Inc., and Valley Watch, Inc. (collectively, the Joint Intervenors) were intervenors in several matters related to the Edwardsport IGCC Plant. The Edwardsport IGCC Plant was placed in commercial operation in June 2013. Costs for the Edwardsport IGCC Plant are recovered from retail electric customers via a tracking mechanism, the IGCC rider.

The ninth semi-annual IGCC rider order was appealed by the Joint Intervenors. The proceeding will be remanded to the IURC for further proceedings and additional findings on the tax in-service issue. An evidentiary hearing has been set for August 31, 2016.

The 11th through 15th semi-annual IGCC riders and a subdocket to Duke Energy Indiana's fuel adjustment clause remain pending at the IURC. Issues in these filings include the determination whether the IGCC plant was properly declared in service for ratemaking purposes in June 2013 and a review of the operational performance of the plant. On September 17, 2015, Duke Energy Indiana, the Office of Utility Consumer Counselor, the Industrial Group and Nucor Steel Indiana reached a settlement agreement to resolve these pending issues. On January 15, 2016, The Citizens Action Coalition of Indiana, Inc., Sierra Club, Save the Valley and Valley Watch joined a revised settlement (IGCC settlement). The IGCC settlement will result in customers not being billed for previously incurred operating costs of $87.5 million, and for additional Duke Energy Indiana payments and commitments of $5.5 million for attorneys' fees and amounts to fund consumer programs. Attorneys' fees and expenses for the new settling parties will be addressed in a separate proceeding. Duke Energy Indiana recognized pretax impairment and related charges of $93 million in the third quarter of 2015. Additionally, under the IGCC settlement, the operating and maintenance expenses and ongoing maintenance capital at the plant are subject to certain caps during the years of 2016 and 2017. The IGCC settlement also includes a commitment to either retire or stop burning coal by December 31, 2022, at the Gallagher Station. Pursuant to the IGCC settlement, the in-service date used for accounting and ratemaking will remain as June 2013. Remaining deferred costs will be recovered over eight years and not earn a carrying cost. The IGCC settlement, which is opposed by a residential customer and his spouse, is subject to IURC approval. An evidentiary hearing on the IGCC settlement was held on April 18, 2016, and a decision is expected in the third quarter of 2016. As of March 31, 2016, deferred costs related to the project are approximately $147 million. Under the IGCC settlement, future IGCC riders will be filed annually, rather than every six months, with the next filing scheduled for first quarter 2017.

Duke Energy Indiana cannot predict the outcome of these matters or future IGCC rider proceedings.

FERC Transmission Return on Equity Complaint

Customer groups have filed with the FERC complaints against MISO and its transmission-owning members, including Duke Energy Indiana, alleging, among other things, that the current base rate of return on equity earned by MISO transmission owners of 12.38 percent is unjust and unreasonable. The latest complaint, filed on February 12, 2015, claims the base rate of return on equity should be reduced to 8.67 percent and requests a consolidation of complaints. The motion to consolidate complaints was denied. On January 5, 2015, the FERC issued an order accepting the MISO transmission owners 0.50 percent adder to the base rate of return on equity based on participation in an RTO subject to it being applied to a return on equity that is shown to be just and reasonable in the pending return on equity complaint. A hearing in the base return on equity proceeding was held in August 2015. On December 22, 2015, the presiding FERC ALJ issued an Initial Decision in which he set the base rate of return on equity at 10.32 percent. The Initial Decision will be reviewed by the FERC. Duke Energy Indiana currently believes these matters will have an immaterial impact on its results of operations, cash flows and financial position.

Grid Infrastructure Improvement Plan

On August 29, 2014, pursuant to a new statute, Duke Energy Indiana filed a seven-year grid infrastructure improvement plan with the IURC with an estimated cost of $1.9 billion, focusing on the reliability, integrity and modernization of the transmission and distribution system. The plan also provided for cost recovery through a transmission and distribution rider (T&D Rider). In May 2015, the IURC denied the original proposal due to an insufficient level of detailed projects and cost estimates in the plan. On December 7, 2015, Duke Energy Indiana filed a revised infrastructure improvement plan with an estimated cost of $1.8 billion in response to guidance from IURC orders and the Indiana Court of Appeals decisions related to this new statute. The revised plan uses a combination of advanced technology and infrastructure upgrades to improve service to customers and provide them with better information about their energy use. It also provides for cost recovery through a T&D rider. In March 2016, Duke Energy Indiana entered into a settlement with all parties to the proceeding except the Indiana Citizens Action Coalition, Inc. The settlement agreement decreased the capital expenditures eligible for timely recovery of costs in the seven-year plan to approximately $1.4 billion, including the removal of an automated metering infrastructure (AMI) project. The settlement provides for deferral accounting for depreciation and post-in-service carrying costs for AMI projects outside the seven-year plan. Duke Energy Indiana withdrew its request for a regulatory asset for current meters and retains the savings associated with AMI prior to the next retail base rate case, which is required to be filed prior to the end of the seven-year plan. Under the settlement, the return on equity to be used in the T&D Rider is 10 percent.

The settlement is subject to approval of the IURC. An order is expected in August 2016. Duke Energy Indiana cannot predict the outcome of this matter.

OTHER REGULATORY MATTERS

Atlantic Coast Pipeline

On September 2, 2014, Duke Energy, Dominion Resources (Dominion), Piedmont and AGL Resources announced the formation of a company, ACP, to build and own the proposed Atlantic Coast Pipeline (the pipeline), a 564-mile interstate natural gas pipeline. The pipeline is designed to meet the needs identified in requests for proposals by Duke Energy Carolinas, Duke Energy Progress and Piedmont. Dominion will build and operate the pipeline and has a 45 percent ownership percentage in ACP. Duke Energy has a 40 percent ownership interest in ACP through its Commercial Portfolio segment. Piedmont owns 10 percent and the remaining share is owned by AGL Resources. Duke Energy Carolinas and Duke Energy Progress, among others, will be customers of the pipeline. Purchases will be made under several 20-year supply contracts, subject to state regulatory approval. In October 2014, the NCUC and PSCSC approved the Duke Energy Carolinas and Duke Energy Progress requests to enter into certain affiliate agreements, pay compensation to ACP and to grant a waiver of certain Code of Conduct provisions relating to contractual and jurisdictional matters. On September 18, 2015, ACP filed an application with the FERC requesting a CPCN authorizing ACP to construct the pipeline. FERC approval of the application is expected in early 2017 and construction is projected to begin in summer of 2017, with a targeted in-service date of late 2018. ACP is working with various agencies to develop the final pipeline route. ACP also requested approval of an open access tariff and the precedent agreements it entered into with future pipeline customers, including Duke Energy Carolinas and Duke Energy Progress.

On October 24, 2015, Duke Energy entered into a Merger Agreement with Piedmont. The ACP partnership agreement includes provisions to allow Dominion an option to purchase additional ownership interest in ACP to maintain a leading ownership percentage. Any change in ownership interests is not expected to be material to Duke Energy. Refer to Note 2 for further information related to Duke Energy's proposed acquisition of Piedmont.

Sabal Trail Transmission, LLC Pipeline

On May 4, 2015, Duke Energy acquired a 7.5 percent ownership interest from Spectra Energy in the proposed 500-mile Sabal Trail natural gas pipeline. Spectra Energy will continue to own 59.5 percent of the Sabal Trail pipeline and NextEra Energy will own the remaining 33 percent. The Sabal Trail pipeline will traverse Alabama, Georgia and Florida to meet rapidly growing demand for natural gas in those states. The primary customers of the Sabal Trail pipeline, Duke Energy Florida and Florida Power & Light Company (FP&L), have each contracted to buy pipeline capacity for 25-year initial terms. On February 3, 2016, the FERC issued an order granting the request for a CPCN to construct and operate the Sabal Trail pipeline. The Sabal Trail pipeline requires additional regulatory approvals and is scheduled to begin service in 2017.

Potential Coal Plant Retirements

The Subsidiary Registrants periodically file Integrated Resource Plans (IRP) with their state regulatory commissions. The IRPs provide a view of forecasted energy needs over a long term (10 to 20 years), and options being considered to meet those needs. Recent IRPs filed by the Subsidiary Registrants included planning assumptions to potentially retire certain coal-fired generating facilities in Florida and Indiana earlier than their current estimated useful lives. These facilities do not have the requisite emission control equipment, primarily to meet EPA regulations recently approved or proposed.

The table below contains the net carrying value of generating facilities planned for retirement or included in recent IRPs as evaluated for potential retirement due to a lack of requisite environmental control equipment. Dollar amounts in the table below are included in Net property, plant and equipment on the Condensed Consolidated Balance Sheets as of March 31, 2016.

	Capacity (in MW)	Remaining Net Book Value[a] (in millions)
Duke Energy Florida[b]		
Crystal River Units 1 and 2	873	128
Duke Energy Indiana		
Wabash River Unit 6[c]	318	35
Gallagher Units 2 and 4[d]	280	137
Total Duke Energy	1,471	300

(a) Remaining net book value amounts exclude any capitalized asset retirement costs.
(b) Progress Energy amounts are equal to Duke Energy Florida amounts.
(c) In April 2016, Wabash River 6 terminated coal burning operations and is targeted for retirement by the end of 2016. The total net book value of $113 million for the retail portion of Wabash River Unit 6 and the retail portion of capitalized asset retirement costs for Wabash River Units 2 through 6 is classified as Generation facilities to be retired, net on Duke Energy Indiana's Condensed Consolidated Balance Sheet at March 31, 2016.
(d) Duke Energy Indiana committed to either retire or stop burning coal at Gallagher Units 2 and 4 by December 31, 2022, as part of the proposed settlement of Edwardsport IGCC matters.

On October 23, 2015, the EPA published in the Federal Register the Clean Power Plan (CPP) rule for regulating carbon dioxide (CO_2) emissions from existing fossil fuel-fired electric generating units (EGUs). The CPP establishes CO_2 emission rates and mass cap goals that apply to fossil fuel-fired generation. Under the CPP, states are required to develop and submit a final compliance plan, or an initial plan with an extension request, to the EPA by September 6, 2016, or no later than September 6, 2018, with an approved extension. These state plans are subject to EPA approval, with a federal plan applied to states that fail to submit a plan to the EPA or if a state plan is not approved. Legal challenges to the CPP have been filed by stakeholders and motions to stay the requirements of the rule pending the outcome of the litigation were granted by the U.S. Supreme Court in February 2016. Final resolution of these legal challenges could take several years. Compliance with CPP could cause the industry to replace coal generation with natural gas and renewables, especially in states that have significant CO_2 reduction targets under the rule. Costs to operate coal-fired generation plants continue to grow due to increasing environmental compliance requirements, including ash management costs unrelated to CPP, and this may result in the retirement of coal-fired generation plants earlier than the current useful lives. Duke Energy continues to evaluate the need to retire generating facilities and plans to seek regulatory recovery, where appropriate, for amounts that have not been recovered upon asset retirements. However, recovery is subject to future regulatory approval, including the recovery of carrying costs on remaining book values, and therefore cannot be assured.

Refer to the "Western Carolinas Modernization Plan" discussion above for details of Duke Energy Progress' planned retirements.

5. COMMITMENTS AND CONTINGENCIES

ENVIRONMENTAL

Duke Energy is subject to international, federal, state and local regulations regarding air and water quality, hazardous and solid waste disposal and other environmental matters. The Subsidiary Registrants are subject to federal, state and local regulations regarding air and water quality, hazardous and solid waste disposal and other environmental matters. These regulations can be changed from time to time, imposing new obligations on the Duke Energy Registrants. The following environmental matters impact all of the Duke Energy Registrants.

Remediation Activities

In addition to Asset Retirement Obligations recorded as a result of various environmental regulations, the Duke Energy Registrants are responsible for environmental remediation at various sites. These include certain properties that are part of ongoing operations and sites formerly owned or used by Duke Energy entities. These sites are in various stages of investigation, remediation and monitoring. Managed in conjunction with relevant federal, state and local agencies, remediation activities vary based upon site conditions and location, remediation requirements, complexity and sharing of responsibility. If remediation activities involve joint and several liability provisions, strict liability or cost recovery or contribution actions, the Duke Energy Registrants could potentially be held responsible for environmental impacts caused by other potentially responsible parties, and may also benefit from insurance policies or contractual indemnities that cover some or all cleanup costs. Liabilities are recorded when losses become probable and are reasonably estimable. The total costs that may be incurred cannot be estimated because the extent of environmental impact, allocation among potentially responsible parties, remediation alternatives and/or regulatory decisions have not yet been determined. Additional costs associated with remediation activities are likely to be incurred in the future and could be significant. Costs are typically expensed as Operation, maintenance and other in the Condensed Consolidated Statements of Operations unless regulatory recovery of the costs is deemed probable.

The following tables contain information regarding reserves for probable and estimable costs related to the various environmental sites. These reserves are recorded in Other within Deferred Credits and Other Liabilities on the Condensed Consolidated Balance Sheets.

	Three Months Ended March 31, 2016						
(in millions)	**Duke Energy**	**Duke Energy Carolinas**	**Progress Energy**	**Duke Energy Progress**	**Duke Energy Florida**	**Duke Energy Ohio**	**Duke Energy Indiana**
Balance at beginning of period	$ 97	$ 10	$ 17	$ 3	$ 14	$ 54	$ 12
Provisions/adjustments	10	2	1	—	1	—	6
Cash reductions	(3)	(1)	(2)	(1)	(1)	—	—
Balance at end of period	$ 104	$ 11	$ 16	$ 2	$ 14	$ 54	$ 18

	Three Months Ended March 31, 2015						
(in millions)	**Duke Energy**	**Duke Energy Carolinas**	**Progress Energy**	**Duke Energy Progress**	**Duke Energy Florida**	**Duke Energy Ohio**	**Duke Energy Indiana**
Balance at beginning of period	$ 97	$ 10	$ 17	$ 5	$ 12	$ 54	$ 10
Provisions/adjustments	2	—	—	—	—	1	2
Cash reductions	(3)	—	—	—	—	(1)	(1)
Balance at end of period	$ 96	$ 10	$ 17	$ 5	$ 12	$ 54	$ 11

Additional losses in excess of recorded reserves that could be incurred for the stages of investigation, remediation and monitoring for environmental sites that have been evaluated at this time are not material except as presented in the table below.

(in millions)	
Duke Energy	$ 83
Duke Energy Carolinas	22
Duke Energy Ohio	42
Duke Energy Indiana	15

North Carolina and South Carolina Ash Basins

On February 2, 2014, a break in a stormwater pipe beneath an ash basin at Duke Energy Carolinas' retired Dan River Steam Station caused a release of ash basin water and ash into the Dan River. On February 8, 2014, a permanent plug was installed in the stormwater pipe, stopping the release of materials into the river. Duke Energy Carolinas estimates 30,000 to 39,000 tons of ash and 24 million to 27 million gallons of basin water were released into the river. In July 2014, Duke Energy completed remediation work identified by the EPA and continues to cooperate with the EPA's civil enforcement process. Future costs related to the Dan River release, including pending or future state or federal civil enforcement proceedings, future regulatory directives, natural resources damages, additional pending litigation, future claims or litigation and long-term environmental impact costs, cannot be reasonably estimated at this time.

North Carolina Department of Environmental Quality (NCDEQ), formerly the North Carolina Department of Environment and Natural Resources, has historically assessed Duke Energy Carolinas and Duke Energy Progress with Notice of Violations (NOV) for violations that were most often resolved through satisfactory corrective actions and minor, if any, fines or penalties. Subsequent to the Dan River matter discussed above, Duke Energy Carolinas and Duke Energy Progress have been served with a higher level of NOVs, including for violations at L.V. Sutton Plant and Dan River Steam Station. In August 2014, NCDEQ issued an NOV for alleged groundwater violations at Duke Energy Progress' L.V. Sutton Plant. On March 10, 2015, NCDEQ issued a civil penalty of approximately $25 million to Duke Energy Progress for environmental damages related to groundwater contamination at the L.V. Sutton Plant. On February 8, 2016, NCDEQ assessed a penalty of approximately $6.8 million, including enforcement costs, against Duke Energy Carolinas related to stormwater pipes and associated discharges at the Dan River Steam Station. Duke Energy Carolinas recorded a charge in December 2015 for this penalty. See "Litigation" section below for additional discussion of matters related to these penalties. These fines and penalties are unprecedented and were not consistent with historic enforcement practices of NCDEQ. Based on historic practices the expected liability of any existing notice of violations would not be material. Duke Energy Carolinas and Duke Energy Progress cannot predict whether the NCDEQ will assess future penalties related to existing NOVs and if such penalties would be material.

Asset retirement obligations recorded on the Duke Energy Carolinas and Duke Energy Progress Condensed Consolidated Balance Sheets at March 31, 2016 and December 31, 2015, include the legal obligation for closure of coal ash basins and the disposal of related ash as a result of the North Carolina Coal Ash Management Act of 2014 (Coal Ash Act) and other agreements. In January 2016, NCDEQ published draft proposed risk classifications for sites not specifically delineated by the Coal Ash Act as high priority. These risk rankings were generally determined based on three primary criteria: structural integrity of the impoundments and impact to both surface and groundwaters. NCDEQ categorized 12 basins at four sites as intermediate risk and four basins at three plants as low risk. NCDEQ also categorized nine basins at six plants as "low-to-intermediate" risk, thereby not assigning a definitive risk ranking at that time. The risk rankings of these sites will be based upon receipt of additional data primarily related to groundwater quality and the completion of specific modifications and repairs to the impoundments. NCDEQ is expected to finalize proposed classifications in May 2016, based on results of the public comment period which ended in April 2016. Duke Energy cannot predict the final classifications.

Per the Coal Ash Act, final proposed classifications are subject to Coal Ash Management Commission (Coal Ash Commission) adjustments and approval but may become law if the Commission fails to act within 60 days of receiving the final proposed classifications. In March 2016, the Coal Ash Commission originally created by the Coal Ash Act was disbanded by the Governor of North Carolina based on a North Carolina Supreme Court ruling regarding the constitutionality of the body. As a result, the finality of NCDEQ's classifications may be subject to challenge.

Estimated asset retirement obligations have been recognized based on the assigned risk categories or, if not assigned, based on a probability weighting of potential closure methods. Actual closure costs incurred could be materially different from current estimates that form the basis of the recorded asset retirement obligations. Cost recovery for future expenditures will be pursued through the normal ratemaking process with federal and state utility commissions, which permit recovery of necessary and prudently incurred costs associated with Duke Energy's regulated operations.

Coal Combustion Residuals

On April 17, 2015, the EPA published in the Federal Register a rule to regulate the disposal of CCR from electric utilities as solid waste. The federal regulation, which became effective in October 2015, classifies CCR as nonhazardous waste under Subtitle D of the Resource Conservation and Recovery Act and allows for beneficial use of CCR with some restrictions. The regulation applies to all new and existing landfills, new and existing surface impoundments receiving CCR and existing surface impoundments that are no longer receiving CCR but contain liquid located at stations currently generating electricity (regardless of fuel source). The rule establishes requirements regarding landfill design, structural integrity design and assessment criteria for surface impoundments, groundwater monitoring and protection procedures and other operational and reporting procedures to ensure the safe disposal and management of CCR. Various industry and environmental parties have appealed the EPA's CCR rule in the D.C. Circuit Court of Appeals. On April 18, 2016, the EPA filed a motion with the federal court to settle five issues raised in litigation. The Duke Energy Registrants cannot predict the court's response to the proposed settlement, but would not expect a material impact from the settlement if approved as proposed by the EPA. Duke Energy is reviewing the proposed settlement to determine if additional asset retirement obligation adjustments will be required.

In addition to the requirements of the federal CCR regulation, CCR landfills and surface impoundments will continue to be independently regulated by most states. As a result of the EPA rule, the Subsidiary Registrants recorded asset retirement obligation amounts during 2015.

LITIGATION

Duke Energy

Ash Basin Shareholder Derivative Litigation

Five shareholder derivative lawsuits were filed in Delaware Chancery Court relating to the release at Dan River and to the management of Duke Energy's ash basins. On October 31, 2014, the five lawsuits were consolidated in a single proceeding titled "In Re Duke Energy Corporation Coal Ash Derivative Litigation." On December 2, 2014, plaintiffs filed a Corrected Verified Consolidated Shareholder Derivative Complaint (Consolidated Complaint). The Consolidated Complaint names as defendants several current and former Duke Energy officers and directors (collectively, the "Duke Energy Defendants"). Duke Energy is named as a nominal defendant.

The Consolidated Complaint alleges the Duke Energy Defendants breached their fiduciary duties by failing to adequately oversee Duke Energy's ash basins and that these breaches of fiduciary duty may have contributed to the incident at Dan River and continued thereafter. The lawsuit also asserts claims against the Duke Energy Defendants for corporate waste (relating to the money Duke Energy has spent and will spend as a result of the fines, penalties and coal ash removal) and unjust enrichment (relating to the compensation and director remuneration that was received despite these alleged breaches of fiduciary duty). The lawsuit seeks both injunctive relief against Duke Energy and restitution from the Duke Energy Defendants. On January 21, 2015, the Duke Energy Defendants filed a Motion to Stay and an alternative Motion to Dismiss. On August 31, 2015, the court issued an order staying the case which was lifted on March 24, 2016. On April 22, 2016, plaintiffs filed an Amended Verified Consolidated Shareholder Derivative Complaint (Amended Complaint) making the same allegations as in the Consolidated Complaint. The Duke Energy Defendants anticipate filing a Motion to Dismiss the Amended Complaint.

On March 5, 2015, shareholder Judy Mesirov filed a shareholder derivative complaint (Mesirov Complaint) in North Carolina state court. The lawsuit, styled *Mesirov v. Good*, is similar to the consolidated derivative action pending in Delaware Chancery Court and was filed against the same current directors and former directors and officers as the Delaware litigation. Duke Energy Corporation, Duke Energy Progress and Duke Energy Carolinas are named as nominal defendants. The Mesirov Complaint alleges that the Duke Energy Board of Directors was aware of Clean Water Act (CWA) compliance issues and failures to maintain structures in ash basins, but that the Board of Directors did not require Duke Energy Carolinas and Duke Energy Progress to take action to remedy deficiencies. The Mesirov Complaint further alleges that the Board of Directors sanctioned activities to avoid compliance with the law by allowing improper influence of NCDEQ to minimize regulation and by opposing previously anticipated citizen suit litigation. The Mesirov Complaint seeks corporate governance reforms and damages relating to costs associated with the Dan River release, remediation of ash basins that are out of compliance with the CWA and defending and payment of fines, penalties and settlements relating to criminal and civil investigations and lawsuits. On December 7, 2015, the Duke Energy Defendants filed a Motion to Stay the proceedings. The proceedings are currently stayed until July 1, 2016, after which the Duke Energy Defendants may seek an additional stay.

In addition to the above derivative complaints, in 2014, Duke Energy also received two shareholder litigation demand letters. The letters alleged that the members of the Board of Directors and certain officers breached their fiduciary duties by allowing the company to illegally dispose of and store coal ash pollutants. One of the letters also alleged a breach of fiduciary duty in the decision-making relating to the leadership changes following the close of the Progress Energy merger in July 2012.

By letter dated September 4, 2015, attorneys for the shareholders were informed that, on the recommendation of the Demand Review Committee formed to consider such matters, the Board of Directors concluded not to pursue potential claims against individuals. One of the shareholders, Mitchell Pinsly, sent a formal demand for records and Duke Energy responded to this request.

On October 30, 2015, shareholder Saul Bresalier filed a shareholder derivative complaint in the U.S. District Court for the District of Delaware. The lawsuit alleges that several current and former Duke Energy officers and directors (Bresalier Defendants) breached their fiduciary duties in connection with coal ash environmental issues, the post-merger change in Chief Executive Officer and oversight of political contributions. Duke Energy is named as a nominal defendant. The Bresalier Complaint contends that the Demand Review Committee failed to appropriately consider the shareholder's earlier demand for litigation and improperly decided not to pursue claims against the Bresalier Defendants. The Bresalier Defendants filed a Motion to Dismiss the Bresalier litigation on January 15, 2016. In lieu of a response to the Motion to Dismiss, the plaintiff filed a Motion to Convert the Bresalier Defendants' Motion to Dismiss into a Motion for Summary Judgment and also for limited discovery. Briefing on the Motion to Convert is complete.

It is not possible to predict whether Duke Energy will incur any liability or to estimate the damages, if any, it might incur in connection with these matters.

Progress Energy Merger Shareholder Litigation

On May 31, 2013, the Delaware Chancery Court consolidated four shareholder derivative lawsuits filed in 2012. The Court also appointed a lead plaintiff and counsel for plaintiffs and designated the case as *In Re Duke Energy Corporation Derivative Litigation*. The lawsuit names as defendants the 11 members of the Board of Directors who were also members of the pre-merger Board of Directors. Duke Energy is named as a nominal defendant. The case alleges claims for breach of fiduciary duties of loyalty and care in connection with the post-merger change in CEO. On December 10, 2015, the Duke Energy defendants filed a Motion to Dismiss the litigation. Oral argument on the motion is scheduled for May 9, 2016.

Two shareholder Derivative Complaints, filed in 2012 in federal district court in Delaware, were consolidated as *Tansey v. Rogers, et al.* The case alleges claims for breach of fiduciary duty and waste of corporate assets, as well as claims under Section 14(a) and 20(a) of the Exchange Act. Duke Energy is named as a nominal defendant. On December 21, 2015, Plaintiff filed a Consolidated Amended Complaint asserting the same claims contained in the original complaints. Duke Energy filed a Motion to Dismiss on February 19, 2016. On March 18, 2016, the Chancery Court Plaintiffs moved to intervene in the *Tansey* proceeding, asking the federal district court to stay the federal litigation in favor of the Delaware Chancery litigation.

It is not possible to predict whether Duke Energy will incur any liability or to estimate the damages, if any, it might incur in connection with the remaining litigation.

Price Reporting Cases

Duke Energy Trading and Marketing, LLC (DETM), a non-operating Duke Energy affiliate, was a defendant, along with numerous other energy companies, in four class-action lawsuits and a fifth single-plaintiff lawsuit pending in a consolidated federal court proceeding in Nevada. Each of these lawsuits contains similar claims that defendants allegedly manipulated natural gas markets by various means, including providing false information to natural gas trade publications and entering into unlawful arrangements and agreements in violation of the antitrust laws of the respective states. Plaintiffs seek damages in unspecified amounts.

In February 2016, DETM reached agreements in principle to settle all of the pending lawsuits. Settlement of the single-plaintiff settlement was finalized and paid in March 2016. Settlement of the class-action lawsuits are currently being finalized and will be subject to court approval. The settlement amounts are not material to Duke Energy.

Brazil Expansion Lawsuit

On August 9, 2011, the State of São Paulo sued Duke Energy International Geracao Paranapenema S.A. (DEIGP) in Brazilian state court. The lawsuit claims DEIGP is under a continuing obligation to expand installed generation capacity in the State of São Paulo by 15 percent pursuant to a stock purchase agreement under which DEIGP purchased generation assets from the state. On August 10, 2011, a judge granted an injunction ordering DEIGP to present a detailed expansion plan in satisfaction of the 15 percent obligation. DEIGP has previously taken a position that the expansion obligation is no longer viable given changes that have occurred in the electric energy sector since privatization. DEIGP submitted its proposed expansion plan on November 11, 2011, but reserved objections regarding enforceability. In January 2013, DEIGP filed appeals in the federal courts, which are still pending, regarding various procedural issues. A decision on the merits in the first instance court is also pending. It is not possible to predict whether Duke Energy will incur any liability or to estimate the damages, if any, it might incur in connection with this matter.

Brazil Generation

Record drought conditions in Brazil during 2014 and 2015 negatively impacted DEIGP. A number of electric generators have filed lawsuits seeking relief in the Brazilian courts to mitigate hydrological exposure and diminishing dispatch levels. Some courts have granted injunction orders to limit the financial exposure of certain generators. The implication of these orders is that other electricity market participants not covered by the injunctions may be required to compensate for the financial impact of the liability limitations. The Independent Power Producer Association (APINE) filed one such lawsuit on behalf of DEIGP and other hydroelectric generators against the Brazilian electric regulatory agency (ANEEL). On July 2, 2015, an injunction was granted in favor of APINE limiting the financial exposure of DEIGP and the other plaintiff generators, until the merits of the lawsuit are determined. ANEEL's appeal of the injunction was denied on December 18, 2015. The outcome of these lawsuits is uncertain. It is not possible to predict the impact to Duke Energy from the outcome of these matters.

Duke Energy Carolinas and Duke Energy Progress

NCDEQ Notices of Violation (NOV)

In August 2014, NCDEQ issued an NOV for alleged groundwater violations at Duke Energy Progress' L.V. Sutton Plant. On March 10, 2015, NCDEQ issued a civil penalty of approximately $25 million to Duke Energy Progress for environmental damages related to the groundwater contamination at the L.V. Sutton Plant. On April 9, 2015, Duke Energy Progress filed a Petition for Contested Case hearing in the Office of Administrative Hearings. In February 2015, NCDEQ issued an NOV for alleged groundwater violations at Duke Energy Progress' Asheville Plant. Duke Energy Progress responded to NCDEQ regarding this NOV.

On September 29, 2015, Duke Energy Progress and Duke Energy Carolinas entered into a settlement agreement with NCDEQ resolving all former, current and future groundwater penalties at all Duke Energy Carolinas and Duke Energy Progress coal facilities in North Carolina. Under the agreement, Duke Energy Progress paid approximately $6 million and Duke Energy Carolinas paid approximately $1 million. In addition to these payments, Duke Energy Progress and Duke Energy Carolinas will accelerate remediation actions at the Sutton, Asheville, Belews Creek and H.F. Lee plants. The ALJ entered a consent order resolving the contested case relating to the Sutton Plant and NCDEQ rescinded the NOVs relating to alleged groundwater violations at both the Sutton and Asheville plants.

On October 13, 2015, the Southern Environmental Law Center (SELC), representing multiple conservation groups, filed a lawsuit in North Carolina Superior Court seeking judicial review of the order approving the settlement agreement with NCDEQ. The conservation groups contend that the ALJ exceeded his statutory authority in approving a settlement that provided for past, present, and future resolution of groundwater issues at facilities which were not at issue in the penalty appeal. On December 18, 2015, Duke Energy Carolinas and Duke Energy Progress filed a Motion to Dismiss the complaint. On February 12, 2016, the ALJ entered a new order clarifying that the dismissal of the contested case only applied to the specific issues before the ALJ in the Petition for Contested Case. On March 10, 2016, the court dismissed the SELC lawsuit based on the ALJ's entry of the new order.

On February 8, 2016, NCDEQ assessed a penalty of approximately $6.8 million, including enforcement costs, against Duke Energy Carolinas related to storm-water pipes and associated discharges at the Dan River Steam Station. Duke Energy Carolinas recorded a charge in December 2015 for this penalty. In March 2016, Duke Energy Carolinas filed an appeal of this penalty. Trial date is set for August 22, 2016, for this proceeding. Duke Energy Carolinas cannot predict the outcome of this matter.

NCDEQ State Enforcement Actions

In the first quarter of 2013, SELC sent notices of intent to sue Duke Energy Carolinas and Duke Energy Progress related to alleged CWA violations from coal ash basins at two of their coal-fired power plants in North Carolina. NCDEQ filed enforcement actions against Duke Energy Carolinas and Duke Energy Progress alleging violations of water discharge permits and North Carolina groundwater standards. The cases have been consolidated and are being heard before a single judge.

On August 16, 2013, NCDEQ filed an enforcement action against Duke Energy Carolinas and Duke Energy Progress related to their remaining plants in North Carolina, alleging violations of the CWA and violations of the North Carolina groundwater standards. Both of these cases have been assigned to the judge handling the enforcement actions discussed above. SELC is representing several environmental groups who have been permitted to intervene in these cases.

On July 10, 2015, Duke Energy Carolinas and Duke Energy Progress filed two Motions for Partial Summary Judgment in the case on the basis that there is no longer either a genuine controversy or disputed material facts about the relief for seven of the 14 North Carolina plants with coal ash basins. On September 14, 2015, the court granted the Motions for Partial Summary Judgment pending court approval of the terms through an order. In November 2015, NCDEQ submitted a proposed order. On November 23, 2015, Duke Energy Carolinas, Duke Energy Progress and SELC filed separate objections to portions of the NCDEQ filing. Following a hearing held on February 12, 2016, Duke Energy Carolinas and Duke Energy Progress submitted a revised proposed order to comply with rulings made by the judge at the hearing. On April 4, 2016, the court issued an order granting Duke Energy Progress' motion for partial summary judgment for cases involving the H.F. Lee, Cape Fear and Weatherspoon plants, thus concluding the litigation for those plants. Duke Energy Carolinas and Duke Energy Progress have submitted a proposed order relating to the remaining plants for which summary judgment has been granted. A ruling related to the proposed order for the remaining plants is pending.

It is not possible to predict any liability or estimate any damages Duke Energy Carolinas or Duke Energy Progress might incur in connection with these matters.

Federal Citizens Suits

There are currently five cases filed in various North Carolina federal courts related to the Riverbend, Sutton, Cape Fear, H.F. Lee and Buck plants.

On June 11, 2013, Catawba Riverkeeper Foundation, Inc. (Catawba Riverkeeper) filed a separate action in the United States Court for the Western District of North Carolina. The lawsuit contends the state enforcement action discussed above does not adequately address issues raised in Catawba Riverkeeper's notice of intent to sue relating to the Riverbend Steam Station. On April 11, 2014, the Court denied Catawba Riverkeeper's objections to the Magistrate Judge's recommendation that plaintiff's case be dismissed as well as Duke Energy Carolinas' motion to dismiss. On August 13, 2015, the court issued an order suspending all proceedings until further order from the court.

On September 12, 2013, Cape Fear River Watch, Inc., Sierra Club and Waterkeeper Alliance filed a citizen suit in the Federal District Court for the Eastern District of North Carolina. The lawsuit alleges unpermitted discharges to surface water and groundwater violations at the Sutton Plant. On June 9, 2014, the court granted Duke Energy Progress' request to dismiss the groundwater claims but rejected its request to dismiss the surface water claims. In response to a motion filed by the SELC, on August 1, 2014, the court modified the original June 9 order to dismiss only the plaintiff's federal law claim based on hydrologic connections at Sutton Lake. The claims related to the alleged state court violations of the permits are back in the case. On August 26, 2015, the court suspended the proceedings until further order from the court.

On September 3, 2014, three citizen suits were filed by various environmental groups: (i) a citizen suit in the United States Court for the Middle District of North Carolina alleging unpermitted discharges to surface water and groundwater violations at the Cape Fear Plant; (ii) in the United States Court for the Eastern District of North Carolina alleging unpermitted discharges to surface water and groundwater violations at the H.F. Lee Plant; and (iii) in the United States Court for the Middle District of North Carolina alleging unpermitted discharges to surface water and groundwater violations at the Buck Steam Station. Motions to Stay or Dismiss the proceedings were filed in each of the three cases. The proceedings related to Cape Fear and H.F. Lee have been stayed. On October 20, 2015, the court issued an order denying the motions in the Buck proceedings. Duke Energy Carolinas' motion seeking appellate review of the District Court's decision was denied on January 29, 2016.

On April 11, 2016, the Roanoke River Basin Association served a Notice of Intent to Sue under the CWA, alleging unpermitted discharges to surface water and groundwater violations at the Mayo Plant. A federal citizen suit may be filed 60 days after service of the Notice of Intent to Sue.

It is not possible to predict whether Duke Energy Carolinas or Duke Energy Progress will incur any liability or to estimate the damages, if any, they might incur in connection with these matters.

Potential Groundwater Contamination Claims

Beginning in May 2015, a number of residents living in the vicinity of the North Carolina facilities with ash basins received letters from NCDEQ advising them not to drink water from the private wells on their land tested by NCDEQ as the samples were found to have certain substances at levels higher than the criteria set by the North Carolina Department of Health and Human Services (DHHS). The criteria, in some cases, are considerably more stringent than federal drinking water standards established to protect human health and welfare. The Coal Ash Act requires additional groundwater monitoring and assessments for each of the 14 coal-fired plants in North Carolina, including sampling of private water supply wells. The data gathered through these Comprehensive Site Assessments (CSAs) will be used by NCDEQ to determine whether the water quality of these private water supply wells has been adversely impacted by the ash basins. Duke Energy has submitted CSAs documenting the results of extensive groundwater monitoring around coal ash basins at all 14 of the plants with coal ash basins. Generally, the data gathered through the installation of new monitoring wells and soil and water samples across the state have been consistent with historical data provided to state regulators over many years. The DHHS and NCDEQ sent follow-up letters on October 15, 2015, to residents near coal ash basins who have had their wells tested, stating that private well samplings at a considerable distance from coal ash impoundments, as well as some municipal water supplies, contain similar levels of vanadium and hexavalent chromium which leads investigators to believe these constituents are naturally occurring. In March 2016, DHHS rescinded the advisories. It is not possible to estimate the maximum exposure of loss, if any, that may occur in connection with claims which might be made by these residents.

Asbestos-related Injuries and Damages Claims

Duke Energy Carolinas has experienced numerous claims for indemnification and medical cost reimbursement related to asbestos exposure. These claims relate to damages for bodily injuries alleged to have arisen from exposure to or use of asbestos in connection with construction and maintenance activities conducted on its electric generation plants prior to 1985. As of March 31, 2016, there were 118 asserted claims for non-malignant cases with the cumulative relief sought of up to $30 million, and 68 asserted claims for malignant cases with the cumulative relief sought of up to $10 million. Based on Duke Energy Carolinas' experience, it is expected that the ultimate resolution of most of these claims likely will be less than the amount claimed.

Duke Energy Carolinas has recognized asbestos-related reserves of $527 million at March 31, 2016 and $536 million at December 31, 2015. These reserves are classified in Other within Deferred Credits and Other Liabilities and Other within Current Liabilities on the Condensed Consolidated Balance Sheets. These reserves are based upon the minimum amount of the range of loss for current and future asbestos claims through 2033, are recorded on an undiscounted basis and incorporate anticipated inflation. In light of the uncertainties inherent in a longer-term forecast, management does not believe they can reasonably estimate the indemnity and medical costs that might be incurred after 2033 related to such potential claims. It is possible Duke Energy Carolinas may incur asbestos liabilities in excess of the recorded reserves.

Duke Energy Carolinas has third-party insurance to cover certain losses related to asbestos-related injuries and damages above an aggregate self-insured retention. Duke Energy Carolinas' cumulative payments began to exceed the self-insurance retention in 2008. Future payments up to the policy limit will be reimbursed by the third-party insurance carrier. The insurance policy limit for potential future insurance recoveries indemnification and medical cost claim payments is $847 million in excess of the self-insured retention. Receivables for insurance recoveries were $600 million at March 31, 2016 and $599 million at December 31, 2015. These amounts are classified in Other within Investments and Other Assets and Receivables on the Condensed Consolidated Balance Sheets. Duke Energy Carolinas is not aware of any uncertainties regarding the legal sufficiency of insurance claims. Duke Energy Carolinas believes the insurance recovery asset is probable of recovery as the insurance carrier continues to have a strong financial strength rating.

Duke Energy Florida

Class Action Lawsuit

On February 22, 2016, Newton, et al v. FP&L, was filed in the U.S. District Court for the Southern District of Florida on behalf of a putative class of Duke Energy Florida and FP&L's customers in Florida. The suit alleges the State of Florida's nuclear power plant cost recovery statutes (NCRS) are unconstitutional and pre-empted by federal law. Plaintiffs claim they are entitled to repayment of all money paid by customers of Duke Energy Florida and FP&L as a result of the NCRS, as well as an injunction against any future charges under those statutes. The constitutionality of the NCRS has been challenged unsuccessfully in a number of prior cases on alternative grounds. Duke Energy Florida's response to the complaint was due May 5, 2016. Duke Energy Florida cannot predict the outcome of this matter.

Westinghouse Contract Litigation

On March 28, 2014, Duke Energy Florida filed a lawsuit against Westinghouse in the U.S. District Court for the Western District of North Carolina. The lawsuit seeks recovery of $54 million in milestone payments in excess of work performed under the terminated Engineering, Procurement and Construction agreement (EPC) for Levy as well as a determination by the court of the amounts due to Westinghouse as a result of the termination of the EPC. Duke Energy Florida recognized an exit obligation as a result of the termination of the EPC contract.

On March 31, 2014, Westinghouse filed a lawsuit against Duke Energy Florida in U.S. District Court for the Western District of Pennsylvania. The Pennsylvania lawsuit alleged damages under the EPC in excess of $510 million for engineering and design work, costs to end supplier contracts and an alleged termination fee.

On June 9, 2014, the judge in the North Carolina case ruled that the litigation will proceed in the Western District of North Carolina. In November 2014, Westinghouse filed a Motion for Partial Judgment on the pleadings, which was denied on March 30, 2015. The trial date is set for October 17, 2016. It is not possible to predict the outcome of the litigation, whether Duke Energy Florida will ultimately have any liability for terminating the EPC contract or to estimate the damages, if any, it might incur in connection with these matters. Ultimate resolution of these matters could have a material effect on the results of operations, financial position or cash flows of Duke Energy Florida. However, appropriate regulatory recovery will be pursued for the retail portion of any costs incurred in connection with such resolution.

Duke Energy Ohio

Antitrust Lawsuit

In January 2008, four plaintiffs, including individual, industrial and nonprofit customers, filed a lawsuit against Duke Energy Ohio in federal court in the Southern District of Ohio. Plaintiffs alleged Duke Energy Ohio conspired to provide inequitable and unfair price advantages for certain large business consumers by entering into nonpublic option agreements in exchange for their withdrawal of challenges to Duke Energy Ohio's Rate Stabilization Plan implemented in early 2005. In March 2014, a federal judge certified this matter as a class action. Plaintiffs allege claims for antitrust violations under the federal Robinson Patman Act as well as fraud and conspiracy allegations under the federal Racketeer Influenced and Corrupt Organizations statute and the Ohio Corrupt Practices Act.

On October 21, 2015, the parties received preliminary court approval for a settlement agreement. A litigation settlement reserve was recorded for the full amount of $81 million and classified in Other within Current Liabilities on Duke Energy Ohio's Condensed Consolidated Balance Sheets as of March 31, 2016. The settlement was approved at a hearing held on April 19, 2016.

W.C. Beckjord Fuel Release

On August 18, 2014, approximately 9,000 gallons of fuel oil were inadvertently discharged into the Ohio River during a fuel oil transfer at the W.C. Beckjord generating station. The Ohio Environmental Protection Agency (Ohio EPA) issued a Notice of Violation related to the discharge. Duke Energy Ohio is cooperating with the Ohio EPA, the EPA and the U.S. Attorney for the Southern District of Ohio. No Notice of Violation has been issued by the EPA and no penalty has been assessed. Total repair and remediation costs related to the release were not material. Other costs related to the release, including state or federal civil or criminal enforcement proceedings, cannot be reasonably estimated at this time.

Other Litigation and Legal Proceedings

The Duke Energy Registrants are involved in other legal, tax and regulatory proceedings arising in the ordinary course of business, some of which involve significant amounts. The Duke Energy Registrants believe the final disposition of these proceedings will not have a material effect on their results of operations, cash flows or financial position.

The table below presents recorded reserves based on management's best estimate of probable loss for legal matters, excluding asbestos related reserves and the exit obligation discussed above related to the termination of an EPC contract. Reserves are classified on the Condensed Consolidated Balance Sheets in Other within Deferred Credits and Other Liabilities and Accounts payable and Other within Current Liabilities. The reasonably possible range of loss in excess of recorded reserves is not material, other than as described above.

(in millions)	March 31, 2016	December 31, 2015
Reserves for Legal Matters		
Duke Energy	$ 181	$ 166
Duke Energy Carolinas	11	11
Progress Energy	54	54
Duke Energy Progress	6	6
Duke Energy Florida	31	31
Duke Energy Ohio	80	80

OTHER COMMITMENTS AND CONTINGENCIES

General

As part of their normal business, the Duke Energy Registrants are party to various financial guarantees, performance guarantees and other contractual commitments to extend guarantees of credit and other assistance to various subsidiaries, investees and other third parties. These guarantees involve elements of performance and credit risk, which are not fully recognized on the Condensed Consolidated Balance Sheets and have unlimited maximum potential payments. However, the Duke Energy Registrants do not believe these guarantees will have a material effect on their results of operations, cash flows or financial position.

In addition, the Duke Energy Registrants enter into various fixed-price, noncancelable commitments to purchase or sell power, take-or-pay arrangements, transportation, or throughput agreements and other contracts that may or may not be recognized on their respective Condensed Consolidated Balance Sheets. Some of these arrangements may be recognized at fair value on their respective Condensed Consolidated Balance Sheets if such contracts meet the definition of a derivative and the normal purchase/normal sale (NPNS) exception does not apply. In most cases, the Duke Energy Registrants' purchase obligation contracts contain provisions for price adjustments, minimum purchase levels and other financial commitments.

6. DEBT AND CREDIT FACILITIES

SUMMARY OF SIGNIFICANT DEBT ISSUANCES

The following table summarizes significant debt issuances (in millions).

			Three Months Ended March 31, 2016	
Issuance Date	**Maturity Date**	**Interest Rate**	**Duke Energy**	**Duke Energy Carolinas**
First Mortgage Bonds				
March 2016[(a)]	March 2023	2.500%	$ 500	$ 500
March 2016[(a)]	March 2046	3.875%	500	500
Total issuances			$ 1,000	$ 1,000

(a) Proceeds will be used to fund capital expenditures for ongoing construction, capital maintenance and for general corporate purposes.

In April 2016, Duke Energy issued $350 million principal amount of senior unsecured notes with a fixed interest rate of 2.875% and maturity date of April 2023. Proceeds will be used to pay down outstanding commercial paper and for general corporate purposes.

CURRENT MATURITIES OF LONG-TERM DEBT

The following table shows the significant components of Current maturities of long-term debt on the Condensed Consolidated Balance Sheets. The Duke Energy Registrants currently anticipate satisfying these obligations with cash on hand and proceeds from additional borrowings.

(in millions)	Maturity Date	Interest Rate	March 31, 2016
Unsecured Debt			
Duke Energy Indiana	June 2016	6.050%	$ 325
Duke Energy (Parent)	November 2016	2.150%	500
First Mortgage Bonds			
Duke Energy Indiana	July 2016	0.937%	150
Duke Energy Carolinas	December 2016	1.750%	350
Duke Energy Progress	March 2017	0.836%	250
Tax-exempt Bonds			
Duke Energy Carolinas	February 2017	3.600%	77
Duke Energy Ohio[(a)]	August 2027	1.266%	50
Other			373
Current maturities of long-term debt			$ 2,075

(a) Represents Duke Energy Kentucky's bonds with a mandatory put in December 2016.

AVAILABLE CREDIT FACILITIES

Master Credit Facility

Duke Energy has a Master Credit Facility with a capacity of $7.5 billion through January 2020. The Duke Energy Registrants, excluding Progress Energy (Parent), have borrowing capacity under the Master Credit Facility up to a specified sublimit for each borrower. Duke Energy has the unilateral ability at any time to increase or decrease the borrowing sublimits of each borrower, subject to a maximum sublimit for each borrower. The amount available under the Master Credit Facility has been reduced to backstop issuances of commercial paper, certain letters of credit and variable-rate demand tax-exempt bonds that may be put to the Duke Energy Registrants at the option of the holder. Duke Energy Carolinas and Duke Energy Progress are also required to each maintain $250 million of available capacity under the Master Credit Facility as security to meet obligations under plea agreements reached with the U.S. Department of Justice in 2015 related to violations at North Carolina facilities with ash basins. The table below includes the current borrowing sublimits and available capacity under the Master Credit Facility.

	March 31, 2016						
(in millions)	Duke Energy	Duke Energy (Parent)	Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Facility size[(a)]	$ 7,500	$ 3,475	$ 800	$ 1,000	$ 1,200	$ 425	$ 600
Reduction to backstop issuances							
Commercial paper[(b)]	(2,980)	(1,816)	(300)	(205)	(480)	(29)	(150)
Outstanding letters of credit	(79)	(72)	(4)	(2)	(1)	—	—
Tax-exempt bonds	(116)	—	(35)	—	—	—	(81)
Coal ash set-aside	(500)	—	(250)	(250)	—	—	—
Available capacity	$ 3,825	$ 1,587	$ 211	$ 543	$ 719	$ 396	$ 369

(a) Represents the sublimit of each borrower.
(b) Duke Energy issued $625 million of commercial paper and loaned the proceeds through the money pool to Duke Energy Carolinas, Duke Energy Progress, Duke Energy Ohio and Duke Energy Indiana. The balances are classified as Long-Term Debt Payable to Affiliated Companies in the Condensed Consolidated Balance Sheets.

Piedmont Bridge Facility

In connection with the Merger Agreement with Piedmont, Duke Energy entered into a $4.9 billion Bridge Facility with Barclays. The Bridge Facility, if drawn upon, may be used (i) to fund the cash consideration for the transaction and (ii) to pay certain fees and expenses in connection with the transaction. In November 2015, Barclays syndicated its commitment under the Bridge Facility to a broader group of lenders. Duke Energy does not expect to draw upon the Bridge Facility. The amount of the Bridge Facility is reduced by any financings related to the Piedmont acquisition entered into by Duke Energy, and has accordingly been reduced to $4.2 billion as a result of the Equity Forwards described in Note 13, "Common Stock." Refer to Note 2 for additional information on the Piedmont acquisition.

Short-Term Loan Facility

On April 7, 2016, Duke Energy borrowed $500 million under a delayed-draw term loan facility (Term Loan) arranged on February 22, 2016. The Term Loan borrowing is due on or before August 19, 2016 and will bear interest at 30-day LIBOR plus 75 basis points. The Term Loan is pre-payable at par and the terms are generally consistent with those governing the Master Credit Facility.

7. GOODWILL AND INTANGIBLE ASSETS

GOODWILL

The following table presents goodwill by reportable operating segment for Duke Energy.

Duke Energy

(in millions)	Regulated Utilities	International Energy	Commercial Portfolio	Total
Goodwill at December 31, 2015	$ 15,950	$ 271	$ 122	$ 16,343
Foreign exchange and other changes	—	6	—	6
Goodwill at March 31, 2016	**$ 15,950**	**$ 277**	**$ 122**	**$ 16,349**

Duke Energy Ohio

Duke Energy Ohio's Goodwill balance of $920 million is included in the Regulated Utilities operating segment and presented net of accumulated impairment charges of $216 million on the Condensed Consolidated Balance Sheets at March 31, 2016 and December 31, 2015.

Progress Energy

Progress Energy's Goodwill is included in the Regulated Utilities operating segment and there are no accumulated impairment charges.

8. RELATED PARTY TRANSACTIONS

The Subsidiary Registrants engage in related party transactions in accordance with applicable state and federal commission regulations. Refer to the Condensed Consolidated Balance Sheets of the Subsidiary Registrants for balances due to or due from related parties. Material amounts related to transactions with related parties included in the Condensed Consolidated Statements of Operations and Comprehensive Income are presented in the following table.

	Three Months Ended March 31,	
(in millions)	**2016**	**2015**
Duke Energy Carolinas		
Corporate governance and shared service expenses[(a)]	$ 217	$ 219
Indemnification coverages[(b)]	5	6
Joint Dispatch Agreement (JDA) revenue[(c)]	9	26
JDA expense[(c)]	41	57
Progress Energy		
Corporate governance and shared service expenses[(a)]	$ 174	$ 167
Indemnification coverages[(b)]	9	10
JDA revenue[(c)]	41	57
JDA expense[(c)]	9	26
Duke Energy Progress		
Corporate governance and shared service expenses[(a)]	$ 100	$ 101
Indemnification coverages[(b)]	4	4
JDA revenue[(c)]	41	57
JDA expense[(c)]	9	26
Duke Energy Florida		
Corporate governance and shared service expenses[(a)]	$ 74	$ 66
Indemnification coverages[(b)]	5	6
Duke Energy Ohio		
Corporate governance and shared service expenses[(a)]	$ 85	$ 85
Indemnification coverages[(b)]	1	3
Duke Energy Indiana		
Corporate governance and shared service expenses[(a)]	$ 94	$ 89
Indemnification coverages[(b)]	2	2

(a) The Subsidiary Registrants are charged their proportionate share of corporate governance and other shared services costs, primarily related to human resources and employee benefits, information technology, legal and accounting fees, as well as other third-party costs. These amounts are recorded in Operation, maintenance and other on the Condensed Consolidated Statements of Operations and Comprehensive Income.

(b) The Subsidiary Registrants incur expenses related to certain indemnification coverages through Bison, Duke Energy's wholly owned captive insurance subsidiary. These expenses are recorded in Operation, maintenance and other on the Condensed Consolidated Statements of Operations and Comprehensive Income.

(c) Duke Energy Carolinas and Duke Energy Progress participate in a JDA which allows the collective dispatch of power plants between the service territories to reduce customer rates. Revenues from the sale of power under the JDA are recorded in Operating Revenues on the Condensed Consolidated Statements of Operations and Comprehensive Income. Expenses from the purchase of power under the JDA are recorded in Fuel used in electric generation and purchased power on the Condensed Consolidated Statements of Operations and Comprehensive Income.

In addition to the amounts presented above, the Subsidiary Registrants record the impact on net income of other affiliate transactions, including rental of office space, participation in a money pool arrangement, other operational transactions and their proportionate share of certain charged expenses. See Note 6 to the Consolidated Financial Statements in the Annual Report on Form 10-K for more information regarding money pool. The net impact of these transactions was not material for the three months ended March 31, 2016 and 2015 for the Subsidiary Registrants.

As discussed in Note 12, certain trade receivables have been sold by Duke Energy Ohio and Duke Energy Indiana to CRC, an affiliate formed by a subsidiary of Duke Energy. The proceeds obtained from the sales of receivables are largely cash but also include a subordinated note from the affiliate for a portion of the purchase price.

Duke Energy Ohio's nonregulated indirect subsidiary, Duke Energy Commercial Asset Management (DECAM), owned generating plants included in the Disposal Group sold to Dynegy on April 2, 2015. On April 1, 2015, Duke Energy Ohio distributed its indirect ownership interest in DECAM to a Duke Energy subsidiary and non-cash settled DECAM's intercompany loan payable of $294 million.

Refer to Note 2 for further information on the sale of the Disposal Group.

Intercompany Income Taxes

Duke Energy and its subsidiaries file a consolidated federal income tax return and other state and jurisdictional returns. The Subsidiary Registrants have a tax sharing agreement with Duke Energy for the allocation of consolidated tax liabilities and benefits. Income taxes recorded represent amounts the Subsidiary Registrants would incur as separate C-Corporations. The following table includes the balance of intercompany income tax receivables and payables for the Subsidiary Registrants.

(in millions)	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
March 31, 2016						
Intercompany income tax receivable	$ —	$ 170	$ 22	$ 16	$ —	$ —
Intercompany income tax payable	6	—	—	—	9	60
December 31, 2015						
Intercompany income tax receivable	$ 122	$ 120	$ 104	$ —	$ 54	$ —
Intercompany income tax payable	—	—	—	96	—	47

9. DERIVATIVES AND HEDGING

The Duke Energy Registrants use commodity and interest rate contracts to manage commodity price risk and interest rate risk. The primary use of commodity derivatives is to hedge the generation portfolio against changes in the prices of electricity and natural gas. Interest rate swaps are used to manage interest rate risk associated with borrowings.

All derivative instruments not identified as NPNS are recorded at fair value as assets or liabilities on the Condensed Consolidated Balance Sheets. Cash collateral related to derivative instruments executed under master netting arrangements is offset against the collateralized derivatives on the Condensed Consolidated Balance Sheets. The cash impacts of settled derivatives are recorded as operating activities on the Condensed Consolidated Statements of Cash Flows.

INTEREST RATE RISK

The Duke Energy Registrants are exposed to changes in interest rates as a result of their issuance or anticipated issuance of variable-rate and fixed-rate debt and commercial paper. Interest rate risk is managed by limiting variable-rate exposures to a percentage of total debt and by monitoring changes in interest rates. To manage risk associated with changes in interest rates, the Duke Energy Registrants may enter into interest rate swaps, U.S. Treasury lock agreements and other financial contracts. In anticipation of certain fixed-rate debt issuances, a series of forward-starting interest rate swaps may be executed to lock in components of current market interest rates. These instruments are later terminated prior to or upon the issuance of the corresponding debt.

Cash Flow Hedges

For a derivative designated as hedging the exposure to variable cash flows of a future transaction, referred to as a cash flow hedge, the effective portion of the derivative's gain or loss is initially reported as a component of other comprehensive income and subsequently reclassified into earnings once the future transaction affects earnings. Amounts for interest rate contracts are reclassified to earnings as interest expense over the term of the related debt. Gains and losses reclassified out of AOCI for the three months ended March 31, 2016, were not material. Duke Energy's interest rate derivatives designated as hedges include interest rate swaps used to hedge existing debt within the International Energy and Renewables' businesses.

Undesignated Contracts

Undesignated contracts include contracts not designated as a hedge because they are accounted for under regulatory accounting and contracts that do not qualify for hedge accounting.

Duke Energy's interest rate swaps for its Regulated Utilities operations employ regulatory accounting. With regulatory accounting, the mark-to-market gains or losses on the swaps are deferred as regulatory liabilities or regulatory assets, respectively. Regulatory assets and liabilities are amortized consistent with the treatment of the related costs in the ratemaking process. The accrual of interest on the swaps is recorded as Interest Expense.

During the three months ended March 31, 2016, Duke Energy entered into an additional $500 million of forward-starting interest rate swaps to manage interest rate exposure for the expected financing of the Piedmont acquisition, bringing the total outstanding to $1.4 billion. The swaps do not qualify for hedge accounting and are marked-to-market, with any gains or losses included within earnings. For the three months ended March 31, 2016, unrealized losses on the swaps of $93 million were included within Interest Expense on the Condensed Consolidated Statements of Operations. The swaps will be terminated in conjunction with the acquisition financing. See Note 2 for additional information related to the Piedmont acquisition.

The following table shows notional amounts for derivatives related to interest rate risk.

	March 31, 2016					
(in millions)	**Duke Energy**	**Duke Energy Carolinas**	**Progress Energy**	**Duke Energy Progress**	**Duke Energy Florida**	**Duke Energy Ohio**
Cash flow hedges[(a)]	$ 700	$ —	$ —	$ —	$ —	$ —
Undesignated contracts	2,327	400	500	250	250	27
Total notional amount	$ 3,027	$ 400	$ 500	$ 250	$ 250	$ 27

	December 31, 2015					
(in millions)	**Duke Energy**	**Duke Energy Carolinas**	**Progress Energy**	**Duke Energy Progress**	**Duke Energy Florida**	**Duke Energy Ohio**
Cash flow hedges[(a)]	$ 700	$ —	$ —	$ —	$ —	$ —
Undesignated contracts	1,827	400	500	250	250	27
Total notional amount	$ 2,527	$ 400	$ 500	$ 250	$ 250	$ 27

(a) Duke Energy includes amounts related to consolidated Variable Interest Entities (VIEs) of $497 million at March 31, 2016 and December 31, 2015.

COMMODITY PRICE RISK

The Duke Energy Registrants are exposed to the impact of changes in the prices of electricity, coal and natural gas. Exposure to commodity price risk is influenced by a number of factors including the term of contracts, the liquidity of markets and delivery locations.

Regulated public utilities may have cost-based rate regulations and various other cost recovery mechanisms that result in a limited exposure to market volatility of commodity fuel prices. Financial derivative contracts, where approved by the respective state regulatory commissions, can be used to manage the risk of price volatility. At March 31, 2016, all of Duke Energy's open commodity derivative instruments were undesignated because they are accounted for under regulatory accounting. Mark-to-market gains or losses on contracts that use regulatory accounting are deferred as regulatory liabilities or regulatory assets, respectively. Undesignated contracts expire as late as 2048.

The Subsidiary Registrants utilize cost-tracking mechanisms, commonly referred to as fuel adjustment clauses. These clauses allow for the recovery of fuel and fuel-related costs, including settlements of undesignated derivatives for fuel commodities, and portions of purchased power costs through surcharges on customer rates. The difference between the costs incurred and the surcharge revenues is recorded as an adjustment to Fuel used in electric generation and purchased power – regulated or as Operating Revenues: Regulated electric on the Condensed Consolidated Statements of Operations, with an offsetting impact on regulatory assets or liabilities. Therefore, due to the regulatory accounting followed by the Subsidiary Registrants for undesignated derivatives, realized and unrealized gains and losses on undesignated commodity derivatives do not have an immediate impact on reported net income.

Volumes

The tables below show information relating to volumes of outstanding commodity derivatives. Amounts disclosed represent the absolute value of notional volumes of commodity contracts excluding NPNS. The Duke Energy Registrants have netted contractual amounts where offsetting purchase and sale contracts exist with identical delivery locations and times of delivery. Where all commodity positions are perfectly offset, no quantities are shown.

	March 31, 2016						
	Duke Energy	**Duke Energy Carolinas**	**Progress Energy**	**Duke Energy Progress**	**Duke Energy Florida**	**Duke Energy Ohio**	**Duke Energy Indiana**
Electricity (gigawatt-hours)	183	—	—	—	—	144	39
Natural gas (millions of decatherms)	470	92	378	131	247	—	—

	December 31, 2015						
	Duke Energy	**Duke Energy Carolinas**	**Progress Energy**	**Duke Energy Progress**	**Duke Energy Florida**	**Duke Energy Ohio**	**Duke Energy Indiana**
Electricity (gigawatt-hours)	70	—	—	—	—	34	36
Natural gas (millions of decatherms)	398	66	332	117	215	—	—

LOCATION AND FAIR VALUE OF DERIVATIVE ASSETS AND LIABILITIES RECOGNIZED IN THE CONDENSED CONSOLIDATED BALANCE SHEETS

The following tables show the fair value and balance sheet location of derivative instruments. Although derivatives subject to master netting arrangements are netted on the Condensed Consolidated Balance Sheets, the fair values presented below are shown gross and cash collateral on the derivatives has not been netted against the fair values shown.

Derivative Assets	**March 31, 2016**						
(in millions)	**Duke Energy**	**Duke Energy Carolinas**	**Progress Energy**	**Duke Energy Progress**	**Duke Energy Florida**	**Duke Energy Ohio**	**Duke Energy Indiana**
Commodity Contracts							
Not Designated as Hedging Instruments							
Current	$ 4	$ 1	$ 1	$ —	$ —	$ —	$ 2
Noncurrent	7	3	4	2	2	—	—
Total Derivative Assets – Commodity Contracts	$ 11	$ 4	$ 5	$ 2	$ 2	$ —	$ 2
Interest Rate Contracts							
Not Designated as Hedging Instruments							
Current	$ 3	$ —	$ 3	$ —	$ 3	$ —	$ —
Noncurrent	19	9	9	3	6	—	—
Total Derivative Assets – Interest Rate Contracts	$ 22	$ 9	$ 12	$ 3	$ 9	$ —	$ —
Total Derivative Assets	$ 33	$ 13	$ 17	$ 5	$ 11	$ —	$ 2

Derivative Liabilities	**March 31, 2016**						
(in millions)	**Duke Energy**	**Duke Energy Carolinas**	**Progress Energy**	**Duke Energy Progress**	**Duke Energy Florida**	**Duke Energy Ohio**	**Duke Energy Indiana**
Commodity Contracts							
Not Designated as Hedging Instruments							
Current	$ 270	$ 37	$ 232	$ 78	$ 154	$ —	$ —
Noncurrent	71	5	66	9	52	—	—
Total Derivative Liabilities – Commodity Contracts	$ 341	$ 42	$ 298	$ 87	$ 206	$ —	$ —
Interest Rate Contracts							
Designated as Hedging Instruments							
Current	$ 12	$ —	$ —	$ —	$ —	$ —	$ —
Noncurrent	45	—	—	—	—	—	—
Not Designated as Hedging Instruments							
Current[(a)]	94	—	—	—	—	1	—
Noncurrent	45	39	—	—	—	6	—
Total Derivative Liabilities – Interest Rate Contracts	$ 196	$ 39	$ —	$ —	$ —	$ 7	$ —
Total Derivative Liabilities	$ 537	$ 81	$ 298	$ 87	$ 206	$ 7	$ —

(a) Duke Energy amount includes $93 million of forward-starting interest rate swaps related to the Piedmont acquisition.

Derivative Assets	December 31, 2015						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Commodity Contracts							
Not Designated as Hedging Instruments							
Current	$ 12	$ —	$ 1	$ —	$ 1	$ 3	$ 7
Noncurrent	4	—	4	—	4	—	—
Total Derivative Assets – Commodity Contracts	$ 16	$ —	$ 5	$ —	$ 5	$ 3	$ 7
Interest Rate Contracts							
Designated as Hedging Instruments							
Noncurrent	$ 4	$ —	$ —	$ —	$ —	$ —	$ —
Not Designated as Hedging Instruments							
Current	6	—	6	2	2	—	—
Total Derivative Assets – Interest Rate Contracts	$ 10	$ —	$ 6	$ 2	$ 2	$ —	$ —
Total Derivative Assets	$ 26	$ —	$ 11	$ 2	$ 7	$ 3	$ 7

Derivative Liabilities	December 31, 2015						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Commodity Contracts							
Not Designated as Hedging Instruments							
Current	$ 256	$ 32	$ 222	$ 77	$ 145	$ —	$ —
Noncurrent	100	8	92	16	71	—	—
Total Derivative Liabilities – Commodity Contracts	$ 356	$ 40	$ 314	$ 93	$ 216	$ —	$ —
Interest Rate Contracts							
Designated as Hedging Instruments							
Current	$ 11	$ —	$ —	$ —	$ —	$ —	$ —
Noncurrent	33	—	—	—	—	—	—
Not Designated as Hedging Instruments							
Current	4	—	3	—	—	1	—
Noncurrent	15	5	5	5	—	6	—
Total Derivative Liabilities – Interest Rate Contracts	$ 63	$ 5	$ 8	$ 5	$ —	$ 7	$ —
Total Derivative Liabilities	$ 419	$ 45	$ 322	$ 98	$ 216	$ 7	$ —

OFFSETTING ASSETS AND LIABILITIES

The following tables present the line items on the Condensed Consolidated Balance Sheets where derivatives are reported. Substantially all of Duke Energy's outstanding derivative contracts are subject to enforceable master netting arrangements. The Gross amounts offset in the tables below show the effect of these netting arrangements on financial position, and include collateral posted to offset the net position. The amounts shown are calculated by counterparty. Accounts receivable or accounts payable may also be available to offset exposures in the event of bankruptcy. These amounts are not included in the tables below.

Derivative Assets	March 31, 2016						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Current							
Gross amounts recognized	$ 7	$ 1	$ 4	$ —	$ 3	$ —	$ 2
Gross amounts offset	(1)	(1)	(1)	—	—	—	—
Net amounts presented in Current Assets: Other	$ 6	$ —	$ 3	$ —	$ 3	$ —	$ 2
Noncurrent							
Gross amounts recognized	$ 26	$ 12	$ 13	$ 5	$ 8	$ —	$ —
Gross amounts offset	(15)	(12)	(3)	(2)	(1)	—	—
Net amounts presented in Investments and Other Assets: Other	$ 11	$ —	$ 10	$ 3	$ 7	$ —	$ —

Derivative Liabilities	March 31, 2016						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Current							
Gross amounts recognized	$ 376	$ 37	$ 232	$ 78	$ 154	$ 1	$ —
Gross amounts offset	(16)	(1)	(15)	—	(15)	—	—
Net amounts presented in Current Liabilities: Other	$ 360	$ 36	$ 217	$ 78	$ 139	$ 1	$ —
Noncurrent							
Gross amounts recognized	$ 161	$ 44	$ 66	$ 9	$ 52	$ 6	$ —
Gross amounts offset	(23)	(12)	(11)	(2)	(9)	—	—
Net amounts presented in Deferred Credits and Other Liabilities: Other	$ 136	$ 32	$ 55	$ 7	$ 43	$ 6	$ —

Derivative Assets	December 31, 2015						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Current							
Gross amounts recognized	$ 18	$ —	$ 7	$ 2	$ 3	$ 3	$ 7
Gross amounts offset	(3)	—	(2)	—	(2)	—	—
Net amounts presented in Current Assets: Other	$ 15	$ —	$ 5	$ 2	$ 1	$ 3	$ 7
Noncurrent							
Gross amounts recognized	$ 8	$ —	$ 4	$ —	$ 4	$ —	$ —
Gross amounts offset	(4)	—	(4)	—	(4)	—	—
Net amounts presented in Investments and Other Assets: Other	$ 4	$ —	$ —	$ —	$ —	$ —	$ —

Derivative Liabilities	December 31, 2015						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Current							
Gross amounts recognized	$ 271	$ 32	$ 225	$ 77	$ 145	$ 1	$ —
Gross amounts offset	(22)	—	(21)	(1)	(20)	—	—
Net amounts presented in Current Liabilities: Other	$ 249	$ 32	$ 204	$ 76	$ 125	$ 1	$ —
Noncurrent							
Gross amounts recognized	$ 148	$ 13	$ 97	$ 21	$ 71	$ 6	$ —
Gross amounts offset	(16)	—	(15)	—	(15)	—	—
Net amounts presented in Deferred Credits and Other Liabilities: Other	$ 132	$ 13	$ 82	$ 21	$ 56	$ 6	$ —

OBJECTIVE CREDIT CONTINGENT FEATURES

Certain derivative contracts contain objective credit contingent features. These features include the requirement to post cash collateral or letters of credit if specific events occur, such as a credit rating downgrade below investment grade. The following tables show information with respect to derivative contracts that are in a net liability position and contain objective credit-risk-related payment provisions. Amounts for Duke Energy Ohio and Duke Energy Indiana were not material.

	March 31, 2016				
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida
Aggregate fair value of derivatives in a net liability position	$ 453	$ 81	$ 279	$ 83	$ 196
Fair value of collateral already posted	23	—	23	—	23
Additional cash collateral or letters of credit in the event credit-risk-related contingent features were triggered	430	81	256	83	173

	December 31, 2015				
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida
Aggregate fair value of derivatives in a net liability position	$ 334	$ 45	$ 290	$ 93	$ 194
Fair value of collateral already posted	30	—	30	—	30
Additional cash collateral or letters of credit in the event credit-risk-related contingent features were triggered	304	45	260	93	164

The Duke Energy Registrants have elected to offset cash collateral and fair values of derivatives. For amounts to be netted, the derivative must be executed with the same counterparty under the same master netting arrangement. Amounts disclosed below represent the receivables related to the right to reclaim cash collateral under master netting arrangements. All receivables presented below were offset against net derivative positions on the Condensed Consolidated Balance Sheets.

	March 31, 2016	December 31, 2015
(in millions)	Receivables	Receivables
Duke Energy	$ 23	$ 30
Progress Energy	23	30
Duke Energy Florida	23	30

10. INVESTMENTS IN DEBT AND EQUITY SECURITIES

AVAILABLE-FOR-SALE SECURITIES

The Duke Energy Registrants classify their investments in debt and equity securities as available-for-sale.

Duke Energy's available-for-sale securities are primarily comprised of investments held in (i) the nuclear decommissioning fund (NDTF) at Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida, (ii) grantor trusts at Duke Energy Progress, Duke Energy Florida and Duke Energy Indiana related to OPEB plans, and (iii) Duke Energy's captive insurance investment portfolio.

Duke Energy classifies all other investments in debt and equity securities as long-term, unless otherwise noted.

Investment Trusts

The investments within the NDTF investments and the Duke Energy Progress, Duke Energy Florida and Duke Energy Indiana grantor trusts (Investment Trusts) are managed by independent investment managers with discretion to buy, sell, and invest pursuant to the objectives set forth by the trust agreements. The Duke Energy Registrants have limited oversight of the day-to-day management of these investments. As a result, the ability to hold investments in unrealized loss positions is outside the control of the Duke Energy Registrants. Accordingly, all unrealized losses associated with debt and equity securities within the Investment Trusts are considered other-than-temporary impairments and are recognized immediately.

Investments within the Investment Trusts generally qualify for regulatory accounting, and accordingly realized and unrealized gains and losses are deferred as a regulatory asset or liability. Certain investments held in Duke Energy Florida's NDTF were acquired in a settlement with Florida Municipal Joint Owners (FMJO) and do not qualify for regulatory accounting. Unrealized gains and losses on these assets are included in other comprehensive income until realized, unless it is determined the carrying value of an investment is other-than-temporarily impaired, and realized gains and losses are included within Other income and expense, net on the Condensed Consolidated Statements of Operations. The value of these assets has not materially changed since the assets were acquired from FMJO. As a result, there is no material impact on earnings of the Duke Energy Registrants.

Other Available-for-Sale Securities

Unrealized gains and losses on all other available-for-sale securities are included in other comprehensive income until realized, unless it is determined the carrying value of an investment is other-than-temporarily impaired. If an other-than-temporary impairment exists, the unrealized loss is included in earnings based on the criteria discussed below.

The Duke Energy Registrants analyze all investment holdings each reporting period to determine whether a decline in fair value should be considered other-than-temporary. Criteria used to evaluate whether an impairment associated with equity securities is other-than-temporary includes, but is not limited to, (i) the length of time over which the market value has been lower than the cost basis of the investment, (ii) the percentage decline compared to the cost of the investment, and (iii) management's intent and ability to retain its investment for a period of time sufficient to allow for any anticipated recovery in market value. If a decline in fair value is determined to be other-than-temporary, the investment is written down to its fair value through a charge to earnings.

If the entity does not have an intent to sell a debt security and it is not more likely than not management will be required to sell the debt security before the recovery of its cost basis, the impairment write-down to fair value would be recorded as a component of other comprehensive income, except for when it is determined a credit loss exists. In determining whether a credit loss exists, management considers, among other things, (i) the length of time and the extent to which the fair value has been less than the amortized cost basis, (ii) changes in the financial condition of the issuer of the security, or in the case of an asset backed security, the financial condition of the underlying loan obligors, (iii) consideration of underlying collateral and guarantees of amounts by government entities, (iv) ability of the issuer of the security to make scheduled interest or principal payments, and (v) any changes to the rating of the security by rating agencies. If a credit loss exists, the amount of impairment write-down to fair value is split between credit loss and other factors. The amount related to credit loss is recognized in earnings. The amount related to other factors is recognized in other comprehensive income. There were no credit losses as of March 31, 2016 and December 31, 2015.

DUKE ENERGY

The following table presents the estimated fair value of investments in available-for-sale securities.

	March 31, 2016			December 31, 2015		
(in millions)	**Gross Unrealized Holding Gains**	**Gross Unrealized Holding Losses(b)**	**Estimated Fair Value**	**Gross Unrealized Holding Gains**	**Gross Unrealized Holding Losses(b)**	**Estimated Fair Value**
NDTF						
Cash and cash equivalents	$ —	$ —	$ 201	$ —	$ —	$ 179
Equity securities	1,823	64	3,592	1,823	58	3,590
Corporate debt securities	16	3	454	7	8	432
Municipal bonds	6	—	211	5	1	185
U.S. government bonds	33	—	1,288	11	5	1,254
Other debt securities	1	4	148	—	4	177
Total NDTF	$ 1,879	$ 71	$ 5,894	$ 1,846	$ 76	$ 5,817
Other Investments						
Cash and cash equivalents	$ —	$ —	$ 29	$ —	$ —	$ 29
Equity securities	33	1	97	32	1	95
Corporate debt securities	1	2	91	1	3	92
Municipal bonds	3	1	78	3	1	74
U.S. government bonds	2	—	56	—	—	45
Other debt securities	—	2	55	—	2	62
Total Other Investments(a)	$ 39	$ 6	$ 404	$ 36	$ 7	$ 397
Total Investments	$ 1,918	$ 77	$ 6,298	$ 1,882	$ 83	$ 6,214

(a) These amounts are recorded in Other with Investments and Other Assets on the Condensed Consolidated Balance Sheets.
(b) Substantially all these amounts are considered other-than-temporary impairments on investments within Investment Trusts that have been recognized immediately as a regulatory asset.

The table below summarizes the maturity date for debt securities.

(in millions)		March 31, 2016
Due in one year or less	$	136
Due after one through five years		769
Due after five through 10 years		559
Due after 10 years		915
Total	$	2,379

Realized gains and losses, which were determined on a specific identification basis, from sales of available-for-sale securities were as follows.

	Three Months Ended March 31,			
(in millions)		2016		2015
Realized gains	$	54	$	102
Realized losses		50		14

DUKE ENERGY CAROLINAS

The following table presents the estimated fair value of investments in available-for-sale securities.

	March 31, 2016						December 31, 2015					
(in millions)		Gross Unrealized Holding Gains		Gross Unrealized Holding Losses(b)		Estimated Fair Value		Gross Unrealized Holding Gains		Gross Unrealized Holding Losses(b)		Estimated Fair Value
NDTF												
Cash and cash equivalents	$	—	$	—	$	50	$	—	$	—	$	34
Equity securities		1,022		31		2,088		1,021		27		2,094
Corporate debt securities		8		2		257		3		5		292
Municipal bonds		1		—		53		1		—		33
U.S. government bonds		12		—		502		3		3		438
Other debt securities		1		4		138		—		4		147
Total NDTF	$	1,044	$	37	$	3,088	$	1,028	$	39	$	3,038
Other Investments												
Other debt securities	$	—	$	1	$	3	$	—	$	1	$	3
Total Other Investments(a)	$	—	$	1	$	3	$	—	$	1	$	3
Total Investments	$	1,044	$	38	$	3,091	$	1,028	$	40	$	3,041

(a) These amounts are recorded in Other within Investments and Other Assets on the Condensed Consolidated Balance Sheets.
(b) Substantially all these amounts represent other-than-temporary impairments on investments within Investment Trusts that have been recognized immediately as a regulatory asset.

The table below summarizes the maturity date for debt securities.

(in millions)		March 31, 2016
Due in one year or less	$	14
Due after one through five years		195
Due after five through 10 years		224
Due after 10 years		520
Total	$	953

Realized gains and losses, which were determined on a specific identification basis, from sales of available-for-sale securities were as follows.

	Three Months Ended March 31,	
(in millions)	**2016**	**2015**
Realized gains	$ 34	$ 90
Realized losses	37	12

PROGRESS ENERGY

The following table presents the estimated fair value investments in available-for-sale securities.

	March 31, 2016			December 31, 2015		
(in millions)	**Gross Unrealized Holding Gains**	**Gross Unrealized Holding Losses(b)**	**Estimated Fair Value**	**Gross Unrealized Holding Gains**	**Gross Unrealized Holding Losses(b)**	**Estimated Fair Value**
NDTF						
Cash and cash equivalents	$ —	$ —	$ 151	$ —	$ —	$ 145
Equity securities	801	33	1,504	802	31	1,496
Corporate debt securities	8	1	197	4	3	140
Municipal bonds	5	—	158	4	1	152
U.S. government bonds	21	—	786	8	2	816
Other debt securities	—	—	10	—	—	30
Total NDTF	$ 835	$ 34	$ 2,806	$ 818	$ 37	$ 2,779
Other Investments						
Cash and cash equivalents	$ —	$ —	$ 17	$ —	$ —	$ 18
Municipal bonds	3	—	46	3	—	45
Total Other Investments(a)	$ 3	$ —	$ 63	$ 3	$ —	$ 63
Total Investments	$ 838	$ 34	$ 2,869	$ 821	$ 37	$ 2,842

(a) These amounts are recorded in Other within Investments and Other Assets on the Condensed Consolidated Balance Sheets.
(b) Substantially all these amounts represent other-than-temporary impairments on investments within Investment Trusts that have been recognized immediately as a regulatory asset.

The table below summarizes the maturity date for debt securities.

(in millions)	**March 31, 2016**
Due in one year or less	$ 101
Due after one through five years	486
Due after five through 10 years	264
Due after 10 years	346
Total	$ 1,197

Realized gains and losses, which were determined on a specific identification basis, from sales of available-for-sale securities were as follows.

	Three Months Ended March 31,	
(in millions)	**2016**	**2015**
Realized gains	$ 19	$ 12
Realized losses	13	1

DUKE ENERGY PROGRESS

The following table presents the estimated fair value of investments in available-for-sale securities.

	March 31, 2016			December 31, 2015		
(in millions)	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses(b)	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses(b)	Estimated Fair Value
NDTF						
Cash and cash equivalents	$ —	$ —	$ 100	$ —	$ —	$ 110
Equity securities	595	27	1,184	596	25	1,178
Corporate debt securities	6	1	145	3	2	96
Municipal bonds	5	—	158	4	1	150
U.S. government bonds	15	—	479	6	2	486
Other debt securities	—	—	6	—	—	18
Total NDTF	$ 621	$ 28	$ 2,072	$ 609	$ 30	$ 2,038
Other Investments						
Cash and cash equivalents	$ —	$ —	$ 1	$ —	$ —	$ 1
Total Other Investments(a)	$ —	$ —	$ 1	$ —	$ —	$ 1
Total Investments	$ 621	$ 28	$ 2,073	$ 609	$ 30	$ 2,039

(a) These amounts are recorded in Other with Investments and Other Assets on the Condensed Consolidated Balance Sheets.
(b) Substantially all these amounts represent other-than-temporary impairments on investments within Investment Trusts that have been recognized immediately as a regulatory asset.

The table below summarizes the maturity date for debt securities.

(in millions)	March 31, 2016
Due in one year or less	$ 37
Due after one through five years	282
Due after five through 10 years	219
Due after 10 years	250
Total	$ 788

Realized gains and losses, which were determined on a specific identification basis, from sales of available-for-sale securities were as follows.

	Three Months Ended March 31,	
(in millions)	2016	2015
Realized gains	$ 15	$ 9
Realized losses	11	1

DUKE ENERGY FLORIDA

The following table presents the estimated fair value of investments in available-for-sale securities.

	March 31, 2016			December 31, 2015		
(in millions)	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses(b)	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses(b)	Estimated Fair Value
NDTF						
Cash and cash equivalents	$ —	$ —	$ 51	$ —	$ —	$ 35
Equity securities	206	6	320	206	6	318
Corporate debt securities	2	—	52	1	1	44
Municipal bonds	—	—	—	—	—	2
U.S. government bonds	6	—	307	2	—	330
Other debt securities	—	—	4	—	—	12
Total NDTF (c)	$ 214	$ 6	$ 734	$ 209	$ 7	$ 741
Other Investments						
Cash and cash equivalents	$ —	$ —	$ 1	$ —	$ —	$ 6
Municipal bonds	3	—	46	3	—	45
Total Other Investments(a)	$ 3	$ —	$ 47	$ 3	$ —	$ 51
Total Investments	$ 217	$ 6	$ 781	$ 212	$ 7	$ 792

(a) These amounts are recorded in Other with Investments and Other Assets on the Condensed Consolidated Balance Sheets.
(b) Substantially all these amounts represent other-than-temporary impairments on investments within Investment Trusts that have been recognized immediately as a regulatory asset.
(c) The decrease in estimated fair value of the NDTF as of March 31, 2016, is primarily due to reimbursements from the NDTF for Duke Energy Florida's cost related to ongoing decommissioning activity of the Crystal River Unit 3 Nuclear Plant.

The table below summarizes the maturity date for debt securities.

(in millions)	March 31, 2016
Due in one year or less	$ 64
Due after one through five years	204
Due after five through 10 years	45
Due after 10 years	96
Total	$ 409

Realized gains and losses, which were determined on a specific identification basis, from sales of available-for-sale securities were as follows.

	Three Months Ended March 31,	
(in millions)	2016	2015
Realized gains	$ 4	$ 3
Realized losses	2	—

DUKE ENERGY INDIANA

The following table presents the estimated fair value of investments in available-for-sale securities.

	March 31, 2016			December 31, 2015		
(in millions)	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses(b)	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses(b)	Estimated Fair Value
Other Investments						
Cash and cash equivalents	$ —	$ —	$ 1	$ —	$ —	$ 2
Equity securities	27	—	72	27	—	71
Corporate debt securities	—	—	2	—	—	2
Municipal bonds	—	1	27	—	1	26
Total Other Investments(a)	$ 27	$ 1	$ 102	$ 27	$ 1	$ 101
Total Investments	$ 27	$ 1	$ 102	$ 27	$ 1	$ 101

(a) These amounts are recorded in Other within Investments and Other Assets on the Condensed Consolidated Balance Sheets.
(b) Substantially all these amounts represent other-than-temporary impairments on investments within Investment Trusts that have been recognized immediately as a regulatory asset.

The table below summarizes the maturity date for debt securities.

(in millions)	March 31, 2016
Due in one year or less	$ 2
Due after one through five years	14
Due after five through 10 years	9
Due after 10 years	4
Total	$ 29

Realized gains and losses, which were determined on a specific identification basis, from sales of available-for-sale securities were insignificant for the three months ended March 31, 2016 and 2015.

11. FAIR VALUE MEASUREMENTS

Fair value is the exchange price to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. The fair value definition focuses on an exit price versus the acquisition cost. Fair value measurements use market data or assumptions market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs may be readily observable, corroborated by market data, or generally unobservable. Valuation techniques maximize the use of observable inputs and minimize use of unobservable inputs. A midmarket pricing convention (the midpoint price between bid and ask prices) is permitted for use as a practical expedient.

Fair value measurements are classified in three levels based on the fair value hierarchy:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity can access at the measurement date. An active market is one in which transactions for an asset or liability occur with sufficient frequency and volume to provide ongoing pricing information.

Level 2 – A fair value measurement utilizing inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly, for an asset or liability. Inputs include (i) quoted prices for similar assets or liabilities in active markets, (ii) quoted prices for identical or similar assets or liabilities in markets that are not active, (iii) and inputs other than quoted market prices that are observable for the asset or liability, such as interest rate curves and yield curves observable at commonly quoted intervals, volatilities and credit spreads. A Level 2 measurement cannot have more than an insignificant portion of its valuation based on unobservable inputs. Instruments in this category include non-exchange-traded derivatives, such as over-the-counter forwards, swaps and options; certain marketable debt securities; and financial instruments traded in less than active markets.

Level 3 – Any fair value measurement which includes unobservable inputs for more than an insignificant portion of the valuation. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. Level 3 measurements may include longer-term instruments that extend into periods in which observable inputs are not available.

Not Categorized – As discussed in Note 1, certain investments are not categorized within the Fair Value hierarchy. These investments are measured based on the fair value of the underlying investments but may not be readily redeemable at that fair value.

Fair value accounting guidance permits entities to elect to measure certain financial instruments that are not required to be accounted for at fair value, such as equity method investments or the company's own debt, at fair value. The Duke Energy Registrants have not elected to record any of these items at fair value.

Transfers between levels represent assets or liabilities that were previously (i) categorized at a higher level for which the inputs to the estimate became less observable or (ii) classified at a lower level for which the inputs became more observable during the period. The Duke Energy Registrant's policy is to recognize transfers between levels of the fair value hierarchy at the end of the period. There were no transfers between levels during the three months ended March 31, 2016 and 2015.

Valuation methods of the primary fair value measurements disclosed below are as follows.

Investments in equity securities

The majority of investments in equity securities are valued using Level 1 measurements. Investments in equity securities are typically valued at the closing price in the principal active market as of the last business day of the quarter. Principal active markets for equity prices include published exchanges such as Nasdaq Composite (NASDAQ) and New York Stock Exchange (NYSE). Foreign equity prices are translated from their trading currency using the currency exchange rate in effect at the close of the principal active market. There was no after-hours market activity that was required to be reflected in the reported fair value measurements.

Investments in debt securities

Most investments in debt securities are valued using Level 2 measurements because the valuations use interest rate curves and credit spreads applied to the terms of the debt instrument (maturity and coupon interest rate) and consider the counterparty credit rating. If the market for a particular fixed income security is relatively inactive or illiquid, the measurement is Level 3.

Commodity derivatives

Commodity derivatives with clearinghouses are classified as Level 1. Other commodity derivatives are primarily valued using internally developed discounted cash flow models which incorporate forward price, adjustments for liquidity (bid-ask spread) and credit or non-performance risk (after reflecting credit enhancements such as collateral), and are discounted to present value. Pricing inputs are derived from published exchange transaction prices and other observable data sources. In the absence of an active market, the last available price may be used. If forward price curves are not observable for the full term of the contract and the unobservable period had more than an insignificant impact on the valuation, the commodity derivative is classified as Level 3. In isolation, increases (decreases) in natural gas forward prices result in favorable (unfavorable) fair value adjustments for natural gas purchase contracts; and increases (decreases) in electricity forward prices result in unfavorable (favorable) fair value adjustments for electricity sales contracts. Duke Energy regularly evaluates and validates pricing inputs used to estimate the fair value of natural gas commodity contracts by a market participant price verification procedure. This procedure provides a comparison of internal forward commodity curves to market participant generated curves.

Interest rate derivatives

Most over-the-counter interest rate contract derivatives are valued using financial models which utilize observable inputs for similar instruments and are classified as Level 2. Inputs include forward interest rate curves, notional amounts, interest rates and credit quality of the counterparties.

DUKE ENERGY

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Condensed Consolidated Balance Sheets. Derivative amounts in the table below exclude cash collateral which is disclosed in Note 9. See Note 10 for additional information related to investments by major security type.

	March 31, 2016				
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**	**Not categorized**
Nuclear decommissioning trust fund equity securities	$ 3,592	$ 3,426	$ 1	$ —	$ 165
Nuclear decommissioning trust fund debt securities	2,302	935	1,367	—	
Other available-for-sale equity securities	97	97	—	—	—
Other available-for-sale debt securities	307	85	218	4	
Derivative assets	33	—	31	2	
Total assets	6,331	4,543	1,617	6	165
Derivative liabilities	(537)	(6)	(531)	—	
Net assets	$ 5,794	$ 4,537	$ 1,086	$ 6	$ 165

	December 31, 2015				
(in millions)	Total Fair Value	Level 1	Level 2	Level 3	Not categorized
Nuclear decommissioning trust fund equity securities	$ 3,590	$ 3,418	$ —	$ —	$ 172
Nuclear decommissioning trust fund debt securities	2,227	672	1,555	—	
Other available-for-sale equity securities	95	95	—	—	—
Other available-for-sale debt securities	302	75	222	5	
Derivative assets	26	—	16	10	
Total assets	6,240	4,260	1,793	15	172
Derivative liabilities	(419)	—	(419)	—	
Net assets	$ 5,821	$ 4,260	$ 1,374	$ 15	$ 172

The following tables provide reconciliations of beginning and ending balances of assets and liabilities measured at fair value using Level 3 measurements. Amounts included in earnings for derivatives are primarily included in Operating Revenues.

	Three Months Ended March 31, 2016		
(in millions)	Investments	Derivatives (net)	Total
Balance at beginning of period	$ 5	$ 10	$ 15
Purchases, sales, issuances and settlements:			
Sales	(1)	—	(1)
Settlements	—	(7)	(7)
Total losses included on the Condensed Consolidated Balance Sheet as regulatory assets or liabilities	—	(1)	(1)
Balance at end of period	$ 4	$ 2	$ 6

	Three Months Ended March 31, 2015		
(in millions)	Investments	Derivatives (net)	Total
Balance at beginning of period	$ 5	$ (1)	$ 4
Total pretax realized or unrealized gains included in earnings	—	24	24
Purchases, sales, issuances and settlements:			
Settlements	—	(10)	(10)
Total gains included on the Condensed Consolidated Balance Sheet as regulatory assets or liabilities	—	1	1
Balance at end of period	$ 5	$ 14	$ 19

DUKE ENERGY CAROLINAS

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Condensed Consolidated Balance Sheets. Derivative amounts in the table below exclude cash collateral, which is disclosed in Note 9. See Note 10 for additional information related to investments by major security type.

	March 31, 2016				
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**	**Not categorized**
Nuclear decommissioning trust fund equity securities	$ 2,088	$ 1,922	$ 1	$ —	$ 165
Nuclear decommissioning trust fund debt securities	1,000	264	736	—	
Other available-for-sale debt securities	3	—	—	3	
Derivative assets	13	—	13	—	
Total assets	3,104	2,186	750	3	165
Derivative liabilities	(81)	—	(81)	—	
Net assets	$ 3,023	$ 2,186	$ 669	$ 3	$ 165

	December 31, 2015				
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**	**Not categorized**
Nuclear decommissioning trust fund equity securities	$ 2,094	$ 1,922	$ —	$ —	$ 172
Nuclear decommissioning trust fund debt securities	944	246	698	—	
Other available-for-sale debt securities	3	—	—	3	
Total assets	3,041	2,168	698	3	172
Derivative liabilities	(45)	—	(45)	—	
Net assets	$ 2,996	$ 2,168	$ 653	$ 3	$ 172

There was no change to the Level 3 balance during the three months ended March 31, 2016 and March 31, 2015.

PROGRESS ENERGY

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Condensed Consolidated Balance Sheets. Derivative amounts in the table below exclude cash collateral, which is disclosed in Note 9. See Note 10 for additional information related to investments by major security type.

	March 31, 2016		
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**
Nuclear decommissioning trust fund equity securities	$ 1,504	$ 1,504	$ —
Nuclear decommissioning trust fund debt securities	1,302	671	631
Other available-for-sale debt securities	63	17	46
Derivative assets	17	—	17
Total assets	2,886	2,192	694
Derivative liabilities	(298)	—	(298)
Net assets	$ 2,588	$ 2,192	$ 396

	December 31, 2015		
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**
Nuclear decommissioning trust fund equity securities	$ 1,496	$ 1,496	$ —
Nuclear decommissioning trust fund debt securities	1,283	426	857
Other available-for-sale debt securities	63	18	45
Derivative assets	11	—	11
Total assets	2,853	1,940	913
Derivative liabilities	(322)	—	(322)
Net assets	$ 2,531	$ 1,940	$ 591

DUKE ENERGY PROGRESS

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Condensed Consolidated Balance Sheets. Derivative amounts in the table below exclude cash collateral which is disclosed in Note 9. See Note 10 for additional information related to investments by major security type.

	March 31, 2016		
(in millions)	Total Fair Value	Level 1	Level 2
Nuclear decommissioning trust fund equity securities	$ 1,184	$ 1,184	$ —
Nuclear decommissioning trust fund debt securities and other	888	389	499
Other available-for-sale debt securities and other	1	1	—
Derivative assets	5	—	5
Total assets	2,078	1,574	504
Derivative liabilities	(87)	—	(87)
Net assets	$ 1,991	$ 1,574	$ 417

	December 31, 2015		
(in millions)	Total Fair Value	Level 1	Level 2
Nuclear decommissioning trust fund equity securities	$ 1,178	$ 1,178	$ —
Nuclear decommissioning trust fund debt securities and other	860	141	719
Other available-for-sale debt securities and other	1	1	—
Derivative assets	2	—	2
Total assets	2,041	1,320	721
Derivative liabilities	(98)	—	(98)
Net assets	$ 1,943	$ 1,320	$ 623

DUKE ENERGY FLORIDA

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Condensed Consolidated Balance Sheets. Derivative amounts in the table below exclude cash collateral which is disclosed in Note 9. See Note 10 for additional information related to investments by major security type.

	March 31, 2016		
(in millions)	Total Fair Value	Level 1	Level 2
Nuclear decommissioning trust fund equity securities	$ 320	$ 320	$ —
Nuclear decommissioning trust fund debt securities and other	414	282	132
Other available-for-sale debt securities and other	47	1	46
Derivative assets	11	—	11
Total assets	792	603	189
Derivative liabilities	(206)	—	(206)
Net assets (liabilities)	$ 586	$ 603	$ (17)

	December 31, 2015		
(in millions)	Total Fair Value	Level 1	Level 2
Nuclear decommissioning trust fund equity securities	$ 318	$ 318	$ —
Nuclear decommissioning trust fund debt securities and other	423	285	138
Other available-for-sale debt securities and other	51	6	45
Derivative assets	7	—	7
Total assets	799	609	190
Derivative liabilities	(216)	—	(216)
Net assets (liabilities)	$ 583	$ 609	$ (26)

DUKE ENERGY OHIO

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Condensed Consolidated Balance Sheets. Derivative amounts in the table below exclude cash collateral, which are disclosed in Note 9.

	March 31, 2016			
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**
Derivative liabilities	$ (7)	$ —	$ (7)	$ —
Net liabilities	$ (7)	$ —	$ (7)	$ —

	December 31, 2015			
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**
Derivative assets	$ 3	$ —	$ —	$ 3
Derivative liabilities	(7)	—	(7)	—
Net (liabilities) assets	$ (4)	$ —	$ (7)	$ 3

The following table provides a reconciliation of beginning and ending balances of assets and liabilities measured at fair value using Level 3 measurements.

	Derivatives (net)	
	Three Months Ended March 31,	
(in millions)	**2016**	**2015**
Balance at beginning of period	$ 3	$ (18)
Total pretax realized or unrealized gains included in earnings	—	25
Purchases, sales, issuances and settlements:		
Settlements	(2)	—
Total losses included on the Condensed Consolidated Balance Sheet as regulatory assets or liabilities	(1)	—
Balance at end of period	$ —	$ 7

DUKE ENERGY INDIANA

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Condensed Consolidated Balance Sheets. Derivative amounts in the table below exclude cash collateral, which is disclosed in Note 9. See Note 10 for additional information related to investments by major security type.

	March 31, 2016			
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**
Other available-for-sale equity securities	$ 72	$ 72	$ —	$ —
Other available-for-sale debt securities and other	30	1	29	—
Derivative assets	2	—	—	2
Net assets	$ 104	$ 73	$ 29	$ 2

	December 31, 2015			
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**
Other available-for-sale equity securities	$ 71	$ 71	$ —	$ —
Other available-for-sale debt securities and other	30	2	28	—
Derivative assets	7	—	—	7
Net assets	$ 108	$ 73	$ 28	$ 7

The following table provides a reconciliation of beginning and ending balances of assets and liabilities measured at fair value using Level 3 measurements.

	Derivatives (net)	
	Three Months Ended March 31,	
(in millions)	2016	2015
Balance at beginning of period	$ 7	$ 14
Total pretax realized or unrealized losses included in earnings	—	(3)
Purchases, sales, issuances and settlements:		
Settlements	(5)	(9)
Total gains included on the Condensed Consolidated Balance Sheet as regulatory assets or liabilities	—	1
Balance at end of period	$ 2	$ 3

QUANTITATIVE INFORMATION ABOUT UNOBSERVABLE INPUTS

The following table includes quantitative information about the Duke Energy Registrants' derivatives classified as Level 3. As of March 31, 2016 and December 31, 2015 all Level 3 derivatives were financial transmission rights (FTRs).

	March 31, 2016			
	Fair Value of FTRs (in millions)	Valuation Technique	Unobservable Input	Range
Duke Energy	$ 2	RTO auction pricing	FTR price – per Megawatt-Hour (MWh)	$ (1.67) - $ 5.29
Duke Energy Indiana	2	RTO auction pricing	FTR price – per MWh	(1.67) - 5.29

	December 31, 2015			
	Fair Value of FTRs (in millions)	Valuation Technique	Unobservable Input	Range
Duke Energy	$ 10	RTO auction pricing	FTR price – per MWh	$ (0.74) - $ 7.29
Duke Energy Ohio	3	RTO auction pricing	FTR price – per MWh	0.67 - 2.53
Duke Energy Indiana	7	RTO auction pricing	FTR price – per MWh	(0.74) - 7.29

OTHER FAIR VALUE DISCLOSURES

The fair value and book value of long-term debt, including current maturities, is summarized in the following table. Estimates determined are not necessarily indicative of amounts that could have been settled in current markets. Fair value of long-term debt uses Level 2 measurements.

	March 31, 2016		December 31, 2015	
(in millions)	Book Value	Fair Value	Book Value	Fair Value
Duke Energy	$ 40,307	$ 44,785	$ 39,569	$ 42,537
Duke Energy Carolinas	9,360	10,567	8,367	9,156
Progress Energy	14,210	16,245	14,464	15,856
Duke Energy Progress	6,565	7,134	6,518	6,757
Duke Energy Florida	4,265	5,109	4,266	4,908
Duke Energy Ohio	1,642	1,836	1,598	1,724
Duke Energy Indiana	3,768	4,362	3,768	4,219

At both March 31, 2016 and December 31, 2015, fair value of cash and cash equivalents, accounts and notes receivable, accounts payable, notes payable and commercial paper, and non-recourse notes payable of VIEs are not materially different from their carrying amounts because of the short-term nature of these instruments and/or because the stated rates approximate market rates.

12. VARIABLE INTEREST ENTITIES

A VIE is an entity that is evaluated for consolidation using more than a simple analysis of voting control. The analysis to determine whether an entity is a VIE considers contracts with an entity, credit support for an entity, the adequacy of the equity investment of an entity and the relationship of voting power to the amount of equity invested in an entity. This analysis is performed either upon the creation of a legal entity or upon the occurrence of an event requiring reevaluation, such as a significant change in an entity's assets or activities. A qualitative analysis of control determines the party that consolidates a VIE. This assessment is based on (i) what party has the power to direct the activities of the VIE that most significantly impact its economic performance and (ii) what party has rights to receive benefits or is obligated to absorb losses that could potentially be significant to the VIE. The analysis of the party that consolidates a VIE is a continual reassessment.

No financial support was provided to any of the consolidated VIEs during the three months ended March 31, 2016 and the year ended December 31, 2015, or is expected to be provided in the future, that was not previously contractually required.

CONSOLIDATED VIEs

The following tables summarize the impact of VIEs consolidated by Duke Energy and the Subsidiary Registrants on the Condensed Consolidated Balance Sheets.

	March 31, 2016						
	Duke Energy						
	Duke Energy Carolinas	Duke Energy Progress[c]	Duke Energy Florida[c]				
(in millions)	**DERF**	**DEPR**	**DEFR**	**CRC**	**Renewables**	**Other**	**Total**
ASSETS							
Current Assets							
Cash and Cash Equivalents	$ —	$ —	$ —	$ —	$ —	$ 2	$ 2
Restricted receivables of variable interest entities (net of allowance for doubtful accounts)	615	372	256	437	20	14	1,714
Other	—	—	—	—	149	2	151
Investments and Other Assets							
Other	—	—	—	—	58	—	58
Property, Plant and Equipment							
Property, plant and equipment, cost[a]	—	—	—	—	2,027	20	2,047
Accumulated depreciation and amortization	—	—	—	—	(340)	(6)	(346)
Total assets	$ 615	$ 372	$ 256	$ 437	$ 1,914	$ 32	$ 3,626
LIABILITIES AND EQUITY							
Current Liabilities							
Accounts payable	$ —	$ —	$ —	$ —	$ 23	$ —	$ 23
Taxes accrued	—	—	—	—	4	—	4
Current maturities of long-term debt	—	—	—	—	82	12	94
Other	—	—	—	—	22	—	22
Long-Term Debt[b]	425	300	225	325	995	—	2,270
Deferred Credits and Other Liabilities							
Deferred income taxes	—	—	—	—	240	—	240
Asset retirement obligations	—	—	—	—	37	—	37
Other	—	—	—	—	42	—	42
Total liabilities	$ 425	$ 300	$ 225	$ 325	$ 1,445	$ 12	$ 2,732
Net assets of consolidated variable interest entities	$ 190	$ 72	$ 31	$ 112	$ 469	$ 20	$ 894

	December 31, 2015						
	Duke Energy						
	Duke Energy Carolinas	Duke Energy Progress(c)	Duke Energy Florida(c)				
(in millions)	DERF	DEPR	DEFR	CRC	Renewables	Other	Total
ASSETS							
Current Assets							
Cash and Cash Equivalents	$ —	$ —	$ —	$ —	$ —	$ 2	$ 2
Restricted receivables of variable interest entities (net of allowance for doubtful accounts)	596	349	309	454	19	21	1,748
Other	—	—	—	—	138	4	142
Investments and Other Assets							
Other	—	—	—	—	70	—	70
Property, Plant and Equipment							
Property, plant and equipment, cost(a)	—	—	—	—	2,015	20	2,035
Accumulated depreciation and amortization	—	—	—	—	(321)	(6)	(327)
Total assets	$ 596	$ 349	$ 309	$ 454	$ 1,921	$ 41	$ 3,670
LIABILITIES AND EQUITY							
Current Liabilities							
Accounts payable	$ —	$ —	$ —	$ —	$ 35	$ —	$ 35
Taxes accrued	5	3	—	—	5	1	14
Current maturities of long-term debt	—	—	—	—	108	17	125
Other	—	—	—	—	15	2	17
Long-Term Debt(b)	425	254	225	325	968	—	2,197
Deferred Credits and Other Liabilities							
Deferred income taxes	—	—	—	—	289	—	289
Asset retirement obligations	—	—	—	—	35	—	35
Other	—	—	—	—	33	—	33
Total liabilities	$ 430	$ 257	$ 225	$ 325	$ 1,488	$ 20	$ 2,745
Net assets of consolidated variable interest entities	$ 166	$ 92	$ 84	$ 129	$ 433	$ 21	$ 925

(a) Restricted as collateral for nonrecourse debt of VIEs.
(b) Nonrecourse to the general assets of the applicable registrant.
(c) The amount for Progress Energy is equal to the total amount for Duke Energy Progress and Duke Energy Florida.

The obligations of these VIEs are nonrecourse to Duke Energy, Duke Energy Carolinas, Progress Energy, Duke Energy Progress and Duke Energy Florida. These entities have no requirement to provide liquidity to, purchase assets of or guarantee performance of these VIEs unless noted in the following paragraphs.

DERF / DEPR / DEFR

Duke Energy Receivables Finance Company, LLC (DERF), Duke Energy Progress Receivables, LLC (DEPR) and Duke Energy Florida Receivables, LLC (DEFR) are bankruptcy remote, special purpose subsidiaries of Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida, respectively. On a daily basis, DERF, DEPR and DEFR buy certain accounts receivable arising from the sale of electricity and related services from their parent companies. DERF, DEPR and DEFR are wholly owned limited liability companies with separate legal existence from their parent companies, and their assets are not generally available to creditors of their parent companies.

DERF, DEPR and DEFR borrow amounts under credit facilities to buy the receivables from their parents companies. Borrowing availability is limited to the amount of qualified receivables sold, which is generally expected to be in excess of the credit facilities. The credit facilities are reflected on the Condensed Consolidated Balance Sheets as Long-Term Debt. The secured credit facilities were not structured to meet the criteria for sale accounting treatment under the accounting guidance for transfers and servicing of financial assets.

The most significant activity that impacts the economic performance of DERF, DEPR and DEFR are the decisions made to manage delinquent receivables. Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida consolidate DERF, DEPR and DEFR, respectively, as they make those decisions.

The following table summarizes the amounts and expiration dates of the credit facilities reflected on the Condensed Consolidated Balance Sheets as Long-Term Debt.

	DERF	DEPR	DEFR
Credit facility amount (in millions)	$ 425	$ 300	$ 225
Expiration date	December 2018	February 2019	April 2019

CRC

CRC is a bankruptcy remote, special purpose entity indirectly owned by Duke Energy. On a revolving basis, Duke Energy Ohio and Duke Energy Indiana sell to CRC certain accounts receivable arising from the sale of electricity and related services. The receivables sold are securitized by CRC through a credit facility managed by two unrelated third parties. Borrowing availability from the credit facility is limited to the amount of qualified receivables sold to CRC. The sole source of funds to satisfy the related debt obligation is cash collections from the receivables. The credit facility expires in December 2018 and is reflected on Duke Energy's Condensed Consolidated Balance Sheets as Long-Term Debt.

The proceeds Duke Energy Ohio and Duke Energy Indiana receive from the sale of receivables to CRC are typically 75 percent cash and 25 percent in the form of a subordinated note from CRC. The subordinated note is a retained interest in the receivables sold. Depending on collection experience, additional equity infusions to CRC may be required by Duke Energy to maintain a minimum equity balance of $3 million.

CRC is considered a VIE because (i) equity capitalization is insufficient to support its operations, (ii) power to direct the activities that most significantly impact the economic performance of the entity are not performed by the equity holder, Cinergy, and (iii) deficiencies in net worth of CRC are not funded by Cinergy, but by Duke Energy. The most significant activities that impact the economic performance of CRC are decisions made to manage delinquent receivables. Duke Energy consolidates CRC as it makes these decisions. Neither Duke Energy Ohio nor Duke Energy Indiana consolidate CRC.

Renewables

Certain Duke Energy renewable energy facilities are VIEs due to long-term fixed-price power purchase agreements. These fixed-price agreements effectively transfer commodity price risk to the buyer of the power. Certain other Duke Energy renewable energy facilities are VIEs due to Duke Energy issuing guarantees for debt service and operations and maintenance reserves in support of debt financings. For certain VIEs, assets are restricted and cannot be pledged as collateral or sold to third parties without prior approval of debt holders. The activities that most significantly impact the economic performance of these renewable energy facilities were decisions associated with siting, negotiating purchase power agreements, engineering, procurement and construction, and decisions associated with ongoing operations and maintenance-related activities. Duke Energy consolidates the entities as it makes all of these decisions.

NON-CONSOLIDATED VIEs

The following tables include VIEs not consolidated and how these entities impact the Condensed Consolidated Balance Sheets.

	March 31, 2016				
	Duke Energy			Duke Energy	Duke Energy
(in millions)	**Renewables**	**Other**	**Total**	**Ohio**	**Indiana**
Receivables from affiliated companies	$ —	$ —	$ —	$ 39	$ 50
Investments in equity method unconsolidated affiliates	227	186	413	—	—
Total assets	$ 227	$ 186	$ 413	$ 39	$ 50
Other current liabilities	—	2	2	—	—
Deferred credits and other liabilities	—	14	14	—	—
Total liabilities	$ —	$ 16	$ 16	$ —	$ —
Net assets	$ 227	$ 170	$ 397	$ 39	$ 50

	December 31, 2015				
	Duke Energy			Duke Energy	Duke Energy
(in millions)	**Renewables**	**Other**	**Total**	**Ohio**	**Indiana**
Receivables from affiliated companies	$ —	$ —	$ —	$ 47	$ 60
Investments in equity method unconsolidated affiliates	235	152	387	—	—
Total assets	$ 235	$ 152	$ 387	$ 47	$ 60
Other current liabilities	—	3	3	—	—
Deferred credits and other liabilities	—	14	14	—	—
Total liabilities	$ —	$ 17	$ 17	$ —	$ —
Net assets	$ 235	$ 135	$ 370	$ 47	$ 60

The Duke Energy Registrants are not aware of any situations where the maximum exposure to loss significantly exceeds the carrying values shown above except for the power purchase agreement with OVEC, which is discussed below, and various guarantees, reflected in the table above as Deferred credits and other liabilities. For more information on various guarantees, refer to Note 5, "Commitments and Contingencies."

Renewables

Duke Energy has investments in various renewable energy project entities. Some of these entities are VIEs due to long-term fixed-price power purchase agreements. These fixed-price agreements effectively transfer commodity price risk to the buyer of the power. Duke Energy does not consolidate these VIEs because power to direct and control key activities is shared jointly by Duke Energy and other owners.

Other

Duke Energy holds a 50 percent equity interest in Duke-American Transmission Company, LLC (DATC). DATC is considered a VIE due to insufficient equity at risk to permit DATC to finance its own activities without additional subordinated financial support. The activities that most significantly impact DATC's economic performance are the decisions related to investing in existing and development of new transmission facilities. The power to direct these activities is jointly and equally shared by Duke Energy and the other joint venture partner and, therefore, Duke Energy does not consolidate.

Duke Energy has a 40 percent equity interest and a 7.5 percent equity interest in ACP and Sabal Trail Transmission, LLC (Sabal Trail), respectively. These entities are considered VIEs as their equity is not sufficient to permit the entities to finance their activities without additional subordinated financial support. The activity that most significantly impacts the economic performance of both ACP and Sabal Trail is construction. Duke Energy does not control these activities and therefore does not consolidate ACP or Sabal Trail.

OVEC

Duke Energy Ohio's 9 percent ownership interest in OVEC is considered a non-consolidated VIE. Through its ownership interest in OVEC, Duke Energy Ohio has a contractual arrangement to buy power from OVEC's power plants through June 2040. Proceeds from the sale of power by OVEC to its power purchase agreement counterparties are designed to be sufficient to meet its operating expenses, fixed costs, debt amortization and interest expense, as well as earn a return on equity. Accordingly, the value of this contract is subject to variability due to fluctuations in power prices and changes in OVEC's costs of business, including costs associated with its 2,256 MW of coal-fired generation capacity. Proposed environmental rulemaking could increase the costs of OVEC, which would be passed through to Duke Energy Ohio.

CRC

See discussion under Consolidated VIEs for additional information related to CRC.

Amounts included in Receivables from affiliated companies in the above table for Duke Energy Ohio and Duke Energy Indiana reflect their retained interest in receivables sold to CRC. These subordinated notes held by Duke Energy Ohio and Duke Energy Indiana are stated at fair value. Carrying values of retained interests are determined by allocating carrying value of the receivables between assets sold and interests retained based on relative fair value. The allocated bases of the subordinated notes are not materially different than their face value because (i) the receivables generally turn over in less than two months, (ii) credit losses are reasonably predictable due to the broad customer base and lack of significant concentration, and (iii) the equity in CRC is subordinate to all retained interests and thus would absorb losses first. The hypothetical effect on fair value of the retained interests assuming both a 10 percent and a 20 percent unfavorable variation in credit losses or discount rates is not material due to the short turnover of receivables and historically low credit loss history. Interest accrues to Duke Energy Ohio and Duke Energy Indiana on the retained interests using the acceptable yield method. This method generally approximates the stated rate on the notes since the allocated basis and the face value are nearly equivalent. An impairment charge is recorded against the carrying value of both retained interests and purchased beneficial interest whenever it is determined that an other-than-temporary impairment has occurred.

Key assumptions used in estimating fair value are detailed in the following table.

	Duke Energy Ohio		Duke Energy Indiana	
	2016	2015	2016	2015
Anticipated credit loss ratio	0.6%	0.6%	0.3%	0.3%
Discount rate	1.4%	1.2%	1.4%	1.2%
Receivable turnover rate	13.2%	12.9%	10.6%	10.6%

The following table shows the gross and net receivables sold.

	Duke Energy Ohio		Duke Energy Indiana	
(in millions)	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015
Receivables sold	$ 225	$ 233	$ 253	$ 260
Less: Retained interests	39	47	50	60
Net receivables sold	$ 186	$ 186	$ 203	$ 200

The following table shows sales and cash flows related to receivables sold.

	Duke Energy Ohio		Duke Energy Indiana	
	Three Months Ended March 31,		Three Months Ended March 31,	
(in millions)	**2016**	**2015**	**2016**	**2015**
Sales				
Receivables sold	$ 532	$ 644	$ 635	$ 716
Loss recognized on sale	3	3	3	3
Cash flows				
Cash proceeds from receivables sold	537	640	643	722
Return received on retained interests	1	1	1	2

Cash flows from sales of receivables are reflected within Operating Activities on Duke Energy Ohio's and Duke Energy Indiana's Condensed Consolidated Statements of Cash Flows.

Collection fees received in connection with servicing transferred accounts receivable are included in Operation, maintenance and other on Duke Energy Ohio's and Duke Energy Indiana's Condensed Consolidated Statements of Operations and Comprehensive Income. The loss recognized on sales of receivables is calculated monthly by multiplying receivables sold during the month by the required discount. The required discount is derived monthly utilizing a three-year weighted average formula that considers charge-off history, late charge history and turnover history on the sold receivables, as well as a component for the time value of money. The discount rate, or component for the time value of money, is the prior month-end London Interbank Offered Rate (LIBOR) plus a fixed rate of 1.00 percent.

13. COMMON STOCK

Basic Earnings Per Share (EPS) is computed by dividing net income attributable to Duke Energy common stockholders, adjusted for distributed and undistributed earnings allocated to participating securities, by the weighted average number of common stock outstanding during the period. Diluted EPS is computed by dividing net income attributable to Duke Energy common stockholders, as adjusted for distributed and undistributed earnings allocated to participating securities, by the diluted weighted average number of common stock outstanding during the period. Diluted EPS reflects the potential dilution that could occur if securities or other agreements to issue common stock, such as stock options and the Equity Forwards, were exercised or settled. Duke Energy's participating securities are restricted stock units that are entitled to dividends declared on Duke Energy common stock during the restricted stock unit's vesting periods.

The following table presents Duke Energy's basic and diluted EPS calculations and reconciles the weighted average number of common stock outstanding to the diluted weighted average number of common shares outstanding.

	Three Months Ended March 31,	
(in millions, except per share amounts)	**2016**	**2015**
Income from continuing operations attributable to Duke Energy common stockholders excluding impact of participating securities	$ 691	$ 772
Weighted average shares outstanding – basic	689	708
Weighted average shares outstanding – diluted	689	708
Earnings per share from continuing operations attributable to Duke Energy common stockholders		
Basic	$ 1.00	$ 1.09
Diluted	$ 1.00	$ 1.09
Potentially dilutive items excluded from the calculation[(a)]	2	2
Dividends declared per common share	$ 0.825	$ 0.795

(a)Performance stock awards and certain stock options were not included in the dilutive securities calculation because either the performance measures related to the awards had not been met or the option exercise prices were greater than the average market price of the common shares during the presented periods.

Equity Forwards

In March 2016, Duke Energy marketed an equity offering of 10.6 million shares of common stock. In lieu of issuing equity at the time of the offering, Duke Energy entered into Equity Forwards with Barclays. No amounts have or will be recorded in Duke Energy's Condensed Consolidated Financial Statements with respect to the equity offering until settlements of the Equity Forwards occur. The Equity Forwards require Duke Energy to, at its election prior to June 30, 2017, either physically settle the transactions by issuing the total of 10.6 million of its common stock to Barclays in exchange for net proceeds at the then-applicable forward sale price specified by the agreements (initially $69.84 per share) or Duke Energy can net settle the transactions in whole or in part through the delivery or receipt of cash or shares. The forward sale price is subject to adjustment on a daily basis based on a floating interest rate factor and will decrease by other fixed amounts specified in the agreements.

The net proceeds received upon settlement are expected to be used to finance a portion of the acquisition of Piedmont.

Until settlement of the Equity Forwards, earnings per share dilution resulting from the agreements, if any, will be determined under the treasury stock method. If Duke Energy had elected to net share settle the contract as of March 31, 2016, Duke Energy would have been required to deliver 1.4 million shares.

Accelerated Stock Repurchase Program

On April 6, 2015, Duke Energy entered into agreements with each of Goldman, Sachs & Co. and JPMorgan Chase Bank, National Association (the Dealers) to repurchase a total of $1.5 billion of Duke Energy common stock under an accelerated stock repurchase program (the ASR). Duke Energy made payments of $750 million to each of the Dealers and was delivered 16.6 million shares, with a total fair value of $1.275 billion, which represented approximately 85 percent of the total number of shares of Duke Energy common stock expected to be repurchased under the ASR. The $225 million unsettled portion met the criteria to be accounted for as a forward contract indexed to Duke Energy's stock and qualified as an equity instrument. The company recorded the $1.5 billion payment as a reduction to common stock as of April 6, 2015. In June 2015, the Dealers delivered 3.2 million additional shares to Duke Energy to complete the ASR. Approximately 19.8 million shares, in total, were delivered to Duke Energy and retired under the ASR at an average price of $75.75 per share. The final number of shares repurchased was based upon the average of the daily volume weighted average stock prices of Duke Energy's common stock during the term of the program, less a discount.

14. STOCK-BASED COMPENSATION

For employee awards, equity classified stock-based compensation cost is measured at the service inception date or the grant date, based on the estimated achievement of certain performance metrics or the fair value of the award, and is recognized as expense or capitalized as a component of property, plant and equipment over the requisite service period.

Pretax stock-based compensation costs, the tax benefit associated with stock-based compensation expense, and stock-based compensation costs capitalized are included in the following table.

	Three Months Ended March 31,	
(in millions)	**2016**	**2015**
Restricted stock unit awards	$ 7	$ 9
Performance awards	5	5
Pretax stock-based compensation cost	$ 12	$ 14
Tax benefit associated with stock-based compensation expense	$ 4	$ 5
Stock-based compensation costs capitalized	1	1

15. EMPLOYEE BENEFIT PLANS

DEFINED BENEFIT RETIREMENT PLANS

Duke Energy maintains, and the Subsidiary Registrants participate in, qualified, non-contributory defined benefit retirement plans. The plans cover most U.S. employees using a cash balance formula. Under a cash balance formula, a plan participant accumulates a retirement benefit consisting of pay credits equal to a percentage of current eligible earnings based on age or the combination of age and years of service, and interest credits. Certain employees are covered under plans that use a final average earnings formula. Under these average earnings formulas, a plan participant accumulates a retirement benefit equal to the sum of percentages of their (i) highest three-year or four-year average earnings, (ii) highest three-year or four-year average earnings in excess of covered compensation per year of participation (maximum of 35 years) and/or (iii) highest three-year average earnings times years of participation in excess of 35 years. Duke Energy also maintains, and the Subsidiary Registrants participate in, non-qualified, non-contributory defined benefit retirement plans which cover certain executives. The qualified and non-qualified, non-contributory defined benefit plans are closed to new and rehired non-union and certain unionized employees.

Duke Energy's policy is to fund amounts on an actuarial basis to provide assets sufficient to meet benefit payments to be paid to plan participants. The following table includes information related to the Duke Energy Registrants' contributions to its U.S. qualified defined benefit pension plans. Duke Energy did not make any contributions to its U.S. qualified defined benefit pension plans during the three months ended March 31, 2016.

	Three Months Ended March 31, 2015						
(in millions)	**Duke Energy**	**Duke Energy Carolinas**	**Progress Energy**	**Duke Energy Progress**	**Duke Energy Florida**	**Duke Energy Ohio**	**Duke Energy Indiana**
Contributions	$ 132	$ 42	$ 42	$ 21	$ 21	$ 1	$ 9

Net periodic benefit costs disclosed in the tables below represent the cost of the respective benefit plan for the periods presented. However, portions of the net periodic benefit costs disclosed in the tables below have been capitalized as a component of property, plant and equipment. Amounts presented in the tables below for the Subsidiary Registrants represent the amounts of pension and other post-retirement benefit costs allocated by Duke Energy for employees of the Subsidiary Registrants. Additionally, the Subsidiary Registrants are allocated their proportionate share of pension and post-retirement benefit costs for employees of Duke Energy's shared services affiliate that provides support to the Subsidiary Registrants. These allocated amounts are included in the governance and shared service costs discussed in Note 8. Duke Energy uses a December 31 measurement date for its defined benefit retirement plan assets and obligations.

QUALIFIED PENSION PLANS

The following tables include the components of net periodic pension costs for qualified pension plans.

	Three Months Ended March 31, 2016						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Service cost	$ 36	$ 12	$ 11	$ 6	$ 5	$ 1	$ 2
Interest cost on projected benefit obligation	83	21	26	12	14	5	7
Expected return on plan assets	(129)	(35)	(42)	(21)	(21)	(7)	(10)
Amortization of actuarial loss	33	8	14	6	7	1	3
Amortization of prior service credit	(4)	(2)	(1)	—	—	—	—
Other	3	1	1	—	—	—	—
Net periodic pension costs	$ 22	$ 5	$ 9	$ 3	$ 5	$ —	$ 2

	Three Months Ended March 31, 2015						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Service cost	$ 40	$ 13	$ 11	$ 6	$ 5	$ 1	$ 3
Interest cost on projected benefit obligation	82	21	26	12	14	5	7
Expected return on plan assets	(129)	(36)	(43)	(20)	(22)	(6)	(10)
Amortization of actuarial loss	43	10	17	8	8	2	3
Amortization of prior service credit	(4)	(2)	(1)	—	—	—	—
Other	2	1	1	—	—	—	—
Net periodic pension costs	$ 34	$ 7	$ 11	$ 6	$ 5	$ 2	$ 3

NON-QUALIFIED PENSION PLANS

Net periodic pension costs for non-qualified pension plans were not material for the three months ended March 31, 2016 and 2015.

OTHER POST-RETIREMENT BENEFIT PLANS

Duke Energy provides, and the Subsidiary Registrants participate in, some health care and life insurance benefits for retired employees on a contributory and non-contributory basis. Employees are eligible for these benefits if they have met age and service requirements at retirement, as set forth in the plans. The health care benefits include medical, dental, vision, and prescription drug coverage and are subject to certain limitations, such as deductibles and co-payments.

The following tables include the components of net periodic other post-retirement benefit costs.

	Three Months Ended March 31, 2016						
(in millions)	**Duke Energy**	**Duke Energy Carolinas**	**Progress Energy**	**Duke Energy Progress**	**Duke Energy Florida**	**Duke Energy Ohio**	**Duke Energy Indiana**
Service cost	$ 1	$ —	$ —	$ —	$ —	$ —	$ —
Interest cost on accumulated post-retirement benefit obligation	8	2	4	2	2	—	1
Expected return on plan assets	(3)	(2)	—	—	—	—	—
Amortization of actuarial loss (gain)	1	(1)	5	3	2	—	(1)
Amortization of prior service credit	(35)	(3)	(26)	(17)	(9)	—	—
Net periodic other post-retirement benefit costs	$ (28)	$ (4)	$ (17)	$ (12)	$ (5)	$ —	$ —

	Three Months Ended March 31, 2015						
(in millions)	**Duke Energy**	**Duke Energy Carolinas**	**Progress Energy**	**Duke Energy Progress**	**Duke Energy Florida**	**Duke Energy Ohio**	**Duke Energy Indiana**
Service cost	$ 2	$ —	$ —	$ —	$ —	$ —	$ —
Interest cost on accumulated post-retirement benefit obligation	9	2	4	2	2	—	—
Expected return on plan assets	(3)	(2)	—	—	—	—	—
Amortization of actuarial loss	6	—	7	5	3	—	—
Amortization of prior service credit	(35)	(4)	(26)	(17)	(9)	—	—
Net periodic other post-retirement benefit costs	$ (21)	$ (4)	$ (15)	$ (10)	$ (4)	$ —	$ —

EMPLOYEE SAVINGS PLAN

Duke Energy sponsors, and the Subsidiary Registrants participate in, an employee savings plan that covers substantially all U.S. employees. Most employees participate in a matching contribution formula where Duke Energy provides a matching contribution generally equal to 100 percent of employee before-tax and Roth 401(k) contributions of up to 6 percent of eligible pay per pay period. Dividends on Duke Energy shares held by the savings plan are charged to retained earnings when declared and shares held in the plans are considered outstanding in the calculation of basic and diluted earnings per share.

For new and rehired non-union and certain unionized employees who are not eligible to participate in Duke Energy's defined benefit plans, an additional employer contribution of 4 percent of eligible pay per pay period, subject to a three-year vesting requirement, is provided to the employee's savings plan account.

The following table presents employer contributions made by Duke Energy and expensed by the Subsidiary Registrants.

(in millions)	**Duke Energy**	**Duke Energy Carolinas**	**Progress Energy**	**Duke Energy Progress**	**Duke Energy Florida**	**Duke Energy Ohio**	**Duke Energy Indiana**
Three Months Ended March 31,							
2016	$ 52	$ 18	$ 15	$ 11	$ 4	$ 1	$ 2
2015	49	16	14	11	4	1	2

16. INCOME TAXES

TAXES ON FOREIGN EARNINGS

As of December 31, 2015, the Company's intention was to indefinitely reinvest foreign earnings of International Energy earned after December 31, 2014. In February 2016, Duke Energy announced it had initiated a process to divest the International Energy business segment, excluding the investment in NMC. Accordingly, Duke Energy no longer intends to indefinitely reinvest the undistributed earnings of International Energy. The Company recorded U.S. income taxes of approximately $12 million in the first quarter of 2016 related to such earnings and will prospectively provide U.S. income taxes on future foreign earnings.

This change in the Company's intent, combined with the extension of bonus depreciation by Congress in late 2015, allows Duke Energy to more efficiently utilize foreign tax credits and reduce U.S. deferred tax liabilities associated with historic unremitted foreign earnings by approximately $95 million.

EFFECTIVE TAX RATES

The effective tax rates from continuing operations for each of the Duke Energy Registrants are included in the following table.

	Three Months Ended March 31,	
	2016	**2015**
Duke Energy	**23.4%**	31.9%
Duke Energy Carolinas	**34.1%**	35.8%
Progress Energy	**36.7%**	35.4%
Duke Energy Progress	**35.4%**	33.8%
Duke Energy Florida	**37.9%**	38.6%
Duke Energy Ohio	**26.9%**	36.7%
Duke Energy Indiana	**30.2%**	36.6%

The decrease in the effective tax rate for Duke Energy for the three months ended March 31, 2016, is primarily due to lower income taxes on foreign earnings as a result of the Company's intent to no longer indefinitely reinvest the foreign earnings of the International Energy segment combined with more efficient utilization of foreign tax credits. Refer to "Taxes on Foreign Earnings" above for additional information.

The decrease in the effective tax rate for Duke Energy Carolinas for the three months ended March 31, 2016, is primarily due to a favorable state resolution related to prior-year tax returns.

The increase in the effective tax rate for Progress Energy for the three months ended March 31, 2016, is primarily due to an unfavorable tax levelization in 2016 compared to a favorable tax levelization in 2015.

The increase in the effective tax rate for Duke Energy Progress for the three months ended March 31, 2016, is primarily due to an unfavorable tax levelization in 2016 compared to a favorable tax levelization in 2015.

The decrease in the effective tax rate for Duke Energy Ohio for the three months ended March 31, 2016, is primarily due to a favorable prior-period adjustment for depreciation and other property, plant and equipment.

The decrease in the effective tax rate for Duke Energy Indiana for the three months ended March 31, 2016, is primarily due to a favorable prior-period adjustment for depreciation and other property, plant and equipment.

17. SUBSEQUENT EVENTS

For information on subsequent events related to regulatory matters, commitments and contingencies, and debt and credit facilities see Notes 4, 5 and 6, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following combined Management's Discussion and Analysis of Financial Condition and Results of Operations is separately filed by Duke Energy Corporation (collectively with its subsidiaries, Duke Energy) and Duke Energy Carolinas, LLC (Duke Energy Carolinas), Progress Energy, Inc. (Progress Energy), Duke Energy Progress, LLC (Duke Energy Progress), Duke Energy Florida, LLC (Duke Energy Florida), Duke Energy Ohio, Inc. (Duke Energy Ohio) and Duke Energy Indiana, LLC (Duke Energy Indiana) (collectively referred to as the Subsidiary Registrants). However, none of the registrants make any representation as to information related solely to Duke Energy or the Subsidiary Registrants of Duke Energy other than itself.

DUKE ENERGY

Duke Energy is an energy company headquartered in Charlotte, North Carolina. Duke Energy operates in the United States (U.S.) primarily through its wholly owned subsidiaries, Duke Energy Carolinas, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio and Duke Energy Indiana, as well as in Latin America.

When discussing Duke Energy's consolidated financial information, it necessarily includes the results of the Subsidiary Registrants, which, along with Duke Energy, are collectively referred to as the Duke Energy Registrants.

Management's Discussion and Analysis includes financial information prepared in accordance with generally accepted accounting principles (GAAP) in the U.S., as well as certain non-GAAP financial measures such as adjusted earnings, adjusted diluted earnings per share (EPS) and adjusted segment income, discussed below. Generally, a non-GAAP financial measure is a numerical measure of financial performance, financial position or cash flows that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP. The non-GAAP financial measures should be viewed as a supplement to, and not a substitute for, financial measures presented in accordance with GAAP. Non-GAAP measures presented herein may not be comparable to similarly titled measures used by other companies.

Management's Discussion and Analysis should be read in conjunction with the Condensed Consolidated Financial Statements and Notes for the three months ended March 31, 2016, and with Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2015.

Acquisition of Piedmont Natural Gas

On October 24, 2015, Duke Energy entered into an Agreement and Plan of Merger (Merger Agreement) with Piedmont Natural Gas Company, Inc., (Piedmont) a North Carolina corporation. Under the terms of the Merger Agreement, Duke Energy will acquire Piedmont for approximately $4.9 billion in cash. Upon closing, Piedmont will become a wholly owned subsidiary of Duke Energy. In addition, Duke Energy will assume Piedmont's existing debt, which was approximately $2.0 billion at January 31, 2016, the end of Piedmont's most recent quarter. Duke Energy expects to finance the transaction with a combination of debt, equity issuances and other cash sources. As of March 31, 2016, Duke Energy entered into $1.4 billion of forward-starting interest rate swaps to manage interest rate exposure for the expected financing of the Piedmont acquisition. For additional information on the forward-starting swaps, see Note 9 to the Condensed Consolidated Financial Statements, "Derivatives and Hedging."

In March, 2016, Duke Energy marketed an equity offering of 10.6 million shares of Duke Energy common stock. In lieu of issuing equity at the time of the offering, Duke Energy entered into equity forward sale agreements (the Equity Forwards) with Barclays Capital, Inc. (Barclays). Duke Energy expects to settle the Equity Forwards on or around the closing date of the Piedmont acquisition. The net proceeds received upon settlement are expected to be used to finance a portion of the acquisition of Piedmont. For additional information regarding the Equity Forwards, see Note 13 to the Condensed Consolidated Financial Statements, "Common Stock."

In connection with the Merger Agreement with Piedmont, Duke Energy entered into a $4.9 billion senior unsecured bridge financing facility (Bridge Facility) with Barclays. The Bridge Facility, if drawn upon, may be used to (i) fund the cash consideration for the transaction and (ii) pay certain fees and expenses in connection with the transaction. In November 2015, Barclays syndicated its commitment under the Bridge Facility to a broader group of lenders. Duke Energy does not expect to draw upon the Bridge Facility. The amount of the Bridge Facility is reduced by any financings related to the Piedmont acquisition entered into by Duke Energy, and has accordingly been reduced to $4.2 billion as a result of the Equity Forwards previously discussed.

Piedmont's shareholders have approved the company's acquisition by Duke Energy and the Federal Trade Commission (FTC) has granted early termination of the 30-day waiting period under the federal Hart-Scott-Rodino Antitrust Improvements Act of 1976. On January 15, 2016, Duke Energy and Piedmont filed an application with the North Carolina Utilities Commission (NCUC) for approval of the proposed business combination and associated financing transactions. On January 29, 2016, the NCUC approved Duke Energy's proposed financing transactions. The NCUC issued its Scheduling Order on March 2, 2016, setting a public and evidentiary hearing to begin on July 18, 2016. On March 7, 2016, the Kentucky Public Service Commission (KPSC) granted Duke Energy's declaratory request that the transaction does not constitute a change in control and does not require KPSC approval. The Tennessee Regulatory Authority approved Duke Energy's and Piedmont's request of the change in control resulting from the transaction at its March 14, 2016, meeting. Subject to receipt of required regulatory approvals and meeting closing conditions, Duke Energy and Piedmont expect to close the transaction by the end of 2016.

The Merger Agreement contains certain termination rights for both Duke Energy and Piedmont, and provides that, upon termination of the Merger Agreement under specified circumstances, Duke Energy would be required to pay a termination fee of $250 million to Piedmont and Piedmont would be required to pay Duke Energy a termination fee of $125 million.

See Note 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information regarding Duke Energy and Piedmont's joint investment in Atlantic Coast Pipeline, LLC (ACP).

Change In Segment Income

During the first quarter of 2016, the Duke Energy chief operating decision-maker began to evaluate interim period segment performance based on financial information that includes the impact of income tax levelization within segment income. This represents a change from the previous measure, where the interim period impacts of income tax levelization were included within Other, and therefore excluded from segment income. As a result, prior period segment results presented have been recast to conform to this change.

Potential Sale of International Energy

In February 2016, Duke Energy announced it had initiated a process to divest the International Energy business segment, excluding the equity method investment in National Methanol Company (NMC). Duke Energy is in the preliminary stage and there have been no binding or non-binding offers submitted. Duke Energy can provide no assurance that this process will result in a transaction and there is no specific timing for execution of a potential transaction. Proceeds from a successful exit would be used by Duke Energy to fund the operations and growth of domestic businesses. If the potential of a sale were to progress, it could result in classification of International Energy as assets held for sale and as a discontinued operation. As of March 31, 2016, the International Energy segment had a carrying value of approximately $2.6 billion, adjusted for $644 million of cumulative foreign currency translation losses currently classified as accumulated other comprehensive loss.

Results of Operations

In this section, Duke Energy provides analysis and discussion of earnings and factors affecting earnings on both a GAAP and non-GAAP basis.

Management evaluates financial performance in part based on non-GAAP financial measures, adjusted earnings and adjusted diluted EPS. These items represent income from continuing operations net of income (loss) attributable to noncontrolling interests, adjusted for the dollar and per-share impact of special items. Special items represent certain charges and credits, which management believes will not be recurring on a regular basis. The special items for the period ended March 31, 2015, include the operating results of the nonregulated Midwest generation business and Duke Energy Retail Sales (collectively, the Disposal Group) which are classified as discontinued operations for GAAP purposes. Management believes inclusion of the Disposal Group's operating results within adjusted earnings and adjusted diluted EPS results in a better reflection of Duke Energy's financial performance. Costs to achieve mergers includes financing costs related to the Bridge Facility and the mark-to-market unrealized losses related to the forward-starting interest rate swaps used by Duke Energy to manage interest rate exposure for the expected financing of the Piedmont acquisition. The mark-to-market impact of forward-starting interest rate swaps is recognized in GAAP earnings immediately as the contracts do not qualify for hedge accounting or regulatory treatment. Management believes excluding the impact of the mark-to-market losses of the forward-starting interest rate swaps from adjusted earnings better reflects Duke Energy's financial performance and therefore has excluded these impacts from adjusted earnings and adjusted diluted EPS. Management believes the presentation of adjusted earnings and adjusted diluted EPS provides useful information to investors, as it provides them an additional relevant comparison of Duke Energy's performance across periods. Management uses these non-GAAP financial measures for planning and forecasting and for reporting results to the Duke Energy Board of Directors (Board of Directors), employees, stockholders, analysts and investors concerning Duke Energy's financial performance. Adjusted diluted EPS is also used as a basis for employee incentive bonuses. The most directly comparable GAAP measures for adjusted earnings and adjusted diluted EPS are Net Income Attributable to Duke Energy Corporation and Diluted EPS Attributable to Duke Energy Corporation common stockholders.

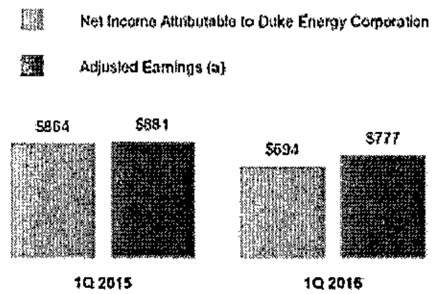
Management evaluates segment performance based on segment income. Segment income is defined as income from continuing operations net of income attributable to noncontrolling interests. Segment income, as discussed below, includes intercompany revenues and expenses that are eliminated in the Condensed Consolidated Financial Statements. Management also uses adjusted segment income as a measure of historical and anticipated future segment performance. Adjusted segment income is a non-GAAP financial measure, as it is based upon segment income adjusted for special items, including the operating results of the Disposal Group classified as discontinued operations for GAAP purposes. Management believes the presentation of adjusted segment income provides useful information to investors as it provides an additional relevant comparison of a segment's performance across periods. The most directly comparable GAAP measure for adjusted segment income is segment income, which represents segment income from continuing operations not adjusted for any special items.

Duke Energy's adjusted earnings, adjusted diluted EPS, and adjusted segment income may not be comparable to similarly titled measures of another company because other entities may not calculate the measures in the same manner.

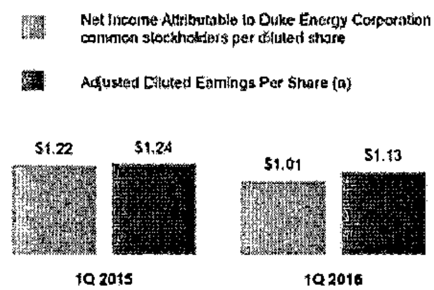
See Note 3 to the Condensed Consolidated Financial Statements, "Business Segments," for a discussion of Duke Energy's segment structure.

Executive Overview

1st Quarter Earnings (in millions)



1st Quarter Earnings Per Diluted Share



(a) See below for Duke Energy's definition of adjusted earnings and adjusted diluted earnings per share as well as a reconciliation of this non-GAAP financial measure to net income attributable to Duke Energy and net income attributable to Duke Energy per diluted share.

The following table reconciles non-GAAP measures to their most directly comparable GAAP measures.

	Three Months Ended March 31, 2016							
(in millions, except per-share amounts)	Regulated Utilities	International Energy	Commercial Portfolio	Total Reportable Segments	Other	Eliminations/ Discontinued Operations	Duke Energy	Per Diluted Share
Adjusted segment income/Adjusted earnings	$ 695	$ 123	$ 27	$ 845	$ (68)	$ —	$ 777	$ 1.13
Costs to achieve mergers	—	—	—	—	(74)	—	(74)	(0.11)
Cost savings initiatives	—	—	—	—	(12)	—	(12)	(0.02)
Discontinued operations	—	—	—	—	—	3	3	0.01
Segment Income (loss)/Net Income Attributable to Duke Energy Corporation	$ 695	$ 123	$ 27	$ 845	$ (154)	$ 3	$ 694	$ 1.01

	Three Months Ended March 31, 2015							
(in millions, except per-share amounts)	Regulated Utilities	International Energy	Commercial Portfolio	Total Reportable Segments	Other	Eliminations/ Discontinued Operations	Duke Energy	Per Diluted Share
Adjusted segment income/Adjusted earnings	$ 774	$ 36	$ 101	$ 911	$ (30)	$ —	$ 881	$ 1.24
Midwest generation operations	—	—	(94)	(94)	—	94	—	—
Costs to achieve Progress Energy merger	—	—	—	—	(13)	—	(13)	(0.02)
Discontinued operations	—	—	—	—	—	(4)	(4)	—
Segment Income (loss)/Net Income Attributable to Duke Energy Corporation	$ 774	$ 36	$ 7	$ 817	$ (43)	$ 90	$ 864	$ 1.22

The variance in adjusted earnings for three months ended March 31, 2016, compared to the same period in 2015, was primarily due to:

- Lower results due to the absence of earnings from the nonregulated Midwest generation business, which was sold in April 2015;
- Milder winter weather in 2016 compared to extremely cold weather in the prior year;
- Increased depreciation and amortization expense primarily due to a higher amount of property, plant and equipment in service, including the additional ownership interest in generating assets acquired from North Carolina Eastern Municipal Power Agency (NCEMPA) in the third quarter of 2015; and
- Increase in storm restoration costs due to more severe winter storms in the Carolinas.

Partially offset by:

- Lower income tax expense at International Energy as a result of the Company's intent to no longer indefinitely reinvest the foreign earnings of the International Energy segment combined with more efficient utilization of foreign tax credits, net of additional tax expense recognized in 2016 on International Energy's unremitted earnings. See Note 16 to the Condensed Consolidated Financial Statements, "Income Taxes," for additional information;

- Higher results in Latin America primarily due to favorable hydrology in Brazil partially offset by weaker foreign currency exchange rates;

- Increased pricing and riders driven by additional ownership interest in generating assets acquired from NCEMPA in the third quarter of 2015 and energy efficiency programs; and
- Reduction in shares outstanding primarily due to the prior-year accelerated stock repurchase (only impacts per diluted share amounts in the tables above).

SEGMENT RESULTS

The remaining information in this discussion of results of operations is presented on a GAAP basis.

Regulated Utilities

	Three Months Ended March 31,		
(in millions)	**2016**	**2015**	**Variance**
Operating Revenues	$ 5,259	$ 5,723	$ (464)
Operating Expenses	3,967	4,305	(338)
Gains on Sales of Other Assets and Other, net	1	7	(6)
Operating Income	1,293	1,425	(132)
Other Income and Expenses, net	64	72	(8)
Interest Expense	277	275	2
Income Before Income Taxes	1,080	1,222	(142)
Income Tax Expense	385	448	(63)
Segment Income	$ 695	$ 774	$ (79)
Duke Energy Carolinas Gigawatt-hours (GWh) sales	21,625	22,468	(843)
Duke Energy Progress GWh sales	17,149	16,765	384
Duke Energy Florida GWh sales	8,456	8,473	(17)
Duke Energy Ohio GWh sales	6,107	6,767	(660)
Duke Energy Indiana GWh sales	9,394	8,728	666
Total Regulated Utilities GWh sales	62,731	63,201	(470)
Net proportional Megawatt (MW) capacity in operation	50,111	49,739	372

Three Months Ended March 31, 2016 as Compared to March 31, 2015

Regulated Utilities' results were impacted by more mild winter weather in the Carolines and Midwest, increased depreciation and amortization, and higher property and other tax expense. These impacts were partially offset by increased retail pricing primarily due to lower sales volumes, and rate riders. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by:

- a $413 million decrease in fuel revenues driven primarily by lower fuel prices included in electric retail rates end lower volumes; and
- a $114 million decrease in electric retail sales (net of fuel revenue) due to milder winter weather in the Carolinas and Midwest compared to extremely cold weather in the prior year.

Partially offset by:

- a $59 million increase in retail electric pricing primarily due to lower sales volumes which resulted in higher average customer rates, and rate riders, including increased revenues related to Duke Energy Progress' purchase of NCEMPA's ownership interest in certain generating assets in the third quarter of 2015 and energy efficiency programs, partially offset by decreased revenues in Duke Energy Florida's nuclear cost recovery clause as a result of suspending Levy recovery in 2015.

Operating Expenses. The variance was driven primarily by:

- a $412 million decrease in fuel expense (including purchased power and natural gas purchases for resale) primarily due to lower natural gas and coal prices, lower volumes of coal and oil used in electric generation, and lower natural gas prices and volumes to full-service retail natural gas customers, partially offset by higher volumes of natural gas used in electric generation; and
- a $49 million increase in storm restoration costs due to more severe winter storms in the Carolinas.

Partially offset by:

- a $31 million increase in property and other taxes primarily due to higher sales and use tax at Duke Energy Indiana, and higher property taxes across multiple jurisdictions; and

- a $30 million increase in depreciation and amortization expense primarily due to a higher amount of property, plant and equipment in service, including the additional ownership interest in generating assets acquired from NCEMPA in the third quarter of 2015.

Income Tax Expense. The variance was primarily due to a decrease in pretax income. The effective tax rates for the three months ended March 31, 2016 and 2015 were 35.7 percent and 36.7 percent, respectively. The decrease in the effective tax rate was primarily due to a favorable state resolution related to prior year tax returns.

Matters Impacting Future Regulated Utilities Results

Regulated Utilities estimated retirement obligations related to closure of North Carolina ash impoundments based upon proposed risk rankings issued by North Carolina Department of Environmental Quality (NCDEQ), or if not assigned to a risk category, based on a probability weighting of potential closure methods. The proposed risk rankings included nine basins classified as "low-to-intermediate," thereby not assigning a definitive risk ranking. NCDEQ is expected to establish the final risk ranking recommendation by the end of May 2016. If basins are classified as higher risk than originally proposed, or if basins previously categorized as "low-to-intermediate" are classified as "intermediate" or "high," the resulting increase in asset retirement obligations could materially impact Regulated Utilities' financial position, results of operations and cash flows. See Note 5 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

Duke Energy is a party to multiple lawsuits and could be subject to fines and other penalties related to the Dan River coal ash release and operations at other North Carolina facilities with ash basins. The outcome of these lawsuits and potential fines and penalties could have an adverse impact on Regulated Utilities' financial position, results of operations and cash flows. See Note 5 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

An order from regulatory authorities disallowing recovery of costs related to closure of ash impoundments could have an adverse impact on Regulated Utilities' financial position, results of operations and cash flows. See Notes 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters" and Note 9 in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2015, "Asset Retirement Obligations," for additional information.

In September 2015, Duke Energy Indiana entered into a settlement agreement with multiple parties that will resolve all disputes, claims and issues from the Indiana Utility Regulatory Commission (IURC) proceedings regarding the Edwardsport Integrated Gasification Combined Cycle (IGCC) generating facility. In January 2016, additional parties joined a revised settlement. Pursuant to the terms of the agreement, Regulated Utilities recognized an impairment and related charges of $93 million. Additionally, the agreement stipulates the recovery of the remaining regulatory asset over an eight-year period and confirms the conclusion that the in-service date for accounting and ratemaking purposes will remain June 7, 2013. The settlement agreement will also impose a cost cap for recoverable operations and maintenance retail costs of $73 million in 2016 and $77 million in 2017 as well as a cost cap for ongoing capital expenditures through 2017. As part of the settlement, Duke Energy Indiana committed to cease burning coal at Gallagher Station Units 2 and 4 by the end of 2022. The settlement is subject to IURC approval and if approved would resolve and close a number of outstanding issues pending before the IURC related to post commercial operating performance and recovery of ongoing operating and capital costs at Edwardsport. If the settlement is not approved, outstanding issues before the IURC related to Edwardsport would resume, the ultimate resolution of which could have an adverse impact on Regulated Utilities' financial position, results of operations and cash flows. In addition, the inability to manage operating and capital costs under caps imposed under the settlement could have an adverse impact on Regulated Utilities' financial position, results of operations and cash flows. See Note 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

International Energy

	Three Months Ended March 31,		
(in millions)	**2016**	**2015**	**Variance**
Operating Revenues	$ 246	$ 273	$ (27)
Operating Expenses	154	207	(53)
Operating Income	92	66	26
Other Income and Expense, net	16	14	2
Interest Expense	22	23	(1)
Income Before Income Taxes	86	57	29
Income Tax (Benefit) Expense	(39)	20	(59)
Less: Income Attributable to Noncontrolling Interests	2	1	1
Segment Income	$ 123	$ 36	$ 87
Sales, GWh	5,880	4,470	1,410
Net proportional MW capacity in operation	4,315	4,335	(20)

Three Months Ended March 31, 2016 as Compared to March 31, 2015

International Energy's results were impacted by lower income taxes as a result of the Company's intent to no longer indefinitely reinvest the foreign earnings of the International Energy segment combined with more efficient utilization of foreign tax credits and improved hydrology in Brazil, partially offset by weaker exchange rates in Latin America and lower equity earnings in NMC. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by:

- a $20 million decrease in Brazil due to weaker foreign currency exchange rates partially offset by higher spot volumes; and
- a $12 million decrease in Central America due to lower average prices.

Operating Expenses. The variance was driven primarily by:

- a $38 million decrease in Brazil due to lower purchased power costs and weaker foreign currency exchange rates; and
- a $17 million decrease in Central America due to lower purchased power costs.

Other Income and Expenses, net. The variance is primarily due to the absence of a prior-year net currency remeasurement loss in Latin America, partially offset by lower equity earnings in NMC as a result of lower average methyl tertiary butyl ether (MTBE) and methanol prices, and lower MTBE sales volumes driven by planned maintenance, partially offset by lower butane costs.

Income Tax (Benefit) Expense. The variance is primarily due to a lower effective tax rate, which decreased due to lower income taxes as a result of the Company's intent to no longer indefinitely reinvest the foreign earnings of the International Energy segment combined with more efficient utilization of foreign tax credits. See Note 16 to the Condensed Consolidated Financial Statements, "Income Taxes," for additional information. The effective tax rates for the three months ended March 31, 2016 and 2015 were (45.4) percent and 35.6 percent, respectively.

Matters Impacting Future International Energy Results

International Energy's operations include conventional hydroelectric power generation facilities located in Brazil. The weather and recessionary economic conditions in Brazil during recent years has resulted in higher energy prices, lower electricity demand and unfavorable impacts to the exchange rate of Brazil's currency. These weather and economic conditions have also resulted in lawsuits brought to the Brazilian courts by certain hydroelectric generators to limit the financial exposure to the generators. International Energy's earnings and future cash flows could be adversely impacted if reservoir levels return to the recent low levels, further decline of economic and political conditions within Brazil, or from the outcome of legal matters in the Brazilian courts.

International Energy's equity earnings from NMC reflect sales of methanol and MTBE, which generate margins that are directionally correlated with Brent crude oil prices and the recent decline in crude oil prices have reduced the equity earnings realized from NMC. Continued weakness in the market price of Brent crude oil and related commodities will likely result in a further decline in equity earnings from NMC.

In February 2016, Duke Energy announced it had initiated a process to divest the International Energy business segment, excluding the equity method investment in NMC. Duke Energy is in the early stages and there have been no binding or non-binding offers submitted. Duke Energy can provide no assurance that this process will result in a transaction and there is no specific timeline for execution of a potential transaction. Proceeds from a successful exit would be used by Duke Energy to fund the operations and growth of domestic businesses. If the potential of a sale were to progress, it could result in classification of International Energy as assets held for sale and as a discontinued operation. As of March 31, 2016, the International Energy segment had a carrying value of approximately $2.6 billion, adjusted for $644 million of cumulative foreign currency translation losses currently classified as accumulated other comprehensive loss.

Commercial Portfolio

	Three Months Ended March 31,		
(in millions)	2016	2015	Variance
Operating Revenues	$ 114	$ 73	$ 41
Operating Expenses	111	89	22
Gains on Sales of Other Assets and Other, net	1	—	1
Operating Income (Loss)	4	(16)	20
Other Income and Expense, net	2	2	—
Interest Expense	12	12	—
Loss Before Income Taxes	(6)	(26)	20
Income Tax Benefit	(33)	(33)	—
Segment Income	$ 27	$ 7	$ 20
Renewable plant production, GWh	2,060	1,310	750
Net proportional MW capacity in operation	1,963	1,415	548

Three Months Ended March 31, 2016 as Compared to March 31, 2015

Commercial Portfolio's higher revenues and earnings are primarily due to new wind and solar generation placed in service or acquired and improved wind production. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by:

- a $30 million increase in electric revenues due to acquired businesses; and
- a $22 million increase in electric revenues from new wind and solar generation placed in service and improved wind production.

Operating Expenses. The variance was driven primarily by a $31 million increase in operating expenses due to acquired businesses.

Income Tax Benefit. The decrease in pretax losses was primarily offset by an increase in production tax credits in the renewables portfolio, partially offset by a higher effective tax rate. The effective tax rates for the three months ended March 31, 2016 and 2015 were 550 percent and 126.9 percent, respectively. The increase in the effective tax rate was primarily due to the increase in renewable energy credits relative to pretax losses.

Other

	Three Months Ended March 31,		
(in millions)	2016	2015	Variance
Operating Revenues	$ 29	$ 27	$ 2
Operating Expenses	92	50	42
Gains on Sales of Other Assets and Other, net	7	7	—
Operating Loss	(56)	(16)	(40)
Other Income and Expense, net	10	1	9
Interest Expense	205	97	108
Loss Before Income Taxes	(251)	(112)	(139)
Income Tax Benefit	(100)	(71)	(29)
Less: Income Attributable to Noncontrolling Interests	3	2	1
Net Expense	$ (154)	$ (43)	$ (111)

Three Months Ended March 31, 2016 as Compared to March 31, 2015

Other's higher net expense was due to increased interest expense as a result of unrealized losses on forward-starting swaps related to the expected financing of the Piedmont Natural Gas acquisition and higher severance accruals. The following is a detailed discussion of the variance drivers by line item.

Operating Expenses. The increase was primarily due to an increase in severance accruals and a contribution to the Duke Energy Foundation.

Other Income and Expenses, net. The variance was primarily due to interest income from the resolution of an income tax matter.

Interest Expense. The increase was primarily due to unrealized losses on forward-starting interest rate swaps related to the expected financing of the Piedmont acquisition. For additional information see Notes 2 and 9 to the Condensed Consolidated Financial Statements, "Acquisitions and Dispositions" and "Derivatives and Hedging," respectively.

Income Tax Benefit. The variance was primarily due to an increase in pretax losses partially offset by a decrease in the effective tax rate. The effective tax rates for the three months ended March 31, 2016 and 2015 were 39.8 percent and 63.4 percent, respectively. The decrease in the effective tax rate was primarily due to a reduction in tax levelization.

Matters Impacting Future Other Results

Duke Energy Ohio's retired Beckjord generating station (Beckjord), previously an asset of Commercial Portfolio, became an asset of Other after the sale of the Disposal Group. Beckjord, a nonregulated facility retired during 2014, is not subject to the recently enacted U.S. Environmental Protection Agency (EPA) rule related to the disposal of Coal Combustion Residuals (CCR) from electric utilities. However, if costs are incurred as a result of environmental regulations or to mitigate risk associated with on-site storage of coal ash, the costs could have an adverse impact on Other's financial position, results of operations and cash flows.

INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX

Three Months Ended March 31, 2016 as Compared to March 31, 2015

Discontinued Operations, Net of Tax. The variance was primarily driven by the Disposal Group's operating results in 2015.

DUKE ENERGY CAROLINAS

Management's Discussion and Analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes for the three months ended March 31, 2016 and 2015 and the Annual Report on Form 10-K for the year ended December 31, 2015.

Results of Operations

	Three Months Ended March 31,		
(in millions)	**2016**	**2015**	**Variance**
Operating Revenues	$ 1,740	$ 1,901	$ (161)
Operating Expenses	1,259	1,386	(127)
Operating Income	481	515	(34)
Other Income and Expenses, net	37	42	(5)
Interest Expense	107	102	5
Income Before Income Taxes	411	455	(44)
Income Tax Expense	140	163	(23)
Net Income	$ 271	$ 292	$ (21)

The following table shows the percent changes in GWh sales and average number of customers. The below percentages for retail customer classes represent billed sales only. Total sales includes billed and unbilled retail sales, and wholesale sales to incorporated municipalities and to public and private utilities and power marketers. Amounts are not weather-normalized.

(Decrease) increase over prior year	**2016**
Residential sales	(10.6)%
General service sales	(2.8)%
Industrial sales	0.1 %
Wholesale power sales	(1.1)%
Joint dispatch sales	(38.5)%
Total sales	(3.8)%
Average number of customers	1.4 %

Three Months Ended March 31, 2016 as Compared to March 31, 2015

Operating Revenues. The variance was driven primarily by:

- a $169 million decrease in fuel revenues driven primarily by lower natural gas and coal prices, as well as change in fuel mix; and
- a $44 million decrease in electric sales (net of fuel revenues) to retail customers due to milder winter weather conditions compared to the extremely cold weather in the prior year.

Partially offset by:

- a $35 million increase in retail pricing and rate riders, which primarily reflects increased revenues related to the energy efficiency programs and the second year base rate step-up from the 2013 South Carolina rate case.

Operating Expenses. The variance was driven primarily by:

- a $157 million decrease in fuel used in electric generation and purchased power primarily related to lower natural gas and coal prices, and decreased generation due to lower sales volumes.

Partially offset by:

- a $23 million increase in operating and maintenance expenses primarily due to higher storm restoration costs; and

- a $10 million increase in depreciation and amortization expenses primarily due to a higher amount of property, plant and equipment in service

Income Tax Expense. The variance was primarily due to a decrease in pretax income. The effective tax rates for the three months ended March 31, 2016 and 2015 were 34.1 percent and 35.8 percent, respectively. The decrease in the effective tax rate was primarily due to a favorable state resolution related to prior-year tax returns.

Matters Impacting Future Results

Duke Energy Carolinas estimated retirement obligations related to closure of North Carolina ash impoundments based upon proposed risk rankings issued by NCDEQ, or if not assigned to a risk category, based on a probability weighting of potential closure methods. The proposed risk ranking included eight ash basins at five Duke Energy Carolinas plants classified as "low-to-intermediate," thereby not assigning a definitive risk ranking. NCDEQ is expected to establish the final risk ranking recommendation by the end of May 2016. If basins are classified as higher risk than originally proposed, or if basins previously categorized as "low-to-intermediate" are classified as "intermediate" or "high," the resulting increase in asset retirement obligations could materially impact Duke Energy Carolinas' financial position, results of operations and cash flows. See Note 5 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

Duke Energy Carolinas is a party to multiple lawsuits and subject to fines and other penalties related to the Dan River coal ash release and operations at other North Carolina facilities with ash basins. The outcome of these lawsuits, fines and penalties could have an adverse impact on Duke Energy Carolinas' financial position, results of operations and cash flows. See Note 5 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

An order from regulatory authorities disallowing recovery of costs related to closure of ash impoundments could have an adverse impact on Duke Energy Carolinas' financial position, results of operations and cash flows. See Notes 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters" and Note 9 in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2015, "Asset Retirement Obligations," for additional information.

PROGRESS ENERGY

Management's Discussion and Analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes for the three months ended March 31, 2016 and 2015 and the Annual Report on Form 10-K for the year ended December 31, 2015.

Results of Operations

	Three Months Ended March 31,		
(in millions)	**2016**	**2015**	**Variance**
Operating Revenues	$ 2,332	$ 2,536	$ (204)
Operating Expenses	1,863	1,995	(132)
Gains on Sales of Other Assets and Other, net	6	8	(2)
Operating Income	475	549	(74)
Other Income and Expenses, net	20	27	(7)
Interest Expense	160	168	(8)
Income From Continuing Operations Before Taxes	335	408	(73)
Income Tax Expense From Continuing Operations	123	144	(21)
Income From Continuing Operations	212	264	(52)
Loss From Discontinued Operations, net of tax	—	(1)	1
Net Income	212	263	(51)
Less: Net Income Attributable to Noncontrolling Interest	3	3	—
Net Income Attributable to Parent	$ 209	$ 260	$ (51)

Three Months Ended March 31, 2016 as Compared to March 31, 2015

Operating Revenues. The variance was driven primarily by:

- a $174 million decrease in fuel revenues primarily due to decreased fuel prices to retail customers at Duke Energy Florida and decreased demand from wholesale and retail customers at Duke Energy Progress; and
- a $39 million decrease in retail sales (net of fuel revenue) to retail customers due to milder winter weather conditions compared to the extremely cold weather in the prior year at Duke Energy Progress.

Partially offset by:

- an $11 million increase in rate rider revenues due to the purchase of NCEMPA's ownership interest in certain generating assets and energy efficiency programs at Duke Energy Progress, offset by a decrease in nuclear cost recovery clause revenues as a result of suspending Levy recovery in 2015, partially offset by an increase in energy conservation cost recovery clause and environmental cost recovery clause revenues due to higher recovery rates at Duke Energy Florida.

Operating Expenses. The variance was driven primarily by:

- a $172 million decrease in fuel used in electric generation and purchased power primarily due to lower fuel prices and lower volumes at Duke Energy Florida and decreased sales volumes and a change in generation mix at Duke Energy Progress.

Partially offset by:

- a $27 million increase in operations and maintenance expenses primarily due to higher storm restoration costs in the current year at Duke Energy Progress and an increase in costs recoverable through the energy conservation cost recovery clause and employee benefits at Duke Energy Florida; and
- an $8 million increase in property and other taxes due to a 2015 North Carolina Franchise Tax refund and increase in current year property taxes in North Carolina and South Carolina at Duke Energy Progress.

Income Tax Expense. The variance was primarily due to a decrease in pretax income. The effective tax rates for the three months ended March 31, 2016 and 2015 were 36.7 percent and 35.4 percent, respectively. The increase in the effective tax rate was primarily due to an unfavorable tax levelization in 2016 compared to a favorable tax levelization in 2015.

Matters Impacting Future Results

Progress Energy estimated retirement obligations related to closure of North Carolina ash impoundments based upon proposed risk rankings issued by NCDEQ, or if not assigned to a risk category, based on a probability weighting of potential closure methods. The proposed risk rankings included a Progress Energy ash pond classified as "low-to-intermediate," thereby not assigning a definitive risk ranking. NCDEQ is expected to establish the final risk ranking recommendation by the end of May 2016. If basins are classified as higher risk than originally proposed, or if the ash pond previously categorized as "low-to-intermediate" is classified as "intermediate" or "high," the resulting increase in asset retirement obligations could materially impact Progress Energy's financial position, results of operations and cash flows. See Note 5 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

Progress Energy is a party to multiple lawsuits and subject to fines and other penalties related to operations at certain North Carolina facilities with ash basins. The outcome of these lawsuits, fines and penalties could have an adverse impact on Progress Energy's financial position, results of operations and cash flows. See Note 5 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

An order from regulatory authorities disallowing recovery of costs related to closure of ash impoundments could have an adverse impact on Progress Energy's financial position, results of operations and cash flows. See Notes 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters" and Note 9 in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2015, "Asset Retirement Obligations," for additional information.

DUKE ENERGY PROGRESS

Management's Discussion and Analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes for the three months ended March 31, 2016 and 2015 and the Annual Report on Form 10-K for the year ended December 31, 2015.

Results of Operations

	Three Months Ended March 31,		
(in millions)	**2016**	**2015**	**Variance**
Operating Revenues	$ 1,307	$ 1,449	$ (142)
Operating Expenses	1,050	1,134	(84)
Gains on Sales of Other Assets and Other, net	1	1	—
Operating Income	258	316	(58)
Other Income and Expenses, net	17	20	(3)
Interest Expense	63	60	3
Income Before Income Taxes	212	276	(64)
Income Tax Expense	75	93	(18)
Net Income and Comprehensive Income	$ 137	$ 183	$ (46)

The following table shows the percent changes in GWh sales and average number of customers. The below percentages for retail customer classes represent billed sales only. Total sales includes billed and unbilled retail sales, and wholesale sales to incorporated municipalities and to public and private utilities and power marketers. Amounts are not weather-normalized.

(Decrease) Increase over prior period	**2016**
Residential sales	(13.3)%
General service sales	(2.4)%
Industrial sales	0.1 %
Wholesale power sales	17.4 %
Joint dispatch sales	19.5 %
Total sales	2.3 %
Average number of customers	1.3 %

Three Months Ended March 31, 2016 as Compared to March 31, 2015

Operating Revenues. The variance was driven primarily by:

- a $123 million decrease in fuel revenues driven by decreased demand from wholesale and retail customers; and
- a $39 million decrease in retail sales (net of fuel revenue) to retail customers due to milder winter weather conditions compared to the extremely cold weather in the prior year.

Partially offset by:

- a $33 million increase in rate rider revenues due to the purchase of NCEMPA's ownership interest in certain generating assets and energy efficiency programs.

Operating Expenses. The variance was driven primarily by:

- a $127 million decrease in fuel used in electric generation and purchased power primarily due to decreased sales volumes and a change in generation mix.

Partially offset by:

- a $23 million increase in depreciation and amortization expenses primarily due to a higher amount of property, plant and equipment in service, including the additional ownership interest in generating assets acquired from NCEMPA in the third quarter of 2015;
- an $11 million increase in operations and maintenance expenses mostly due to higher storm restoration costs in the current year; and
- a $9 million increase in property and other taxes due to a 2015 North Carolina Franchise Tax refund and increases in current year property taxes in North Carolina and South Carolina.

Income Tax Expense. The variance was primarily due to a decrease in pretax income. The effective tax rates for the three months ended March 31, 2016 and 2015 were 35.4 percent and 33.8 percent, respectively. The increase in the effective tax rate was primarily due to an unfavorable tax levelization in 2016 compared to a favorable tax levelization in 2015.

Matters Impacting Future Results

Duke Energy Progress estimated retirement obligations related to closure of North Carolina ash impoundments based upon proposed risk rankings issued by NCDEQ, or if not assigned to a risk category, based on a probability weighting of potential closure methods. The proposed risk rankings included a Duke Energy Progress ash pond classified as "low-to-intermediate," thereby not assigning a definitive risk ranking.

NCDEQ is expected to establish the final risk ranking recommendation by the end of May 2016. If basins are classified as higher risk than originally proposed, or if the ash pond previously categorized as "low-to-intermediate" is classified as "intermediate" or "high," the resulting increase in asset retirement obligations could materially impact Duke Energy Progress' financial position, results of operations and cash flows. See Note 5 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

Duke Energy Progress is a party to multiple lawsuits and subject to fines and other penalties related to operations at certain North Carolina facilities with ash basins. The outcome of these lawsuits, fines and penalties could have an adverse impact on Duke Energy Progress' financial position, results of operations and cash flows. See Note 5 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

An order from regulatory authorities disallowing recovery of costs related to closure of ash impoundments could have an adverse impact on Duke Energy Progress' financial position, results of operations and cash flows. See Notes 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters" and Note 9 in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2015, "Asset Retirement Obligations," for additional information.

DUKE ENERGY FLORIDA

Management's Discussion and Analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes for the three months ended March 31, 2016 and 2015 and the Annual Report on Form 10-K for the year ended December 31, 2015.

Results of Operations

	Three Months Ended March 31,		
(in millions)	**2016**	**2015**	**Variance**
Operating Revenues	$ 1,024	$ 1,086	$ (62)
Operating Expenses	811	859	(48)
Operating Income	213	227	(14)
Other Income and Expenses, net	5	6	(1)
Interest Expense	41	49	(8)
Income Before Income Taxes	177	184	(7)
Income Tax Expense	67	71	(4)
Net Income	$ 110	$ 113	$ (3)

The following table shows the percent changes in GWh sales and average number of customers. The below percentages for retail customer classes represent billed sales only. Wholesale power sales include both billed and unbilled sales. Total sales includes billed and unbilled retail sales, and wholesale sales to incorporated municipalities and to public and private utilities and power marketers. Amounts are not weather-normalized.

Increase (decrease) over prior period	**2016**
Residential sales	1.7 %
General service sales	0.2 %
Industrial sales	(1.1)%
Wholesale and other	16.1 %
Total sales	(0.2)%
Average number of customers	1.6 %

Three Months Ended March 31, 2016 as Compared to March 31, 2015

Operating Revenues. The variance was driven primarily by:

- a $51 million decrease in fuel and capacity revenues primarily due to decreased fuel prices to retail customers, partially offset by increased capacity rates to retail customers; and
- a $22 million decrease in rider revenues primarily due to a decrease in nuclear cost recovery clause revenues as a result of suspending Levy recovery in 2015, partially offset by an increase in energy conservation cost recovery clause and environmental cost recovery clause revenues due to higher recovery rates.

Partially offset by:

- an $11 million increase in other revenue primarily due to a transmission customer settlement charge taken in the prior year.

Operating Expenses. The variance was driven primarily by:

- a $45 million decrease in fuel used in electric generation and purchased power primarily due to lower fuel prices and lower volumes; and
- a $20 million decrease in depreciation and amortization expenses primarily due to a decrease in amortization related to the nuclear cost recovery clause, partially offset by increased depreciation due to higher amount of property, plant and equipment in service.

Partially offset by:

- a $17 million increase in operations and maintenance expenses primarily due to an increase in costs that were recoverable through the energy conservation cost recovery clause and an increase in employee benefits.

Income Tax Expense. The effective tax rates for the three months ended March 31, 2016 and 2015 were 37.9 percent and 38.6 percent, respectively.

DUKE ENERGY OHIO

Management's Discussion and Analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes for the three months ended March 31, 2016 and 2015 and the Annual Report on Form 10-K for the year ended December 31, 2015.

Results of Operations

	Three Months Ended March 31,		
(in millions)	**2016**	**2015**	**Variance**
Operating Revenues	$ 516	$ 586	$ (70)
Operating Expenses	421	481	(60)
Gains on Sales of Other Assets and Other, net	1	6	(5)
Operating Income	96	111	(15)
Other Income and Expenses, net	2	3	(1)
Interest Expense	20	20	—
Income from Continuing Operations Before Income Taxes	78	94	(16)
Income Tax Expense from Continuing Operations	21	35	(14)
Income from Continuing Operations	57	59	(2)
Income from Discontinued Operations, net of tax	2	90	(88)
Net Income	$ 59	$ 149	$ (90)

The following table shows the percent changes in Regulated Utilities' GWh sales and average number of customers. The below percentages for retail customer classes represent billed sales only. Total sales includes billed and unbilled retail sales, and wholesale sales to incorporated municipalities and to public and private utilities and power marketers. Amounts are not weather-normalized.

(Decrease) increase over prior year	**2016**
Residential sales	(13.5)%
General service sales	(2.8)%
Industrial sales	(0.3)%
Wholesale power sales	(70.8)%
Total sales	(9.8)%
Average number of customers	0.7 %

Three Months Ended March 31, 2016 as Compared to March 31, 2015

Operating Revenues. The variance was driven primarily by:

- a $44 million decrease in fuel revenues primarily driven by lower electric fuel and natural gas prices and decreased sales volume; and
- a $14 million decrease driven by milder winter weather conditions compared to the extremely cold weather in the prior year.

Operating Expenses. The variance was driven primarily by a $48 million decrease in cost of natural gas primarily due to decreased sales volumes and lower natural gas prices.

Income Tax Expense. The variance was primarily due to a decrease in pretax income and a favorable prior-period adjustment for depreciation and other property, plant and equipment, which lowered the effective tax rate to 26.9 percent for the three months ended March 31, 2016, from 36.7 percent for the three months ended March 31, 2015.

Discontinued Operations, Net of Tax. The variance was primarily driven by the Disposal Group's operating results in 2015.

Matters Impacting Future Results

An order from regulatory authorities disallowing recovery of costs related to closure of ash basins could have an adverse impact on Duke Energy Ohio's financial position, results of operations and cash flows. See Notes 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters" and Note 9 in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2015, "Asset Retirement Obligations," for additional information.

Beckjord, a facility retired during 2014, is not subject to the recently enacted EPA rule related to the disposal of CCR from electric utilities. However, if costs are incurred as a result of environmental regulations or to mitigate risk associated with on-site storage of coal ash at the facility, the costs could have an adverse impact on Duke Energy Ohio's financial position, results of operations and cash flows.

DUKE ENERGY INDIANA

Management's Discussion and Analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes for the three months ended March 31, 2016 and 2015 and the Annual Report on Form 10-K for the year ended December 31, 2015.

Results of Operations

	Three Months Ended March 31,		
(in millions)	**2016**	**2015**	**Variance**
Operating Revenues	$ 714	$ 788	$ (74)
Operating Expenses	538	578	(40)
Operating Income	176	210	(34)
Other Income and Expenses, net	4	5	(1)
Interest Expense	44	45	(1)
Income Before Income Taxes	136	170	(34)
Income Tax Expense	41	62	(21)
Net Income	$ 95	$ 108	$ (13)

The following table shows the percent changes in GWh sales and average number of customers. The below percentages for retail customer classes represent billed sales only. Total sales includes billed and unbilled retail sales, and wholesale sales to incorporated municipalities and to public and private utilities and power marketers. Amounts are not weather-normalized.

(Decrease) increase over prior year	**2016**
Residential sales	(13.7)%
General service sales	(4.2)%
Industrial sales	0.6 %
Wholesale power sales	97.7 %
Total sales	7.6 %
Average number of customers	0.7 %

Three Months Ended March 31, 2016 as Compared to March 31, 2015

Operating Revenues. The variance was driven primarily by:

- a $56 million decrease in fuel revenues (including emission allowances) primarily due to a decrease in fuel prices and lower sales volumes; and
- a $17 million decrease in electric sales (net of fuel revenue) to retail customers due to milder weather conditions compared to the extremely cold weather in the prior year.

Operating Expenses. The variance was driven primarily by:

- a $66 million decrease in fuel used in electric generation and purchased power primarily due to lower sales volumes and lower fuel prices; and
- a $19 million decrease in operations and maintenance expenses due to a decrease in outage work at generation plants.

Partially offset by:

- a $24 million increase in property and other taxes, primarily driven by higher sales and use tax due to the partial reversal in 2015 of a tax reserve upon settlement of the matter; and
- a $21 million increase in depreciation and amortization expenses primarily due to a higher amount of property, plant and equipment in service and increased amortization of asset retirement costs related to wholesale customers.

Income Tax Expense. The variance was primarily due to a decrease in pretax income and a favorable prior-period adjustment for depreciation and other property, plant and equipment, which lowered the effective tax rate to 30.2 percent for the three months ended March 31, 2016, from 36.6 percent for the three months ended March 31, 2015.

Matters Impacting Future Results

On April 17, 2015, the EPA published in the Federal Register a rule to regulate the disposal of CCR from electric utilities as solid waste. Duke Energy Indiana has interpreted the rule to identify the coal ash basin sites impacted and has assessed the amounts of coal ash subject to the rule and a method of compliance. Duke Energy Indiana's interpretation of the requirements of the CCR rule is subject to potential legal challenges and further regulatory approvals, which could result in additional ash basin closure requirements, higher costs of compliance and greater asset retirement obligations. An order from regulatory authorities disallowing recovery of costs related to closure of ash basins could have an adverse impact on Duke Energy Indiana's financial position, results of operations and cash flows.

In September 2015, Duke Energy Indiana entered into a settlement agreement with multiple parties that will resolve all disputes, claims and issues from the IURC proceedings regarding the Edwardsport IGCC generating facility. In January 2016, additional parties joined a revised settlement. Pursuant to the terms of the agreement, Duke Energy Indiana recognized an impairment and related charges of $93 million. Additionally, the settlement agreement stipulates the recovery of the remaining regulatory asset over an eight-year period and confirms the conclusion that the in-service date for accounting and ratemaking purposes will remain June 7, 2013. The settlement agreement will also impose a cost cap for recoverable operations and maintenance retail costs of $73 million in 2016 and $77 million in 2017 as well as a cost cap for ongoing capital expenditures through 2017. As part of the settlement, Duke Energy Indiana committed to cease burning coal at Gallagher Station Unit 2 and 4 by the end of 2022. The settlement is subject to IURC approval and, if approved, would resolve and close a number of outstanding issues pending before the IURC related to post commercial operating performance and recovery of ongoing operating and capital costs at Edwardsport. If the settlement is not approved, outstanding issues before the IURC related to Edwardsport would resume, the ultimate resolution of which could have an adverse impact on Duke Energy Indiana's financial position, results of operations and cash flows. In addition, the inability to manage operating and capital costs under caps imposed under the settlement could have an adverse impact on Duke Energy Indiana's financial position, results of operations and cash flows. See Note 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

In March 2016, Duke Energy Indiana entered into a settlement agreement related to a grid infrastructure improvement plan filed with the IURC. As part of the settlement, Duke Energy Indiana agreed to defer depreciation and other post-in-service carrying costs related to a planned automated metering infrastructure (AMI) project until the next retail base rate case. Also as part of the settlement, Duke Energy Indiana agreed to withdraw its request for the creation of a regulatory asset for the remaining book value of the existing meters that would be replaced as part of the AMI project. If the settlement is approved by the IURC and Duke Energy Indiana proceeds with the AMI project, an impairment charge could be incurred for some or all of the remaining book value of the existing meters.

LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Cash

Duke Energy relies primarily upon cash flows from operations, debt issuances and its existing cash and cash equivalents to fund its domestic liquidity and capital requirements. Duke Energy's capital requirements arise primarily from capital and investment expenditures, repaying long-term debt and paying dividends to shareholders. See Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2015, for a summary of primary sources and uses of cash for 2016 to 2018 and a more detailed discussion of each.

On October 24, 2015, Duke Energy entered into a Merger Agreement with Piedmont, a North Carolina corporation. Under the terms of the Merger Agreement, Duke Energy will acquire Piedmont for $4.9 billion in cash. In addition, Duke Energy will assume Piedmont's existing debt, which was approximately $2.0 billion at January 31, 2016, the end of Piedmont's most recent fiscal quarter. Duke Energy expects to finance the transaction with a combination of debt, equity issuances and other cash sources. For additional information on the Piedmont acquisition, refer to Note 2 to the Condensed Consolidated Financial Statements, "Acquisitions and Dispositions."

In March, 2016, Duke Energy marketed an equity offering of 10.6 million shares of Duke Energy common stock. In lieu of issuing equity at the time of the offering, Duke Energy entered into the Equity Forwards with Barclays. Duke Energy expects to settle the Equity Forwards on or around the closing date of the Piedmont acquisition. The net proceeds received upon settlement are expected to be used to finance a portion of the acquisition of Piedmont. For additional information regarding the Equity Forwards, see Note 13 to the Condensed Consolidated Financial Statements, "Common Stock."

The Subsidiary Registrants generally maintain minimal cash balances and use short-term borrowings to meet their working capital needs and other cash requirements. The Subsidiary Registrants, excluding Progress Energy (Parent), support their short-term borrowing needs through participation with Duke Energy and certain of its other subsidiaries in a money pool arrangement. The companies with short-term funds may provide short-term loans to affiliates participating under this arrangement.

Duke Energy and the Subsidiary Registrants, excluding Progress Energy (Parent), may also use short-term debt, including commercial paper and the money pool, as a bridge to long-term debt financings. The levels of borrowing may vary significantly over the course of the year due to the timing of long-term debt financings and the impact of fluctuations in cash flows from operations. From time to time, Duke Energy's current liabilities may at times exceed current assets resulting from the use of short-term debt as a funding source to meet scheduled maturities of long-term debt, as well as cash needs, which can fluctuate due to the seasonality of its business.

CREDIT FACILITIES AND REGISTRATION STATEMENTS

Master Credit Facility Summary

Duke Energy has a Master Credit Facility with a capacity of $7.5 billion through January 2020. The Duke Energy Registrants, excluding Progress Energy (Parent), have borrowing capacity under the Master Credit Facility up to a specified sublimit for each borrower. Duke Energy has the unilateral ability at any time to increase or decrease the borrowing sublimits of each borrower, subject to a maximum sublimit for each borrower. The amount available under the Master Credit Facility has been reduced to backstop issuances of commercial paper, certain letters of credit and variable-rate demand tax-exempt bonds that may be put to the Duke Energy Registrants at the option of the holder. Duke Energy Carolinas and Duke Energy Progress are also required to each maintain $250 million of available capacity under the Master Credit Facility as security to meet obligations under plea agreements reached with the U.S. Department of Justice in 2015 related to violations at North Carolina facilities with ash basins. The table below includes the current borrowing sublimits and available capacity under the Master Credit Facility.

	March 31, 2016						
(in millions)	Duke Energy	Duke Energy (Parent)	Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Facility size[(a)]	$ 7,500	$ 3,475	$ 800	$ 1,000	$ 1,200	$ 425	$ 600
Reduction to backstop issuances							
Commercial paper[(b)]	(2,980)	(1,816)	(300)	(205)	(480)	(29)	(150)
Outstanding letters of credit	(79)	(72)	(4)	(2)	(1)	—	—
Tax-exempt bonds	(116)	—	(35)	—	—	—	(81)
Coal ash set-aside	(500)	—	(250)	(250)	—	—	—
Available capacity	$ 3,825	$ 1,587	$ 211	$ 543	$ 719	$ 396	$ 369

(a) Represents the sublimit of each borrower.
(b) Duke Energy issued $625 million of commercial paper and loaned the proceeds through the money pool to Duke Energy Carolinas, Duke Energy Progress, Duke Energy Ohio and Duke Energy Indiana. The balances are classified as Long-Term Debt Payable to Affiliated Companies in the Condensed Consolidated Balance Sheets.

Piedmont Bridge Facility

In connection with the Merger Agreement with Piedmont, Duke Energy entered into a $4.9 billion senior unsecured Bridge Facility with Barclays. The Bridge Facility, if drawn upon, may be used (i) to fund the cash consideration for the transaction and (ii) to pay certain fees and expenses in connection with the transaction. In November 2015, Barclays syndicated its commitment under the Bridge Facility to a broader group of lenders. Duke Energy does not expect to draw upon the Bridge Facility. The amount of the Bridge Facility is reduced by any financings related to the Piedmont acquisition entered into by Duke Energy, and has accordingly been reduced to $4.2 billion as a result of the Equity Forwards described above.

Short-Term Loan Facility

On April 7, 2016, Duke Energy Corporation borrowed $500 million under a delayed-draw term loan facility (Term Loan) arranged on February 22, 2016. The Term Loan borrowing is due on or before August 19, 2016 and will bear interest at 30-day London Interbank Offered Rate (LIBOR) plus 75 basis points. The Term Loan is pre-payable at par and the terms are generally consistent with those governing the Master Credit Facility.

Shelf Registration

In September 2013, Duke Energy filed a Form S-3 with the Securities and Exchange Commission (SEC). Under this Form S-3, which is uncapped, the Duke Energy Registrants, excluding Progress Energy, may issue debt and other securities in the future at amounts, prices and with terms to be determined at the time of future offerings. The registration statement also allows for the issuance of common stock by Duke Energy. Duke Energy will file a new Form S-3 to be effective prior to the expiration of the current registration statement in September 2016.

DEBT MATURITIES

The following table shows the significant components of Current maturities of long-term debt on the Condensed Consolidated Balance Sheets. The Duke Energy Registrants currently anticipate satisfying these obligations with cash on hand and proceeds from additional borrowings.

(in millions)	Maturity Date	Interest Rate	March 31, 2016
Unsecured Debt			
Duke Energy Indiana	June 2016	6.05%	$ 325
Duke Energy (Parent)	November 2016	2.15%	500
First Mortgage Bonds			
Duke Energy Indiana	July 2016	0.937%	150
Duke Energy Carolinas	December 2016	1.750%	350
Duke Energy Progress	March 2017	0.836%	250
Tax-exempt Bonds			
Duke Energy Carolinas	February 2017	3.600%	77
Duke Energy Ohio[(a)]	August 2027	1.266%	50
Other			373
Current maturities of long-term debt			$ 2,075

(a) Represents Duke Energy Kentucky's bonds with a mandetory put in December 2016.

CASH FLOWS FROM OPERATING ACTIVITIES

The relatively stable operating cash flows of Regulated Utilities compose a substantial portion of Duke Energy's cash flows from operations. Regulated Utilities' cash flows from operations are primarily driven by sales of electricity and natural gas and costs of operations. Weather conditions, commodity price fluctuations and unanticipated expenses, including unplanned plant outages, storms and legal costs and related settlements, can affect the timing and level of cash flows from operations.

Cash flows from operations are subject to a number of other factors, including but not limited to regulatory constraints, economic trends and market volatility (see "Item 1A. Risk Factors," in the Duke Energy Registrants' Annual Report on Form 10-K for the year ended December 31, 2015, for additional information).

At March 31, 2016, Duke Energy had cash and cash equivalents of $778 million, of which $504 million is held by entities domiciled in foreign jurisdictions. In December 2014, Duke Energy declared a taxable dividend of historical foreign earnings in the form of notes payable to repatriate approximately $2.7 billion of cash held and expected to be generated by International Energy over a period of up to eight years. As of March 31, 2016, approximately $1.6 billion has been remitted.

Proceeds from the notes payable or from a successful sale of International Energy will principally be used to fund the operations and growth of its domestic businesses.

As of December 31, 2015, the Company's intention was to indefinitely reinvest foreign earnings of International Energy earned after December 31, 2014. In February 2016, Duke Energy announced it had initiated a process to divest the International Energy business segment, excluding the investment in NMC. Accordingly, Duke Energy no longer intends to indefinitely reinvest the undistributed earnings of International Energy. The Company recorded U.S. income taxes of approximately $12 million in the first quarter of 2016 related to such earnings and will prospectively provide U.S. income taxes on future foreign earnings.

This change in the Company's intent, combined with the extension of bonus depreciation by Congress in late 2015, allows Duke Energy to more efficiently utilize foreign tax credits and reduce U.S. deferred tax liabilities associated with historic unremitted foreign earnings by approximately $95 million.

Restrictive Debt Covenants

The Duke Energy Registrants' debt and credit agreements contain various financial and other covenants. The Master Credit Facility contains a covenant requiring the debt-to-total capitalization ratio to not exceed 65 percent for each borrower. Failure to meet those covenants beyond applicable grace periods could result in accelerated due dates and/or termination of the agreements. As of March 31, 2016, each of the Duke Energy Registrants were in compliance with all covenants related to their debt agreements. In addition, some credit agreements may allow for acceleration of payments or termination of the agreements due to nonpayment, or the acceleration of other significant indebtedness of the borrower or some of its subsidiaries. None of the debt or credit agreements contain material adverse change clauses.

Credit Ratings

Credit ratings are intended to provide credit lenders a framework for comparing the credit quality of securities and are not a recommendation to buy, sell or hold. The Duke Energy Registrants' credit ratings are dependent on the rating agencies' assessments of their ability to meet their debt principal and interest obligations when they come due. If, as a result of market conditions or other factors, the Duke Energy Registrants are unable to maintain current balance sheet strength, or if earnings and cash flow outlook materially deteriorate, credit ratings could be negatively impacted.

The Duke Energy Registrants each hold credit ratings by Fitch Ratings, Inc. (Fitch), Moody's Investors Service, Inc. (Moody's) and Standard & Poor's Rating Services (S&P). The Duke Energy Registrants' credit ratings and outlooks from Fitch, Moody's and S&P have not changed since February 2016.

Cash Flow Information

The following table summarizes Duke Energy's cash flows.

	Three Months Ended March 31,	
(in millions)	**2016**	**2015**
Cash flows provided by (used in):		
Operating activities	$ 1,664	$ 1,440
Investing activities	(1,758)	(1,456)
Financing activities	15	801
Net (decrease) increase in cash and cash equivalents	(79)	785
Cash and cash equivalents at beginning of period	857	2,036
Cash and cash equivalents at end of period	$ 778	$ 2,821

OPERATING CASH FLOWS

The following table summarizes key components of Duke Energy's operating cash flows.

	Three Months Ended March 31,	
(in millions)	**2016**	**2015**
Net income	$ 699	$ 867
Non-cash adjustments to net income	1,060	1,241
Contributions to qualified pension plans	—	(132)
Payments for asset retirement obligations	(112)	(26)
Working capital	17	(510)
Net cash provided by operating activities	$ 1,664	$ 1,440

The variance was driven primarily due to:

- a $527 million increase in working capital primarily due to lower current year receivables driven by more mild winter weather and timing of collections, liabilities on forward-starting interest rate swaps related to expected financing of the Piedmont acquisition and timing of property tax payments and accruals; and
- a $132 million increase due to prior year contributions to qualified pension plans.

Partially offset by:

- a $349 million decrease in net income after non-cash adjustments, primarily due to the 2015 earnings of the nonregulated Midwest generation business and more mild winter weather in 2016 compared to extremely cold weather in the prior year.

INVESTING CASH FLOWS

The following table summarizes key components of Duke Energy's investing cash flows.

	Three Months Ended March 31,	
(in millions)	2016	2015
Capital, investment and acquisition expenditures	$ (1,704)	$ (1,454)
Available for sale securities, net	15	34
Proceeds from sales of other assets	1	1
Other investing items	(70)	(37)
Net cash used in investing activities	$ (1,758)	$ (1,456)

The variance was primarily due to:

- a $250 million increase in capital, investment and acquisition expenditures primarily due to growth in regulated generation investments, natural gas infrastructure and renewable energy projects.

FINANCING CASH FLOWS

The following table summarizes key components of Duke Energy's financing cash flows.

	Three Months Ended March 31,	
(in millions)	2016	2015
Issuance of common stock related to employee benefit plans	$ 7	$ 15
Issuances of long-term debt, net	751	94
Notes payable and commercial paper	(158)	1,271
Dividends paid	(570)	(564)
Other financing items	(15)	(15)
Net cash provided by financing activities	$ 15	$ 801

The variance was due primarily to:

- a $1,429 million decrease in proceeds from net issuances of notes payable and commercial paper, primarily due to prior year financing with short-term debt in anticipation of the 2015 receipt of proceeds from the sale of the nonregulated Midwest generation business.

Partially offset by:

- a $657 million increase in proceeds from net issuances of long-term debt, primarily due to the timing of issuances and redemptions across years.

Summary of Significant Debt Issuances

The following table summarizes significant debt issuances (in millions).

			Three Months Ended March 31, 2016	
Issuance Date	Maturity Date	Interest Rate	Duke Energy	Duke Energy Carolinas
First Mortgage Bonds				
March 2016[(a)]	March 2023	2.500%	$ 500	$ 500
March 2016[(a)]	March 2046	3.875%	500	500
Total issuances			$ 1,000	$ 1,000

(a) Proceeds will be used to fund capital expenditures for ongoing construction, capital maintenance and for general corporate purposes.

In April 2016, Duke Energy issued $350 million principal amount of senior unsecured notes with a fixed interest rate of 2.875% and maturity of April 2023. Proceeds will be used to pay down outstanding commercial paper and for general corporate purposes.

OTHER MATTERS

Environmental Regulations

Duke Energy is subject to international, federal, state and local regulations regarding air and water quality, hazardous and solid waste disposal and other environmental matters. The Subsidiary Registrants are subject to federal, state and local regulations regarding air and water quality, hazardous and solid waste disposal and other environmental matters. These regulations can be changed from time to time and result in new obligations of the Duke Energy Registrants.

The following sections outline various proposed and recently enacted regulations that may impact the Duke Energy Registrants. Refer to Note 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for further information regarding potential plant retirements and regulatory filings related to the Duke Energy Registrants.

Coal Combustion Residuals

On April 17, 2015, the EPA published in the Federal Register a rule to regulate the disposal of CCR from electric utilities as solid waste. The federal regulation, which became effective in October 2015, classifies CCR as nonhazardous waste under Subtitle D of the Resource Conservation and Recovery Act and allows for beneficial use of CCR with some restrictions. The regulation applies to all new and existing landfills, new and existing surface impoundments receiving CCR and existing surface impoundments that are no longer receiving CCR but contain liquid located at stations currently generating electricity (regardless of fuel source). The rule establishes requirements regarding landfill design, structural integrity design and assessment criteria for surface impoundments, groundwater monitoring and protection procedures and other operational and reporting procedures to ensure the safe disposal and management of CCR. Various industry and environmental parties have appealed the EPA's CCR rule in the D.C. Circuit Court of Appeals. On April 18, 2016, the EPA filed a motion with the federal court to settle five issues raised in litigation. The Duke Energy Registrants cannot predict the court's response to the proposed settlement, but would not expect a material impact from the settlement if approved as proposed by the EPA. Duke Energy is reviewing the proposed settlement to determine if additional asset retirement obligation adjustments will be required.

In addition to the requirements of the federal CCR regulation, CCR landfills and surface impoundments will continue to be independently regulated by most states. As a result of the EPA rule, the Subsidiary Registrants recorded asset retirement obligation amounts during 2015. Cost recovery for future expenditures will be pursued through the normal ratemaking process with federal and state utility commissions and via wholesale contracts, which permit recovery of necessary and prudently incurred costs associated with Duke Energy's regulated operations. For more information, see Note 9, "Asset Retirement Obligations," in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2015.

Beckjord, a facility retired during 2014, is not subject to the recently enacted EPA rule related to the disposal of CCR from electric utilities. However, if costs are incurred as a result of environmental regulations or to mitigate risk associated with on-site storage of coal ash at the facility, the costs could have an adverse impact on Duke Energy Ohio's financial position, results of operations and cash flows. Costs incurred by Ohio Valley Electric Corporation (OVEC) related to environmental regulations could also have an adverse impact on Duke Energy Ohio's financial position, results of operations and cash flows.

Coal Ash Management Act of 2014

On September 20, 2014, the North Carolina Coal Ash Management Act of 2014 (Coal Ash Act) became law and was amended on June 24, 2015, by the North Carolina Mountain Energy Act. The Coal Ash Act, as amended, established requirements regarding the use and closure of existing ash impoundments, the disposal of ash at active coal plants and the handling of surface and groundwater impacts from ash basins in North Carolina. The Coal Ash Act, as amended, deemed eight ash impoundments at four facilities to be high priority and requires closure no later than August 1, 2019, with a potential extension for closure of the Asheville impoundment until 2022. The Coal Ash Act requires state regulators to provide risk ranking classifications for the remaining 25 ash impoundments at 10 North Carolina facilities. The method and timing of closure of these ash impoundments will be determined by the specific risk classifications, with closure no later than December 31, 2029.

Other than the high priority sites specifically delineated by the Coal Ash Act, the NCDEQ has issued preliminary draft risk rankings. These risk rankings were generally determined based on three primary criteria: structural integrity of impoundments and impact to both surface and groundwaters. NCDEQ categorized 12 basins at four sites as intermediate risk and four basins at three plants as low risk. NCDEQ also categorized nine basins at six plants as "low-to-intermediate" risk, thereby not assigning a definitive risk ranking at that time. The risk rankings of these sites will be based upon receipt of additional data primarily related to groundwater quality and the completion of specific modifications and repairs to the impoundments. NCDEQ is expected to finalize proposed classifications in May 2016 based on results of the public comment period which ended in April 2016. Duke Energy cannot predict the final classifications.

Per the Coal Ash Act, final proposed classifications are subject to Coal Ash Management Commission (Coal Ash Commission) adjustments and approval, but may become law if the Commission fails to act within 60 days of receiving the final proposed classifications. In March 2016, the Coal Ash Commission originally created by the Coal Ash Act was disbanded by the Governor of North Carolina based on a North Carolina Supreme Court ruling regarding the constitutionality of the body. As a result, the finality of NCDEQ's classifications may be subject to challenge.

Estimated asset retirement obligations have been recognized based on the assigned risk categories or, if not assigned, based on a probability weighting of potential closure methods. Actual closure costs incurred could be materially different from current estimates that form the basis of the recorded asset retirement obligations.

Mercury and Air Toxics Standards

The final Mercury and Air Toxics Standards (MATS) rule was issued on February 16, 2012. The rule established emission limits for hazardous air pollutants from new and existing coal-fired and oil-fired steam electric generating units. The rule required sources to comply with emission limits by April 16, 2015, or by April 16, 2016 with approved extension. Strategies to achieve compliance included installation of new air emission control equipment, development of monitoring processes, fuel switching and acceleration of retirement for some coal-fired electric-generation units. All of Duke Energy's coal-fired units are in compliance with the emission limits, work practices standards and other requirements of the MATS rule. For additional information, refer to Note 4 of the Condensed Consolidated Financial Statements, "Regulatory Matters," regarding potential plant retirements.

In April 2014, several petitions for review of the final rule were denied by the U.S. Court of Appeals for the District of Columbia (D.C. Circuit Court). On November 25, 2014, the U.S. Supreme Court (Supreme Court) granted a petition for review based on the issue of whether the EPA unreasonably refused to consider costs in determining whether it is appropriate and necessary to regulate hazardous air pollutants from coal-fired and oil-fired steam electric generating units. In June 2015, the Supreme Court reversed the D.C. Circuit Court's decision and remanded the case to the D.C. Circuit Court for further proceedings, finding that the EPA erred in refusing to consider costs when deciding whether it was appropriate and necessary to regulate emissions of hazardous air pollutants from steam electric generating units. In December 2015, the D.C. Circuit Court granted the EPA's request to keep the rule in effect while the agency completes the rulemaking in response to the Supreme Court's ruling. On April 15, 2016, the EPA finalized a supplemental finding that the regulation is appropriate based on available information and with consideration of cost. The finding results in no changes to the current MATS regulatory requirements.

Clean Water Act 316(b)

The EPA published the final 316(b) cooling water intake structure rule on August 15, 2014, with an effective date of October 14, 2014. The rule applies to 26 of the electric generating facilities the Duke Energy Registrants own and operate. The rule allows for several options to demonstrate compliance and provides flexibility to the state environmental permitting agencies to make determinations on controls, if any, that will be required for cooling water intake structures. Any required intake structure modifications and/or retrofits are expected to be installed in the 2019 to 2022 time frame. Petitions challenging the rule have been filed by several groups. It is unknown at this time when the courts will rule on the petitions.

Steam Electric Effluent Limitations Guidelines

On January 4, 2016, the final Steam Electric Effluent Limitations Guidelines (ELG) rule became effective. The rule establishes new requirements for wastewater streams associated with steam electric power generation and includes more stringent controls for any new coal plants that may be built in the future. Affected facilities must comply between 2018 and 2023, depending on timing of new Clean Water Act (CWA) permits. Most, if not all, of the steam electric generating facilities the Duke Energy Registrants own are likely affected sources. The Duke Energy Registrants are well positioned to meet the majority of the requirements of the rule due to current efforts to convert to dry ash handling. Petitions challenging the rule have been filed by several groups. On March 16, 2015, Duke Energy Indiana filed its own legal challenge to the rule with the Seventh Circuit Court of Appeals specific to the ELG for wastewater associated rule focused on the limits imposed on integrated gas combined-cycle facilities. All challenges to the rule have been consolidated in the Fifth Circuit Court of Appeals. It is unknown at this time when the courts will rule on the petitions.

Estimated Cost and Impacts of Rulemakings

Duke Energy will incur capital expenditures to comply with the environmental regulations and rules discussed above. The following table provides five-year estimated costs, excluding Allowance for Funds Used During Construction (AFUDC), of new control equipment that may need to be installed on existing power plants primarily to comply with the Coal Ash Act requirements for conversion to dry disposal of bottom ash and fly ash, MATS, CWA 316(b) and ELGs, through December 31, 2020. The table excludes ash basin closure costs recorded as Asset retirement obligations on the Condensed Consolidated Balance Sheets. For more information related to asset retirement obligations, see Note 9 in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2015.

(in millions)	Estimated Cost
Duke Energy	**$ 1,350**
Duke Energy Carolinas	625
Progress Energy	350
Duke Energy Progress	300
Duke Energy Florida	50
Duke Energy Ohio	100
Duke Energy Indiana	275

The Duke Energy Registrants also expect to incur increased fuel, purchased power, operation and maintenance and other expenses, in addition to costs for replacement generation for potential coal-fired power plant retirements, as a result of these regulations. Actual compliance costs incurred may be materially different from these estimates due to reasons such as the timing and requirements of EPA regulations and the resolution of legal challenges to the rules. The Duke Energy Registrants intend to seek rate recovery of necessary and prudently incurred costs associated with regulated operations to comply with these regulations.

Cross-State Air Pollution Rule

On August 8, 2011, the final Cross-State Air Pollution Rule (CSAPR) was published in the Federal Register. The CSAPR established state-level annual sulfur dioxide (SO_2) budgets and annual and seasonal nitrogen oxide (NO_x) budgets that were to take effect on January 1, 2012.

On August 21, 2012, the D.C. Circuit Court vacated the CSAPR. The court also directed the EPA to continue administering the Clean Air Interstate Rule (CAIR), which required additional reductions in SO_2 and NOx emissions beginning in 2015. On April 29, 2014, the Supreme Court reversed the D.C. Circuit Court's decision, finding that with CSAPR the EPA reasonably interpreted the good neighbor provision of the CAA. The case was remanded to the D.C. Circuit Court for further proceedings consistent with the Supreme Court's opinion. On October 23, 2014, the D.C. Circuit Court lifted the CSAPR stay, which allowed Phase 1 of the rule to take effect on January 1, 2015, terminating the CAIR. Where the CSAPR requirements are constraining, actions to meet the requirements could include purchasing emission allowances, power purchases, curtailing generation and utilizing low sulfur fuel. The CSAPR did not result in Duke Energy Registrants adding new emission controls.

Additional legal challenges to the CSAPR filed in 2012, not addressed by the D.C. Circuit Court decision to vacate the CSAPR, are still ongoing. Oral arguments were held February 25, 2015. On July 28, 2015, the court issued decisions finding certain Phase 1 and 2 emissions budgets invalid, which impact South Carolina, North Carolina and Florida. The court remanded the CSAPR to the EPA for reconsideration of the budgets in question. On December 3, 2015, the EPA proposed a rule to lower the current CSAPR Phase 2 state ozone season NOx emission budgets for 23 Eastern states, including North Carolina, Ohio, Kentucky and Indiana. The EPA also proposed to eliminate the CSAPR Phase 2 ozone season state NOx budgets for Florida and South Carolina. The EPA proposed that these changes to state budgets take effect on May 1, 2017. The EPA has indicated that it plans to finalize a rule during the summer of 2016. The EPA's proposed changes would impose requirements to achieve emission reduction targets within short timelines and could result in an impact on the emission allowance trading market, increase costs for customers, and hamper the ability to demonstrate compliance. Duke Energy Registrants cannot predict the outcome of these proceedings.

Carbon Pollution Standards for New, Modified and Reconstructed Power Plants

On October 23, 2015, the EPA published a final rule in the Federal Register establishing carbon dioxide (CO_2) emissions limits for new, modified and reconstructed power plants. The requirements for new plants do not apply to any facility that Duke Energy currently has in operation, but would apply to plants that commenced construction after January 8, 2014. The EPA set an emissions standard for coal units of 1,400 pounds which would require the application of partial carbon capture and storage (CCS) technology for a coal unit to be able to meet the limit. Utility-scale CCS is not currently a demonstrated and commercially available technology for coal-fired electric generating units, and therefore the final standard effectively prevents the development of new coal-fired generation. The EPA set a final standard of 1,000 pounds of CO_2 per gross MWh for new natural gas combined-cycle units. Petitions challenging the rule have been filed by several groups. Briefing in the case is scheduled to conclude on October 21, 2016. Oral arguments have not been scheduled. It is unknown at this time when the courts will rule on the petitions. The Duke Energy Registrants do not expect the impacts of the final standards will be material to Duke Energy's financial position, results of operations or cash flows.

Clean Power Plan (CPP)

On October 23, 2015, the EPA published in the Federal Register the final CPP rule that regulates CO_2 emissions from existing fossil fuel-fired electric generating units. The CPP establishes CO_2 emission rates and mass cap goals that apply to existing fossil fuel-fired electric generation units. Under the CPP, states are required to develop and submit a final compliance plan, or an initial plan with an extension request, to the EPA by September 6, 2016. States that receive an extension must submit a final completed plan to the EPA by September 6, 2018. The EPA intends to review and approve or disapprove state plans within 12 months of receipt. The CPP does not directly impose regulatory requirements on the Duke Energy Registrants. State implementation plans will include the regulatory requirements that will apply to the Duke Energy Registrants. The EPA also published a proposed federal plan for public comment. A federal plan would be applied to states that fail to submit a plan to EPA or where a state plan is not approved by the EPA. Comments on the proposed federal plan were due by January 21, 2016.

Legal challenges to the final CPP have been filed by stakeholders. On January 21, 2016, the U.S. Court of Appeals for the District of Columbia denied motions from petitioners to stay the CPP pending court review. The court did grant petitioner requests for expedited briefing in the case. Oral arguments are scheduled for June 2, 2016. The court ordered that final briefs in the case be filed by April 22, 2016. On February 9, 2016, the Supreme Court granted a stay in the matter, halting implementation of the CPP until legal challenges are resolved. The states in which Duke Energy's regulated operations are located have suspended work on the CPP in response to the stay.

Compliance with CPP could cause the industry to replace coal generation with natural gas and renewables. Costs to operate coal-fired generation plants continue to grow due to increasing environmental compliance requirements, including ash management costs unrelated to CPP, which may result in the retirement of coal-fired generation plants earlier than the current useful lives. If the CPP is ultimately upheld by the courts and implementation goes forward, the Duke Energy Registrants could incur increased fuel, purchased power, operation and maintenance and other costs for replacement generation as a result of this rule. Due to the uncertainties related to the implementation of the CPP, the Duke Energy Registrants cannot predict the outcome of these matters.

Global Climate Change

For other information on global climate change and the potential impacts on Duke Energy, see "Other Matters" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2015.

Nuclear Matters

For other information on nuclear matters and the potential impacts on Duke Energy, see "Other Matters" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2015.

New Accounting Standards

See Note 1 to the Condensed Consolidated Financial Statements, "Organization and Basis of Presentation," for a discussion of the impact of new accounting standards.

Off-Balance Sheet Arrangements

During the three months ended March 31, 2016, there were no material changes to Duke Energy's off-balance sheet arrangements. For information on Duke Energy's off-balance sheet arrangements, see "Off-Balance Sheet Arrangements" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2015.

Contractual Obligations

Duke Energy enters into contracts that require payment of cash at certain specified periods, based on certain specified minimum quantities and prices. During the three months ended March 31, 2016, there were no material changes in Duke Energy's contractual obligations. For an in-depth discussion of Duke Energy's contractual obligations, see "Contractual Obligations" and "Quantitative and Qualitative Disclosures about Market Risk" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2015.

Subsequent Events

See Note 17 to the Condensed Consolidated Financial Statements, "Subsequent Events," for a discussion of subsequent events.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

During the three months ended March 31, 2016, there were no material changes to Duke Energy's disclosures about market risk. For an in-depth discussion of Duke Energy's market risks, see "Management's Discussion and Analysis of Quantitative and Qualitative Disclosures about Market Risk" in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2015.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by the Duke Energy Registrants in the reports they file or submit under the Securities Exchange Act of 1934 (Exchange Act) is recorded, processed, summarized and reported within the time periods specified by the SEC rules and forms.

Disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that information required to be disclosed by the Duke Energy Registrants in the reports they file or submit under the Exchange Act is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, the Duke Energy Registrants have evaluated the effectiveness of their disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of March 31, 2016, and, based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are effective in providing reasonable assurance of compliance.

Changes in Internal Control over Financial Reporting

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, the Duke Energy Registrants have evaluated changes in internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the fiscal quarter ended March 31, 2016, and have concluded no change has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

ITEM 1. LEGAL PROCEEDINGS

For information regarding legal proceedings, including regulatory and environmental matters, that became reportable events or in which there were material developments in the first quarter of 2016, see Note 4, "Regulatory Matters," and Note 5, "Commitments and Contingencies," to the Condensed Consolidated Financial Statements.

MTBE Litigation

On June 29, 2007, the New Jersey Department of Environmental Protection (NJDEP) filed suit against, among others, Duke Energy Merchants (DEM), alleging contamination of "waters of the state" by MTBE from leaking gasoline storage tanks. MTBE is a gasoline additive intended to increase the oxygen level in gasoline and make it burn cleaner. The case was moved to federal court and consolidated in an existing multidistrict litigation docket of pending MTBE cases. DEM and NJDEP have reached an agreement in principle to settle the case for a payment by DEM of $1.7 million. On February 19, 2016, the Court approved a Consent Decree executed by the parties which settles the case. Payment was made in February 2016. The case was dismissed by the Court on April 29, 2016. DEM is also a defendant in a similar case filed by the Commonwealth of Pennsylvania on June 19, 2014. That case has been moved to the consolidated multidistrict proceeding. Discovery in this case continues.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, careful consideration should be given to the factors discussed in Part I, "Item 1A. Risk Factors" in the Duke Energy Registrants' Annual Report on Form 10-K for the year ended December 31, 2015, which could materially affect the Duke Energy Registrants' financial condition or future results.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

ISSUER PURCHASES OF EQUITY SECURITIES

There were no issuer purchases of equity securities during the first quarter of 2016.

ITEM 6. EXHIBITS

Exhibits filed herein are designated by an asterisk (*). All exhibits not so designated are incorporated by reference to a prior filing, as indicated. Items constituting management contracts or compensatory plans or arrangements are designated by a double asterisk (**). The Company agrees to furnish upon request to the Commission a copy of any omitted schedules or exhibits upon request on all items designated by a triple asterisk (***).

Exhibit Number		Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
*4.1	Thirteenth Supplemental Indenture, dated as of April 18, 2016, to the Indenture, dated as of June 3, 2008, between Duke Energy Corporation and The Bank of New York Mellon Trust Company, N.A., as Trustee.	X						
*4.2	Sixty-seventh Supplemental Indenture, dated as of January 1, 2016, between Duke Energy Indiana, Inc. and Deutsche Bank National Trust Company, as Trustee, supplementing and amending the Indenture of Mortgage or Deed of Trust, dated September 1, 1939, between Duke Energy Indiana, Inc. and Deutsche Bank National Trust Company, as Trustee.							X
4.3	Ninety-seventh Supplemental Indenture, dated as of March 11, 2016 (incorporated by reference to Exhibit 4.1 to registrant's Current Report on Form 8-K filed on March 11, 2016, File No. 1-04928).		X					
10.1	Confirmation of Forward Sale Transaction, dated as of March 1, 2016, between Duke Energy Corporation and Barclays Capital Inc. (incorporated by referenced to Exhibit 10.1 to registrant's Current Report on Form 8-K filed on March 7, 2016, File No. 1-32853).	X						
10.2	Additional Confirmation of Forward Sale Transaction, dated as of March 2, 2016, between Duke Energy Corporation and Barclays Capital Inc. (incorporated by reference to Exhibit 10.2 to registrant's Current Report on Form 8-K filed on March 7, 2016, File No. 1-32853).	X						
*12	Computation of Ratio of Earnings to Fixed Charges – DUKE ENERGY CORPORATION.	X						
*31.1.1	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X						
*31.1.2	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.		X					
*31.1.3	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			X				
*31.1.4	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X			
*31.1.5	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X		
*31.1.6	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.						X	
*31.1.7	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.							X
*31.2.1	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X						
*31.2.2	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.		X					
*31.2.3	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			X				

*31.2.4	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X			
*31.2.5	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X		
*31.2.6	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.						X	
*31.2.7	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.							X
*32.1.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X						
*32.1.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.		X					
*32.1.3	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			X				
*32.1.4	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X			
*32.1.5	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X		
*32.1.6	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.						X	
*32.1.7	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.							X
*32.2.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X						
*32.2.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.		X					
*32.2.3	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			X				
*32.2.4	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X			
*32.2.5	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X		
*32.2.6	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.						X	
*32.2.7	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.							X
*101.INS	XBRL Instance Document.	X	X	X	X	X	X	X
*101.SCH	XBRL Taxonomy Extension Schema Document.	X	X	X	X	X	X	X
*101.CAL	XBRL Taxonomy Calculation Linkbase Document.	X	X	X	X	X	X	X
*101.LAB	XBRL Taxonomy Label Linkbase Document.	X	X	X	X	X	X	X
*101.PRE	XBRL Taxonomy Presentation Linkbase Document.	X	X	X	X	X	X	X
*101.DEF	XBRL Taxonomy Definition Linkbase Document.	X	X	X	X	X	X	X

The total amount of securities of the registrent or its subsidiaries authorized under any instrument with respect to long-term debt not filed as an exhibit does not exceed 10 percent of the total assets of the registrant and its subsidiaries on a consolidated basis. The registrant agrees, upon request of the SEC, to furnish copies of any or all of such instruments to it.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized.

DUKE ENERGY CORPORATION
DUKE ENERGY CAROLINAS, LLC
PROGRESS ENERGY, INC.
DUKE ENERGY PROGRESS, LLC
DUKE ENERGY FLORIDA, LLC
DUKE ENERGY OHIO, INC.
DUKE ENERGY INDIANA, LLC

Date: May 4, 2016

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer (Principal Financial Officer)

Date: May 4, 2016

/s/ BRIAN D. SAVOY

Brian D. Savoy
Senior Vice President, Chief Accounting Officer and Controller
(Principal Accounting Officer)

DUKE ENERGY CORPORATION

TO

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

Trustee

Thirteenth Supplemental Indenture
Dated as of April 18, 2016

$350,000,000 2.875% SENIOR NOTES DUE 2023

TABLE OF CONTENTS[1]

ARTICLE I

2.875% SENIOR NOTES DUE 2023

ARTICLE II

MISCELLANEOUS PROVISIONS

[1]This Table of Contents does not constitute part of the Indenture or have any bearing upon the interpretation of any of its terms and provisions.

THIS THIRTEENTH SUPPLEMENTAL INDENTURE is made as of the 18th day of April, 2016, by and among **DUKE ENERGY CORPORATION**, a Delaware corporation, having its principal office at 550 South Tryon Street, Charlotte, North Carolina 28202-1803 (the "Corporation"), and **The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.)**, a national banking association, as Trustee (herein called the "Trustee").

WITNESSETH:

WHEREAS, the Corporation has heretofore entered into an Indenture, dated as of June 3, 2008 (the "Original Indenture"), with The Bank of New York Mellon Trust Company, N.A., as Trustee;

WHEREAS, the Original Indenture is incorporated herein by this reference and the Original Indenture, as it may be amended and supplemented to the date hereof, including by this Thirteenth Supplemental Indenture, is herein called the "Indenture";

WHEREAS, under the Indenture, a new series of Securities may at any time be established in accordance with the provisions of the Indenture and the terms of such series may be described by a supplemental indenture executed by the Corporation and the Trustee;

WHEREAS, the Corporation hereby proposes to create under the Indenture one additional series of Securities;

WHEREAS, additional Securities of other series hereafter established, except as may be limited in the Indenture as at the time supplemented and modified, may be issued from time to time pursuant to the Indenture as at the time supplemented and modified; and

WHEREAS, all conditions necessary to authorize the execution and delivery of this Thirteenth Supplemental Indenture and to make it a valid and binding obligation of the Corporation have been done or performed.

NOW, THEREFORE, in consideration of the agreements and obligations set forth herein and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE I

2.875% SENIOR NOTES DUE 2023

Section 1.01 Establishment. There is hereby established a new series of Securities to be issued under the Indenture, to be designated as the Corporation's 2.875% Senior Notes due 2023 (the "2023 Notes").

There are to be authenticated and delivered $350,000,000 principal amount of the 2023 Notes, and no further 2023 Notes shall be authenticated and delivered except as provided by Section 304, 305, 306, 906 or 1106 of the Original Indenture and the last paragraph of Section 301 thereof. The 2023 Notes shall be issued in fully registered form without coupons.

The 2023 Notes shall be in substantially the form set out in Exhibit A hereto, and the form of the Trustee's Certificate of Authentication for the 2023 Notes shall be in substantially the form set forth in Exhibit B hereto.

Each 2023 Note shall be dated the date of authentication thereof and shall bear interest from the date of original issuance thereof or from the most recent Interest Payment Date to which interest has been paid or duly provided for.

Section 1.02 Definitions. The following defined terms used in this Article I shall, unless the context otherwise requires, have the meanings specified below for purposes of the 2023 Notes. Capitalized terms used herein for which no definition is provided herein shall have the meanings set forth in the Original Indenture.

"Business Day" means any day other than a Saturday or Sunday that is neither a Legal Holiday nor a day on which banking institutions in New York, New York are authorized or required by law, regulation or executive order to close, or a day on which the Corporate Trust Office is closed for business.

"Interest Payment Date" means each April 18 and October 18 of each year, commencing on October 18, 2016.

"Legal Holiday" means any day that is a legal holiday in New York, New York.

"Original Issue Date" means April 18, 2016.

"Regular Record Date" means, with respect to each Interest Payment Date, the close of business on the 15th calendar day prior to such Interest Payment Date (whether or not a Business Day).

"Stated Maturity" means April 18, 2023.

Section 1.03 Payment of Principal and Interest. The principal of the 2023 Notes shall be due at Stated Maturity (unless earlier redeemed). The unpaid principal amount of the 2023 Notes shall bear interest at the rate of 2.875% per annum until paid or duly provided for, such interest to accrue from April 18, 2016 or from the most recent Interest Payment Date to which interest has been paid or duly provided for. Interest shall be paid semi-annually in arrears on each Interest Payment Date to the Person or Persons in whose name the 2023 Notes are registered on the Regular Record Date for such Interest Payment Date; *provided* that interest payable at the Stated Maturity or on a Redemption Date as provided herein shall be paid to the Person to whom principal is payable. Any such interest that is not so punctually paid or duly provided for shall forthwith cease to be payable to the Holders on such Regular Record Date and may either be paid to the Person or Persons in whose name the 2023 Notes are registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee ("Special Record Date"), notice whereof shall be given to Holders of the 2023 Notes not less than ten (10) days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange, if any, on which the 2023 Notes may be listed, and upon such notice as may be required by any such exchange, all as more fully provided in the Original Indenture.

Payments of interest on the 2023 Notes shall include interest accrued to but excluding the respective Interest Payment Dates. Interest payments for the 2023 Notes shall be computed and paid on the basis of a 360-day year consisting of twelve 30-day months. In the event that any date on which interest is payable on the 2023 Notes is not a Business Day, then payment of the interest payable on such date shall be made on the next succeeding day that is a Business Day (and without any interest or payment in respect of any such delay) with the same force and effect as if made on the date the payment was originally payable.

Payment of principal of, premium, if any, and interest on the 2023 Notes shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. Payments of principal of, premium, if any, and interest on 2023 Notes represented by a Global Security shall be made by wire transfer of immediately available funds to the Holder of such Global Security, provided that, in the case of payments of principal and premium, if any, such Global Security is first surrendered to the Paying Agent. If any of the 2023 Notes are no longer represented by a Global Security, (i) payments of principal, premium, if any, and interest due at the Stated Maturity or earlier redemption of such 2023 Notes shall be made at the office of the Paying Agent upon surrender of such 2023 Notes to the Paying Agent and (ii) payments of interest shall be made, at the option of the Corporation, subject to such surrender where applicable, by (A) check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register or (B) wire transfer at such place and to such account at a banking institution in the United States as may be designated in writing to the Trustee at least sixteen (16) days prior to the date for payment by the Person entitled thereto.

Section 1.04 Denominations. The 2023 Notes shall be issued in denominations of $2,000 or any integral multiple of $1,000 in excess thereof.

Section 1.05 Global Securities. The 2023 Notes shall initially be issued in the form of one or more Global Securities registered in the name of the Depositary (which initially shall be The Depository Trust Company) or its nominee. The 2023 Notes will be initially issued pursuant to an exemption or exemptions from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"). Beneficial interests in the 2023 Notes offered and sold to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) in reliance upon

Rule 144A under the Securities Act shall be represented by one or more separate Global Securities (each, a "Rule 144A Global Note"). Each Rule 144A Global Note shall bear the non-registration legend in substantially the form set forth in Exhibit A hereto (the "Rule 144A Legend"). Beneficial interests in the 2023 Notes offered and sold to purchasers outside of the United States pursuant to Regulation S under the Securities Act shall be represented by one or more separate Global Securities (each, a "Regulation S Global Note") and shall bear the Regulation S legend in substantially the form set forth in Exhibit A hereto (the "Regulation S Legend").

Except under the limited circumstances described below, 2023 Notes represented by such Global Security or Global Securities shall not be exchangeable for, and shall not otherwise be issuable as, 2023 Notes in definitive form. The Global Securities described in this Article I may not be transferred except by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary or to a successor Depositary or its nominee. Nothing in the Indenture or the 2023 Notes shall be construed to require the Corporation to register any 2023 Note under the Securities Act, or to make any transfer of such 2023 Note in violation of applicable law.

A Global Security representing the 2023 Notes shall be exchangeable for 2023 Notes registered in the names of persons other than the Depositary or its nominee only if (i) the Depositary notifies the Corporation that it is unwilling or unable to continue as a Depositary for such Global Security and no successor Depositary shall have been appointed by the Corporation within 90 days of receipt by the Corporation of such notification, or if at any time the Depositary ceases to be a clearing agency registered under the Exchange Act at a time when the Depositary is required to be so registered to act as such Depositary and no successor Depositary shall have been appointed by the Corporation within 90 days after it becomes aware of such cessation, (ii) an Event of Default has occurred and is continuing with respect to the 2023 Notes and beneficial owners of a majority in aggregate principal amount of the 2023 Notes represented by Global Securities advise the Depositary to cease acting as Depositary, or (iii) the Corporation in its sole discretion, and subject to the procedures of the Depositary, determines that such Global Security shall be so exchangeable. Any Global Security that is exchangeable pursuant to the preceding sentence shall be exchangeable for 2023 Notes registered in such names as the Depositary shall direct.

A Rule 144A Global Note may not be transferred on the Security Register except in compliance with the restrictions on transfer contained in the Rule 144A Legend and upon receipt by the Security Registrar of a completed and executed Certificate of Transfer in the form contained in Exhibit C hereto. Prior to the expiration of 40 days beginning on and including the later of (i) the day on which the offering of the 2023 Notes commences and (ii) the original issue date of the 2023 Notes, a Regulation S Global Note may not be transferred on the Security Register except in compliance with the restrictions on transfer contained in the Regulation S Legend and upon receipt by the Security Registrar of a completed and executed Certificate of Transfer in the form contained in Exhibit C hereto.

Neither the Trustee or the Security Registrar shall have any obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under the Indenture or under applicable law with respect to any transfer of any interest in any Global Security (including any transfers between or among Depositary participants, members or holders of any Global Security) other than, in connection with a registration of transfer of the 2023 Note on the Security Register, to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by, the terms of the Indenture, and to examine the same to determine substantial compliance as to form with the express requirements hereof. Transfers of beneficial interests between a Rule 144A Global Note and a Regulation S Global Note, and other transfers relating to beneficial interests in the Global Securities, shall be reflected by endorsements of the Trustee, as custodian for DTC, on the schedules attached to such Rule 144A Global Note and Regulation S Global Note. Neither the Corporation nor the Trustee shall have any liability for acts or omissions of any Depositary, for any Depositary records of beneficial interest, for any transactions between the Depositary, any participant member of the Depositary and/or beneficial owner of any interest in any 2023 Notes, or in respect of any transfers effected by the Depositary or by any participant member of the Depositary or any beneficial owner of any interest in any 2023 Notes held through any such participant member of the Depositary.

No service charge shall be made for any registration of transfer or exchange of the 2023 Notes, but the Corporation may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith.

Section 1.06 Redemption. At any time and from time to time, the 2023 Notes shall be redeemable, in whole or in part, at the option of the Corporation, on any date (a "Redemption Date"), at a redemption price equal to the greater of (i) 100% of the principal amount of the 2023 Notes being redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon (exclusive of interest accrued to such Redemption Date) discounted to such Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 25 basis points, plus, in either case, accrued and unpaid interest on the principal amount of the 2023 Notes being redeemed to, but excluding, such Redemption Date.

For purposes of this Section 1.06, the following terms have the following meanings:

"Comparable Treasury Issue" means the United States Treasury security selected by the Quotation Agent as having an actual or interpolated maturity comparable to the remaining term of the 2023 Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such 2023 Notes.

"Comparable Treasury Price" means, with respect to any Redemption Date for the 2023 Notes, (1) the average of the Reference Treasury Dealer Quotations for such Redemption Date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (2) if fewer than three of such Reference Treasury Dealer Quotations are obtained, the average of all such Reference Treasury Dealer Quotations.

"Quotation Agent" means a Reference Treasury Dealer appointed by the Corporation.

"Reference Treasury Dealer" means Morgan Stanley & Co. LLC, plus two other financial institutions appointed by the Corporation at the time of any redemption of the 2023 Notes, or their respective affiliates or successors, each of which is a primary U.S. Government securities dealer in the United States (a "Primary Treasury Dealer"); provided, however, that if any of the foregoing or their affiliates or successors shall cease to be a Primary Treasury Dealer, the Corporation will substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any Redemption Date for the 2023 Notes, the average, as determined by the Quotation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Quotation Agent by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding such Redemption Date.

"Treasury Rate" means, with respect to any Redemption Date for the 2023 Notes, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Redemption Date. The Treasury Rate shall be calculated on the third Business Day preceding the Redemption Date.

The Corporation shall notify the Trustee of the redemption price with respect to any redemption of the 2023 Notes promptly after the calculation thereof. The Trustee shall not be responsible for calculating said redemption price.

If less than all of the 2023 Notes are to be redeemed, the Trustee shall select the 2023 Notes or portions of 2023 Notes to be redeemed by such method as the Trustee shall deem fair and appropriate. The Trustee may select for redemption 2023 Notes and portions of 2023 Notes in amounts of $2,000 or any integral multiple of $1,000 in excess thereof. As long as the 2023 Notes are represented by Global Securities, beneficial interests in such Notes shall be selected for redemption by the Depositary in accordance with its standard procedures therefor.

The 2023 Notes shall not have a sinking fund.

Section 1.07 Paying Agent. The Trustee shall initially serve as Paying Agent with respect to the 2023 Notes, with the Place of Payment initially being the Corporate Trust Office.

Section 1.08 Legends. Each 2023 Note, whether in a global form or in a definitive form, shall bear the Rule 144A Legend, or the Regulation S Legend, as applicable, in substantially the form set forth in Exhibit A hereto.

ARTICLE II

MISCELLANEOUS PROVISIONS

Section 2.01 Recitals by the Corporation. The recitals in this Thirteenth Supplemental Indenture are made by the Corporation only and not by the Trustee, and all of the provisions contained in the Original Indenture in respect of the rights, privileges, immunities, powers and duties of the Trustee shall be applicable in respect of the 2023 Notes and this Thirteenth Supplemental Indenture as fully and with like effect as if set forth herein in full.

Section 2.02 Ratification and Incorporation of Original Indenture. As supplemented hereby, the Original Indenture is in all respects ratified and confirmed, and the Original Indenture and this Thirteenth Supplemental Indenture shall be read, taken and construed as one and the same instrument.

Section 2.03 Executed in Counterparts. This Thirteenth Supplemental Indenture may be executed in several counterparts, each of which shall be deemed to be an original, and such counterparts shall together constitute but one and the same instrument.

[*Signature Page to Thirteenth Supplemental Indenture*]

IN WITNESS WHEREOF, each party hereto has caused this instrument to be signed in its name and behalf by its duly authorized officer, all as of the day and year first above written.

Duke Energy Corporation

By: ______________________________
Name: John L. Sullivan, III
Title: Assistant Treasurer

The Bank of New York Mellon Trust Company, N.A., as Trustee

By: ______________________________
Name:
Title:

EXHIBIT A

[DEPOSITARY LEGEND]

[UNLESS THIS SECURITY IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) TO THE Corporation OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT AND ANY SECURITY ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY AND ANY PAYMENT HEREON IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY A PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.]

[Rule 144 A LEGEND]

[NEITHER THIS SECURITY NOR ANY BENEFICIAL INTEREST HEREIN HAS BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). EACH HOLDER HEREOF, AND EACH OWNER OF A BENEFICIAL INTEREST HEREIN, BY PURCHASING THIS SECURITY, AGREES FOR THE BENEFIT OF DUKE ENERGY CORPORATION (THE "CORPORATION") THAT THIS SECURITY MAY NOT BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED PRIOR TO THE DATE WHICH IS SIX MONTHS (IF ALL APPLICABLE CONDITIONS TO SUCH RESALE UNDER RULE 144 UNDER THE SECURITIES ACT ("Rule 144A") (OR ANY SUCCESSOR PROVISION THEREOF) ARE SATISFIED) AFTER THE LATER OF THE ORIGINAL ISSUANCE DATE THEREOF, THE ISSUANCE DATE OF ANY SUBSEQUENT ISSUANCE OF ADDITIONAL SECURITIES OF THE SAME SERIES AND THE LAST DATE ON WHICH THE CORPORATION OR ANY AFFILIATE THEREOF WAS THE OWNER OF THIS SECURITY OR THE EXPIRATION OF SUCH SHORTER PERIOD AS MAY BE PRESCRIBED BY SUCH RULE 144 (OR SUCH SUCCESSOR PROVISION) PERMITTING RESALES OF THIS SECURITY WITHOUT ANY CONDITIONS (THE "RESALE RESTRICTION TERMINATION DATE") OTHER THAN (A)(1) TO THE CORPORATION, (2) IN A TRANSACTION ENTITLED TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT, (3) SO LONG AS THIS SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A (AS INDICATED BY THE BOX CHECKED BY THE TRANSFEROR ON THE CERTIFICATE OF TRANSFER ATTACHED TO THIS SECURITY), (4) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT (AS INDICATED BY THE BOX CHECKED BY THE TRANSFEROR ON THE CERTIFICATE OF TRANSFER ATTACHED TO THIS SECURITY), (5) IN ACCORDANCE WITH ANOTHER APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL ACCEPTABLE TO THE CORPORATION), OR (6) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND (B) IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE FOREGOING RESTRICTIONS ON RESALE WILL NOT APPLY SUBSEQUENT TO THE RESALE RESTRICTION TERMINATION DATE. THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, REPRESENTS AND AGREES FOR THE BENEFIT OF THE CORPORATION THAT IT IS (i) A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A OR (ii) A NON-U.S. PERSON OUTSIDE THE UNITED STATES WITHIN THE MEANING OF, OR AN ACCOUNT SATISFYING THE REQUIREMENTS OF, PARAGRAPH (k)(2) OF RULE 902 UNDER REGULATION S UNDER THE SECURITIES ACT. THE HOLDER OF THIS SECURITY ACKNOWLEDGES THAT THE CORPORATION RESERVES THE RIGHT PRIOR TO ANY OFFER, SALE OR OTHER TRANSFER (1) PURSUANT TO CLAUSE (A)(2) PRIOR TO THE RESALE RESTRICTION TERMINATION DATE TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS OR OTHER INFORMATION SATISFACTORY TO THE CORPORATION AND (2) IN EACH OF THE FOREGOING CASES, TO REQUIRE

THAT A CERTIFICATE AS TO COMPLIANCE WITH CERTAIN CONDITIONS TO TRANSFER IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE CORPORATION.]

[Regulation S Legend]

[THE SECURITIES COVERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (I) AS PART OF THEIR DISTRIBUTION AT ANY TIME OR (II) OTHERWISE UNTIL 40 DAYS AFTER THE LATER OF THE DATE OF THE COMMENCEMENT OF THE OFFERING OF THE SECURITIES AND THE DATE OF ORIGINAL ISSUANCE OF THE SECURITIES, EXCEPT IN EITHER CASE IN ACCORDANCE WITH REGULATION S OR RULE 144A UNDER THE SECURITIES ACT OR ANY OTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S.]

FORM OF
2.875% SENIOR NOTE DUE 2023

No.

Rule 144A CUSIP No. 26441C AQ8
Regulation S CUSIP No. U2648M AA0

DUKE ENERGY CORPORATION
2.875% SENIOR NOTE DUE 2023

Principal Amount: $

Regular Record Date: Close of business on the 15th calendar day prior to the relevant Interest Payment Date (whether or not a Business Day)

Original Issue Date: April 18, 2016

Stated Maturity: April 18, 2023

Interest Payment Dates: Semi-annually on April 18 and October 18 of each year, commencing on October 18, 2016

Interest Rate: 2.875% per annum

Authorized Denomination: $2,000 or any integral multiple of $1,000 in excess thereof

Duke Energy Corporation, a Delaware corporation (the "Corporation", which term includes any successor corporation under the Indenture referred to on the reverse hereof), for value received, hereby promises to pay to , or registered assigns, the principal sum of DOLLARS ($) on the Stated Maturity shown above and to pay interest thereon from the Original Issue Date shown above, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually in arrears on each Interest Payment Date as specified above, commencing on October 18, 2016 and on the Stated Maturity at the rate per annum shown above until the principal hereof is paid or made available for payment and at such rate on any overdue principal and on any overdue installment of interest. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date (other than an Interest Payment Date that is the Stated Maturity or a Redemption Date) will, as provided in the Indenture, be paid to the Person in whose name this 2.875% Senior Note due 2023 (this "Security") is registered on the Regular Record Date as specified above next preceding such Interest Payment Date; *provided* that any interest payable at Stated Maturity or on a Redemption Date will be paid to the Person to whom principal is payable. Except as otherwise provided in the Indenture, any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular

Record Date and may either be paid to the Person in whose name this Security is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange, if any, on which the Securities shall be listed, and upon such notice as may be required by any such exchange, all as more fully provided in the Indenture.

Payments of interest on this Security will include interest accrued to but excluding the respective Interest Payment Dates. Interest payments for this Security shall be computed and paid on the basis of a 360-day year consisting of twelve 30-day months and will accrue from April 18, 2016 or from the most recent Interest Payment Date to which interest has been paid or duly provided for. In the event that any date on which interest is payable on this Security is not a Business Day, then payment of the interest payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or payment in respect of any such delay) with the same force and effect as if made on the date the payment was originally payable. "Business Day" means any day other than a Saturday or Sunday that is neither a Legal Holiday nor a day on which banking institutions in New York, New York are authorized or required by law, regulation or executive order to close, or a day on which the Corporate Trust Office is closed for business. "Legal Holiday" means any day that is a legal holiday in New York, New York.

Payment of principal of, premium, if any, and interest on the Securities of this series shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. Payments of principal of, premium, if any, and interest on the Securities of this series represented by a Global Security shall be made by wire transfer of immediately available funds to the Holder of such Global Security, provided that, in the case of payments of principal and premium, if any, such Global Security is first surrendered to the Paying Agent. If any of the Securities of this series are no longer represented by a Global Security, (i) payments of principal, premium, if any, and interest due at the Stated Maturity or earlier redemption of such Securities shall be made at the office of the Paying Agent upon surrender of such Securities to the Paying Agent, and (ii) payments of interest shall be made, at the option of the Corporation, subject to such surrender where applicable, by (A) check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register or (B) wire transfer at such place and to such account at a banking institution in the United States as may be designated in writing to the Trustee at least sixteen (16) days prior to the date for payment by the Person entitled thereto.

At any time and from time to time, at the option of the Corporation, the Securities of this series shall be redeemable, in whole or in part, on any date (a "Redemption Date"), at a redemption price equal to the greater of (i) 100% of the principal amount of the Securities of this series being redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon (exclusive of interest accrued to such Redemption Date) discounted to such Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 25 basis points, plus, in either case, accrued and unpaid interest on the principal amount being redeemed to, but excluding, such Redemption Date.

For purposes of the second preceding paragraph, the following terms have the following meanings:

"Comparable Treasury Issue" means the United States Treasury security selected by the Quotation Agent as having an actual or interpolated maturity comparable to the remaining term of the Securities of this series to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Securities of this series.

"Comparable Treasury Price" means, with respect to any Redemption Date for the Securities of this series, (1) the average of the Reference Treasury Dealer Quotations for such Redemption Date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (2) if fewer than three of such Reference Treasury Dealer Quotations are obtained, the average of all such Reference Treasury Dealer Quotations.

"Quotation Agent" means a Reference Treasury Dealer appointed by the Corporation.

"Reference Treasury Dealer" means Morgan Stanley & Co. LLC, plus two other financial institutions appointed by the Corporation at the time of any redemption of the Securities of this series, or their respective affiliates or successors, each of which is a primary U.S. Government securities dealer in the United States (a "Primary Treasury Dealer"); provided, however, that if any of the foregoing or their affiliates or successors shall cease to be a Primary Treasury Dealer, the Corporation will substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any Redemption Date for the Securities of this series, the average, as determined by the Quotation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Quotation Agent by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding such Redemption Date.

"Treasury Rate" means, with respect to any Redemption Date for the Securities of this series, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Redemption Date. The Treasury Rate shall be calculated on the third Business Day preceding the Redemption Date.

The Corporation shall notify the Trustee of the redemption price with respect to any redemption of the Securities of this series promptly after the calculation thereof. The Trustee shall not be responsible for calculating said redemption price.

Notice of any redemption by the Corporation will be mailed (or, as long as the Securities of this series are represented by one or more Global Securities, transmitted in accordance with the Depositary's standard procedures therefor) at least 30 days but not more than 60 days before any Redemption Date to each Holder of Securities of this series to be redeemed. If Notice of a redemption is provided and funds are deposited as required, interest will cease to accrue on and after the Redemption Date on the Securities of this series or portions of Securities of this series called for redemption. In the event that any Redemption Date is not a Business Day, the Corporation will pay the redemption price on the next Business Day without any interest or other payment in respect of any such delay. If less than all the Securities of this series are to be redeemed at the option of the Corporation, the Trustee shall select, in such manner as it shall deem fair and appropriate, the Securities of this series to be redeemed in whole or in part. The Trustee may select for redemption Securities of this series and portions of the Securities of this series in amounts of $2,000 or any integral multiple of $1,000 in excess thereof. As long as the Securities of this series are represented by Global Securities, beneficial interests in such Securities shall be selected for redemption by the Depositary in accordance with its standard procedures therefor.

In the event of redemption of this Security in part only, a new Security or Securities of this series and of like tenor for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the surrender hereof.

The Securities of this series shall not have a sinking fund.

The Securities of this series shall constitute the direct unsecured and unsubordinated debt obligations of the Corporation and shall rank equally in priority with the Corporation's existing and future unsecured and unsubordinated indebtedness.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS SECURITY SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

Unless the certificate of authentication hereon has been executed by the Trustee by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Corporation has caused this instrument to be duly executed as of April 18, 2016.

Duke Energy Corporation

By: ______________________________
Name:
Title:

CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

Dated: April 18, 2016

The Bank of New York Mellon Trust Company, N.A., as Trustee

By: ______________________________
Authorized Signatory

(Reverse Side of Security)

This 2.875% Senior Note due 2023 is one of a duly authorized issue of Securities of the Corporation (the "Securities"), issued and issuable in one or more series under an Indenture, dated as of June 3, 2008, as supplemented (the "Indenture"), between the Corporation and The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.), as Trustee (the "Trustee," which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitation of rights, duties and immunities thereunder of the Corporation, the Trustee and the Holders of the Securities issued thereunder and of the terms upon which said Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof as 2.875% Senior Notes due 2023 initially in the aggregate principal amount of $350,000,000. Capitalized terms used herein for which no definition is provided herein shall have the meanings set forth in the Indenture.

If an Event of Default with respect to the Securities of this series shall occur and be continuing, the principal of the Securities of this series may be declared due and payable in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Corporation and the rights of the Holders of the Securities of all series affected under the Indenture at any time by the Corporation and the Trustee with the consent of the Holders of not less than a majority in principal amount of the Outstanding Securities of all series affected thereby (voting as one class). The Indenture contains provisions permitting the Holders of not less than a majority in principal amount of the Outstanding Securities of all series with respect to which a default under the Indenture shall have occurred and be continuing (voting as one class), on behalf of the Holders of the Securities of all such series, to waive, with certain exceptions, such default under the Indenture and its consequences. The Indenture also permits the Holders of not less than a majority in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Corporation with certain provisions of the Indenture affecting such series. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Corporation, which is absolute and unconditional, to pay the principal of and interest on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Corporation for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Corporation and the Security Registrar and duly executed by, the Holder hereof or his attorney duly authorized in writing, together with the completed and executed Certificate of Transfer attached hereto, and thereupon one or more new Securities of this series, of authorized denominations and of like tenor and for the same aggregate principal amount, will be issued to the designated transferee or transferees. No service charge shall be made for any such registration of transfer or exchange, but the Corporation may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Indenture contains provisions for defeasance at any time of the entire indebtedness of the Securities of this series and for covenant defeasance at any time of certain covenants in the Indenture upon compliance with certain conditions set forth in the Indenture.

Prior to due presentment of this Security for registration of transfer, the Corporation, the Trustee and any agent of the Corporation or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Corporation, the Trustee nor any such agent shall be affected by notice to the contrary.

The Securities of this series are issuable only in registered form without coupons in denominations of $2,000 or any integral multiple of $1,000 in excess thereof. As provided in the Indenture and subject to the limitations therein set forth, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series of a different authorized denomination, as requested by the Holder surrendering the same upon surrender of the Security or Securities to be exchanged at the office or agency of the Corporation.

This Security shall be governed by, and construed in accordance with, the laws of the State of New York.

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this instrument, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common

UNIF GIFT MIN ACT - Custodian
(Cust) (Minor)

TEN ENT - as tenants by the entireties

JT TEN - as joint tenants with rights of survivorship and not as tenants in common

under Uniform Gifts to Minors Act
(State)

Additional abbreviations may also be used though not on the above list.

FOR VALUE RECEIVED, the undersigned hereby sell(s) and transfer(s) unto (please insert Social Security or other identifying number of assignee)

PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING POSTAL ZIP CODE OF ASSIGNEE

the within Security and all rights thereunder, hereby irrevocably constituting and appointing agent to transfer said Security on the books of the Corporation, with full power of substitution in the premises.

Dated: ______________________________

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within instrument in every particular without alteration or enlargement, or any change whatever.

Signature Guarantee: ______________________________

SIGNATURE GUARANTEE

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Security Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Security Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

EXHIBIT B

CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

Dated:

The Bank of New York Mellon Trust Company, N.A., as Trustee

By: ______________________________

Authorized Signatory

EXHIBIT C

CERTIFICATE OF TRANSFER

Re: DUKE ENERGY CORPORATION 2.875% SENIOR NOTE DUE 2023 (the "Securities")

This Certificate relates to $_____ principal amount of the Securities held in ** Fill in blank or check appropriate box, as applicable.______ book-entry or *______ definitive form by ____________________ (the "Transferor").

The Transferor certifies that said beneficial interest in said Security is being resold, pledged or otherwise transferred as follows:*

1 to the Corporation; or

2 pursuant to an exemption from registration provided by Rule 144 under the Securities Act of 1933, as amended (the "Securities Act"); or

3 to a person whom the Transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the resale, pledge or other transfer is being made in reliance on Rule 144A under the Securities Act; or

4 pursuant to an offshore transaction in accordance with Rule 903 or 904 of Regulation S under the Securities Act; or

5 pursuant to another applicable exemption from the registration requirements of the Securities Act (and based upon an opinion of counsel acceptable to the Corporation); or

6 pursuant to an effective registration statement under the Securities Act.

Unless one of the boxes is checked, the Trustee may refuse to register any of the Securities evidenced by this certificate in the name of any person other than the registered holder thereof; provided, however, that if box (2) is checked, the Corporation or the Trustee, prior to registering any such transfer of the Notes, reserves the right to require the delivery of an opinion of counsel, certifications or other information satisfactory to the Corporation and the Trustee.

Dated: ________________________________

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within instrument in every particular without alteration or enlargement, or any change whatever.

Signature Guarantee: ____________________________

SIGNATURE GUARANTEE

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Security Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Security Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

EXHIBIT D

SCHEDULE I TO GLOBAL SECURITY

The initial amount of the Global Securities evidenced by this certificate is $______________.

SCHEDULE OF INCREASES OR DECREASES IN GLOBAL SECURITY

The following increases or decreases in this Global Security have been made

Date	Amount of increase in Principal Amount of this Global Security	Principal Amount of this Global Security following each decrease or increase	Signature of authorized signatory of Trustee or Securities Registrar

SIXTY-SEVENTH SUPPLEMENTAL

INDENTURE

TO

INDENTURE DATED SEPTEMBER 1, 1939

DUKE ENERGY INDIANA, INC.

TO

DEUTSCHE BANK NATIONAL TRUST COMPANY

AS TRUSTEE

DATED AS OF JANUARY 1, 2016

SUPPLEMENTING AND AMENDING THE INDENTURE

TABLE OF CONTENTS

ARTICLE II.

Concerning the Trustee.

ARTICLE III.

Miscellaneous Provisions.

Sixty-Seventh Supplemental Indenture dated as of the 1st day of January, 2016, made and entered into by and between Duke Energy Indiana, Inc. (hereinafter commonly referred to as the "Company"), a corporation organized and existing under the laws of the State of Indiana, formerly named each of PSI Energy, Inc. and Public Service Company of Indiana, Inc., and the successor by consolidation to Public Service Company of Indiana, an Indiana corporation, party of the first part, and Deutsche Bank National Trust Company, a national banking association organized and existing under the laws of the United States and having its office or place of business in the City of Chicago, State of Illinois, successor trustee to Bank of America, N.A., as successor by merger to LaSalle Bank National Association, which was the successor trustee to The First National Bank of Chicago (hereinafter commonly referred to as the "Trustee"), party of the second part,

Witnesseth:

Whereas, Public Service Company of Indiana (hereinafter commonly referred to as the "Initial Mortgagor"), prior to its consolidation with certain other corporations to form the Company, executed and delivered to the Trustee a certain indenture of mortgage or deed of trust (hereinafter called the "original Indenture" when referred to as existing prior to any amendment thereto, and the "Indenture" when referred to as heretofore, now or hereafter amended), dated September 1, 1939, and a First Supplemental Indenture thereto, dated as of March 1, 1941, to secure the bonds of the Initial Mortgagor, its successors and assigns, issued from time to time under the Indenture in series for the purposes of and subject to the limitations specified in the Indenture; and

Whereas, the Company on September 6, 1941, became, through a consolidation, the successor of the Initial Mortgagor (and four other companies) and succeeded to all the rights and became liable for all the obligations of the Initial Mortgagor (and such other companies); and

Whereas, after said consolidation, the Company executed and delivered a Second Supplemental Indenture, dated as of November 1, 1941, to the original Indenture for the purposes, among others, of (i) the making by the Company of an agreement of assumption and adoption by it of the Indenture, (ii) the assumption by the Company of the bonds (and interest and premium, if any, thereon) issued or to be issued under the Indenture, and of all terms, covenants and conditions binding upon it under the Indenture, and the agreeing by the Company to pay, perform and fulfill the same, and (iii) the conveying to the Trustee upon the trusts declared in the Indenture, but subject to any outstanding liens and encumbrances, all the property which the Company then owned or which it might thereafter acquire, except property of a character similar to the property of the Initial Mortgagor which is excluded from the lien of the Indenture; and

Whereas, all conditions have been met and all acts and things necessary have been done and performed to make the Indenture the valid and binding agreement of the Company and to substitute the Company for the Initial Mortgagor under the Indenture, and to vest the Company with each and every right and power of the Initial Mortgagor, including the right and power to issue bonds thereunder; and

Whereas, the Company has subsequently executed and delivered, for purposes authorized under the Indenture, a Third Supplemental Indenture dated as of March 1, 1942, a Fourth Supplemental Indenture dated as of May 1, 1943, a Fifth Supplemental Indenture dated as of August 1, 1944, a Sixth Supplemental Indenture dated as of September 1, 1945, a Seventh Supplemental Indenture dated as of November 1, 1947, an Eighth Supplemental Indenture dated as of January 1, 1949, a Ninth Supplemental Indenture dated as of May 1, 1950, a Tenth Supplemental Indenture dated as of July 1, 1952, an Eleventh Supplemental Indenture dated as of January 1, 1954, a Twelfth Supplemental Indenture dated as of October 1, 1957, a Thirteenth Supplemental Indenture dated as of February 1, 1959, a Fourteenth Supplemental Indenture dated as of July 15, 1960, a Fifteenth Supplemental Indenture dated as of June 15, 1964, a Sixteenth Supplemental Indenture dated as of January 1, 1969, a Seventeenth Supplemental Indenture dated as of March 1, 1970, an Eighteenth Supplemental Indenture dated as of January 1, 1971, a Nineteenth Supplemental Indenture dated as of January 1, 1972, a Twentieth Supplemental Indenture dated as of February 1, 1974, a Twenty-First Supplemental Indenture dated as of August 1, 1974, a Twenty-Second Supplemental Indenture dated as of August 1, 1975, a Twenty-Third Supplemental Indenture dated as of January 1, 1977, a Twenty-Fourth Supplemental Indenture dated as of October 1, 1977, a Twenty-Fifth Supplemental Indenture dated as of September 1, 1978, a Twenty-Sixth Supplemental Indenture dated as of September 1, 1978, a Twenty-Seventh Supplemental Indenture dated as of March 1, 1979, a Twenty-Eighth Supplemental Indenture dated as of May 1, 1979, a Twenty-Ninth Supplemental Indenture dated as of March 1, 1980, a Thirtieth Supplemental Indenture dated as of August 1, 1980, a Thirty-First Supplemental Indenture dated as of February 1, 1981, a Thirty-Second Supplemental Indenture dated as of August 1, 1981, a Thirty-Third Supplemental Indenture dated as of December 1, 1981, a Thirty-Fourth Supplemental Indenture dated as of December 1, 1982, a Thirty-Fifth Supplemental Indenture dated as of March 30, 1984, a Thirty-Sixth Supplemental Indenture dated as of November 15, 1984, a Thirty-Seventh Supplemental Indenture dated as of August 15, 1985, a Thirty-Eighth Supplemental Indenture dated as of October 1, 1986, a Thirty-Ninth Supplemental Indenture dated as of March 15, 1987, a Fortieth Supplemental Indenture dated as of June 1, 1987, a Forty-First Supplemental Indenture dated as of June 15, 1988, a Forty-Second Supplemental Indenture dated as of August 1, 1988, a Forty-Third Supplemental Indenture dated as of September 15, 1989, a Forty-Fourth Supplemental Indenture dated as of March 15, 1990, a Forty-Fifth Supplemental Indenture dated as of March 15, 1990, a Forty-Sixth Supplemental Indenture dated as of June 1, 1990, a Forty-Seventh Supplemental Indenture dated as of July 15, 1991, a Forty-Eighth Supplemental Indenture dated as of July 15, 1992, a Forty-Ninth Supplemental Indenture dated as of February 15, 1993, a Fiftieth Supplemental Indenture dated as of February 15, 1993, a Fifty-First Supplemental Indenture dated as of February 1, 1994, a Fifty-Second Supplemental Indenture dated as of April 30, 1999, a Fifty-Third Supplemental Indenture dated as of June 15, 2001, a Fifty-Fourth Supplemental Indenture dated as of September 1, 2002, a Fifty-Fifth Supplemental Indenture dated as of February 15, 2003, a Fifty-Sixth Supplemental Indenture dated as of December 1, 2004, a Fifty-Seventh Supplemental Indenture dated as of August 21, 2008, a Fifty-Eighth Supplemental Indenture dated as of December 19, 2008, a Fifty-Ninth Supplemental Indenture dated as of March 23, 2009, a Sixtieth Supplemental Indenture dated as of June 1, 2009, a Sixty-First Supplemental Indenture dated as of October 1, 2009, a Sixty-Second Supplemental Indenture dated as of July 9, 2010, a Sixty-Third Supplemental Indenture dated as of September 23, 2010, a Sixty-Fourth Supplemental Indenture dated as of December 1, 2011, a Sixty-Fifth Supplemental Indenture dated as of March 15, 2012, and a Sixty-Sixth Supplemental Indenture dated as of July 11, 2013, each supplementing and amending the Indenture; and

Whereas, the Thirty-Fifth Supplemental Indenture authorized and appointed LaSalle Bank National Association, a national banking association duly organized and existing under the laws of the United States of America with its principal office in Chicago, Illinois and formerly named LaSalle National Bank, as Successor Trustee to The First National Bank of Chicago, which appointment was accepted, and all trust powers under the Indenture were thereby transferred from The First National Bank of Chicago to LaSalle Bank National Association; and

Whereas, by an Instrument of Resignation, Appointment and Acceptance dated as of December 15, 2008, Bank of America, N.A., as successor by merger to LaSalle Bank National Association, resigned as trustee and the Company appointed the Trustee as Successor Trustee thereto, which appointment was thereby accepted by the Trustee effective as of that date, and all trust powers were thereby transferred from Bank of America, N.A. to the Trustee; and

Whereas, the Forty-Sixth Supplemental Indenture amended the Indenture to reflect a change in the name of the Company from Public Service Company of Indiana, Inc. to PSI Energy, Inc. effective as of April 20, 1990, and the Fifty-Seventh Supplemental Indenture amended the Indenture to reflect a change in the name of the Company from PSI Energy, Inc. to Duke Energy Indiana, Inc., effective as of October 1, 2006; and

Whereas, as of January 1, 2016, the only bonds that have been heretofore issued under the Indenture which are now outstanding are $28,000,000 aggregate principal amount of "PSI Energy, Inc. First Mortgage Bonds, Series WW, Due August 15, 2027" and $53,055,000 aggregate principal amount of "PSI Energy, Inc. First Mortgage Bonds, Series CCC, 8.85%, Due January 15, 2022" and $38,000,000 aggregate principal amount of "PSI Energy, Inc. First Mortgage Bonds, Series DDD, 8.31%, Due September 1, 2032" and $500,000,000 aggregate principal amount of "Duke Energy Indiana, Inc. First Mortgage Bonds, Series LLL, 6.35%, Due August 15, 2038" and $45,985,000 aggregate principal amount of "Duke Energy Indiana, Inc. First Mortgage Bonds, 2005A Pledge Series, Due July 1, 2035" and $450,000,000 aggregate principal amount of "Duke Energy Indiana, Inc. First Mortgage Bonds, Series MMM, 6.45%, Due April 1, 2039" and $55,000,000 aggregate principal amount of "Duke Energy Indiana, Inc. First Mortgage Bonds, Series NNN, 6%, Due August 1, 2039" and $50,000,000 aggregate principal amount of "Duke Energy Indiana, Inc. First Mortgage Bonds, Series OOO, 4.95%, Due October 1, 2040" and $500,000,000 aggregate principal amount of "Duke Energy Indiana, Inc. First Mortgage Bonds, Series PPP, 3,75%, Due July 15, 2020" and $10,000,000 aggregate principal amount of "Duke Energy Indiana, Inc. First Mortgage Bonds, Series QQQ, 3¾%, Due April 1, 2022" and $59,600,000 aggregate principal amount of "Duke Energy Indiana, Inc. First Mortgage Bonds, Series RRR, 3⅜%, Due March 1, 2019" and $44,025,000 aggregate principal amount of "Duke Energy Indiana, Inc. First Mortgage Bonds, Series SSS, Due May 1, 2035" and $23,000,000 aggregate principal amount of "Duke Energy Indiana, Inc. First Mortgage Bonds, Series TTT, Due March 1, 2031" and $250,000,000 aggregate principal amount of "Duke Energy Indiana, Inc. First Mortgage Bonds, Series UUU, 4.20%, Due March 15, 2042" and $150,000,000 aggregate principal amount of "Duke Energy Indiana, Inc. First Mortgage Bonds, Series VVV, Floating Rate, Due July 11, 2016" and $350,000,000 aggregate principal amount of "Duke Energy Indiana, Inc. First Mortgage Bonds, Series WWW, 4.90%, Due July 15, 2043"; and

Whereas, the Board of Directors of the Company has determined that it is advisable and in the best interests of the Company to convert its corporate form from an Indiana corporation to an Indiana limited liability company, by the name of "Duke Energy Indiana, LLC", pursuant to Ind. Code § 23-18-7-10 and Ind. Code § 23-1-38.5 (the "Entity Conversion"), and has recommended approval of the Entity Conversion to the shareholder of the Company and the shareholder has approved the Entity Conversion; and

Whereas, upon the Entity Conversion, under the laws of the State of Indiana, (i) the Company is considered for all purposes to (a) be the same entity, without interruption, as the entity that existed prior to the Entity Conversion, and (b) have been organized on the date that the Company was originally incorporated, (ii) the title to all real and personal property, both tangible and intangible, owned by the Company prior to the Entity Conversion, remains in the Company, upon the Entity Conversion, without reversion or impairment, and (iii) the liabilities of the Company that existed prior to the Entity Conversion will remain the liabilities of the Company on and after the Entity Conversion; and

Whereas, the Entity Conversion shall take effect, as determined pursuant to Ind. Code § 23-1-18-4, upon the filing with the Indiana Secretary of State of the documents required under Ind. Code § 23-1-38.5-13; and

Whereas, in connection with the Entity Conversion and in accordance with the provisions of Section 1 of Article XVIII of the Indenture, the Board of Directors has authorized the execution and delivery by the Company of a Sixty-Seventh Supplemental Indenture, substantially in the form of this Sixty-Seventh Supplemental Indenture, for the purpose of including covenants and agreements of the Company reaffirming the Company's obligations to, and the rights of, the holders of bonds outstanding under the Indenture and the Trustee, upon the Entity Conversion, which covenants and agreements are deemed necessary or desirable, are not inconsistent with the terms of the Indenture and do not impair the security of the same, and are therefore permitted by the Indenture; and

Whereas, all conditions and requirements necessary to make this Sixty-Seventh Supplemental Indenture a valid, binding and legal instrument have been done, performed and fulfilled and the execution and delivery hereof have been in all respects duly authorized:

Now, Therefore, in consideration of the premises, and of the acceptance and purchase of the Bonds of each Series by the holders and registered owners thereof, and of the sum of One Dollar ($1.00) duly paid by the Trustee to the Company, the receipt whereof is hereby acknowledged, and in accordance with and subject to the terms and provisions of the Indenture, the Company and the Trustee, respectively, have entered into, executed and delivered this Sixty-Seventh Supplemental Indenture for the uses and purposes hereinafter expressed, that is to say:

ARTICLE I.

Indenture Amendments.

Section 1. Article I of the Indenture, as heretofore amended, is hereby further amended (i) by adding immediately after subdivision "(106)" thereof, the additional subdivisions numbered "(107)," "(108)" and "(109) and reading as follows:

"(107) The term 'Sixty-Seventh Supplemental Indenture' shall mean the Sixty-Seventh Supplemental Indenture executed by the Company and the Trustee, dated as of January 1, 2016, supplementing and amending this Indenture."

"(108) The term 'Entity Conversion' shall mean the conversion of the Company's corporate form from an Indiana corporation to an Indiana limited liability company, by the name of "Duke Energy Indiana, LLC", pursuant to Ind. Code § 23-18-7-10 and Ind. Code § 23-1-38.5, as further described in the Sixty-Seventh Supplemental Indenture."

"(109) The term 'Conversion Effective Date' shall mean the date, as determined pursuant to Ind. Code § 23-1-18-4, that the Entity Conversion shall take effect by the filing with the Indiana Secretary of State of the documents required under Ind. Code § 23-1-38.5-13."

and (ii) by changing the numbering of the present subdivision "(107)" thereof to "(110)".

Section 2. Article V of the Indenture, as heretofore amended, is hereby further amended by inserting therein immediately after Section 24 thereof, a new section designated "Section 25" and reading as follows:

"*Section 25.* As of the Conversion Effective Date, the Company, as a limited liability company formed under the laws of the State of Indiana, hereby expressly covenants, agrees and confirms, notwithstanding the Entity Conversion, (i) that its obligation promptly to pay, perform and discharge when due each and every debt, obligation, covenant and agreement incurred, made or to be paid, performed or discharged by the Company under this Indenture continues upon the Entity Conversion, (ii) that, pursuant to Ind. Code § 23-1-38.5-15, the title to all real and personal property, both tangible and intangible, owned by the Company prior to the Entity Conversion, remains in the Company, upon the Entity Conversion, without reversion or impairment, and the liabilities of the Company that existed prior to the Entity Conversion will remain the liabilities of the Company on and after the Entity Conversion, (iii) that all rights of holders of bonds outstanding under this Indenture and of the Trustee which existed immediately prior to the Entity Conversion are preserved unimpaired, and (iv) that all debts, liabilities and duties of the Company under this Indenture which existed immediately prior to the Entity Conversion may be enforced against it to the same extent as if said debts, liabilities and duties had originally been incurred or contracted by it in its capacity as an Indiana limited liability company."

ARTICLE II.

Concerning the Trustee.

The Trustee hereby accepts the trusts hereby declared and agrees to perform the same upon the terms and conditions in the Indenture and in this Sixty-Seventh Supplemental Indenture set forth. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Sixty-Seventh Supplemental Indenture or the due execution hereof by the Company or for or in respect of the recitals contained herein, all of which recitals are made by the Company solely. In general, each and every term and condition contained in Article XVII of the Indenture shall apply to this Sixty-Seventh Supplemental Indenture.

ARTICLE III.

Miscellaneous Provisions.

Section 1. Wherever in the original Indenture or in any of the sixty-seven supplemental indentures thereto reference is made to any article or section of the original Indenture, such reference shall be deemed to refer to such article or section as amended by such supplemental indentures.

Section 2. Upon the execution and delivery hereof, the Indenture shall thereupon be deemed to be amended as hereinabove set forth as fully and with the same effect as if the amendments made hereby were set forth in the original Indenture and each of the sixty-seven supplemental indentures to the Indenture shall henceforth be read, taken and construed as one and the same instrument; but such amendments shall not operate so as to render invalid or improper any action heretofore taken under the original Indenture or said supplemental indentures.

Section 3. All the covenants, stipulations and agreements in this Sixty-Seventh Supplemental Indenture contained are and shall be for the sole and exclusive benefit of the parties hereto, their successors and assigns, and of the holders from time to time of the bonds.

Section 4. The table of contents to, and the headings of the different articles of, this Sixty-Seventh Supplemental Indenture are inserted for convenience of reference, and are not to be taken to be any part of the provisions hereof, nor to control or affect the meaning, construction or effect of the same.

Section 5. This Sixty-Seventh Supplemental Indenture may be simultaneously executed in any number of counterparts, and all such counterparts shall constitute but one and the same instrument.

[The remainder of this page has been left blank intentionally.]

In Witness Whereof, said Duke Energy Indiana, Inc. has caused this instrument to be executed in its corporate name by its President or one of its Vice Presidents and to be attested by its Secretary or one of its Assistant Secretaries and said Deutsche Bank National Trust Company has caused this instrument to be executed in its corporate name by, and to be attested by, its authorized officers, in several counterparts, all as of the day and year first above written.

Duke Energy Indiana, Inc.

(Corporate Seal)

By /s/ Stephen G. De May
Stephen G. De May
Senior Vice President and Treasurer

Attest:

/s/ Robert T. Lucas III
Robert T. Lucas III
Assistance Corporate Secretary

Deutsche Bank National Trust
Company, as Trustee and not in its
individual capacity

(Corporate Seal)

By /s/ Kathryn Fischer

Kathryn Fischer,
Assistant Vice President

By /s/ Chris Niesz

Chris Niesz,
Assistant Vice President

Attest:

/s/ Jeffrey Schoenfeld

Jeffrey Schoenfeld,
Vice President

State of North Carolina)
) ss:
County of Mecklenburg)

Be It Remembered, that on this 31st day of December, 2015, before me, the undersigned, a notary public in and for the County and State aforesaid, duly commissioned and qualified, personally appeared Stephen G. De May and Robert T. Lucas III, personally known to me to be the same persons whose names are subscribed to the foregoing instrument, and personally known to me to be the Senior Vice President and Treasurer and an Assistant Corporate Secretary, respectively, of Duke Energy Indiana, Inc., an Indiana corporation, and acknowledged that they signed and delivered said instrument as their free and voluntary act as such Senior Vice President and Treasurer and Assistant Corporate Secretary, respectively, and as the free and voluntary act of said Duke Energy Indiana, Inc., for the uses and purposes therein set forth; in pursuance of the power and authority granted to them by resolution of the Board of Directors of said Company.

In Witness Whereof, I have hereunto set my hand and affixed my notarial seal the day and year aforesaid.

(Notarial Seal)

Phoebe P. Elliott
Notary Public
Mecklenburg County, NC

/s/ Phoebe P. Elliott
Phoebe P. Elliott, Notary Public
Commission expires: June 26, 2016

State Of New Jersey)
) ss:
County Of Hudson)

Be It Remembered, that on this 22nd day of December, 2015, before me, the undersigned, a notary public in and for the County and State aforesaid, duly commissioned and qualified, personally appeared Kathryn Fischer and Chris Niesz personally known to me to be the same persons whose names are subscribed to the foregoing instrument, and personally known to me to each be an Assistant Vice President of Deutsche Bank National Trust Company, a national banking association, and acknowledged that they each signed and delivered said instrument as their free and voluntary act as an Assistant Vice President, and as the free and voluntary act of said Deutsche Bank National Trust Company, for the uses and purposes therein set forth; in pursuance of the power and authority granted to them by the bylaws of said association.

In Witness Whereof, I have hereunto set my hand and affixed my notarial seal the day and year aforesaid.

(Notarial Seal)

/s/ Robert S. Peschler

Notary Public

ROBERT S. PESCHLER
ID # 2427815
NOTARY PUBLIC
STATE OF NEW JERSEY
My Commission Expires Dec. 11, 2017

This instrument was prepared by:
Bradley C. Arnett, Esq.*
Bingham Greenebaum Doll LLP
255 E. Fifth Street, Suite 2350
Cincinnati, Ohio 45202
*Admitted in Ohio; not admitted in Indiana

16971070

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES - DUKE ENERGY CORPORATION

The ratio of earnings to fixed charges is calculated using the Securities and Exchange Commission guidelines.

	Three Months Ended March 31,	Years Ended December 31,				
(in millions)	**2016**	**2015**	**2014**	**2013**	**2012 [a]**	**2011**
Earnings as defined for fixed charges calculation						
Add:						
Pretax income from continuing operations[b]	$ 897	$ 4,053	$ 3,998	$ 3,657	$ 2,068	$ 1,975
Fixed charges	550	1,859	1,871	1,886	1,510	1,057
Distributed income of equity investees	—	104	136	109	151	149
Deduct:						
Preferred dividend requirements of subsidiaries	—	—	—	—	3	—
Interest capitalized	4	18	7	8	30	46
Total earnings	$ 1,443	$ 5,998	$ 5,998	$ 5,644	$ 3,696	$ 3,135
Fixed charges:						
Interest on debt, including capitalized portions	$ 534	$ 1,733	$ 1,733	$ 1,760	$ 1,420	$ 1,026
Estimate of interest within rental expense	16	126	138	126	87	31
Preferred dividend requirements	—	—	—	—	3	—
Total fixed charges	$ 550	$ 1,859	$ 1,871	$ 1,886	$ 1,510	$ 1,057
Ratio of earnings to fixed charges	2.6	3.2	3.2	3.0	2.4	3.0
Ratio of earnings to fixed charges and preferred dividends combined[c]	2.6	3.2	3.2	3.0	2.4	3.0

(a) Includes the results of Progress Energy, Inc. beginning on July 2, 2012.
(b) Excludes amounts attributable to noncontrolling interests and income or loss from equity investees.
(c) For the periods presented, Duke Energy Corporation had no preferred stock outstanding.

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Lynn J. Good, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Corporation;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2016

/s/ LYNN J. GOOD

Lynn J. Good
Chairman, President and
Chief Executive Officer

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Lynn J. Good, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Carolinas, LLC;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2016

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Lynn J. Good, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Progress Energy, Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2016

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Lynn J. Good, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Progress, LLC;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2016

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Lynn J. Good, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Florida, LLC;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2016

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Lynn J. Good, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Ohio, Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2016

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Lynn J. Good, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Indiana, LLC;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2016

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Steven K. Young, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Corporation;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2016

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Steven K. Young, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Carolinas, LLC;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2016

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Steven K. Young, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Progress Energy, Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2016

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Steven K. Young, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Progress, LLC;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of tha registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2016

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Steven K. Young, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Florida, LLC;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2016

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Steven K. Young, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Ohio, Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2016

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Steven K. Young, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Indiana, LLC;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2016

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Duke Energy Corporation ("Duke Energy") on Form 10-Q for the period ending March 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynn J. Good, Chairman, President and Chief Executive Officer of Duke Energy, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy.

/s/ LYNN J. GOOD

Lynn J. Good
Chairman, President and
Chief Executive Officer

May 4, 2016

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Carolinas, LLC ("Duke Energy Carolinas") on Form 10-Q for the period ending March 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynn J. Good, Chief Executive Officer of Duke Energy Carolinas, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Carolinas.

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

May 4, 2016

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Progress Energy, Inc. ("Progress Energy") on Form 10-Q for the period ending March 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynn J. Good, Chief Executive Officer of Progress Energy, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Progress Energy.

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

May 4, 2016

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Progress, LLC ("Duke Energy Progress") on Form 10-Q for the period ending March 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynn J. Good, Chief Executive Officer of Ouke Energy Progress, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Progress.

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

May 4, 2016

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Florida, LLC ("Duke Energy Florida") on Form 10-Q for the period ending March 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynn J. Good, Chief Executive Officer of Duke Energy Florida, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Florida.

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

May 4, 2016

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Ohio, Inc. ("Duke Energy Ohio") on Form 10-Q for the period ending March 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynn J. Good, Chief Executive Officer of Duke Energy Ohio, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Ohio.

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

May 4, 2016

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Duke Energy Indiana, LLC ("Duke Energy Indiana") on Form 10-Q for the period ending March 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynn J. Good, Chief Executive Officer of Duke Energy Indiana, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Indiana.

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

May 4, 2016

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Corporation ("Duke Energy") on Form 10-Q for the period ending March 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven K. Young, Executive Vice President and Chief Financial Officer of Duke Energy, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy.

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

May 4, 2016

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Carolinas, LLC ("Duke Energy Carolinas") on Form 10-Q for the period ending March 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven K. Young, Executive Vice President and Chief Financial Officer of Duke Energy Carolinas, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Carolinas.

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

May 4, 2016

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Progress Energy, Inc. ("Progress Energy") on Form 10-Q for the period ending March 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven K. Young, Executive Vice President and Chief Financial Officer of Progress Energy, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Progress Energy.

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

May 4, 2016

EXHIBIT 32.2.4

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Progress, LLC ("Duke Energy Progress") on Form 10-Q for the period ending March 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven K. Young, Executive Vice President and Chief Financial Officer of Duke Energy Progress, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Progress.

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

May 4, 2016

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Florida, LLC ("Duke Energy Florida") on Form 10-Q for the period ending March 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven K. Young, Executive Vice President and Chief Financial Officer of Duke Energy Florida, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Florida.

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

May 4, 2016

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Ohio, Inc. ("Duke Energy Ohio") on Form 10-Q for the period ending March 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven K. Young, Executive Vice President and Chief Financial Officer of Duke Energy Ohio, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Ohio.

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

May 4, 2016

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Indiana, LLC ("Duke Energy Indiana") on Form 10-Q for the period ending March 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven K. Young, Executive Vice President and Chief Financial Officer of Duke Energy Indiana, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Indiana.

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

May 4, 2016

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2016
OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number	Registrant, State of Incorporation or Organization, Address of Principal Executive Offices, and Telephone Number	IRS Employer Identification No.
1-32853	**DUKE ENERGY CORPORATION** (a Delaware corporation) 550 South Tryon Street Charlotte, North Carolina 28202-1803 704-382-3853	20-2777218

Commission file number	Registrant, State of Incorporation or Organization, Address of Principal Executive Offices, Telephone Number and IRS Employer Identification Number	Commission file number	Registrant, State of Incorporation or Organization, Address of Principal Executive Offices, Telephone Number and IRS Employer Identification Number
1-4928	**DUKE ENERGY CAROLINAS, LLC** (a North Carolina limited liability company) 526 South Church Street Charlotte, North Carolina 28202-1803 704-382-3853 56-0205520	1-3274	**DUKE ENERGY FLORIDA, LLC** (a Florida limited liability company) 299 First Avenue North St. Petersburg, Florida 33701 704-382-3853 59-0247770
1-15929	**PROGRESS ENERGY, INC.** (a North Carolina corporation) 410 South Wilmington Street Raleigh, North Carolina 27601-1748 704-382-3853 56-2155481	1-1232	**DUKE ENERGY OHIO, INC.** (an Ohio corporation) 139 East Fourth Street Cincinnati, Ohio 45202 704-382-3853 31-0240030
1-3382	**DUKE ENERGY PROGRESS, LLC** (a North Carolina limited liability company) 410 South Wilmington Street Raleigh, North Carolina 27601-1748 704-382-3853 56-0165465	1-3543	**DUKE ENERGY INDIANA, LLC** (an Indiana limited liability company) 1000 East Main Street Plainfield, Indiana 46168 704-382-3853 35-0594457

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Duke Energy Corporation (Duke Energy)	Yes ☒	No ☐	Duke Energy Florida, LLC (Duke Energy Florida)	Yes ☒	No ☐
Duke Energy Carolinas, LLC (Duke Energy Carolinas)	Yes ☒	No ☐	Duke Energy Ohio, Inc. (Duke Energy Ohio)	Yes ☒	No ☐
Progress Energy, Inc. (Progress Energy)	Yes ☒	No ☐	Duke Energy Indiana, LLC (Duke Energy Indiana)	Yes ☒	No ☐
Duke Energy Progress, LLC (Duke Energy Progress)	Yes ☒	No ☐			

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Duke Energy	Yes ☒	No ☐	Duke Energy Florida	Yes ☒	No ☐
Duke Energy Carolinas	Yes ☒	No ☐	Duke Energy Ohio	Yes ☒	No ☐
Progress Energy	Yes ☒	No ☐	Duke Energy Indiana	Yes ☒	No ☐
Duke Energy Progress	Yes ☒	No ☐			

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Duke Energy	Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐	Smaller reporting company ☐
Duke Energy Carolinas	Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☒	Smaller reporting company ☐
Progress Energy	Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☒	Smaller reporting company ☐
Duke Energy Progress	Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☒	Smaller reporting company ☐
Duke Energy Florida	Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☒	Smaller reporting company ☐
Duke Energy Ohio	Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☒	Smaller reporting company ☐
Duke Energy Indiana	Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☒	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Duke Energy	Yes ☐	No ☒	Duke Energy Florida	Yes ☐	No ☒
Duke Energy Carolinas	Yes ☐	No ☒	Duke Energy Ohio	Yes ☐	No ☒
Progress Energy	Yes ☐	No ☒	Duke Energy Indiana	Yes ☐	No ☒
Duke Energy Progress	Yes ☐	No ☒			

Number of shares of Common stock outstanding at June 30, 2016:

Registrant	Description	Shares
Duke Energy	Common stock, $0.001 par value	688,933,508
Duke Energy Carolinas	All of the registrant's limited liability company member interests are directly owned by Duke Energy.	
Progress Energy	All of the registrant's common stock is directly owned by Duke Energy.	
Duke Energy Progress	All of the registrant's limited liability company member interests are indirectly owned by Duke Energy.	
Duke Energy Florida	All of the registrant's limited liability company member interests are indirectly owned by Duke Energy.	
Duke Energy Ohio	All of the registrant's common stock is indirectly owned by Duke Energy.	
Duke Energy Indiana	All of the registrant's limited liability company member interests are indirectly owned by Duke Energy.	

This combined Form 10-Q is filed separately by seven registrants: Duke Energy, Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio and Duke Energy Indiana (collectively the Duke Energy Registrants). Information contained herein relating to any individual registrant is filed by such registrant solely on its own behalf. Each registrant makes no representation as to information relating exclusively to the other registrants.

Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio and Duke Energy Indiana meet the conditions set forth in General Instructions H(1)(a) and (b) of Form 10-Q and are therefore filing this form with the reduced disclosure format specified in General Instructions H(2) of Form 10-Q.

TABLE OF CONTENTS

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This document includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are based on management's beliefs and assumptions and can often be identified by terms and phrases that include "anticipate," "believe," "intend," "estimate," "expect," "continue," "should," "could," "may," "plan," "project," "predict," "will," "potential," "forecast," "target," "guidance," "outlook" or other similar terminology. Various factors may cause actual results to be materially different than the suggested outcomes within forward-looking statements; accordingly, there is no assurance that such results will be realized. These factors include, but are not limited to:

- State, federal and foreign legislative and regulatory initiatives, including costs of compliance with existing and future environmental requirements or climate change, as well as rulings that affect cost and investment recovery or have an impact on rate structures or market prices;
- The extent and timing of costs and liabilities to comply with federal and state laws, regulations, and legal requirements related to coal ash remediation, including amounts for required closure of certain ash impoundments, are uncertain and difficult to estimate;
- The ability to recover eligible costs, including amounts associated with coal ash impoundment retirement obligations and costs related to significant weather events, and to earn an adequate return on investment through the regulatory process;
- The costs of decommissioning Crystal River Unit 3 and other nuclear facilities could prove to be more extensive than amounts estimated and all costs may not be fully recoverable through the regulatory process;
- Credit ratings of the Duke Energy Registrants may be different from what is expected;
- Costs and effects of legal and administrative proceedings, settlements, investigations and claims;
- Industrial, commercial and residential growth or decline in service territories or customer bases resulting from variations in customer usage patterns, including energy efficiency efforts and use of alternative energy sources, including self-generation and distributed generation technologies;
- Federal and state regulations, laws and other efforts designed to promote and expand the use of energy efficiency measures and distributed generation technologies, such as rooftop solar and battery storage, in Duke Energy service territories could result in customers leaving the electric distribution system, excess generation resources as well as stranded costs;
- Advancements in technology;
- Additional competition in electric markets and continued industry consolidation;
- Political, economic and regulatory uncertainty in Brazil and other countries in which Duke Energy conducts business;
- The influence of weather and other natural phenomena on operations, including the economic, operational and other effects of severe storms, hurricanes, droughts, earthquakes and tornadoes;
- The ability to successfully operate electric generating facilities and deliver electricity to customers including direct or indirect effects to the company resulting from an incident that affects the U.S. electric grid or generating resources;
- The impact on facilities and business from a terrorist attack, cybersecurity threats, data security breaches, and other catastrophic events such as fires, explosions, pandemic health events or other similar occurrences;
- The inherent risks associated with the operation and potential construction of nuclear facilities, including environmental, health, safety, regulatory and financial risks;
- The timing and extent of changes in commodity prices, interest rates and foreign currency exchange rates and the ability to recover such costs through the regulatory process, where appropriate, and their impact on liquidity positions and the value of underlying assets;
- The results of financing efforts, including the ability to obtain financing on favorable terms, which can be affected by various factors, including credit ratings, interest rate fluctuations, and general economic conditions;
- Declines in the market prices of equity and fixed income securities and resultant cash funding requirements for defined benefit pension plans, other post-retirement benefit plans and nuclear decommissioning trust funds;
- Construction and development risks associated with the completion of Duke Energy Registrants' capital investment projects, including risks related to financing, obtaining and complying with terms of permits, meeting construction budgets and schedules, and satisfying operating and environmental performance standards, as well as the ability to recover costs from customers in a timely manner or at all;
- Changes in rules for regional transmission organizations, including changes in rate designs and new and evolving capacity markets, and risks related to obligations created by the default of other participants;
- The ability to control operation and maintenance costs;
- The level of creditworthiness of counterparties to transactions;
- Employee workforce factors, including the potential inability to attract and retain key personnel;
- The ability of subsidiaries to pay dividends or distributions to Duke Energy Corporation holding company (the Parent);
- The performance of projects undertaken by our nonregulated businesses and the success of efforts to invest in and develop new opportunities;
- The effect of accounting pronouncements issued periodically by accounting standard-setting bodies;
- The impact of potential goodwill impairments;
- The ability to successfully complete future merger, acquisition or divestiture plans;

- The expected timing and likelihood of completion of the proposed acquisition of Piedmont Natural Gas Company, Inc. (Piedmont), including the timing, receipt and terms and conditions of any required governmental and regulatory approvals of the proposed acquisition that could reduce anticipated benefits or cause the parties to abandon the acquisition, and under certain specified circumstances pay a termination fee of $250 million, as well as the ability to successfully integrate the businesses and realize anticipated benefits and the risk that the credit ratings of the combined company or its subsidiaries may be different from what the companies expect; and
- The likelihood, terms and timing of the potential sale of International Energy, excluding the equity investment in National Methanol Company (NMC), could change the presentation of certain assets, liabilities and results of operations as assets held for sale, liabilities associated with assets held for sale, and discontinued operations, respectively.

Additional risks and uncertainties are identified and discussed in the Duke Energy Registrants' reports filed with the SEC and available at the SEC's website at www.sec.gov. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than described. Forward-looking statements speak only as of the date they are made and the Duke Energy Registrants expressly disclaim an obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

ITEM 1. FINANCIAL STATEMENTS

DUKE ENERGY CORPORATION
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions, except per-share amounts)	**2016**	**2015**	**2016**	**2015**
Operating Revenues				
Regulated electric	$ 4,965	$ 5,090	$ 10,018	$ 10,547
Nonregulated electric and other	422	403	822	780
Regulated natural gas	97	96	266	327
Total operating revenues	5,484	5,589	11,106	11,654
Operating Expenses				
Fuel used in electric generation and purchased power – regulated	1,509	1,721	3,086	3,662
Fuel used in electric generation and purchased power – nonregulated	82	118	140	222
Cost of natural gas	21	26	81	137
Operation, maintenance and other	1,431	1,422	2,920	2,848
Depreciation and amortization	813	790	1,627	1,567
Property and other taxes	293	279	590	543
Impairment charges	195	—	198	—
Total operating expenses	4,344	4,356	8,642	8,979
Gains on Sales of Other Assets and Other, net	5	13	14	27
Operating Income	1,145	1,246	2,478	2,702
Other Income and Expenses				
Equity in earnings of unconsolidated affiliates	15	23	23	36
Other income and expenses, net	92	72	171	146
Total other income and expenses	107	95	194	182
Interest Expense	500	403	1,011	806
Income From Continuing Operations Before Income Taxes	752	938	1,661	2,078
Income Tax Expense from Continuing Operations	239	334	452	698
Income From Continuing Operations	513	604	1,209	1,380
(Loss) Income From Discontinued Operations, net of tax	(1)	(57)	2	34
Net Income	512	547	1,211	1,414
Less: Net Income Attributable to Noncontrolling Interests	3	4	8	7
Net Income Attributable to Duke Energy Corporation	$ 509	$ 543	$ 1,203	$ 1,407
Earnings Per Share – Basic and Diluted				
Income from continuing operations attributable to Duke Energy Corporation common stockholders				
Basic	$ 0.74	$ 0.87	$ 1.74	$ 1.96
Diluted	$ 0.74	$ 0.87	$ 1.74	$ 1.96
(Loss) Income from discontinued operations attributable to Duke Energy Corporation common stockholders				
Basic	$ —	$ (0.09)	$ —	$ 0.05
Diluted	$ —	$ (0.09)	$ —	$ 0.05
Net income attributable to Duke Energy Corporation common stockholders				
Basic	$ 0.74	$ 0.78	$ 1.74	$ 2.01
Diluted	$ 0.74	$ 0.78	$ 1.74	$ 2.01
Weighted average shares outstanding				
Basic	689	692	689	700
Diluted	690	692	689	700

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY CORPORATION
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2016	2015	2016	2015
Net Income	$ 512	$ 547	$ 1,211	$ 1,414
Other Comprehensive Income (Loss), net of tax				
Foreign currency translation adjustments	58	9	107	(116)
Pension and OPEB adjustments	2	7	2	2
Net unrealized (losses) gains on cash flow hedges	(11)	9	(25)	2
Reclassification into earnings from cash flow hedges	—	1	2	5
Unrealized gains (losses) on available-for-sale securities	3	(3)	7	(3)
Other Comprehensive Income (Loss), net of tax	52	23	93	(110)
Comprehensive Income	564	570	1,304	1,304
Less: Comprehensive Income Attributable to Noncontrolling Interests	6	3	12	2
Comprehensive Income Attributable to Duke Energy Corporation	$ 558	$ 567	$ 1,292	$ 1,302

See Notes to Condensed Consolidated Financial Statements

PART I

DUKE ENERGY CORPORATION
Condensed Consolidated Balance Sheets
(Unaudited)

(in millions)	June 30, 2016	December 31, 2015
ASSETS		
Current Assets		
Cash and cash equivalents	$ 676	$ 857
Receivables (net of allowance for doubtful accounts of $23 at 2016 and $18 at 2015)	575	703
Receivables of VIEs (net of allowance for doubtful accounts of $56 at 2016 and $53 at 2015)	1,943	1,748
Inventory	3,627	3,810
Regulatory assets (includes $34 related to VIEs at 2016)	825	877
Other	451	327
Total current assets	8,097	8,322
Investments and Other Assets		
Investments in equity method unconsolidated affiliates	613	499
Nuclear decommissioning trust funds	5,966	5,825
Goodwill	16,357	16,343
Other	2,972	3,042
Total investments and other assets	25,908	25,709
Property, Plant and Equipment		
Cost	115,143	112,826
Accumulated depreciation and amortization	(38,412)	(37,665)
Generation facilities to be retired, net	598	548
Net property, plant and equipment	77,329	75,709
Regulatory Assets and Deferred Debits		
Regulatory assets (includes $1,194 related to VIEs at 2016)	11,290	11,373
Other	30	43
Total regulatory assets and deferred debits	11,320	11,416
Total Assets	$ 122,654	$ 121,156
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$ 2,221	$ 2,400
Notes payable and commercial paper	2,312	3,633
Taxes accrued	467	348
Interest accrued	448	430
Current maturities of long-term debt (includes $197 at 2016 and $125 at 2015 related to VIEs)	2,342	2,074
Regulatory liabilities	332	400
Other	1,784	2,115
Total current liabilities	9,906	11,400
Long-Term Debt (includes $3,383 at 2016 and $2,197 at 2015 related to VIEs)	39,931	37,495
Deferred Credits and Other Liabilities		
Deferred income taxes	13,038	12,705
Investment tax credits	492	472
Accrued pension and other post-retirement benefit costs	1,044	1,088
Asset retirement obligations	10,231	10,264
Regulatory liabilities	6,334	6,255
Other	1,730	1,706
Total deferred credits and other liabilities	32,869	32,490
Commitments and Contingencies		
Equity		
Common stock, $0.001 par value, 2 billion shares authorized; 689 million and 688 million shares outstanding at 2016 and 2015, respectively	1	1
Additional paid-in capital	37,984	37,968
Retained earnings	2,627	2,564
Accumulated other comprehensive loss	(717)	(806)
Total Duke Energy Corporation stockholders' equity	39,895	39,727

Noncontrolling interests		53		44
Total equity		39,948		39,771
Total Liabilities and Equity	$	122,654	$	121,156

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY CORPORATION
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30,	
(in millions)	**2016**	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 1,211	$ 1,414
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion (including amortization of nuclear fuel)	1,868	1,784
Equity component of AFUDC	(87)	(82)
Gains on sales of other assets	(18)	(29)
Impairment charges	198	37
Deferred income taxes	285	699
Equity in earnings of unconsolidated affiliates	(23)	(36)
Accrued pension and other post-retirement benefit costs	8	36
Contributions to qualified pension plans	—	(132)
Payments for asset retirement obligations	(263)	(125)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	199	(29)
Receivables	(57)	105
Inventory	178	2
Other current assets	(51)	(161)
Increase (decrease) in		
Accounts payable	(153)	(288)
Taxes accrued	216	(29)
Other current liabilities	(281)	(145)
Other assets	(9)	(63)
Other liabilities	(15)	(79)
Net cash provided by operating activities	3,206	2,879
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(3,393)	(3,062)
Investment expenditures	(136)	(98)
Acquisitions	—	(29)
Purchases of available-for-sale securities	(3,033)	(2,187)
Proceeds from sales and maturities of available-for-sale securities	3,059	2,200
Net proceeds from the sale of the Disposal Group	—	2,792
Net proceeds from the sales of equity investments and other assets	2	40
Change in restricted cash	(21)	(3)
Other	(86)	53
Net cash used in investing activities	(3,608)	(294)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the:		
Issuance of long-term debt	3,514	574
Issuance of common stock related to employee benefit plans	7	16
Payments for the redemption of long-term debt	(795)	(1,246)
Proceeds from the issuance of short-term debt with original maturities greater than 90 days	500	287
Payments for the redemption of short-term debt with original maturities greater than 90 days	(492)	(664)
Notes payable and commercial paper	(1,349)	12
Distributions to noncontrolling interests	(3)	(7)
Dividends paid	(1,140)	(1,115)
Repurchase of common shares	—	(1,500)
Other	(21)	(18)
Net cash provided by (used in) financing activities	221	(3,661)
Net decrease in cash and cash equivalents	(181)	(1,076)
Cash and cash equivalents at beginning of period	857	2,036
Cash and cash equivalents at end of period	$ 676	$ 960

Supplemental Disclosures:				
Significant non-cash transactions:				
Accrued capital expenditures	$	670	$	547

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY CORPORATION
Condensed Consolidated Statements of Changes in Equity
(Unaudited)

					Accumulated Other Comprehensive Loss						
(in millions)	Common Stock Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Foreign Currency Translation Adjustments	Net Losses on Cash Flow Hedges	Net Unrealized Gains (Losses) on Available-for-Sale-Securities	Pension and OPEB Adjustments	Total Duke Energy Corporation Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2014	707	$ 1	$ 39,405	$ 2,012	$ (439)	$ (59)	$ 3	$ (48)	$ 40,875	$ 24	$40,899
Net income	—	—	—	1,407	—	—	—	—	1,407	7	1,414
Other comprehensive (loss) income	—	—	—	—	(111)	7	(3)	2	(105)	(5)	(110)
Common stock issuances, including dividend reinvestment and employee benefits	1	—	28	—	—	—	—	—	28	—	28
Stock repurchase	(20)	—	(1,500)	—	—	—	—	—	(1,500)	—	(1,500)
Common stock dividends	—	—	—	(1,115)	—	—	—	—	(1,115)	—	(1,115)
Distributions to noncontrolling interest in subsidiaries	—	—	—	—	—	—	—	—	—	(7)	(7)
Other[(a)]	—	—	—	(10)	—	—	—	—	(10)	18	8
Balance at June 30, 2015	688	$ 1	$ 37,933	$ 2,294	$ (550)	$ (52)	$ —	$ (46)	$ 39,580	$ 37	$39,617
Balance at December 31, 2015	688	$ 1	$ 37,968	$ 2,564	$ (692)	$ (50)	$ (3)	$ (61)	$ 39,727	$ 44	$39,771
Net income	—	—	—	1,203	—	—	—	—	1,203	8	1,211
Other comprehensive income (loss)	—	—	—	—	103	(23)	7	2	89	4	93
Common stock issuances, including dividend reinvestment and employee benefits	1	—	16	—	—	—	—	—	16	—	16
Common stock dividends	—	—	—	(1,140)	—	—	—	—	(1,140)	—	(1,140)
Distributions to noncontrolling interest in subsidiaries	—	—	—	—	—	—	—	—	—	(3)	(3)
Balance at June 30, 2016	689	$ 1	$ 37,984	$ 2,627	$ (589)	$ (73)	$ 4	$ (59)	$ 39,895	$ 53	$39,948

(a) The $18 million change in Noncontrolling Interests is primarily related to an acquisition of majority interest in a solar company for an insignificant amount of cash consideration.

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY CAROLINAS, LLC
Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2016	2015	2016	2015
Operating Revenues	$ 1,675	$ 1,707	$ 3,415	$ 3,608
Operating Expenses				
Fuel used in electric generation and purchased power	389	427	810	1,005
Operation, maintenance and other	476	469	988	958
Depreciation and amortization	275	261	534	510
Property and other taxes	71	67	138	137
Total operating expenses	1,211	1,224	2,470	2,610
Operating Income	464	483	945	998
Other Income and Expenses, net	45	41	82	83
Interest Expense	107	106	214	208
Income Before Income Taxes	402	418	813	873
Income Tax Expense	141	153	281	316
Net Income	$ 261	$ 265	$ 532	$ 557
Other Comprehensive Income, net of tax				
Reclassification into earnings from cash flow hedges	—	—	1	—
Comprehensive Income	$ 261	$ 265	$ 533	$ 557

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY CAROLINAS, LLC
Condensed Consolidated Balance Sheets
(Unaudited)

(in millions)		June 30, 2016		December 31, 2015
ASSETS				
Current Assets				
Cash and cash equivalents	$	16	$	13
Receivables (net of allowance for doubtful accounts of $2 at 2016 and $3 at 2015)		112		142
Receivables of VIEs (net of allowance for doubtful accounts of $7 at 2016 and 2015)		696		596
Receivables from affiliated companies		71		107
Notes receivable from affiliated companies		252		163
Inventory		1,169		1,276
Regulatory assets		262		305
Other		86		128
Total current assets		2,664		2,730
Investments and Other Assets				
Nuclear decommissioning trust funds		3,133		3,050
Other		916		999
Total investments and other assets		4,049		4,049
Property, Plant and Equipment				
Cost		40,285		39,398
Accumulated depreciation and amortization		(13,880)		(13,521)
Net property, plant and equipment		26,405		25,877
Regulatory Assets and Deferred Debits				
Regulatory assets		2,856		2,768
Other		3		4
Total regulatory assets and deferred debits		2,859		2,770
Total Assets	$	35,977	$	35,426
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable	$	565	$	753
Accounts payable to affiliated companies		173		229
Taxes accrued		137		25
Interest accrued		108		95
Current maturities of long-term debt		468		356
Regulatory liabilities		91		39
Other		400		519
Total current liabilities		1,942		2,016
Long-Term Debt		8,592		7,711
Long-Term Debt Payable to Affiliated Companies		300		300
Deferred Credits and Other Liabilities				
Deferred income taxes		6,472		6,146
Investment tax credits		196		199
Accrued pension and other post-retirement benefit costs		96		107
Asset retirement obligations		3,910		3,918
Regulatory liabilities		2,885		2,802
Other		645		621
Total deferred credits and other liabilities		14,204		13,793
Commitments and Contingencies				
Equity				
Member's equity		10,949		11,617
Accumulated other comprehensive loss		(10)		(11)
Total equity		10,939		11,606
Total Liabilities and Equity	$	35,977	$	35,426

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY CAROLINAS, LLC
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30,	
(in millions)	**2016**	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 532	$ 557
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including amortization of nuclear fuel)	673	670
Equity component of AFUDC	(48)	(48)
Deferred income taxes	273	184
Accrued pension and other post-retirement benefit costs	2	7
Contributions to qualified pension plans	—	(42)
Payments for asset retirement obligations	(118)	(60)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	3	—
Receivables	(48)	45
Receivables from affiliated companies	36	(31)
Inventory	102	(31)
Other current assets	24	34
Increase (decrease) in		
Accounts payable	(226)	(200)
Accounts payable to affiliated companies	(56)	(13)
Taxes accrued	188	73
Other current liabilities	28	(33)
Other assets	22	58
Other liabilities	(14)	(49)
Net cash provided by operating activities	1,373	1,121
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,031)	(954)
Purchases of available-for-sale securities	(1,395)	(1,410)
Proceeds from sales and maturities of available-for-sale securities	1,395	1,410
Notes receivable from affiliated companies	(89)	(550)
Other	(41)	8
Net cash used in investing activities	(1,161)	(1,496)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	992	496
Payments for the redemption of long-term debt	(1)	—
Distributions to parent	(1,200)	(100)
Other	—	(6)
Net cash (used in) provided by financing activities	(209)	390
Net increase in cash and cash equivalents	3	15
Cash and cash equivalents at beginning of period	13	13
Cash and cash equivalents at end of period	$ 16	$ 28
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$ 228	$ 160

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY CAROLINAS, LLC
Condensed Consolidated Statements of Changes in Equity
(Unaudited)

			Accumulated Other Comprehensive Loss					
(in millions)		**Member's Equity**		**Net Losses on Cash Flow Hedges**		**Net Unrealized Losses on Available-for-Sale Securities**		**Total Equity**
Balance at December 31, 2014	$	10,937	$	(12)	$	(1)	$	10,924
Net income		557		—		—		557
Distributions to parent		(100)		—		—		(100)
Balance at June 30, 2015	$	11,394	$	(12)	$	(1)	$	11,381
Balance at December 31, 2015	$	11,617	$	(11)	$	—	$	11,606
Net income		532		—		—		532
Other comprehensive income		—		1		—		1
Distributions to parent		(1,200)		—		—		(1,200)
Balance at June 30, 2016	**$**	**10,949**	**$**	**(10)**	**$**	**—**	**$**	**10,939**

See Notes to Condensed Consolidated Financial Statements

PROGRESS ENERGY, INC.
Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2016**	**2015**	**2016**	**2015**
Operating Revenues	$ 2,348	$ 2,476	$ 4,680	$ 5,012
Operating Expenses				
Fuel used in electric generation and purchased power	852	1,003	1,712	2,035
Operation, maintenance and other	525	568	1,117	1,133
Depreciation and amortization	296	283	586	570
Property and other taxes	120	124	239	235
Impairment charges	1	—	3	—
Total operating expenses	1,794	1,978	3,657	3,973
Gains on Sales of Other Assets and Other, net	6	6	12	14
Operating Income	560	504	1,035	1,053
Other Income and Expenses, net	28	19	48	46
Interest Expense	160	166	320	334
Income From Continuing Operations Before Income Taxes	428	357	763	765
Income Tax Expense From Continuing Operations	154	140	277	284
Income From Continuing Operations	274	217	486	481
Loss From Discontinued Operations, net of tax	—	—	—	(1)
Net Income	274	217	486	480
Less: Net Income Attributable to Noncontrolling Interests	2	2	5	5
Net Income Attributable to Parent	$ 272	$ 215	$ 481	$ 475
Net Income	$ 274	$ 217	$ 486	$ 480
Other Comprehensive Income, net of tax				
Pension and OPEB adjustments	1	1	2	2
Reclassification into earnings from cash flow hedges	2	1	3	(1)
Unrealized (losses) gains on available-for-sale securities	—	(1)	1	(1)
Other Comprehensive Income, net of tax	3	1	6	—
Comprehensive Income	277	218	492	480
Less: Comprehensive Income Attributable to Noncontrolling Interests	2	2	5	5
Comprehensive Income Attributable to Parent	$ 275	$ 216	$ 487	$ 475

See Notes to Condensed Consolidated Financial Statements

PROGRESS ENERGY, INC.
Condensed Consolidated Balance Sheets
(Unaudited)

(in millions)	June 30, 2016	December 31, 2015
ASSETS		
Current Assets		
Cash and cash equivalents	$ 34	$ 44
Receivables (net of allowance for doubtful accounts of $6 at 2016 and 2015)	100	151
Receivables of VIEs (net of allowance for doubtful accounts of $8 at 2016 and 2015)	776	658
Receivables from affiliated companies	11	375
Inventory	1,725	1,751
Regulatory assets (includes $34 related to VIEs at 2016)	322	362
Other	168	156
Total current assets	3,136	3,497
Investments and Other Assets		
Nuclear decommissioning trust funds	2,834	2,775
Goodwill	3,655	3,655
Other	852	834
Total investments and other assets	7,341	7,264
Property, Plant and Equipment		
Cost	43,720	42,666
Accumulated depreciation and amortization	(15,087)	(14,867)
Generation facilities to be retired, net	506	548
Net property, plant and equipment	29,139	28,347
Regulatory Assets and Deferred Debits		
Regulatory assets (includes $1,194 related to VIEs at 2016)	5,298	5,435
Other	4	5
Total regulatory assets and deferred debits	5,302	5,440
Total Assets	$ 44,918	$ 44,548
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$ 690	$ 722
Accounts payable to affiliated companies	232	311
Notes payable to affiliated companies	916	1,308
Taxes accrued	162	53
Interest accrued	185	195
Current maturities of long-term debt (includes $35 related to VIEs at 2016)	300	315
Regulatory liabilities	166	286
Other	702	891
Total current liabilities	3,353	4,081
Long-Term Debt (includes $1,768 at 2016 and $479 at 2015 related to VIEs)	15,036	13,999
Long-Term Debt Payable to Affiliated Companies	150	150
Deferred Credits and Other Liabilities		
Deferred income taxes	5,044	4,790
Accrued pension and other post-retirement benefit costs	519	536
Asset retirement obligations	5,386	5,369
Regulatory liabilities	2,409	2,387
Other	328	383
Total deferred credits and other liabilities	13,686	13,465
Commitments and Contingencies		
Equity		
Common stock, $0.01 par value, 100 shares authorized and outstanding at 2016 and 2015	—	—
Additional paid-in capital	8,092	8,092
Retained earnings	4,661	4,831
Accumulated other comprehensive loss	(42)	(48)
Total Progress Energy, Inc. stockholders' equity	12,711	12,875

Noncontrolling interests		(18)		(22)
Total equity		12,693		12,853
Total Liabilities and Equity	$	**44,918**	$	44,548

See Notes to Condensed Consolidated Financial Statements

PROGRESS ENERGY, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30,	
(in millions)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 486	$ 480
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion (including amortization of nuclear fuel)	696	648
Equity component of AFUDC	(30)	(26)
Gains on sales of other assets	(15)	(14)
Impairment charges	3	—
Deferred income taxes	285	358
Accrued pension and other post-retirement benefit costs	(12)	(3)
Contributions to qualified pension plans	—	(42)
Payments for asset retirement obligations	(126)	(61)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	32	5
Receivables	(66)	(103)
Receivables from affiliated companies	306	(55)
Inventory	25	62
Other current assets	45	215
Increase (decrease) in		
Accounts payable	(26)	(182)
Accounts payable to affiliated companies	(79)	68
Taxes accrued	90	94
Other current liabilities	(162)	(9)
Other assets	(72)	(70)
Other liabilities	15	(32)
Net cash provided by operating activities	1,395	1,333
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,441)	(1,170)
Purchases of available-for-sale securities	(1,570)	(562)
Proceeds from sales and maturities of available-for-sale securities	1,594	624
Proceeds from insurance	58	—
Notes receivable from affiliated companies	—	220
Change in restricted cash	(6)	—
Other	(14)	4
Net cash used in investing activities	(1,379)	(884)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	1,338	—
Payments for the redemption of long-term debt	(320)	(549)
Notes payable to affiliated companies	(392)	110
Distributions to noncontrolling interests	(1)	(4)
Dividends to parent	(651)	—
Other	—	(3)
Net cash used in financing activities	(26)	(446)
Net (decrease) increase in cash and cash equivalents	(10)	3
Cash and cash equivalents at beginning of period	44	42
Cash and cash equivalents at end of period	$ 34	$ 45
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$ 288	$ 271

See Notes to Condensed Consolidated Financial Statements

PROGRESS ENERGY, INC.
Condensed Consolidated Statements of Changes in Equity
(Unaudited)

				Accumulated Other Comprehensive Loss					
(in millions)	Common Stock	Additional Paid-in Capital	Retained Earnings	Net Losses on Cash Flow Hedges	Net Unrealized Gains on Available-for-Sale Securities	Pension and OPEB Adjustments	Total Progress Energy, Inc. Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2014	$ —	$ 7,467	$ 3,782	$ (35)	$ 1	$ (7)	$ 11,208	$ (32)	$11,176
Net income	—	—	475	—	—	—	475	5	480
Other comprehensive (loss) income	—	—	—	(1)	(1)	2	—	—	—
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(4)	(4)
Other	—	—	(2)	—	—	—	(2)	4	2
Balance at June 30, 2015	$ —	$ 7,467	$ 4,255	$ (36)	$ —	$ (5)	$ 11,681	$ (27)	$11,654
Balance at December 31, 2015	$ —	$ 8,092	$ 4,831	$ (31)	$ —	$ (17)	$ 12,875	$ (22)	$12,853
Net income	—	—	481	—	—	—	481	5	486
Other comprehensive income	—	—	—	3	1	2	6	—	6
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(1)	(1)
Dividends to parent	—	—	(651)	—	—	—	(651)	—	(651)
Balance at June 30, 2016	$ —	$ 8,092	$ 4,661	$ (28)	$ 1	$ (15)	$ 12,711	$ (18)	$12,693

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY PROGRESS, LLC
Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2016**	**2015**	**2016**	**2015**
Operating Revenues	$ **1,213**	$ 1,193	$ **2,520**	$ 2,642
Operating Expenses				
Fuel used in electric generation and purchased power	**424**	449	**872**	1,024
Operation, maintenance and other	**321**	362	**707**	737
Depreciation and amortization	**175**	163	**350**	315
Property and other taxes	**38**	35	**79**	67
Total operating expenses	**958**	1,009	**2,008**	2,143
Gains on Sales of Other Assets and Other, net	**—**	—	**1**	1
Operating Income	**255**	184	**513**	500
Other Income and Expenses, net	**12**	15	**29**	35
Interest Expense	**64**	56	**127**	116
Income Before Income Taxes	**203**	143	**415**	419
Income Tax Expense	**72**	58	**147**	151
Net Income and Comprehensive Income	$ **131**	$ 85	$ **268**	$ 268

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY PROGRESS, LLC
Condensed Consolidated Balance Sheets
(Unaudited)

(in millions)	June 30, 2016	December 31, 2015
ASSETS		
Current Assets		
Cash and cash equivalents	$ 8	$ 15
Receivables (net of allowance for doubtful accounts of $4 at 2016 and 2015)	35	87
Receivables of VIEs (net of allowance for doubtful accounts of $5 at 2016 and 2015)	421	349
Receivables from affiliated companies	9	16
Inventory	1,068	1,088
Regulatory assets	187	264
Other	35	121
Total current assets	1,763	1,940
Investments and Other Assets		
Nuclear decommissioning trust funds	2,110	2,035
Other	509	486
Total investments and other assets	2,619	2,521
Property, Plant and Equipment		
Cost	27,771	27,313
Accumulated depreciation and amortization	(10,350)	(10,141)
Generation facilities to be retired, net	506	548
Net property, plant and equipment	17,927	17,720
Regulatory Assets and Deferred Debits		
Regulatory assets	2,744	2,710
Other	2	3
Total regulatory assets and deferred debits	2,746	2,713
Total Assets	$ 25,055	$ 24,894
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$ 300	$ 399
Accounts payable to affiliated companies	134	190
Notes payable to affiliated companies	78	209
Taxes accrued	71	15
Interest accrued	96	96
Current maturities of long-term debt	252	2
Regulatory liabilities	84	85
Other	314	412
Total current liabilities	1,329	1,408
Long-Term Debt	6,163	6,366
Long-Term Debt Payable to Affiliated Companies	150	150
Deferred Credits and Other Liabilities		
Deferred income taxes	3,167	3,027
Investment tax credits	152	132
Accrued pension and other post-retirement benefit costs	249	262
Asset retirement obligations	4,594	4,567
Regulatory liabilities	1,901	1,878
Other	23	45
Total deferred credits and other liabilities	10,086	9,911
Commitments and Contingencies		
Equity		
Member's Equity	7,327	7,059
Total equity	7,327	7,059
Total Liabilities and Equity	$ 25,055	$ 24,894

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY PROGRESS, LLC
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30,	
(in millions)	**2016**	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 268	$ 268
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion (including amortization of nuclear fuel)	451	389
Equity component of AFUDC	(20)	(23)
Gains on sales of other assets	(3)	(1)
Deferred income taxes	172	177
Accrued pension and other post-retirement benefit costs	(16)	(7)
Contributions to qualified pension plans	—	(21)
Payments for asset retirement obligations	(100)	(32)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	(1)	(3)
Receivables	(19)	(64)
Receivables from affiliated companies	7	6
Inventory	20	53
Other current assets	131	156
Increase (decrease) in		
Accounts payable	(28)	(128)
Accounts payable to affiliated companies	(56)	62
Taxes accrued	56	66
Other current liabilities	(12)	(15)
Other assets	(26)	(31)
Other liabilities	(6)	(21)
Net cash provided by operating activities	818	831
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(704)	(699)
Purchases of available-for-sale securities	(1,299)	(319)
Proceeds from sales and maturities of available-for-sale securities	1,284	301
Notes receivable from affiliated companies	—	237
Other	(19)	6
Net cash used in investing activities	(738)	(474)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	59	—
Payments for the redemption of long-term debt	(15)	(544)
Notes payable to affiliated companies	(131)	192
Other	—	(1)
Net cash used in financing activities	(87)	(353)
Net (decrease) increase in cash and cash equivalents	(7)	4
Cash and cash equivalents at beginning of period	15	9
Cash and cash equivalents at end of period	$ 8	$ 13
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$ 73	$ 135

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY PROGRESS, LLC
Condensed Consolidated Statements of Changes in Equity
(Unaudited)

(in millions)	Common Stock	Retained Earnings	Member's Equity	Total Equity
Balance at December 31, 2014	$ 2,159	$ 3,708	$ —	$ 5,867
Net income	—	268	—	268
Balance at June 30, 2015	$ 2,159	$ 3,976	$ —	$ 6,135
Balance at December 31, 2015	$ —	$ —	$ 7,059	$ 7,059
Net income	—	—	268	268
Balance at June 30, 2016	$ —	$ —	$ 7,327	$ 7,327

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY FLORIDA, LLC
Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2016**	**2015**	**2016**	**2015**
Operating Revenues	**$ 1,133**	$ 1,281	**$ 2,157**	$ 2,367
Operating Expenses				
Fuel used in electric generation and purchased power	**429**	554	**841**	1,011
Operation, maintenance and other	**199**	202	**404**	390
Depreciation and amortization	**122**	122	**236**	256
Property and other taxes	**82**	88	**160**	168
Impairment charges	**1**	—	**3**	—
Total operating expenses	**833**	966	**1,644**	1,825
Operating Income	**300**	315	**513**	542
Other Income and Expenses, net	**14**	4	**19**	10
Interest Expense	**40**	50	**81**	99
Income Before Income Taxes	**274**	269	**451**	453
Income Tax Expense	**103**	104	**170**	175
Net Income	**$ 171**	$ 165	**$ 281**	$ 278
Other Comprehensive Income, net of tax				
Unrealized gains on investments in available-for-sale securities	**—**	$ —	**1**	—
Comprehensive Income	**$ 171**	$ 165	**$ 282**	$ 278

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY FLORIDA, LLC
Condensed Consolidated Balance Sheets
(Unaudited)

(in millions)	June 30, 2016	December 31, 2015
ASSETS		
Current Assets		
Cash and cash equivalents	$ 8	$ 8
Receivables (net of allowance for doubtful accounts of $2 at 2016 and 2015)	64	60
Receivables of VIEs (net of allowance for doubtful accounts of $3 at 2016 and 2015)	355	308
Receivables from affiliated companies	3	84
Inventory	657	663
Regulatory assets (includes $34 related to VIEs at 2016)	135	98
Other	43	21
Total current assets	1,265	1,242
Investments and Other Assets		
Nuclear decommissioning trust funds	724	740
Other	288	292
Total investments and other assets	1,012	1,032
Property, Plant and Equipment		
Cost	15,938	15,343
Accumulated depreciation and amortization	(4,730)	(4,720)
Net property, plant and equipment	11,208	10,623
Regulatory Assets and Deferred Debits		
Regulatory assets (includes $1,194 related to VIEs at 2016)	2,553	2,725
Other	3	2
Total regulatory assets and deferred debits	2,556	2,727
Total Assets	$ 16,041	$ 15,624
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$ 390	$ 322
Accounts payable to affiliated companies	100	116
Notes payable to affiliated companies	406	813
Taxes accrued	156	132
Interest accrued	40	43
Current maturities of long-term debt (includes $35 related to VIEs at 2016)	48	13
Regulatory liabilities	82	200
Other	361	452
Total current liabilities	1,583	2,091
Long-Term Debt (includes $1,468 at 2016 and $225 at 2015 related to VIEs)	5,492	4,253
Deferred Credits and Other Liabilities		
Deferred income taxes	2,571	2,460
Accrued pension and other post-retirement benefit costs	238	242
Asset retirement obligations	792	802
Regulatory liabilities	508	509
Other	103	146
Total deferred credits and other liabilities	4,212	4,159
Commitments and Contingencies		
Equity		
Member's equity	4,753	5,121
Accumulated other comprehensive income	1	—
Total equity	4,754	5,121
Total Liabilities and Equity	$ 16,041	$ 15,624

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY FLORIDA, LLC
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30,	
(in millions)	**2016**	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 281	$ 278
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	239	258
Equity component of AFUDC	(9)	(2)
Impairment charges	3	—
Deferred income taxes	113	237
Accrued pension and other post-retirement benefit costs	1	3
Contributions to qualified pension plans	—	(21)
Payments for asset retirement obligations	(25)	(28)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	34	5
Receivables	(49)	(40)
Receivables from affiliated companies	23	(53)
Inventory	5	10
Other current assets	(13)	10
Increase (decrease) in		
Accounts payable	3	(53)
Accounts payable to affiliated companies	(16)	3
Taxes accrued	5	65
Other current liabilities	(142)	5
Other assets	(47)	(44)
Other liabilities	20	(19)
Net cash provided by operating activities	426	614
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(737)	(471)
Purchases of available-for-sale securities	(271)	(243)
Proceeds from sales and maturities of available-for-sale securities	310	323
Proceeds from insurance	58	—
Change in restricted cash	(6)	—
Other	5	1
Net cash used in investing activities	(641)	(390)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	1,278	—
Payments for the redemption of long-term debt	(5)	(5)
Notes payable to affiliated companies	(407)	137
Dividends to parent	—	(350)
Distributions to parent	(649)	—
Other	(2)	(1)
Net cash provided by (used in) financing activities	215	(219)
Net increase in cash and cash equivalants	—	5
Cash and cash equivalents at beginning of period	8	8
Cash and cash equivalents at end of period	$ 8	$ 13
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$ 215	$ 136

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY FLORIDA, LLC
Condensed Consolidated Statements of Changes in Equity
(Unaudited)

								Accumulated Other Comprehensive Income		
								Net Unrealized Gains on		
		Common		Retained		Member's		Available-for-Sale		Total
(in millions)		**Stock**		**Earnings**		**Equity**		**Securities**		**Equity**
Balance at December 31, 2014	$	1,762	$	3,460	$	—	$	—	$	5,222
Net income		—		278		—		—		278
Dividends to parent		—		(350)		—		—		(350)
Balance at June 30, 2015	$	1,762	$	3,388	$	—	$	—	$	5,150
Balance at December 31, 2015	$	—	$	—	$	5,121	$	—	$	5,121
Net income		—		—		281		—		281
Other comprehensive income		—		—		—		1		1
Distributions to parent		—		—		(649)		—		(649)
Balance at June 30, 2016	$	—	$	—	$	4,753	$	1	$	4,754

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY OHIO, INC.
Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2016**	**2015**	**2016**	**2015**
Operating Revenues				
Regulated electric	$ 323	$ 299	$ 663	$ 638
Nonregulated electric and other	6	9	12	23
Regulated natural gas	99	97	269	330
Total operating revenues	428	405	944	991
Operating Expenses				
Fuel used in electric generation and purchased power – regulated	100	107	211	222
Fuel used in electric generation and purchased power – nonregulated	13	12	23	26
Cost of natural gas	9	12	58	109
Operation, maintenance and other	122	118	241	246
Depreciation and amortization	64	58	125	115
Property and other taxes	65	57	136	127
Total operating expenses	373	364	794	845
Gains on Sales of Other Assets and Other, net	—	2	1	8
Operating Income	55	43	151	154
Other Income and Expenses, net	1	(5)	3	(2)
Interest Expense	21	18	41	38
Income From Continuing Operations Before Income Taxes	35	20	113	114
Income Tax Expense From Continuing Operations	12	7	33	42
Income From Continuing Operations	23	13	80	72
Income (Loss) From Discontinued Operations, net of tax	—	(65)	2	25
Net Income (Loss) and Comprehensive Income (Loss)	$ 23	$ (52)	$ 82	$ 97

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY OHIO, INC.
Condensed Consolidated Balance Sheets
(Unaudited)

(in millions)	June 30, 2016	December 31, 2015
ASSETS		
Current Assets		
Cash and cash equivalents	$ 10	$ 14
Receivables (net of allowance for doubtful accounts of $2 at 2016 and 2015)	63	66
Receivables from affiliated companies	35	84
Notes receivable from affiliated companies	186	—
Inventory	110	105
Regulatory assets	54	36
Other	65	110
Total current assets	523	415
Investments and Other Assets		
Goodwill	920	920
Other	16	20
Total investments and other assets	936	940
Property, Plant and Equipment		
Cost	7,906	7,750
Accumulated depreciation and amortization	(2,536)	(2,507)
Net property, plant and equipment	5,370	5,243
Regulatory Assets and Deferred Debits		
Regulatory assets	472	497
Other	2	2
Total regulatory assets and deferred debits	474	499
Total Assets	$ 7,303	$ 7,097
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$ 218	$ 207
Accounts payable to affiliated companies	76	53
Notes payable to affiliated companies	—	103
Taxes accrued	108	171
Interest accrued	19	18
Current maturities of long-term debt	54	106
Regulatory liabilities	18	12
Other	82	153
Total current liabilities	575	823
Long-Term Debt	1,808	1,467
Long-Term Debt Payable to Affiliated Companies	25	25
Deferred Credits and Other Liabilities		
Deferred income taxes	1,476	1,407
Accrued pension and other post-retirement benefit costs	52	56
Asset retirement obligations	125	125
Regulatory liabilities	241	245
Other	160	165
Total deferred credits and other liabilities	2,054	1,998
Commitments and Contingencies		
Equity		
Common stock, $8.50 par value, 120,000,000 shares authorized; 89,663,086 shares outstanding at 2016 and 2015	762	762
Additional paid-in capital	2,695	2,720
Accumulated deficit	(616)	(698)
Total equity	2,841	2,784
Total Liabilities and Equity	$ 7,303	$ 7,097

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY OHIO, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30,	
(in millions)	**2016**	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 82	$ 97
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	127	117
Equity component of AFUDC	(2)	(2)
Gains on sales of other assets and other, net	(1)	(8)
Impairment charges	—	40
Deferred income taxes	68	62
Accrued pension and other post-retirement benefit costs	3	4
Contributions to qualified pension plans	—	(1)
Payments for asset retirement obligations	(3)	(1)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	(2)	(12)
Receivables	3	6
Receivables from affiliated companies	49	46
Inventory	(5)	3
Other current assets	49	32
Increase (decrease) in		
Accounts payable	8	(12)
Accounts payable to affiliated companies	23	19
Taxes accrued	(68)	(68)
Other current liabilities	(66)	99
Other assets	(8)	19
Other liabilities	(9)	(52)
Net cash provided by operating activities	248	388
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(214)	(166)
Notes receivable from affiliated companies	(186)	130
Other	(13)	(4)
Net cash used in investing activities	(413)	(40)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	341	—
Payments for the redemption of long-term debt	(52)	(152)
Notes payable to affiliated companies	(103)	(193)
Dividends to parent	(25)	—
Other	—	(1)
Net cash provided by (used in) financing activities	161	(346)
Net (decrease) increase in cash and cash equivalents	(4)	2
Cash and cash equivalents at beginning of period	14	20
Cash and cash equivalents at end of period	$ 10	$ 22
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$ 30	$ 19
Distribution of membership interest of Duke Energy SAM, LLC to parent	—	1,912

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY OHIO, INC.
Condensed Consolidated Statements of Changes in Equity
(Unaudited)

(in millions)	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total Equity
Balance at December 31, 2014	$ 762	$ 4,782	$ (870)	$ 4,674
Net Income	—	—	97	97
Distribution of membership interest of Duke Energy SAM, LLC to parent	—	(1,912)	—	(1,912)
Balance at June 30, 2015	$ 762	$ 2,870	$ (773)	$ 2,859
Balance at December 31, 2015	$ 762	$ 2,720	$ (698)	$ 2,784
Net income	—	—	82	82
Dividends to parent	—	(25)	—	(25)
Balance at June 30, 2016	**$ 762**	**$ 2,695**	**$ (616)**	**$ 2,841**

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY INDIANA, LLC
Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2016	2015	2016	2015
Operating Revenues	$ 702	$ 686	$ 1,416	$ 1,474
Operating Expenses				
Fuel used in electric generation and purchased power	220	235	448	529
Operation, maintenance and other	189	180	351	361
Depreciation and amortization	97	107	222	211
Property and other taxes	22	19	45	18
Total operating expenses	528	541	1,066	1,119
Gain on Sale of Other Assets and Other, net	—	1	—	1
Operating Income	174	146	350	356
Other Income and Expenses, net	6	4	10	9
Interest Expense	47	43	91	88
Income Before Income Taxes	133	107	269	277
Income Tax Expense	48	39	89	101
Net Income	$ 85	$ 68	$ 180	$ 176
Other Comprehensive Loss, net of tax				
Reclassification into earnings from cash flow hedges	—	—	(1)	(1)
Comprehensive Income	$ 85	$ 68	$ 179	$ 175

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY INDIANA, LLC
Condensed Consolidated Balance Sheets
(Unaudited)

(in millions)	June 30, 2016	December 31, 2015
ASSETS		
Current Assets		
Cash and cash equivalents	$ 12	$ 9
Receivables (net of allowance for doubtful accounts of $1 at 2016 and 2015)	87	96
Receivables from affiliated companies	60	71
Notes receivable from affiliated companies	147	83
Inventory	508	570
Regulatory assets	115	102
Other	45	15
Total current assets	974	946
Investments and Other Assets	221	212
Property, Plant and Equipment		
Cost	13,677	14,007
Accumulated depreciation and amortization	(4,219)	(4,484)
Generation facilities to be retired, net	93	—
Net property, plant and equipment	9,551	9,523
Regulatory Assets and Deferred Debits		
Regulatory assets	825	716
Other	2	2
Total regulatory assets and deferred debits	827	718
Total Assets	$ 11,573	$ 11,399
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$ 146	$ 189
Accounts payable to affiliated companies	87	83
Taxes accrued	40	89
Interest accrued	59	56
Current maturities of long-term debt	221	547
Regulatory liabilities	57	62
Other	101	97
Total current liabilities	711	1,123
Long-Term Debt	3,566	3,071
Long-Term Debt Payable to Affiliated Companies	150	150
Deferred Credits and Other Liabilities		
Deferred income taxes	1,732	1,657
Investment tax credits	137	138
Accrued pension and other post-retirement benefit costs	74	80
Asset retirement obligations	520	525
Regulatory liabilities	745	754
Other	72	65
Total deferred credits and other liabilities	3,280	3,219
Commitments and Contingencies		
Equity		
Member's equity	3,866	—
Common stock, no par; $0.01 stated value, 60,000,000 shares authorized; 53,913,701 shares outstanding at 2015	—	1
Additional paid-in capital	—	1,384
Retained earnings	—	2,450
Accumulated other comprehensive income	—	1
Total equity	3,866	3,836
Total Liabilities and Equity	$ 11,573	$ 11,399

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY INDIANA, LLC
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30,	
(in millions)	**2016**	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 180	$ 176
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	223	214
Equity component of AFUDC	(7)	(6)
Gain on sale of other assets and other, net	—	(1)
Deferred income taxes	36	232
Accrued pension and other post-retirement benefit costs	4	6
Contributions to qualified pension plans	—	(9)
Payments for asset retirement obligations	(16)	(3)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	—	(2)
Receivables	12	(1)
Receivables from affiliated companies	11	6
Inventory	62	(42)
Other current assets	(19)	87
Increase (decrease) in		
Accounts payable	(22)	26
Accounts payable to affiliated companies	4	2
Taxes accrued	(42)	(21)
Other current liabilities	(60)	5
Other assets	(29)	(31)
Other liabilities	44	(43)
Net cash provided by operating activities	381	595
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(325)	(380)
Purchases of available-for-sale securities	(7)	(4)
Proceeds from sales and maturities of available-for-sale securities	5	3
Proceeds from the sales of other assets	—	14
Notes receivable from affiliated companies	(64)	(25)
Other	(6)	25
Net cash used in investing activities	(397)	(367)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	495	—
Payments for the redemption of long-term debt	(326)	—
Notes payable to affiliated companies	—	(71)
Dividends to parent	—	(150)
Distributions to parent	(149)	—
Other	(1)	(1)
Net cash provided by (used in) financing activities	19	(222)
Net increase in cash and cash equivalents	3	6
Cash and cash equivalents at beginning of period	9	6
Cash and cash equivalents at end of period	$ 12	$ 12
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$ 43	$ 46

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY INDIANA, LLC
Condensed Consolidated Statements of Changes in Equity
(Unaudited)

	Common	Additional			Accumulated Other Comprehensive Income	
					Net Gains on	
	Common	Paid-in	Retained	Member's	Cash Flow	Total
(in millions)	Stock	Capital	Earnings	Equity	Hedges	Equity
Balance at December 31, 2014	$ 1	$ 1,384	$ 2,460	$ —	$ 3	$ 3,848
Net income	—	—	176	—	—	176
Other comprehensive loss	—	—	—	—	(1)	(1)
Dividends to parent	—	—	(150)	—	—	(150)
Balance at June 30, 2015	$ 1	$ 1,384	$ 2,486	$ —	$ 2	$ 3,873
Balance at December 31, 2015	$ 1	$ 1,384	$ 2,450	$ —	$ 1	$ 3,836
Net income	—	—	—	180	—	180
Other comprehensive loss	—	—	—	—	(1)	(1)
Distributions to parent	—	—	—	(149)	—	(149)
Transfer to Member's Equity	(1)	(1,384)	(2,450)	3,835	—	—
Balance at June 30, 2016	$ —	$ —	$ —	$ 3,866	$ —	$ 3,866

See Notes to Condensed Consolidated Financial Statements

Index to Combined Notes to Condensed Consolidated Financial Statements

The unaudited notes to the condensed consolidated financial statements that follow are a combined presentation. The following list indicates the registrants to which the footnotes apply. Tables within the notes may not sum across due to Progress Energy's consolidation of Duke Energy Progress, Duke Energy Florida and other subsidiaries that are not registrants. In addition, the Duke Energy amounts include balances from subsidiaries that are not registrants.

	Applicable Notes																
Registrant	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**
Duke Energy Corporation	•	•	•	•	•	•	•		•	•	•	•	•	•	•	•	•
Duke Energy Carolinas, LLC	•		•	•	•	•		•	•	•	•	•			•	•	•
Progress Energy, Inc.	•	•	•	•	•	•	•	•	•	•	•	•			•	•	•
Duke Energy Progress, LLC	•	•	•	•	•	•		•	•	•	•	•			•	•	•
Duke Energy Florida, LLC	•		•	•	•	•		•	•	•	•	•			•	•	•
Duke Energy Ohio, Inc.	•	•	•	•	•	•	•	•	•		•	•			•	•	•
Duke Energy Indiana, LLC	•		•	•	•	•		•	•	•	•	•			•	•	•

1. ORGANIZATION AND BASIS OF PRESENTATION

NATURE OF OPERATIONS AND BASIS OF CONSOLIDATION

Duke Energy Corporation (collectively with its subsidiaries, Duke Energy) is an energy company headquartered in Charlotte, North Carolina, subject to regulation by the Federal Energy Regulatory Commission (FERC). Duke Energy operates in the United States (U.S.) and Latin America primarily through its direct and indirect subsidiaries. Duke Energy's subsidiaries include its subsidiary registrants, Duke Energy Carolinas, LLC (Duke Energy Carolinas); Progress Energy, Inc. (Progress Energy); Duke Energy Progress, LLC (Duke Energy Progress); Duke Energy Florida, LLC (Duke Energy Florida); Duke Energy Ohio, Inc. (Duke Energy Ohio) and Duke Energy Indiana, LLC (Duke Energy Indiana, formerly Duke Energy Indiana, Inc.). When discussing Duke Energy's consolidated financial information, it necessarily includes the results of its six separate subsidiary registrants (collectively referred to as the Subsidiary Registrants), which, along with Duke Energy, are collectively referred to as the Duke Energy Registrants (Duke Energy Registrants).

These Condensed Consolidated Financial Statements include, after eliminating intercompany transactions and balances, the accounts of the Duke Energy Registrants and subsidiaries where the respective Duke Energy Registrants have control. These Condensed Consolidated Financial Statements also reflect the Duke Energy Registrants' proportionate share of certain jointly owned generation and transmission facilities.

Duke Energy Carolinas is a regulated public utility primarily engaged in the generation, transmission, distribution and sale of electricity in portions of North Carolina and South Carolina. Duke Energy Carolinas is subject to the regulatory provisions of the North Carolina Utilities Commission (NCUC), Public Service Commission of South Carolina (PSCSC), U.S. Nuclear Regulatory Commission (NRC) and FERC. Substantially all of Duke Energy Carolinas' operations qualify for regulatory accounting.

Progress Energy is a public utility holding company headquartered in Raleigh, North Carolina, subject to regulation by the FERC. Progress Energy conducts operations through its wholly owned subsidiaries, Duke Energy Progress and Duke Energy Florida. Substantially all of Progress Energy's operations qualify for regulatory accounting.

Duke Energy Progress is a regulated public utility primarily engaged in the generation, transmission, distribution and sale of electricity in portions of North Carolina and South Carolina. Duke Energy Progress is subject to the regulatory provisions of the NCUC, PSCSC, NRC and FERC. Substantially all of Duke Energy Progress' operations qualify for regulatory accounting.

Duke Energy Florida is a regulated public utility primarily engaged in the generation, transmission, distribution and sale of electricity in portions of Florida. Duke Energy Florida is subject to the regulatory provisions of the Florida Public Service Commission (FPSC), NRC and FERC. Substantially all of Duke Energy Florida's operations qualify for regulatory accounting.

Duke Energy Ohio is a regulated public utility primarily engaged in the transmission and distribution of electricity in portions of Ohio and Kentucky, the generation and sale of electricity in portions of Kentucky, and the transportation and sale of natural gas in portions of Ohio and Kentucky. Duke Energy Ohio conducts competitive auctions for retail electricity supply in Ohio whereby the energy price is recovered from retail customers and recorded in Operating Revenues on the Condensed Consolidated Statements of Operations and Comprehensive Income. Operations in Kentucky are conducted through its wholly owned subsidiary, Duke Energy Kentucky, Inc. (Duke Energy Kentucky). References herein to Duke Energy Ohio collectively include Duke Energy Ohio and its subsidiaries, unless otherwise noted. Duke Energy Ohio is subject to the regulatory provisions of the Public Utilities Commission of Ohio (PUCO), Kentucky Public Service Commission (KPSC) and FERC. On April 2, 2015, Duke Energy completed the sale of its nonregulated Midwest generation business, which sold power into wholesale energy markets, to a subsidiary of Dynegy Inc. (Dynegy). See Note 2 for additional information. Substantially all of Duke Energy Ohio's operations that remain after the sale qualify for regulatory accounting.

Duke Energy Indiana is a regulated public utility primarily engaged in the generation, transmission, distribution and sale of electricity in portions of Indiana. Duke Energy Indiana is subject to the regulatory provisions of the Indiana Utility Regulatory Commission (IURC) and FERC. Substantially all of Duke Energy Indiana's operations qualify for regulatory accounting. On January 1, 2016, Duke Energy Indiana, an Indiana corporation, converted into an Indiana limited liability company.

BASIS OF PRESENTATION

Duke Energy completed the sale of Duke Energy Ohio's nonregulated Midwest generation business and Duke Energy Retail Sales (collectively, the Disposal Group), a retail sales business owned by Duke Energy, to Dynegy on April 2, 2015. The results of operations of these businesses prior to the date of sale have been classified as Discontinued Operations on the Condensed Consolidated Statements of Operations. Duke Energy has elected to present cash flows of discontinued operations combined with cash flows of continuing operations. Unless otherwise noted, the notes to these Condensed Consolidated Financial Statements exclude amounts related to discontinued operations. See Note 2 for additional information.

These Condensed Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles (GAAP) in the U.S. for interim financial information and with the instructions to Form 10-Q and Regulation S-X. Accordingly, these Condensed Consolidated Financial Statements do not include all information and notes required by GAAP in the U.S. for annual financial statements. Since the interim Condensed Consolidated Financial Statements and Notes do not include all information and notes required by GAAP in the U.S. for annual financial statements, the Condensed Consolidated Financial Statements and other information included in this quarterly report should be read in conjunction with the Consolidated Financial Statements and Notes in the Duke Energy Registrants' combined Annual Report on Form 10-K for the year ended December 31, 2015.

The information in these combined notes relates to each of the Duke Energy Registrants as noted in the Index to Combined Notes to Condensed Consolidated Financial Statements. However, none of the registrants make any representations as to information related solely to Duke Energy or the subsidiaries of Duke Energy other than itself.

These Condensed Consolidated Financial Statements, in the opinion of the respective companies' management, reflect all normal recurring adjustments necessary to fairly present the financial position and results of operations of each of the Duke Energy Registrants. Amounts reported in Duke Energy's interim Condensed Consolidated Statements of Operations and each of the Subsidiary Registrants' interim Condensed Consolidated Statements of Operations and Comprehensive Income are not necessarily indicative of amounts expected for the respective annual periods due to effects of seasonal temperature variations on energy consumption, regulatory rulings, timing of maintenance on electric generating units, changes in mark-to-market valuations, changing commodity prices and other factors.

In preparing financial statements that conform to GAAP, management must make estimates and assumptions that affect the reported amounts of assets and liabilities, the reported amounts of revenues and expenses, and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Certain prior year amounts have been reclassified to conform to the current year presentation.

UNBILLED REVENUE

Revenues on sales of electricity and natural gas are recognized when service is provided or the product is delivered. Unbilled revenues are recognized by applying customer billing rates to the estimated volumes of energy delivered but not yet billed. Unbilled revenues can vary significantly from period to period as a result of seasonality, weather, customer usage patterns, customer mix, average price in effect for customer classes, timing of rendering customer bills and meter reading schedules.

Unbilled revenues, which are included within Receivables and Receivables of variable interest entities (VIEs) on the Condensed Consolidated Balance Sheets, are presented in the following table.

(in millions)	June 30, 2016	December 31, 2015
Duke Energy	$ 840	$ 748
Duke Energy Carolinas	330	283
Progress Energy	209	172
Duke Energy Progress	104	102
Duke Energy Florida	105	70
Duke Energy Ohio	2	3
Duke Energy Indiana	38	31

Additionally, Duke Energy Ohio and Duke Energy Indiana sell nearly all of their retail accounts receivable to an affiliate, Cinergy Receivables Company, LLC (CRC), on a revolving basis. These transfers of receivables are accounted for as sales and include receivables for unbilled revenues. Accordingly, the receivables sold are not reflected on the Condensed Consolidated Balance Sheets of Duke Energy Ohio and Duke Energy Indiana. See Note 12 for further information. These receivables for unbilled revenues are shown in the table below.

(in millions)	June 30, 2016	December 31, 2015
Duke Energy Ohio	$ 70	$ 71
Duke Energy Indiana	109	97

AMOUNTS ATTRIBUTABLE TO CONTROLLING INTERESTS

Income (Loss) from Discontinued Operations, net of tax presented on the respective Condensed Consolidated Statements of Operations for Duke Energy and Progress Energy is attributable only to controlling interests for all periods presented. Other comprehensive income reported on the Condensed Consolidated Statements of Changes in Equity for Progress Energy is attributable only to controlling interests for all periods presented.

EXCISE TAXES

Certain excise taxes levied by state or local governments are required to be paid even if not collected from the customer. These taxes are recognized on a gross basis. Otherwise, excise taxes are accounted for net.

Excise taxes accounted for on a gross basis as both operating revenues and property and other taxes on the Condensed Consolidated Statements of Operations were as follows.

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2016**	**2015**	**2016**	**2015**
Duke Energy	**$ 87**	$ 97	**$ 178**	$ 197
Duke Energy Carolinas	**7**	9	**15**	18
Progress Energy	**50**	57	**96**	106
Duke Energy Progress	**4**	4	**9**	8
Duke Energy Florida	**46**	53	**87**	98
Duke Energy Ohio	**22**	23	**51**	55
Duke Energy Indiana	**8**	8	**16**	18

NEW ACCOUNTING STANDARDS

The new accounting standards adopted for 2016 and 2015 had no material impact on the presentation or results of operations, cash flows or financial position of the Duke Energy Registrants. The following accounting standard was adopted by the Duke Energy Registrants during 2015.

Balance Sheet Presentation of Debt Issuance Costs. In April and August of 2015, the Financial Accounting Standards Board (FASB) issued revised accounting guidance for the presentation of debt issuance costs. The core principle of this revised accounting guidance is that debt issuance costs are not assets, but adjustments to the carrying cost of debt. For Duke Energy, this revised accounting guidance was adopted retrospectively.

The implementation of this accounting standard resulted in a reduction of Other within Regulatory Assets and Deferred Debits and in Long-Term Debt of $192 million and $170 million on the Condensed Consolidated Balance Sheets as of June 30, 2016, and December 31, 2015, respectively.

The following new Accounting Standards Updates (ASUs) have been issued, but have not yet been adopted by Duke Energy, as of June 30, 2016.

Revenue from Contracts with Customers. In May 2014, the FASB issued revised accounting guidance for revenue recognition from contracts with customers. The core principle of this guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this update also require disclosure of sufficient information to allow users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

For Duke Energy, the revised accounting guidance is effective for interim and annual periods beginning January 1, 2018. The guidance can be applied retrospectively to all prior reporting periods presented or retrospectively with a cumulative effect as of the initial date of application. Duke Energy is currently evaluating the requirements. The ultimate impact of the new standard has not yet been determined.

Leases. In February 2016, the FASB issued revised accounting guidance for leases. The core principle of this guidance is that a lessee should recognize the assets and liabilities that arise from leases on the balance sheet.

For Duke Energy, this guidance is effective for interim and annual periods beginning January 1, 2019, although it can be early adopted. The guidance is applied using a modified retrospective approach. Duke Energy is currently evaluating the requirements. Other than an expected increase in assets and liabilities, the ultimate impact of the new standard has not yet been determined.

Stock-Based Compensation and Income Taxes. In March 2016, the FASB issued revised accounting guidance for stock-based compensation and the associated income taxes. This standard changes certain aspects of accounting for stock-based payment awards to employees including the accounting for income taxes, statutory tax withholding requirements, as well as the classification on the Condensed Consolidated Statements of Cash Flows. This guidance will be applied prospectively, retrospectively, or using a modified retrospective transition method depending on the item changed.

For Duke Energy, this guidance is effective for interim and annual periods beginning January 1, 2017, although it can be early adopted. Duke Energy is currently evaluating the requirements. The primary change expected is an increase in the volatility of income tax expense.

2. ACQUISITIONS AND DISPOSITIONS

ACQUISITIONS

The Duke Energy Registrants consolidate assets and liabilities from acquisitions as of the purchase date, and include earnings from acquisitions in consolidated earnings after the purchase date.

Acquisition of Piedmont Natural Gas

On October 24, 2015, Duke Energy entered into an Agreement and Plan of Merger (Merger Agreement) with Piedmont Natural Gas Company, Inc. (Piedmont), a North Carolina corporation. Under the terms of the Merger Agreement, Duke Energy will acquire Piedmont for approximately $4.9 billion in cash and Piedmont will become a wholly owned subsidiary of Duke Energy. In addition, Duke Energy will assume Piedmont's existing debt, which was approximately $2.0 billion at April 30, 2016, the end of Piedmont's most recent filed quarter. The excess of the purchase price over the fair value of Piedmont's assets and liabilities on the acquisition date will be recorded as goodwill. Duke Energy estimates the transaction would result in incremental goodwill of approximately $3.5 billion. Duke Energy expects to finance the transaction with a combination of debt, equity issuances and other cash sources. As of June 30, 2016, Duke Energy had entered into $1.4 billion of forward-starting interest rate swaps to manage interest rate exposure for the expected financing of the Piedmont acquisition. For additional information on the forward-starting swaps, see Note 9.

In March 2016, Duke Energy marketed an equity offering of 10.6 million shares of common stock. In lieu of issuing equity at the time of the offering, Duke Energy entered into equity forward sale agreements (the Equity Forwards) with Barclays Capital, Inc. (Barclays). Duke Energy expects to settle the Equity Forwards on or around the closing date of the Piedmont acquisition. The net proceeds received upon settlement are expected to be used to finance a portion of the acquisition of Piedmont. For additional information regarding the Equity Forwards, see Note 13.

In connection with the Merger Agreement with Piedmont, Duke Energy entered into a $4.9 billion senior unsecured bridge financing facility (Bridge Facility) with Barclays. The Bridge Facility, if drawn upon, may be used to (i) fund the cash consideration for the transaction and (ii) pay certain fees and expenses in connection with the transaction. In November 2015, Barclays syndicated its commitment under the Bridge Facility to a broader group of lenders. Duke Energy does not expect to draw upon the Bridge Facility. The amount of the Bridge Facility is reduced by any financings related to the Piedmont acquisition entered into by Duke Energy, and has accordingly been reduced to approximately $3.2 billion as a result of the Equity Forwards and $1 billion of the commitments under a term loan amended and restated as of August 1, 2016. See Note 6, Term Loan Facility, for more information.

Piedmont's shareholders have approved the company's acquisition by Duke Energy and the Federal Trade Commission (FTC) has granted early termination of the 30-day waiting period under the federal Hart-Scott-Rodino Antitrust Improvements Act of 1976. On January 15, 2016, Duke Energy and Piedmont filed an application with the NCUC for approval of the proposed business combination and associated financing transactions. On January 29, 2016, the NCUC approved Duke Energy's proposed financing transactions. On March 7, 2016, the KPSC granted Duke Energy's declaratory request that the transaction does not constitute a change in control and does not require KPSC approval. The Tennessee Regulatory Authority approved Duke Energy's and Piedmont's request of the change in control resulting from the transaction at its March 14, 2016, meeting. On June 10, 2016 the North Carolina Public Staff reached an agreement with Duke Energy and Piedmont on certain stipulations and conditions for approval of the transaction. Duke Energy and Piedmont have also entered into settlement agreements with the Environmental Defense Fund (EDF) and the Carolina Utility Customers Association, Inc. (CUCA) resolving EDF's and CUCA's issues in the case.

On July 19, 2016, the NCUC concluded an evidentiary hearing for the proposed business combination. Proposed orders are due from all parties by August 25, 2016, after which the NCUC will rule on the application. Subject to receipt of NCUC approval and meeting closing conditions, Duke Energy and Piedmont expect to close the transaction by the end of 2016.

The Merger Agreement contains certain termination rights for both Duke Energy and Piedmont, and provides that, upon termination of the Merger Agreement under specified circumstances, Duke Energy would be required to pay a termination fee of $250 million to Piedmont and Piedmont would be required to pay Duke Energy a termination fee of $125 million.

See Note 4 for additional information regarding Duke Energy and Piedmont's joint investment in Atlantic Coast Pipeline, LLC (ACP).

Purchase of NCEMPA's Generation

On July 31, 2015, Duke Energy Progress completed the purchase of North Carolina Eastern Municipal Power Agency's (NCEMPA) ownership interests in certain generating assets, fuel and spare parts inventory jointly owned with and operated by Duke Energy Progress for approximately $1.25 billion. This purchase was accounted for as an asset acquisition. The purchase resulted in the acquisition of a total of approximately 700 megawatts (MW) of generating capacity at Brunswick Nuclear Plant, Shearon Harris Nuclear Plant, Mayo Steam Plant and Roxboro Steam Plant. In connection with this transaction, Duke Energy Progress and NCEMPA entered into a 30-year wholesale power agreement, whereby Duke Energy Progress will sell power to NCEMPA to continue to meet the needs of NCEMPA customers.

The purchase price exceeded the historical carrying value of the acquired assets by $350 million, which was recognized as an acquisition adjustment and recorded in property, plant and equipment. Duke Energy Progress established a rider in North Carolina to recover the costs to acquire, operate and maintain interests in the assets purchased as allocated to its North Carolina retail operations, including the purchase acquisition adjustment, and included the purchase acquisition adjustment in wholesale power formula rates. Duke Energy Progress received an order from the PSCSC to defer the recovery of the South Carolina retail allocated costs of the asset purchased until the Duke Energy Progress' next general rate case, which was filed in July 2016. See Note 4, for additional information on the South Carolina Rate Case.

DISPOSITIONS

Potential Sale of International Energy

In February 2016, Duke Energy announced it had initiated a process to divest the International Energy business segment, excluding the equity method investment in National Methanol Company (NMC). Duke Energy is actively marketing the business. Non-binding offers have been received and are being evaluated. There is no assurance that this process will result in a transaction and the timing for execution of a potential transaction is uncertain. Proceeds from a successful sale would be used by Duke Energy to reduce debt and fund the operations and growth of domestic businesses. If the potential of a sale were to progress, it could result in classification of International Energy as assets held for sale and as a discontinued operation.

Based upon the advancement of the marketing efforts, Duke Energy performed recoverability tests of the long-lived asset groups of International Energy as of June 30, 2016. As a result, Duke Energy determined the carrying value of certain assets in Central America is not fully recoverable and recorded a pretax impairment charge of $194 million, which is included within Impairment Charges on the Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2016. The impairment charge represents the excess of carrying value over the estimated fair value of the assets. The fair value of the assets was primarily determined from the income approach using discounted cash flows but also considered market information obtained in 2016.

As of June 30, 2016, the International Energy segment had a carrying value of approximately $2.4 billion, adjusted for approximately $589 million of cumulative foreign currency translation losses currently classified as accumulated other comprehensive loss.

Midwest Generation Exit

Duke Energy, through indirect subsidiaries, completed the sale of the Disposal Group to a subsidiary of Dynegy on April 2, 2015, for approximately $2.8 billion in cash. The nonregulated Midwest generation business included generation facilities with approximately 5,900 MW of owned capacity located in Ohio, Pennsylvania and Illinois. On April 1, 2015, prior to the sale, Duke Energy Ohio distributed its indirect ownership interest in the nonregulated Midwest generation business to a subsidiary of Duke Energy Corporation.

The Disposal Group's results of operations are classified as discontinued operations in the accompanying Condensed Consolidated Statements of Operations and Comprehensive Income. The following table presents the results of discontinued operations for the three and six months ended June 30, 2015.

	Three Months Ended June 30, 2015		Six Months Ended June 30, 2015	
(in millions)	Duke Energy	Duke Energy Ohio	Duke Energy	Duke Energy Ohio
Operating Revenues	$ —	$ —	$ 543	$ 412
Gain (Loss) on disposition	6	—	(37)	(44)
(Loss) Income before income taxes[(a)]	$ (80)	$ (88)	$ 67	$ 52
Income tax (benefit) expense	(21)	(23)	30	27
(Loss) Income from discontinued operations of the Disposal Group	(59)	(65)	37	25
Other, net of tax[(b)]	2	—	(3)	—
(Loss) Income from Discontinued Operations, net of tax	$ (57)	$ (65)	$ 34	$ 25

(a) The (Loss) Income before income taxes includes the pretax impact of a $71 million and $81 million charge for the agreement in principle reached in a lawsuit related to the Disposal Group for the three and six months ended June 30, 2015, respectively. Refer to Note 5 for further information related to the lawsuit.

(b) Relates to discontinued operations of businesses not related to the Disposal Group and includes indemnifications provided for certain legal, tax and environmental matters, and foreign currency translation adjustments.

Commercial Portfolio utilized a revolving credit agreement (RCA) to support the operations of the nonregulated Midwest generation business. Interest expense associated with the RCA was allocated to discontinued operations. No other interest expense related to corporate level debt was allocated to discontinued operations. Duke Energy Ohio had a power purchase agreement with the Disposal Group for a portion of its standard service offer (SSO) supply requirement. The agreement and the SSO expired in May 2015.

3. BUSINESS SEGMENTS

Duke Energy evaluates segment performance based on segment income. Segment income is defined as income from continuing operations net of income attributable to noncontrolling interests. Segment income, as discussed below, includes intercompany revenues and expenses that are eliminated in the Condensed Consolidated Financial Statements. Certain governance costs are allocated to each segment. In addition, direct interest expense and income taxes are included in segment income.

Operating segments are determined based on information used by the chief operating decision-maker in deciding how to allocate resources and evaluate the performance of the business. During the first quarter of 2016, the Duke Energy chief operating decision-maker began to evaluate interim period segment performance based on financial information that includes the impact of income tax levelization within segment income. This represents a change from the previous measure, where the interim period impacts of income tax levelization were included within Other, and therefore excluded from segment income. As a result, prior period segment results presented have been recast to conform to this change.

Products and services are sold between affiliate companies and reportable segments of Duke Energy at cost. Segment assets as presented in the tables that follow exclude all intercompany assets.

DUKE ENERGY

Duke Energy has the following reportable operating segments: Regulated Utilities, International Energy and Commercial Portfolio.

Regulated Utilities conducts electric and natural gas operations that are substantially all regulated and, accordingly, qualify for regulatory accounting treatment. These operations are primarily conducted through the Subsidiary Registrants and are subject to the rules and regulations of the FERC, NRC, NCUC, PSCSC, FPSC, PUCO, IURC and KPSC.

International Energy operates and manages power generation facilities and engages in sales and marketing of electric power, natural gas and natural gas liquids outside the U.S. Its activities principally target power generation in Latin America. Additionally, International Energy owns a 25 percent interest in NMC, a large regional producer of methyl tertiary butyl ether (MTBE) located in Saudi Arabia. The investment in NMC is accounted for under the equity method of accounting. In February 2016, Duke Energy announced it had initiated a process to potentially divest its International Energy business segment, excluding the investment in NMC. See Note 2 for further information.

Commercial Portfolio builds, develops and operates wind and solar renewable generation and storage and energy transmission projects throughout the U.S. For periods subsequent to the sale of the Disposal Group, beginning in the second quarter of 2015, certain immaterial results of operations and related assets previously presented in the Commercial Portfolio segment are presented in Regulated Utilities and Other.

The remainder of Duke Energy's operations is presented as Other, which is primarily comprised of unallocated corporate interest expense, unallocated corporate costs, contributions to the Duke Energy Foundation and the operations of Duke Energy's wholly owned captive insurance subsidiary, Bison Insurance Company Limited (Bison).

	Three Months Ended June 30, 2016						
(in millions)	Regulated Utilities	International Energy	Commercial Portfolio	Total Reportable Segments	Other	Eliminations	Consolidated
Unaffiliated revenues	$ 5,090	$ 270	$ 112	$ 5,472	$ 12	$ —	$ 5,484
Intersegment revenues	9	—	—	9	17	(26)	—
Total revenues	$ 5,099	$ 270	$ 112	$ 5,481	$ 29	$ (26)	$ 5,484
Segment income (loss)[(a)(b)]	$ 718	$ (102)	$ 14	$ 630	$ (120)	$ —	$ 510
Add back noncontrolling interests							3
Loss from discontinued operations, net of tax							(1)
Net income							$ 512
Segment assets	$ 112,754	$ 3,131	$ 4,329	$ 120,214	$ 2,260	$ 180	$ 122,654

(a) Other includes after-tax charges for costs to achieve mergers of $69 million, primarily due to unrealized losses on forward-starting interest rate swaps related to the Piedmont acquisition, and cost savings initiatives of $15 million primarily due to severance costs. See Notes 2 and 9 for additional information related to the forward-starting interest rate swaps.
(b) International Energy includes an after-tax impairment charge of $145 million. See Note 2 for additional information.

	Three Months Ended June 30, 2015						
(in millions)	Regulated Utilities	International Energy	Commercial Portfolio	Total Reportable Segments	Other	Eliminations	Consolidated
Unaffiliated revenues	$ 5,211	$ 287	$ 75	$ 5,573	$ 16	$ —	$ 5,589
Intersegment revenues	9	—	—	9	18	(27)	—
Total revenues	$ 5,220	$ 287	$ 75	$ 5,582	$ 34	$ (27)	$ 5,589
Segment income (loss)[(a)(b)]	$ 632	$ 52	$ (30)	$ 654	$ (51)	$ (3)	$ 600
Add back noncontrolling interests							4
Loss from discontinued operations, net of tax[(c)]							(57)
Net income							$ 547

(a) Other includes after-tax costs to achieve the Progress Energy merger of $14 million.

(b) Commercial Portfolio includes state tax expense of $41 million, resulting from changes to state apportionment factors due to the sale of the Disposal Group, that does not qualify for discontinued operations. Refer to Note 2 for further information related to the sale.
(c) Includes the after-tax impact of $46 million for the agreement in principle reached in a lawsuit related to the Disposal Group. Refer to Note 5 for further information related to the lawsuit.

	Six Months Ended June 30, 2016						
(in millions)	Regulated Utilities	International Energy	Commercial Portfolio	Total Reportable Segments	Other	Eliminations	Consolidated
Unaffiliated revenues	$ 10,340	$ 516	$ 227	$ 11,083	$ 23	$ —	$ 11,106
Intersegment revenues	18	—	—	9	35	(53)	—
Total revenues	$ 10,358	$ 516	$ 227	$ 11,092	$ 58	$ (53)	$ 11,106
Segment income (loss)[a][b]	$ 1,413	$ 21	$ 41	$ 1,475	$ (274)	$ —	$ 1,201
Add back noncontrolling interests							8
Income from discontinued operations, net of tax							2
Net income							$ 1,211

(a) Other includes after-tax charges for costs to achieve mergers of $143 million, primarily due to unrealized losses on forward-starting interest rate swaps related to the Piedmont acquisition, and cost savings initiatives of $27 million primarily due to severance costs. See Notes 2 and 9 for additional information related to the forward-starting interest rate swaps.
(b) International Energy includes an after-tax impairment charge of $145 million. See Note 2 for additional information.

	Six Months Ended June 30, 2015						
(in millions)	Regulated Utilities	International Energy	Commercial Portfolio	Total Reportable Segments	Other	Eliminations	Consolidated
Unaffiliated revenues	$ 10,924	$ 560	$ 148	$ 11,632	$ 22	$ —	$ 11,654
Intersegment revenues	19	—	—	19	39	(58)	—
Total revenues	$ 10,943	$ 560	$ 148	$ 11,651	$ 61	$ (58)	$ 11,654
Segment income (loss)[a][b]	$ 1,406	$ 88	$ (23)	$ 1,471	$ (94)	$ (4)	$ 1,373
Add back noncontrolling interests							7
Income from discontinued operations, net of tax[c]							34
Net income							$ 1,414

(a) Other includes after-tax costs to achieve the Progress Energy merger of $27 million.
(b) Commercial Portfolio includes state tax expense of $41 million, resulting from changes to state apportionment factors due to the sale of the Disposal Group, that does not qualify for discontinued operations. Refer to Note 2 for further information related to the sale.
(c) Includes after-tax impact of $53 million for the agreement in principle reached in a lawsuit related to the Disposal Group. Refer to Note 5 for further information related to the lawsuit.

SUBSIDIARY REGISTRANTS

The Subsidiary Registrants each have one reportable operating segment, Regulated Utilities, which generates, transmits, distributes and sells electricity, and for Duke Energy Ohio, also transports and sells natural gas. The remainder of operations is primarily comprised of unallocated corporate costs and classified as Other. The following table provides the amount of Other net expense.

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2016	2015	2016	2015
Duke Energy Carolinas	$ (17)	$ (10)	$ (34)	$ (18)
Progress Energy[a]	(45)	(42)	(94)	(84)
Duke Energy Progress	(8)	(4)	(16)	(8)
Duke Energy Florida	(5)	(3)	(9)	(6)
Duke Energy Ohio	(10)	(6)	(19)	(8)
Duke Energy Indiana	(5)	(2)	(7)	(4)

(a) Other for Progress Energy also includes interest expense on corporate debt instruments of $55 million and $111 million for the three and six months ended June 30, 2016, respectively, and $59 million and $119 million for the three and six months ended June 30, 2015, respectively.

The assets of the Subsidiary Registrants are substantially all included within the Regulated Utilities segment at June 30, 2016.

Duke Energy Ohio

Duke Energy Ohio had two reportable operating segments, Regulated Utilities and Commercial Portfolio, during 2015 prior to the sale of the nonregulated Midwest generation business. Duke Energy Ohio's Commercial Portfolio segment had total revenues of $14 million and segment loss of $9 million for the six months ended June 30, 2015. As a result of the sale discussed in Note 2, Commercial Portfolio no longer qualifies as a Duke Energy Ohio reportable operating segment. Therefore, beginning in the second quarter of 2015, all of the remaining assets and related results of operations previously presented in Commercial Portfolio are presented in Regulated Utilities and Other.

4. REGULATORY MATTERS

RATE RELATED INFORMATION

The NCUC, PSCSC, FPSC, IURC, PUCO and KPSC approve rates for retail electric and natural gas services within their states. The FERC approves rates for electric sales to wholesale customers served under cost-based rates (excluding Ohio, Kentucky and Indiana), as well as sales of transmission service.

Duke Energy Carolinas and Duke Energy Progress

Ash Basin Closure Costs Deferral

On July 13, 2016, in response to a joint petition of Duke Energy Carolinas and Duke Energy Progress the PSCSC issued an accounting order for the deferment into a regulatory account of certain costs incurred in connection with federal and state environmental remediation requirements related to the permanent closure of ash basins and other ash storage units at coal-fired generating facilities that have provided or are providing generation to customers located in South Carolina. The decision allows for ash basin closure expenses to be partially offset with excess regulatory liability amounts from the deferral of nuclear decommissioning costs that are collected from South Carolina retail customers and for Duke Energy Progress to offset incurred ash basin closure costs with costs of removal amounts collected from customers. The PSCSC's ruling does not change retail rates or the tariff amounts and in no way limits the PSCSC's ability to challenge the reasonableness of expenditures in subsequent proceedings.

FERC Transmission Return on Equity Complaints

On January 7, 2016, a group of transmission service customers filed a complaint with the FERC that the rate of return on equity of 10.2 percent in Duke Energy Carolinas' transmission formula rates is excessive and should be reduced to no higher than 8.49 percent, effective upon the complaint date. On the same date a similar complaint was filed with the FERC claiming that the rate of return on equity of 10.8 percent in Duke Energy Progress' transmission formula rates is excessive and should be reduced to no higher than 8.49 percent, effective upon the complaint date. On April 21, 2016, the FERC issued an order which consolidated the cases, set a refund effective date of January 7, 2016, and set the consolidated case for settlement and hearing. Duke Energy Carolinas and Duke Energy Progress do not expect the potential impact on results of operations, cash flows or financial position to be material.

Duke Energy Carolinas

Advanced Metering Infrastructure Deferral

On July 12, 2016, the PSCSC issued an accounting order for Duke Energy Carolinas to defer the financial effects of depreciation expense incurred for the installation of advanced metering infrastructure (AMI) meters, the carrying costs on the investment at its weighted average cost of capital and the carrying costs on the deferred costs at its weighted average cost of capital not to exceed $45 million. The decision also allows Duke Energy Carolinas to continue to depreciate the non-AMI meters to be replaced. Current retail rates will not change as a result of the decision and the PSCSC's ability to challenge the reasonableness of expenditures in subsequent proceedings is not limited.

William States Lee Combined Cycle Facility

On April 9, 2014, the PSCSC granted Duke Energy Carolinas and North Carolina Electric Membership Corporation (NCEMC) a Certificate of Environmental Compatibility and Public Convenience and Necessity (CECPCN) for the construction and operation of a 750 MW combined-cycle natural gas-fired generating plant at Duke Energy Carolinas' existing William States Lee Generating Station in Anderson, South Carolina. Duke Energy Carolinas began construction in July 2015 and estimates a cost to build of $600 million for its share of the facility, including allowance for funds used during construction (AFUDC). The project is expected to be commercially available in late 2017. NCEMC will own approximately 13 percent of the project. On July 3, 2014, the South Carolina Coastal Conservation League (SCCL) and Southern Alliance for Clean Energy (SACE) jointly filed a Notice of Appeal with the Court of Appeals of South Carolina (S.C. Court of Appeals) seeking the court's review of the PSCSC's decision, claiming the PSCSC did not properly consider a request related to a proposed solar facility prior to granting approval of the CECPCN. The S.C. Court of Appeals affirmed the PSCSC's decision on February 10, 2016, and on March 24, 2016, denied a request for rehearing filed by SCCL and SACE. On April 21, 2016, SCCL and SACE petitioned the South Carolina Supreme Court for review of the S.C. Court of Appeals decision. Duke Energy Carolinas filed its response on June 13, 2016, and SCCL and SACE filed a reply on June 23, 2016. Duke Energy Carolinas cannot predict the outcome of this matter.

Duke Energy Progress

South Carolina Rate Case

On July 1, 2016, Duke Energy Progress filed an application with the PSCSC requesting an average 14.5 percent increase in retail revenues. The requested rate change would increase annual revenues by approximately $79 million, with a rate of return on equity of 10.75 percent. The increase is designed to recover the cost of investment in new generation infrastructure, environmental expenditures including allocated historical ash basin closure costs and increased nuclear operating costs. Duke Energy Progress has requested new rates to be effective January 1, 2017. A hearing has been scheduled to begin on October 31, 2016. Duke Energy Progress cannot predict the outcome of this matter.

Western Carolinas Modernization Plan

On November 4, 2015, in response to community feedback, Duke Energy Progress announced a revised Western Carolinas Modernization Plan with an estimated cost of $1.1 billion. The revised plan includes retirement of the existing Asheville coal-fired plant, the construction of two 280 MW combined-cycle natural gas plants having dual fuel capability, with the option to build a third natural gas simple cycle unit in 2023 based upon the outcome of initiatives to reduce the region's power demand. The revised plan includes upgrades to existing transmission lines and substations, but eliminates the need for a new transmission line and a new substation associated with the project in South Carolina. The revised plan has the same overall project cost as the original plan and the plans to install solar generation remain unchanged. Duke Energy Progress has also proposed to add a pilot battery storage project. These investments will be made within the next seven years. Duke Energy Progress is also working with the local natural gas distribution company to upgrade an existing natural gas pipeline to serve the natural gas plant. The plan requires various approvals including regulatory approvals in North Carolina.

Duke Energy Progress filed for a Certificate of Public Convenience and Necessity (CPCN) with the NCUC for the new natural gas units on January 15, 2016. On March 28, 2016, the NCUC issued an order approving the CPCN for the new combined-cycle natural gas plants, but denying the CPCN for the contingent simple cycle unit without prejudice to Duke Energy Progress to refile for approval in the future. Construction of these plants is scheduled to begin in 2016 and the plants are expected to be in service by late 2019. Duke Energy Progress plans to file for future approvals related to the proposed solar generation and pilot battery storage project.

On May 27, 2016, NC WARN and The Climate Times filed a notice of appeal from the CPCN order to the N.C. Court of Appeals. On May 31, 2016, Duke Energy Progress filed a motion to dismiss the notice of appeal with the NCUC due to NC WARN's and The Climate Times' failure to post a required appeal bond. After a series of filings, an NCUC order, petitions to the N.C. Court of Appeals and an evidentiary hearing, on July 8, 2016, the NCUC issued an order setting NC WARN's and The Climate Times' appeal bond at $98 million. On July 28, 2016, NC WARN and The Climate Times filed a notice of appeal and exceptions from the NCUC's July 8, 2016, appeal bond order. On August 2, 2016, the NCUC granted Duke Energy Progress' motion to dismiss NC WARN's and The Climate Times' notice of appeal from the CPCN order due to failure to post the requisite bond. Duke Energy Progress cannot predict the outcome of this matter.

The carrying value of the 376 MW Asheville coal-fired plant, including associated ash basin closure costs, of $506 million and $548 million are included in Generation facilities to be retired, net on Duke Energy Progress' Condensed Consolidated Balance Sheet as of June 30, 2016 and December 31, 2015, respectively.

Duke Energy Florida

Hines Chiller Uprate Project

On May 20, 2016, Duke Energy Florida filed a petition seeking approval to include in base rates the revenue requirement for a Chiller Uprate Project (Uprate Project) at the Hines station. Duke Energy Florida proposes to complete the Uprate Project in two phases: phase one work on Hines Units 1-3 and the common equipment to be completed and placed into service in October 2016; and phase two work on Hines Unit 4 to be completed and placed into service in January 2017. The final construction cost estimate for both phases of approximately $150 million is below the cost estimate provided during the need determination proceeding. Duke Energy Florida estimates the annual retail revenue requirements for phases one and two to be approximately $16 million and $3 million, respectively. Duke Energy Florida's petition seeks approval of both revenue requirements, but only seeks to include the phase one revenue requirement in base rates and customer bills beginning November 2016, and will separately petition to include the phase two revenue requirement in base rates and customer bills beginning February 2017. Duke Energy Florida cannot predict the outcome of this matter.

Purchase of Osprey Energy Center

In December 2014, Duke Energy Florida and Osprey Energy Center, LLC, a wholly owned subsidiary of Calpine Corporation (Calpine), entered into an Asset Purchase and Sale Agreement for the purchase of a 599 MW combined-cycle natural gas plant in Auburndale, Florida (Osprey Plant acquisition) for approximately $166 million. In July 2015, the FERC and the FPSC issued separate orders of approval for the Osprey Plant acquisition. The Hart-Scott-Rodino waiting period expired on May 2, 2016. Closing of the acquisition is expected to occur by the first quarter of 2017, upon the expiration of an existing Power Purchase Agreement between Calpine and Duke Energy Florida. In anticipation of closing, in August 2016, Duke Energy Florida filed a petition seeking approval to include in base rates the revenue requirements for the Osprey Plant acquisition to be included in customer bills beginning in February 2017. Duke Energy Florida estimates the retail revenue requirements to be approximately $48 million.

Crystal River Unit 3 Regulatory Asset

In June 2015, the governor of Florida signed legislation to allow utilities to issue nuclear asset-recovery bonds to finance the recovery of certain retired nuclear generation assets, with approval of the FPSC. In November 2015, the FPSC issued a financing order approving Duke Energy Florida's request to issue nuclear asset-recovery bonds to finance its unrecovered regulatory asset related to Crystal River Unit 3 (Crystal River 3) through a wholly owned special purpose entity. Nuclear asset-recovery bonds replace the base rate recovery methodology authorized by the 2013 Revised and Restated Stipulation and Settlement Agreement (2013 Agreement) and result in a lower rate impact to customers with a recovery period of approximately 20 years.

Pursuant to provisions in Florida Statutes and the FPSC financing order, in 2016, Duke Energy Florida formed Duke Energy Florida Project Finance, LLC (DEFPF), a wholly owned, bankruptcy remote special purpose subsidiary for the purpose of issuing nuclear asset-recovery bonds. In June 2016, DEFPF issued $1,294 million aggregate principal amount of senior secured bonds (nuclear asset-recovery bonds) to finance the recovery of Duke Energy Florida's Crystal River 3 regulatory asset.

In connection with this financing, net proceeds to DEFPF of approximately $1,287 million, after underwriting costs, were used to acquire nuclear asset-recovery property from Duke Energy Florida and to pay transaction related expenses. The nuclear asset-recovery property includes the right to impose, bill, collect and adjust a non-bypassable nuclear asset-recovery charge, to be collected on a per kilowatt-hour basis from all Duke Energy Florida retail customers until the bonds are paid in full. Duke Energy Florida began collecting the nuclear asset-recovery charge on behalf of DEFPF in customer rates in July 2016.

See Notes 6 and 12 for additional information.

Duke Energy Ohio

Natural Gas Pipeline Extension

Duke Energy Ohio is proposing to install a new natural gas pipeline in its Ohio service territory to increase system reliability and enable the retirement of older infrastructure. The proposed project involves the installation of a natural gas line and is estimated to cost between $100 million and $150 million. Duke Energy Ohio is currently evaluating potential routes and has conducted public informational meetings. Duke Energy Ohio will narrow the route options to two and then make a filing with the Ohio Power Siting Board for approval of one of the two proposed routes.

Advanced Metering Infrastructure

On April 25, 2016, Duke Energy Kentucky filed with the KPSC an application for approval of a certificate of public convenience and necessity for the construction of advanced metering infrastructure. Duke Energy Kentucky anticipates that the estimated $49 million project, if approved, will take about two years to complete. Duke Energy Kentucky also requested approval to establish a regulatory asset of approximately $10 million for the remaining book value of existing meter equipment and inventory that will be replaced. On July 20, 2016, the Kentucky Attorney General, the only intervenor in the proceeding, moved to dismiss the application. Duke Energy Kentucky filed its opposition to the Kentucky Attorney General's motion to dismiss on July 27, 2016. Duke Energy Kentucky cannot predict the outcome of this matter.

Accelerated Natural Gas Service Line Replacement Rider

On January 20, 2015, Duke Energy Ohio filed an application for approval of an accelerated natural gas service line replacement program (ASRP). Under the ASRP, Duke Energy Ohio proposes to replace certain natural gas service lines on an accelerated basis. The program is proposed to last 10 years. Through the ASRP, Duke Energy Ohio also proposes to complete preliminary survey and investigation work related to natural gas service lines that are customer owned and for which it does not have valid records and, further, to relocate interior natural gas meters to suitable exterior locations where such relocation can be accomplished. Duke Energy Ohio projects total capital and operations and maintenance expenditures under the ASRP to approximate $320 million. The filing also seeks approval of Rider ASRP to recover related expenditures. Duke Energy Ohio proposes to update Rider ASRP on an annual basis. Duke Energy Ohio's application is pending before the PUCO and it is uncertain when an order will be issued. Intervenors oppose the ASRP, primarily because they believe the program is neither required nor necessary under federal pipeline regulation. The hearing concluded on November 19, 2015, and initial and reply briefs were filed, with briefing complete on December 23, 2015. Duke Energy Ohio cannot predict the outcome of this matter.

Energy Efficiency Cost Recovery

On March 28, 2014, Duke Energy Ohio filed an application for recovery of program costs, lost distribution revenue and performance incentives related to its energy efficiency and peak demand reduction programs. These programs are undertaken to comply with environmental mandates set forth in Ohio law. After a comment period, the PUCO approved Duke Energy Ohio's application, but found that Duke Energy Ohio was not permitted to use banked energy savings from previous years in order to calculate the amount of allowed incentive. This conclusion represented a change to the cost recovery mechanism that had been agreed to by intervenors and approved by the PUCO in previous cases. The PUCO granted the applications for rehearing filed by Duke Energy Ohio and an intervenor on July 8, 2015. Substantive ruling on the application for rehearing is pending. On January 6, 2016, Duke Energy Ohio and PUCO Staff entered into a stipulation pending PUCO approval, resolving the issues related to, among other things, performance incentives and the PUCO Staff audit of 2013 costs. Based on the stipulation, in December 2015, Duke Energy Ohio re-established approximately $20 million of revenues that had been reversed in the second quarter of 2015. A hearing on the stipulation commenced on March 10, 2016, and the post-hearing briefing has concluded. Duke Energy Ohio cannot predict the outcome of this matter.

2012 Natural Gas Rate Case/Manufactured Gas Plant Cost Recovery

On November 13, 2013, the PUCO issued an order approving a settlement of Duke Energy Ohio's natural gas base rate case and authorizing the recovery of costs incurred between 2008 and 2012 for environmental investigation and remediation of two former manufactured gas plant (MGP) sites. The order contained deadlines for the recovery of such costs. Specifically, for the property known as the East End site, PUCO established a deadline of December 31, 2016, and for the West End site, a deadline of December 31, 2019. The PUCO authorized Duke Energy Ohio to seek to extend these deadlines due to certain circumstances. On May 16, 2016, Duke Energy Ohio filed an application to extend the deadline for cost recovery applicable to the East End site. The order also authorized Duke Energy Ohio to continue deferring environmental investigation and remediation costs incurred subsequent to 2012 and to submit annual filings to adjust the MGP rider for future costs. Duke Energy Ohio submitted MGP rider update filings in 2014, 2015, and 2016 for recovery of costs incurred in 2013, 2014, and 2015, which are pending approval. Duke Energy Ohio cannot predict the outcome of this matter.

Regional Transmission Organization Realignment

Duke Energy Ohio, including Duke Energy Kentucky, transferred control of its transmission assets from Midcontinent Independent System Operator, Inc. (MISO) to PJM Interconnection, LLC (PJM), effective December 31, 2011. The PUCO approved a settlement related to Duke Energy Ohio's recovery of certain costs of the Regional Transmission Organization (RTO) realignment via a non-bypassable rider. Duke Energy Ohio is allowed to recover all MISO Transmission Expansion Planning (MTEP) costs, including but not limited to Multi Value Project (MVP) costs, directly or indirectly charged to Ohio customers. Duke Energy Ohio also agreed to vigorously defend against any charges for MVP projects from MISO. The KPSC also approved a request to effect the RTO realignment, subject to a commitment not to seek double recovery in a future rate case of the transmission expansion fees that may be charged by MISO and PJM in the same period or overlapping periods.

Duke Energy Ohio had a recorded liability for its exit obligation and share of MTEP costs, excluding MVP, of $91 million and $92 million, respectively, at June 30, 2016 and December 31, 2015, within Other in Current liabilities and Other in Deferred credits and other liabilities on Duke Energy Ohio's Condensed Consolidated Balance Sheets. The retail portion of MTEP costs billed by MISO are recovered by Duke Energy Ohio through a non-bypassable rider. As of June 30, 2016 and December 31, 2015, Duke Energy Ohio had $72 million recorded in Regulatory assets on the Condensed Consolidated Balance Sheets.

MVP. MISO approved 17 MVP proposals prior to Duke Energy Ohio's exit from MISO on December 31, 2011. Construction of these projects is expected to continue through 2020. Costs of these projects, including operating and maintenance costs, property and income taxes, depreciation and an allowed return, are allocated and billed to MISO transmission owners.

On December 29, 2011, MISO filed a tariff with the FERC providing for the allocation of MVP costs to a withdrawing owner based on monthly energy usage. The FERC set for hearing (i) whether MISO's proposed cost allocation methodology to transmission owners who withdrew from MISO prior to January 1, 2012, is consistent with the tariff at the time of their withdrawal from MISO and, (ii) if not, what the amount of and methodology for calculating any MVP cost responsibility should be. In 2012, MISO estimated Duke Energy Ohio's MVP obligation over the period from 2012 to 2071 at $2.7 billion, on an undiscounted basis. On July 16, 2013, a FERC Administrative Law Judge (ALJ) issued an initial decision. Under this initial decision, Duke Energy Ohio would be liable for MVP costs. Duke Energy Ohio filed exceptions to the initial decision, requesting FERC to overturn the ALJ's decision.

On October 29, 2015, the FERC issued an order reversing the ALJ's decision. The FERC ruled the cost allocation methodology is not consistent with the MISO tariff and that Duke Energy Ohio has no liability for MVP costs after its withdrawal from MISO. On May 19, 2016, the FERC denied the request for rehearing filed by MISO and the MISO Transmission Owners. On July 15, 2016, the MISO Transmission Owners filed a petition for review with the U.S. Court of Appeals for the Sixth Circuit. Duke Energy Ohio cannot predict the outcome of this matter.

Duke Energy Indiana

Coal Combustion Residual Plan

On March 17, 2016, Duke Energy Indiana filed with the IURC a request for approval of its first group of federally mandated Coal Combustion Residual (CCR) rule compliance projects (Phase I CCR Compliance Projects) to comply with the U.S. Environmental Protection Agency's (EPA) CCR rule. The projects in this Phase I filing are CCR compliance projects, including the conversion of Cayuga and Gibson Stations to dry bottom ash handling and related water treatment. Duke Energy Indiana has requested timely recovery of approximately $380 million in retail capital costs and incremental operating and maintenance costs under a federal mandate tracker which provides for timely recovery of 80 percent of such costs and deferral with carrying costs of 20 percent of such costs for recovery in a subsequent retail base rate case. An evidentiary hearing is scheduled for November 2016. Duke Energy Indiana cannot predict the outcome of this matter.

Edwardsport Integrated Gasification Combined Cycle Plant

On November 20, 2007, the IURC granted Duke Energy Indiana a CPCN for the construction of the Edwardsport Integrated Gasification Combined Cycle (IGCC) Plant. The Citizens Action Coalition of Indiana, Inc., Sierra Club, Inc., Save the Valley, Inc., and Valley Watch, Inc. (collectively, the Joint Intervenors) were intervenors in several matters related to the Edwardsport IGCC Plant. The Edwardsport IGCC Plant was placed in commercial operation in June 2013. Costs for the Edwardsport IGCC Plant are recovered from retail electric customers via a tracking mechanism, the IGCC rider.

The ninth semi-annual IGCC rider order was appealed by the Joint Intervenors. The proceeding has been remanded to the IURC for further proceedings and additional findings on the tax in-service issue. An evidentiary hearing has been set for September 13, 2016.

The 11th through 15th semi-annual IGCC riders and a subdocket to Duke Energy Indiana's fuel adjustment clause remain pending at the IURC. Issues in these filings include the determination whether the IGCC plant was properly declared in-service for ratemaking purposes in June 2013 and a review of the operational performance of the plant. On September 17, 2015, Duke Energy Indiana, the Office of Utility Consumer Counselor, the Industrial Group and Nucor Steel Indiana reached a settlement agreement to resolve these pending issues. On January 15, 2016, The Citizens Action Coalition of Indiana, Inc., Sierra Club, Save the Valley and Valley Watch joined a revised settlement (IGCC settlement). The IGCC settlement will result in customers not being billed for previously incurred operating costs of $87.5 million, and for additional Duke Energy Indiana payments and commitments of $5.5 million for attorneys' fees and amounts to fund consumer programs. Attorneys' fees and expenses for the new settling parties will be addressed in a separate proceeding. Duke Energy Indiana recognized pretax impairment and related charges of $93 million in 2015. Additionally, under the IGCC settlement, the operating and maintenance expenses and ongoing maintenance capital at the plant are subject to certain caps during the years of 2016 and 2017. The IGCC settlement also includes a commitment to either retire or stop burning coal by December 31, 2022, at the Gallagher Station. Pursuant to the IGCC settlement, the in-service date used for accounting and ratemaking will remain as June 2013. Remaining deferred costs will be recovered over eight years and not earn a carrying cost. The IGCC settlement, which is opposed by an intervenor, is subject to IURC approval. An evidentiary hearing on the IGCC settlement was held on April 18, 2016, and a decision is expected in the third quarter of 2016. As of June 30, 2016, deferred costs related to the project are approximately $175 million. Under the IGCC settlement, future IGCC riders will be filed annually, rather than every six months, with the next filing scheduled for first quarter 2017.

Duke Energy Indiana cannot predict the outcome of these matters or future IGCC rider proceedings.

FERC Transmission Return on Equity Complaint

Customer groups have filed with the FERC complaints against MISO and its transmission-owning members, including Duke Energy Indiana, alleging, among other things, that the current base rate of return on equity earned by MISO transmission owners of 12.38 percent is unjust and unreasonable. The latest complaint, filed on February 12, 2015, claims the base rate of return on equity should be reduced to 8.67 percent and requests a consolidation of complaints. The motion to consolidate complaints was denied. On January 5, 2015, the FERC issued an order accepting the MISO transmission owners 0.50 percent adder to the base rate of return on equity based on participation in an RTO subject to it being applied to a return on equity that is shown to be just and reasonable in the pending return on equity complaints. A hearing in the base return on equity proceeding was held in August 2015. On December 22, 2015, the presiding FERC ALJ in the first complaint issued an Initial Decision in which he set the base rate of return on equity at 10.32 percent. On June 30, 2016, the presiding FERC ALJ in the second complaint issued an Initial Decision setting the base rate of return on equity at 9.70 percent. The Initial Decisions will be reviewed by the FERC. Duke Energy Indiana currently believes these matters will have an immaterial impact on its results of operations, cash flows and financial position.

Grid Infrastructure Improvement Plan

On August 29, 2014, pursuant to a new statute, Duke Energy Indiana filed a seven-year grid infrastructure improvement plan with the IURC with an estimated cost of $1.9 billion, focusing on the reliability, integrity and modernization of the transmission and distribution system. The plan also provided for cost recovery through a transmission and distribution rider (T&D Rider). In May 2015, the IURC denied the original proposal due to an insufficient level of detailed projects and cost estimates in the plan. On December 7, 2015, Duke Energy Indiana filed a revised infrastructure improvement plan with an estimated cost of $1.8 billion in response to guidance from IURC orders and the Indiana Court of Appeals decisions related to this new statute. The revised plan uses a combination of advanced technology and infrastructure upgrades to improve service to customers and provide them with better information about their energy use. It also provides for cost recovery through a T&D rider. In March 2016, Duke Energy Indiana entered into a settlement with all parties to the proceeding except the Citizens Action Coalition of Indiana, Inc. The settlement agreement decreased the capital expenditures eligible for timely recovery of costs in the seven-year plan to approximately $1.4 billion, including the removal of an AMI project. The settlement provided for deferral accounting for depreciation and post-in-service carrying costs for AMI projects outside the seven-year plan. Duke Energy Indiana withdrew its request for a regulatory asset for current meters and will retain any savings associated with future AMI installation until the next retail base rate case, which is required to be filed prior to the end of the seven-year plan. Under the settlement, the return on equity to be used in the T&D Rider is 10 percent. The IURC approved the settlement and issued a final order on June 29, 2016.

OTHER REGULATORY MATTERS

Atlantic Coast Pipeline

On September 2, 2014, Duke Energy, Dominion Resources (Dominion), Piedmont and AGL Resources announced the formation of a company, ACP, to build and own the proposed Atlantic Coast Pipeline (the pipeline), a 564-mile interstate natural gas pipeline. The pipeline is designed to meet the needs identified in requests for proposals by Duke Energy Carolinas, Duke Energy Progress and Piedmont. Dominion will build and operate the pipeline and has a 45 percent ownership percentage in ACP. Duke Energy has a 40 percent ownership interest in ACP through its Commercial Portfolio segment. Piedmont owns 10 percent and the remaining share is owned by AGL Resources. Duke Energy Carolinas and Duke Energy Progress, among others, will be customers of the pipeline. Purchases will be made under several 20-year supply contracts, subject to state regulatory approval. In October 2014, the NCUC and PSCSC approved the Duke Energy Carolinas and Duke Energy Progress requests to enter into certain affiliate agreements, pay compensation to ACP and to grant a waiver of certain Code of Conduct provisions relating to contractual and jurisdictional matters. On September 18, 2015, ACP filed an application with the FERC requesting a CPCN authorizing ACP to construct the pipeline. FERC approval of the application is expected in early 2017 and construction is projected to begin in summer of 2017, with a targeted in-service date of late 2018. ACP is working with various agencies to develop the final pipeline route. ACP also requested approval of an open access tariff and the precedent agreements it entered into with future pipeline customers, including Duke Energy Carolinas and Duke Energy Progress.

On October 24, 2015, Duke Energy entered into a Merger Agreement with Piedmont. The ACP partnership agreement includes provisions to allow Dominion an option to purchase additional ownership interest in ACP to maintain a leading ownership percentage. Any change in ownership interests is not expected to be material to Duke Energy. Refer to Note 2 for further information related to Duke Energy's proposed acquisition of Piedmont.

Sabal Trail Transmission, LLC Pipeline

On May 4, 2015, Duke Energy acquired a 7.5 percent ownership interest from Spectra Energy in the proposed 500-mile Sabal Trail natural gas pipeline. Spectra Energy will continue to own 59.5 percent of the Sabal Trail pipeline and NextEra Energy will own the remaining 33 percent. The Sabal Trail pipeline will traverse Alabama, Georgia and Florida to meet rapidly growing demand for natural gas in those states. The primary customers of the Sabal Trail pipeline, Duke Energy Florida and Florida Power & Light Company (FP&L), have each contracted to buy pipeline capacity for 25-year initial terms. On February 3, 2016, the FERC issued an order granting the request for a CPCN to construct and operate the Sabal Trail pipeline. The Sabal Trail pipeline requires additional regulatory approvals and is scheduled to begin service in mid-2017.

Progress Energy Merger FERC Mitigation

In June 2012, the FERC approved the merger with Progress Energy, including Duke Energy and Progress Energy's revised market power mitigation plan, the Joint Dispatch Agreement (JDA) and the joint Open Access Transmission Tariff. The revised market power mitigation plan provided for the acceleration of one transmission project and the completion of seven other transmission projects (Long-Term FERC Mitigation) and interim firm power sale agreements during the completion of the transmission projects (Interim FERC Mitigation). The Long-Term FERC Mitigation was expected to increase power imported into the Duke Energy Carolinas and Duke Energy Progress service areas and enhance competitive power supply options in the service areas. All of these projects were completed in or before 2014.

Following the closing of the merger, outside counsel reviewed Duke Energy's mitigation plan and discovered a technical error in the calculations. On December 6, 2013, Duke Energy submitted a filing to the FERC disclosing the error and arguing that no additional mitigation is necessary. The city of New Bern filed a protest and requested that FERC order additional mitigation. On October 29, 2014, the FERC ordered that the amount of the stub mitigation be increased from 25 MW to 129 MW. The stub mitigation is Duke Energy's commitment to set aside for third parties a certain quantity of firm transmission capacity from Duke Energy Carolinas to Duke Energy Progress during summer off-peak hours. The FERC also ordered that Duke Energy operate certain phase shifters to create additional import capability and that such operation be monitored by an independent monitor. The costs to comply with this order are not material. The FERC also referred Duke Energy's failure to expressly designate the phase shifter reactivation as a mitigation project in the original mitigation plan filing in March 2012 to the FERC Office of Enforcement for further inquiry. In response, and since December 2014, the FERC Office of Enforcement has conducted a nonpublic investigation of Duke Energy's market power analyses included in the Progress merger filings submitted to FERC. Duke Energy cannot predict the outcome of this investigation.

Potential Coal Plant Retirements

The Subsidiary Registrants periodically file Integrated Resource Plans (IRP) with their state regulatory commissions. The IRPs provide a view of forecasted energy needs over a long term (10 to 20 years), and options being considered to meet those needs. Recent IRPs filed by the Subsidiary Registrants included planning assumptions to potentially retire certain coal-fired generating facilities in Florida and Indiana earlier than their current estimated useful lives. These facilities do not have the requisite emission control equipment, primarily to meet EPA regulations recently approved or proposed.

The table below contains the net carrying value of generating facilities planned for retirement or included in recent IRPs as evaluated for potential retirement due to a lack of requisite environmental control equipment. Dollar amounts in the table below are included in Net property, plant and equipment on the Condensed Consolidated Balance Sheets as of June 30, 2016.

	Capacity (in MW)	Remaining Net Book Value[(a)] (in millions)
Progress Energy and Duke Energy Florida		
Crystal River Units 1 and 2	873	126
Duke Energy Indiana		
Wabash River Unit 6[(b)]	318	34
Gallagher Units 2 and 4[(c)]	280	135
Total Duke Energy	1,471	295

(a) Remaining net book value amounts exclude any capitalized asset retirement costs.
(b) In April 2016, Wabash River 6 terminated coal burning operations and is targeted for retirement by the end of 2016. The total net book value of $93 million for the retail portion of Wabash River Unit 6 and the retail portion of capitalized asset retirement costs for Wabash River Units 2 through 6 is classified as Generation facilities to be retired, net on Duke Energy Indiana's Condensed Consolidated Balance Sheet at June 30, 2016.
(c) Duke Energy Indiana committed to either retire or stop burning coal at Gallagher Units 2 and 4 by December 31, 2022, as part of the proposed settlement of Edwardsport IGCC matters.

On October 23, 2015, the EPA published in the Federal Register the Clean Power Plan (CPP) rule for regulating carbon dioxide (CO_2) emissions from existing fossil fuel-fired electric generating units (EGUs). The CPP establishes CO_2 emission rates and mass cap goals that apply to fossil fuel-fired generation. Under the CPP, states are required to develop and submit a final compliance plan, or an initial plan with an extension request, to the EPA by September 6, 2016, or no later than September 6, 2018, with an approved extension. These state plans are subject to EPA approval, with a federal plan applied to states that fail to submit a plan to the EPA or if a state plan is not approved. Legal challenges to the CPP have been filed by stakeholders and motions to stay the requirements of the rule pending the outcome of the litigation were granted by the U.S. Supreme Court in February 2016. Final resolution of these legal challenges could take several years. Compliance with CPP could cause the industry to replace coal generation with natural gas and renewables, especially in states that have significant CO_2 reduction targets under the rule. Costs to operate coal-fired generation plants continue to grow due to increasing environmental compliance requirements, including ash management costs unrelated to CPP, and this may result in the retirement of coal-fired generation plants earlier than the current end of useful lives. Duke Energy continues to evaluate the need to retire generating facilities and plans to seek regulatory recovery, where appropriate, for amounts that have not been recovered upon asset retirements. However, recovery is subject to future regulatory approval, including the recovery of carrying costs on remaining book values, and therefore cannot be assured.

Refer to the "Western Carolinas Modernization Plan" discussion above for details of Duke Energy Progress' planned retirements.

5. COMMITMENTS AND CONTINGENCIES

ENVIRONMENTAL

Duke Energy is subject to international, federal, state and local regulations regarding air and water quality, hazardous and solid waste disposal and other environmental matters. The Subsidiary Registrants are subject to federal, state and local regulations regarding air and water quality, hazardous and solid waste disposal and other environmental matters. These regulations can be changed from time to time, imposing new obligations on the Duke Energy Registrants.

Remediation Activities

In addition to Asset Retirement Obligations recorded as a result of various environmental regulations, the Duke Energy Registrants are responsible for environmental remediation at various sites. These include certain properties that are part of ongoing operations and sites formerly owned or used by Duke Energy entities. These sites are in various stages of investigation, remediation and monitoring. Managed in conjunction with relevant federal, state and local agencies, remediation activities vary based upon site conditions and location, remediation requirements, complexity and sharing of responsibility. If remediation activities involve joint and several liability provisions, strict liability or cost recovery or contribution actions, the Duke Energy Registrants could potentially be held responsible for environmental impacts caused by other potentially responsible parties, and may also benefit from insurance policies or contractual indemnities that cover some or all cleanup costs. Liabilities are recorded when losses become probable and are reasonably estimable. The total costs that may be incurred cannot be estimated because the extent of environmental impact, allocation among potentially responsible parties, remediation alternatives and/or regulatory decisions have not yet been determined. Additional costs associated with remediation activities are likely to be incurred in the future and could be significant. Costs are typically expensed as Operation, maintenance and other in the Condensed Consolidated Statements of Operations unless regulatory recovery of the costs is deemed probable.

The following tables contain information regarding reserves for probable and estimable costs related to the various environmental sites. These reserves are recorded in Other within Deferred Credits and Other Liabilities on the Condensed Consolidated Balance Sheets.

	Six Months Ended June 30, 2016						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Balance at beginning of period	$ 97	$ 10	$ 17	$ 3	$ 14	$ 54	$ 12
Provisions/adjustments	28	3	4	1	3	1	21
Cash reductions	(7)	(2)	(4)	(1)	(3)	(1)	(1)
Balance at end of period	$ 118	$ 11	$ 17	$ 3	$ 14	$ 54	$ 32

	Six Months Ended June 30, 2015						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Balance at beginning of period	$ 97	$ 10	$ 17	$ 5	$ 12	$ 54	$ 10
Provisions/adjustments	5	—	2	—	2	1	3
Cash reductions	(4)	—	(2)	(1)	(1)	(1)	(1)
Balance at end of period	$ 98	$ 10	$ 17	$ 4	$ 13	$ 54	$ 12

Additional losses in excess of recorded reserves that could be incurred for the stages of investigation, remediation and monitoring for environmental sites that have been evaluated at this time are not material except as presented in the table below.

(in millions)	
Duke Energy	$ 75
Duke Energy Carolinas	22
Duke Energy Ohio	42
Duke Energy Indiana	7

North Carolina and South Carolina Ash Basins

On February 2, 2014, a break in a stormwater pipe beneath an ash basin at Duke Energy Carolinas' retired Dan River Steam Station caused a release of ash basin water and ash into the Dan River. On February 8, 2014, a permanent plug was installed in the stormwater pipe, stopping the release of materials into the river. Duke Energy Carolinas estimates 30,000 to 39,000 tons of ash and 24 million to 27 million gallons of basin water were released into the river. In July 2014, Duke Energy completed remediation work identified by the EPA and continues to cooperate with the EPA's civil enforcement process. Future costs related to the Dan River release, including pending or future state or federal civil enforcement proceedings, future regulatory directives, natural resources damages, additional pending litigation, future claims or litigation and long-term environmental impact costs, cannot be reasonably estimated at this time.

North Carolina Department of Environmental Quality (NCDEQ), formerly the North Carolina Department of Environment and Natural Resources, has historically assessed Duke Energy Carolinas and Duke Energy Progress with Notice of Violations (NOV) for violations that were most often resolved through satisfactory corrective actions and minor, if any, fines or penalties. Subsequent to the Dan River matter discussed above, Duke Energy Carolinas and Duke Energy Progress have been served with a higher level of Notices of Violation (NOVs), including for violations at L.V. Sutton Plant and Dan River Steam Station. In August 2014, NCDEQ issued an NOV for alleged groundwater violations at Duke Energy Progress' L.V. Sutton Plant. On March 10, 2015, NCDEQ issued a civil penalty of approximately $25 million to Duke Energy Progress for environmental damages related to groundwater contamination at the L.V. Sutton Plant. On February 8, 2016, NCDEQ assessed a penalty of approximately $6.8 million, including enforcement costs, against Duke Energy Carolinas related to stormwater pipes and associated discharges at the Dan River Steam Station. Duke Energy Carolinas recorded a charge in December 2015 for this penalty. See "Litigation" section below for additional discussion of matters related to these penalties. These fines and penalties are unprecedented and were not consistent with historic enforcement practices of NCDEQ. Based on historic practices the expected liability of any existing notice of violations would not be material. Duke Energy Carolinas and Duke Energy Progress cannot predict whether the NCDEQ will assess future penalties related to existing NOVs and if such penalties would be material.

Asset retirement obligations recorded on the Duke Energy Carolinas and Duke Energy Progress Condensed Consolidated Balance Sheets at June 30, 2016 and December 31, 2015, include the legal obligation for closure of coal ash basins and the disposal of related ash as a result of the North Carolina Coal Ash Management Act of 2014, as amended (Coal Ash Act), and other agreements. In January 2016, NCDEQ published draft proposed risk classifications for sites not specifically delineated by the Coal Ash Act as high priority. These risk rankings were generally determined based on three primary criteria: structural integrity of the impoundments and impact to both surface and groundwater. NCDEQ categorized 12 basins at four sites as intermediate risk and four basins at 3 plants as low risk. Basins at high priority sites (Dan River, Riverbend, Asheville and Sutton) require closure through excavation including a combination of transferring the ash to an appropriate engineered landfill or conversion of the ash for beneficial use. Closure of high priority basins is required to be completed no later than August 1, 2019, except for Asheville which is required to be completed no later than August 1, 2022. Intermediate risk basins require closure through excavation including a combination of converting the basin to a lined industrial landfill, transferring of the ash to an appropriate engineered landfill or conversion of the ash for beneficial use. Closure of intermediate risk basins is required to be completed no later than December 31, 2024. Low risk basins require closure through either the combination of the installation and maintenance of a cap system and groundwater monitoring system designed to minimize infiltration and erosion or other closure options available to intermediate-risk basins. Closure of low risk basins is required to be completed no later than December 31, 2029. NCDEQ also categorized nine basins at six plants as "low-to-intermediate" risk, thereby not assigning a definitive risk ranking at that time. On May 18, 2016, NCDEQ issued new proposed risk classifications, ranking all originally proposed low risk and "low-intermediate" risk sites as intermediate.

On July 14, 2016, the Governor of North Carolina signed legislation which amends the Coal Ash Act and requires Duke Energy to undertake dam improvement projects and to provide access to a permanent alternative drinking water source to certain residents within a half mile of coal ash basin compliance boundaries and to certain other potentially impacted residents. The new legislation also ranks basins at the H.F. Lee, Cape Fear and Weatherspoon stations as intermediate risk consistent with Duke Energy's previously announced plans to excavate those basins. These specific intermediate basins require closure through excavation including a combination of transferring ash to an appropriate engineered landfill or conversion of the ash for beneficial use. Closure of these specific intermediate basins is required to be completed no later than August 1, 2028. Additionally, the new legislation requires the installation and operation of three large-scale coal ash beneficiation projects which are expected to produce reprocessed ash for use in the concrete industry. Closure of basins at sites with these beneficiation projects are required to be completed no later than December 31, 2029. Upon satisfactory completion of the dam improvement projects and installation of alternate drinking water sources by October 15, 2018, the legislation requires NCDEQ to reclassify intermediate risk sites, excluding H.F. Lee, Cape Fear and Weatherspoon, as low risk.

Per the Coal Ash Act, final proposed classifications were to be subject to Coal Ash Management Commission (Coal Ash Commission) approval. In March 2016, the Coal Ash Commission created by the Coal Ash Act was disbanded by the Governor of North Carolina based on a North Carolina Supreme Court ruling regarding the constitutionality of the body. The new legislation eliminates the Coal Ash Commission and transfers responsibility for ash basin closure oversight to the NCDEQ.

Estimated asset retirement obligations, including impacts from the legislation signed by the Governor of North Carolina on July 14, 2016, have been recognized based on the assigned risk categories or a probability weighting of potential closure methods. Actual closure costs incurred could be materially different from current estimates that form the basis of the recorded asset retirement obligations. Costs incurred have been deferred as regulatory assets and recovery will be pursued through the normal ratemaking process with federal and state utility commissions, which permit recovery of necessary and prudently incurred costs associated with Duke Energy's regulated operations.

Coal Combustion Residuals

On April 17, 2015, the EPA published in the Federal Register a rule to regulate the disposal of CCR from electric utilities as solid waste. The federal regulation, which became effective in October 2015, classifies CCR as nonhazardous waste under Subtitle D of the Resource Conservation and Recovery Act and allows for beneficial use of CCR with some restrictions. The regulation applies to all new and existing landfills, new and existing surface impoundments receiving CCR and existing surface impoundments that are no longer receiving CCR but contain liquid located at stations currently generating electricity (regardless of fuel source). The rule establishes requirements regarding landfill design, structural integrity design and assessment criteria for surface impoundments, groundwater monitoring and protection procedures and other operational and reporting procedures to ensure the safe disposal and management of CCR. Various industry and environmental parties have appealed the EPA's CCR rule in the D.C. Circuit Court of Appeals. On April 18, 2016, the EPA filed an unopposed motion with the federal court to settle five issues raised in litigation. On June 14, 2016, the court approved the motion with respect to all of those issues. Duke Energy does not expect a material impact from the settlement or that it will result in additional asset retirement obligation adjustments.

In addition to the requirements of the federal CCR regulation, CCR landfills and surface impoundments will continue to be independently regulated by most states. As a result of the EPA rule, the Subsidiary Registrants recorded asset retirement obligation amounts during 2015.

LITIGATION

Duke Energy

Ash Basin Shareholder Derivative Litigation

Five shareholder derivative lawsuits were filed in Delaware Chancery Court relating to the release at Dan River and to the management of Duke Energy's ash basins. On October 31, 2014, the five lawsuits were consolidated in a single proceeding titled *In Re Duke Energy Corporation Coal Ash Derivative Litigation*. On December 2, 2014, plaintiffs filed a Corrected Verified Consolidated Shareholder Derivative Complaint (Consolidated Complaint). The Consolidated Complaint names as defendants several current and former Duke Energy officers and directors (Duke Energy Defendants). Duke Energy is named as a nominal defendant.

The Consolidated Complaint alleges the Duke Energy Defendants breached their fiduciary duties by failing to adequately oversee Duke Energy's ash basins and that these breaches of fiduciary duty may have contributed to the incident at Dan River and continued thereafter. The lawsuit also asserts claims against the Duke Energy Defendants for corporate waste (relating to the money Duke Energy has spent and will spend as a result of the fines, penalties and coal ash removal) and unjust enrichment (relating to the compensation and director remuneration that was received despite these alleged breaches of fiduciary duty). The lawsuit seeks both injunctive relief against Duke Energy and restitution from the Duke Energy Defendants. On January 21, 2015, the Duke Energy Defendants filed a Motion to Stay and an alternative Motion to Dismiss. On August 31, 2015, the court issued an order staying the case which was lifted on March 24, 2016. On April 22, 2016, plaintiffs filed an Amended Verified Consolidated Shareholder Derivative Complaint (Amended Complaint) making the same allegations as in the Consolidated Complaint. The Duke Energy Defendants filed a motion to dismiss the Amended Complaint on June 21, 2016.

On March 5, 2015, shareholder Judy Mesirov filed a shareholder derivative complaint (Mesirov Complaint) in North Carolina state court. The lawsuit, styled *Mesirov v. Good*, is similar to the consolidated derivative action pending in Delaware Chancery Court and was filed against the same current directors and former directors and officers as the Delaware litigation. Duke Energy Corporation, Duke Energy Progress and Duke Energy Carolinas are named as nominal defendants. The Mesirov Complaint alleges that the Duke Energy Board of Directors was aware of Clean Water Act (CWA) compliance issues and failures to maintain structures in ash basins, but that the Board of Directors did not require Duke Energy Carolinas and Duke Energy Progress to take action to remedy deficiencies. The Mesirov Complaint further alleges that the Board of Directors sanctioned activities to avoid compliance with the law by allowing improper influence of NCDEQ to minimize regulation and by opposing previously anticipated citizen suit litigation. The Mesirov Complaint seeks corporate governance reforms and damages relating to costs associated with the Dan River release, remediation of ash basins that are out of compliance with the CWA and defending and payment of fines, penalties and settlements relating to criminal and civil investigations and lawsuits. The case was stayed until July 1, 2016. On July 5, 2016, the plaintiff filed a Notice of Voluntary Dismissal Without Prejudice, closing this matter.

In addition to the above derivative complaints, in 2014, Duke Energy also received two shareholder litigation demand letters. The letters alleged that the members of the Board of Directors and certain officers breached their fiduciary duties by allowing the company to illegally dispose of and store coal ash pollutants. One of the letters also alleged a breach of fiduciary duty in the decision-making relating to the leadership changes following the close of the Progress Energy merger in July 2012.

By letter dated September 4, 2015, attorneys for the shareholders were informed that, on the recommendation of the Demand Review Committee formed to consider such matters, the Board of Directors concluded not to pursue potential claims against individuals. One of the shareholders, Mitchell Pinsly, sent a formal demand for records and Duke Energy responded to this request.

On October 30, 2015, shareholder Saul Bresalier filed a shareholder derivative complaint (Bresalier Complaint) in the U.S. District Court for the District of Delaware. The lawsuit alleges that several current and former Duke Energy officers and directors (Bresalier Defendants) breached their fiduciary duties in connection with coal ash environmental issues, the post-merger change in Chief Executive Officer (CEO) and oversight of political contributions. Duke Energy is named as a nominal defendant. The Bresalier Complaint contends that the Demand Review Committee failed to appropriately consider the shareholder's earlier demand for litigation and improperly decided not to pursue claims against the Bresalier Defendants. The Bresalier Defendants filed a Motion to Dismiss the Bresalier litigation on January 15, 2016. In lieu of a response to the Motion to Dismiss, the plaintiff filed a Motion to Convert the Bresalier Defendants' Motion to Dismiss into a Motion for Summary Judgment and also for limited discovery. Following a hearing on June 15, 2016, the court denied the plaintiff's Motion to Convert and is requiring the parties to complete briefing on the Bresalier Defendants' Motion to Dismiss. On July 29, 2016, the Bresalier Defendants filed an Amended Motion to Dismiss.

It is not possible to predict whether Duke Energy will incur any liability or to estimate the damages, if any, it might incur in connection with these matters.

Progress Energy Merger Shareholder Litigation

On May 31, 2013, the Delaware Chancery Court consolidated four shareholder derivative lawsuits filed in 2012. The Court also appointed a lead plaintiff and counsel for plaintiffs and designated the case as *In Re Duke Energy Corporation Derivative Litigation*. The lawsuit names as defendants the 11 members of the Board of Directors who were also members of the pre-merger Board of Directors (Legacy Duke Energy Directors). Duke Energy is named as a nominal defendant. The case alleges claims for breach of fiduciary duties of loyalty and care in connection with the post-merger change in CEO. On December 10, 2015, the Legacy Duke Energy Directors filed a Motion to Dismiss the litigation. The court heard oral argument on the motion on May 9, 2016.

Two shareholder Derivative Complaints, filed in 2012 in federal district court in Delaware, were consolidated as *Tansey v. Rogers, et al.* The case alleges claims against the Legacy Duke Energy Directors for breach of fiduciary duty and waste of corporate assets, as well as claims under Section 14(a) and 20(a) of the Exchange Act. Duke Energy is named as a nominal defendant. On December 21, 2015, Plaintiff filed a Consolidated Amended Complaint asserting the same claims contained in the original complaints. The Legacy Duke Energy Directors filed a Motion to Dismiss on February 19, 2016. On March 18, 2016, the Chancery Court Plaintiffs moved to intervene in the *Tansey* proceeding, asking the federal district court to stay the federal litigation in favor of the Delaware Chancery litigation, which was denied on June 27, 2016. Oral argument on the Legacy Duke Energy Directors' Motion to Dismiss is scheduled for August 24, 2016.

It is not possible to predict whether Duke Energy will incur any liability or to estimate the damages, if any, it might incur in connection with the remaining litigation.

Price Reporting Cases

Duke Energy Trading and Marketing, LLC (DETM), a non-operating Duke Energy affiliate, was a defendant, along with numerous other energy companies, in four class action lawsuits and a fifth single-plaintiff lawsuit pending in a consolidated federal court proceeding in Nevada. Each of these lawsuits contains similar claims that defendants allegedly manipulated natural gas markets by various means, including providing false information to natural gas trade publications and entering into unlawful arrangements and agreements in violation of the antitrust laws of the respective states. Plaintiffs seek damages in unspecified amounts.

In February 2016, DETM reached agreements in principle to settle all of the pending lawsuits. Settlement of the single-plaintiff settlement was finalized and paid in March 2016. Settlement of the class action lawsuits are currently being finalized and will be subject to court approval. The settlement amounts are not material to Duke Energy.

Brazil Expansion Lawsuit

On August 9, 2011, the State of São Paulo sued Duke Energy International Geracao Paranapenema S.A. (DEIGP) in Brazilian state court. The lawsuit claims DEIGP is under a continuing obligation to expand installed generation capacity in the State of São Paulo by 15 percent pursuant to a stock purchase agreement under which DEIGP purchased generation assets from the state. On August 10, 2011, a judge granted an injunction ordering DEIGP to present a detailed expansion plan in satisfaction of the 15 percent obligation. DEIGP has previously taken a position that the expansion obligation is no longer viable given changes that have occurred in the electric energy sector since privatization. DEIGP submitted its proposed expansion plan on November 11, 2011, but reserved objections regarding enforceability. In January 2013, DEIGP filed appeals in the federal courts, which are still pending, regarding various procedural issues. A decision on the merits in the first instance court is also pending. It is not possible to predict whether Duke Energy will incur any liability or to estimate the damages, if any, it might incur in connection with this matter.

Brazil Generation

Record drought conditions in Brazil during 2014 and 2015 negatively impacted DEIGP. A number of electric generators have filed lawsuits seeking relief in the Brazilian courts to mitigate hydrological exposure and diminishing dispatch levels. Some courts have granted injunction orders to limit the financial exposure of certain generators. The implication of these orders is that other electricity market participants not covered by the injunctions may be required to compensate for the financial impact of the liability limitations. The Independent Power Producer Association (APINE) filed one such lawsuit on behalf of DEIGP and other hydroelectric generators against the Brazilian electric regulatory agency (ANEEL). On July 2, 2015, an injunction was granted in favor of APINE limiting the financial exposure of DEIGP and the other plaintiff generators, until the merits of the lawsuit are determined. ANEEL's appeal of the injunction was denied on December 18, 2015. The outcome of these lawsuits is uncertain. It is not possible to predict the impact to Duke Energy from the outcome of these matters.

Duke Energy Carolinas and Duke Energy Progress

NCDEQ Notices of Violation

In August 2014, NCDEQ issued an NOV for alleged groundwater violations at Duke Energy Progress' L.V. Sutton Plant. On March 10, 2015, NCDEQ issued a civil penalty of approximately $25 million to Duke Energy Progress for environmental damages related to the groundwater contamination at the L.V. Sutton Plant. On April 9, 2015, Duke Energy Progress filed a Petition for Contested Case hearing in the Office of Administrative Hearings. In February 2015, NCDEQ issued an NOV for alleged groundwater violations at Duke Energy Progress' Asheville Plant. Duke Energy Progress responded to NCDEQ regarding this NOV.

On September 29, 2015, Duke Energy Progress and Duke Energy Carolinas entered into a settlement agreement with NCDEQ resolving all former, current and future groundwater penalties at all Duke Energy Carolinas and Duke Energy Progress coal facilities in North Carolina. Under the agreement, Duke Energy Progress paid approximately $6 million and Duke Energy Carolinas paid approximately $1 million. In addition to these payments, Duke Energy Progress and Duke Energy Carolinas will accelerate remediation actions at the Sutton, Asheville, Belews Creek and H.F. Lee plants. The ALJ entered a consent order resolving the contested case relating to the Sutton Plant and NCDEQ rescinded the NOVs relating to alleged groundwater violations at both the Sutton and Asheville plants.

On October 13, 2015, the Southern Environmental Law Center (SELC), representing multiple conservation groups, filed a lawsuit in North Carolina Superior Court seeking judicial review of the order approving the settlement agreement with NCDEQ. The conservation groups contend that the ALJ exceeded his statutory authority in approving a settlement that provided for past, present, and future resolution of groundwater issues at facilities which were not at issue in the penalty appeal. On December 18, 2015, Duke Energy Carolinas and Duke Energy Progress filed a Motion to Dismiss the complaint. On February 12, 2016, the ALJ entered a new order clarifying that the dismissal of the contested case only applied to the specific issues before the ALJ in the Petition for Contested Case. On March 10, 2016, the court dismissed the SELC lawsuit based on the ALJ's entry of the new order.

On February 8, 2016, NCDEQ assessed a penalty of approximately $6.8 million, including enforcement costs, against Duke Energy Carolinas related to storm water pipes and associated discharges at the Dan River Steam Station. Duke Energy Carolinas recorded a charge in December 2015 for this penalty. In March 2016, Duke Energy Carolinas filed an appeal of this penalty. A summary judgment hearing is set for August 22, 2016, for this proceeding. Duke Energy Carolinas cannot predict the outcome of this matter.

NCDEQ State Enforcement Actions

In the first quarter of 2013, SELC sent notices of intent to sue Duke Energy Carolinas and Duke Energy Progress related to alleged CWA violations from coal ash basins at two of their coal-fired power plants in North Carolina. NCDEQ filed enforcement actions against Duke Energy Carolinas and Duke Energy Progress alleging violations of water discharge permits and North Carolina groundwater standards. The cases have been consolidated and are being heard before a single judge.

On August 16, 2013, NCDEQ filed an enforcement action against Duke Energy Carolinas and Duke Energy Progress related to their remaining plants in North Carolina, alleging violations of the CWA and violations of the North Carolina groundwater standards. Both of these cases have been assigned to the judge handling the enforcement actions discussed above. SELC is representing several environmental groups who have been permitted to intervene in these cases.

On July 10, 2015, Duke Energy Carolinas and Duke Energy Progress filed two Motions for Partial Summary Judgment in the case on the basis that there is no longer either a genuine controversy or disputed material facts about the relief for seven of the 14 North Carolina plants with coal ash basins. On September 14, 2015, the court granted the Motions for Partial Summary Judgment pending court approval of the terms through an order. On April 4, 2016, the court issued an order granting Duke Energy Progress' Motion for Partial Summary Judgment for cases involving the H.F. Lee, Cape Fear and Weatherspoon plants. On June 1, 2016, the court issued an order granting Duke Energy Carolinas' and Duke Energy Progress' Motion for Partial Summary Judgment for cases involving the Asheville, Dan River, Riverbend and Sutton plants. The litigation is concluded for these seven plants. Litigation continues for the remaining seven plants.

It is not possible to predict any liability or estimate any damages Duke Energy Carolinas or Duke Energy Progress might incur in connection with these matters.

Federal Citizens Suits

There are currently three cases filed in various North Carolina federal courts related to the Sutton, Buck and Mayo plants. Three other previously filed cases involving the Riverbend, Cape Fear and H.F. Lee plants were dismissed on June 7, 2016.

On September 12, 2013, Cape Fear River Watch, Inc., Sierra Club and Waterkeeper Alliance filed a citizen suit in the Federal District Court for the Eastern District of North Carolina. The lawsuit alleges unpermitted discharges to surface water and groundwater violations at the Sutton Plant. On June 9, 2014, the court granted Duke Energy Progress' request to dismiss the groundwater claims but rejected its request to dismiss the surface water claims. In response to a motion filed by the SELC on August 1, 2014, the court modified the original order to dismiss only the plaintiff's federal law claim based on hydrologic connections at Sutton Lake. The claims related to the alleged state court violations of the permits are back in the case. On August 26, 2015, the court suspended the proceedings until further order from the court.

On September 3, 2014, three citizen suits were filed by various environmental groups: (i) a citizen suit in the United States Court for the Middle District of North Carolina alleging unpermitted discharges to surface water and groundwater violations at the Cape Fear Plant; (ii) in the United States Court for the Eastern District of North Carolina alleging unpermitted discharges to surface water and groundwater violations at the H.F. Lee Plant; and (iii) in the United States Court for the Middle District of North Carolina alleging unpermitted discharges to surface water and groundwater violations at the Buck Steam Station. Motions to Stay or Dismiss the proceedings were filed in each of the three cases. The proceedings related to Cape Fear and H.F. Lee were dismissed on June 8, 2016, closing these matters. On October 20, 2015, the court issued an order denying the motions to stay or dismiss in the Buck proceedings. Duke Energy Carolinas' motion seeking appellate review of the District Court's decision relating to Buck was denied on January 29, 2016. The court has set an April 2017 trial date in the Buck proceeding.

On June 13, 2016, the Roanoke River Basin Association filed a federal citizen suit in the Middle District of North Carolina alleging unpermitted discharges to surface water and groundwater violations at the Mayo Plant. Duke Energy Progress expects to file a response to the complaint in third quarter of 2016.

It is not possible to predict whether Duke Energy Carolinas or Duke Energy Progress will incur any liability or to estimate the damages, if any, they might incur in connection with these matters.

Potential Groundwater Contamination Claims

Beginning in May 2015, a number of residents living in the vicinity of the North Carolina facilities with ash basins received letters from NCDEQ advising them not to drink water from the private wells on their land tested by NCDEQ as the samples were found to have certain substances at levels higher than the criteria set by the North Carolina Department of Health and Human Services (DHHS). The criteria, in some cases, are considerably more stringent than federal drinking water standards established to protect human health and welfare. The Coal Ash Act requires additional groundwater monitoring and assessments for each of the 14 coal-fired plants in North Carolina, including sampling of private water supply wells. The data gathered through these Comprehensive Site Assessments (CSAs) will be used by NCDEQ to determine whether the water quality of these private water supply wells has been adversely impacted by the ash basins. Duke Energy has submitted CSAs documenting the results of extensive groundwater monitoring around coal ash basins at all 14 of the plants with coal ash basins. Generally, the data gathered through the installation of new monitoring wells and soil and water samples across the state have been consistent with historical data provided to state regulators over many years. The DHHS and NCDEQ sent follow-up letters on October 15, 2015, to residents near coal ash basins who have had their wells tested, stating that private well samplings at a considerable distance from coal ash impoundments, as well as some municipal water supplies, contain similar levels of vanadium and hexavalent chromium which leads investigators to believe these constituents are naturally occurring. In March 2016, DHHS rescinded the advisories. It is not possible to estimate the maximum exposure of loss, if any, that may occur in connection with claims which might be made by these residents.

Asbestos-related Injuries and Damages Claims

Duke Energy Carolinas has experienced numerous claims for indemnification and medical cost reimbursement related to asbestos exposure. These claims relate to damages for bodily injuries alleged to have arisen from exposure to or use of asbestos in connection with construction and maintenance activities conducted on its electric generation plants prior to 1985. As of June 30, 2016, there were 89 asserted claims for non-malignant cases with the cumulative relief sought of up to $24 million, and 83 asserted claims for malignant cases with the cumulative relief sought of up to $15 million. Based on Duke Energy Carolinas' experience, it is expected that the ultimate resolution of most of these claims likely will be less than the amount claimed.

Duke Energy Carolinas has recognized asbestos-related reserves of $515 million at June 30, 2016 and $536 million at December 31, 2015. These reserves are classified in Other within Deferred Credits and Other Liabilities and Other within Current Liabilities on the Condensed Consolidated Balance Sheets. These reserves are based upon the minimum amount of the range of loss for current and future asbestos claims through 2033, are recorded on an undiscounted basis and incorporate anticipated inflation. In light of the uncertainties inherent in a longer-term forecast, management does not believe they can reasonably estimate the indemnity and medical costs that might be incurred after 2033 related to such potential claims. It is possible Duke Energy Carolinas may incur asbestos liabilities in excess of the recorded reserves.

Duke Energy Carolinas has third-party insurance to cover certain losses related to asbestos-related injuries and damages above an aggregate self-insured retention. Duke Energy Carolinas' cumulative payments began to exceed the self-insurance retention in 2008. Future payments up to the policy limit will be reimbursed by the third-party insurance carrier. The insurance policy limit for potential future insurance recoveries indemnification and medical cost claim payments is $847 million in excess of the self-insured retention. Receivables for insurance recoveries were $600 million at June 30, 2016 and $599 million at December 31, 2015. These amounts are classified in Other within Investments and Other Assets and Receivables on the Condensed Consolidated Balance Sheets. Duke Energy Carolinas is not aware of any uncertainties regarding the legal sufficiency of insurance claims. Duke Energy Carolinas believes the insurance recovery asset is probable of recovery as the insurance carrier continues to have a strong financial strength rating.

Duke Energy Florida

Class Action Lawsuit

On February 22, 2016, a lawsuit was filed in the U.S. District Court for the Southern District of Florida on behalf of a putative class of Duke Energy Florida and FP&L's customers in Florida. The suit alleges the State of Florida's nuclear power plant cost recovery statutes (NCRS) are unconstitutional and pre-empted by federal law. Plaintiffs claim they are entitled to repayment of all money paid by customers of Duke Energy Florida and FP&L as a result of the NCRS, as well as an injunction against any future charges under those statutes. The constitutionality of the NCRS has been challenged unsuccessfully in a number of prior cases on alternative grounds. Duke Energy Florida and FP&L filed motions to dismiss the complaint on May 5, 2016. Duke Energy Florida cannot predict the outcome of this matter.

Westinghouse Contract Litigation

On March 28, 2014, Duke Energy Florida filed a lawsuit against Westinghouse in the U.S. District Court for the Western District of North Carolina. The lawsuit seeks recovery of $54 million in milestone payments in excess of work performed under the terminated Engineering, Procurement and Construction agreement (EPC) for Levy as well as a determination by the court of the amounts due to Westinghouse as a result of the termination of the EPC. Duke Energy Florida recognized an exit obligation as a result of the termination of the EPC contract.

On March 31, 2014, Westinghouse filed a lawsuit against Duke Energy Florida in U.S. District Court for the Western District of Pennsylvania. The Pennsylvania lawsuit alleged damages under the EPC in excess of $510 million for engineering and design work, costs to end supplier contracts and an alleged termination fee.

On June 9, 2014, the judge in the North Carolina case ruled that the litigation will proceed in the Western District of North Carolina. In November 2014, Westinghouse filed a Motion for Partial Judgment on the pleadings, which was denied on March 30, 2015. The trial date is set for October 17, 2016. On July 11, 2016, Duke Energy Florida and Westinghouse filed separate Motions for Summary Judgment. It is not possible to predict the outcome of the litigation, whether Duke Energy Florida will ultimately have any liability for terminating the EPC contract or to estimate the damages, if any, it might incur in connection with these matters. Ultimate resolution of these matters could have a material effect on the results of operations, financial position or cash flows of Duke Energy Florida. However, appropriate regulatory recovery will be pursued for the retail portion of any costs incurred in connection with such resolution.

Duke Energy Ohio

Antitrust Lawsuit

In January 2008, four plaintiffs, including individual, industrial and nonprofit customers, filed a lawsuit against Duke Energy Ohio in federal court in the Southern District of Ohio. Plaintiffs alleged Duke Energy Ohio conspired to provide inequitable and unfair price adventages for certain large business consumers by entering into nonpublic option agreements in exchange for their withdrawal of challenges to Duke Energy Ohio's Rate Stabilization Plan implemented in early 2005. In March 2014, a federal judge certified this matter as a class action. Plaintiffs alleged claims of antitrust violations under the federal Robinson Patman Act as well as fraud and conspiracy allegations under the federal Racketeer Influenced and Corrupt Organizations statute and the Ohio Corrupt Practices Act.

During 2015, the parties received preliminary court approval of a settlement agreement. Duke Energy Ohio included a litigation reserve of $81 million in Other within Current Liabilities on the Consolidated Balance Sheet at December 31, 2015. Duke Energy Ohio recognized pretax charges of $71 million and $81 million in (Loss) Income from Discontinued Operations, net of tax in the Condensed Consolidated Statements of Operations and Comprehensive Income for the three and six months ended June 30, 2015, respectively. The settlement agreement was approved at a federal court hearing on April 19, 2016.

W.C. Beckjord Fuel Release

On August 18, 2014, approximately 9,000 gallons of fuel oil were inadvertently discharged into the Ohio River during a fuel oil transfer at the W.C. Beckjord generating station. The Ohio Environmental Protection Agency (Ohio EPA) issued a NOV related to the discharge. Duke Energy Ohio is cooperating with the Ohio EPA, the EPA and the U.S. Attorney for the Southern District of Ohio. No NOV has been issued by the EPA and no penalty has been assessed. Total repair and remediation costs related to the release were not material. Other costs related to the release, including state or federal civil or criminal enforcement proceedings, cannot be reasonably estimated at this time.

Other Litigation and Legal Proceedings

The Duke Energy Registrants are involved in other legal, tax and regulatory proceedings arising in the ordinary course of business, some of which involve significant amounts. The Duke Energy Registrants believe the final disposition of these proceedings will not have a material effect on their results of operations, cash flows or financial position.

The table below presents recorded reserves based on management's best estimate of probable loss for legal matters, excluding asbestos related reserves and the exit obligation discussed above related to the termination of an EPC contract. Reserves are classified on the Condensed Consolidated Balance Sheets in Other within Deferred Credits and Other Liabilities and Accounts payable and Other within Current Liabilities. The reasonably possible range of loss in excess of recorded reserves is not material, other than as described above.

(in millions)	June 30, 2016	December 31, 2015
Reserves for Legal Matters		
Duke Energy	$ 110	$ 166
Duke Energy Carolinas	14	11
Progress Energy	52	54
Duke Energy Progress	6	6
Duke Energy Florida	30	31
Duke Energy Ohio	4	80

OTHER COMMITMENTS AND CONTINGENCIES

General

As part of their normal business, the Duke Energy Registrants are party to various financial guarantees, performance guarantees and other contractual commitments to extend guarantees of credit and other assistance to various subsidiaries, investees and other third parties. These guarantees involve elements of performance and credit risk, which are not fully recognized on the Condensed Consolidated Balance Sheets and have unlimited maximum potential payments. However, the Duke Energy Registrants do not believe these guarantees will have a material effect on their results of operations, cash flows or financial position.

In addition, the Duke Energy Registrants enter into various fixed-price, noncancelable commitments to purchase or sell power, take-or-pay arrangements, transportation, or throughput agreements and other contracts that may or may not be recognized on their respective Condensed Consolidated Balance Sheets. Some of these arrangements may be recognized at fair value on their respective Condensed Consolidated Balance Sheets if such contracts meet the definition of a derivative and the normal purchase/normal sale (NPNS) exception does not apply. In most cases, the Duke Energy Registrants' purchase obligation contracts contain provisions for price adjustments, minimum purchase levels and other financial commitments.

6. DEBT AND CREDIT FACILITIES

SUMMARY OF SIGNIFICANT DEBT ISSUANCES

The following table summarizes significant debt issuances (in millions).

			Six Months Ended June 30, 2016					
Issuance Date	**Maturity Date**	**Interest Rate**	**Duke Energy**	**Duke Energy (Parent)**	**Duke Energy Carolinas**	**Duke Energy Florida**	**Duke Energy Ohio**	**Duke Energy Indiana**
Unsecured								
April 2016[(a)]	April 2023	2.875%	$ 350	$ 350	$ —	$ —	$ —	$ —
First Mortgage Bonds								
March 2016[(b)]	March 2023	2.500%	500	—	500	—	—	—
March 2016[(b)]	March 2046	3.875%	500	—	500	—	—	—
May 2016[(c)]	May 2046	3.750%	500	—	—	—	—	500
June 2016[(b)]	June 2046	3.700%	250	—	—	—	250	—
Secured Debt								
June 2016[(d)]	March 2020	1.196%	183	—	—	183	—	—
June 2016[(d)]	September 2022	1.731%	150	—	—	150	—	—
June 2016[(d)]	September 2029	2.538%	436	—	—	436	—	—
June 2016[(d)]	March 2033	2.858%	250	—	—	250	—	—
June 2016[(d)]	September 2036	3.112%	275	—	—	275	—	—
Total issuances			$ 3,394	$ 350	$ 1,000	$ 1,294	$ 250	$ 500

(a) Proceeds were used to pay down outstanding commercial paper and for general corporate purposes.
(b) Proceeds were used to fund capital expenditures for ongoing construction, capital maintenance and for general corporate purposes.
(c) Proceeds were used to repay $325 million of unsecured debt due June 2016, $150 million of first mortgage bonds due July 2016 and for general corporate purposes.
(d) Proceeds from the nuclear asset recovery bonds issued by DEFPF, a bankruptcy remote subsidiary of Duke Energy Florida, were used to acquire nuclear asset-recovery property from its parent, Duke Energy Florida. The nuclear asset-recovery bonds are payable only from and secured by the nuclear asset-recovery property. DEFPF is consolidated for financial reporting purposes; however, the nuclear asset-recovery bonds do not constitute a debt, liability or other legal obligation of, or interest in, Duke Energy Florida or any of its affiliates other than DEFPF. The assets of DEFPF, including the nuclear asset-recovery property, are not available to pay creditors of Duke Energy Florida or any of its affiliates. Duke Energy Florida used the proceeds from the sale to repay short-term borrowings under the intercompany money pool borrowing arrangement and make an equity distribution of $649 million to the ultimate parent, Duke Energy (Parent), which repaid short-term borrowings. The nuclear asset-recovery bonds are sequential pay amortizing bonds. The maturity date above represents the scheduled final maturity date for the bonds. See Notes 4 and 12 for additional information.

CURRENT MATURITIES OF LONG-TERM DEBT

The following table shows the significant components of Current maturities of long-term debt on the Condensed Consolidated Balance Sheets. The Duke Energy Registrants currently anticipate satisfying these obligations with cash on hand and proceeds from additional borrowings.

(in millions)	Maturity Date	Interest Rate		June 30, 2016
Unsecured Debt				
Duke Energy (Parent)	November 2016	2.150%	$	500
Duke Energy (Parent)	April 2017	1.009%		400
Duke Energy	May 2017	15.530%		56
Secured Debt				
Duke Energy	June 2017	2.075%		45
First Mortgage Bonds				
Duke Energy Indiana	July 2016	0.979%		150
Duke Energy Carolinas	December 2016	1.750%		350
Duke Energy Progress	March 2017	0.880%		250
Tax-exempt Bonds				
Duke Energy Carolinas	February 2017	3.600%		77
Duke Energy Ohio(a)	August 2027	1.280%		50
Duke Energy Indiana(b)	May 2035	1.092%		44
Other(c)				420
Current maturities of long-term debt			$	2,342

(a) Represents Duke Energy Kentucky's bonds with a mandatory put in December 2016.
(b) The bonds have a mandatory put in December 2016.
(c) Includes capital lease obligations, amortizing debt and small bullet maturities.

AVAILABLE CREDIT FACILITIES

Master Credit Facility

Duke Energy has a Master Credit Facility with a capacity of $7.5 billion through January 2020. The Duke Energy Registrants, excluding Progress Energy (Parent), have borrowing capacity under the Master Credit Facility up to a specified sublimit for each borrower. Duke Energy has the unilateral ability at any time to increase or decrease the borrowing sublimits of each borrower, subject to a maximum sublimit for each borrower. The amount available under the Master Credit Facility has been reduced to backstop issuances of commercial paper, certain letters of credit and variable-rate demand tax-exempt bonds that may be put to the Duke Energy Registrants at the option of the holder. Duke Energy Carolinas and Duke Energy Progress are also required to each maintain $250 million of available capacity under the Master Credit Facility as security to meet obligations under plea agreements reached with the U.S. Department of Justice in 2015 related to violations at North Carolina facilities with ash basins. The table below includes the current borrowing sublimits and available capacity under the Master Credit Facility.

	June 30, 2016						
(in millions)	Duke Energy	Duke Energy (Parent)	Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Facility size(a)	$ 7,500	$ 3,475	$ 800	$ 1,000	$ 1,200	$ 425	$ 600
Reduction to backstop issuances							
Commercial paper(b)	(1,673)	(992)	(300)	(159)	(47)	(25)	(150)
Outstanding letters of credit	(77)	(70)	(4)	(2)	(1)	—	—
Tax-exempt bonds	(116)	—	(35)	—	—	—	(81)
Coal ash set-aside	(500)	—	(250)	(250)	—	—	—
Available capacity	$ 5,134	$ 2,413	$ 211	$ 589	$ 1,152	$ 400	$ 369

(a) Represents the sublimit of each borrower.
(b) Duke Energy issued $625 million of commercial paper and loaned the proceeds through the money pool to Duke Energy Carolinas, Duke Energy Progress, Duke Energy Ohio and Duke Energy Indiana. The balances are classified as Long-Term Debt Payable to Affiliated Companies in the Condensed Consolidated Balance Sheets.

Piedmont Bridge Facility

In connection with the Merger Agreement with Piedmont, Duke Energy entered into a $4.9 billion Bridge Facility with Barclays. The Bridge Facility, if drawn upon, may be used (i) to fund the cash consideration for the transaction and (ii) to pay certain fees and expenses in connection with the transaction. In November 2015, Barclays syndicated its commitment under the Bridge Facility to a broader group of lenders. Duke Energy does not expect to draw upon the Bridge Facility. The amount of the Bridge Facility is reduced by any financings related to the Piedmont acquisition entered into by Duke Energy, and has accordingly been reduced to approximately $3.2 billion as a result of the Equity Forwards described in Note 13 and $1 billion of commitments under a term loan amended and restated as of August 1, 2016, described below. Refer to Note 2 for additional information on the Piedmont acquisition.

Term Loan Facility

On February 22, 2016, Duke Energy entered into a six-month term loan facility with commitments totaling $1.0 billion (the February 2016 Term Loan). As of June 30, 2016, $100 million was outstanding under the February 2016 Term Loan. On August 1, 2016, Duke Energy and each of the lenders under the February 2016 Term Loan amended and restated certain terms of this facility, resulting in aggregate commitments of $1.5 billion and extending the maturity date to July 31, 2017.

As of August 1, 2016, $100 million has been drawn under the amended and restated term loan (the August 2016 Term Loan). The remaining $1.4 billion of commitments under the August 2016 Term Loan can be drawn in up to two separate borrowings, which must occur no later than 90 calendar days following August 1, 2016. Any borrowings under the August 2016 Term Loan will be used to manage short-term liquidity, including funding a portion of the Piedmont acquisition, and for general corporate purposes. The terms and conditions of the August 2016 Term Loan are generally consistent with those governing Duke Energy's Master Credit Facility.

Solar Facilities Financing

In August 2016, Emerald State Solar, LLC, an indirect wholly owned subsidiary of Duke Energy, entered into a portfolio financing of approximately 22 North Carolina Solar facilities. The $333 million term loan facility consists of Tranche A of $228 million due in June 2034 secured by substantially all the assets of the solar facilities and Tranche B of $105 million due in June 2020 secured by an Equity Contribution Agreement with Duke Energy. The initial interest rate on the loans is six months London Interbank Offered Rate (LIBOR) plus an applicable margin. The initial applicable margin is 1.75 percent with 0.125 percent increases every three years thereafter. In connection with this debt issuance, Emerald State Solar, LLC entered into two interest rate swaps to convert the substantial majority of the loan interest payments from variable rates to fixed rates of approximately 1.81 percent for Tranche A and 1.38 percent for Tranche B, plus the applicable margin.

7. GOODWILL AND INTANGIBLE ASSETS

GOODWILL

The following table presents goodwill by reportable operating segment for Duke Energy.

Duke Energy

(in millions)	Regulated Utilities	International Energy	Commercial Portfolio	Total
Goodwill at December 31, 2015	$ 15,950	$ 271	$ 122	$ 16,343
Foreign exchange changes	—	14	—	14
Goodwill at June 30, 2016	**$ 15,950**	**$ 285**	**$ 122**	**$ 16,357**

Duke Energy Ohio

Duke Energy Ohio's Goodwill balance of $920 million is included in the Regulated Utilities operating segment and presented net of accumulated impairment charges of $216 million on the Condensed Consolidated Balance Sheets at June 30, 2016 and December 31, 2015.

Progress Energy

Progress Energy's Goodwill is included in the Regulated Utilities operating segment and there are no accumulated impairment charges.

8. RELATED PARTY TRANSACTIONS

The Subsidiary Registrants engage in related party transactions in accordance with applicable state and federal commission regulations. Refer to the Condensed Consolidated Balance Sheets of the Subsidiary Registrants for balances due to or due from related parties. Material amounts related to transactions with related parties included in the Condensed Consolidated Statements of Operations and Comprehensive Income are presented in the following table.

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2016**	**2015**	**2016**	**2015**
Duke Energy Carolinas				
Corporate governance and shared service expenses[(a)]	$ 199	$ 202	$ 416	$ 421
Indemnification coverages[(b)]	5	6	11	12
JDA revenue[(c)]	2	14	11	40
JDA expense[(c)]	50	38	91	95
Progress Energy				
Corporate governance and shared service expenses[(a)]	$ 160	$ 172	$ 334	$ 339
Indemnification coverages[(b)]	9	9	17	19
JDA revenue[(c)]	50	38	91	95
JDA expense[(c)]	2	14	11	40
Duke Energy Progress				
Corporate governance and shared service expenses[(a)]	$ 89	$ 93	$ 189	$ 194
Indemnification coverages[(b)]	4	4	7	8
JDA revenue[(c)]	50	38	91	95
JDA expense[(c)]	2	14	11	40
Duke Energy Florida				
Corporate governance and shared service expenses[(a)]	$ 71	$ 79	$ 145	$ 145
Indemnification coverages[(b)]	5	5	10	11
Duke Energy Ohio				
Corporate governance and shared service expenses[(a)]	$ 87	$ 103	$ 172	$ 188
Indemnification coverages[(b)]	1	1	2	4
Duke Energy Indiana				
Corporate governance and shared service expenses[(a)]	$ 89	$ 83	$ 183	$ 172
Indemnification coverages[(b)]	2	2	4	4

(a) The Subsidiary Registrants are charged their proportionate share of corporate governance and other shared services costs, primarily related to human resources and employee benefits, information technology, legal and accounting fees, as well as other third-party costs. These amounts are recorded in Operation, maintenance and other on the Condensed Consolidated Statements of Operations and Comprehensive Income.

(b) The Subsidiary Registrants incur expenses related to certain indemnification coverages through Bison, Duke Energy's wholly owned captive insurance subsidiary. These expenses are recorded in Operation, maintenance and other on the Condensed Consolidated Statements of Operations and Comprehensive Income.

(c) Duke Energy Carolinas and Duke Energy Progress participate in a JDA which allows the collective dispatch of power plants between the service territories to reduce customer rates. Revenues from the sale of power under the JDA are recorded in Operating Revenues on the Condensed Consolidated Statements of Operations and Comprehensive Income. Expenses from the purchase of power under the JDA are recorded in Fuel used in electric generation and purchased power on the Condensed Consolidated Statements of Operations and Comprehensive Income.

In addition to the amounts presented above, the Subsidiary Registrants record the impact on net income of other affiliate transactions, including rental of office space, participation in a money pool arrangement, other operational transactions and their proportionate share of certain charged expenses. See Note 6 to the Consolidated Financial Statements in the Annual Report on Form 10-K for more information regarding money pool. The net impact of these transactions was not material for the three and six months ended June 30, 2016 and 2015 for the Subsidiary Registrants.

As discussed in Note 12, certain trade receivables have been sold by Duke Energy Ohio and Duke Energy Indiana to CRC, an affiliate formed by a subsidiary of Duke Energy. The proceeds obtained from the sales of receivables are largely cash but also include a subordinated note from the affiliate for a portion of the purchase price.

Duke Energy Ohio's nonregulated indirect subsidiary, Duke Energy Commercial Asset Management (DECAM), owned generating plants included in the Disposal Group sold to Dynegy on April 2, 2015. On April 1, 2015, Duke Energy Ohio distributed its indirect ownership interest in DECAM to a Duke Energy subsidiary and non-cash settled DECAM's intercompany loan payable of $294 million. Refer to Note 2 for further information on the sale of the Disposal Group.

Intercompany Income Taxes

Duke Energy and the Subsidiary Registrants file a consolidated federal income tax return and other state and jurisdictional returns. The Subsidiary Registrants have a tax sharing agreement with Duke Energy for the allocation of consolidated tax liabilities and benefits. Income taxes recorded represent amounts the Subsidiary Registrants would incur as separate C-Corporations. The following table includes the balance of intercompany income tax receivables and payables for the Subsidiary Registrants.

(in millions)	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
June 30, 2016						
Intercompany income tax receivable	$ 10	$ 90	$ —	$ —	$ 15	$ 6
Intercompany income tax payable	—	—	11	48	—	—
December 31, 2015						
Intercompany income tax receivable	$ 122	$ 120	$ 104	$ —	$ 54	$ —
Intercompany income tax payable	—	—	—	96	—	47

9. DERIVATIVES AND HEDGING

The Duke Energy Registrants use commodity and interest rate contracts to manage commodity price risk and interest rate risk. The primary use of commodity derivatives is to hedge the generation portfolio against changes in the prices of electricity and natural gas. Interest rate swaps are used to manage interest rate risk associated with borrowings.

All derivative instruments not identified as NPNS are recorded at fair value as assets or liabilities on the Condensed Consolidated Balance Sheets. Cash collateral related to derivative instruments executed under master netting arrangements is offset against the collateralized derivatives on the Condensed Consolidated Balance Sheets. The cash impacts of settled derivatives are recorded as operating activities on the Condensed Consolidated Statements of Cash Flows.

INTEREST RATE RISK

The Duke Energy Registrants are exposed to changes in interest rates as a result of their issuance or anticipated issuance of variable-rate and fixed-rate debt and commercial paper. Interest rate risk is managed by limiting variable-rate exposures to a percentage of total debt and by monitoring changes in interest rates. To manage risk associated with changes in interest rates, the Duke Energy Registrants may enter into interest rate swaps, U.S. Treasury lock agreements and other financial contracts. In anticipation of certain fixed-rate debt issuances, a series of forward-starting interest rate swaps may be executed to lock in components of current market interest rates. These instruments are later terminated prior to or upon the issuance of the corresponding debt.

Cash Flow Hedges

For a derivative designated as hedging the exposure to variable cash flows of a future transaction, referred to as a cash flow hedge, the effective portion of the derivative's gain or loss is initially reported as a component of other comprehensive income and subsequently reclassified into earnings once the future transaction affects earnings. Amounts for interest rate contracts are reclassified to earnings as interest expense over the term of the related debt. Gains and losses reclassified out of Accumulated other comprehensive income (AOCI) for the three and six months ended June 30, 2016, were not material. Duke Energy's interest rate derivatives designated as hedges include interest rate swaps used to hedge existing debt within the International Energy and Renewables' businesses.

Undesignated Contracts

Undesignated contracts include contracts not designated as a hedge because they are accounted for under regulatory accounting and contracts that do not qualify for hedge accounting.

Duke Energy's interest rate swaps for its Regulated Utilities operations employ regulatory accounting. With regulatory accounting, the mark-to-market gains or losses on the swaps are deferred as regulatory liabilities or regulatory assets, respectively. Regulatory assets and liabilities are amortized consistent with the treatment of the related costs in the ratemaking process. The accrual of interest on the swaps is recorded as Interest Expense.

As of June 30, 2016, Duke Energy has entered into $1.4 billion of forward-starting interest rate swaps to manage interest rate exposure for the expected financing of the Piedmont acquisition. The swaps do not qualify for hedge accounting and are marked-to-market, with any gains or losses included within earnings. Unrealized losses on the swaps of $75 million and $168 million were included within Interest Expense on the Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2016. The swaps will be terminated in conjunction with the acquisition financing. See Note 2 for additional information related to the Piedmont acquisition.

The following table shows notional amounts of outstanding derivatives related to interest rate risk.

	June 30, 2016					
(in millions)	**Duke Energy**	**Duke Energy Carolinas**	**Progress Energy**	**Duke Energy Progress**	**Duke Energy Florida**	**Duke Energy Ohio**
Cash flow hedges[a]	$ 663	$ —	$ —	$ —	$ —	$ —
Undesignated contracts	2,327	400	500	250	250	27
Total notional amount	$ 2,990	$ 400	$ 500	$ 250	$ 250	$ 27

	December 31, 2015					
(in millions)	**Duke Energy**	**Duke Energy Carolinas**	**Progress Energy**	**Duke Energy Progress**	**Duke Energy Florida**	**Duke Energy Ohio**
Cash flow hedges[a]	$ 700	$ —	$ —	$ —	$ —	$ —
Undesignated contracts	1,827	400	500	250	250	27
Total notional amount	$ 2,527	$ 400	$ 500	$ 250	$ 250	$ 27

(a) Duke Energy includes amounts related to consolidated VIEs of $463 million at June 30, 2016 and $497 million at December 31, 2015.

COMMODITY PRICE RISK

The Duke Energy Registrants are exposed to the impact of changes in the prices of electricity, coal and natural gas. Exposure to commodity price risk is influenced by a number of factors including the term of contracts, the liquidity of markets and delivery locations.

Regulated public utilities may have cost-based rate regulations and various other cost recovery mechanisms that result in a limited exposure to market volatility of commodity fuel prices. Financial derivative contracts, where approved by the respective state regulatory commissions, can be used to manage the risk of price volatility. At June 30, 2016, substantially all of Duke Energy's open commodity derivative instruments were undesignated because they are accounted for under regulatory accounting. Mark-to-market gains or losses on contracts that use regulatory accounting are deferred as regulatory liabilities or regulatory assets, respectively. Undesignated contracts expire as late as 2020.

The Subsidiary Registrants utilize cost-tracking mechanisms, commonly referred to as fuel adjustment clauses. These clauses allow for the recovery of fuel and fuel-related costs, including settlements of undesignated derivatives for fuel commodities, and portions of purchased power costs through surcharges on customer rates. The difference between the costs incurred and the surcharge revenues is recorded as an adjustment to Fuel used in electric generation and purchased power – regulated or as Operating Revenues: Regulated electric on the Condensed Consolidated Statements of Operations, with an offsetting impact on regulatory assets or liabilities. Therefore, due to the regulatory accounting followed by the Subsidiary Registrants for undesignated derivatives, realized and unrealized gains and losses on undesignated commodity derivatives do not have an immediate impact on reported net income.

Volumes

The tables below show volumes of outstanding commodity derivatives. Amounts disclosed represent the absolute value of notional volumes of commodity contracts excluding NPNS. The Duke Energy Registrants have netted contractual amounts where offsetting purchase and sale contracts exist with identical delivery locations and times of delivery. Where all commodity positions are perfectly offset, no quantities are shown.

	June 30, 2016						
	Duke Energy	**Duke Energy Carolinas**	**Progress Energy**	**Duke Energy Progress**	**Duke Energy Florida**	**Duke Energy Ohio**	**Duke Energy Indiana**
Electricity (gigawatt-hours)	7	—	—	—	—	—	7
Natural gas (millions of decatherms)	418	80	338	124	214	—	—

	December 31, 2015						
	Duke Energy	**Duke Energy Carolinas**	**Progress Energy**	**Duke Energy Progress**	**Duke Energy Florida**	**Duke Energy Ohio**	**Duke Energy Indiana**
Electricity (gigawatt-hours)	70	—	—	—	—	34	36
Natural gas (millions of decatherms)	398	66	332	117	215	—	—

LOCATION AND FAIR VALUE OF DERIVATIVE ASSETS AND LIABILITIES RECOGNIZED IN THE CONDENSED CONSOLIDATED BALANCE SHEETS

The following tables show the fair value and balance sheet location of derivative instruments. Although derivatives subject to master netting arrangements are netted on the Condensed Consolidated Balance Sheets, the fair values presented below are shown gross and cash collateral on the derivatives has not been netted against the fair values shown.

Derivative Assets	**June 30, 2016**						
(in millions)	**Duke Energy**	**Duke Energy Carolinas**	**Progress Energy**	**Duke Energy Progress**	**Duke Energy Florida**	**Duke Energy Ohio**	**Duke Energy Indiana**
Commodity Contracts							
Not Designated as Hedging Instruments							
Current	$ 64	$ 8	$ 20	$ 8	$ 12	$ 5	$ 31
Noncurrent	28	10	18	10	8	—	—
Total Derivative Assets – Commodity Contracts	$ 92	$ 18	$ 38	$ 18	$ 20	$ 5	$ 31
Interest Rate Contracts							
Not Designated as Hedging Instruments							
Current	$ 3	$ —	$ 3	$ 1	$ 2	$ —	$ —
Noncurrent	13	—	13	6	7	—	—
Total Derivative Assets – Interest Rate Contracts	$ 16	$ —	$ 16	$ 7	$ 9	$ —	$ —
Total Derivative Assets	$ 108	$ 18	$ 54	$ 25	$ 29	$ 5	$ 31

Derivative Liabilities	**June 30, 2016**						
(in millions)	**Duke Energy**	**Duke Energy Carolinas**	**Progress Energy**	**Duke Energy Progress**	**Duke Energy Florida**	**Duke Energy Ohio**	**Duke Energy Indiana**
Commodity Contracts							
Not Designated as Hedging Instruments							
Current	$ 84	$ 7	$ 77	$ 18	$ 59	$ —	$ 1
Noncurrent	23	—	23	—	17	—	—
Total Derivative Liabilities – Commodity Contracts	$ 107	$ 7	$ 100	$ 18	$ 76	$ —	$ 1
Interest Rate Contracts							
Designated as Hedging Instruments							
Current	$ 9	$ —	$ —	$ —	$ —	$ —	$ —
Noncurrent	52	—	—	—	—	—	—
Not Designated as Hedging Instruments							
Current[(a)]	170	—	—	—	—	1	—
Noncurrent	90	82	—	—	—	7	—
Total Derivative Liabilities – Interest Rate Contracts	$ 321	$ 82	$ —	$ —	$ —	$ 8	$ —
Total Derivative Liabilities	$ 428	$ 89	$ 100	$ 18	$ 76	$ 8	$ 1

(a) Duke Energy amount includes $168 million related to forward-starting interest rate swaps associated with the Piedmont acquisition.

Derivative Assets	December 31, 2015						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Commodity Contracts							
Not Designated as Hedging Instruments							
Current	$ 12	$ —	$ 1	$ —	$ 1	$ 3	$ 7
Noncurrent	4	—	4	—	4	—	—
Total Derivative Assets – Commodity Contracts	$ 16	$ —	$ 5	$ —	$ 5	$ 3	$ 7
Interest Rate Contracts							
Designated as Hedging Instruments							
Noncurrent	$ 4	$ —	$ —	$ —	$ —	$ —	$ —
Not Designated as Hedging Instruments							
Current	6	—	6	2	2	—	—
Total Derivative Assets – Interest Rate Contracts	$ 10	$ —	$ 6	$ 2	$ 2	$ —	$ —
Total Derivative Assets	$ 26	$ —	$ 11	$ 2	$ 7	$ 3	$ 7

Derivative Liabilities	December 31, 2015						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Commodity Contracts							
Not Designated as Hedging Instruments							
Current	$ 256	$ 32	$ 222	$ 77	$ 145	$ —	$ —
Noncurrent	100	8	92	16	71	—	—
Total Derivative Liabilities – Commodity Contracts	$ 356	$ 40	$ 314	$ 93	$ 216	$ —	$ —
Interest Rate Contracts							
Designated as Hedging Instruments							
Current	$ 11	$ —	$ —	$ —	$ —	$ —	$ —
Noncurrent	33	—	—	—	—	—	—
Not Designated as Hedging Instruments							
Current	4	—	3	—	—	1	—
Noncurrent	15	5	5	5	—	6	—
Total Derivative Liabilities – Interest Rate Contracts	$ 63	$ 5	$ 8	$ 5	$ —	$ 7	$ —
Total Derivative Liabilities	$ 419	$ 45	$ 322	$ 98	$ 216	$ 7	$ —

OFFSETTING ASSETS AND LIABILITIES

The following tables present the line items on the Condensed Consolidated Balance Sheets where derivatives are reported. Substantially all of Duke Energy's outstanding derivative contracts are subject to enforceable master netting arrangements. The Gross amounts offset in the tables below show the effect of these netting arrangements on financial position, and include collateral posted to offset the net position. The amounts shown are calculated by counterparty. Accounts receivable or accounts payable may also be available to offset exposures in the event of bankruptcy. These amounts are not included in the tables below.

Derivative Assets	June 30, 2016						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Current							
Gross amounts recognized	$ 67	$ 8	$ 23	$ 9	$ 14	$ 5	$ 31
Gross amounts offset	(15)	(3)	(13)	(6)	(7)	—	—
Net amounts presented in Current Assets: Other	$ 52	$ 5	$ 10	$ 3	$ 7	$ 5	$ 31
Noncurrent							
Gross amounts recognized	$ 41	$ 10	$ 31	$ 16	$ 15	$ —	$ —
Gross amounts offset	(5)	—	(5)	—	(4)	—	—
Net amounts presented in Investments and Other Assets: Other	$ 36	$ 10	$ 26	$ 16	$ 11	$ —	$ —

Derivative Liabilities	June 30, 2016						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Current							
Gross amounts recognized	$ 263	$ 7	$ 77	$ 18	$ 59	$ 1	$ 1
Gross amounts offset	(15)	(3)	(13)	(6)	(7)	—	—
Net amounts presented in Current Liabilities: Other	$ 248	$ 4	$ 64	$ 12	$ 52	$ 1	$ 1
Noncurrent							
Gross amounts recognized	$ 165	$ 82	$ 23	$ —	$ 17	$ 7	$ —
Gross amounts offset	(5)	—	(5)	—	(4)	—	—
Net amounts presented in Deferred Credits and Other Liabilities: Other	$ 160	$ 82	$ 18	$ —	$ 13	$ 7	$ —

Derivative Assets	December 31, 2015						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Current							
Gross amounts recognized	$ 18	$ —	$ 7	$ 2	$ 3	$ 3	$ 7
Gross amounts offset	(3)	—	(2)	—	(2)	—	—
Net amounts presented in Current Assets: Other	$ 15	$ —	$ 5	$ 2	$ 1	$ 3	$ 7
Noncurrent							
Gross amounts recognized	$ 8	$ —	$ 4	$ —	$ 4	$ —	$ —
Gross amounts offset	(4)	—	(4)	—	(4)	—	—
Net amounts presented in Investments and Other Assets: Other	$ 4	$ —	$ —	$ —	$ —	$ —	$ —

Derivative Liabilities	December 31, 2015						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Current							
Gross amounts recognized	$ 271	$ 32	$ 225	$ 77	$ 145	$ 1	$ —
Gross amounts offset	(22)	—	(21)	(1)	(20)	—	—
Net amounts presented in Current Liabilities: Other	$ 249	$ 32	$ 204	$ 76	$ 125	$ 1	$ —
Noncurrent							
Gross amounts recognized	$ 148	$ 13	$ 97	$ 21	$ 71	$ 6	$ —
Gross amounts offset	(16)	—	(15)	—	(15)	—	—
Net amounts presented in Deferred Credits and Other Liabilities: Other	$ 132	$ 13	$ 82	$ 21	$ 56	$ 6	$ —

OBJECTIVE CREDIT CONTINGENT FEATURES

Certain derivative contracts contain objective credit contingent features. These features include the requirement to post cash collateral or letters of credit if specific events occur, such as a credit rating downgrade below investment grade. The following tables show information with respect to derivative contracts that are in a net liability position and contain objective credit-risk-related payment provisions. Amounts for Duke Energy Ohio and Duke Energy Indiana were not material.

	June 30, 2016				
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida
Aggregate fair value of derivatives in a net liability position	$ 348	$ 89	$ 90	$ 18	$ 72
Fair value of collateral already posted	—	—	—	—	—
Additional cash collateral or letters of credit in the event credit-risk-related contingent features were triggered	348	89	90	18	72

	December 31, 2015				
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida
Aggregate fair value of derivatives in a net liability position	$ 334	$ 45	$ 290	$ 93	$ 194
Fair value of collateral already posted	30	—	30	—	30
Additional cash collateral or letters of credit in the event credit-risk-related contingent features were triggered	304	45	260	93	164

The Duke Energy Registrants have elected to offset cash collateral and fair values of derivatives. For amounts to be netted, the derivative must be executed with the same counterparty under the same master netting arrangement. Amounts disclosed below represent the receivables related to the right to reclaim cash collateral under master netting arrangements. All receivables presented below were offset against net derivative positions on the Condensed Consolidated Balance Sheets.

	June 30, 2016	December 31, 2015
(in millions)	Receivables	Receivables
Duke Energy	$ —	$ 30
Progress Energy	—	30
Duke Energy Florida	—	30

10. INVESTMENTS IN DEBT AND EQUITY SECURITIES

The Duke Energy Registrants classify their investments in debt and equity securities as available-for-sale.

Duke Energy's available-for-sale securities are primarily comprised of investments held in (i) the nuclear decommissioning fund (NDTF) at Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida, (ii) grantor trusts at Duke Energy Progress, Duke Energy Florida and Duke Energy Indiana related to Other Post-Retirement Benefit Obligations (OPEB) plans and (iii) Bison.

Duke Energy classifies all other investments in debt and equity securities as long term, unless otherwise noted.

Investment Trusts

The investments within the NDTF investments and the Duke Energy Progress, Duke Energy Florida and Duke Energy Indiana grantor trusts (Investment Trusts) are managed by independent investment managers with discretion to buy, sell, and invest pursuant to the objectives set forth by the trust agreements. The Duke Energy Registrants have limited oversight of the day-to-day management of these investments. As a result, the ability to hold investments in unrealized loss positions is outside the control of the Duke Energy Registrants. Accordingly, all unrealized losses associated with debt and equity securities within the Investment Trusts are considered other-than-temporary impairments and are recognized immediately.

Investments within the Investment Trusts generally qualify for regulatory accounting, and accordingly realized and unrealized gains and losses are deferred as a regulatory asset or liability. However, certain investments held in Duke Energy Florida's NDTF, which were acquired in a settlement with Florida Municipal Joint Owners (FMJO), do not qualify for regulatory accounting. Except for other than temporary impairments of unrealized losses, unrealized gains and losses on these assets are included in other comprehensive income until realized. The other than temporary impairments of realized amounts and unrealized losses are included within Other income and expense, net on the Condensed Consolidated Statements of Operations. The value of these assets has not materially changed since the assets were acquired from FMJO. As a result, there is no material impact on earnings of the Duke Energy Registrants.

Other Available-for-Sale Securities

Unrealized gains and losses on all other available-for-sale securities are included in other comprehensive income until realized, unless it is determined the carrying value of an investment is other-than-temporarily impaired. The Duke Energy Registrants analyze all investment holdings each reporting period to determine whether a decline in fair value should be considered other-than-temporary. If an other than temporary impairment exists, the unrealized loss is included in earnings. There were no material credit losses as of June 30, 2016 and December 31, 2015.

DUKE ENERGY

The following table presents the estimated fair value of investments in available-for-sale securities.

	June 30, 2016			December 31, 2015		
(in millions)	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses(b)	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses(b)	Estimated Fair Value
NDTF						
Cash and cash equivalents	$ —	$ —	$ 189	$ —	$ —	$ 179
Equity securities	1,869	78	3,834	1,823	58	3,590
Corporate debt securities	22	1	480	7	8	432
Municipal bonds	12	1	307	5	1	185
U.S. government bonds	38	—	1,038	11	5	1,254
Other debt securities	1	3	144	—	4	177
Total NDTF	$ 1,942	$ 83	$ 5,992	$ 1,846	$ 76	$ 5,817
Other Investments						
Cash and cash equivalents	$ —	$ —	$ 27	$ —	$ —	$ 29
Equity securities	34	1	98	32	1	95
Corporate debt securities	2	1	97	1	3	92
Municipal bonds	6	1	80	3	1	74
U.S. government bonds	2	—	47	—	—	45
Other debt securities	—	1	57	—	2	62
Total Other Investments(a)	$ 44	$ 4	$ 406	$ 36	$ 7	$ 397
Total Investments	$ 1,986	$ 87	$ 6,398	$ 1,882	$ 83	$ 6,214

(a) These amounts are recorded in Other within Investments and Other Assets on the Condensed Consolidated Balance Sheets.
(b) Substantially all these amounts are considered other-than-temporary impairments on investments within Investment Trusts that have been recognized immediately as a regulatory asset.

The table below summarizes the maturity date for debt securities.

(in millions)	June 30, 2016
Due in one year or less	$ 88
Due after one through five years	660
Due after five through 10 years	511
Due after 10 years	991
Total	$ 2,250

Realized gains and losses, which were determined on a specific identification basis, from sales of available-for-sale securities were as follows.

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2016	2015	2016	2015
Realized gains	$ 64	$ 28	$ 118	$ 130
Realized losses	42	17	92	31

DUKE ENERGY CAROLINAS

The following table presents the estimated fair value of investments in available-for-sale securities.

	June 30, 2016			December 31, 2015		
(in millions)	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses(b)	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses(b)	Estimated Fair Value
NDTF						
Cash and cash equivalents	$ —	$ —	$ 66	$ —	$ —	$ 34
Equity securities	1,045	44	2,128	1,021	27	2,094
Corporate debt securities	13	1	309	3	5	292
Municipal bonds	2	—	42	1	—	33
U.S. government bonds	16	—	482	3	3	438
Other debt securities	1	3	136	—	4	147
Total NDTF	$ 1,077	$ 48	$ 3,163	$ 1,028	$ 39	$ 3,038
Other Investments						
Other debt securities	$ —	$ 1	$ 3	$ —	$ 1	$ 3
Total Other Investments(a)	$ —	$ 1	$ 3	$ —	$ 1	$ 3
Total Investments	$ 1,077	$ 49	$ 3,166	$ 1,028	$ 40	$ 3,041

(a) These amounts are recorded in Other within Investments and Other Assets on the Condensed Consolidated Balance Sheets.
(b) Substantially all these amounts represent other-than-temporary impairments on investments within Investment Trusts that have been recognized immediately as a regulatory asset.

The table below summarizes the maturity date for debt securities.

(in millions)	June 30, 2016
Due in one year or less	$ 6
Due after one through five years	198
Due after five through 10 years	235
Due after 10 years	533
Total	$ 972

Realized gains and losses, which were determined on a specific identification basis, from sales of available-for-sale securities were as follows.

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2016	2015	2016	2015
Realized gains	$ 33	$ 17	$ 67	$ 107
Realized losses	19	11	56	23

PROGRESS ENERGY

The following table presents the estimated fair value of investments in available-for-sale securities.

	June 30, 2016			December 31, 2015		
(in millions)	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses(b)	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses(b)	Estimated Fair Value
NDTF						
Cash and cash equivalents	$ —	$ —	$ 123	$ —	$ —	$ 145
Equity securities	824	34	1,706	802	31	1,496
Corporate debt securities	9	—	171	4	3	140
Municipal bonds	10	1	265	4	1	152
U.S. government bonds	22	—	556	8	2	816
Other debt securities	—	—	8	—	—	30
Total NDTF	$ 865	$ 35	$ 2,829	$ 818	$ 37	$ 2,779
Other Investments						
Cash and cash equivalents	$ —	$ —	$ 21	$ —	$ —	$ 18
Municipal bonds	4	—	47	3	—	45
Total Other Investments(a)	$ 4	$ —	$ 68	$ 3	$ —	$ 63
Total Investments	$ 869	$ 35	$ 2,897	$ 821	$ 37	$ 2,842

(a) These amounts are recorded in Other within Investments and Other Assets on the Condensed Consolidated Balance Sheets.
(b) Substantially all these amounts represent other-than-temporary impairments on investments within Investment Trusts that have been recognized immediately as a regulatory asset.

The table below summarizes the maturity date for debt securities.

(in millions)	June 30, 2016
Due in one year or less	$ 65
Due after one through five years	375
Due after five through 10 years	200
Due after 10 years	407
Total	$ 1,047

Realized gains and losses, which were determined on a specific identification basis, from sales of available-for-sale securities were as follows.

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2016	2015	2016	2015
Realized gains	$ 31	$ 9	$ 50	$ 21
Realized losses	23	5	36	6

DUKE ENERGY PROGRESS

The following table presents the estimated fair value of investments in available-for-sale securities.

	June 30, 2016			December 31, 2015		
(in millions)	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses(b)	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses(b)	Estimated Fair Value
NDTF						
Cash and cash equivalents	$ —	$ —	$ 58	$ —	$ —	$ 110
Equity securities	614	28	1,379	596	25	1,178
Corporate debt securities	7	—	118	3	2	96
Municipal bonds	10	1	265	4	1	150
U.S. government bonds	14	—	281	6	2	486
Other debt securities	—	—	5	—	—	18
Total NDTF	$ 645	$ 29	$ 2,106	$ 609	$ 30	$ 2,038
Other Investments						
Cash and cash equivalents	$ —	$ —	$ 1	$ —	$ —	$ 1
Total Other Investments(a)	$ —	$ —	$ 1	$ —	$ —	$ 1
Total Investments	$ 645	$ 29	$ 2,107	$ 609	$ 30	$ 2,039

(a) These amounts are recorded in Other within Investments and Other Assets on the Condensed Consolidated Balance Sheets.
(b) Substantially all these amounts represent other-than-temporary impairments on investments within Investment Trusts that have been recognized immediately as a regulatory asset.

The table below summarizes the maturity date for debt securities.

(in millions)	June 30, 2016
Due in one year or less	$ 14
Due after one through five years	191
Due after five through 10 years	154
Due after 10 years	310
Total	$ 669

Realized gains and losses, which were determined on a specific identification basis, from sales of available-for-sale securities were as follows.

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2016	2015	2016	2015
Realized gains	$ 27	$ 8	$ 42	$ 17
Realized losses	20	4	31	5

DUKE ENERGY FLORIDA

The following table presents the estimated fair value of investments in available-for-sale securities.

	June 30, 2016			December 31, 2015		
(in millions)	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses(b)	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses(b)	Estimated Fair Value
NDTF						
Cash and cash equivalents	$ —	$ —	$ 65	$ —	$ —	$ 35
Equity securities	210	6	327	206	6	318
Corporate debt securities	2	—	53	1	1	44
Municipal bonds	—	—	—	—	—	2
U.S. government bonds	8	—	275	2	—	330
Other debt securities	—	—	3	—	—	12
Total NDTF	$ 220	$ 6	$ 723	$ 209	$ 7	$ 741
Other Investments						
Cash and cash equivalents	$ —	$ —	$ 4	$ —	$ —	$ 6
Municipal bonds	4	—	47	3	—	45
Total Other Investments(a)	$ 4	$ —	$ 51	$ 3	$ —	$ 51
Total Investments	$ 224	$ 6	$ 774	$ 212	$ 7	$ 792

(a) These amounts are recorded in Other within Investments and Other Assets on the Condensed Consolidated Balance Sheets.
(b) Substantially all these amounts represent other-than-temporary impairments on investments within Investment Trusts that have been recognized immediately as a regulatory asset.

The table below summarizes the maturity date for debt securities.

(in millions)	June 30, 2016
Due in one year or less	$ 51
Due after one through five years	184
Due after five through 10 years	46
Due after 10 years	97
Total	$ 378

Realized gains and losses, which were determined on a specific identification basis, from sales of available-for-sale securities were as follows.

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2016	2015	2016	2015
Realized gains	$ 4	$ 1	$ 8	$ 4
Realized losses	3	1	5	1

DUKE ENERGY INDIANA

The following table presents the estimated fair value of investments in available-for-sale securities.

	June 30, 2016			December 31, 2015		
(in millions)	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses(b)	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses(b)	Estimated Fair Value
Other Investments						
Cash and cash equivalents	$ —	$ —	$ —	$ —	$ —	$ 2
Equity securities	28	—	73	27	—	71
Corporate debt securities	—	—	2	—	—	2
Municipal bonds	1	1	29	—	1	26
Total Other Investments(a)	$ 29	$ 1	$ 104	$ 27	$ 1	$ 101
Total Investments	$ 29	$ 1	$ 104	$ 27	$ 1	$ 101

(a) These amounts are recorded in Other within Investments and Other Assets on the Condensed Consolidated Balance Sheets.
(b) Substantially all these amounts represent other-than-temporary impairments on investments within Investment Trusts that have been recognized immediately as a regulatory asset.

The table below summarizes the maturity date for debt securities.

(in millions)	June 30, 2016
Due in one year or less	$ 2
Due after one through five years	16
Due after five through 10 years	8
Due after 10 years	5
Total	$ 31

Realized gains and losses, which were determined on a specific identification basis, from sales of available-for-sale securities were insignificant for the three and six months ended June 30, 2016 and 2015.

11. FAIR VALUE MEASUREMENTS

Fair value is the exchange price to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. The fair value definition focuses on an exit price versus the acquisition cost. Fair value measurements use market data or assumptions market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs may be readily observable, corroborated by market data, or generally unobservable. Valuation techniques maximize the use of observable inputs and minimize use of unobservable inputs. A midmarket pricing convention (the midpoint price between bid and ask prices) is permitted for use as a practical expedient.

Fair value measurements are classified in three levels based on the fair value hierarchy:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity can access at the measurement date. An active market is one in which transactions for an asset or liability occur with sufficient frequency and volume to provide ongoing pricing information.

Level 2 – A fair value measurement utilizing inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly, for an asset or liability. Inputs include (i) quoted prices for similar assets or liabilities in active markets, (ii) quoted prices for identical or similar assets or liabilities in markets that are not active, (iii) and inputs other than quoted market prices that are observable for the asset or liability, such as interest rate curves and yield curves observable at commonly quoted intervals, volatilities and credit spreads. A Level 2 measurement cannot have more than an insignificant portion of its valuation based on unobservable inputs. Instruments in this category include non-exchange-traded derivatives, such as over-the-counter forwards, swaps and options; certain marketable debt securities; and financial instruments traded in less than active markets.

Level 3 – Any fair value measurement which includes unobservable inputs for more than an insignificant portion of the valuation. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. Level 3 measurements may include longer-term instruments that extend into periods in which observable inputs are not available.

Not Categorized – Certain investments are not categorized within the Fair Value hierarchy. These investments are measured based on the fair value of the underlying investments but may not be readily redeemable at that fair value.

Fair value accounting guidance permits entities to elect to measure certain financial instruments that are not required to be accounted for at fair value, such as equity method investments or the company's own debt, at fair value. The Duke Energy Registrants have not elected to record any of these items at fair value.

Transfers between levels represent assets or liabilities that were previously (i) categorized at a higher level for which the inputs to the estimate became less observable or (ii) classified at a lower level for which the inputs became more observable during the period. The Duke Energy Registrant's policy is to recognize transfers between levels of the fair value hierarchy at the end of the period. There were no transfers between levels during the three and six months ended June 30, 2016 and 2015.

Valuation methods of the primary fair value measurements disclosed below are as follows.

Investments in equity securities

The majority of investments in equity securities are valued using Level 1 measurements. Investments in equity securities are typically valued at the closing price in the principal active market as of the last business day of the quarter. Principal active markets for equity prices include published exchanges such as Nasdaq Composite (NASDAQ) and New York Stock Exchange (NYSE). Foreign equity prices are translated from their trading currency using the currency exchange rate in effect at the close of the principal active market. There was no after-hours market activity that was required to be reflected in the reported fair value measurements.

Investments in debt securities

Most investments in debt securities are valued using Level 2 measurements because the valuations use interest rate curves and credit spreads applied to the terms of the debt instrument (maturity and coupon interest rate) and consider the counterparty credit rating. If the market for a particular fixed income security is relatively inactive or illiquid, the measurement is Level 3.

Commodity derivatives

Commodity derivatives with clearinghouses are classified as Level 1. Other commodity derivatives are primarily valued using internally developed discounted cash flow models which incorporate forward price, adjustments for liquidity (bid-ask spread) and credit or non-performance risk (after reflecting credit enhancements such as collateral), and are discounted to present value. Pricing inputs are derived from published exchange transaction prices and other observable data sources. In the absence of an active market, the last available price may be used. If forward price curves are not observable for the full term of the contract and the unobservable period had more than an insignificant impact on the valuation, the commodity derivative is classified as Level 3. In isolation, increases (decreases) in natural gas forward prices result in favorable (unfavorable) fair value adjustments for natural gas purchase contracts; and increases (decreases) in electricity forward prices result in unfavorable (favorable) fair value adjustments for electricity sales contracts. Duke Energy regularly evaluates and validates pricing inputs used to estimate the fair value of natural gas commodity contracts by a market participant price verification procedure. This procedure provides a comparison of internal forward commodity curves to market participant generated curves.

Interest rate derivatives

Most over-the-counter interest rate contract derivatives are valued using financial models which utilize observable inputs for similar instruments and are classified as Level 2. Inputs include forward interest rate curves, notional amounts, interest rates and credit quality of the counterparties.

DUKE ENERGY

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Condensed Consolidated Balance Sheets. Derivative amounts in the table below exclude cash collateral which is disclosed in Note 9. See Note 10 for additional information related to investments by major security type.

	June 30, 2016				
(in millions)	Total Fair Value	Level 1	Level 2	Level 3	Not categorized
Nuclear decommissioning trust fund equity securities	$ 3,834	$ 3,666	$ 1	$ —	$ 167
Nuclear decommissioning trust fund debt securities	2,158	744	1,414	—	—
Other available-for-sale equity securities	98	98	—	—	—
Other available-for-sale debt securities	308	74	230	4	—
Derivative assets	108	2	72	34	—
Total assets	6,506	4,584	1,717	38	167
Derivative liabilities	(428)	(1)	(427)	—	—
Net assets	$ 6,078	$ 4,583	$ 1,290	$ 38	$ 167

	December 31, 2015				
(in millions)	Total Fair Value	Level 1	Level 2	Level 3	Not categorized
Nuclear decommissioning trust fund equity securities	$ 3,590	$ 3,418	$ —	$ —	$ 172
Nuclear decommissioning trust fund debt securities	2,227	672	1,555	—	—
Other available-for-sale equity securities	95	95	—	—	—
Other available-for-sale debt securities	302	75	222	5	—
Derivative assets	26	—	16	10	—
Total assets	6,240	4,260	1,793	15	172
Derivative liabilities	(419)	—	(419)	—	—
Net assets	$ 5,821	$ 4,260	$ 1,374	$ 15	$ 172

The following tables provide reconciliations of beginning and ending balances of assets and liabilities measured at fair value using Level 3 measurements. Amounts included in earnings for derivatives are primarily included in Operating Revenues. There was no change to the Level 3 balance during the three months ended June 30, 2015.

	Three Months Ended June 30, 2016		
(in millions)	Investments	Derivatives (net)	Total
Balance at beginning of period	$ 4	$ 2	$ 6
Purchases, sales, issuances and settlements:			
Purchases	—	34	34
Settlements	—	(6)	(6)
Total gains included on the Condensed Consolidated Balance Sheet as regulatory assets or liabilities	—	4	4
Balance at end of period	$ 4	$ 34	$ 38

	Six Months Ended June 30, 2016		
(in millions)	Investments	Derivatives (net)	Total
Balance at beginning of period	$ 5	$ 10	$ 15
Purchases, sales, issuances and settlements:			
Purchases	—	34	34
Sales	(1)	—	(1)
Settlements	—	(13)	(13)
Total gains included on the Condensed Consolidated Balance Sheet as regulatory assets or liabilities	—	3	3
Balance at end of period	$ 4	$ 34	$ 38

	Six Months Ended June 30, 2015		
(in millions)	Investments	Derivatives (net)	Total
Balance at beginning of period	$ 5	$ (1)	$ 4
Total pretax realized or unrealized gains included in earnings	—	18	18
Purchases, sales, issuances and settlements:			
Purchases	—	24	24
Settlements	—	(22)	(22)
Total gains included on the Condensed Consolidated Balance Sheet as regulatory assets or liabilities	—	4	4
Balance at end of period	$ 5	$ 23	$ 28

DUKE ENERGY CAROLINAS

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Condensed Consolidated Balance Sheets. Derivative amounts in the table below exclude cash collateral, which is disclosed in Note 9. See Note 10 for additional information related to investments by major security type.

	June 30, 2016				
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**	**Not categorized**
Nuclear decommissioning trust fund equity securities	$ 2,128	$ 1,960	$ 1	$ —	$ 167
Nuclear decommissioning trust fund debt securities	1,035	245	790	—	—
Other available-for-sale debt securities	3	—	—	3	—
Derivative assets	18	—	18	—	—
Total assets	3,184	2,205	809	3	167
Derivative liabilities	(89)	—	(89)	—	—
Net assets	$ 3,095	$ 2,205	$ 720	$ 3	$ 167

	December 31, 2015				
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**	**Not categorized**
Nuclear decommissioning trust fund equity securities	$ 2,094	$ 1,922	$ —	$ —	$ 172
Nuclear decommissioning trust fund debt securities	944	246	698	—	—
Other available-for-sale debt securities	3	—	—	3	—
Total assets	3,041	2,168	698	3	172
Derivative liabilities	(45)	—	(45)	—	—
Net assets	$ 2,996	$ 2,168	$ 653	$ 3	$ 172

There was no change to the Level 3 balance during the three and six months ended June 30, 2016 and June 30, 2015.

PROGRESS ENERGY

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Condensed Consolidated Balance Sheets. Derivative amounts in the table below exclude cash collateral, which is disclosed in Note 9. See Note 10 for additional information related to investments by major security type.

	June 30, 2016		
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**
Nuclear decommissioning trust fund equity securities	$ 1,706	$ 1,706	$ —
Nuclear decommissioning trust fund debt securities	1,123	499	624
Other available-for-sale debt securities	68	21	47
Derivative assets	54	—	54
Total assets	2,951	2,226	725
Derivative liabilities	(100)	—	(100)
Net assets	$ 2,851	$ 2,226	$ 625

	December 31, 2015		
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**
Nuclear decommissioning trust fund equity securities	$ 1,496	$ 1,496	$ —
Nuclear decommissioning trust fund debt securities	1,283	426	857
Other available-for-sale debt securities	63	18	45
Derivative assets	11	—	11
Total assets	2,853	1,940	913
Derivative liabilities	(322)	—	(322)
Net assets	$ 2,531	$ 1,940	$ 591

DUKE ENERGY PROGRESS

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Condensed Consolidated Balance Sheets. Derivative amounts in the table below exclude cash collateral which is disclosed in Note 9. See Note 10 for additional information related to investments by major security type.

	June 30, 2016		
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**
Nuclear decommissioning trust fund equity securities	$ 1,379	$ 1,379	$ —
Nuclear decommissioning trust fund debt securities and other	727	228	499
Other available-for-sale debt securities and other	1	1	—
Derivative assets	25	—	25
Total assets	2,132	1,608	524
Derivative liabilities	(18)	—	(18)
Net assets	$ 2,114	$ 1,608	$ 506

	December 31, 2015		
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**
Nuclear decommissioning trust fund equity securities	$ 1,178	$ 1,178	$ —
Nuclear decommissioning trust fund debt securities and other	860	141	719
Other available-for-sale debt securities and other	1	1	—
Derivative assets	2	—	2
Total assets	2,041	1,320	721
Derivative liabilities	(98)	—	(98)
Net assets	$ 1,943	$ 1,320	$ 623

DUKE ENERGY FLORIDA

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Condensed Consolidated Balance Sheets. Derivative amounts in the table below exclude cash collateral which is disclosed in Note 9. See Note 10 for additional information related to investments by major security type.

	June 30, 2016		
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**
Nuclear decommissioning trust fund equity securities	$ 327	$ 327	$ —
Nuclear decommissioning trust fund debt securities and other	396	271	125
Other available-for-sale debt securities and other	51	4	47
Derivative assets	29	—	29
Total assets	803	602	201
Derivative liabilities	(76)	—	(76)
Net assets	$ 727	$ 602	$ 125

	December 31, 2015		
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**
Nuclear decommissioning trust fund equity securities	$ 318	$ 318	$ —
Nuclear decommissioning trust fund debt securities and other	423	285	138
Other available-for-sale debt securities and other	51	6	45
Derivative assets	7	—	7
Total assets	799	609	190
Derivative liabilities	(216)	—	(216)
Net assets (liabilities)	$ 583	$ 609	$ (26)

DUKE ENERGY OHIO

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Condensed Consolidated Balance Sheets. Derivative amounts in the table below exclude cash collateral, which are disclosed in Note 9.

	June 30, 2016			
(in millions)	Total Fair Value	Level 1	Level 2	Level 3
Derivative assets	$ 5	$ —	$ —	$ 5
Derivative liabilities	(8)	—	(8)	—
Net (liabilities) assets	$ (3)	$ —	$ (8)	$ 5

	December 31, 2015			
(in millions)	Total Fair Value	Level 1	Level 2	Level 3
Derivative assets	$ 3	$ —	$ —	$ 3
Derivative liabilities	(7)	—	(7)	—
Net (liabilities) assets	$ (4)	$ —	$ (7)	$ 3

The following table provides a reconciliation of beginning and ending balances of assets and liabilities measured at fair value using Level 3 measurements.

	Derivatives (net)	
	Three Months Ended June 30,	
(in millions)	2016	2015
Balance at beginning of period	$ —	$ 7
Total pretax realized or unrealized gains included in earnings	—	(4)
Purchases, sales, issuances and settlements:		
Purchases	5	—
Sales	—	5
Settlements	—	(3)
Balance at end of period	$ 5	$ 5

	Derivatives (net)	
	Six Months Ended June 30,	
(in millions)	2016	2015
Balance at beginning of period	$ 3	$ (18)
Total pretax realized or unrealized gains included in earnings	—	21
Purchases, sales, issuances and settlements:		
Purchases	5	—
Sales	—	5
Settlements	(2)	(3)
Total losses included on the Condensed Consolidated Balance Sheet as regulatory assets or liabilities	(1)	—
Balance at end of period	$ 5	$ 5

DUKE ENERGY INDIANA

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Condensed Consolidated Balance Sheets. Derivative amounts in the table below exclude cash collateral, which is disclosed in Note 9. See Note 10 for additional information related to investments by major security type.

	June 30, 2016			
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**
Other available-for-sale equity securities	$ 73	$ 73	$ —	$ —
Other available-for-sale debt securities and other	31	—	31	—
Derivative assets	31	2	—	29
Total assets	135	75	31	29
Derivative liabilities	(1)	(1)	—	—
Net assets	$ 134	$ 74	$ 31	$ 29

	December 31, 2015			
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**
Other available-for-sale equity securities	$ 71	$ 71	$ —	$ —
Other available-for-sale debt securities and other	30	2	28	—
Derivative assets	7	—	—	7
Net assets	$ 108	$ 73	$ 28	$ 7

The following table provides a reconciliation of beginning and ending balances of assets and liabilities measured at fair value using Level 3 measurements.

	Derivatives (net)	
	Three Months Ended June 30,	
(in millions)	**2016**	**2015**
Balance at beginning of period	$ 2	$ 3
Purchases, sales, issuances and settlements:		
Purchases	29	18
Settlements	(6)	(10)
Total gains included on the Condensed Consolidated Balance Sheet as regulatory assets or liabilities	4	6
Balance at end of period	$ 29	$ 17

	Derivatives (net)	
	Six Months Ended June 30,	
(in millions)	**2016**	**2015**
Balance at beginning of period	$ 7	$ 14
Purchases, sales, issuances and settlements:		
Purchases	29	18
Settlements	(11)	(19)
Total gains included on the Condensed Consolidated Balance Sheet as regulatory assets or liabilities	4	4
Balance at end of period	$ 29	$ 17

QUANTITATIVE INFORMATION ABOUT UNOBSERVABLE INPUTS

The following table includes quantitative information about the Duke Energy Registrants' derivatives classified as Level 3. As of June 30, 2016 and December 31, 2015, all Level 3 derivatives were financial transmission rights (FTRs).

	June 30, 2016			
	Fair Value of FTRs (in millions)	Valuation Technique	Unobservable Input	Range
Duke Energy	$ 34	RTO auction pricing	FTR price – per Megawatt-Hour (MWh)	$ (1.64) - $ 8.64
Duke Energy Ohio	5	RTO auction pricing	FTR price – per MWh	0.36 - 2.47
Duke Energy Indiana	29	RTO auction pricing	FTR price – per MWh	(1.64) - 8.64

	December 31, 2015			
	Fair Value of FTRs (in millions)	Valuation Technique	Unobservable Input	Range
Duke Energy	$ 10	RTO auction pricing	FTR price – per MWh	$ (0.74) - $ 7.29
Duke Energy Ohio	3	RTO auction pricing	FTR price – per MWh	0.67 - 2.53
Duke Energy Indiana	7	RTO auction pricing	FTR price – per MWh	(0.74) - 7.29

OTHER FAIR VALUE DISCLOSURES

The fair value and book value of long-term debt, including current maturities, is summarized in the following table. Estimates determined are not necessarily indicative of amounts that could have been settled in current markets. Fair value of long-term debt uses Level 2 measurements.

	June 30, 2016		December 31, 2015	
(in millions)	Book Value	Fair Value	Book Value	Fair Value
Duke Energy	$ 42,273	$ 47,953	$ 39,569	$ 42,537
Duke Energy Carolinas	9,360	10,874	8,367	9,156
Progress Energy	15,486	16,715	14,464	15,856
Duke Energy Progress	6,565	7,344	6,518	6,757
Duke Energy Florida	5,540	5,226	4,266	4,908
Duke Energy Ohio	1,887	2,134	1,598	1,724
Duke Energy Indiana	3,937	4,717	3,768	4,219

At both June 30, 2016 and December 31, 2015, fair value of cash and cash equivalents, accounts and notes receivable, accounts payable, notes payable and commercial paper, and non-recourse notes payable of VIEs are not materially different from their carrying amounts because of the short-term nature of these instruments and/or because the stated rates approximate market rates.

12. VARIABLE INTEREST ENTITIES

A VIE is an entity that is evaluated for consolidation using more than a simple analysis of voting control. The analysis to determine whether an entity is a VIE considers contracts with an entity, credit support for an entity, the adequacy of the equity investment of an entity and the relationship of voting power to the amount of equity invested in an entity. This analysis is performed either upon the creation of a legal entity or upon the occurrence of an event requiring reevaluation, such as a significant change in an entity's assets or activities. A qualitative analysis of control determines the party that consolidates a VIE. This assessment is based on (i) what party has the power to direct the activities of the VIE that most significantly impact its economic performance and (ii) what party has rights to receive benefits or is obligated to absorb losses that could potentially be significant to the VIE. The analysis of the party that consolidates a VIE is a continual reassessment.

CONSOLIDATED VIEs

The obligations of the consolidated VIEs discussed in the following paragraphs are nonrecourse to the Duke Energy registrants. The registrants have no requirement to provide liquidity to, purchase assets of or guarantee performance of these VIEs unless noted in the following paragraphs.

No financial support was provided to any of the consolidated VIEs during the six months ended June 30, 2016 and the year ended December 31, 2015, or is expected to be provided in the future, that was not previously contractually required.

Receivables Financing – DERF / DEPR / DEFR

Duke Energy Receivables Finance Company, LLC (DERF), Duke Energy Progress Receivables, LLC (DEPR) and Duke Energy Florida Receivables, LLC (DEFR) are bankruptcy remote, special purpose subsidiaries of Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida, respectively. DERF, DEPR and DEFR are wholly owned limited liability companies with separate legal existence from their parent companies, and their assets are not generally available to creditors of their parent companies. On a revolving basis, DERF, DEPR and DEFR buy certain accounts receivable arising from the sale of electricity and related services from their parent companies.

DERF, DEPR and DEFR borrow amounts under credit facilities to buy these receivables. Borrowing availability from the credit facilities is limited to the amount of qualified receivables purchased. The sole source of funds to satisfy the related debt obligations is cash collections from the receivables. Amounts borrowed under the credit facilities are reflected on the Condensed Consolidated Balance Sheets as Long-Term Debt.

The most significant activity that impacts the economic performance of DERF, DEPR and DEFR are the decisions made to manage delinquent receivables. Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida consolidate DERF, DEPR and DEFR, respectively, as they make those decisions.

Receivables Financing – CRC

CRC is a bankruptcy remote, special purpose entity indirectly owned by Duke Energy. On a revolving basis, CRC buys certain accounts receivable arising from the sale of electricity and related services from Duke Energy Ohio and Duke Energy Indiana. CRC borrows amounts under a credit facility to buy the receivables from Duke Energy Ohio and Duke Energy Indiana. Borrowing availability from the credit facility is limited to the amount of qualified receivables sold to CRC. The sole source of funds to satisfy the related debt obligation is cash collections from the receivables. Amounts borrowed under the credit facility are reflected on Duke Energy's Condensed Consolidated Balance Sheets as Long-Term Debt.

The proceeds Duke Energy Ohio and Duke Energy Indiana receive from the sale of receivables to CRC are typically 75 percent cash and 25 percent in the form of a subordinated note from CRC. The subordinated note is a retained interest in the receivables sold. Depending on collection experience, additional equity infusions to CRC may be required by Duke Energy to maintain a minimum equity balance of $3 million.

CRC is considered a VIE because (i) equity capitalization is insufficient to support its operations, (ii) power to direct the activities that most significantly impact the economic performance of the entity are not performed by the equity holder, and (iii) deficiencies in net worth of CRC are funded by Duke Energy. The most significant activities that impact the economic performance of CRC are decisions made to manage delinquent receivables. Duke Energy consolidates CRC as it makes these decisions. Neither Duke Energy Ohio nor Duke Energy Indiana consolidate CRC.

Receivables Financing – Credit Facilities

The following table summarizes the amounts and expiration dates of the credit facilities described above. Amounts borrowed under the credit facilities are reflected on the Condensed Consolidated Balance Sheets as Long-Term Debt.

	Duke Energy			
		Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida
	CRC	DERF	DEPR	DEFR
Expiration date	December 2018	December 2018	February 2019	April 2019
Credit facility amount (in millions)	$ 325	$ 425	$ 300	$ 225
Amounts borrowed at June 30, 2016	325	425	300	225
Amounts borrowed at December 31, 2015	325	425	254	225

Nuclear Asset-Recovery Bonds – DEFPF

DEFPF is a bankruptcy remote, wholly owned special purpose subsidiary of Duke Energy Florida. DEFPF was formed in 2016 for the sole purpose of issuing nuclear asset-recovery bonds to finance Duke Energy Florida's unrecovered regulatory asset related to Crystal River Unit 3.

In June 2016, DEFPF issued $1,294 million of senior secured bonds and used the proceeds to acquire nuclear asset-recovery property from Duke Energy Florida. The nuclear asset-recovery property acquired includes the right to impose, bill, collect and adjust a non-bypassable nuclear asset-recovery charge from all Duke Energy Florida retail customers until the bonds are paid in full and all financing costs have been recovered. The nuclear asset-recovery bonds are secured by the nuclear asset-recovery property, and cash collections from the nuclear asset-recovery charges are the sole source of funds to satisfy the debt obligation. The bondholders have no recourse to Duke Energy Florida. For additional information see Notes 4 and 6.

DEFPF is considered a VIE primarily because the equity capitalization is insufficient to support its operations. Duke Energy Florida has the power to direct the significant activities of the VIE as described above, and therefore Duke Energy Florida is considered the primary beneficiary and consolidates DEFPF.

The following table summarizes the impact of DEFPF on Duke Energy Florida's Condensed Consolidated Balance Sheets.

(in millions)	June 30, 2016
Regulatory Assets: Current	$ 34
Current Assets: Other	7
Regulatory Assets and Deferred Debits: Regulatory assets	1,194
Current maturities of long-term debt	35
Long-Term Debt	1,243

Renewables

Certain Duke Energy renewable energy facilities are VIEs due to long-term fixed-price power purchase agreements. These fixed-price agreements effectively transfer commodity price risk to the buyer of the power. Certain other Duke Energy renewable energy facilities are VIEs due to Duke Energy issuing guarantees for debt service and operations and maintenance reserves in support of debt financings. For certain VIEs, assets are restricted and cannot be pledged as collateral or sold to third parties without prior approval of debt holders. The activities that most significantly impact the economic performance of these renewable energy facilities were decisions associated with siting, negotiating purchase power agreements, engineering, procurement and construction, and decisions associated with ongoing operations and maintenance-related activities. Duke Energy consolidates the entities as it is responsible for all of these decisions.

The table below presents material balances reported on Duke Energy's Condensed Consolideted Balance Sheets related to renewables VIEs.

(in millions)	June 30, 2016	December 31, 2015
Current Assets: Other	$ 223	$ 138
Property, plant and equipment, cost	2,578	2,015
Accumulated depreciation and amortization	(376)	(321)
Current maturities of long-term debt	154	108
Long-Term Debt	866	968
Deferred Credits and Other Liabilities: Deferred income taxes	31	289
Deferred Credits and Other Liabilities: Other	277	33

NON-CONSOLIDATED VIEs

The following tables summarize the impact of non-consolidated VIEs on the Condensed Consolidated Balance Sheets.

	June 30, 2016				
	Duke Energy			Duke Energy	Duke Energy
(in millions)	Renewables	Other	Total	Ohio	Indiana
Receivables from affiliated companies	$ —	$ —	$ —	$ 39	$ 58
Investments in equity method unconsolidated affiliates	222	252	474	—	—
Total assets	$ 222	$ 252	$ 474	$ 39	$ 58
Other current liabilities	—	3	3	—	—
Deferred credits and other liabilities	—	13	13	—	—
Total liabilities	$ —	$ 16	$ 16	$ —	$ —
Net assets	$ 222	$ 236	$ 458	$ 39	$ 58

	December 31, 2015				
	Duke Energy			Duke Energy	Duke Energy
(in millions)	Renewables	Other	Total	Ohio	Indiana
Receivables from affiliated companies	$ —	$ —	$ —	$ 47	$ 60
Investments in equity method unconsolidated affiliates	235	152	387	—	—
Total assets	$ 235	$ 152	$ 387	$ 47	$ 60
Other current liabilities	—	3	3	—	—
Deferred credits and other liabilities	—	14	14	—	—
Total liabilities	$ —	$ 17	$ 17	$ —	$ —
Net assets	$ 235	$ 135	$ 370	$ 47	$ 60

The Duke Energy Registrants are not aware of any situations where the maximum exposure to loss significantly exceeds the carrying values shown above except for the power purchase agreement with Ohio Valley Electric Corporation (OVEC), which is discussed below, and various guarantees, reflected in the table above as Deferred credits and other liabilities. For more information on various guarantees, refer to Note 5.

Renewables

Duke Energy has investments in various renewable energy project entities. Some of these entities are VIEs due to long-term fixed-price power purchase agreements. These fixed-price agreements effectively transfer commodity price risk to the buyer of the power. Duke Energy does not consolidate these VIEs because power to direct and control key activities is shared jointly by Duke Energy and other owners.

Other

Duke Energy holds a 50 percent equity interest in Duke-American Transmission Company, LLC (DATC). DATC is considered a VIE due to insufficient equity at risk to permit DATC to finance its own activities without additional subordinated financial support. The activities that most significantly impact DATC's economic performance are the decisions related to investing in existing and development of new transmission facilities. The power to direct these activities is jointly and equally shared by Duke Energy and the other joint venture partner, and therefore Duke Energy does not consolidate DATC.

Duke Energy has a 40 percent equity interest and a 7.5 percent equity interest in ACP and Sabal Trail Transmission, LLC (Sabal Trail), respectively. These entities are considered VIEs as their equity is not sufficient to permit the entities to finance their activities without additional subordinated financial support. The activity that most significantly impacts the economic performance of both ACP and Sabal Trail is construction. Duke Energy does not control these activities and therefore does not consolidate ACP or Sabal Trail.

OVEC

Duke Energy Ohio's 9 percent ownership interest in OVEC is considered a non-consolidated VIE. Through its ownership interest in OVEC, Duke Energy Ohio has a contractual arrangement to buy power from OVEC's power plants through June 2040. Proceeds from the sale of power by OVEC to its power purchase agreement counterparties are designed to be sufficient to meet its operating expenses, fixed costs, debt amortization and interest expense, as well as earn a return on equity. Accordingly, the value of this contract is subject to variability due to fluctuations in power prices and changes in OVEC's costs of business, including costs associated with its 2,256 MW of coal-fired generation capacity. Proposed environmental rulemaking could increase the costs of OVEC, which would be passed through to Duke Energy Ohio.

CRC

See discussion under Consolidated VIEs for additional information related to CRC.

Amounts included in Receivables from affiliated companies in the above table for Duke Energy Ohio and Duke Energy Indiana reflect their retained interest in receivables sold to CRC. These subordinated notes held by Duke Energy Ohio and Duke Energy Indiana are stated at fair value. Carrying values of retained interests are determined by allocating carrying value of the receivables between assets sold and interests retained based on relative fair value. The allocated bases of the subordinated notes are not materially different than their face value because (i) the receivables generally turn over in less than two months, (ii) credit losses are reasonably predictable due to the broad customer base and lack of significant concentration, and (iii) the equity in CRC is subordinate to all retained interests and thus would absorb losses first. The hypothetical effect on fair value of the retained interests assuming both a 10 percent and a 20 percent unfavorable variation in credit losses or discount rates is not material due to the short turnover of receivables and historically low credit loss history. Interest accrues to Duke Energy Ohio and Duke Energy Indiana on the retained interests using the acceptable yield method. This method generally approximates the stated rate on the notes since the allocated basis and the face value are nearly equivalent. An impairment charge is recorded against the carrying value of both retained interests and purchased beneficial interest whenever it is determined that an other-than-temporary impairment has occurred.

Key assumptions used in estimating fair value are detailed in the following table.

	Duke Energy Ohio		**Duke Energy Indiana**	
	2016	**2015**	**2016**	**2015**
Anticipated credit loss ratio	**0.5%**	0.6%	**0.3%**	0.3%
Discount rate	**1.4%**	1.2%	**1.4%**	1.2%
Receivable turnover rate	**13.2%**	12.9%	**10.6%**	10.6%

The following table shows the gross and net receivables sold.

	Duke Energy Ohio		**Duke Energy Indiana**	
(in millions)	**June 30, 2016**	**December 31, 2015**	**June 30, 2016**	**December 31, 2015**
Receivables sold	**$ 208**	$ 233	**$ 279**	$ 260
Less: Retained interests	**39**	47	**58**	60
Net receivables sold	**$ 169**	$ 186	**$ 221**	**$ 200**

The following table shows sales and cash flows related to receivables sold.

	Duke Energy Ohio				Duke Energy Indiana			
	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2016	2015	2016	2015	2016	2015	2016	2015
Sales								
Receivables sold	$ 429	$ 425	$ 961	$ 1,069	$ 623	$ 637	$ 1,258	$ 1,353
Loss recognized on sale	2	2	5	5	2	2	5	5
Cash flows								
Cash proceeds from receivables sold	427	467	964	1,107	612	660	1,255	1,382
Collection fees received	—	1	—	1	1	1	1	1
Return received on retained interests	—	1	1	2	1	1	2	3

Cash flows from sales of receivables are reflected within Operating Activities on Duke Energy Ohio's and Duke Energy Indiana's Condensed Consolidated Statements of Cash Flows.

Collection fees received in connection with servicing transferred accounts receivable are included in Operation, maintenance and other on Duke Energy Ohio's and Duke Energy Indiana's Condensed Consolidated Statements of Operations and Comprehensive Income. The loss recognized on sales of receivables is calculated monthly by multiplying receivables sold during the month by the required discount. The required discount is derived monthly utilizing a three-year weighted average formula that considers charge-off history, late charge history and turnover history on the sold receivables, as well as a component for the time value of money. The discount rate, or component for the time value of money, is the prior month-end LIBOR plus a fixed rate of 1.00 percent.

13. COMMON STOCK

Basic Earnings Per Share (EPS) is computed by dividing net income attributable to Duke Energy common stockholders, adjusted for distributed and undistributed earnings allocated to participating securities, by the weighted average number of common stock outstanding during the period. Diluted EPS is computed by dividing net income attributable to Duke Energy common stockholders, as adjusted for distributed and undistributed earnings allocated to participating securities, by the diluted weighted average number of common stock outstanding during the period. Diluted EPS reflects the potential dilution that could occur if securities or other agreements to issue common stock, such as stock options and the Equity Forwards, were exercised or settled. Duke Energy's participating securities are restricted stock units that are entitled to dividends declared on Duke Energy common stock during the restricted stock unit's vesting periods.

The following table presents Duke Energy's basic and diluted EPS calculations and reconciles the weighted average number of common stock outstanding to the diluted weighted average number of common shares outstanding.

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions, except per-share amounts)	2016	2015	2016	2015
Income from continuing operations attributable to Duke Energy common stockholders excluding impact of participating securities	$ 508	$ 600	$ 1,199	$ 1,372
Weighted average shares outstanding – basic	689	692	689	700
Equity Forwards	1	—	—	—
Weighted average shares outstanding – diluted	690	692	689	700
Earnings per share from continuing operations attributable to Duke Energy common stockholders				
Basic	$ 0.74	$ 0.87	$ 1.74	$ 1.96
Diluted	$ 0.74	$ 0.87	$ 1.74	$ 1.96
Potentially dilutive items excluded from the calculation[(a)]	2	2	2	2
Dividends declared per common share	$ 0.825	$ 0.795	$ 1.65	$ 1.59

(a)Performance stock awards were not included in the dilutive securities calculation because the performance measures related to the awards had not been met.

Equity Forwards

In March 2016, Duke Energy marketed an equity offering of 10.6 million shares of common stock. In lieu of issuing equity at the time of the offering, Duke Energy entered into Equity Forwards with Barclays. No amounts have or will be recorded in Duke Energy's Condensed Consolidated Financial Statements with respect to the equity offering until settlements of the Equity Forwards occur. The Equity Forwards require Duke Energy to, at its election prior to June 30, 2017, either physically settle the transactions by issuing the total of 10.6 million of its common stock to Barclays in exchange for net proceeds at the then-applicable forward sale price specified by the agreements (initially $69.84 per share) or Duke Energy can net settle the transactions in whole or in part through the delivery or receipt of cash or shares. If Duke Energy had elected to net share settle the contract as of June 30, 2016, Duke Energy would have been required to deliver 2.1 million shares. The forward sale price is subject to adjustment on a daily basis based on a floating interest rate factor and will decrease by other fixed amounts specified in the agreements. The net proceeds received upon settlement are expected to be used to finance a portion of the acquisition of Piedmont.

Until settlement of the Equity Forwards, earnings per share dilution resulting from the agreements will be determined under the treasury stock method.

Accelerated Stock Repurchase Program

On April 6, 2015, Duke Energy entered into agreements with each of Goldman, Sachs & Co. and JPMorgan Chase Bank, National Association (the Dealers) to repurchase a total of $1.5 billion of Duke Energy common stock under an accelerated stock repurchase program (the ASR). Duke Energy made payments of $750 million to each of the Dealers and was delivered 16.6 million shares, with a total fair value of $1.275 billion, which represented approximately 85 percent of the total number of shares of Duke Energy common stock expected to be repurchased under the ASR. The company recorded the $1.5 billion payment as a reduction to common stock as of April 6, 2015. In June 2015, the Dealers delivered 3.2 million additional shares to Duke Energy to complete the ASR. Approximately 19.8 million shares, in total, were delivered to Duke Energy and retired under the ASR at an average price of $75.75 per share. The final number of shares repurchased was based upon the average of the daily volume weighted average stock prices of Duke Energy's common stock during the term of the program, less a discount.

14. STOCK-BASED COMPENSATION

For employee awards, equity classified stock-based compensation cost is measured at the service inception date or the grant date, based on the estimated achievement of certain performance metrics or the fair value of the award, and is recognized as expense or capitalized as a component of property, plant and equipment over the requisite service period.

Pretax stock-based compensation costs, the tax benefit associated with stock-based compensation expense, and stock-based compensation costs capitalized are included in the following table.

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2016**	**2015**	**2016**	**2015**
Restricted stock unit awards	$ 10	$ 11	$ 17	$ 20
Performance awards	5	8	10	13
Pretax stock-based compensation cost	$ 15	$ 19	$ 27	$ 33
Tax benefit associated with stock-based compensation expense	$ 5	$ 7	$ 9	$ 12
Stock-based compensation costs capitalized	1	1	2	2

15. EMPLOYEE BENEFIT PLANS

DEFINED BENEFIT RETIREMENT PLANS

Duke Energy maintains, and the Subsidiary Registrants participate in, qualified, non-contributory defined benefit retirement plans. The plans cover most U.S. employees using a cash balance formula. Under a cash balance formula, a plan participant accumulates a retirement benefit consisting of pay credits equal to a percentage of current eligible earnings based on age or the combination of age and years of service, and interest credits. Certain employees are covered under plans that use a final average earnings formula. Under these average earnings formulas, a plan participant accumulates a retirement benefit equal to the sum of percentages of their (i) highest three-year or four-year average earnings, (ii) highest three-year or four-year average earnings in excess of covered compensation per year of participation (maximum of 35 years) and/or (iii) highest three-year average earnings times years of participation in excess of 35 years. Duke Energy also maintains, and the Subsidiary Registrants participate in, non-qualified, non-contributory defined benefit retirement plans which cover certain executives. The qualified and non-qualified, non-contributory defined benefit plans are closed to new and rehired non-union and certain unionized employees.

Duke Energy's policy is to fund amounts on an actuarial basis to provide assets sufficient to meet benefit payments to be paid to plan participants. The following table includes information related to the Duke Energy Registrants' contributions to its U.S. qualified defined benefit pension plans. Duke Energy did not make any contributions to its U.S. qualified defined benefit pension plans during the six months ended June 30, 2016.

	Six Months Ended June 30, 2015						
(in millions)	**Duke Energy**	**Duke Energy Carolinas**	**Progress Energy**	**Duke Energy Progress**	**Duke Energy Florida**	**Duke Energy Ohio**	**Duke Energy Indiana**
Contributions	$ 132	$ 42	$ 42	$ 21	$ 21	$ 1	$ 9

Net periodic benefit costs disclosed in the tables below represent the cost of the respective benefit plan for the periods presented. However, portions of the net periodic benefit costs disclosed in the tables below have been capitalized as a component of property, plant and equipment. Amounts presented in the tables below for the Subsidiary Registrants represent the amounts of pension and other post-retirement benefit costs allocated by Duke Energy for employees of the Subsidiary Registrants. Additionally, the Subsidiary Registrants are allocated their proportionate share of pension and post-retirement benefit costs for employees of Duke Energy's shared services affiliate that provides support to the Subsidiary Registrants. These allocated amounts are included in the governance and shared service costs discussed in Note 8. Duke Energy uses a December 31 measurement date for its defined benefit retirement plan assets and obligations.

QUALIFIED PENSION PLANS

The following tables include the components of net periodic pension costs for qualified pension plans.

	Three Months Ended June 30, 2016						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Service cost	$ 37	$ 12	$ 10	$ 6	$ 5	$ 1	$ 2
Interest cost on projected benefit obligation	83	22	27	13	14	5	7
Expected return on plan assets	(129)	(36)	(42)	(20)	(21)	(7)	(11)
Amortization of actuarial loss	33	8	13	5	7	1	3
Amortization of prior service credit	(4)	(2)	(1)	(1)	—	—	—
Other	1	—	—	1	—	—	—
Net periodic pension costs	$ 21	$ 4	$ 7	$ 4	$ 5	$ —	$ 1

	Three Months Ended June 30, 2015						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Service cost	$ 39	$ 12	$ 11	$ 6	$ 5	$ 1	$ 2
Interest cost on projected benefit obligation	81	20	26	12	13	4	7
Expected return on plan assets	(129)	(33)	(41)	(21)	(22)	(7)	(11)
Amortization of actuarial loss	44	10	17	9	8	3	4
Amortization of prior service credit	(3)	(2)	(1)	(1)	(1)	—	—
Other	2	—	—	1	1	—	—
Net periodic pension costs	$ 34	$ 7	$ 12	$ 6	$ 4	$ 1	$ 2

	Six Months Ended June 30, 2016						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Service cost	$ 73	$ 24	$ 21	$ 12	$ 10	$ 2	$ 4
Interest cost on projected benefit obligation	166	43	53	25	28	10	14
Expected return on plan assets	(258)	(71)	(84)	(41)	(42)	(14)	(21)
Amortization of actuarial loss	66	16	27	11	14	2	6
Amortization of prior service credit	(8)	(4)	(2)	(1)	—	—	—
Other	4	1	1	1	—	—	—
Net periodic pension costs	$ 43	$ 9	$ 16	$ 7	$ 10	$ —	$ 3

	Six Months Ended June 30, 2015						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Service cost	$ 79	$ 25	$ 22	$ 12	$ 10	$ 2	$ 5
Interest cost on projected benefit obligation	163	41	52	24	27	9	14
Expected return on plan assets	(258)	(69)	(84)	(41)	(44)	(13)	(21)
Amortization of actuarial loss	87	20	34	17	16	5	7
Amortization of prior service credit	(7)	(4)	(2)	(1)	(1)	—	—
Other	4	1	1	1	1	—	—
Net periodic pension costs	$ 68	$ 14	$ 23	$ 12	$ 9	$ 3	$ 5

NON-QUALIFIED PENSION PLANS

The following tables include the components of net periodic pension costs for non-qualified pension plans for registrants with non-qualified pension costs.

	Three Months Ended June 30, 2016				
(in millions)	**Duke Energy**	**Duke Energy Carolinas**	**Progress Energy**	**Duke Energy Progress**	**Duke Energy Florida**
Service cost	$ 1	$ —	$ —	$ —	$ —
Interest cost on projected benefit obligation	3	1	1	1	1
Amortization of actuarial loss	2	—	—	—	—
Net periodic pension costs	$ 6	$ 1	$ 1	$ 1	$ 1

	Three Months Ended June 30, 2015				
(in millions)	**Duke Energy**	**Duke Energy Carolinas**	**Progress Energy**	**Duke Energy Progress**	**Duke Energy Florida**
Service cost	$ 1	$ —	$ —	$ —	$ —
Interest cost on projected benefit obligation	3	—	1	1	1
Amortization of actuarial loss	1	—	1	—	—
Net periodic pension costs	$ 5	$ —	$ 2	$ 1	$ 1

	Six Months Ended June 30, 2016				
(in millions)	**Duke Energy**	**Duke Energy Carolinas**	**Progress Energy**	**Duke Energy Progress**	**Duke Energy Florida**
Service cost	$ 1	$ —	$ —	$ —	$ —
Interest cost on projected benefit obligation	7	1	2	1	1
Amortization of actuarial loss	4	—	1	—	—
Net periodic pension costs	$ 12	$ 1	$ 3	$ 1	$ 1

	Six Months Ended June 30, 2015				
(in millions)	**Duke Energy**	**Duke Energy Carolinas**	**Progress Energy**	**Duke Energy Progress**	**Duke Energy Florida**
Service cost	$ 1	$ —	$ 1	$ —	$ —
Interest cost on projected benefit obligation	7	1	2	1	1
Amortization of actuarial loss	3	—	1	—	1
Net periodic pension costs	$ 11	$ 1	$ 4	$ 1	$ 2

OTHER POST-RETIREMENT BENEFIT PLANS

Duke Energy provides, and the Subsidiary Registrants participate in, some health care and life insurance benefits for retired employees on a contributory and non-contributory basis. Employees are eligible for these benefits if they have met age and service requirements at retirement, as set forth in the plans. The health care benefits include medical, dental, vision, and prescription drug coverage and are subject to certain limitations, such as deductibles and co-payments.

The following tables include the components of net periodic other post-retirement benefit costs.

	Three Months Ended June 30, 2016						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Service cost	$ 1	$ —	$ —	$ —	$ —	$ —	$ —
Interest cost on accumulated post-retirement benefit obligation	9	2	3	2	1	1	1
Expected return on plan assets	(4)	(2)	—	—	—	—	(1)
Amortization of actuarial loss (gain)	2	(1)	6	3	3	(1)	—
Amortization of prior service credit	(36)	(3)	(25)	(17)	(9)	—	—
Net periodic other post-retirement benefit costs	$ (28)	$ (4)	$ (16)	$ (12)	$ (5)	$ —	$ —

	Three Months Ended June 30, 2015						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Service cost	$ 1	$ 1	$ 1	$ —	$ —	$ —	$ —
Interest cost on accumulated post-retirement benefit obligation	9	2	3	2	1	1	2
Expected return on plan assets	(3)	(2)	—	—	—	—	—
Amortization of actuarial loss (gain)	7	(1)	7	4	2	—	(1)
Amortization of prior service credit	(35)	(3)	(25)	(16)	(7)	—	—
Net periodic other post-retirement benefit costs	$ (21)	$ (3)	$ (14)	$ (10)	$ (4)	$ 1	$ 1

	Six Months Ended June 30, 2016						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Service cost	$ 2	$ —	$ —	$ —	$ —	$ —	$ —
Interest cost on accumulated post-retirement benefit obligation	17	4	7	4	3	1	2
Expected return on plan assets	(7)	(4)	—	—	—	—	(1)
Amortization of actuarial loss (gain)	3	(2)	11	6	5	(1)	(1)
Amortization of prior service credit	(71)	(6)	(51)	(34)	(18)	—	—
Net periodic other post-retirement benefit costs	$ (56)	$ (8)	$ (33)	$ (24)	$ (10)	$ —	$ —

	Six Months Ended June 30, 2015						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Service cost	$ 3	$ 1	$ 1	$ —	$ —	$ —	$ —
Interest cost on accumulated post-retirement benefit obligation	18	4	7	4	3	1	2
Expected return on plan assets	(6)	(4)	—	—	—	—	—
Amortization of actuarial loss (gain)	13	(1)	14	9	5	—	(1)
Amortization of prior service credit	(70)	(7)	(51)	(33)	(16)	—	—
Net periodic other post-retirement benefit costs	$ (42)	$ (7)	$ (29)	$ (20)	$ (8)	$ 1	$ 1

EMPLOYEE SAVINGS PLAN

Duke Energy sponsors, and the Subsidiary Registrants participate in, an employee savings plan that covers substantially all U.S. employees. Most employees participate in a matching contribution formula where Duke Energy provides a matching contribution generally equal to 100 percent of employee before-tax and Roth 401(k) contributions of up to 6 percent of eligible pay per pay period. Dividends on Duke Energy shares held by the savings plan are charged to retained earnings when declared and shares held in the plan are considered outstanding in the calculation of basic and diluted earnings per share.

For new and rehired non-union and certain unionized employees who are not eligible to participate in Duke Energy's defined benefit plans, an additional employer contribution of 4 percent of eligible pay per pay period, subject to a three-year vesting requirement, is provided to the employee's savings plan account.

The following table presents employer contributions made by Duke Energy and expensed by the Subsidiary Registrants.

(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Three Months Ended June 30,							
2016	**$ 39**	**$ 13**	**$ 12**	**$ 8**	**$ 4**	**$ 1**	**$ 2**
2015	37	13	12	8	3	1	2
Six Months Ended June 30,							
2016	**$ 91**	**$ 31**	**$ 27**	**$ 19**	**$ 8**	**$ 2**	**$ 4**
2015	86	29	26	19	7	2	4

16. INCOME TAXES

TAXES ON FOREIGN EARNINGS

As of December 31, 2015, Duke Energy's intention was to indefinitely reinvest foreign earnings of International Energy earned after December 31, 2014. In February 2016, Duke Energy announced it had initiated a process to divest the International Energy business segment, excluding the investment in NMC. Accordingly, Duke Energy no longer intends to indefinitely reinvest the undistributed earnings of International Energy. The Company recorded U.S. income taxes of approximately $4 million and $16 million for the three and six months ended June 30, 2016, respectively, related to such earnings and will prospectively provide U.S. income taxes on future foreign earnings.

This change in the Company's intent, combined with the extension of bonus depreciation by Congress in late 2015, allows Duke Energy to more efficiently utilize foreign tax credits and reduce U.S. deferred tax liabilities associated with historic unremitted foreign earnings by approximately $95 million for the six months ended June 30, 2016.

EFFECTIVE TAX RATES

The effective tax rates from continuing operations for each of the Duke Energy Registrants are included in the following table.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	**2015**	**2016**	**2015**
Duke Energy	**31.8%**	35.6%	**27.2%**	33.6%
Duke Energy Carolinas	**35.1%**	36.6%	**34.6%**	36.2%
Progress Energy	**36.0%**	39.2%	**36.3%**	37.1%
Duke Energy Progress	**35.5%**	40.6%	**35.4%**	36.0%
Duke Energy Florida	**37.6%**	38.7%	**37.7%**	38.6%
Duke Energy Ohio	**34.3%**	35.0%	**29.2%**	36.8%
Duke Energy Indiana	**36.1%**	36.4%	**33.1%**	36.5%

The decrease in the effective tax rate for Duke Energy for the three and six months ended June 30, 2016, is driven by lower income taxes on foreign earnings due to a more efficient utilization of foreign tax credits, as described above, and favorable impacts of finalizing federal tax audits. Refer to "Taxes on Foreign Earnings" above for additional information.

The decrease in the effective tax rate for Duke Energy Carolinas for the three and six months ended June 30, 2016, is primarily due to a favorable state resolution related to prior-year tax returns and favorable impacts of finalizing tax audits.

The decrease in the effective tax rate for Progress Energy for the three months ended June 30, 2016, is primarily due to a change in tax levelization.

The decrease in the effective tax rate for Duke Energy Progress for the three months ended June 30, 2016, is primarily due to a change in tax levelization.

The decrease in the effective tax rate for Duke Energy Florida for the three months ended June 30, 2016, is primarily due to an increase in AFUDC equity.

The decrease in the effective tax rate for Duke Energy Ohio for the six months ended June 30, 2016, is primarily due to a favorable prior-period adjustment for depreciation and other property, plant and equipment.

The decrease in the effective tax rate for Duke Energy Indiana for the six months ended June 30, 2016, is primarily due to a favorable prior-period adjustment for depreciation and other property, plant and equipment.

17. SUBSEQUENT EVENTS

For information on subsequent events related to acquisitions, regulatory matters, commitments and contingencies, and debt and credit facilities see Notes 2, 4, 5 and 6, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following combined Management's Discussion and Analysis of Financial Condition and Results of Operations is separately filed by Duke Energy Corporation (collectively with its subsidiaries, Duke Energy) and Duke Energy Carolinas, LLC (Duke Energy Carolinas), Progress Energy, Inc. (Progress Energy), Duke Energy Progress, LLC (Duke Energy Progress), Duke Energy Florida, LLC (Duke Energy Florida), Duke Energy Ohio, Inc. (Duke Energy Ohio) and Duke Energy Indiana, LLC (Duke Energy Indiana) (collectively referred to as the Subsidiary Registrants). However, none of the registrants make any representation as to information related solely to Duke Energy or the Subsidiary Registrants of Duke Energy other than itself.

DUKE ENERGY

Duke Energy is an energy company headquartered in Charlotte, North Carolina. Duke Energy operates in the United States (U.S.) primarily through its wholly owned subsidiaries, Duke Energy Carolinas, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio and Duke Energy Indiana, as well as in Latin America.

When discussing Duke Energy's consolidated financial information, it necessarily includes the results of the Subsidiary Registrants, which, along with Duke Energy, are collectively referred to as the Duke Energy Registrants.

Management's Discussion and Analysis includes financial information prepared in accordance with generally accepted accounting principles (GAAP) in the U.S., as well as certain non-GAAP financial measures such as adjusted earnings, adjusted diluted earnings per share (EPS) and adjusted segment income, discussed below. Generally, a non-GAAP financial measure is a numerical measure of financial performance, financial position or cash flows that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP. The non-GAAP financial measures should be viewed as a supplement to, and not a substitute for, financial measures presented in accordance with GAAP. Non-GAAP measures presented herein may not be comparable to similarly titled measures used by other companies.

Management's Discussion and Analysis should be read in conjunction with the Condensed Consolidated Financial Statements and Notes for the six months ended June 30, 2016, and with Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2015.

Acquisition of Piedmont Natural Gas

On October 24, 2015, Duke Energy entered into an Agreement and Plan of Merger (Merger Agreement) with Piedmont Natural Gas Company, Inc., (Piedmont) a North Carolina corporation. Under the terms of the Merger Agreement, Duke Energy will acquire Piedmont for approximately $4.9 billion in cash and Piedmont will become a wholly owned subsidiary of Duke Energy. In addition, Duke Energy will assume Piedmont's existing debt, which was approximately $2.0 billion at April 30, 2016, the end of Piedmont's most recent filed quarter. The excess of the purchase price over the fair value of Piedmont's assets and liabilities on the acquisition date will be recorded as goodwill. Duke Energy estimates the transaction would result in incremental goodwill of approximately $3.5 billion. Duke Energy expects to finance the transaction with a combination of debt, equity issuances and other cash sources. As of June 30, 2016, Duke Energy entered into $1.4 billion of forward-starting interest rate swaps to manage interest rate exposure for the expected financing of the Piedmont acquisition. For additional information on the forward-starting swaps, see Note 9 to the Condensed Consolidated Financial Statements, "Derivatives and Hedging."

In March 2016, Duke Energy marketed an equity offering of 10.6 million shares of Duke Energy common stock. In lieu of issuing equity at the time of the offering, Duke Energy entered into equity forward sale agreements (the Equity Forwards) with Barclays Capital, Inc. (Barclays). Duke Energy expects to settle the Equity Forwards on or around the closing date of the Piedmont acquisition. The net proceeds received upon settlement are expected to be used to finance a portion of the acquisition of Piedmont. For additional information regarding the Equity Forwards, see Note 13 to the Condensed Consolidated Financial Statements, "Common Stock."

In connection with the Merger Agreement with Piedmont, Duke Energy entered into a $4.9 billion senior unsecured bridge financing facility (Bridge Facility) with Barclays. The Bridge Facility, if drawn upon, may be used to (i) fund the cash consideration for the transaction and (ii) pay certain fees and expenses in connection with the transaction. In November 2015, Barclays syndicated its commitment under the Bridge Facility to a broader group of lenders. Duke Energy does not expect to draw upon the Bridge Facility. The amount of the Bridge Facility is reduced by any financings related to the Piedmont acquisition entered into by Duke Energy, and has accordingly been reduced to $3.2 billion as a result of the Equity Forwards and $1 billion of the commitments under a term loan amended and restated as of August 1, 2016. See Note 6 to the Condensed Consolidated Financial Statements, "Debt and Credit Facilities," for additional information.

Piedmont's shareholders have approved the company's acquisition by Duke Energy and the Federal Trade Commission (FTC) has granted early termination of the 30-day waiting period under the federal Hart-Scott-Rodino Antitrust Improvements Act of 1976. On January 15, 2016, Duke Energy and Piedmont filed an application with the North Carolina Utilities Commission (NCUC) for approval of the proposed business combination and associated financing transactions. On January 29, 2016, the NCUC approved Duke Energy's proposed financing transactions. On March 7, 2016, the Kentucky Public Service Commission (KPSC) granted Duke Energy's declaratory request that the transaction does not constitute a change in control and does not require KPSC approval. The Tennessee Regulatory Authority approved Duke Energy's and Piedmont's request of the change in control resulting from the transaction at its March 14, 2016, meeting. On June 10, 2016 the North Carolina Public Staff reached an agreement with Duke Energy and Piedmont on certain stipulations and conditions for approval of the transaction. Duke Energy and Piedmont have also entered into settlement agreements with the Environmental Defense Fund (EDF) and the Carolina Utility Customers Association, Inc. (CUCA) resolving EDF's and CUCA's issues in the case.

On July 19, 2016, the NCUC concluded an evidentiary hearing for the proposed business combination. Proposed orders are due from all parties by August 25, 2016, after which the NCUC will rule on the application. Subject to receipt of NCUC approval, and meeting closing conditions, Duke Energy and Piedmont expect to close the transaction by the end of 2016. Upon closing of the proposed acquisition, Duke Energy expects to record expenses of $175 million to $200 million, representing accruals for commitments made in conjunction with the transaction, such as funding charitable and community support contributions, professional fees and severance.

The Merger Agreement contains certain termination rights for both Duke Energy and Piedmont, and provides that, upon termination of the Merger Agreement under specified circumstances, Duke Energy would be required to pay a termination fee of $250 million to Piedmont and Piedmont would be required to pay Duke Energy a termination fee of $125 million.

Upon closing of the proposed acquisition of Piedmont, the chief operating decision-maker may determine that changes to business segments are necessary. The final outcome has not been determined.

See Note 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information regarding Duke Energy and Piedmont's joint investment in Atlantic Coast Pipeline, LLC (ACP).

Change In Segment Income

During the first quarter of 2016, the Duke Energy chief operating decision-maker began to evaluate interim period segment performance based on financial information that includes the impact of income tax levelization within segment income. This represents a change from the previous measure, where the interim period impacts of income tax levelization were included within Other, and therefore excluded from segment income. As a result, prior period segment results presented have been recast to conform to this change.

Potential Sale of International Energy

In February 2016, Duke Energy announced it had initiated a process to divest the International Energy business segment, excluding the equity method investment in National Methanol Company (NMC). Duke Energy is actively marketing the business. Non-binding offers have been received and are being evaluated. There is no assurance that this process will result in a transaction and the timing for execution of a potential transaction is uncertain. Proceeds from a successful sale would be used by Duke Energy to reduce debt and fund the operations and growth of domestic businesses. If the potential of a sale were to progress, it could result in classification of International Energy as assets held for sale and as a discontinued operation.

Based upon the advancement of the marketing efforts Duke Energy performed recoverability tests of the long-lived asset groups of International Energy as of June 30, 2016. As a result, Duke Energy determined the carrying value of certain assets in Central America is not fully recoverable and recorded a pretax impairment charge of $194 million, which is included within Impairment Charges on the Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2016. The impairment charge represents the excess of carrying value over the estimated fair value of the assets. The fair value of the assets was primarily determined from the income approach using discounted cash flows but also considered market information obtained in 2016.

As of June 30, 2016, the International Energy segment had a carrying value of approximately $2.4 billion, adjusted for approximately $589 million of cumulative foreign currency translation losses currently classified as accumulated other comprehensive loss.

Results of Operations

In this section, Duke Energy provides analysis and discussion of earnings and factors affecting earnings on both a GAAP and non-GAAP basis.

Management evaluates financial performance in part based on non-GAAP financial measures, adjusted earnings and adjusted diluted EPS. These items represent income from continuing operations net of income (loss) attributable to noncontrolling interests, adjusted for the dollar and per-share impact of special items. Special items represent certain charges and credits, which management believes are not indicative of Duke Energy's ongoing performance, as discussed below. Management believes the presentation of adjusted earnings and adjusted diluted EPS provides useful information to investors, as it provides them an additional relevant comparison of Duke Energy's performance across periods. Management uses these non-GAAP financial measures for planning and forecasting and for reporting results to the Duke Energy Board of Directors, employees, stockholders, analysts and investors concerning Duke Energy's financial performance. Adjusted diluted EPS is also used as a basis for employee incentive bonuses. The most directly comparable GAAP measures for adjusted earnings and adjusted diluted EPS are Net Income Attributable to Duke Energy Corporation and Diluted EPS Attributable to Duke Energy Corporation common stockholders.

Special items included in the periods presented include the following:

- Costs to achieve mergers and International impairment represent charges that result from potential or completed strategic acquisitions and divestitures that do not reflect ongoing costs of the business.
- Costs savings initiatives represent restructuring charges incurred to reduce future expenses and do not represent ongoing costs.
- Midwest generation operations represents the operating results of the nonregulated Midwest generation business and Duke Energy Retail Sales (collectively, the Disposal Group), which have been classified as discontinued operations. Management believes inclusion of the Disposal Group's operating results within adjusted earnings and adjusted diluted EPS results in a better reflection of Duke Energy's financial performance during the period.

Management evaluates segment performance based on segment income. Segment income is defined as income from continuing operations net of income attributable to noncontrolling interests. Segment income includes intercompany revenues and expenses that are eliminated in the Condensed Consolidated Financial Statements. Management also uses adjusted segment income as a measure of historical and anticipated future segment performance. Adjusted segment income is a non-GAAP financial measure, as it is based upon segment income adjusted for special items, which are discussed above. Management believes the presentation of adjusted segment income as presented provides useful information to investors, as it provides them with an additional relevant comparison of a segment's performance across periods. The most directly comparable GAAP measure for adjusted segment income is segment income.

Duke Energy's adjusted earnings, adjusted diluted EPS, and adjusted segment income may not be comparable to similarly titled measures of another company because other entities may not calculate the measures in the same manner.

See Note 3 to the Condensed Consolidated Financial Statements, "Business Segments," for a discussion of Duke Energy's segment structure.

Executive Overview

Reported EPS attributable to Duke Energy Corporation common stockholders (Reported EPS) was $0.74 for the second quarter of 2016 compared to $0.78 for the second quarter of 2015. Reported EPS was lower due to an impairment of certain assets in Central America, unrealized losses on interest rate swaps related to the proposed Piedmont acquisition, and lower revenues due to less favorable weather; partially offset by higher retail revenues from pricing and rider recoveries, and charges in the prior year related to the Disposal Group.

As discussed above, management also evaluates financial performance based on adjusted diluted EPS. Duke Energy's second quarter 2016 adjusted diluted EPS was $1.07 compared to $0.95 for the second quarter of 2015.

The following table reconciles non-GAAP measures, including adjusted diluted EPS, to their most directly comparable GAAP measures.

	Three Months Ended June 30, 2016							
(in millions, except per-share amounts)	Regulated Utilities	International Energy	Commercial Portfolio	Total Reportable Segments	Other	Eliminations/ Discontinued Operations	Duke Energy	Per Diluted Share
Reported Net Income Attributable to Duke Energy Corporation/Reported EPS	$ 718	$ (102)	$ 14	$ 630	$ (120)	$ (1)	$ 509	$ 0.74
Costs to achieve, mergers[a]	—	—	—	—	69	—	69	0.10
International impairment[b]	—	145	—	145	—	—	145	0.21
Cost savings initiatives[c]	—	—	—	—	15	—	15	0.02
Discontinued operations	—	—	—	—	—	1	1	—
Adjusted earnings/Adjusted EPS	$ 718	$ 43	$ 14	$ 775	$ (36)	$ —	$ 739	$ 1.07

(a) Net of $42 million tax benefit. Primarily consists of unrealized losses on forward-starting interest rate swaps utilized to manage interest rate exposure for the expected financing of the Piedmont acquisition.
(b) Net of $49 million tax benefit. Impairment of certain assets in Central America.
(c) Net of $9 million tax benefit. Primarily consists of severance costs.

	Three Months Ended June 30, 2015							
(in millions, except per-share amounts)	Regulated Utilities	International Energy	Commercial Portfolio	Total Reportable Segments	Other	Eliminations/ Discontinued Operations	Duke Energy	Per Diluted Share
Reported Net Income Attributable to Duke Energy Corporation/Reported EPS	$ 632	$ 52	$ (30)	$ 654	$ (51)	$ (60)	$ 543	$ 0.78
Costs to achieve Progress Energy merger[a]	—	—	—	—	14	—	14	0.02
Discontinued operations	—	—	41	41	—	60	101	0.15
Adjusted earnings/Adjusted EPS	$ 632	$ 52	$ 11	$ 695	$ (37)	$ —	$ 658	$ 0.95

(a) Net of $8 million tax benefit.

The increase in adjusted earnings for the three months ended June 30, 2016, compared to the same period in 2015, was primarily due to:

- Higher regulated results due to increased retail pricing and riders, including energy efficiency programs, partially offset by less favorable weather;
- Lower operations and maintenance expense primarily due to lower outage costs and cost savings initiatives;
- Improved results in Brazil primarily due to favorable hydrology, partially offset by weaker foreign currency exchange rates; and
- Incremental earnings from the additional ownership interest in generating assets acquired from North Carolina Eastern Municipal Power Agency (NCEMPA).

Partially offset by:

- Lower earnings from International Energy's equity method investment in NMC, primarily due to lower methyl tertiary butyl ether (MTBE) and methanol prices.

Duke Energy's Reported EPS was $1.74 for the six months ended June 30, 2016 compared to $2.01 for the six months ended June 30, 2015. Reported EPS was lower due to an impairment of certain assets in Central America, unrealized losses on interest rate swaps related to the proposed Piedmont acquisition, and lower revenues due to less favorable weather; partially offset by higher retail revenues from pricing and rider recoveries, and a favorable tax adjustment at International Energy.

As discussed above, management also evaluates financial performance based on adjusted diluted EPS. Duke Energy's adjusted diluted EPS was $2.20 for the six months ended June 30, 2016, which is consistent with adjusted diluted EPS for the six months ended June 30, 2015.

The following table reconciles non-GAAP measures, including adjusted diluted EPS, to their most directly comparable GAAP measures.

	Six Months Ended June 30, 2016							
(in millions, except per-share amounts)	Regulated Utilities	International Energy	Commercial Portfolio	Total Reportable Segments	Other	Eliminations/ Discontinued Operations	Duke Energy	Per Diluted Share
Net Income Attributable to Duke Energy Corporation/Reported EPS	$ 1,413	$ 21	$ 41	$ 1,475	$ (274)	$ 2	$ 1,203	$ 1.74
Costs to achieve, mergers[a]	—	—	—	—	143	—	143	0.21
International impairment[b]	—	145	—	145	—	—	145	0.21
Cost savings initiatives[c]	—	—	—	—	27	—	27	0.04
Discontinued operations	—	—	—	—	—	(2)	(2)	—
Adjusted earnings/Adjusted EPS	$ 1,413	$ 166	$ 41	$ 1,620	$ (104)	$ —	$ 1,516	$ 2.20

(a) Net of $88 million tax benefit. Primarily consists of unrealized losses on forward-starting interest rate swaps utilized to manage interest rate exposure for the expected financing of the Piedmont acquisition.
(b) Net of $49 million tax benefit. Impairment of certain assets in Central America.
(c) Net of $17 million tax benefit. Primarily consists of severance costs.

	Six Months Ended June 30, 2015							
(in millions, except per-share amounts)	Regulated Utilities	International Energy	Commercial Portfolio	Total Reportable Segments	Other	Eliminations/ Discontinued Operations	Duke Energy	Per Diluted Share
Net Income Attributable to Duke Energy Corporation/Reported EPS	$ 1,406	$ 88	$ (23)	$ 1,471	$ (94)	$ 30	$ 1,407	$ 2.01
Midwest generation operations	—	—	94	94	—	(94)	—	—
Costs to achieve Progress Energy merger[a]	—	—	—	—	27	—	27	0.04
Discontinued operations	—	—	41	41	—	64	105	0.15
Adjusted earnings/Adjusted EPS	$ 1,406	$ 88	$ 112	$ 1,606	$ (67)	$ —	$ 1,539	$ 2.20

(a) Net of $16 million tax benefit.

The decrease in adjusted earnings for the six months ended June 30, 2016, compared to the same period in 2015, was primarily due to:

- Lower results due to the absence of earnings from the Disposal Group sold in April 2015;
- Increased depreciation and amortization expense primarily due to a higher amount of property, plant and equipment in service; and
- Lower earnings from International Energy's equity method investment in NMC, primarily due to lower MTBE and methanol prices.

Partially offset by:

- Lower income tax expense as a result of the Company's intent to no longer indefinitely reinvest the foreign earnings of the International Energy segment combined with more efficient utilization of foreign tax credits, net of additional tax expense recognized in 2016 on International Energy's unremitted earnings. See Note 16 to the Condensed Consolidated Financial Statements, "Income Taxes," for additional information;
- Higher regulated results due to increased retail pricing and riders, including energy efficiency programs, partially offset by less favorable weather;
- Higher results in Latin America primarily due to favorable hydrology in Brazil, partially offset by weaker foreign currency exchange rates;
- Lower operations and maintenance expense primarily due to lower outage costs and cost efficiency initiatives, partially offset by an increase in storm restoration costs due to more severe winter storms in the Carolinas;
- Incremental earnings from the additional ownership interest in generating assets acquired from NCEMPA; and
- Reduction in weighted average shares outstanding primarily due to the prior-year accelerated stock repurchase.

SEGMENT RESULTS

The remaining information in this discussion of results of operations is presented on a GAAP basis.

Regulated Utilities

	Three Months Ended June 30,			Six Months Ended June 30,		
(in millions)	**2016**	**2015**	**Variance**	**2016**	**2015**	**Variance**
Operating Revenues	$ 5,099	$ 5,220	$ (121)	$ 10,358	$ 10,943	$ (585)
Operating Expenses	3,772	4,003	(231)	7,739	8,308	(569)
Gains on Sales of Other Assets and Other, net	1	2	(1)	2	9	(7)
Operating Income	1,328	1,219	109	2,621	2,644	(23)
Other Income and Expenses, net	74	59	15	138	131	7
Interest Expense	278	274	4	555	549	6
Income Before Income Taxes	1,124	1,004	120	2,204	2,226	(22)
Income Tax Expense	406	372	34	791	820	(29)
Segment Income	$ 718	$ 632	$ 86	$ 1,413	$ 1,406	$ 7
Duke Energy Carolinas Gigawatt-hours (GWh) sales	20,757	21,306	(549)	42,382	43,774	(1,392)
Duke Energy Progress GWh sales	16,829	14,952	1,877	33,978	31,717	2,261
Duke Energy Florida GWh sales	10,646	10,802	(156)	19,102	19,275	(173)
Duke Energy Ohio GWh sales	5,796	6,233	(437)	11,903	13,000	(1,097)
Duke Energy Indiana GWh sales	8,157	7,705	452	17,551	16,433	1,118
Total Regulated Utilities GWh sales	62,185	60,998	1,187	124,916	124,199	717
Net proportional Megawatt (MW) capacity in operation				49,620	49,528	92

Three Months Ended June 30, 2016 as Compared to June 30, 2015

Regulated Utilities' results were impacted by increased rate riders and retail pricing, lower operations and maintenance expenses, and an increase in wholesale power margins. These impacts were partially offset by less favorable weather in the Carolinas and Florida. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by:

- a $223 million decrease in fuel revenues driven by lower fuel prices included in electric rates and overall lower retail volumes; and
- a $43 million decrease in electric retail sales, net of fuel revenue, due to less favorable weather in the Carolinas and Florida compared to the prior year.

Partially offset by:

- a $112 million increase in rate riders, including increased revenues related to energy efficiency programs and the additional ownership interest in certain generating assets acquired from NCEMPA in the third quarter of 2015, and retail electric pricing primarily due to lower sales volumes which resulted in higher average customer rates; and
- a $38 million increase in wholesale power revenues, primarily due to additional volumes and capacity charges for customers served under long-term contracts, including the NCEMPA wholesale contract that became effective August 1, 2015.

Operating Expenses. The variance was driven primarily by:

- a $215 million decrease in fuel expense (including purchased power and natural gas purchases for resale) primarily due to lower natural gas and coal prices, and decreased generation due to lower sales volumes; and
- a $42 million decrease in operations and maintenance expense primarily due to lower outage costs and costs savings initiatives.

Other Income and Expenses, net. The variance was driven primarily by higher allowance for funds used during construction (AFUDC) equity.

Income Tax Expense. The variance was primarily due to an increase in pretax income, partially offset by a lower effective tax rate. The effective tax rates for the three months ended June 30, 2016 and 2015 were 36.1 percent and 37.1 percent, respectively. The decrease in the effective tax rate is primarily due to favorable impacts of finalizing tax audits.

Six Months Ended June 30, 2016 as Compared to June 30, 2015

Regulated Utilities' results were impacted by increased rate riders and retail pricing, an increase in wholesale power margins and lower operations and maintenance expense. These impacts were partially offset by less favorable weather, increased depreciation and amortization expense, and higher property and other tax expense. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by:

- a $635 million decrease in fuel revenues driven by lower fuel prices included in electric rates and overall lower volumes; and
- a $157 million decrease in electric retail sales, net of fuel revenue, due to less favorable weather across all the jurisdictions compared to the prior year.

Partially offset by:

- a $169 million increase in rate riders including increased revenues related to energy efficiency programs and the additional ownership interest in certain generating assets acquired from NCEMPA in the third quarter of 2015, and retail electric pricing primarily due to lower sales volumes, which resulted in higher average customer rates; and
- a $52 million increase in wholesale power revenues, primarily due to additional volumes and capacity charges for customers served under long-term contracts, including the NCEMPA wholesale contract that became effective August 1, 2015.

Operating Expenses. The variance was driven primarily by:

- a $627 million decrease in fuel expense (including purchased power and natural gas purchases for resale) primarily due to lower natural gas and coal prices, decreased generation due to lower sales volumes, and lower natural gas volumes and prices to full-service retail natural gas customers; and
- a $29 million decrease in operations and maintenance expense primarily due to lower outage costs and cost savings initiatives, partially offset by higher storm restoration costs.

Partially offset by:

- a $44 million increase in depreciation and amortization expense primarily due to additional plant in service, including the additional ownership interest in generating assets acquired from NCEMPA in the third quarter of 2015; and
- a $40 million increase in property and other taxes primarily due to higher sales and use tax at Duke Energy Indiana and higher property taxes across multiple jurisdictions.

Income Tax Expense. The variance is due to a decrease in the effective tax rate and lower pretax income. The effective tax rates for the six months ended June 30, 2016 and 2015 were 35.9 percent and 36.8 percent, respectively.

Matters Impacting Future Regulated Utilities Results

On May 18, 2016, the North Carolina Department of Environmental Quality (NCDEQ) issued proposed risk classifications for all coal ash surface impoundments in North Carolina. All ash impoundments not previously designated as high priority by the North Carolina Coal Ash Management Act of 2014 (Coal Ash Act) were designated as intermediate risk. Certain impoundments classified as intermediate risk, however, may be reassessed in the future as low risk pursuant to legislation signed by the North Carolina governor on July 14, 2016. Regulated Utilities' estimated asset retirement obligations related to the closure of North Carolina ash impoundments are based upon the mandated closure method or a probability weighting of potential closure methods for the impoundments that may be reassessed to low risk. As the final risk ranking classifications in North Carolina are delineated, final closure plans are developed and approved for each site and the closure work progresses, and the closure method scope is determined, the complexity of work and the amount of coal combustion material could be different than estimated and, therefore, could materially impact Regulated Utilities' financial position, results of operations and cash flows. See Note 5 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

Duke Energy is a party to multiple lawsuits and could be subject to fines and other penalties related to the Dan River coal ash release and operations at other North Carolina facilities with ash basins. The outcome of these lawsuits and potential fines and penalties could have an adverse impact on Regulated Utilities' financial position, results of operations and cash flows. See Note 5 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

An order from regulatory authorities disallowing recovery of costs related to closure of ash impoundments could have an adverse impact on Regulated Utilities' financial position, results of operations and cash flows. See Note 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters" and Note 9 in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2015, "Asset Retirement Obligations," for additional information.

Duke Energy Indiana entered into a revised settlement agreement with multiple parties that will resolve all disputes, claims and issues from the IURC proceedings related to post-commercial operating performance and recovery of ongoing operating and capital costs at the Edwardsport Integrated Gasification Combined Cycle (IGCC) generating facility. The agreement is subject to Indiana Utility Regulatory Commission (IURC) approval. Pursuant to the terms of this agreement, Duke Energy Indiana recognized an impairment and related charges of $93 million for the year ended December 31, 2015. The agreement stipulates that recovery of the remaining regulatory asset will be over an eight-year period and confirms an in-service date for accounting and ratemaking purposes of June 7, 2013. The agreement, if approved, will also impose a cost cap for recoverable operations and maintenance retail costs in the second half of 2016, and 2017, as well as a cost cap for ongoing capital expenditures through 2017. As part of the settlement, Duke Energy Indiana committed to either retire or cease burning coal at Gallagher Station by December 31, 2022. If the settlement agreement is not approved, outstanding issues before the IURC related to Edwardsport would resume and the resolution of such could have an adverse impact on Regulated Utilities' financial position, results of operations and cash flows. In addition, an inability to manage operating and capital costs in accordance with caps imposed pursuant to the agreement could have an adverse impact on Regulated Utilities' financial position, results of operations and cash flows. See Note 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

International Energy

	Three Months Ended June 30,			Six Months Ended June 30,		
(in millions)	2016	2015	Variance	2016	2015	Variance
Operating Revenues	$ 270	$ 287	$ (17)	$ 516	$ 560	$ (44)
Operating Expenses	382	232	150	536	439	97
Loss on Sales of Other Assets and Other, net	(1)	(1)	—	(1)	(1)	—
Operating (Loss) Income	(113)	54	(167)	(21)	120	(141)
Other Income and Expense, net	23	31	(8)	39	45	(6)
Interest Expense	22	22	—	44	45	(1)
(Loss) Income Before Income Taxes	(112)	63	(175)	(26)	120	(146)
Income Tax (Benefit) Expense	(13)	10	(23)	(52)	30	(82)
Less: Income Attributable to Noncontrolling Interests	3	1	2	5	2	3
Segment (Loss) Income	$ (102)	$ 52	$ (154)	$ 21	$ 88	$ (67)
Sales, GWh	5,625	4,520	1,105	11,505	8,990	2,515
Net proportional MW capacity in operation				4,315	4,333	(18)

Three Months Ended June 30, 2016 as Compared to June 30, 2015

International Energy's results were impacted by an impairment of certain assets in Central America, lower earnings from the equity method investment in NMC and weaker exchange rates; partially offset by improved hydrology in Brazil. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by a $14 million decrease in Central America due to lower average prices partially offset by higher volumes. Higher revenues at Brazil due to improved hydrology were offset by weaker exchange rates.

Operating Expenses. The variance was driven primarily by:

- a $181 million increase in Central America due to the asset impairment, partially offset by lower purchased power costs.

Partially offset by:

- a $28 million decrease in Brazil due to lower purchased power costs due to improved hydrology and weaker foreign currency exchange rates, partially offset by higher variable costs.

Other Income and Expense, net. The variance was primarily due to lower earnings from the equity method investment in NMC, as a result of lower average MTBE and methanol prices.

Income Tax (Benefit) Expense. The variance was primarily due to a tax benefit associated with the impairment of certain assets in Central America. The effective tax rates for the three months ended June 30, 2016 and 2015 were 11.6 percent and 15.9 percent, respectively.

Six Months Ended June 30, 2016 as Compared to June 30, 2015

International Energy's results were impacted by an impairment of certain assets in Central America, lower earnings from the equity method investment in NMC and weaker exchange rates in Latin America; partially offset by lower income taxes as a result of the Company's intent to no longer indefinitely reinvest foreign earnings and improved hydrology in Brazil. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by:

- a $26 million decrease in Central America due to lower average prices partially offset by higher volumes; and
- a $17 million decrease in Brazil due to weaker foreign currency exchange rates partially offset by higher volumes.

Operating Expenses. The variance was driven primarily by:

- a $164 million increase in Central America due to the asset impairment, partially offset by lower purchased power costs.

Partially offset by:

- a $66 million decrease in Brazil due to lower purchased power costs due to improved hydrology and weaker foreign currency exchange rates, partially offset by higher variable costs.

Other Income and Expense, net. The variance was primarily due to lower earnings from the equity method investment in NMC, primarily due to lower average MTBE and methanol prices, as well as lower MTBE sales volumes driven by planned maintenance; partially offset by lower butane costs.

Income Tax (Benefit) Expense. The variance was due to an increase in the effective tax rate and a decrease in pretax income. The increase in the effective tax rate was primarily a result of Duke Energy's ability to more efficiently utilize foreign tax credits. See Note 16 to the Condensed Consolidated Financial Statements, "Income Taxes," for additional information.

Matters Impacting Future International Energy Results

International Energy's operations include conventional hydroelectric power generation facilities located in Brazil. The weather and recessionary economic conditions in Brazil during recent years have resulted in higher energy prices, lower electricity demand and unfavorable impacts to the exchange rate of Brazil's currency. These weather and economic conditions have also resulted in lawsuits brought to the Brazilian courts by certain hydroelectric generators to limit the financial exposure to the generators. International Energy's earnings and future cash flows could be adversely impacted if reservoir levels return to the recent low levels, from a further decline of the economic and political conditions within Brazil, or as a result of the outcome of legal matters in the Brazilian courts.

International Energy's earnings from an equity method investment in NMC reflect sales of methanol and MTBE, which generate margins that are directionally correlated with Brent crude oil prices. The recent decline in crude oil prices have reduced the earnings realized from NMC. Further weakness in the market price of Brent crude oil and related commodities may result in a further decline in earnings.

In February 2016, Duke Energy announced it had initiated a process to divest the International Energy business segment, excluding the equity method investment in NMC. Duke Energy is actively marketing the business. Non-binding offers have been received and are being evaluated. There is no assurance that this process will result in a transaction and the timing for execution of a potential transaction is uncertain. Proceeds from a successful sale would be used by Duke Energy to reduce debt and fund the operations and growth of domestic businesses. If the potential of a sale were to progress, it could result in classification of International Energy as assets held for sale and as a discontinued operation. As of June 30, 2016, the International Energy segment had a carrying value of approximately $2.4 billion, adjusted for $589 million of cumulative foreign currency translation losses currently classified as accumulated other comprehensive loss.

Commercial Portfolio

	Three Months Ended June 30,			Six Months Ended June 30,		
(in millions)	**2016**	**2015**	**Variance**	**2016**	**2015**	**Variance**
Operating Revenues	$ 112	$ 75	$ 37	$ 226	$ 148	$ 78
Operating Expenses	121	84	37	232	173	59
Gains on Sales of Other Assets and Other, net	1	6	(5)	2	6	(4)
Operating Loss	(8)	(3)	(5)	(4)	(19)	15
Other Income and Expense, net	4	(2)	6	6	—	6
Interest Expense	11	10	1	23	22	1
Loss Before Income Taxes	(15)	(15)	—	(21)	(41)	20
Income Tax (Benefit) Expense	(28)	15	(43)	(61)	(18)	(43)
Less: Income Attributable to Noncontrolling Interests	(1)	—	(1)	(1)	—	(1)
Segment Income (Loss)	$ 14	$ (30)	$ 44	$ 41	$ (23)	$ 64
Renewable plant production, GWh	1,758	1,373	385	3,818	2,683	1,135
Net proportional MW capacity in operation				1,978	1,634	344

Three Months Ended June 30, 2016 as Compared to June 30, 2015

Commercial Portfolio's higher earnings are primarily due to a state tax charge recorded in the prior year related to the Disposal Group. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by:

- a $26 million increase in electric revenues due to growth in the REC Solar business; and
- a $9 million increase in electric revenues from new wind and solar generation placed in service.

Operating Expenses. The variance was driven primarily by:

- a $24 million increase in operating expenses due to growth in the REC Solar business; and
- a $9 million increase in operating expenses from new wind and solar generation placed in service.

Income Tax (Benefit) Expense. The variance was primarily due to a $41 million charge in the prior year related to changes in state tax apportionment factors on deferred taxes resulting from the sale of the Disposal Group in the second quarter of 2015.

Six Months Ended June 30, 2016 as Compared to June 30, 2015

Commercial Portfolio's higher earnings are primarily due to a state tax charge recorded in the prior year related to the Midwest generation business, operating expenses recorded in the prior year related to residual Midwest Generation operations that were shifted out of Commercial Portfolio and new wind and solar generation placed in service. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by:

- a $56 million increase in electric revenues due to acquisition and growth of REC Solar; and
- a $31 million increase in electric revenues from new wind and solar generation placed in service and improved wind production.

Operating Expenses. The variance was driven primarily by:

- a $55 million increase in operating expenses due to acquisition and growth of REC Solar; and
- a $24 million increase in operating expenses from new wind and solar generation placed in service.

Partially offset by:

- a $28 million decrease due to the shift of the residual Midwest generation business out of Commercial Portfolio following the sale of the Disposal Group. See Note 3 to the Condensed Consolidated Financial Statements, "Business Segments" for additional information.

Income Tax (Benefit) Expense. The variance was primarily due to a $41 million charge in the prior year related to changes in state tax apportionment factors on deferred taxes resulting from the sale of the Disposal Group in the second quarter of 2015.

Other

	Three Months Ended June 30,			Six Months Ended June 30,		
(in millions)	**2016**	**2015**	**Variance**	**2016**	**2015**	**Variance**
Operating Revenues	$ 30	$ 34	$ (4)	$ 59	$ 61	$ (2)
Operating Expenses	96	63	33	188	113	75
Gains on Sales of Other Assets and Other, net	4	6	(2)	11	13	(2)
Operating Loss	(62)	(23)	(39)	(118)	(39)	(79)
Other Income and Expense, net	8	9	(1)	18	10	8
Interest Expense	191	97	94	396	194	202
Loss Before Income Taxes	(245)	(111)	(134)	(496)	(223)	(273)
Income Tax Benefit	(126)	(63)	(63)	(226)	(134)	(92)
Less: Income Attributable to Noncontrolling Interests	1	3	(2)	4	5	(1)
Net Expense	$ (120)	$ (51)	$ (69)	$ (274)	$ (94)	$ (180)

Three Months Ended June 30, 2016 as Compared to June 30, 2015

Other's higher net expense was driven by unrealized losses on forward-starting interest rate swaps related to the expected financing of the Piedmont acquisition, as well as severance accruals. The following is a detailed discussion of the variance drivers by line item.

Operating Expenses. The increase was primarily due to an increase in severance accruals.

Interest Expense. The increase was primarily due to unrealized losses on forward-starting interest rate swaps related to the expected financing of the Piedmont acquisition. For additional information see Notes 2 and 9 to the Condensed Consolidated Financial Statements, "Acquisitions and Dispositions" and "Derivatives and Hedging," respectively.

Income Tax Benefit. The variance was primarily due to an increase in pretax losses, partially offset by a decrease in the effective tax rate. The effective tax rates for the three months ended June 31, 2016 and 2015 were 51.4 percent and 56.8 percent, respectively. The decrease in the effective tax rate was primarily due to an increase in pretax losses, partially offset by favorable impacts of finalizing federal tax audits.

Six Months Ended June 30, 2016 as Compared to June 30, 2015

Other's higher net expense was due to unrealized losses on forward-starting interest rate swaps related to the expected financing of the Piedmont acquisition, as well as severance accruals. The following is a detailed discussion of the variance drivers by line item.

Operating Expenses. The increase was primarily due to severance accruals and higher charges in the current year due to the shift of the residual Midwest Generation business from the Commercial Portfolio segment to Other in the second quarter of 2015. See Note 3 to the Condensed Consolidated Financial Statements, "Business Segments" for additional information.

Interest Expense. The increase was primarily due to unrealized losses on forward-starting interest rate swaps related to the expected financing of the Piedmont acquisition. For additional information see Notes 2 and 9 to the Condensed Consolidated Financial Statements, "Acquisitions and Dispositions" and "Derivatives and Hedging," respectively.

Income Tax Benefit. The variance was primarily due to an increase in pretax losses, partially offset by a decrease in the effective tax rate. The effective tax rates for the six months ended June 30, 2016 and 2015 were 45.6 percent and 60.1 percent, respectively. The decrease in the effective tax rate was primarily due to an increase in pretax losses, partially offset by favorable impacts of finalizing federal tax audits.

Matters Impacting Future Other Results

Duke Energy Ohio's retired Beckjord generating station (Beckjord), previously an asset of Commercial Portfolio, became an asset of Other after the sale of the Disposal Group. Beckjord, a nonregulated facility retired during 2014, is not subject to the U.S. Environmental Protection Agency (EPA) rule related to the disposal of Coal Combustion Residuals (CCR) from electric utilities. However, if costs are incurred as a result of environmental regulations or to mitigate risk associated with on-site storage of coal ash, the costs could have an adverse impact on Other's financial position, results of operations and cash flows.

INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX

Three Months Ended June 30, 2016 as Compared to June 30, 2015

Discontinued Operations, Net of Tax. The variance was primarily driven by a litigation reserve recorded in 2015, as discussed in Note 5, "Commitments and Contingencies," to the Condensed Consolidated Financial Statements.

Six Months Ended June 30, 2016 as Compared to June 30, 2015

Discontinued Operations, Net of Tax. The variance was primarily driven by the Disposal Group's operating results in 2015, partially offset by a litigation reserve recorded in 2015, as discussed in Note 5, "Commitments and Contingencies," to the Condensed Consolidated Financial Statements.

DUKE ENERGY CAROLINAS

Management's Discussion and Analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes for the six months ended June 30, 2016 and 2015 and the Annual Report on Form 10-K for the year ended December 31, 2015.

Results of Operations

	Six Months Ended June 30,		
(in millions)	**2016**	**2015**	**Variance**
Operating Revenues	$ 3,415	$ 3,608	$ (193)
Operating Expenses	2,470	2,610	(140)
Operating Income	945	998	(53)
Other Income and Expenses, net	82	83	(1)
Interest Expense	214	208	6
Income Before Income Taxes	813	873	(60)
Income Tax Expense	281	316	(35)
Net Income	$ 532	$ 557	$ (25)

The following table shows the percent changes in GWh sales and average number of customers. The percentages for retail customer classes represent billed sales only. Total sales includes billed and unbilled retail sales and wholesale sales to incorporated municipalities, public and private utilities and power marketers. Amounts are not weather-normalized.

(Decrease) increase over prior year	**2016**
Residential sales	(6.9)%
General service sales	(1.5)%
Industrial sales	(0.6)%
Wholesale power sales	2.7 %
Joint dispatch sales	(59.7)%
Total sales	(3.2)%
Average number of customers	1.4 %

Six Months Ended June 30, 2016 as Compared to June 30, 2015

Operating Revenues. The variance was driven primarily by:

- a $215 million decrease in fuel revenues driven by lower fuel prices included in electric retail and wholesale rates and overall lower volumes; and
- a $59 million decrease in electric sales, net of fuel revenues, to retail customers due to less favorable weather compared to the prior year.

Partially offset by:

- a $65 million increase in retail pricing and rate riders, which primarily reflects increased revenues related to energy efficiency programs and the expiration of the North Carolina cost of removal decrement rider.

Operating Expenses. The variance was driven primarily by:

- a $195 million decrease in fuel used in electric generation and purchased power primarily related to lower natural gas and coal prices, and decreased generation due to lower sales volumes.

Partially offset by:

- a $30 million increase in operating and maintenance expense primarily due to higher storm restoration costs and severance expenses related to cost savings initiatives; and
- a $24 million increase in depreciation and amortization expense primarily due to higher amount of property, plant and equipment in service.

Income Tax Expense. The variance was primarily due to a decrease in pretax income and a reduction in the effective tax rate. The effective tax rates for the six months ended June 30, 2016 and 2015 were 34.6 percent and 36.2 percent, respectively. The decrease in the effective tax rate was primarily due to a favorable state resolution related to prior-year tax returns and favorable impacts of finalizing tax audits.

Matters Impacting Future Results

On May 18, 2016, the NCDEQ issued proposed risk classifications for all coal ash surface impoundments in North Carolina. All ash impoundments not previously designated as high priority by the Coal Ash Act were designated as intermediate risk. Certain impoundments classified as intermediate risk, however, may be reassessed in the future as low risk pursuant to legislation signed by the North Carolina governor on July 14, 2016. Duke Energy Carolinas' estimated asset retirement obligations related to the closure of North Carolina ash impoundments are based upon the mandated closure method or a probability weighting of potential closure methods for the impoundments that may be reassessed to low risk. As the final risk ranking classifications in North Carolina are delineated, final closure plans are developed and approved for each site and the closure work progresses, and the closure method scope is determined, the complexity of work and the amount of coal combustion material could be different than estimated and, therefore, could materially impact Duke Energy Carolinas' financial position, results of operations and cash flows. See Note 5 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

Duke Energy Carolinas is a party to multiple lawsuits and subject to fines and other penalties related to the Dan River coal ash release and operations at other North Carolina facilities with ash basins. The outcome of these lawsuits, fines and penalties could have an adverse impact on Duke Energy Carolinas' financial position, results of operations and cash flows. See Note 5 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

An order from regulatory authorities disallowing recovery of costs related to closure of ash impoundments could have an adverse impact on Duke Energy Carolinas' financial position, results of operations and cash flows. See Notes 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters" and Note 9 in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2015, "Asset Retirement Obligations," for additional information.

PROGRESS ENERGY

Management's Discussion and Analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes for the six months ended June 30, 2016 and 2015 and the Annual Report on Form 10-K for the year ended December 31, 2015.

Results of Operations

	Six Months Ended June 30,		
(in millions)	**2016**	**2015**	**Variance**
Operating Revenues	$ 4,680	$ 5,012	$ (332)
Operating Expenses	3,657	3,973	(316)
Gains on Sales of Other Assets and Other, net	12	14	(2)
Operating Income	1,035	1,053	(18)
Other Income and Expenses, net	48	46	2
Interest Expense	320	334	(14)
Income From Continuing Operations Before Taxes	763	765	(2)
Income Tax Expense From Continuing Operations	277	284	(7)
Income From Continuing Operations	486	481	5
Loss From Discontinued Operations, net of tax	—	(1)	1
Net Income	486	480	6
Less: Net Income Attributable to Noncontrolling Interest	5	5	—
Net Income Attributable to Parent	$ 481	$ 475	$ 6

Six Months Ended June 30, 2016 as Compared to June 30, 2015

Operating Revenues. The variance was driven primarily by:

- a $336 million decrease in fuel and capacity revenues from retail customers primarily due to lower natural gas prices, changes in generation mix, and decreased demand from retail customers; partially offset by increased capacity rates to retail customers at Duke Energy Florida; and
- a $67 million decrease in retail sales, net of fuel revenue, to retail customers due to less favorable weather compared to the prior year.

Partially offset by:

- a $46 million increase in rate riders, including increased revenues related to energy efficiency programs and the additional ownership interest in certain generating assets acquired from NCEMPA in the third quarter of 2015, partially offset by lower nuclear cost recovery clause rider revenues due to suspending recovery for the Levy nuclear project; and
- a $32 million increase in wholesale power revenues primarily due to a new NCEMPA contract effective August 1, 2015, partially offset by lower peak demand at Duke Energy Progress.

Operating Expenses. The variance was driven primarily by:

- a $323 million decrease in fuel used in electric generation and purchased power primarily due to lower fuel prices, decreased demand from retail customers and changes in generation mix; and
- a $16 million decrease in operations and maintenance expense primarily due to lower outage costs and cost savings initiatives, partially offset by higher storm costs, an increase in costs recoverable through the energy conservation cost recovery clause and an increase in employee benefit costs.

Partially offset by:

- a $16 million increase in depreciation and amortization expense primarily due to additional plant in service, including the additional ownership interest in generating assets acquired from NCEMPA, partially offset reductions in the amounts recorded through the nuclear cost recovery clause at Duke Energy Florida.

Interest Expense. The variance was driven by accelerated Crystal River Unit 3 regulatory asset cost recovery in 2015, which resulted in a lower debt return in 2015, as well as lower outstanding debt.

Income Tax Expense. The effective tax rates for the six months ended June 30, 2016 and 2015 were 36.3 percent and 37.1 percent, respectively.

Matters Impacting Future Results

On May 18, 2016, the NCDEQ issued proposed risk classifications for all coal ash surface impoundments in North Carolina. All ash impoundments not previously designated as high priority by the Coal Ash Act were designated as intermediate risk. Certain impoundments classified as intermediate risk, however, may be reassessed in the future as low risk pursuant to legislation signed by the North Carolina governor on July 14, 2016. Progress Energy's estimated asset retirement obligations related to the closure of North Carolina ash impoundments are based upon the mandated closure method or a probability weighting of potential closure methods for the impoundments that may be reassessed to low risk. As the final risk ranking classifications in North Carolina are delineated, final closure plans are developed and approved for each site and the closure work progresses, and the closure method scope is determined, the complexity of work and the amount of coal combustion material could be different than estimated and, therefore, could materially impact Progress Energy's financial position, results of operations and cash flows. See Note 5 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

Progress Energy is a party to multiple lawsuits and subject to fines and other penalties related to operations at certain North Carolina facilities with ash basins. The outcome of these lawsuits, fines and penalties could have an adverse impact on Progress Energy's financial position, results of operations and cash flows. See Note 5 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

An order from regulatory authorities disallowing recovery of costs related to closure of ash impoundments could have an adverse impact on Progress Energy's financial position, results of operations and cash flows. See Notes 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters" and Note 9 in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2015, "Asset Retirement Obligations," for additional information.

DUKE ENERGY PROGRESS

Management's Discussion and Analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes for the six months ended June 30, 2016 and 2015 and the Annual Report on Form 10-K for the year ended December 31, 2015.

Results of Operations

	Six Months Ended June 30,		
(in millions)	2016	2015	Variance
Operating Revenues	$ 2,520	$ 2,642	$ (122)
Operating Expenses	2,008	2,143	(135)
Gains on Sales of Other Assets and Other, net	1	1	—
Operating Income	513	500	13
Other Income and Expenses, net	29	35	(6)
Interest Expense	127	116	11
Income Before Income Taxes	415	419	(4)
Income Tax Expense	147	151	(4)
Net Income and Comprehensive Income	$ 268	$ 268	$ —

The following table shows the percent changes in GWh sales and average number of customers. The percentages for retail customer classes represent billed sales only. Total sales includes billed and unbilled retail sales, and wholesale sales to incorporated municipalities, public and private utilities and power marketers. Amounts are not weather-normalized.

(Decrease) Increase over prior period	2016
Residential sales	(8.9)%
General service sales	(1.3)%
Industrial sales	(0.3)%
Wholesale power sales	23.4 %
Joint dispatch sales	59.9 %
Total sales	7.1 %
Average number of customers	1.3 %

Six Months Ended June 30, 2016 as Compared to June 30, 2015

Operating Revenues. The variance was driven primarily by:

- a $151 million decrease in fuel revenues driven by lower natural gas prices, changes in generation mix and decreased demand from retail customers; and
- a $50 million decrease in electric sales, net of fuel revenue, to retail customers due to less favorable weather compared to the prior year.

Partially offset by:

- a $68 million increase in rate rider revenues due to the purchase of NCEMPA's ownership interest in certain generating assets and energy efficiency programs; and
- a $32 million increase in wholesale power revenues primarily due to a new NCEMPA contract effective August 1, 2015, partially offset by lower peak demand.

Operating Expenses. The variance was driven primarily by:

- a $152 million decrease in fuel used in electric generation and purchased power primarily due to decreased demand from retail customers, lower natural gas prices, and changes in generation mix; and
- a $30 million decrease in operations and maintenance expense mostly due to lower nuclear outage costs, net of nuclear levelization impacts, driven by fewer outages in 2016, partially offset by higher storm costs.

Partially offset by:

- a $35 million increase in depreciation and amortization expenses primarily due to additional plant in service, including the additional ownership interest in generating assets acquired from NCEMPA in the third quarter of 2015; and
- a $12 million increase in property and other taxes due to a 2015 North Carolina Franchise Tax refund and increases in current year property taxes in North Carolina and South Carolina.

Interest Expense. The variance was primarily driven by interest related to new debt issuances in 2015.

Income Tax Expense. The effective tax rates for the six months ended June 30, 2016 and 2015 were 35.4 percent and 36.0 percent, respectively.

Matters Impacting Future Results

On May 18, 2016, the NCDEQ issued proposed risk classifications for all coal ash surface impoundments in North Carolina. All ash impoundments not previously designated as high priority by the Coal Ash Act were designated as intermediate risk. Certain impoundments classified as intermediate risk, however, may be reassessed in the future as low risk pursuant to legislation signed by the North Carolina governor on July 14, 2016. Duke Energy Progress' estimated asset retirement obligations related to the closure of North Carolina ash impoundments are based upon the mandated closure method or a probability weighting of potential closure methods for the impoundments that may be reassessed to low risk. As the final risk ranking classifications in North Carolina are delineated, final closure plans are developed and approved for each site and the closure work progresses, and the closure method scope is determined, the complexity of work and the amount of coal combustion material could be different than estimated and, therefore, could materially impact Duke Energy Progress' financial position, results of operations and cash flows. See Note 5 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

Duke Energy Progress is a party to multiple lawsuits and subject to fines and other penalties related to operations at certain North Carolina facilities with ash basins. The outcome of these lawsuits, fines and penalties could have an adverse impact on Duke Energy Progress' financial position, results of operations and cash flows. See Note 5 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

An order from regulatory authorities disallowing recovery of costs related to closure of ash impoundments could have an adverse impact on Duke Energy Progress' financial position, results of operations and cash flows. See Notes 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters" and Note 9 in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2015, "Asset Retirement Obligations," for additional information.

DUKE ENERGY FLORIDA

Management's Discussion and Analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes for the six months ended June 30, 2016 and 2015 and the Annual Report on Form 10-K for the year ended December 31, 2015.

Results of Operations

	Six Months Ended June 30,		
(in millions)	**2016**	**2015**	**Variance**
Operating Revenues	$ 2,157	$ 2,367	$ (210)
Operating Expenses	1,644	1,825	(181)
Operating Income	513	542	(29)
Other Income and Expenses, net	19	10	9
Interest Expense	81	99	(18)
Income Before Income Taxes	451	453	(2)
Income Tax Expense	170	175	(5)
Net Income	$ 281	$ 278	$ 3

The following table shows the percent changes in GWh sales and average number of customers. The percentages for retail customer classes represent billed sales only. Wholesale power sales include both billed and unbilled sales. Total sales includes billed and unbilled retail sales, and wholesale sales to incorporated municipalities, public and private utilities and power marketers. Amounts are not weather-normalized.

Increase (decrease) over prior period	**2016**
Residential sales	— %
General service sales	(0.4)%
Industrial sales	(1.1)%
Wholesale and other	1.7 %
Total sales	(0.9)%
Average number of customers	1.6 %

Six Months Ended June 30, 2016 as Compared to June 30, 2015

Operating Revenues. The variance was driven primarily by:

- a $185 million decrease in fuel and capacity revenues primarily due to decreased fuel prices to retail customers, partially offset by increased capacity rates to retail customers;
- a $22 million decrease in rider revenues primarily due to a decrease in nuclear cost recovery clause revenues as a result of suspending Levy recovery in 2015, partially offset by an increase in energy conservation cost recovery clause and environmental cost recovery clause revenues due to higher recovery rates in 2016; and
- a $17 million decrease in revenues primarily due to less favorable weather compared to the prior year.

Partially offset by:

- a $17 million increase in other revenue primarily due to a transmission customer settlement charge taken in the prior year and an increase in nonregulated customer products and services in the current year.

Operating Expenses. The variance was driven primarily by:

- a $170 million decrease in fuel used in electric generation and purchased power primarily due to lower fuel prices and lower usage; and
- a $20 million decrease in depreciation and amortization expense primarily due to reductions in the amounts recorded through the nuclear cost recovery clause, partially offset by increased depreciation due to additional plant in service.

Partially offset by:

- a $14 million increase in operations and maintenance expense primarily due to an increase in costs recoverable through the energy conservation cost recovery clause, an increase in expenses associated with fleet outages and an increase in employee benefit costs; partially offset by a decrease in expenses due to routine fleet maintenance work.

Interest Expense. The variance was driven by accelerated Crystal River Unit 3 regulatory asset cost recovery in 2015, which resulted in a lower debt return in 2015, as well as lower outstanding debt.

Income Tax Expense. The effective tax rates for the six months ended June 30, 2016 and 2015 were 37.7 percent and 38.6 percent, respectively.

DUKE ENERGY OHIO

Management's Discussion and Analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes for the six months ended June 30, 2016 and 2015 and the Annual Report on Form 10-K for the year ended December 31, 2015.

Results of Operations

	Six Months Ended June 30,		
(in millions)	2016	2015	Variance
Operating Revenues	$ 944	$ 991	$ (47)
Operating Expenses	794	845	(51)
Gains on Sales of Other Assets and Other, net	1	8	(7)
Operating Income	151	154	(3)
Other Income and Expenses, net	3	(2)	5
Interest Expense	41	38	3
Income from Continuing Operations Before Income Taxes	113	114	(1)
Income Tax Expense from Continuing Operations	33	42	(9)
Income from Continuing Operations	80	72	8
Income from Discontinued Operations, net of tax	2	25	(23)
Net Income	$ 82	$ 97	$ (15)

The following table shows the percent changes in Regulated Utilities' GWh sales and average number of customers. The percentages for retail customer classes represent billed sales only. Total sales includes billed and unbilled retail sales and wholesale sales to incorporated municipalities, public and private utilities and power marketers. Amounts are not weather-normalized.

(Decrease) increase over prior year	2016
Residential sales	(9.5)%
General service sales	(2.2)%
Industrial sales	(0.9)%
Wholesale power sales	(76.9)%
Total sales	(8.4)%
Average number of customers	0.7 %

Six Months Ended June 30, 2016 as Compared to June 30, 2015

Operating Revenues. The variance was driven primarily by:

- a $45 million decrease in fuel revenues driven by lower electric fuel and natural gas prices and decreased sales volumes; and
- a $15 million decrease due to less favorable weather compared to the prior year.

Partially offset by:

- a $23 million increase in the energy efficiency rider due to a prior year unfavorable regulatory order limiting the ability to utilize energy efficiency banked savings.

Operating Expenses. The variance was driven by a $51 million decrease in cost of natural gas, primarily due to decreased sales volumes and lower natural gas prices.

Income Tax Expense. The variance was primarily due to a decrease in the effective tax rate. The effective tax rates for the six months ended June 30, 2016 and 2015 were 29.2 percent and 36.8 percent, respectively. The decrease in the effective tax rate was primarily due to a favorable prior-period adjustment for depreciation and other property, plant and equipment.

Discontinued Operations, Net of Tax. The variance was primarily driven by the Disposal Group's operating results in 2015.

Matters Impacting Future Results

An order from regulatory authorities disallowing recovery of costs related to closure of ash basins could have an adverse impact on Duke Energy Ohio's financial position, results of operations and cash flows. See Notes 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters" and Note 9 in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2015, "Asset Retirement Obligations," for additional information.

Beckjord, a facility retired during 2014, is not subject to the EPA rule related to the disposal of CCR from electric utilities. However, if costs are incurred as a result of environmental regulations or to mitigate risk associated with on-site storage of coal ash at the facility, the costs could have an adverse impact on Duke Energy Ohio's financial position, results of operations and cash flows.

DUKE ENERGY INDIANA

Management's Discussion and Analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes for the six months ended June 30, 2016 and 2015 and the Annual Report on Form 10-K for the year ended December 31, 2015.

Results of Operations

	Six Months Ended June 30,		
(in millions)	**2016**	**2015**	**Variance**
Operating Revenues	$ 1,416	$ 1,474	$ (58)
Operating Expenses	1,066	1,119	(53)
Gains of Sales of Other Assets and Other, net	—	1	(1)
Operating Income	350	356	(6)
Other Income and Expenses, net	10	9	1
Interest Expense	91	88	3
Income Before Income Taxes	269	277	(8)
Income Tax Expense	89	101	(12)
Net Income	$ 180	$ 176	$ 4

The following table shows the percent changes in GWh sales and average number of customers. The percentages for retail customer classes represent billed sales only. Total sales includes billed and unbilled retail sales and wholesale sales to incorporated municipalities, public and private utilities and power marketers. Amounts are not weather-normalized.

(Decrease) increase over prior year	**2016**
Residential sales	(8.7)%
General service sales	(2.9)%
Industrial sales	0.9 %
Wholesale power sales	64.3 %
Total sales	6.8 %
Average number of customers	1.0 %

Six Months Ended June 30, 2016 as Compared to June 30, 2015

Operating Revenues. The variance was driven primarily by:

- a $67 million decrease in fuel revenues, including emission allowances, primarily due to a decrease in fuel prices and lower sales volumes; and
- a $15 million decrease in electric sales, net of fuel revenue, to retail customers due to less favorable weather compared to the prior year.

Partially offset by:

- a $20 million increase in retail pricing and rate rider revenues due to increased revenues related to clean coal equipment.

Operating Expenses. The variance was driven primarily by:

- an $81 million decrease in fuel used in electric generation and purchased power primarily due to lower fuel prices; and
- a $10 million decrease in operations and maintenance expense due to a decrease in outage work at generation plants.

Partially offset by:

- a $27 million increase in property and other taxes, primarily driven by higher sales and use tax due to the partial reversal in 2015 of a tax reserve upon settlement of the matter; and
- an $11 million increase in depreciation and amortization expenses primarily due to a higher amount of property, plant and equipment in service.

Income Tax Expense. The variance was primarily due to a decrease in the effective tax rate. The effective tax rates for the six months ended June 30, 2016 and 2015 were 33.1 percent and 36.5 percent, respectively. The decrease in the effective tax rate was primarily due to a favorable prior-period adjustment for depreciation and other property, plant and equipment.

Matters Impacting Future Results

On April 17, 2015, the EPA published in the Federal Register a rule to regulate the disposal of CCR from electric utilities as solid waste. Duke Energy Indiana has interpreted the rule to identify the coal ash basin sites impacted and has assessed the amounts of coal ash subject to the rule and a method of compliance. Duke Energy Indiana's interpretation of the requirements of the CCR rule is subject to potential legal challenges and further regulatory approvals, which could result in additional ash basin closure requirements, higher costs of compliance and greater asset retirement obligations. An order from regulatory authorities disallowing recovery of costs related to closure of ash basins could have an adverse impact on Duke Energy Indiana's financial position, results of operations and cash flows.

Duke Energy Indiana entered into a revised settlement agreement with multiple parties that will resolve all disputes, claims and issues from the IURC proceedings related to post-commercial operating performance and recovery of ongoing operating and capital costs at the Edwardsport IGCC generating facility. The agreement is subject to IURC approval. Pursuant to the terms of this agreement, Duke Energy Indiana recognized an impairment and related charges of $93 million for the year ended December 31, 2015. The agreement stipulates that recovery of the remaining regulatory asset will be over an eight-year period and confirms an in-service date for accounting and ratemaking purposes of June 7, 2013. The agreement, if approved, will also impose a cost cap for recoverable operations and maintenance retail costs in the second half of 2016, and 2017, as well as a cost cap for ongoing capital expenditures through 2017. As part of the settlement, Duke Energy Indiana committed to either retire or cease burning coal at Gallagher Station by December 31, 2022. If the settlement agreement is not approved, outstanding issues before the IURC related to Edwardsport would resume and the resolution of such could have an adverse impact on Duke Energy Indiana's financial position, results of operations and cash flows. In addition, an inability to manage operating and capital costs in accordance with caps imposed pursuant to the agreement could have an adverse impact on Duke Energy Indiana's financial position, results of operations and cash flows. See Note 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

Duke Energy Indiana agreed as part of the grid infrastructure improvement plan to defer depreciation and other post-in-service carrying costs related to a planned automated metering infrastructure (AMI) project until the next retail base rate case. Duke Energy Indiana also agreed to withdraw its request for the creation of a regulatory asset for the remaining book value of existing meters that would be replaced as part of the AMI project. If Duke Energy Indiana proceeds with the AMI project, an impairment charge could be incurred for some or all of the remaining book value of the existing meters. See Note 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Cash

Duke Energy relies primarily upon cash flows from operations, debt issuances and its existing cash and cash equivalents to fund its domestic liquidity and capital requirements. Duke Energy's capital requirements arise primarily from capital and investment expenditures, repaying long-term debt and paying dividends to shareholders. See Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2015, for a summary and detailed discussion of primary sources and uses of cash for 2016 to 2018.

On October 24, 2015, Duke Energy entered into a Merger Agreement with Piedmont, a North Carolina corporation. Under the terms of the Merger Agreement, Duke Energy will acquire Piedmont for $4.9 billion in cash. In addition, Duke Energy will assume Piedmont's existing debt, which was approximately $2.0 billion at April 30, 2016, the end of Piedmont's most recent filed fiscal quarter. Duke Energy expects to finance the transaction with a combination of debt, equity issuances and other cash sources. As of June 30, 2016, Duke Energy had entered into $1.4 billion of forward-starting interest rate swaps to manage interest rate exposure for the expected financing of the Piedmont acquisition. For additional information on the Piedmont acquisition, refer to Note 2 to the Condensed Consolidated Financial Statements, "Acquisitions and Dispositions."

In March 2016, Duke Energy marketed an equity offering of 10.6 million shares of common stock. In lieu of issuing equity at the time of the offering, Duke Energy entered into the Equity Forwards with Barclays. Duke Energy expects to settle the Equity Forwards on or around the closing date of the Piedmont acquisition. The net proceeds received upon settlement are expected to be used to finance a portion of the acquisition of Piedmont. For additional information regarding the Equity Forwards, see Note 13 to the Condensed Consolidated Financial Statements, "Common Stock."

The Subsidiary Registrants generally maintain minimal cash balances and use short-term borrowings to meet their working capital needs and other cash requirements. The Subsidiary Registrants, excluding Progress Energy (Parent), support their short-term borrowing needs through participation with Duke Energy and certain of its other subsidiaries in a money pool arrangement. The companies with short-term funds may provide short-term loans to affiliates participating under this arrangement.

Duke Energy and the Subsidiary Registrants, excluding Progress Energy (Parent), may also use short-term debt, including commercial paper and the money pool, as a bridge to long-term debt financings. The levels of borrowing may vary significantly over the course of the year due to the timing of long-term debt financings and the impact of fluctuations in cash flows from operations. From time to time, Duke Energy's current liabilities may at times exceed current assets resulting from the use of short-term debt as a funding source to meet scheduled maturities of long-term debt, as well as cash needs, which can fluctuate due to the seasonality of its business.

CREDIT FACILITIES AND REGISTRATION STATEMENTS

Master Credit Facility Summary

Duke Energy has a Master Credit Facility with a capacity of $7.5 billion through January 2020. The Duke Energy Registrants, excluding Progress Energy (Parent), have borrowing capacity under the Master Credit Facility up to a specified sublimit for each borrower. Duke Energy has the unilateral ability at any time to increase or decrease the borrowing sublimits of each borrower, subject to a maximum sublimit for each borrower. The amount available under the Master Credit Facility has been reduced to backstop issuances of commercial paper, certain letters of credit and variable-rate demand tax-exempt bonds that may be put to the Duke Energy Registrants at the option of the holder. Duke Energy Carolinas and Duke Energy Progress are also required to each maintain $250 million of available capacity under the Master Credit Facility as security to meet obligations under plea agreements reached with the U.S. Department of Justice in 2015 related to violations at North Carolina facilities with ash basins. The table below includes the current borrowing sublimits and available capacity under the Master Credit Facility.

	June 30, 2016						
(in millions)	Duke Energy	Duke Energy (Parent)	Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Facility size[a]	$ 7,500	$ 3,475	$ 800	$ 1,000	$ 1,200	$ 425	$ 600
Reduction to backstop issuances							
Commercial paper[b]	(1,673)	(992)	(300)	(159)	(47)	(25)	(150)
Outstanding letters of credit	(77)	(70)	(4)	(2)	(1)	—	—
Tax-exempt bonds	(116)	—	(35)	—	—	—	(81)
Coal ash set-aside	(500)	—	(250)	(250)	—	—	—
Available capacity	$ 5,134	$ 2,413	$ 211	$ 589	$ 1,152	$ 400	$ 369

(a) Represents the sublimit of each borrower.
(b) Duke Energy issued $625 million of commercial paper and loaned the proceeds through the money pool to Duke Energy Carolinas, Duke Energy Progress, Duke Energy Ohio and Duke Energy Indiana. The balances are classified as Long-Term Debt Payable to Affiliated Companies in the Condensed Consolidated Balance Sheets.

Piedmont Bridge Facility

In connection with the Merger Agreement with Piedmont, Duke Energy entered into a $4.9 billion Bridge Facility with Barclays. The Bridge Facility, if drawn upon, may be used (i) to fund the cash consideration for the transaction and (ii) to pay certain fees and expenses in connection with the transaction. In November 2015, Barclays syndicated its commitment under the Bridge Facility to a broader group of lenders. Duke Energy does not expect to draw upon the Bridge Facility. The amount of the Bridge Facility is reduced by any financings related to the Piedmont acquisition entered into by Duke Energy, and has accordingly been reduced to approximately $3.2 billion as a result of the Equity Forwards described above and $1 billion of commitments under a term loan amended and restated as of August 1, 2016, described below.

Term Loan Facility

On February 22, 2016, Duke Energy entered into a six-month term loan facility with commitments totaling $1.0 billion (the February 2016 Term Loan). As of June 30, 2016, $100 million was outstanding under the February 2016 Term Loan. On August 1, 2016, Duke Energy and each of the lenders under the February 2016 Term Loan amended and restated certain terms of this facility, resulting in aggregate commitments of $1.5 billion and extending the maturity date to July 31, 2017.

As of August 1, 2016, $100 million has been drawn under the amended and restated term loan (the August 2016 Term Loan). The remaining $1.4 billion of commitments under the August 2016 Term Loan can be drawn in up to two separate borrowings, which must occur no later than 90 calendar days following August 1, 2016. Any borrowings under the August 2016 Term Loan will be used to manage short-term liquidity, including funding a portion of the Piedmont acquisition, and for general corporate purposes. The terms and conditions of the August 2016 Term Loan are generally consistent with those governing Duke Energy's Master Credit Facility.

Solar Facilities Financing

In August 2016, Emerald State Solar, LLC, an indirect wholly owned subsidiary of Duke Energy, entered into a portfolio financing of approximately 22 North Carolina Solar facilities. The $333 million term loan facility consists of Tranche A of $228 million due in June 2034 secured by substantially all the assets of the solar facilities and Tranche B of $105 million due in June 2020 secured by an Equity Contribution Agreement with Duke Energy. The initial interest rate on the loans is six months LIBOR plus an applicable margin. The initial applicable margin is 1.75 percent with 0.125 percent increases every three years thereafter. In connection with this debt issuance, Emerald State Solar, LLC entered into two interest rate swaps to convert the substantial majority of the loan interest payments from variable rates to fixed rates of approximately 1.81 percent for Tranche A and 1.38 percent for Tranche B, plus the applicable margin.

Shelf Registration

In September 2013, Duke Energy filed a Form S-3 with the Securities and Exchange Commission (SEC). Under this Form S-3, which is uncapped, the Duke Energy Registrants, excluding Progress Energy, may issue debt and other securities in the future at amounts, prices and with terms to be determined at the time of future offerings. The registration statement also allows for the issuance of common stock by Duke Energy. Duke Energy will file a new Form S-3 to be effective prior to the expiration of the current registration statement in September 2016.

DEBT MATURITIES

The following table shows the significant components of Current maturities of long-term debt on the Condensed Consolidated Balance Sheets. The Duke Energy Registrants currently anticipate satisfying these obligations with cash on hand and proceeds from additional borrowings.

(in millions)	Maturity Date	Interest Rate	June 30, 2016
Unsecured Debt			
Duke Energy (Parent)	November 2016	2.150%	$ 500
Duke Energy (Parent)	April 2017	1.009%	400
Duke Energy	May 2017	15.530%	56
Secured Debt			
Duke Energy	June 2017	2.075%	45
First Mortgage Bonds			
Duke Energy Indiana	July 2016	0.979%	150
Duke Energy Carolinas	December 2016	1.750%	350
Duke Energy Progress	March 2017	0.880%	250
Tax-exempt Bonds			
Duke Energy Carolinas	February 2017	3.600%	77
Duke Energy Ohio[(a)]	August 2027	1.280%	50
Duke Energy Indiana[(b)]	May 2035	1.092%	44
Other[(c)]			420
Current maturities of long-term debt			$ 2,342

(a) Represents Duke Energy Kentucky, Inc.'s bonds with a mandatory put in December 2016.
(b) The bonds have a mandatory put in December 2016.
(c) Includes capital lease obligations, amortizing debt and small bullet maturities.

CASH FLOWS FROM OPERATING ACTIVITIES

The relatively stable operating cash flows of Regulated Utilities compose a substantial portion of Duke Energy's cash flows from operations. Regulated Utilities' cash flows from operations are primarily driven by sales of electricity and natural gas and costs of operations. Weather conditions, commodity price fluctuations and unanticipated expenses, including unplanned plant outages, storms and legal costs and related settlements, can affect the timing and level of cash flows from operations.

Cash flows from operations are subject to a number of other factors, including but not limited to regulatory constraints, economic trends and market volatility (see "Item 1A. Risk Factors," in the Duke Energy Registrants' Annual Report on Form 10-K for the year ended December 31, 2015, for additional information).

At June 30, 2016, Duke Energy had cash and cash equivalents of $676 million, of which $454 million is held by entities domiciled in foreign jurisdictions. In December 2014, Duke Energy declared a taxable dividend of historical foreign earnings in the form of notes payable to repatriate approximately $2.7 billion of cash held and expected to be generated by International Energy over a period of up to eight years. As of June 30, 2016, approximately $1.6 billion has been remitted.

Proceeds received from the notes described above or resulting from a sale of International Energy would be used by Duke Energy to reduce debt and fund the operations and growth of domestic businesses. For further information on the potential sale of International Energy, refer to Note 2 to the Condensed Consolidated Financial Statements, "Acquisitions and Dispositions."

As of December 31, 2015, Duke Energy's intention was to indefinitely reinvest foreign earnings of International Energy earned after December 31, 2014. In February 2016, Duke Energy announced it had initiated a process to divest the International Energy business segment, excluding the investment in NMC. Accordingly, Duke Energy no longer intends to indefinitely reinvest the undistributed earnings of International Energy. As of June 30, 2016, Duke Energy recorded U.S. income taxes of approximately $16 million related to such earnings and will prospectively provide U.S. income taxes on future foreign earnings.

This change in Duke Energy's intent, combined with the extension of bonus depreciation by Congress in late 2015, allows Duke Energy to more efficiently utilize foreign tax credits and reduce U.S. deferred tax liabilities associated with historic unremitted foreign earnings by approximately $95 million.

Restrictive Debt Covenants

The Duke Energy Registrants' debt and credit agreements contain various financial and other covenants. The Master Credit Facility contains a covenant requiring the debt-to-total capitalization ratio to not exceed 65 percent for each borrower. Failure to meet those covenants beyond applicable grace periods could result in accelerated due dates and/or termination of the agreements. As of June 30, 2016, each of the Duke Energy Registrants were in compliance with all covenants related to their debt agreements. In addition, some credit agreements may allow for acceleration of payments or termination of the agreements due to nonpayment, or the acceleration of other significant indebtedness of the borrower or some of its subsidiaries. None of the debt or credit agreements contain material adverse change clauses.

Credit Ratings

Credit ratings are intended to provide credit lenders a framework for comparing the credit quality of securities and are not a recommendation to buy, sell or hold. The Duke Energy Registrants' credit ratings are dependent on the rating agencies' assessments of their ability to meet their debt principal and interest obligations when they come due. If, as a result of market conditions or other factors, the Duke Energy Registrants are unable to maintain current balance sheet strength, or if earnings and cash flow outlook materially deteriorate, credit ratings could be negatively impacted.

The Duke Energy Registrants each hold credit ratings by Fitch Ratings, Inc. (Fitch), Moody's Investors Service, Inc. (Moody's) and Standard & Poor's Rating Services (S&P). The Duke Energy Registrants' credit ratings and outlooks from Fitch, Moody's and S&P have not changed since February 2016.

Cash Flow Information

The following table summarizes Duke Energy's cash flows.

	Six Months Ended June 30,	
(in millions)	**2016**	**2015**
Cash flows provided by (used in):		
Operating activities	$ 3,206	$ 2,879
Investing activities	(3,608)	(294)
Financing activities	221	(3,661)
Net decrease in cash and cash equivalents	(181)	(1,076)
Cash and cash equivalents at beginning of period	857	2,036
Cash and cash equivalents at end of period	$ 676	$ 960

OPERATING CASH FLOWS

The following table summarizes key components of Duke Energy's operating cash flows.

	Six Months Ended June 30,	
(in millions)	**2016**	**2015**
Net income	$ 1,211	$ 1,414
Non-cash adjustments to net income	2,231	2,409
Contributions to qualified pension plans	—	(132)
Payments for asset retirement obligations	(263)	(125)
Working capital	27	(687)
Net cash provided by operating activities	$ 3,206	$ 2,879

The variance was driven primarily due to:

- a $714 million increase in working capital primarily due to unrealized losses on forward-starting interest rate swaps related to the expected financing of the Piedmont acquisition, higher property tax accruals due to timing of payments, and lower coal stock inventory due to management of high inventory levels and timing of shipments partially due to higher utilization as a result of warmer than normal weather;

Partially offset by:

- a $381 million decrease in net income after non-cash adjustments, primarily due to the absence of earnings from the Disposal Group sold in April 2015 and less favorable weather in 2016 compared to prior year, partially offset by increased retail pricing and riders.

INVESTING CASH FLOWS

The following table summarizes key components of Duke Energy's investing cash flows.

	Six Months Ended June 30,	
(in millions)	**2016**	**2015**
Capital, investment and acquisition expenditures	$ (3,529)	$ (3,189)
Available for sale securities, net	26	13
Proceeds from sales of the Disposal Group	—	2,792
Other investing items	(105)	90
Net cash used in investing activities	$ (3,608)	$ (294)

The variance was primarily due to:

- a $2,832 million decrease in proceeds mainly due to prior year sale of the Disposal Group to Dynegy; and
- a $340 million increase in capital, investment and acquisition expenditures primarily due to growth in regulated generation investments, natural gas infrastructure and renewable energy projects.

FINANCING CASH FLOWS

The following table summarizes key components of Duke Energy's financing cash flows.

	Six Months Ended June 30,	
(in millions)	**2016**	**2015**
Issuance of common stock related to employee benefit plans	$ 7	$ 16
Issuances (Redemptions) of long-term debt, net	2,719	(672)
Notes payable and commercial paper	(1,341)	(365)
Dividends paid	(1,140)	(1,115)
Repurchase of common shares	—	(1,500)
Other financing items	(24)	(25)
Net cash provided by (used in) financing activities	$ 221	$ (3,661)

The variance was due primarily to:

- a $3,391 million increase in proceeds from net issuances of long-term debt, driven by the issuance of $1,294 million of senior secured bonds used to finance the recovery of certain retired nuclear generation assets and other issuances primarily used to fund capital expenditures, repay debt maturities and pay down outstanding commercial paper; and
- a $1,500 million decrease in cash outflows due to the prior year repurchase of 19.8 million common shares under the accelerated stock repurchase program.

Partially offset by:

- a $976 million increase in net payments of notes payable and commercial paper, primarily due to repayment of commercial paper. These cash outflows were primarily made with proceeds from long-term debt issuances.

Summary of Significant Debt Issuances

The following table summarizes significant debt issuances (in millions).

			Six Months Ended June 30, 2016					
Issuance Date	Maturity Date	Interest Rate	Duke Energy	Duke Energy (Parent)	Duke Energy Carolinas	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Unsecured								
April 2016[(a)]	April 2023	2.875%	$ 350	$ 350	$ —	$ —	$ —	$ —
First Mortgage Bonds								
March 2016[(b)]	March 2023	2.500%	500	—	500	—	—	—
March 2016[(b)]	March 2046	3.875%	500	—	500	—	—	—
May 2016[(c)]	May 2046	3.750%	500	—	—	—	—	500
June 2016[(b)]	June 2046	3.700%	250	—	—	—	250	—
Secured Debt								
June 2016[(d)]	March 2020	1.196%	183	—	—	183	—	—
June 2016[(d)]	September 2022	1.731%	150	—	—	150	—	—
June 2016[(d)]	September 2029	2.538%	436	—	—	436	—	—
June 2016[(d)]	March 2033	2.858%	250	—	—	250	—	—
June 2016[(d)]	September 2036	3.112%	275	—	—	275	—	—
Total issuances			$ 3,394	$ 350	$ 1,000	$ 1,294	$ 250	$ 500

(a) Proceeds were used to pay down outstanding commercial paper and for general corporate purposes.
(b) Proceeds were used to fund capital expenditures for ongoing construction, capital maintenance and for general corporate purposes.
(c) Proceeds were used to repay $325 million of unsecured debt due June 2016, $150 million of first mortgage bonds due July 2016 and for general corporate purposes.
(d) Proceeds from the nuclear asset recovery bonds issued by Duke Energy Florida Project Finance, LLC (DEFPF), a bankruptcy remote subsidiary of Duke Energy Florida, were used to acquire nuclear asset-recovery property from its parent, Duke Energy Florida. The nuclear asset-recovery bonds are payable only from and secured by the nuclear asset-recovery property. DEFPF is consolidated for financial reporting purposes; however, the nuclear asset-recovery bonds do not constitute a debt, liability or other legal obligation of, or interest in, Duke Energy Florida or any of its affiliates other than DEFPF. The assets of DEFPF, including the nuclear asset-recovery property, are not available to pay creditors of Duke Energy Florida or any of its affiliates. Duke Energy Florida used the proceeds from the sale to repay short-term borrowings under the intercompany money pool borrowing arrangement and make an equity distribution of $649 million to the ultimate parent, Duke Energy (Parent), which repaid short-term borrowings. The nuclear asset-recovery bonds are sequential pay amortizing bonds. The maturity date above represents the scheduled final maturity date for the bonds. See Notes 4 and 12 to the Condensed Consolidated Financial Statements, "Regulatory Matters" and "Variable Interest Entities," respectively, for additional information.

OTHER MATTERS

Environmental Regulations

Duke Energy is subject to international, federal, state and local regulations regarding air and water quality, hazardous and solid waste disposal and other environmental matters. The Subsidiary Registrants are subject to federal, state and local regulations regarding air and water quality, hazardous and solid waste disposal and other environmental matters. These regulations can be changed from time to time and result in new obligations of the Duke Energy Registrants.

The following sections outline various proposed and recently enacted regulations that may impact the Duke Energy Registrants. Refer to Note 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for further information regarding potential plant retirements and regulatory filings related to the Duke Energy Registrants.

Coal Combustion Residuals

On April 17, 2015, the EPA published in the Federal Register a rule to regulate the disposal of CCR from electric utilities as solid waste. The federal regulation, which became effective in October 2015, classifies CCR as nonhazardous waste under Subtitle D of the Resource Conservation and Recovery Act and allows for beneficial use of CCR with some restrictions. The regulation applies to all new and existing landfills, new and existing surface impoundments receiving CCR and existing surface impoundments that are no longer receiving CCR but contain liquid located at stations currently generating electricity (regardless of fuel source). The rule establishes requirements regarding landfill design, structural integrity design and assessment criteria for surface impoundments, groundwater monitoring and protection procedures and other operational and reporting procedures to ensure the safe disposal and management of CCR. Various industry and environmental parties have appealed the EPA's CCR rule in the D.C. Circuit Court of Appeals. On April 18, 2016, the EPA filed a motion with the federal court to settle five issues raised in litigation. On June 14, 2016, the court approved the motion with respect to all of those issues. Duke Energy does not expect a material impact from the settlement or that it will result in additional asset retirement obligation adjustments.

In addition to the requirements of the federal CCR regulation, CCR landfills and surface impoundments will continue to be independently regulated by most states. As a result of the EPA rule, the Subsidiary Registrants recorded asset retirement obligation amounts during 2015. Cost recovery for future expenditures will be pursued through the normal ratemaking process with federal and state utility commissions and via wholesale contracts, which permit recovery of necessary and prudently incurred costs associated with Duke Energy's regulated operations. For more information, see Note 9, "Asset Retirement Obligations," in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2015.

Beckjord, a facility retired during 2014, is not subject to the recently enacted EPA rule related to the disposal of CCR from electric utilities. However, if costs are incurred as a result of environmental regulations or to mitigate risk associated with on-site storage of coal ash at the facility, the costs could have an adverse impact on Duke Energy Ohio's financial position, results of operations and cash flows. Costs incurred by Ohio Valley Electric Corporation (OVEC) related to environmental regulations could also have an adverse impact on Duke Energy Ohio's financial position, results of operations and cash flows.

Coal Ash Management Act of 2014

On September 20, 2014, the Coal Ash Act became law and was amended on June 24, 2015, by the North Carolina Mountain Energy Act. The Coal Ash Act, as amended, established requirements regarding the use and closure of existing ash impoundments, the disposal of ash at active coal plants and the handling of surface and groundwater impacts from ash basins in North Carolina. The Coal Ash Act, as amended, deemed eight ash impoundments at four facilities to be high priority and requires closure no later than August 1, 2019, with a potential extension for closure of the Asheville impoundment until 2022. The Coal Ash Act required state regulators to provide risk ranking classifications for the remaining 25 ash impoundments at 10 North Carolina facilities.

In January 2016, NCDEQ published draft proposed risk classifications for sites not specifically delineated by the Coal Ash Act as high priority. These risk rankings were generally determined based on three primary criteria: structural integrity of the impoundments and impact to both surface and groundwater. NCDEQ categorized 12 basins at four sites as intermediate risk and four basins at three plants as low risk. Basins at high priority sites (Dan River, Riverbend, Asheville and Sutton) require closure through excavation including a combination of transferring the ash to an appropriate engineered landfill or conversion of the ash for beneficial use. Closure of high priority basins is required to be completed no later than August 1, 2019, except for Asheville which is required to be completed no later than August 1, 2022. Intermediate risk basins require closure through excavation including a combination of converting the basin to a lined industrial landfill, transferring of the ash to an appropriate engineered landfill or conversion of the ash for beneficial use. Closure of intermediate risk basins is required to be completed no later than December 31, 2024. Low risk basins require closure through either the combination of the installation and maintenance of a cap system and groundwater monitoring system designed to minimize infiltration and erosion or other closure options available to intermediate-risk basins. Closure of low risk basins is required to be completed no later than December 31, 2029. NCDEQ also categorized nine basins at six plants as "low-to-intermediate" risk, thereby not assigning a definitive risk ranking at that time. On May 18, 2016, the NCDEQ issued new proposed risk classifications, ranking all originally proposed low risk and "low-intermediate" risk sites as intermediate.

On July 14, 2016, the Governor of North Carolina signed legislation which amends the Coal Ash Act and requires Duke Energy to undertake dam improvement projects and to provide access to a permanent alternative drinking water source to certain residents within a half mile of coal ash basin compliance boundaries and to certain other potentially impacted residents. The new legislation also ranks basins at the H.F. Lee, Cape Fear and Weatherspoon stations as intermediate risk consistent with Duke Energy's previously announced plans to excavate those basins. These specific intermediate basins require closure through excavation including a combination of transferring ash to an appropriate engineered landfill or conversion of the ash for beneficial use. Closure of these specific intermediate basins is required to be completed no later than August 1, 2028. Additionally, the new legislation requires the installation and operation of three large-scale coal ash beneficiation projects which are expected to produce reprocessed ash for use in the concrete industry. Closure of basins at sites with these beneficiation projects are required to be completed no later than December 31, 2029. Upon satisfactory completion of the dam improvement projects and installation of alternate drinking water sources by October 15, 2018, the legislation requires NCDEQ to reclassify intermediate risk sites, excluding H.F. Lee, Cape Fear and Weatherspoon, as low risk.

Per the Coal Ash Act, final proposed classifications were to be subject to Coal Ash Management Commission (Coal Ash Commission) approval. In March 2016, the Coal Ash Commission created by the Coal Ash Act was disbanded by the Governor of North Carolina based on a North Carolina Supreme Court ruling regarding the constitutionality of the body. The new legislation eliminates the Coal Ash Commission and transfers responsibility for ash basin closure oversight to the NCDEQ.

Estimated asset retirement obligations have been recognized based on the assigned risk categories based on a probability weighting of potential closure methods. Actual closure costs incurred could be materially different from current estimates that form the basis of the recorded asset retirement obligations. Costs incurred have been deferred as regulatory assets and recovery will be pursued through the normal ratemaking process with federal and state utility commissions, which permit recovery of necessary and prudently incurred costs associated with Duke Energy's regulated operations.

Mercury and Air Toxics Standards

The final Mercury and Air Toxics Standards (MATS) rule was issued on February 16, 2012. The rule established emission limits for hazardous air pollutants from new and existing coal-fired and oil-fired steam electric generating units. The rule required sources to comply with emission limits by April 16, 2015, or by April 16, 2016, with approved extension. Strategies to achieve compliance included installation of new air emission control equipment, development of monitoring processes, fuel switching and acceleration of retirement for some coal-fired electric-generation units. All of Duke Energy's coal-fired units are in compliance with the emission limits, work practices standards and other requirements of the MATS rule. For additional information, refer to Note 4 of the Condensed Consolidated Financial Statements, "Regulatory Matters," regarding potential plant retirements.

Clean Water Act 316(b)

The EPA published the final 316(b) cooling water intake structure rule on August 15, 2014, with an effective date of October 14, 2014. The rule applies to 26 of the electric generating facilities the Duke Energy Registrants own and operate. The rule allows for several options to demonstrate compliance and provides flexibility to the state environmental permitting agencies to make determinations on controls, if any, that will be required for cooling water intake structures. Any required intake structure modifications and/or retrofits are expected to be installed in the 2019 to 2022 time frame. Petitions challenging the rule have been filed by several groups. It is unknown at this time when the courts will rule on the petitions.

Steam Electric Effluent Limitations Guidelines

On January 4, 2016, the final Steam Electric Effluent Limitations Guidelines (ELG) rule became effective. The rule establishes new requirements for wastewater streams associated with steam electric power generation and includes more stringent controls for any new coal plants that may be built in the future. Affected facilities must comply between 2018 and 2023, depending on timing of new Clean Water Act (CWA) permits. Most, if not all, of the steam electric generating facilities the Duke Energy Registrants own are likely affected sources. The Duke Energy Registrants are well positioned to meet the majority of the requirements of the rule due to current efforts to convert to dry ash handling. Petitions challenging the rule have been filed by several groups. On March 16, 2015, Duke Energy Indiana filed its own legal challenge to the rule with the Seventh Circuit Court of Appeals specific to the ELG for wastewater associated rule focused on the limits imposed on integrated gas combined-cycle facilities. All challenges to the rule have been consolidated in the Fifth Circuit Court of Appeals. It is unknown at this time when the courts will rule on the petitions.

Estimated Cost and Impacts of Rulemakings

Duke Energy will incur capital expenditures to comply with the environmental regulations and rules discussed above. The following table provides five-year estimated costs, excluding AFUDC, of new control equipment that may need to be installed on existing power plants primarily to comply with the Coal Ash Act requirements for conversion to dry disposal of bottom ash and fly ash, MATS, CWA 316(b) and ELGs, through December 31, 2020. The table excludes ash basin closure costs recorded as Asset retirement obligations on the Condensed Consolidated Balance Sheets. For more information related to asset retirement obligations, see Note 9 in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2015.

(in millions)	Estimated Cost
Duke Energy	$ 1,350
Duke Energy Carolinas	625
Progress Energy	350
Duke Energy Progress	300
Duke Energy Florida	50
Duke Energy Ohio	100
Duke Energy Indiana	275

The Duke Energy Registrants also expect to incur increased fuel, purchased power, operation and maintenance and other expenses, in addition to costs for replacement generation for potential coal-fired power plant retirements, as a result of these regulations. Actual compliance costs incurred may be materially different from these estimates due to reasons such as the timing and requirements of EPA regulations and the resolution of legal challenges to the rules. The Duke Energy Registrants intend to seek rate recovery of necessary and prudently incurred costs associated with regulated operations to comply with these regulations.

Cross-State Air Pollution Rule

On August 8, 2011, the final Cross-State Air Pollution Rule (CSAPR) was published in the Federal Register. The CSAPR established state-level annual sulfur dioxide (SO_2) budgets and annual and seasonal nitrogen oxide (NO_x) budgets that were to take effect on January 1, 2012.

On August 21, 2012, the D.C. Circuit Court vacated the CSAPR. The court also directed the EPA to continue administering the Clean Air Interstate Rule (CAIR), which required additional reductions in SO_2 and NOx emissions beginning in 2015. On April 29, 2014, the Supreme Court reversed the D.C. Circuit Court's decision, finding that with CSAPR the EPA reasonably interpreted the good neighbor provision of the CAA. The case was remanded to the D.C. Circuit Court for further proceedings consistent with the Supreme Court's opinion. On October 23, 2014, the D.C. Circuit Court lifted the CSAPR stay, which allowed Phase 1 of the rule to take effect on January 1, 2015, terminating the CAIR. Where the CSAPR requirements are constraining, actions to meet the requirements may include purchasing emission allowances, power purchases, curtailing generation and utilizing low sulfur fuel. The CSAPR did not result in Duke Energy Registrants adding new emission controls.

On December 3, 2015, the EPA proposed a rule to lower the current CSAPR Phase 2 state ozone season NOx emission budgets for 23 Eastern states, including North Carolina, Ohio, Kentucky and Indiana. The EPA also proposed to eliminate the CSAPR Phase 2 ozone season state NOx budgets for Florida and South Carolina. The EPA proposed that these changes to state budgets take effect on May 1, 2017. The EPA has indicated that it plans to finalize a rule during the summer of 2016. The EPA's proposed changes would impose requirements to achieve emission reduction targets within short timelines and could result in an impact on the emission allowance trading market, increase costs for customers, and hamper the ability to demonstrate compliance. Duke Energy Registrants cannot predict the outcome of these proceedings.

Carbon Pollution Standards for New, Modified and Reconstructed Power Plants

On October 23, 2015, the EPA published a final rule in the Federal Register establishing carbon dioxide (CO_2) emissions limits for new, modified and reconstructed power plants. The requirements for new plants do not apply to any facility that Duke Energy currently has in operation, but would apply to plants that commenced construction after January 8, 2014. The EPA set an emissions standard for coal units of 1,400 pounds which would require the application of partial carbon capture and storage (CCS) technology for a coal unit to be able to meet the limit. Utility-scale CCS is not currently a demonstrated and commercially available technology for coal-fired electric generating units, and therefore the final standard effectively prevents the development of new coal-fired generation. The EPA set a final standard of 1,000 pounds of CO_2 per gross MWh for new natural gas combined-cycle units. Petitions challenging the rule have been filed by several groups. Briefing in the case was scheduled to conclude on October 21, 2016, but on June 24, 2016, the D.C. Circuit suspended the briefing schedule and set a deadline of August 4, 2016, for parties to submit motions to amend the briefing schedule. It is unknown at this time when briefing or oral argument will occur, or when the court will rule on the petitions. The Duke Energy Registrants do not expect the impacts of the final standards will be material to Duke Energy's financial position, results of operations or cash flows.

Clean Power Plan (CPP)

On October 23, 2015, the EPA published in the Federal Register the final CPP rule that regulates CO_2 emissions from existing fossil fuel-fired electric generating units. The CPP establishes CO_2 emission rates and mass cap goals that apply to existing fossil fuel-fired electric generation units. Under the CPP, states are required to develop and submit a final compliance plan, or an initial plan with an extension request, to the EPA by September 6, 2016. States that receive an extension must submit a final completed plan to the EPA by September 6, 2018. The EPA intends to review and approve or disapprove state plans within 12 months of receipt. The CPP does not directly impose regulatory requirements on the Duke Energy Registrants. State implementation plans will include the regulatory requirements that will apply to the Duke Energy Registrants. The EPA also published a proposed federal plan for public comment. A federal plan would be applied to states that fail to submit a plan to EPA or where a state plan is not approved by the EPA. Comments on the proposed federal plan were due by January 21, 2016.

Legal challenges to the final CPP have been filed by stakeholders. On January 21, 2016, the U.S. Court of Appeals for the District of Columbia denied motions from petitioners to stay the CPP pending court review. On February 9, 2016, the Supreme Court granted a stay in the matter, halting implementation of the CPP until legal challenges are resolved. The states in which Duke Energy's regulated operations are located have suspended work on the CPP in response to the stay. Oral arguments before the full D.C. Circuit court are scheduled for September 27, 2016.

Compliance with CPP could cause the industry to replace coal generation with natural gas and renewables. Costs to operate coal-fired generation plants continue to grow due to increasing environmental compliance requirements, including ash management costs unrelated to CPP, which may result in the retirement of coal-fired generation plants earlier than the current end of useful lives. If the CPP is ultimately upheld by the courts and implementation goes forward, the Duke Energy Registrants could incur increased fuel, purchased power, operation and maintenance and other costs for replacement generation as a result of this rule. Due to the uncertainties related to the implementation of the CPP, the Duke Energy Registrants cannot predict the outcome of these matters.

Global Climate Change

For other information on global climate change and the potential impacts on Duke Energy, see "Other Matters" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2015.

Nuclear Matters

For other information on nuclear matters and the potential impacts on Duke Energy, see "Other Matters" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2015.

New Accounting Standards

See Note 1 to the Condensed Consolidated Financial Statements, "Organization and Basis of Presentation," for a discussion of the impact of new accounting standards.

Off-Balance Sheet Arrangements

During the three and six months ended June 30, 2016, there were no material changes to Duke Energy's off-balance sheet arrangements. For information on Duke Energy's off-balance sheet arrangements, see "Off-Balance Sheet Arrangements" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2015.

Contractual Obligations

Duke Energy enters into contracts that require payment of cash at certain specified periods, based on certain specified minimum quantities and prices. During the three and six months ended June 30, 2016, there were no material changes in Duke Energy's contractual obligations. For an in-depth discussion of Duke Energy's contractual obligations, see "Contractual Obligations" and "Quantitative and Qualitative Disclosures about Market Risk" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2015.

Subsequent Events

See Note 17 to the Condensed Consolidated Financial Statements, "Subsequent Events," for a discussion of subsequent events.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

During the three and six months ended June 30, 2016, there were no material changes to Duke Energy's disclosures about market risk. For an in-depth discussion of Duke Energy's market risks, see "Management's Discussion and Analysis of Quantitative and Qualitative Disclosures about Market Risk" in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2015.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by the Duke Energy Registrants in the reports they file or submit under the Securities Exchange Act of 1934 (Exchange Act) is recorded, processed, summarized and reported within the time periods specified by the SEC rules and forms.

Disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that information required to be disclosed by the Duke Energy Registrants in the reports they file or submit under the Exchange Act is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, the Duke Energy Registrants have evaluated the effectiveness of their disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of June 30, 2016, and, based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are effective in providing reasonable assurance of compliance.

Changes in Internal Control over Financial Reporting

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, the Duke Energy Registrants have evaluated changes in internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the fiscal quarter ended June 30, 2016, and have concluded no change has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

ITEM 1. LEGAL PROCEEDINGS

For information regarding legal proceedings, including regulatory and environmental matters, that became reportable events or in which there were material developments in the second quarter of 2016, see Note 4, "Regulatory Matters," and Note 5, "Commitments and Contingencies," to the Condensed Consolidated Financial Statements.

MTBE Litigation

On June 29, 2007, the New Jersey Department of Environmental Protection (NJDEP) filed suit against, among others, Duke Energy Merchants (DEM), alleging contamination of "waters of the state" by MTBE from leaking gasoline storage tanks. MTBE is a gasoline additive intended to increase the oxygen level in gasoline and make it burn cleaner. The case was moved to federal court and consolidated in an existing multidistrict litigation docket of pending MTBE cases. DEM and NJDEP have reached an agreement in principle to settle the case for a payment by DEM of $1.7 million. On February 19, 2016, the court approved a Consent Decree executed by the parties which settles the case. Payment was made in February 2016. The case was dismissed by the court on April 29, 2016. DEM is also a defendant in a similar case filed by the Commonwealth of Pennsylvania on June 19, 2014. That case has been moved to the consolidated multidistrict proceeding. Discovery in this case continues.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, careful consideration should be given to the factors discussed in Part I, "Item 1A. Risk Factors" in the Duke Energy Registrants' Annual Report on Form 10-K for the year ended December 31, 2015, which could materially affect the Duke Energy Registrants' financial condition or future results.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

ISSUER PURCHASES OF EQUITY SECURITIES

There were no issuer purchases of equity securities during the second quarter of 2016.

ITEM 6. EXHIBITS

Exhibits filed herein are designated by an asterisk (*). All exhibits not so designated are incorporated by reference to a prior filing, as indicated. Items constituting management contracts or compensatory plans or arrangements are designated by a double asterisk (**). The Company agrees to furnish upon request to the Commission a copy of any omitted schedules or exhibits upon request on all items designated by a triple asterisk (***).

Exhibit Number		Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
4.1	Sixty-Eighth Supplemental Indenture, dated as of May 12, 2016 (incorporated by reference to Exhibit 4.1 to registrant's Current Report on Form 8-K filed on May 12, 2016, File No. 1-3543).							X
4.2	Forty-Fourth Supplemental Indenture, dated as of June 23, 2016 (incorporated by reference to Exhibit 4.1 registrant's Current Report on Form 8-K filed on June 23, 2016, File No. 1-1232).						X	
*10.1	$1,500,000,000 Amended and Restated Term Loan Agreement among Duke Energy Corporation, as Borrower, the Lenders listed therein, The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Administrative Agent, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., Santander Bank, N.A. and TD Bank, N.A., as Joint Lead Arrangers and Bookrunners, dated as of August 1, 2016.	X						
*12	Computation of Ratio of Earnings to Fixed Charges – DUKE ENERGY CORPORATION.	X						
*31.1.1	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X						
*31.1.2	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.		X					
*31.1.3	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			X				
*31.1.4	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X			
*31.1.5	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X		
*31.1.6	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.						X	
*31.1.7	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.							X
*31.2.1	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X						
*31.2.2	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.		X					
*31.2.3	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			X				
*31.2.4	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X			
*31.2.5	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X		
*31.2.6	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.						X	
*31.2.7	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.							X

*32.1.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X						
*32.1.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.		X					
*32.1.3	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			X				
*32.1.4	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X			
*32.1.5	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X		
*32.1.6	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.						X	
*32.1.7	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.							X
*32.2.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X						
*32.2.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.		X					
*32.2.3	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			X				
*32.2.4	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X			
*32.2.5	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X		
*32.2.6	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.						X	
*32.2.7	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.							X
*101.INS	XBRL Instance Document.	X	X	X	X	X	X	X
*101.SCH	XBRL Taxonomy Extension Schema Document.	X	X	X	X	X	X	X
*101.CAL	XBRL Taxonomy Calculation Linkbase Document.	X	X	X	X	X	X	X
*101.LAB	XBRL Taxonomy Label Linkbase Document.	X	X	X	X	X	X	X
*101.PRE	XBRL Taxonomy Presentation Linkbase Document.	X	X	X	X	X	X	X
*101.DEF	XBRL Taxonomy Definition Linkbase Document.	X	X	X	X	X	X	X

The total amount of securities of the registrant or its subsidiaries authorized under any instrument with respect to long-term debt not filed as an exhibit does not exceed 10 percent of the total assets of the registrant and its subsidiaries on a consolidated basis. The registrant agrees, upon request of the SEC, to furnish copies of any or all of such instruments to it.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized.

DUKE ENERGY CORPORATION
DUKE ENERGY CAROLINAS, LLC
DUKE ENERGY PROGRESS, LLC
DUKE ENERGY FLORIDA, LLC
DUKE ENERGY OHIO, INC.
DUKE ENERGY INDIANA, LLC

Date: August 4, 2016

/s/ STEVEN K. YOUNG
Steven K. Young
Executive Vice President and Chief Financial Officer (Principal Financial Officer)

Date: August 4, 2016

/s/ WILLIAM E. CURRENS JR.
William E. Currens Jr.
Senior Vice President, Chief Accounting Officer and Controller
(Principal Accounting Officer)

PROGRESS ENERGY, INC.

Date: August 4, 2016

/s/ STEVEN K. YOUNG
Steven K. Young
Executive Vice President and Chief Financial Officer (Principal Financial Officer)

Date: August 4, 2016

/s/ WILLIAM E. CURRENS JR.
William E. Currens Jr.
Chief Accounting Officer and Controller
(Principal Accounting Officer)

Exhibit 10.1

$1,500,000,000

AMENDED AND RESTATED TERM LOAN CREDIT AGREEMENT

dated as of
August 1, 2016
among

Duke Energy Corporation,
as Borrower,

The Lenders Listed Herein,

The Bank of Tokyo-Mitsubishi UFJ, Ltd.
as Administrative Agent,

and

The Bank of Tokyo-Mitsubishi UFJ, Ltd.,
Santander Bank, N.A. and
TD Bank, N.A.,

as Joint Lead Arrangers and Bookrunners

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AMENDED AND RESTATED TERM LOAN CREDIT AGREEMENT

AMENDED AND RESTATED TERM LOAN CREDIT AGREEMENT dated as of August 1, 2016 among DUKE ENERGY CORPORATION, as Borrower, the Lenders from time to time party hereto and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Administrative Agent.

WHEREAS, the Borrower, the Lenders (in such capacity, the **"Existing Lenders"**) and the Administrative Agent (in such capacity, the **"Existing Agent"**) are parties to that certain Credit Agreement dated as of February 22, 2016 (the **"Existing Credit Agreement"**);

WHEREAS, on the terms and conditions set forth in the Existing Credit Agreement the Existing Lenders made loans (the **"Existing Loans"**) to the Borrower;

WHEREAS, the Borrower has requested and the Existing Lenders and Existing Agent have agreed to the amendment and restatement of the Existing Credit Agreement upon the terms and subject to the conditions set forth herein; and

WHEREAS, as of the Effective Date, the principal amount of the Existing Loans then outstanding under the Existing Credit Agreement will be deemed to (i) be Loans made and outstanding under this Agreement and (ii) have utilized the Commitment of each Lender under this Agreement by the amount of such Lender's pro rata share (based on its Percentage) of the aggregate principal amount of the Existing Loans;

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE 1
DEFINITIONS

Section 1.01. *Definitions.* The following terms, as used herein, have the following meanings:

"Administrative Agent" means The Bank of Tokyo-Mitsubishi UFJ, Ltd. in its capacity as administrative agent for the Lenders hereunder, and its successors in such capacity.

"Administrative Questionnaire" means, with respect to each Lender, the administrative questionnaire in the form submitted to such Lender by the Administrative Agent and submitted to the Administrative Agent (with a copy to the Borrower) duly completed by such Lender.

"Affiliate" means, as to any Person (the **"specified Person"**) (i) any Person that directly, or indirectly through one or more intermediaries, controls the specified Person (a **"Controlling Person"**) or (ii) any Person (other than the specified Person or a Subsidiary of the specified Person) which is controlled by or is under common control with a Controlling Person. As used herein, the term **"control"** means possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"**Agreement**" means this Amended and Restated Term Loan Credit Agreement as the same may be amended from time to time.

"**Anti-Corruption Laws**" means the United States Foreign Corrupt Practices Act of 1977 and all other laws, rules, and regulations of any jurisdiction concerning or relating to bribery, corruption or money laundering.

"**Applicable Lending Office**" means, with respect to any Lender, (i) in the case of its Base Rate Loans, its Domestic Lending Office and (ii) in the case of its Euro-Dollar Loans, its Euro-Dollar Lending Office.

"**Applicable Margin**" means, with respect to Euro-Dollar Loans to the Borrower, the applicable rate per annum for the Borrower determined in accordance with the Pricing Schedule.

"**Approved Fund**" means any Fund that is administered or managed by (i) a Lender, (ii) an Affiliate of a Lender or (iii) an entity or an Affiliate of an entity that administers or manages a Lender.

"**Approved Officer**" means the president, the chief financial officer, a vice president, the treasurer, an assistant treasurer or the controller of the Borrower or such other representative of the Borrower as may be designated by any one of the foregoing with the consent of the Administrative Agent.

"**Assignee**" has the meaning set forth in Section 9.06(c).

"**Bail-In Action**" means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

"**Bail-In Legislation**" means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

"**Bankruptcy Event**" means, with respect to any Person, such Person becomes the subject of a bankruptcy or insolvency proceeding (or any similar proceeding), or generally fails to pay its debts as such debts become due, or admits in writing its inability to pay its debts generally, or has had a receiver, conservator, trustee, administrator, custodian, assignee for the benefit of creditors or similar Person charged with the reorganization or liquidation of its business or assets appointed for it, or, in the good faith determination of the Administrative Agent (or, if the Administrative Agent is the subject of the Bankruptcy Event, the Required Lenders), has taken any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any such proceeding or appointment, provided that a Bankruptcy Event shall not result solely by virtue of any ownership interest, or the acquisition of any ownership interest, in such Person by a Governmental Authority or instrumentality thereof so long as such ownership interest does not result in or provide such Person with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Person (or such Governmental Authority or instrumentality) to reject, repudiate, disavow or disaffirm any contracts or agreements made by such Person.

"**Base Rate**" means, for any day for which the same is to be calculated, the highest of (a) the Prime Rate, (b) the Federal Funds Rate plus 1/2 of 1% and (c) the LIBOR Market Index Rate plus 1%; *provided*, that, if the Base Rate shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement. Each change in the Base Rate shall take effect simultaneously with the corresponding change in the rates described in clauses (a), (b) or (c) above, as the case may be.

"**Base Rate Loan**" means (i) a Loan which bears interest at the Base Rate pursuant to the applicable Notice of Borrowing or Notice of Interest Rate Election or the provisions of Article 8 or (ii) an overdue amount which was a Base Rate Loan immediately before it became overdue.

"**Borrower**" means Duke Energy Corporation, a Delaware corporation..

"**Borrowing**" means a borrowing made on a single date and for a single Interest Period.

"**Change**" has the meaning set forth in Section 9.05(b).

"**Change in Law**" means the occurrence of any of the following after the date of this Agreement: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation or application thereof by any Governmental Authority, or (c) the making or issuance of any request, rules, guideline, requirement or directive (whether or not having the force of law) by any Governmental Authority; *provided however*, that notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines, requirements and directives thereunder, issued in connection therewith or in implementation thereof, and (ii) all requests, rules, guidelines, requirements and directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law" after the date hereof regardless of the date enacted, adopted, issued or implemented.

"**Commitment**" means (i) with respect to any Lender listed on the signature pages hereof, the amount set forth opposite its name on the Commitment Schedule, and (ii) with respect to each Assignee which becomes a Lender pursuant to Sections 8.06 or

9.06(c), the amount of the Commitment thereby assumed by it, in each case as such amount may from time to time be reduced pursuant to Sections 8.06 or 9.06(c) or increased pursuant to Sections 8.06 or 9.06(c).

"**Commitment Schedule**" means the Commitment Schedule attached hereto.

"**Commitment Termination Date**" means the date that is 90 days after the Effective Date.

"**Connection Income Taxes**" means, with respect to any Lender or Agent, taxes that are imposed on or measured by net income (however denominated), franchise taxes or branch profits taxes, in each case, imposed as a result of a connection (including any former connection) between such Lender or Agent and the jurisdiction imposing such tax (other than connections arising from such Lender or Agent having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced this Agreement or any Note, or sold or assigned an interest in any Loan, this Agreement or any Note).

"**Consolidated Capitalization**" means, with respect to the Borrower, the sum, without duplication, of (i) Consolidated Indebtedness of the Borrower, (ii) consolidated common equityholders' equity as would appear on a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries prepared in accordance with generally accepted accounting principles, (iii) the aggregate liquidation preference of preferred or priority equity interests (other than preferred or priority equity interests subject to mandatory redemption or repurchase) of the Borrower and its Consolidated Subsidiaries upon involuntary liquidation, (iv) the aggregate outstanding amount of all Equity Preferred Securities of the Borrower and (v) minority interests as would appear on a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries prepared in accordance with generally accepted accounting principles.

"**Consolidated Indebtedness**" means, at any date, with respect to the Borrower, all Indebtedness of the Borrower and its Consolidated Subsidiaries determined on a consolidated basis in accordance with generally accepted accounting principles; *provided* that Consolidated Indebtedness shall exclude, to the extent otherwise reflected therein, Equity Preferred Securities of the Borrower and its Consolidated Subsidiaries up to a maximum excluded amount equal to 15% of Consolidated Capitalization of the Borrower.

"**Consolidated Net Assets**" means, at any date with respect to the Borrower, (a) total assets of the Borrower and its Subsidiaries (minus applicable reserves) determined on a consolidated basis in accordance with GAAP minus (b) total liabilities of the Borrower and its Subsidiaries, in each case determined on a consolidated basis in accordance with GAAP, all as reflected in the consolidated financial statements of the Borrower most recently delivered to the Administrative Agent and the Lenders pursuant to Section 5.01(a) or 5.01(b).

"**Consolidated Subsidiary**" means, for any Person, at any date any Subsidiary or other entity the accounts of which would be consolidated with those of such Person in its consolidated financial statements if such statements were prepared as of such date.

"**Default**" means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"**Defaulting Lender**" means any Lender that (a) has failed to (i) fund any portion of its Loans within two Domestic Business Days of the date required to be funded or (ii) pay over to any Lender Party any other amount required to be paid by it hereunder within two Domestic Business Days of the date required to be paid, unless, in the case of clause (i) or (ii) above, such Lender notifies the Administrative Agent (or, if the Administrative Agent is the Defaulting Lender, the Required Lenders) in writing that such failure is the result of such Lender's good faith determination that a condition precedent to funding (specifically identified and including the particular default, if any) has not been satisfied, (b) has notified the Borrower or the Administrative Agent in writing, or has made a public statement to the effect, that it does not intend or expect to comply with any of its funding obligations under this Agreement (unless such writing or public statement indicates that such position is based on such Lender's good faith determination that a condition precedent (specifically identified and including the particular default, if any) to funding under this Agreement cannot be satisfied) or generally under other agreements in which it commits to extend credit, (c) has failed, within three Domestic Business Days after written request by the Administrative Agent (or, if the Administrative Agent is the Defaulting Lender, the Required Lenders) or the Borrower, acting in good faith, to provide a certification in writing from an authorized officer of such Lender that it will comply with its obligations to fund prospective Loans under this Agreement unless such Lender notifies the Administrative Agent (or, if the Administrative Agent is the Defaulting Lender, the Required Lenders) in writing that such failure is the result of such Lender's good faith determination that one or more conditions precedent to funding (specifically identified and including the particular default, if any) has not been satisfied, provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt by the Administrative Agent (or, if the Administrative Agent is the Defaulting Lender, the Required Lenders) and the Borrower of such certification in form and substance satisfactory to the Administrative Agent (or, if the Administrative Agent is the Defaulting Lender, the Required Lenders) and the Borrower, or (d) has become (or has a direct or indirect Parent that has become) the subject of a Bankruptcy Event or a Bail-In Action. Any determination by the Administrative Agent (or, if the Administrative Agent is the Defaulting Lender, the Required Lenders) that a Lender is a Defaulting Lender shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender upon delivery of written notice of such determination to the Borrower and each Lender.

"**Domestic Business Day**" means any day except a Saturday, Sunday or other day on which commercial banks in New York City or in the State of North Carolina are authorized by law to close.

"**Domestic Lending Office**" means, as to each Lender, its office located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Domestic Lending Office) or such other office as such Lender may hereafter designate as its Domestic Lending Office by notice to the Borrower and the Administrative Agent.

"**EEA Financial Institution**" means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent;

"**EEA Member Country**" means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

"**EEA Resolution Authority**" means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

"**Effective Date**" means the date on which all the conditions precedent in Section 3.01 are satisfied or waived in accordance Section 9.05.

"**Endowment**" means the Duke Endowment, a charitable common law trust established by James B. Duke by Indenture dated December 11, 1924.

"**Environmental Laws**" means any and all federal, state, local and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or other governmental restrictions relating to the environment or to emissions, discharges, releases of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes.

"**Equity Preferred Securities**" means, with respect to the Borrower, any trust preferred securities or deferrable interest subordinated debt securities issued by the Borrower or any Subsidiary or other financing vehicle of the Borrower that (i) have an original maturity of at least twenty years and (ii) require no repayments or prepayments and no mandatory redemptions or repurchases, in each case, prior to the first anniversary of the Maturity Date.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended.

"**ERISA Group**" means, with respect to the Borrower, the Borrower and all other members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Borrower, are treated as a single employer under Section 414 of the Internal Revenue Code.

"**EU Bail-In Legislation Schednle**" means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

"**Euro-Dollar Business Day**" means any Domestic Business Day on which commercial banks are open for international business (including dealings in dollar deposits) in London.

"**Euro-Dollar Lending Office**" means, as to each Lender, its office, branch or affiliate located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Euro-Dollar Lending Office) or such other office, branch or affiliate of such Lender as it may hereafter designate as its Euro-Dollar Lending Office by notice to the Borrower and the Administrative Agent.

"**Euro-Dollar Loan**" means (i) a Loan which bears interest at a Euro-Dollar Rate pursuant to the applicable Notice of Borrowing or Notice of Interest Rate Election or (ii) an overdue amount which was a Euro-Dollar Loan immediately before it became overdue.

"**Euro-Dollar Rate**" means a rate of interest determined pursuant to Section 2.06(b) on the basis of a London Interbank Offered Rate and if the Euro-Dollar Rate shall be less than zero, such rate shall be deemed zero for purposes of this Agreement.

"**Euro-Dollar Reserve Percentage**" has the meaning set forth in Section 2.16.

"**Event of Default**" has the meaning set forth in Section 6.01.

"**Existing Agent**" has the meaning set forth in the recitals hereto.

"**Existing Credit Agreement**" has the meaning set forth in the recitals hereto.

"**Existing Lenders**" has the meaning set forth in the recitals hereto.

"**Existing Loans**" has the meaning set forth in the recitals hereto.

"**FATCA**" has the meaning set forth in Section 8.04(a).

"**Federal Funds Rate**" means, for any day, the rate per annum (rounded upwards, if necessary, to the nearest 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System, as published by the Federal Reserve Bank of New York on the Domestic Business Day next succeeding such day; *provided* that (i) if such day is not a Domestic Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Domestic Business Day as so published on the next succeeding Domestic Business Day and (ii) if no such rate is so published on such next succeeding Domestic Business Day, the Federal Funds Rate for such day shall be the average rate quoted to The Bank of Tokyo-Mitsubishi UFJ, Ltd. on such day on such transactions as determined by the Administrative Agent.

"**First Funding Date**" means the first date after the Effective Date on which all the conditions precedent in Section 3.03 are satisfied or waived in accordance with Section 9.05 and the Loans (other than the Existing Loans deemed made as Loans hereunder on the Effective Date) are made to the Borrower pursuant to Section 2.01.

"**Fund**" means any Person (other than a natural Person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

"**Funding Date**" means each of (a) the First Funding Date and (b) the Second Funding Date.

"**Governmental Authority**" means any international, foreign, federal, state, regional, county, local or other governmental or quasi-governmental authority.

"**Group of Loans**" means at any time a group of Loans consisting of (i) all Loans to the Borrower which are Base Rate Loans at such time or (ii) all Euro-Dollar Loans to the Borrower having the same Interest Period at such time; *provided* that, if a Loan of any particular Lender is converted to or made as a Base Rate Loan pursuant to Article 8, such Loan shall be included in the same Group or Groups of Loans from time to time as it would have been if it had not been so converted or made.

"**Hedging Agreement**" means for any Person, any and all agreements, devices or arrangements designed to protect such Person or any of its Subsidiaries from the fluctuations of interest rates, exchange rates applicable to such party's assets, liabilities or exchange transactions, including, but not limited to, dollar-denominated or cross-currency interest rate exchange agreements, forward currency exchange agreements, interest rate cap or collar protection agreements, commodity swap agreements, forward rate currency or interest rate options, puts and warrants. Notwithstanding anything herein to the contrary, "Hedging Agreements" shall also include fixed-for-floating interest rate swap agreements and similar instruments.

"**Indebtedness**" of any Person means at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all indebtedness of such Person for the deferred purchase price of property or services purchased (excluding current accounts payable incurred in the ordinary course of business), (iii) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired, (iv) all indebtedness under leases which shall have been or should be, in accordance with generally accepted accounting principles, recorded as capital leases in respect of which such Person is liable as lessee, (v) the face amount of all outstanding letters of credit issued for the account of such Person (other than letters of credit relating to indebtedness included in Indebtedness of such Person pursuant to another clause of this definition) and, without duplication, the unreimbursed amount of all drafts drawn thereunder, (vi) indebtedness secured by any Lien on property or assets of such Person, whether or not assumed (but in any event not exceeding the fair market value of the property or asset), (vii) all direct guarantees of Indebtedness referred to above of another Person, (viii) all amounts payable in connection with mandatory redemptions or repurchases of preferred stock or member interests or other preferred or priority equity interests and (ix) any obligations of such Person (in the nature of principal or interest) in respect of acceptances or similar obligations issued or created for the account of such Person.

"Indemnitee" has the meaning set forth in Section 9.03.

"Interest Period" means, with respect to each Euro-Dollar Loan, the period commencing on the date of borrowing specified in the applicable Notice of Borrowing or on the date specified in an applicable Notice of Interest Rate Election and ending one, two, three or six months thereafter, as the Borrower may elect in such notice; *provided* that:

(a) any Interest Period which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Euro-Dollar Business Day; and

(b) any Interest Period which begins on the last Euro-Dollar Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Euro-Dollar Business Day of a calendar month;

provided further that no Interest Period applicable to any Loan of any Lender may end after the Maturity Date.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended, or any successor statute.

"Investment Grade Status" exists as to any Person at any date if all senior long-term unsecured debt securities of such Person outstanding at such date which had been rated by S&P or Moody's are rated BBB- or higher by S&P *or* Baa3 or higher by

Moody's, as the case may be, or if such Person does not have a rating of its long-term unsecured debt securities, then if the corporate credit rating of such Person, if any exists, from S&P is BBB- or higher *or* the issuer rating of such Person, if any exists, from Moody's is Baa3 or higher.

"**Irregular Interest Period**" means any Interest Period with a duration other than one, two, three or six months.

"**Lender**" means each bank or other financial institution listed on the signature pages hereof, each Assignee which becomes a Lender pursuant to Section 8.06 or Section 9.06(c), and their respective successors.

"**Lender Party**" means any of the Lenders and the Administrative Agent.

"**LIBOR Market Index Rate**" means, for any day, the rate for one month U.S. dollar deposits as appears on the display designated as Reuters Screen LIBOR01 Page (or on any successor or substitute page of such service or any successor to or, if such service is not available, substitute for such service providing rate quotations comparable to those currently provided on such page of such service, as reasonably determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to U.S. dollar deposits are offered to leading banks in the London interbank deposit market), approximately 11:00 a.m. London time, for such day; or if such day is not a Euro-Dollar Business Day, for the immediately preceding Euro-Dollar Business Day (or if not so reported, then as determined by the Administrative Agent from another recognized source or interbank quotation.)

"**Lien**" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset. For the purposes of this Agreement, the Borrower or any of its Subsidiaries shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

"**Loan**" means a loan made or to be made by a Lender pursuant to Section 2.01; *provided* that, if any such loan or loans (or portions thereof) are combined or subdivided pursuant to a Notice of Interest Rate Election, the term "Loan" shall refer to the combined principal amount resulting from such combination or to each of the separate principal amounts resulting from such subdivision, as the case may be.

"**London Interbank Offered Rate**" has the meaning set forth in Section 2.06(b).

"**Master Credit Facility**" means the Credit Agreement dated as of November 18, 2011, as amended by Amendment No. 1 and Consent dated as of December 18, 2013 and Amendment No. 2 and Consent, dated as of January 30, 2015, among the Borrower, the other borrowers thereto, the lenders party thereto, Wells Fargo Bank, National Association, as administrative agent, and the other agents party thereto, as the same may be amended, amended and restated, modified, supplemented, refinanced or replaced from time to time after the date hereof.

"**Material Debt**" means, with respect to the Borrower, Indebtedness of the Borrower or any of its Material Subsidiaries (other than any Non-Recourse Indebtedness) in an aggregate principal amount exceeding $150,000,000.

"**Material Plan**" has the meaning set forth in Section 6.01(i).

"**Material Subsidiary**" means at any time, with respect to the Borrower, any Subsidiary of the Borrower whose total assets exceeds 15% of the total assets (after intercompany eliminations) of the Borrower and its Subsidiaries, determined on a consolidated basis in accordance with GAAP, all as reflected in the consolidated financial statements of the Borrower most recently delivered to the Administrative Agent and the Lenders pursuant to Section 5.01(a) or 5.01(b).

"**Maturity Date**" means the date that is 364 calendar days following the Effective Date or, if such day is not a Domestic Business Day, the immediately preceding Domestic Business Day.

"**Moody's**" means Moody's Investors Service, Inc.

"**Non-Consenting Lender**" means any Lender that does not approve any consent, waiver or amendment that (i) requires the approval of all affected Lenders in accordance with the terms of Section 9.05(a) and (ii) has been approved by the Required Lenders.

"**Non-Recourse Indebtedness**" means any Indebtedness incurred by a Subsidiary of the Borrower to develop, construct, own, improve or operate a defined facility or project (a) as to which the Borrower (i) does not provide credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness but excluding tax sharing arrangements and similar arrangements to make contributions to such Subsidiary to account for tax benefits generated by such Subsidiary), (ii) is not directly or indirectly liable as a guarantor or otherwise, or (iii) does not constitute the lender; (b) no default with respect to which would permit upon notice, lapse of time or both any holder of any other Indebtedness (other than the Loans or the Notes) of the Borrower to declare a default on such other Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity; and (c) as to which the lenders will not have any recourse to the stock or assets of the Borrower or other Subsidiary (other than the stock of or intercompany loans to such Subsidiary); *provided* that in each case in clauses (a) and (c) above, the Borrower or other Subsidiary may provide credit support and recourse in an amount not exceeding 15% in the aggregate of any such Indebtedness.

"**Notes**" means promissory notes of the Borrower, in the form required by Section 2.04, evidencing the obligation of the Borrower to repay the Loans made to it, and "**Note**" means any one of such promissory notes issued hereunder.

"**Notice of Borrowing**" has the meaning set forth in Section 2.02.

"**Notice of Interest Rate Election**" has the meaning set forth in Section 2.09(b).

"**OFAC**" means the Office of Foreign Assets Control of the United States Department of the Treasury.

"**Other Taxes**" has the meaning set forth in Section 8.04(a).

"**Parent**" means, with respect to any Lender, any Person controlling such Lender.

"**Participant**" has the meaning set forth in Section 9.06(b).

"**Participant Register**" has the meaning set forth in Section 9.06(b).

"**PBGC**" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"**Percentage**" means, with respect to any Lender at any time, the percentage which the amount of its Commitment at such time represents of the aggregate amount of all the Commitments at such time; *provided* that in the case of Section 2.19 when a Defaulting Lender shall exist, "Percentage" shall mean the percentage of the total Commitments (disregarding any Defaulting Lender's Commitment) represented by such Lender's Commitment.

"**Person**" means an individual, a corporation, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"**Plan**" means at any time an employee pension benefit plan which is covered by Title IV of ERISA or Sections 412 or 430 of the Internal Revenue Code or Sections 302 and 303 of ERISA and is either (i) maintained by a member of the ERISA Group for employees of a member of the ERISA Group or (ii) maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which a member of the ERISA Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions.

"**Pricing Schedule**" means the Pricing Schedule attached hereto.

"**Prime Rate**" means the per annum rate of interest established from time to time by the Administrative Agent at its principal office in New York, New York as its Prime Rate. Any change in the interest rate resulting from a change in the Prime Rate shall become effective as of 12:01 a.m. of the Domestic Business Day on which each change in the Prime Rate is announced by the Administrative Agent. The Prime Rate is a reference rate used by the Administrative Agent in determining interest rates on certain loans and is not intended to be the lowest rate of interest charged on any extension of credit to any debtor.

"**Quarterly Payment Date**" means the first Domestic Business Day of each January, April, July and October.

"**Regulation U**" means Regulation U of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"**Related Parties**" means, with respect to any Person, such Person's Subsidiaries and Affiliates and the partners, directors, officers, employees, agents, trustees, administrators and managers of such Person and of such Person's Subsidiaries and Affiliates.

"**Required Lenders**" means, at any time, two or more Lenders having at least 51% in aggregate amount of (a) prior to the First Funding Date, the Commitments or (b) from and after the First Funding Date, the sum of the unfunded Commitments and the outstanding Loans (excluding the Commitment(s) and the Loan(s) of any Defaulting Lender(s)).

"**Sanctioned Person**" means, at any time (a) any Person listed in any Sanctions-related list of specially designated Persons maintained by OFAC, the U.S. Department of State, United Nations Security Council, the European Union or Her Majesty's Treasury of the United Kingdom, (b) any Person that has a place of business, or is organized or resident, in a jurisdiction that is the subject of any comprehensive territorial Sanctions or (c) any Person owned or controlled by any such Person.

"**Sanctions**" means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by (a) OFAC or the U.S. Department of State, or (b) the United Nations Security Council, the European Union or Her Majesty's Treasury of the United Kingdom.

"**Second Funding Date**" means the second date (if any) after the Effective Date on which all the conditions precedent in Section 3.03 are satisfied or waived in accordance with Section 9.05 and the Loans are made to the Borrower pursuant to Section 2.01.

"**S&P**" means Standard & Poor's Financial Services LLC, a subsidiary of S&P Global Inc., and any successor thereto.

"**Subsidiary**" means, as to any Person, any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by such Person; unless otherwise specified, "Subsidiary" means a Subsidiary of the Borrower.

"**Substantial Assets**" means, with respect to the Borrower, assets sold or otherwise disposed of in a single transaction or a series of related transactions representing 25% or more of the consolidated assets of the Borrower and its Consolidated Subsidiaries, taken as a whole.

"**Taxes**" has the meaning set forth in Section 8.04(a).

"**Ticking Fee**" has the meaning set forth in Section 2.07.

"**Ticking Fee End Date**" has the meaning set forth in Section 2.07.

"**Trust**" means The Doris Duke Trust, a trust established by James B. Duke by Indenture dated December 11, 1924 for the benefit of certain relatives.

"**Unfunded Vested Liabilities**" means, with respect to any Plan at any time, the amount (if any) by which (i) the present value of all benefits under such Plan, determined on a plan termination basis using the assumptions under 4001(a)(18) of ERISA, exceeds (ii) the fair market value of all Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the ERISA Group to the PBGC or the Plan under Title IV of ERISA.

"**United States**" means the United States of America, including the States and the District of Columbia, but excluding its territories and possessions.

"**U.S. Tax Compliance Certificate**" has the meaning set forth in Section 8.04(d)(iii).

"**U.S. Tax Law Change**" has the meaning set forth in Section 8.04(a).

"**Write-Down and Conversion Powers**" means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

Section 1.02. *Accounting Terms and Determinations.* Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with generally accepted accounting principles as in effect from time to time, applied on a basis consistent (except for changes concurred in by the Borrower's independent public accountants) with the most recent audited consolidated financial statements of the Borrower and its Consolidated Subsidiaries delivered to the Lenders; *provided*, that if the Borrower notifies the Administrative Agent that it wishes to amend the financial covenant in Section 5.10 to eliminate the effect of any change in generally accepted accounting principles on the operation of such covenant (or if the Administrative Agent notifies the Borrower that the Required Lenders wish to amend Section 5.10 for such purpose), then the Borrower's compliance with such covenant shall be determined on the basis of generally accepted accounting principles as in effect immediately before the relevant change in generally accepted accounting principles became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Borrower and the Required Lenders.

Section 1.03. *Types of Borrowings.* Borrowings are classified for purposes of this Agreement by reference to the pricing of Loans comprising such Borrowing (*e.g.*, a "**Euro-Dollar Borrowing**" is a Borrowing comprised of Euro Dollar Loans).

ARTICLE 2
THE CREDIT

Section 2.01. *Commitments to Lend; Treatment of Existing Loans.* (a) Each Lender severally agrees, on the terms and conditions set forth in this Agreement, to make Loans to the Borrower pursuant to this subsection not to exceed in the aggregate such Lender's Commitment in up to two drawings. Each Borrowing shall be made from the several Lenders ratably in proportion to their respective Commitments in effect on the date of such Borrowing. Amounts borrowed under this Section 2.01 and repaid or prepaid may not be reborrowed. Each Lender's Commitment shall be permanently reduced by the amount of the Loans funded by such Lender on the date of such Borrowing. Each Lender's Commitment shall terminate immediately and without further action upon the earlier of (x) the Second Funding Date after giving effect to the funding of such Lender's Loans on such date and (y) the Commitment Termination Date.

(b) On the Effective Date, without any further action by any party hereto and without any requirement for a Notice of Borrowing to be delivered pursuant to Section 2.02:

(i) the Existing Loans will be deemed to (x) be Loans made under this Agreement on the Effective Date, (y) have utilized the Commitment of each Lender under this Agreement by the amount of such Lender's pro rata share (based on its Percentage) of the aggregate principal amount of the Existing Loans and (z) be Loans comprising a Euro-Dollar Borrowing with an initial Interest Period of one month.

(ii) (w) to the extent any Lender's Loan deemed made pursuant Section 2.01(b)(i) exceeds its Existing Loan, such Lender shall pay an amount equal to the principal amount of such excess by wire transfer of immediately available funds to the Administrative Agent not later than 12:00 Noon (New York City time), (x) the Borrower shall pay all unpaid interest and fees and other amounts accrued under the Existing Credit Agreement to but excluding the Effective Date for the account of each Existing Lender in respect of such Existing Lender's Existing Loans by wire transfer of immediately available funds to the Administrative Agent not later than 12:00 Noon (New York City time), (y) to the extent any Lender's Loan deemed made pursuant Section 2.01(b)(i) is less than its Existing Loan, the Administrative Agent shall pay to such Lender, out of the amounts received by the Administrative Agent pursuant to clause (w) of this Section 2.01(b)(ii), an amount equal to the principal amount of such reduction by wire transfer of immediately available funds to the account designated by such Existing Lender to the Administrative Agent not later than 5:00 p.m. (New York City time) on the Effective Date, and (z) the Administrative Agent shall pay to each Existing Lender, out of the amounts received by the Administrative Agent pursuant to clause (x) of this Section 2.01(b)(ii), all unpaid interest and fees and other amounts accrued under the Existing Credit Agreement for the account of each Existing Lender in respect of such Existing Lender's Existing Loans to but excluding the Effective Date by wire transfer of immediately available funds to the account designated by such Existing Lender to the Administrative Agent not later than 5:00 p.m. (New York City time) on the Effective Date. Notwithstanding the foregoing, each Lender hereby waives any right to reimbursement from the Borrower of any funding losses incurred by such Lender as a result of the Existing Loans being deemed made hereunder as Euro-Dollar Loans for new Interest Period on a day other than the last day of the Interest Period then in effect under the Existing Credit Agreement.

(c) The Lenders that are parties to the Existing Credit Agreement hereby waive any requirement of prior notice of prepayment under the Existing Credit Agreement of Existing Loans.

Section 2.02. *Notice of Borrowings.* Except as provided in Section 2.01(b), the Borrower shall give the Administrative Agent notice (a "**Notice of Borrowing**") not later than 11:00 A.M. (Eastern time) on (x) the date of each Base Rate Borrowing and (y) the third Euro-Dollar Business Day before each Euro-Dollar Borrowing, specifying:

(a) the date of the Borrowing, which shall be a Domestic Business Day in the case of a Base Rate Borrowing or a Euro-Dollar Business Day in the case of a Euro-Dollar Borrowing;

(b) the aggregate amount of the Borrowing which shall not exceed the aggregate amount of the Commitments on the date of the Borrowing specified ;

(c) whether the Loans comprising the Borrowing are to bear interest initially at the Base Rate or a Euro-Dollar Rate; and

(d) in the case of a Euro-Dollar Borrowing, the duration of the initial Interest Period applicable thereto, subject to the provisions of the definition of Interest Period.

Section 2.03. *Notice to Lenders; Funding of Loans.* (a)Upon receipt (or deemed receipt) of a Notice of Borrowing, the Administrative Agent shall promptly notify each Lender of the contents thereof and of such Lender's share (if any) of a Borrowing and such Notice of Borrowing shall not thereafter be revocable by the Borrower.

(b) Not later than 1:00 P.M. (Eastern time) on the date of a Borrowing, each Lender participating therein shall (except as provided in subsection (c) of this Section) make available its share of the Borrowing, in Federal or other immediately available funds, to the Administrative Agent at its address specified in or pursuant to Section 9.01. Unless the Administrative Agent determines that any applicable condition specified in Section 3.03 has not been satisfied, the Administrative Agent will disburse the funds so received from the Lenders to an account designated by an Approved Officer of the Borrower.

(c) Unless the Administrative Agent shall have received notice from a Lender prior to 1:00 P.M. (Eastern time) on the date of a Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of the Borrowing, the Administrative Agent may assume that such Lender has made such share available to the Administrative Agent on the date of such Borrowing in accordance with subsection (b) of this Section 2.03 and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Lender shall not have so made such share available to the Administrative Agent, such Lender and, if such Lender shall not have made such payment within two Domestic Business Days of demand therefor, the Borrower agrees to repay to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent, at (i) in the case of the Borrower, a rate per annum equal to the higher of the Federal Funds Rate and the interest rate applicable thereto pursuant to Section 2.06 and (ii) in the case of such Lender, the Federal Funds Rate. If such Lender shall repay to the Administrative Agent such corresponding amount, such amount so repaid shall constitute such Lender's Loan included in the Borrowing for purposes of this Agreement.

(d) The failure of any Lender to make a Loan to be made by it as part of a Borrowing shall not relieve any other Lender of its obligation, if any, hereunder to make a Loan on the date of such Borrowing, but no Lender shall be responsible for the failure of any other Lender to make a Loan to be made by such other Lender.

Section 2.04. *Registry; Notes.* (a) The Administrative Agent shall maintain a register (the "**Register**") on which it will record the Commitment of each Lender, each Loan made by such Lender and each repayment of any Loan made by such Lender. Any such recordation by the Administrative Agent on the Register shall be conclusive, absent manifest error. Failure to make any such recordation, or any error in such recordation, shall not affect the Borrower's obligations hereunder.

(b) The Borrower hereby agrees that, promptly upon the request of any Lender at any time, the Borrower shall deliver to such Lender a duly executed Note, in substantially the form of Exhibit A hereto, payable to such Lender or its registered assigns as permitted pursuant to Section 9.06 and representing the obligation of the Borrower to pay the unpaid principal amount of the Loans made to the Borrower by such

Lender, with interest as provided herein on the unpaid principal amount from time to time outstanding.

(c) Each Lender shall record the date, amount and maturity of each Loan made by it and the date and amount of each payment of principal made by the Borrower with respect thereto, and each Lender receiving a Note pursuant to this Section, if such Lender so elects in connection with any transfer or enforcement of its Note, may endorse on the schedule forming a part thereof appropriate notations to evidence the foregoing information with respect to each such Loan then outstanding; *provided* that the failure of such Lender to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under the Notes. Such Lender is hereby irrevocably authorized by the Borrower so to endorse its Note and to attach to and make a part of its Note a continuation of any such schedule as and when required.

Section 2.05. *Maturity of Loans.* Each Loan made by any Lender shall mature, and the principal amount thereof shall be due and payable together with accrued interest thereon, on the Maturity Date.

Section 2.06. *Interest Rates.* (a) Each Base Rate Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Loan is made until it becomes due, at a rate per annum equal to the Base Rate for such day. Such interest shall be payable quarterly in arrears on each Quarterly Payment Date and at maturity. Any overdue principal of or overdue interest on any Base Rate Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 1% plus the Base Rate for such day.

(b) Each Euro-Dollar Loan shall bear interest on the outstanding principal amount thereof, for each day during each Interest Period applicable thereto, at a rate per annum equal to the sum of the Applicable Margin for such day plus the London Interbank Offered Rate applicable to such Interest Period. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than three months, at intervals of three months after the first day thereof.

The "**London Interbank Offered Rate**" applicable to any Interest Period means the rate appearing on Reuters Screen LIBOR01 Page (or on any successor or substitute page of such service, or any successor to or, if such service is not available, substitute for such service providing rate quotations comparable to those currently provided on such page of such service, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to U.S. dollar deposits that are offered to leading banks in the London interbank deposit market) at approximately 11:00 A.M. (London time) two Euro-Dollar Business Days prior to the commencement of such Interest Period, as the rate for U.S. dollar deposits with a maturity comparable to such Interest Period. In the event that such rate is not so available at such time for any reason, then the "**London Interbank Offered Rate**" for such Interest Period shall be the average (rounded upward, if necessary, to the next higher 1/16 of 1%) of the respective rates per annum at which deposits in U.S. dollars are offered to leading banks in the

London interbank market at approximately 11:00 A.M. (London time) two Euro-Dollar Business Days before the first day of such Interest Period in an amount approximately equal to the principal amount of the Loan of such leading banks to which such Interest Period is to apply and for a period of time comparable to such Interest Period.

(c) Any overdue principal of or overdue interest on any Euro-Dollar Loan shall bear interest, payable on demand, for each day from and including the date payment thereof was due to but excluding the date of actual payment, at a rate per annum equal to the sum of 1% plus the higher of (i) the sum of the Applicable Margin for such day plus the London Interbank Offered Rate applicable to such Loan at the date such payment was due and (ii) the rate applicable to Base Rate Loans for such day.

(d) The Administrative Agent shall determine each interest rate applicable to the Loans hereunder. The Administrative Agent shall give prompt notice to the Borrower and the participating Lenders by facsimile of each rate of interest so determined, and its determination thereof shall be conclusive in the absence of manifest error unless the Borrower raises an objection thereto within five Domestic Business Days after receipt of such notice.

Section 2.07. *Ticking Fee.* The Borrower agrees to pay to the Administrative Agent for the account of each Lender a ticking fee (the "**Ticking Fee**") in an amount equal to 0.15% per annum, accruing on the daily average of the unfunded Commitment of such Lender then outstanding, accruing from and including the Effective Date, to but excluding the earlier of (i) the termination of the Commitments with respect to this Agreement and (ii) the Second Funding Date (such earlier date, the "**Ticking Fee End Date**"); *provided* that (A) no Ticking Fee shall accrue on the Commitment of a Defaulting Lender so long as such Lender shall be a Defaulting Lender and (B) any Ticking Fee accrued with respect to the Commitment of a Defaulting Lender during the period prior to the time such Lender became a Defaulting Lender and unpaid at such time shall not be payable by the Borrower so long as such Lender shall be a Defaulting Lender. The Ticking Fee shall be payable on the Ticking Fee End Date.

Section 2.08. *[Reserved].*

Section 2.09. *Method of Electing Interest Rates.* (a) The Loans included in each Borrowing shall bear interest initially at the type of rate specified by the Borrower in the Notice of Borrowing. Thereafter, the Borrower may from time to time elect to change or continue the type of interest rate borne by each Group of Loans (subject in each case to the provisions of Article 8 and the last sentence of this subsection (a)), as follows:

(i) if such Loans are Base Rate Loans, the Borrower may elect to convert such Loans to Euro-Dollar Loans as of any Euro-Dollar Business Day; and

(ii) if such Loans are Euro-Dollar Loans, the Borrower may elect to convert such Loans to Base Rate Loans or elect to continue such Loans as

Euro-Dollar Loans for an additional Interest Period, subject to Section 2.13 in the case of any such conversion or continuation effective on any day other than the last day of the then current Interest Period applicable to such Loans.

Each such election shall be made by delivering a notice (a "**Notice of Interest Rate Election**") to the Administrative Agent not later than 11:00 A.M. (Eastern time) on the third Euro-Dollar Business Day before the conversion or continuation selected in such notice is to be effective. A Notice of Interest Rate Election may, if it so specifies, apply to only a portion of the aggregate principal amount of the relevant Group of Loans; *provided* that (i) such portion is allocated ratably among the Loans comprising such Group and (ii) the portion to which such notice applies, and the remaining portion to which it does not apply, are each $10,000,000 or any larger multiple of $1,000,000.

(b) Each Notice of Interest Rate Election shall specify:

(i) the Group of Loans (or portion thereof) to which such notice applies;

(ii) the date on which the conversion or continuation selected in such notice is to be effective, which shall comply with the applicable clause of subsection 2.09(a) above;

(iii) if the Loans comprising such Group are to be converted, the new type of Loans and, if the Loans being converted are to be Euro-Dollar Loans, the duration of the next succeeding Interest Period applicable thereto; and

(iv) if such Loans are to be continued as Euro-Dollar Loans for an additional Interest Period, the duration of such additional Interest Period.

Each Interest Period specified in a Notice of Interest Rate Election shall comply with the provisions of the definition of the term "**Interest Period**".

Notwithstanding anything to the contrary provided herein, the Borrower may request Irregular Interest Periods (without premium or penalty) in order to consolidate outstanding Interest Periods. Upon receipt of a Notice of Interest Rate Election from the Borrower requesting such Irregular Interest Period, and solely in the event that all Lenders agree to provide such Irregular Interest Period, the Administrative Agent and Lenders shall provide the Borrower with such Irregular Interest Period; *provided* that if the applicable Irregular Interest Period is not available in the London interbank market, in the reasonable judgment of the Administrative Agent, the Administrative Agent shall set the applicable Euro-Dollar Rate for such Irregular Interest Period through interpolating the available London Interbank Offered Rate for periods having terms ending immediately prior to and immediately following such Irregular Interest Period (e.g., for a 75 day Interest Period, the Administrative Agent shall use the midpoint of a two month and three month London Interbank Offered Rate).

(c) Promptly after receiving a Notice of Interest Rate Election from the Borrower pursuant to subsection 2.09(a) above, the Administrative Agent shall notify each Lender of the contents thereof and such notice shall not thereafter be revocable by the Borrower. If no Notice of Interest Rate Election is timely received prior to the end of an Interest Period for any Group of Loans, the Borrower shall be deemed to have elected that such Group of Loans be converted to Base Rate Loans as of the last day of such Interest Period.

(d) An election by the Borrower to change or continue the rate of interest applicable to any Group of Loans pursuant to this Section shall not constitute a "**Borrowing**" subject to the provisions of Section 3.03.

Section 2.10. *[Reserved].*

Section 2.11. *Optional Prepayments.* (a) The Borrower may (i) upon notice to the Administrative Agent not later than 11:00 A.M. (Eastern time) on any Domestic Business Day prepay on such Domestic Business Day any Group of Base Rate Loans and (ii) upon at least three Euro-Dollar Business Days' notice to the Administrative Agent not later than 11:00 A.M. (Eastern time) prepay any Group of Euro-Dollar Loans, in each case in whole at any time, or from time to time in part in amounts aggregating $5,000,000 or any larger multiple of $1,000,000, by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment and together with any additional amounts payable pursuant to Section 2.13. Each such optional prepayment shall be applied to prepay ratably the Loans of the several Lenders included in such Group or Borrowing.

(b) Upon receipt of a notice of prepayment pursuant to this Section, the Administrative Agent shall promptly notify each Lender of the contents thereof and of such Lender's share (if any) of such prepayment and such notice shall not thereafter be revocable by the Borrower.

Section 2.12. *General Provisions as to Payments.* (a)The Borrower shall make each payment of principal of, and interest on, the Loans and of fees hereunder, not later than 1:00 P.M. (Eastern time) on the date when due, in Federal or other funds immediately available in New York City, to the Administrative Agent at its address referred to in Section 9.01 and without reduction by reason of any set-off, counterclaim or deduction of any kind. The Administrative Agent will promptly distribute to each Lender in like funds its ratable share of each such payment received by the Administrative Agent for the account of the Lenders. Whenever any payment of principal of, or interest on, the Base Rate Loans or of fees shall be due on a day which is not a Domestic Business Day, the date for payment thereof shall be extended to the next succeeding Domestic Business Day. Whenever any payment of principal of, or interest on, the Euro-Dollar Loans shall be due on a day which is not a Euro-Dollar Business Day, the date for payment thereof shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case the date for payment thereof shall be the next preceding Euro-Dollar

Business Day. If the date for any payment of principal is extended by operation of law or otherwise, interest thereon shall be payable for such extended time.

(b) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Lenders hereunder that the Borrower will not make such payment in full, the Administrative Agent may assume that the Borrower has made such payment in full to the Administrative Agent on such date and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent that the Borrower shall not have so made such payment, each Lender shall repay to the Administrative Agent forthwith on demand such amount distributed to such Lender together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Administrative Agent, at the Federal Funds Rate.

Section 2.13. *Funding Losses.* If the Borrower makes any payment of principal with respect to any Euro-Dollar Loan (other than payments made by an Assignee pursuant to Section 8.06(a) or by the Borrower pursuant to Section 8.06(b) in respect of a Defaulting Lender's Euro-Dollar Loans) (whether voluntary, mandatory, automatic, by reason of acceleration, or otherwise) or any Euro-Dollar Loan is converted to a Base Rate Loan or continued as a Euro-Dollar Loan for a new Interest Period (pursuant to Article 2, 6 or 8 or otherwise) on any day other than the last day of an Interest Period applicable thereto, or if the Borrower fails to borrow, prepay, convert or continue any Euro-Dollar Loans after notice has been given to any Lender in accordance with Section 2.03(a), 2.09(c) or 2.11(b), the Borrower shall reimburse each Lender within 15 days after demand for any resulting loss or expense incurred by it (or by an existing or prospective Participant in the related Loan), including (without limitation) any loss incurred in obtaining, liquidating or employing deposits from third parties, but excluding loss of margin for the period after any such payment or conversion or failure to borrow, prepay, convert or continue; *provided* that such Lender shall have delivered to the Borrower a certificate setting forth in reasonable detail the calculation of the amount of such loss or expense, which certificate shall be conclusive in the absence of manifest error.

Section 2.14. *Computation of Interest and Fees.* Interest based on clause (a) of the definition of Base Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year) and paid for the actual number of days elapsed (including the first day but excluding the last day). All other interest and all fees shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day).

Section 2.15. *[Reserved].*

Section 2.16. *Regulation D Compensation.* In the event that a Lender is required to maintain reserves of the type contemplated by the definition of "Euro-Dollar Reserve Percentage", such Lender may require the Borrower to pay, contemporaneously with each payment of interest on the Euro-Dollar Loans, additional interest on the related

Euro-Dollar Loan of such Lender at a rate per annum determined by such Lender up to but not exceeding the excess of (i) (A) the applicable London Interbank Offered Rate divided by (B) one *minus* the Euro-Dollar Reserve Percentage over (ii) the applicable London Interbank Offered Rate. Any Lender wishing to require payment of such additional interest (x) shall so notify the Borrower and the Administrative Agent, in which case such additional interest on the Euro-Dollar Loans of such Lender shall be payable to such Lender at the place indicated in such notice with respect to each Interest Period commencing at least three Euro-Dollar Business Days after the giving of such notice and (y) shall notify the Borrower at least three Euro-Dollar Business Days prior to each date on which interest is payable on the Euro-Dollar Loans of the amount then due it under this Section. Each such notification shall be accompanied by such information as the Borrower may reasonably request.

"**Euro-Dollar Reserve Percentage**" means for any day, that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement for a member bank of the Federal Reserve System in New York City with deposits exceeding five billion dollars in respect of "**Eurocurrency liabilities**" (or in respect of any other category of liabilities which includes deposits by reference to which the interest rate on Euro-Dollar Loans is determined or any category of extensions of credit or other assets which includes loans by a non-United States office of any Lender to United States residents).

Section 2.17. *[Reserved].*

Section 2.18. *[Reserved].*

Section 2.19. *Defaulting Lenders.* If any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender, to the extent permitted by applicable law:

(a) [Reserved];

(b) [Reserved];

(c) any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of a Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Article 6 or otherwise) shall be applied at such time or times as may be determined by the Administrative Agent as follows:

(i) first, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder;

(ii) second, as the Borrower may request (so long as no Default exists), to the funding of any Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent;

(iii) third, if so determined by the Administrative Agent and the Borrower, to be held in a deposit account and released pro rata in order to satisfy such Defaulting Lender's potential future funding obligations with respect to Loans under this Agreement;

(iv) fourth, to the payment of any amounts owing to the Lenders as a result of any judgment of a court of competent jurisdiction obtained by any Lender against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement;

(v) fifth, so long as no Default exists, to the payment of any amounts owing to the Borrower as a result of any judgment of a court of competent jurisdiction obtained by the Borrower against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; and

(vi) sixth, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; *provided* that if (x) such payment is a payment of the principal amount of any Loans in respect of which such Defaulting Lender has not fully funded its appropriate share, and (y) such Loans were made at a time when the conditions set forth in Section 3.03 were satisfied or waived, such payment shall be applied solely to pay the Loans of all non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Loans of such Defaulting Lender until such time as all Loans are held by the Lenders pro rata in accordance with the Commitments.

Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender pursuant to this Section 2.19(c) shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto; and

(d) in the event that the Administrative Agent and the Borrower agree that a Defaulting Lender has adequately remedied all matters that caused such Lender to be a Defaulting Lender, on such date such Lender shall purchase at par such of the Loans of the other Lenders as the Administrative Agent shall determine may be necessary in order for such Lender to hold such Loans in accordance with its Percentage; *provided*, that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while such Lender was a Defaulting Lender; and *provided, further,* that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

ARTICLE 3
CONDITIONS

Section 3.01. *Effective Date.* This Agreement shall become effective and the Existing Credit Agreement shall be amended and restated in its entirety as set forth in this Agreement on the date that each of the following conditions shall have been satisfied (or waived in accordance with Section 9.05(a)):

(a) receipt by the Administrative Agent of counterparts hereof signed by each of the parties hereto (or, in the case of any party as to which an executed counterpart shall not have been received, receipt by the Administrative Agent in form satisfactory to it of facsimile or other written confirmation from such party of execution of a counterpart hereof by such party);

(b) receipt by the Administrative Agent of (i) an opinion of internal counsel of the Borrower, substantially in the form of Exhibit B hereto and (ii) an opinion of Robinson, Bradshaw & Hinson, P.A., special counsel for the Borrower, substantially in the form of Exhibit C hereto, and, in each case, covering such additional matters relating to the transactions contemplated hereby as the Required Lenders may reasonably request;

(c) receipt by the Administrative Agent of a certificate signed by a Vice President, the Treasurer, an Assistant Treasurer or the Controller of the Borrower, dated the Effective Date, to the effect set forth in clauses (c) and (d) of Section 3.03 (without giving effect to the parenthetical in such clause (d));

(d) receipt by the Administrative Agent of all documents it may have reasonably requested prior to the date hereof relating to the existence of the Borrower, the corporate authority for and the validity of this Agreement and the Notes, and any other matters relevant hereto, all in form and substance satisfactory to the Administrative Agent; and

(e) receipt by the Administrative Agent of evidence satisfactory to it that the upfront fees, arrangement fees, administrative agency fees and expenses (including, for the avoidance of doubt, the amounts required to be paid pursuant to Section 2.01(b)(ii)) payable by the Borrower on the Effective Date have been paid;

provided that the Commitments shall not become effective unless all of the foregoing conditions are satisfied not later than August 31, 2016. The Administrative Agent shall promptly notify the Borrower and the Lenders of the Effective Date, and such notice shall be conclusive and binding on all parties hereto.

Section 3.02. *[Reserved].*

Section 3.03. *Borrowings.* The obligation of any Lender to make a Loan on any Funding Date (other than Existing Loans deemed to be Loans pursuant to Section 2.01(b)) to the Borrower is subject to the satisfaction of the following conditions:

(a) receipt by the Administrative Agent of a Notice of Borrowing as required by Section 2.02;

(b) [Reserved];

(c) the fact that, immediately after such Borrowing, no Default with respect to the Borrower shall have occurred and be continuing; and

(d) the fact that the representations and warranties of the Borrower contained in this Agreement (except the representations and warranties set forth in Sections 4.04(c) and 4.06) shall be true on and as of the date of such Borrowing.

The Borrowing hereunder shall be deemed to be a representation and warranty by the Borrower on the date of the Borrowing or issuance as to the facts specified in clauses (c) and (d) of this Section.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants that:

Section 4.01. *Organization and Power.* The Borrower is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and has all requisite powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted and is duly qualified to do business in each jurisdiction where such qualification is required, except where the failure so to qualify would not have a material adverse effect on the business, financial position or results of operations of the Borrower and its Consolidated Subsidiaries, considered as a whole.

Section 4.02. *Corporate and Governmental Authorization; No Contravention.* The execution, delivery and performance by the Borrower of this Agreement and the Notes are within the Borrower's powers, have been duly authorized by all necessary company action, require no action by or in respect of, or filing with, any Governmental Authority (except for consents, authorizations or filings which have been obtained or made, as the case may be, and are in full force and effect) and do not contravene, or constitute a default under, any provision of applicable law or regulation or of the articles of incorporation, by-laws, certificate of formation or the limited liability company agreement of the Borrower or of any material agreement, judgment, injunction, order, decree or other instrument binding upon the Borrower or result in the creation or imposition of any Lien on any asset of the Borrower or any of its Material Subsidiaries.

Section 4.03. *Binding Effect.* This Agreement constitutes a valid and binding agreement of the Borrower and each Note, if and when executed and delivered by it in accordance with this Agreement, will constitute a valid and binding obligation of the Borrower, in each case enforceable in accordance with its terms, except as the same may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and by general principles of equity.

Section 4.04. *Financial Information.* (a)The consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of December 31, 2015 and the related consolidated statements of income, cash flows, capitalization and retained earnings for the fiscal year then ended, reported on by Deloitte & Touche, copies of which have been delivered to each of the Lenders by using the Borrower's Syndtrak site or otherwise made available, fairly present in all material respects, in conformity with generally accepted accounting principles, the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such fiscal year.

(b) The unaudited consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of March 31, 2016 and the related unaudited consolidated statements of income and cash flows for the nine months then ended, copies of which have been delivered to each of the Lenders by using the Borrower's Syndtrak site or otherwise made available, fairly present in all material respects, in conformity with generally accepted accounting principles applied on a basis consistent with the financial statements referred to in subsection (a) of this Section, the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of such date and their consolidated results of operations and changes in financial position for such nine-month period (subject to normal year-end adjustments and the absence of footnotes).

(c) Since December 31, 2015, there has been no material adverse change in the business, financial position or results of operations of the Borrower and its Consolidated Subsidiaries, considered as a whole, except as publicly disclosed prior to the Effective Date.

Section 4.05. *Regulation U.* The Borrower and its Material Subsidiaries are not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U issued by the Board of Governors of the Federal Reserve System) and no proceeds of the Borrowing by the Borrower will be used to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock. Not more than 25% of the value of the assets of the Borrower and its Material Subsidiaries is represented by margin stock.

Section 4.06. *Litigation.* Except as publicly disclosed prior to the Effective Date, there is no action, suit or proceeding pending against, or to the knowledge of the Borrower threatened against or affecting, the Borrower or any of its Subsidiaries before any court or arbitrator or any Governmental Authority which would be likely to be decided adversely to the Borrower or such Subsidiary and, as a result, have a material adverse effect upon the business, consolidated financial position or results of operations of the Borrower and its Consolidated Subsidiaries, considered as a whole, or which in any manner draws into question the validity of this Agreement or any Note.

Section 4.07. *Compliance with Laws.* The Borrower and each of its Material Subsidiaries is in compliance in all material respects with all applicable laws, ordinances, rules, regulations and requirements of Governmental Authorities (including, without limitation, ERISA and Environmental Laws) except where (i) non-compliance would not have a material adverse effect on the business, financial position or results of operations of the Borrower and its Consolidated Subsidiaries, considered as a whole, or (ii) the necessity of compliance therewith is contested in good faith by appropriate proceedings.

Section 4.08. *Taxes.* The Borrower and its Material Subsidiaries have filed all United States federal income tax returns and all other material tax returns which are required to be filed by them and have paid all taxes due pursuant to such returns or pursuant to any assessment received by the Borrower or any such Material Subsidiary except (i) where nonpayment would not have a material adverse effect on the business, financial position or results of operations of the Borrower and its Consolidated Subsidiaries, considered as a whole, or (ii) where the same are contested in good faith by appropriate proceedings. The charges, accruals and reserves on the books of the Borrower and its Material Subsidiaries in respect of taxes or other governmental charges are, in the opinion of the Borrower, adequate.

Section 4.09. *Anti-corruption Law and Sanctions.* The Borrower and its Material Subsidiaries have implemented and maintain in effect policies and procedures designed to prevent violations by the Borrower, its Subsidiaries and their respective directors, officers, employees and agents (acting in their capacity as such) of the applicable Anti-Corruption Laws and Sanctions, and the Borrower and its Material Subsidiaries are in compliance in all material respects with all applicable Anti-Corruption Laws and Sanctions, except where (i) noncompliance would not have a material adverse effect on the business, financial position or results of operations of the Borrower and its Consolidated Subsidiaries, considered as a whole, or (ii) the necessity of compliance therewith is contested in good faith by appropriate proceedings. None of (i) the Borrower or any Material Subsidiary or, (ii) to the knowledge of the Borrower, any director, officer or employee of the Borrower or any Material Subsidiary or (iii) to the knowledge of the Borrower, any agent of the Borrower or any Material Subsidiary acting in any capacity in connection with or benefitting from the credit facility established hereby, is a Sanctioned Person.

ARTICLE 5
COVENANTS

The Borrower agrees that, so long as any Lender has any Commitment hereunder with respect to the Borrower or any amount payable hereunder remains unpaid by the Borrower:

Section 5.01. *Information.* The Borrower will deliver to each of the Lenders:

(a) as soon as available and in any event within 120 days after the end of each fiscal year of the Borrower, a consolidated balance sheet of the Borrower and its

Consolidated Subsidiaries as of the end of such fiscal year and the related consolidated statements of income, cash flows, capitalization and retained earnings for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on in a manner consistent with past practice and with applicable requirements of the Securities and Exchange Commission by Deloitte & Touche or other independent public accountants of nationally recognized standing;

(b) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year of the Borrower, a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such quarter and the related consolidated statements of income and cash flows for such quarter and for the portion of the Borrower's fiscal year ended at the end of such quarter, setting forth in each case in comparative form the figures for the corresponding quarter and the corresponding portion of the Borrower's previous fiscal year, all certified (subject to normal year-end adjustments) as to fairness of presentation in all material respects, generally accepted accounting principles and consistency (except as provided by Section 1.02) by an Approved Officer of the Borrower;

(c) within the maximum time period specified for the delivery of each set of financial statements referred to in clauses (a) and (b) above, a certificate of an Approved Officer of the Borrower (i) setting forth in reasonable detail the calculations required to establish whether the Borrower was in compliance with the requirements of Section 5.10 on the date of such financial statements and (ii) stating whether any Default exists on the date of such certificate and, if any Default then exists, setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto;

(d) within five days after any officer of the Borrower with responsibility relating thereto obtains knowledge of any Default, if such Default is then continuing, a certificate of an Approved Officer of the Borrower setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto;

(e) promptly upon the filing thereof, copies of all registration statements (other than the exhibits thereto and any registration statements on Form S-8 or its equivalent) and reports on Forms 10-K, 10-Q and 8-K (or their equivalents) which the Borrower shall have filed with the Securities and Exchange Commission;

(f) if and when any member of the Borrower's ERISA Group (i) gives or is reasonably expected to give notice to the PBGC of any "**reportable event**" (as defined in Section 4043 of ERISA) with respect to any Material Plan which might constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that the plan administrator of any Material Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; (ii) receives notice of complete or partial withdrawal liability under Title IV of ERISA or notice that any Material Plan is in reorganization, is insolvent or has been terminated, a copy of such notice; (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate, impose material liability (other than for premiums under Section 4007 of ERISA) in respect of, or appoint a trustee to administer any Plan, a copy of such notice; (iv) applies for a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code, a copy of such application; (v) gives notice of intent to terminate any Material Plan under Section 4041(c) of ERISA, a copy of such notice and other information filed with the PBGC; (vi) gives notice of withdrawal from any Material Plan pursuant to Section 4063 of ERISA, a copy of such notice; (vii) receives notice of the cessation of operations at a facility of any member of the ERISA Group in the circumstances described in Section 4062(e) of ERISA; or (viii) fails to make any payment or contribution to any Material Plan or makes any amendment to any Material Plan which has resulted or could result in the imposition of a Lien or the posting of a bond or other security, a certificate of the chief financial officer or the chief accounting officer of the Borrower setting forth details as to such occurrence and action, if any, which the Borrower or applicable member of the ERISA Group is required or proposes to take;

(g) promptly, notice of any change in the ratings of the Borrower referred to in the Pricing Schedule; and

(h) from time to time such additional information regarding the financial position or business of the Borrower and its Subsidiaries as the Administrative Agent, at the request of any Lender, may reasonably request.

Information required to be delivered pursuant to these Sections 5.01(a), 5.01(b) and 5.01(e) shall be deemed to have been delivered on the date on which such information has been posted on the Securities and Exchange Commission website on the Internet at sec.gov/edaux/searches.htm, on the Borrower's Syndtrak site or at another website identified in a notice from the Borrower to the Lenders and accessible by the Lenders without charge; *provided* that (i) a certificate delivered pursuant to Section 5.01(c) shall also be deemed to have been delivered upon being posted to the Borrower's Syndtrak site and (ii) the Borrower shall deliver paper copies of the information referred to in Sections 5.01(a), 5.01(b) and 5.01(e) to any Lender which requests such delivery.

Section 5.02. *Payment of Taxes.* The Borrower will pay and discharge, and will cause each of its Material Subsidiaries to pay and discharge, at or before maturity, all their tax liabilities, except where (i) nonpayment would not have a material adverse effect on the business, financial position or results of operations of the Borrower and its Consolidated Subsidiaries, considered as a whole, or (ii) the same may be contested in good faith by appropriate proceedings, and will maintain, and will cause each of its Material Subsidiaries to maintain, in accordance with generally accepted accounting principles, appropriate reserves for the accrual of any of the same.

Section 5.03. *Maintenance of Property; Insurance.* (a)The Borrower will keep, and will cause each of its Material Subsidiaries to keep, all property necessary in its business in good working order and condition, ordinary wear and tear excepted, except where the failure to do so would not have a material adverse effect on the business, financial position or results of operations of the Borrower and its Consolidated Subsidiaries, considered as a whole.

(b) The Borrower will, and will cause each of its Material Subsidiaries to, maintain (either in the name of the Borrower or in such Subsidiary's own name) with financially sound and responsible insurance companies, insurance on all their respective properties in at least such amounts and against at least such risks (and with such risk retention) as are usually insured against by companies of established repute engaged in the same or a similar business; *provided* that self-insurance by the Borrower or any such Material Subsidiary, shall not be deemed a violation of this covenant to the extent that companies engaged in similar businesses and owning similar properties self-insure; and will furnish to the Lenders, upon request from the Administrative Agent, information presented in reasonable detail as to the insurance so carried.

Section 5.04. *Maintenance of Existence.* The Borrower will preserve, renew and keep in full force and effect, and will cause each of its Material Subsidiaries to preserve, renew and keep in full force and effect their respective corporate or other legal existence and their respective rights, privileges and franchises material to the normal conduct of their respective businesses; *provided* that nothing in this Section 5.04 shall prohibit the termination of any right, privilege or franchise of the Borrower or any such Material Subsidiary or of the corporate or other legal existence of any such Material Subsidiary, or the change in form of organization of the Borrower or any such Material Subsidiary, if the Borrower in good faith determines that such termination or change is in the best interest of the Borrower, is not materially disadvantageous to the Lenders and, in the case of a change in the form of organization of the Borrower, the Administrative Agent has consented thereto.

Section 5.05. *Compliance with Laws.* The Borrower will comply, and cause each of its Material Subsidiaries to comply, in all material respects with all applicable laws, ordinances, rules, regulations, and requirements of Governmental Authorities (including, without limitation, ERISA, applicable Sanctions and Anti-Corruption Laws and Environmental Laws) except where (i) noncompliance would not have a material adverse effect on the business, financial position or results of operations of the Borrower and its Consolidated Subsidiaries, considered as a whole, or (ii) the necessity of compliance therewith is contested in good faith by appropriate proceedings.

Section 5.06. *Books and Records.* The Borrower will keep, and will cause each of its Material Subsidiaries to keep, proper books of record and account in which full, true and correct entries shall be made of all financial transactions in relation to its business and activities in accordance with its customary practices; and will permit, and will cause each such Material Subsidiary to permit, representatives of any Lender at such Lender's expense (accompanied by a representative of the Borrower, if the Borrower so desires) to visit any of their respective properties, to examine any of their respective books and records and to discuss their respective affairs, finances and accounts with their respective officers, employees and independent public accountants, all upon such reasonable notice, at such reasonable times and as often as may reasonably be desired.

Section 5.07. *Negative Pledge.* The Borrower will not create, assume or suffer to exist any Lien on any asset now owned or hereafter acquired by it, except:

(a) Liens granted by the Borrower existing as of the Effective Date, securing Indebtedness outstanding on the date of this Agreement in an aggregate principal amount not exceeding $100,000,000;

(b) [Reserved];

(c) any Lien on any asset of any Person existing at the time such Person is merged or consolidated with or into the Borrower and not created in contemplation of such event;

(d) any Lien existing on any asset prior to the acquisition thereof by the Borrower and not created in contemplation of such acquisition;

(e) any Lien on any asset securing Indebtedness incurred or assumed for the purpose of financing all or any part of the cost of acquiring such asset; *provided* that such Lien attaches to such asset concurrently with or within 180 days after the acquisition thereof;

(f) any Lien arising out of the refinancing, extension, renewal or refunding of any Indebtedness secured by any Lien permitted by any of the foregoing clauses of this Section; *provided* that such Indebtedness is not increased (except by accrued interest, prepayment premiums and fees and expenses incurred in connection with such refinancing, extension, renewal or refunding) and is not secured by any additional assets;

(g) Liens for taxes, assessments or other governmental charges or levies not yet due or which are being contested in good faith by appropriate proceedings and with respect to which adequate reserves or other appropriate provisions are being maintained in accordance with generally accepted accounting principles;

(h) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, materialmen and other Liens imposed by law, created in the ordinary course of business and for amounts not past due for more than 60 days or which are being contested in good faith by appropriate proceedings which are sufficient to prevent imminent foreclosure of such Liens, are promptly instituted and diligently conducted and with respect to which adequate reserves or other appropriate provisions are being maintained in accordance with generally accepted accounting principles;

(i) Liens incurred or deposits made in the ordinary course of business (including, without limitation, surety bonds and appeal bonds) in connection with workers' compensation, unemployment insurance and other types of social security benefits or to secure the performance of tenders, bids, leases, contracts (other than for the repayment of Indebtedness), statutory obligations and other similar obligations or arising as a result of progress payments under government contracts;

(j) easements (including, without limitation, reciprocal easement agreements and utility agreements), rights-of-way, covenants, consents, reservations, encroachments, variations and other restrictions, charges or encumbrances (whether or not recorded) affecting the use of real property;

(k) Liens with respect to judgments and attachments which do not result in an Event of Default;

(l) Liens, deposits or pledges to secure the performance of bids, tenders, contracts (other than contracts for the payment of money), leases (permitted under the terms of this Agreement), public or statutory obligations, surety, stay, appeal, indemnity, performance or other obligations arising in the ordinary course of business;

(m) other Liens including Liens imposed by Environmental Laws arising in the ordinary course of its business which (i) do not secure Indebtedness, (ii) do not secure any obligation in an amount exceeding $100,000,000 at any time at which Investment Grade Status does not exist as to the Borrower and (iii) do not in the aggregate materially detract from the value of its assets or materially impair the use thereof in the operation of its business;

(n) Liens securing obligations under Hedging Agreements entered into to protect against fluctuations in interest rates or exchange rates or commodity prices and not for speculative purposes, provided that such Liens run in favor of a Lender hereunder or under the Master Credit Facility or a Person who was, at the time of issuance, a Lender;

(o) Liens not otherwise permitted by the foregoing clauses of this Section on assets of the Borrower securing obligations in an aggregate principal or face amount at any date not to exceed 15% of the Consolidated Net Assets of the Borrower;

(p) [Reserved]; and

(q) Liens on regulatory assets up to the amount approved by state legislatures and/or regulatory orders.

Section 5.08. *Consolidations, Mergers and Sales of Assets.* The Borrower will not (i) consolidate or merge with or into any other Person or (ii) sell, lease or otherwise transfer, directly or indirectly, Substantial Assets to any Person (other than a Subsidiary of the Borrower); *provided* that the Borrower may merge with another Person if the Borrower is the Person surviving such merger and, after giving effect thereto, no Default shall have occurred and be continuing.

Section 5.09. *Use of Proceeds.* The proceeds of the Loans made under this Agreement will be used by the Borrower for its general corporate purposes. None of such proceeds will be used, directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of buying or carrying any "**margin stock**" within the meaning of Regulation U. None of such proceeds will be used (i) for the purpose of knowingly financing the activities of or any transactions with any Sanctioned Person or in any country or territory that is the subject of Sanctions applicable to the Borrower and its Subsidiaries and where the financed activity would be prohibited by such applicable Sanctions, at the time of such financing or (ii) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws.

Section 5.10. *Indebtedness/Capitalization Ratio.* The ratio of Consolidated Indebtedness of the Borrower to Consolidated Capitalization of the Borrower as at the end of any fiscal quarter of the Borrower will not exceed 65%.

ARTICLE 6
DEFAULTS

Section 6.01. *Events of Default.* If one or more of the following events ("**Events of Default**") with respect to the Borrower shall have occurred and be continuing:

(a) the Borrower shall fail to pay when due any principal of any Loan to it or shall fail to pay, within five days of the due date thereof, any interest, fees or any other amount payable by it hereunder;

(b) the Borrower shall fail to observe or perform any covenant contained in Sections 5.04, 5.07, 5.08, 5.10 or the second or third sentence of 5.09, inclusive;

(c) the Borrower shall fail to observe or perform any covenant or agreement contained in this Agreement (other than those covered by clause (a) or (b) above) for 30 days after notice thereof has been given to the Borrower by the Administrative Agent at the request of any Lender;

(d) any representation, warranty, certification or statement made by the Borrower in this Agreement or in any certificate, financial statement or other document delivered pursuant to this Agreement shall prove to have been incorrect in any material respect when made (or deemed made);

(e) the Borrower or any of its Material Subsidiaries shall fail to make any payment in respect of Material Debt (other than Loans to the Borrower hereunder) when due or within any applicable grace period;

(f) any event or condition shall occur and shall continue beyond the applicable grace or cure period, if any, provided with respect thereto so as to result in the acceleration of the maturity of Material Debt;

(g) the Borrower or any of its Material Subsidiaries shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to, or shall fail generally to, pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing;

(h) an involuntary case or other proceeding shall be commenced against the Borrower or any of its Material Subsidiaries seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 90 days; or an order for relief shall be entered against the Borrower or any of its Material Subsidiaries under the federal bankruptcy laws as now or hereafter in effect;

(i) any member of the Borrower's ERISA Group shall fail to pay when due an amount or amounts aggregating in excess of $150,000,000 which it shall have become liable to pay to the PBGC or to a Plan under Title IV of ERISA; or notice of intent to terminate a Plan or Plans of such ERISA Group having aggregate Unfunded Vested Liabilities in excess of $150,000,000 (collectively, a "**Material Plan**") shall be filed under Title IV of ERISA by any member of such ERISA Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any such Material Plan or a proceeding shall be instituted by a fiduciary of any such Material Plan against any member of such ERISA Group to enforce Section 515 or 4219(c)(5) of ERISA and such proceeding shall not have been dismissed within 90 days thereafter; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any such Material Plan must be terminated;

(j) a judgment or other court order for the payment of money in excess of $150,000,000 shall be rendered against the Borrower or any of its Material Subsidiaries and such judgment or order shall continue without being vacated, discharged, satisfied or stayed or bonded pending appeal for a period of 45 days;

(k) any person or group of persons (within the meaning of Section 13 or 14 of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**")) other than trustees and participants in employee benefit plans of the Borrower and its Subsidiaries or the Endowment or Trust, shall have acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under the Exchange Act) of 50% or more of the outstanding shares of common stock of the Borrower; during any period of twelve consecutive calendar months, individuals who were directors of the Borrower on the first day of such period (together with any successors nominated or appointed by then incumbent directors in the ordinary course) shall cease to constitute a majority of the board of directors of the Borrower; or

(l) any "Event of Default" (as defined in the Master Credit Facility) with respect to the Borrower under the Master Credit Facility;

then, and in every such event, the Administrative Agent shall (i) if requested by Lenders having more than 66-2/3% in aggregate amount of the Commitments, by notice to the Borrower terminate the Commitments as to the Borrower and they shall thereupon terminate, and the Borrower shall no longer be entitled to borrow hereunder, and (ii) if requested by Lenders holding more than 66-2/3% in aggregate principal amount of the Loans of the Borrower, by notice to the Borrower declare such Loans (together with accrued interest thereon) to be, and such Loans (together with accrued interest thereon) shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; *provided* that in the case of any of the Events of Default specified in clause (g) or (h) above with respect to the Borrower, without any notice to the Borrower or any other act by the Administrative Agent or the Lenders, the Commitments shall thereupon terminate with respect to the Borrower and the Loans of the Borrower (together with accrued interest thereon) shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

Section 6.02. Notice of Default. The Administrative Agent shall give notice to the Borrower under Section 6.01(c) promptly upon being requested to do so by any Lender and shall thereupon notify all the Lenders thereof.

ARTICLE 7
THE ADMINISTRATIVE AGENT

Section 7.01. *Appointment and Authorization.* Each Lender irrevocably appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the Notes as are delegated to the Administrative Agent by the terms hereof or thereof, together with all such powers as are reasonably incidental thereto.

Section 7.02. *Administrative Agent and Affiliates.* The Bank of Tokyo-Mitsubishi UFJ, Ltd. shall have the same rights and powers under this Agreement as any other Lender and may exercise or refrain from exercising the same as though it were not the Administrative Agent, and The Bank of Tokyo-Mitsubishi UFJ, Ltd. and its affiliates may accept deposits from, lend money to, and generally engage in any kind of business with the Borrower or any Subsidiary or affiliate of the Borrower as if it were not the Administrative Agent hereunder.

Section 7.03. *Action by Administrative Agent.* The obligations of the Administrative Agent hereunder are only those expressly set forth herein. Without limiting the generality of the foregoing, the Administrative Agent shall not be required to take any action with respect to any Default, except as expressly provided in Article 6.

Section 7.04. *Consultation with Experts.* The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

Section 7.05. *Liability of Administrative Agent.* Neither the Administrative Agent nor any of its affiliates nor any of their respective directors, officers, agents or employees shall be liable to any Lender for any action taken or not taken by it in connection herewith (i) with the consent or at the request of the Required Lenders or (ii) in the absence of its own gross negligence or willful misconduct. Neither the Administrative Agent nor any of its affiliates nor any of their respective directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into or verify (i) any statement, warranty or representation made in connection with this Agreement or the borrowing hereunder; (ii) the performance or observance of any of the covenants or agreements of the Borrower; (iii) the satisfaction of any condition specified in Article 3, except receipt of items required to be delivered to the Administrative Agent; or (iv) the validity, effectiveness or genuineness of this Agreement, the Notes or any other instrument or writing furnished in connection herewith. The Administrative Agent shall not incur any liability by acting in reliance upon any notice, consent, certificate, statement, or other writing (which may be a bank wire, facsimile or similar writing) believed by it in good faith to be genuine or to be signed by the proper party or parties. Without limiting the generality of the foregoing, the use of the term "agent" in this Agreement with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom and is intended to create or reflect only an administrative relationship between independent contracting parties.

Section 7.06. *Indemnification.* Each Lender shall, ratably in accordance with its portion of, prior to the First Funding Date, the Commitments or after the First Funding Date, the aggregate of the unfunded Commitments and the Loans outstanding, indemnify the Administrative Agent and its Related Parties (to the extent not reimbursed or indemnified by the Borrower) against any cost, expense (including counsel fees and disbursements), claim, demand, action, loss, penalties or liability (except such as result from such indemnitees' gross negligence or willful misconduct) that such indemnitees may suffer or incur in connection with this Agreement or any action taken or omitted by the Administrative Agent in its capacity as such, or by any Related Party acting for the Administrative Agent in connection with such capacity.

Section 7.07. *Credit Decision.* Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking any action under this Agreement.

Section 7.08. *Successor Administrative Agent.*

(a) The Administrative Agent may resign at any time by giving notice thereof to the Lenders and the Borrower. Upon any such resignation, (i) the Borrower, with the consent of the Required Lenders (such consent not to be unreasonably withheld or delayed) or (ii) if an Event of Default has occurred and is continuing, then the Required Lenders, shall have the right to appoint a successor Administrative Agent. If no successor Administrative Agent shall have been so appointed, and shall have accepted such appointment, within 30 days after the retiring Administrative Agent gives notice of resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent, which shall be a commercial bank organized or licensed under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least $250,000,000.

(b) If the Person serving as Administrative Agent is a Defaulting Lender, (i0 the Borrower, with the consent of the Required Lenders (such consent not to be unreasonably withheld or delayed) or (ii) if an Event of Default has occurred and is continuing, then the Required Lenders, shall have the right to appoint a successor Administrative Agent.

(c) Upon the acceptance of its appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, duties and obligations of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder; *provided* that if such successor Administrative Agent is appointed without the consent of the Borrower, such successor Administrative Agent may be replaced by the Borrower with the consent of the Required Lenders so long as no Event of Default has occurred and is continuing at the time. After any retiring Administrative Agent's resignation or removal hereunder as Administrative Agent, the provisions of this Article shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent.

(d) The fees payable by the Borrower to any successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor.

Section 7.09. *Administrative Agent's Fee.* The Borrower shall pay to the Administrative Agent for its own account fees in the amounts and at the times previously agreed upon between the Borrower and the Administrative Agent.

ARTICLE 8
CHANGE IN CIRCUMSTANCES

Section 8.01. *Basis for Determining Interest Rate Inadequate or Unfair.* If on or prior to the first day of any Interest Period for any Euro-Dollar Borrowing:

(a) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that deposits in dollars (in the applicable amounts) are not being offered to financial institutions in general in the relevant market for such Interest Period, or

(b) Lenders having 66-2/3% or more of the aggregate amount of the affected Loans advise the Administrative Agent that the London Interbank Offered Rate as determined by the Administrative Agent will not adequately and fairly reflect the cost to such Lenders of funding their Euro-Dollar Loans for such Interest Period,

the Administrative Agent shall forthwith give notice thereof to the Borrower and the Lenders, whereupon until the Administrative Agent notifies the Borrower that the circumstances giving rise to such suspension no longer exist, (i) the obligations of the Lenders to make Euro-Dollar Loans or to continue or convert outstanding Loans as or into Euro-Dollar Loans shall be suspended and (ii) each outstanding Euro-Dollar Loan shall be converted into a Base Rate Loan on the last day of the then current Interest Period applicable thereto. Unless the Borrower notifies the Administrative Agent at least one Domestic Business Day before the date of any Euro-Dollar Borrowing for which a Notice of Borrowing has previously been given that it elects not to borrow on such date, such Borrowing shall instead be made as a Base Rate Borrowing.

Section 8.02. *Illegality.* If any Change In Law shall make it unlawful or impossible for any Lender (or its Euro-Dollar Lending Office) to make, maintain or fund any of its Euro-Dollar Loans and such Lender shall so notify the Administrative Agent, the Administrative Agent shall forthwith give notice thereof to the other Lenders and the Borrower, whereupon until such Lender notifies the Borrower and the Administrative Agent that the circumstances giving rise to such suspension no longer exist, the obligation of such Lender to make Euro-Dollar Loans, or to continue or convert outstanding Loans as or into Euro-Dollar Loans, shall be suspended. Before giving any notice to the Administrative Agent pursuant to this Section, such Lender shall designate a different Euro-Dollar Lending Office if such designation will avoid the need for giving such notice and will not be otherwise disadvantageous to such Lender in the good faith exercise of its discretion. If such notice is given, each Euro-Dollar Loan of such Lender then outstanding shall be converted to a Base Rate Loan either (a) on the last day of the then current Interest Period applicable to such Euro-Dollar Loan if such Lender may lawfully continue to maintain and fund such Loan to such day or (b) immediately if such

Lender shall determine that it may not lawfully continue to maintain and fund such Loan to such day.

Section 8.03. *Increased Cost and Reduced Return.* (a) If any Change In Law (i) shall impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System, but excluding with respect to any Euro-Dollar Loan any such requirement included in an applicable Euro-Dollar Reserve Percentage) against assets of, deposits with or for the account of, or credit extended by, any Lender (or its Applicable Lending Office); (ii) shall subject any Lender or Agent to any taxes (other than (A) Taxes, (B) taxes described in clauses (ii), (iii) or (iv) of the exclusions from the definition of Taxes and (C) Connection Income Taxes) on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or (iii) shall impose on any Lender (or its Applicable Lending Office) or on the London interbank market any other condition, cost or expense affecting its Euro-Dollar Loans, its Note or its obligation to make Euro-Dollar Loans and the result of any of the foregoing is to increase the cost to such Lender (or its Applicable Lending Office) of making or maintaining any Euro-Dollar Loan (or, in the case of an adoption or change with respect to taxes, any Loan), or to reduce the amount of any sum received or receivable by such Lender (or its Applicable Lending Office) under this Agreement or under its Note with respect thereto, by an amount deemed by such Lender to be material, then, within 15 days after demand by such Lender (with a copy to the Administrative Agent), the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender for such increased cost or reduction; *provided* that no such amount shall be payable with respect to any period commencing more than 90 days prior to the date such Lender first notifies the Borrower of its intention to demand compensation therefor under this Section 8.03(a).

(b) If any Lender shall have determined that any Change In Law has or would have the effect of reducing the rate of return on capital or liquidity of such Lender (or its Parent) as a consequence of such Lender's obligations hereunder to a level below that which such Lender (or its Parent) could have achieved but for such Change In Law (taking into consideration its policies with respect to capital adequacy or liquidity) by an amount deemed by such Lender to be material, then from time to time, within 15 days after demand by such Lender (with a copy to the Administrative Agent), the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender (or its Parent) for such reduction; *provided* that no such amount shall be payable with respect to any period commencing less than 30 days after the date such Lender first notifies the Borrower of its intention to demand compensation under this Section 8.03(b).

(c) Each Lender will promptly notify the Borrower and the Administrative Agent of any event of which it has knowledge, occurring after the date hereof, which will entitle such Lender to compensation pursuant to this Section and will designate a different Applicable Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the judgment of such Lender, be otherwise disadvantageous to such Lender. A certificate of any Lender claiming compensation under this Section and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. In determining such amount, such Lender may use any reasonable averaging and attribution methods.

Section 8.04. *Taxes.* (a)For purposes of this Section 8.04 the following terms have the following meanings:

"**FATCA**" means Sections 1471 through 1474 of the Internal Revenue Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with) any current or future regulations or official interpretations thereof and any agreement entered into pursuant to Section 1471(b)(1) of the Internal Revenue Code. For purposes of this Section 8.04, "applicable law" includes FATCA.

"**Taxes**" means any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings including any interest, additions to tax or penalties applicable thereto with respect to any payment by or on account of any obligation of the Borrower pursuant to this Agreement or any Note, *excluding* (i) in the case of each Lender and the Administrative Agent, taxes imposed on its income, net worth or gross receipts and franchise or similar taxes imposed on it by a jurisdiction under the laws of which such Lender or the Administrative Agent (as the case may be) is organized or in which its principal executive office is located or, in the case of each Lender, in which its Applicable Lending Office is located, (ii) in the case of each Lender, any United States withholding tax imposed on such payments except to the extent that (A) such Lender is subject to United States withholding tax by reason of a U.S. Tax Law Change or (B) in the case of a Lender not listed on the signature pages hereof or a Participant, amounts with respect to such Taxes were payable pursuant to Section 8.04 to such Lender's assignor or to such Participant's participating Lender immediately before such Lender or Participant acquired the applicable interest in a Loan or Commitment; (iii) Taxes attributable to such Lender's or Administrative Agent's failure to comply with Section 8.04(d) or (e) and (iv) any U.S. federal withholding Taxes imposed under FATCA.

"**Other Taxes**" means any present or future stamp or documentary taxes and any other excise or property taxes, or similar charges or levies, which arise from any payment made pursuant to this Agreement or under any Note or from the execution or delivery of, or otherwise with respect to, this Agreement or any Note.

"**U.S. Tax Law Change**" means with respect to any Lender or Participant the occurrence (x) in the case of each Lender listed on the signature pages hereof, after the date of its execution and delivery of this Agreement and (y) in the case of any other Lender, after the date such Lender shall have become a Lender hereunder, and (z) in the case of each Participant, after the date such Participant became a Participant hereunder, of the adoption of any applicable U.S. federal law, U.S. federal rule or U.S. federal regulation relating to taxation, or any change therein, or the entry into force, modification or revocation of any income tax convention or treaty to which the United States is a party.

(b) Any and all payments by or any account of the Borrower to or for the account of any Lender or the Administrative Agent hereunder or under any Note shall be made without deduction for any Taxes or Other Taxes, except as required by applicable law; *provided* that if the Borrower or the Administrative Agent shall be required by law to deduct any Taxes or Other Taxes from any such payments, (i) the sum payable by the Borrower shall be increased as necessary so that after all required deductions are made (including deductions applicable to additional sums payable under this Section 8.04) such Lender or the Administrative Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower or the Administrative Agent shall make such deductions, (iii) the Borrower or the Administrative Agent shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law and (iv) if the withholding agent is the Borrower, the Borrower shall furnish to the Administrative Agent, at its address referred to in Section 9.01, the original or a certified copy of a receipt evidencing payment thereof.

(c) The Borrower agrees to indemnify each Lender and the Administrative Agent for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section 8.04) paid by such Lender or the Administrative Agent (as the case may be) and any reasonable expenses arising therefrom or with respect thereto. This indemnification shall be paid within 15 days after such Lender or the Administrative Agent (as the case may be) makes demand therefor.

(d) Each Lender organized under the laws of a jurisdiction outside the United States, on or prior to the date of its execution and delivery of this Agreement in the case of each Lender listed on the signature pages hereof and on or prior to the date on which it becomes a Lender in the case of each other Lender, and from time to time thereafter as required by law or requested by the Borrower or the Administrative Agent (but only so long as such Lender remains lawfully able to do so), shall provide the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) with whichever of the following is applicable (including any successor forms prescribed by the Internal Revenue Service):

(i) in the case of a Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest hereunder or under any Note, executed originals of IRS Form W-8BEN establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments hereunder or under any Note, IRS Form W-8BEN establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

(ii) executed originals of IRS Form W-8ECI;

(iii) in the case of a Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Internal Revenue Code, (x) a certificate reasonably acceptable to the Administrative Agent to the effect that such Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Internal Revenue Code, a "10 percent shareholder" of the Borrower within the meaning of Section 881(c)(3)(B) of the Internal Revenue Code, or a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Internal Revenue Code (a "**U.S. Tax Compliance Certificate**") and (y) executed originals of IRS Form W-8BEN; or

(iv) to the extent a Lender is not the beneficial owner, executed originals of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN, a U.S. Tax Compliance Certificate, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; *provided* that if the Lender is a partnership and one or more direct or indirect partners of such Lender are claiming the portfolio interest exemption, such Lender may provide a U.S. Tax Compliance Certificate on behalf of each such direct and indirect partner.

(e) Any Lender that is organized under the laws of a jurisdiction within the United States shall deliver to the Borrower and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed originals of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax.

(f) If a payment made to a Lender hereunder or under any Note would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Internal Revenue Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Internal Revenue Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (f), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

(g) Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower and the Administrative Agent in writing of its legal inability to do so.

(h) If a Lender, which is otherwise exempt from or subject to a reduced rate of withholding tax, becomes subject to Taxes because of its failure to deliver a form required hereunder, the Borrower shall take such steps as such Lender shall reasonably request to assist such Lender to recover such Taxes.

(i) If the Borrower is required to pay additional amounts to or for the account of any Lender pursuant to this Section 8.04, then such Lender will take such action (including changing the jurisdiction of its Applicable Lending Office) as in the good faith judgment of such Lender (i) will eliminate or reduce any such additional payment which may thereafter accrue and (ii) is not otherwise disadvantageous to such Lender.

(j) If any Lender or the Administrative Agent receives a refund of any Taxes or Other Taxes for which the Borrower has made a payment under Section 8.04(b) or (c) and such refund was received from the taxing authority which originally imposed such Taxes or Other Taxes, such Lender or the Administrative Agent agrees to reimburse the Borrower to the extent of such refund; *provided* that nothing contained in this paragraph (j) shall require any Lender or the Administrative Agent to seek any such refund or make available its tax returns (or any other information relating to its taxes which it deems to be confidential).

(k) Each Lender shall severally indemnify the Administrative Agent, within 10 days after demand therefor, for (i) any Taxes attributable to such Lender (but only to the extent that the Borrower has not already indemnified the Administrative Agent for such Taxes and without limiting the obligation of the Borrower to do so), (ii) any taxes attributable to such Lender's failure to comply with the provisions of Section 9.06(b) relating to the maintenance of a Participant Register and (iii) any taxes excluded from the definition of Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent in connection with this Agreement or any Note, and any reasonable expenses arising therefrom or with respect thereto. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender hereunder or under any Note or otherwise payable by the Administrative Agent to the Lender from any other source against any amount due to the Administrative Agent under this paragraph (k).

Section 8.05. *Base Rate Loans Substituted for Affected Euro-Dollar Loans.* If (i) the obligation of any Lender to make or to continue or convert outstanding Loans as or into Euro-Dollar Loans has been suspended pursuant to Section 8.02 or (ii) any Lender has demanded compensation under Section 8.03(a) with respect to its Euro-Dollar Loans and the Borrower shall, by at least five Euro-Dollar Business Days' prior notice to such Lender through the Administrative Agent, have elected that the provisions of this Section shall apply to such Lender, then, unless and until such Lender notifies the Borrower that the circumstances giving rise to such suspension or demand for compensation no longer apply:

(a) all Loans which would otherwise be made by such Lender as (or continued as or converted to) Euro-Dollar Loans, as the case may be, shall instead be Base Rate Loans (on which interest and principal shall be payable contemporaneously with the related Euro-Dollar Loans of the other Lenders), and

(b) after each of its Euro-Dollar Loans has been repaid, all payments of principal which would otherwise be applied to repay such Loans shall be applied to repay its Base Rate Loans instead.

If such Lender notifies the Borrower that the circumstances giving rise to such suspension or demand for compensation no longer exist, the principal amount of each such Base Rate Loan shall be converted into a Euro-Dollar Loan on the first day of the next succeeding Interest Period applicable to the related Euro-Dollar Loans of the other Lenders.

Section 8.06. *Substitution of Lender; Termination Option.* If (i) the obligation of any Lender to make or to convert or continue outstanding Loans as or into Euro-Dollar Loans has been suspended pursuant to Section 8.02, (ii) any Lender has demanded compensation under Section 8.03 or 8.04 (including any demand made by a Lender on behalf of a Participant), (iii) [reserved], (iv) any Lender becomes a Defaulting Lender, (v) Investment Grade Status ceases to exist as to any Lender or, (vi) for purposes of (a) below only, any Lender becomes a Non-Consenting Lender, then:

(a) the Borrower shall have the right, with the assistance of the Administrative Agent (or, if the Administrative Agent is a Defaulting Lender, the Required Lenders), to designate an Assignee (which may be one or more of the Lenders) mutually satisfactory to the Borrower and, so long as any such Persons are not Defaulting Lenders, the Administrative Agent (whose consent shall not be unreasonably withheld or delayed) to purchase for cash, pursuant to an Assignment and Assumption Agreement in substantially the form of Exhibit D hereto, the outstanding Loans of such Lender and assume the Commitment of such Lender (including any Commitments and Loans that have been participated), without recourse to or warranty by, or expense to, such Lender, for a purchase price equal to the principal amount of all of such Lender's outstanding Loans plus any accrued but unpaid interest thereon and the accrued but unpaid fees in respect of such Lender's Commitment hereunder and all other amounts payable by the Borrower to such Lender hereunder plus such amount, if any, as would be payable pursuant to Section 2.13 if the outstanding Loans of such Lender were prepaid in their entirety on the date of consummation of such assignment; and

(b) if at the time Investment Grade Status exists as to the Borrower, the Borrower may elect to terminate this Agreement as to such Lender (including any Commitments and Loans that have been participated); *provided* that (i) the Borrower notifies such Lender through the Administrative Agent (or, if the Administrative Agent is a Defaulting Lender, the Required Lenders) of such election at least three Euro-Dollar Business Days before the effective date of such termination and (ii) the Borrower repay or prepay the principal amount of all outstanding Loans made by such Lender plus any accrued but unpaid interest thereon and the accrued but unpaid fees in respect of such Lender's Commitment hereunder plus all other amounts payable by the Borrower to such Lender hereunder, not later than the effective date of such termination.

ARTICLE 9
MISCELLANEOUS

Section 9.01. *Notices.*

(a) All notices, requests and other communications to any party hereunder shall be in writing (including electronic transmission, bank wire, facsimile transmission or similar writing) and shall be given to such party: (x) in the case of the Borrower or the Administrative Agent, at its address or facsimile number set forth on the signature pages hereof, (y) in the case of any Lender, at its address or facsimile number set forth in its Administrative Questionnaire or (z) in the case of any party, such other address or facsimile number as such party may hereafter specify for the purpose by notice to the Administrative Agent and the Borrower. Each such notice, request or other communication shall be effective (i) if given by facsimile, when such facsimile is transmitted to the facsimile number specified in this Section and the appropriate answerback or confirmation slip, as the case may be, is received or (ii) if given by any other means, when delivered at the address specified in this Section; *provided* that notices to the Administrative Agent under Article 2 or Article 8 shall not be effective until delivered. Notices delivered through electronic communications shall be effective as and to the extent provided in subsection (b) below.

(b) Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communication (including e-mail and internet or intranet websites) pursuant to procedures approved by the Administrative Agent or as otherwise determined by the Administrative Agent, provided that the foregoing shall not apply to notices to any Lender pursuant to Article 2 if such Lender has notified the Administrative Agent that it is incapable of receiving notices under such Section by electronic communication. The Administrative Agent or the Borrower may, in its respective discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it or as it otherwise determines, provided that such determination or approval may be limited to particular notices or communications. Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if such notice or other communication is not given during the normal business hours of the recipient, such notice or communication shall be deemed to have been given at the opening of business on the next Domestic Business

Day or Euro-Dollar Business Day, as applicable, for the recipient, and (ii) notices or communications posted to an internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

Section 9.02. *No Waivers.* No failure or delay by the Administrative Agent or any Lender in exercising any right, power or privilege hereunder or under any Note shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 9.03. *Expenses; Indemnification.* (a) The Borrower shall pay (i) all reasonable out-of-pocket expenses of the Administrative Agent, including reasonable fees and disbursements of one special counsel for the Administrative Agent, in connection with the preparation of this Agreement, any waiver or consent hereunder or any amendment hereof or any Default or alleged Default with respect to the Borrower hereunder and (ii) if an Event of Default with respect to the Borrower occurs, all reasonable out-of-pocket expenses incurred by the Administrative Agent or any Lender, including reasonable fees and disbursements of counsel, in connection with such Event of Default and collection and other enforcement proceedings resulting therefrom.

(b) The Borrower agrees to indemnify the Administrative Agent and each Lender and the respective Related Parties of the foregoing (each an "**Indemnitee**") and hold each Indemnitee harmless from and against any and all liabilities, losses, penalties, damages, costs and expenses of any kind, including, without limitation, the reasonable fees and disbursements of one counsel for all Indemnitees taken as a whole and, in the case of any actual or potential conflict of interest, one additional counsel to each group of affected Indemnitees similarly situated taken as a whole, which may be incurred by such Indemnitee in connection with any investigative, administrative or judicial proceeding (whether or not such Indemnitee shall be designated a party thereto) relating to or arising out of this Agreement or any actual or proposed use of proceeds of Loans hereunder; *provided* that no Indemnitee shall have the right to be indemnified hereunder for such Indemnitee's own gross negligence or willful misconduct as determined by a court of competent jurisdiction. This Section shall not apply to Taxes other than any Taxes that represent losses, claims, damages, etc. arising from any non-Tax claim.

(c) To the fullest extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or the use of the proceeds thereof. No Indemnitee referred to in paragraph (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the transactions contemplated hereby or thereby.

Section 9.04. *Sharing of Set-offs.* Each Lender agrees that if it shall, by exercising any right of set-off or counterclaim or otherwise, receive payment of a proportion of the aggregate amount then due with respect to the Loans held by it which is greater than the proportion received by any other Lender in respect of the aggregate amount then due with respect to the Loans held by such other Lender, the Lender receiving such proportionately greater payment shall purchase such participations in the Loans held by the other Lenders, and such other adjustments shall be made, as may be required so that all such payments with respect to the Loans held by the Lenders shall be shared by the Lenders pro rata; *provided* that nothing in this Section shall impair the right of any Lender to exercise any right of set-off or counterclaim it may have and to apply the amount subject to such exercise to the payment of indebtedness of the Borrower other than its indebtedness under this Agreement.

Section 9.05. *Amendments and Waivers.* (a) Any provision of this Agreement or the Notes may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Borrower and the Required Lenders (and, if the rights or duties of the Administrative Agent is affected thereby, by the Administrative Agent); *provided* that no such amendment or waiver shall (x) unless signed by each adversely affected Lender, (i) increase the Commitment of any Lender or subject any Lender to any additional obligation, (ii) reduce the principal of or rate of interest on any Loan or any interest thereon or any fees hereunder, (iii) postpone the date fixed for any payment of principal of or interest on any Loan or interest thereon or any fees hereunder or for termination of any Commitment, or (iv) change the provisions of Section 9.04 or of any other provision of this Agreement providing for the ratable application of payments in respect of the Loans or (y) unless signed by all Lenders, change the definition of Required Lenders or the provisions of this Section 9.05.

(b) (i) If any representation or warranty in Article 4 of the Master Credit Facility, any covenant in Article 5 of the Master Credit Facility or any event of default in Article 6 of the Master Credit Facility and, in each case, any related definitions in the Master Credit Facility, is replaced, changed, amended, modified, supplemented or removed or (ii) any Default or Event of Default (as such terms are defined in the Master Credit Facility) is waived (any of the foregoing in clauses (i) and (ii), a "**Change**"), regardless of whether the Master Credit Facility is replaced, refinanced, amended and restated, amended, modified or supplemented and regardless of whether any such Change occurs in the corresponding article or definitions, such Change shall be incorporated automatically into this Agreement, or in the case of a waiver will be applied automatically to this Agreement for the corresponding Default or Event of Default occurring hereunder, upon the later of (i) the effectiveness of such Change in the Master Credit Facility and (ii) the 30th day after the Administrative Agent's receipt of notice from the Borrower of such Change, provided that the Required Lenders hereunder do not notify the Borrower through the Administrative Agent within 30 days after the Administrative Agent's receipt of such notice from the Borrower of their election (which may be made in their discretion) that such Change shall not be effective with respect to this Agreement; *provided* that no Change to the Master Credit Facility shall amend, waive, modify or impact the rights or remedies of the Lenders with respect to a Default or Event of Default under Section 6.01(a) of this Agreement.

Section 9.06. *Successors and Assigns.* (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns and each Indemnitee, except that no Borrower may assign or otherwise transfer any of its rights under this Agreement without the prior written consent of all Lenders.

(b) Any Lender may, with the consent (unless an Event of Default then exists) of the Borrower (such consent not to be unreasonably withheld or delayed), at any time grant to one or more banks or other institutions (each a "**Participant**") participating interests in its Commitment or any or all of its Loans; *provided* that any Lender may, without the consent of the Borrower, at any time grant participating interests in its Commitment or any or all of its Loans to another Lender, an Approved Fund or an Affiliate of such transferor Lender. In the event of any such grant by a Lender of a participating interest to a Participant, whether or not upon notice to the Administrative Agent, such Lender shall remain responsible for the performance of its obligations hereunder, and the Borrower and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement pursuant to which any Lender may grant such a participating interest shall provide that (A) such Participant agrees to be subject to Section 8.06 as if it were an Assignee under paragraph (c) of this Section 9.06 or as if it were the Lender granting such participation and (B) such Lender shall retain the sole right and responsibility to enforce the obligations of the Borrower hereunder including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement; *provided* that such participation agreement may provide that such Lender will not agree to any modification, amendment or waiver of this Agreement described in clause (x)(i), (ii) or (iii) of Section 9.05(a) without the consent of the Participant. The Borrower agrees that each Participant shall, to the extent provided in its participation agreement, be entitled to the benefits of Article 8 with respect to its participating interest, subject to the performance by such Participant of the obligations of a Lender thereunder (it being understood that the documentation required under Section 8.04 shall be delivered by the Participant to the participating Lender and the Participant agrees to be subject to the provisions of Sections 8.04(i), 8.04(j) and 8.06 as if it were an Assignee). In addition, each Lender that sells a participation agrees, at the Borrower's request, to use reasonable efforts to cooperate with the Borrower to effectuate the provisions of Section 8.06 with respect to any Participant. An assignment or other transfer which is not permitted by subsection (c) or (d) below shall be given effect for purposes of this Agreement only to the extent of a participating interest granted in accordance with this subsection (b). Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations hereunder or under any Note (the "**Participant Register**"); *provided* that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant (other than for the consent requirements set forth in the first sentence of this Section 9.06(b)) or any information relating to a Participant's interest in any Commitments, Loans or its other obligations hereunder or under any Note) to any Person except to the extent that such disclosure is necessary to establish that such Commitment, Loan or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(c) Any Lender may at any time assign to one or more banks or other financial institutions (each an "**Assignee**") other than (w) the Borrower, (x) a Subsidiary or Affiliate of the Borrower, (y) a Defaulting Lender or any Person who, upon becoming a Lender hereunder, would constitute a Defaulting Lender, or (z) a natural person (or a holding company, investment vehicle or trust for, or owned and operated for the primary benefit of, a natural person), all, or a proportionate part (equivalent to a Commitment of not less than $10,000,000 (unless the Borrower and the Administrative Agent shall otherwise agree)) of all, of its rights and obligations under this Agreement and its Note (if any), and such Assignee shall assume such rights and obligations, pursuant to an Assignment and Assumption Agreement in substantially the form of Exhibit D hereto executed by such Assignee and such transferor Lender, with (and only with and subject to) the prior written consent of the Administrative Agent (which shall not be unreasonably withheld or delayed) and, so long as no Event of Default has occurred and is continuing, the Borrower (which shall not be unreasonably withheld or delayed); *provided* that unless such assignment is of the entire right, title and interest of the transferor Lender hereunder, after making any such assignment such transferor Lender shall have a Commitment of at least $10,000,000 (unless the Borrower and the Administrative Agent shall otherwise agree). Upon execution and delivery of such instrument of assumption and payment by such Assignee to such transferor Lender of an amount equal to the purchase price agreed between such transferor Lender and such Assignee, such Assignee shall be a Lender party to this Agreement and shall have all the rights and obligations of a Lender with a Commitment as set forth in such instrument of assumption, and the transferor Lender shall be released from its obligations hereunder to a corresponding extent, and no further consent or action by any party shall be required. Upon the consummation of any assignment pursuant to this subsection (c), the transferor Lender, the Administrative Agent and the Borrower shall make appropriate arrangements so that, if required by the Assignee, a Note(s) is issued to the Assignee. The Assignee shall, prior to the first date on which interest or fees are payable hereunder for its account, deliver to the Borrower and the Administrative Agent any certifications, forms or other documentation in accordance with Section 8.04. All assignments (other than assignments to Affiliates) shall be subject to a transaction fee established by, and payable by the transferor Lender to, the Administrative Agent for its own account (which shall not exceed $3,500).

(d) Any Lender may at any time assign all or any portion of its rights under this Agreement and its Note (if any) to a Federal Reserve Bank. No such assignment shall release the transferor Lender from its obligations hereunder or modify any such obligations.

(e) No Assignee, Participant or other transferee of any Lender's rights (including any Applicable Lending Office other than such Lender's initial Applicable Lending Office) shall be entitled to receive any greater payment under Section 8.03 or 8.04 than such Lender would have been entitled to receive with respect to the rights transferred, unless such transfer is made by reason of the provisions of Section 8.02, 8.03 or 8.04 requiring such Lender to designate a different Applicable Lending Office under certain circumstances or at a time when the circumstances giving rise to such greater payment did not exist.

Section 9.07. *Collateral.* Each of the Lenders represents to the Administrative Agent and each of the other Lenders that it in good faith is not relying upon any "**margin stock**" (as defined in Regulation U) as collateral in the extension or maintenance of the credit provided for in this Agreement.

Section 9.08. *Confidentiality.* The Administrative Agent and each Lender (i) agrees to keep any information delivered or made available by the Borrower pursuant to this Agreement confidential from anyone other than persons employed or retained by such Lender and its Affiliates who are engaged in evaluating, approving, structuring or administering the credit facility contemplated hereby and (ii) further agrees on behalf of itself and, to the extent it has the power to do so, its Affiliates and agents, to keep all other information delivered or made available to it by the Borrower or Affiliate of the Borrower for other purposes which, (x) is marked confidential and is expressly made available subject to the terms of this section, and (y) is not otherwise subject to a confidentiality agreement, confidential from anyone other than persons employed or retained by such Lender and its Affiliates and agents who need to receive such information in furtherance of the engagement or matter pursuant to which the information is provided; *provided* that nothing herein shall prevent any Lender or, solely with respect to information disclosed in a manner set forth in clauses (b) through (g) and (k) in this Section 9.08, any Affiliate of such Lender from disclosing such information, to the extent necessary under the circumstances under which such disclosure is required, (a) to any other Lender or the Administrative Agent, (b) upon the order of any court or administrative agency, (c) upon the request or demand of any regulatory agency or authority or self-regulatory body, (d) which had been publicly disclosed other than as a result of a disclosure by the Administrative Agent or any Lender prohibited by this

Agreement, (e) in connection with any litigation to which the Administrative Agent, any Lender or any Affiliate or their respective subsidiaries or Parent may be a party, (f) to the extent necessary in connection with the exercise of any remedy hereunder or other engagement or matter, (g) to such Lender's, Affiliate's or the Administrative Agent's legal counsel and independent auditors, (h) subject to provisions substantially similar to those contained in this Section 9.08, to any actual or proposed Participant or Assignee, (i) to any direct, indirect, actual or prospective counterparty (and its advisor) to any swap, derivative or securitization transaction related to the obligations under this Agreement, (j) on a confidential basis to the CUSIP Service Bureau or any similar agency in connection with the issuance and monitoring of CUSIP numbers with respect to the loans and (k) with the consent of the Borrower.

Section 9.09. *Governing Law; Submission to Jurisdiction.* This Agreement and each Note (if any) shall be construed in accordance with and governed by the law of the State of New York. The Borrower and each Lender Party hereby submits to the exclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York State court sitting in New York County for purposes of all legal proceedings arising out of or relating to this Agreement or the transactions contemplated hereby. The Borrower and each Lender Party irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum.

Section 9.10. *Counterparts; Integration.* This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. Delivery of an executed signature page of this Agreement by facsimile or electronic transmission shall be effective as delivery of a manually executed counterpart hereof. This Agreement constitutes the entire agreement and understanding among the parties hereto and supersedes any and all prior agreements and understandings, oral or written, relating to the subject matter hereof.

Section 9.11. *WAIVER OF JURY TRIAL.* EACH OF THE BORROWER, THE ADMINISTRATIVE AGENT AND THE LENDERS, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO UNDER APPLICABLE LAW, HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 9.12. *USA Patriot Act.* Each Lender hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act, Title III of Pub. L. 107-56 (signed into law October 26, 2001) (the "**Act**"), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender to identify the Borrower in accordance with the Act.

Section 9.13. *[Reserved].*

Section 9.14. *No Fiduciary Duty.* The Borrower agrees that in connection with all aspects of the Loans contemplated by this Agreement and any communications in connection therewith, the Borrower and its Subsidiaries, on the one hand, and the Administrative Agent, the Lenders and their respective affiliates, on the other hand, will have a business relationship that does not create, by implication or otherwise, any fiduciary duty on the part of the Administrative Agent, the Lenders or their respective affiliates, and no such duty will be deemed to have arisen in connection with any such transactions or communications.

Section 9.15. *Survival.* Each party's rights and obligations under Articles 7, 8 and 9 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all obligations hereunder or under any Note.

Section 9.16. *Acknowledgment and Consent to Bail-In of EEA Financial Institutions.* Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-in Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority.

COMMITMENT SCHEDULE

Lender	Total Commitments
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	$500,000,000
Santander Bank, N.A.	$375,000,000
TD Bank, N.A.	$375,000,000
U.S. Bank National Association	$250,000,000

Pricing Schedule

"**Applicable Margin**" means, for any date, the rate set forth below in the applicable row and column corresponding to the credit rating of the Borrower that exists on such date:

(basis points per annum)

Borrower's Credit Rating	at least A- by S&P or A3 by Moody's	at least BBB+ by S&P or Baa1 by Moody's	less than BBB+ by S&P or Baa1 by Moody's
Euro-Dollar Loans	75.0	87.5	100.0

For purposes of the above Pricing Schedule a "Borrower Credit Rating" means, as of any date of determination with respect to the Borrower, the rating as determined by one or more of Standard & Poor's Financial Services LLC, together with its successors ("**S&P**") or Moody's Investors Service, together with its successors ("**Moody's**"), of the Borrower's non-credit-enhanced, senior unsecured long-term debt, regardless of whether any such debt is outstanding; *provided* that (a) if the two ratings differ by one level, then the pricing level for the higher of such ratings shall apply; (b) if the two ratings differ by more than one level, then the pricing level that is one level lower than the pricing level of the higher rating shall apply; (c) if only one rating exists, the pricing level shall be determined based on that rating; and (d) if no such rating exists for the Borrower, the highest pricing level (less than "BBB+" pricing level) shall apply. A change in rating will result in an immediate change in the applicable pricing.

EXHIBIT A

NOTE

New York, New York
______ __, 20__

For value received, Duke Energy Corporation., a Delaware corporation (the "**Borrower**"), promises to pay to [ ] (the "**Lender**") or its registered assigns, for the account of its Applicable Lending Office, the unpaid principal amount of each Loan made by the Lender to the Borrower pursuant to the Credit Agreement referred to below on the date specified in the Credit Agreement. The Borrower promises to pay interest on the unpaid principal amount of each such Loan on the dates and at the rate or rates provided for in the Credit Agreement. All such payments of principal and interest shall be made in lawful money of the United States in Federal or other immediately available funds at the office of The Bank of Tokyo-Mitsubishi UFJ, Ltd..

All Loans made by the Lender, the respective types and maturities thereof and all repayments of the principal thereof shall be recorded by the Lender, and the Lender, if the Lender so elects in connection with any transfer or enforcement of its Note, may endorse on the schedule attached hereto appropriate notations to evidence the foregoing information with respect to the Loans then outstanding; *provided* that the failure of the Lender to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under the Credit Agreement.

This note is one of the Notes referred to in the Amended and Restated Term Loan Credit Agreement dated as of August 1, 2016 among Duke Energy Corporation, the Lenders party thereto and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Administrative Agent (as the same may be amended from time to time, the "**Credit Agreement**"). Terms defined in the Credit Agreement are used herein with the same meanings. Reference is made to the Credit Agreement for provisions for the prepayment hereof and the acceleration of the maturity hereof.

DUKE ENERGY CORPORATION

By: ______________________________
Title:

Note (cont'd)

LOANS AND PAYMENTS OF PRINCIPAL

Date	Amount of Loan	Type of Loan	Amount of Principal Repaid	Maturity Date	Notation Made By

EXHIBIT B

OPINION OF INTERNAL COUNSEL OF THE BORROWER

[Effective Date]

To the Lenders and the Administrative Agent
Referred to Below

c/o The Bank of Tokyo-Mitsubishi UFJ, Ltd.
as Administrative Agent
1221 Avenue of the Americas
New York, NY 10020
Attn: ___________________________

Ladies and Gentlemen:

I am Assistant Secretary of Duke Energy Corporation (the "**Borrower**") and have acted as its counsel in connection with the Amended and Restated Term Loan Credit Agreement (the "**Credit Agreement**"), dated as of August 1, 2016, among the Borrower, the Lenders party thereto and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Administrative Agent. Capitalized terms defined in the Credit Agreement are used herein as therein defined. This opinion letter is being delivered pursuant to Section 3.01(b) of the Credit Agreement.

In such capacity, I or attorneys under my direct supervision have examined originals or copies, certified or otherwise identified to my satisfaction, of such documents, corporate records, certificates of public officials and other instruments and have conducted such other investigations of fact and law as I have deemed necessary or advisable for purposes of this opinion.

Upon the basis of the foregoing, I am of the opinion that:

1. The Borrower is a Delaware corporation.

2. The execution, delivery and performance by the Borrower of the Credit Agreement and any Notes are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action, require no action by or in respect of, or filing with, any governmental body, agency or official, which have been obtained or made, as the case may be, and are in full force and effect) and do not contravene, or constitute a default under, any provision of applicable law or regulation or of the articles of incorporation or by-laws of the Borrower or, to my knowledge, of any material

agreement, judgment, injunction, order, decree or other instrument binding upon the Borrower or, to my knowledge, result in the creation or imposition of any Lien on any asset of the Borrower or any of its Material Subsidiaries.

3. The Credit Agreement and any Notes executed and delivered as of the date hereof have been duly executed and delivered by the Borrower.

4. Except as publicly disclosed prior to the Effective Date, to my knowledge (but without independent investigation), there is no action, suit or proceeding pending or threatened against or affecting, the Borrower or any of its Subsidiaries before any court or arbitrator or any governmental body, agency or official, which would be likely to be decided adversely to the Borrower or such Subsidiary and, as a result, to have a material adverse effect upon the business, consolidated financial position or consolidated results of operations of the Borrower and its Consolidated Subsidiaries, considered as a whole, or which in any manner draws into question the validity of the Credit Agreement or any Notes.

The phrase "to my knowledge", as used in the foregoing opinion, refers to my actual knowledge without any independent investigation as to any such matters.

The opinions set forth in paragraphs 1 – 3 above are limited to matters governed by the Delaware General Corporation Law ("DGCL"), provided that I do not express any opinion as to any judicial decisions construing the DGCL or on any other matters of Delaware law other than the text of the DGCL. No opinion is expressed herein with respect to such opinions as to any other laws, including the laws of any other jurisdiction. I express no opinion concerning any matter respecting or affected by any laws other than laws that a lawyer in North Carolina exercising customary professional diligence would reasonably recognize as being directly applicable to the Borrower.

The opinions expressed herein are limited to the matters expressly stated herein, and no opinion is to be inferred or may be implied beyond the matters expressly so stated. This opinion is rendered to you in connection with the above-referenced matter and may not be relied upon by you for any other purpose, or relied upon by, or furnished to, any other Person, firm or corporation without my prior written consent, except for Assignees. My opinions expressed herein are as of the date hereof, and I undertake no obligation to advise you of any changes of applicable law or any other matters that may come to my attention after the date hereof that may affect my opinions expressed herein.

Very truly yours,

EXHIBIT C

OPINION OF
ROBINSON, BRADSHAW & HINSON, P.A.,
SPECIAL COUNSEL FOR THE BORROWER

[Effective Date]

To the Lenders and the Administrative Agent
Referred to Below

c/o The Bank of Tokyo-Mitsubishi UFJ, Ltd.
as Administrative Agent
1221 Avenue of the Americas
New York, NY 10020
Attn: ____________________________

Ladies and Gentlemen:

We have acted as counsel to Duke Energy Corporation, a Delaware corporation (the "**Borrower**"), in connection with the Amended and Restated Term Loan Credit Agreement (the "**Credit Agreement**"), dated as of August 1, 2016, among the Borrower, the Lenders party thereto and The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Administrative Agent. Capitalized terms used herein and not defined shall have the meanings given to them in the Credit Agreement. This opinion letter is being delivered pursuant to Section 3.01(b)(ii) of the Credit Agreement.

In connection with this opinion, we also examined originals, or copies identified to our satisfaction, of such other documents and considered such matters of law and fact as we, in our professional judgment, have deemed appropriate to render the opinions contained herein. Where we have considered it appropriate, as to certain facts we have relied, without investigation or analysis of any underlying data contained therein, upon certificates or other comparable documents of public officials and officers or other appropriate representatives of the Borrower.

In rendering the opinions contained herein, we have assumed, among other things, that the Credit Agreement and any Notes to be executed (i) are within the Borrower's corporate powers, (ii) have been duly authorized by all necessary corporate action, (iii) have been duly executed and delivered, (iv) require no action by or in respect of, or filing with, any governmental body, agency of official and (v) do not contravene, or constitute a default under, any provision of applicable law or regulation or of the Borrower's certificate of incorporation or by-laws or any agreement, judgment, injunction, order, decree or other instrument binding upon the Borrower or result in the creation or imposition of any Lien on any asset of the Borrower. In addition, we have assumed that the Credit Agreement fully states the agreement between the Borrower and the Lenders with respect to the matters addressed therein, and that the Credit Agreement constitutes a legal, valid and binding obligation of each Lender, enforceable in accordance with its respective terms.

The opinions set forth herein are limited to matters governed by the laws of the State of North Carolina and the federal laws of the United States, and no opinion is expressed herein as to the laws of any other jurisdiction. For purposes of our opinions, we have disregarded the choice of law provisions in the Credit Agreement and, instead, have assumed with your permission that the Credit Agreement and the Notes are governed exclusively by the internal, substantive laws and judicial interpretations of the State of North Carolina. We express no opinion concerning any matter respecting or affected by any laws other than laws that a lawyer in North Carolina exercising customary professional diligence would reasonably recognize as being directly applicable to the Borrower, the Loans, or any of them.

Based upon and subject to the foregoing and the further limitations and qualifications hereinafter expressed, it is our opinion that the Credit Agreement constitutes the legal, valid and binding obligation of the Borrower and the Notes, if and when issued, will constitute legal, valid and binding obligations of the Borrower, in each case, enforceable against the Borrower in accordance with its terms.

The opinions expressed above are subject to the following qualifications and limitations:

1. Enforcement of the Credit Agreement and the Notes is subject to the effect of applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium and similar laws affecting the enforcement of creditors' rights generally.

2. Enforcement of the Credit Agreement and the Notes is subject to the effect of general principles of equity (regardless of whether considered in a proceeding in equity or at law) by which a court with proper jurisdiction may deny rights of specific performance, injunction, self-help, possessory remedies or other remedies.

3. We do not express any opinion as to the enforceability of any provisions contained in the Credit Agreement or any Note that (i) purport to excuse a party for liability for its own acts, (ii) purport to make void any act done in contravention thereof, (iii) purport to authorize a party to act in its sole discretion, (iv) require waivers or amendments to be made only in writing, (v) purport to effect waivers of constitutional, statutory or equitable rights or the effect of applicable laws, (vi) impose liquidated damages, penalties or forfeiture, or (vii) purport to indemnify a party for its own negligence or willful misconduct. Indemnification provisions in the Credit Agreement are subject to and may be rendered unenforceable by applicable law or public policy, including applicable securities law.

4. We do not express any opinion as to the enforceability of any provisions contained in the Credit Agreement or the Notes purporting to require a party thereto to pay or reimburse attorneys' fees incurred by another party, or to indemnify another party therefor,

which may be limited by applicable statutes and decisions relating to the collection and award of attorneys' fees, including but not limited to North Carolina General Statutes §§ 6-21.2 and 6-21.6.

5. We do not express any opinion as to the enforceability of any provisions contained in the Credit Agreement purporting to waive the right of jury trial. Under North Carolina General Statutes § 22B-10, a provision for the waiver of the right to a jury trial is unconscionable and unenforceable.

6. We do not express any opinion as to the enforceability of any provisions contained in the Credit Agreement concerning choice of forum or consent to the jurisdiction of courts, venue of actions or means of service of process.

7. It is likely that North Carolina courts will enforce the provisions of the Credit Agreement providing for interest at a higher rate resulting from a Default or Event of Default (a "**Default Rate**") which rate is higher than the rate otherwise stipulated in the Credit Agreement. The law, however, disfavors penalties, and it is possible that interest at the Default Rate may be held to be an unenforceable penalty, to the extent such rate exceeds the rate applicable prior to a default under the Credit Agreement.

8. We do not express any opinion as to the enforceability of any provisions contained in the Credit Agreement relating to evidentiary standards or other standards by which the Credit Agreement are to be construed.

This opinion letter is delivered solely for your benefit in connection with the Credit Agreement and, except for any Assignee which becomes a Lender pursuant to Section 8.06 or Section 9.06(c) of the Credit Agreement, may not be used or relied upon by any other Person or for any other purpose without our prior written consent in each instance. Our opinions expressed herein are as of the date hereof, and we undertake no obligation to advise you of any changes of applicable law or any other matters that may come to our attention after the date hereof that may affect our opinions expressed herein.

Very truly yours,

EXHIBIT D

ASSIGNMENT AND ASSUMPTION AGREEMENT

AGREEMENT dated as of ________, 20__ among [ASSIGNOR] (the "**Assignor**"), [ASSIGNEE] (the "**Assignee**"), [DUKE ENERGY CORPORATION] and THE BANK OF TOKYO-MITSUBISHI UFJ, LTD., as Administrative Agent (the "**Administrative Agent**").

WITNESSETH

WHEREAS, this Assignment and Assumption Agreement (the "**Agreement**") relates to the Amended and Restated Term Loan Credit Agreement dated as of August 1, 2016 among Duke Energy Corporation, the Assignor and the other Lenders party thereto, as Lenders and the Administrative Agent (the "**Credit Agreement**");

WHEREAS, as provided under the Credit Agreement, the Assignor has a Commitment to make Loans to the Borrower in an aggregate principal amount at any time outstanding not to exceed $_________;

WHEREAS, Loans made to the Borrower by the Assignor under the Credit Agreement in the aggregate principal amount of $_________ are outstanding at the date hereof; and

WHEREAS, the Assignor proposes to assign to the Assignee all of the rights of the Assignor under the Credit Agreement in respect of a portion of its [Commitment /outstanding Loan] thereunder in an amount equal to $_________ (the "**Assigned Amount**"), and the Assignee proposes to accept assignment of such rights and assume the corresponding obligations from the Assignor on such terms;*

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein, the parties hereto agree as follows:

SECTION 1. *Definitions*. All capitalized terms not otherwise defined herein shall have the respective meanings set forth in the Credit Agreement.

SECTION 2. *Assignment*. The Assignor hereby assigns and sells to the Assignee all of the rights of the Assignor under the Credit Agreement to the extent of the Assigned Amount, and the Assignee hereby accepts such assignment from the Assignor and assumes all of the obligations of the Assignor under the Credit Agreement to the extent of the Assigned Amount, including the purchase from the Assignor of the corresponding portion of the principal amount of the Loans made by the Assignor outstanding at the date hereof. Upon the execution and delivery hereof by the Assignor, the Assignee [, Duke Energy Corporation] and the Administrative Agent, and the payment of the amounts specified in Section 3 required to be paid on the date hereof (i) the Assignee shall, as of the date hereof, succeed to the rights and be obligated to perform the obligations of a

Lender under the Credit Agreement with a Commitment in an amount equal to the Assigned Amount, and (ii) the Commitment of the Assignor shall, as of the date hereof, be reduced by a like amount and the Assignor released from its obligations under the Credit Agreement to the extent such obligations have been assumed by the Assignee. The assignment provided for herein shall be without recourse to the Assignor.

SECTION 3. *Payments.* As consideration for the assignment and sale contemplated in Section 2 hereof, the Assignee shall pay to the Assignor on the date hereof in Federal funds the amount heretofore agreed between them. Each of the Assignor and the Assignee hereby agrees that if it receives any amount under the Credit Agreement which is for the account of the other party hereto, it shall receive the same for the account of such other party to the extent of such other party's interest therein and shall promptly pay the same to such other party.

SECTION 4. *Consent to Assignment.* This Agreement is conditioned upon the consent of [Duke Energy Corporation,] and the Administrative Agent pursuant to Section 9.06(c) of the Credit Agreement. The execution of this Agreement by [Duke Energy Corporation,] and the Administrative Agent is evidence of this consent. Pursuant to Section 9.06(c) the Borrower agrees to execute and deliver a Note, if required by the Assignee, payable to the order of the Assignee to evidence the assignment and assumption provided for herein.

SECTION 5. *Non-reliance on Assignor.* The Assignor makes no representation or warranty in connection with, and shall have no responsibility with respect to, the solvency, financial condition, or statements of the Borrower, or the validity and enforceability of the obligations of the Borrower in respect of the Credit Agreement or any Note. The Assignee acknowledges that it has, independently and without reliance on the Assignor, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and will continue to be responsible for making its own independent appraisal of the business, affairs and financial condition of the Borrower.

SECTION 6. *Governing Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 7. *Counterparts.* This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

SECTION 8. *Administrative Questionnaire.* Attached is an Administrative Questionnaire duly completed by the Assignee.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered by their duly authorized officers as of the date first above written.

[ASSIGNOR]

By: ______________________________
Title:

[ASSIGNEE]

By: ______________________________
Title:

[DUKE ENERGY CORPORATION]

By: ______________________________
Title:

[THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.]
as Administrative Agent

By: ______________________________
Title:

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES - DUKE ENERGY CORPORATION

The ratio of earnings to fixed charges is calculated using the Securities and Exchange Commission guidelines.

	Six Months Ended June 30,	Years Ended December 31,				
(in millions)	2016	2015	2014	2013	2012 [a]	2011
Earnings as defined for fixed charges calculation						
Add:						
Pretax income from continuing operations[b]	$ 1,630	$ 4,053	$ 3,998	$ 3,657	$ 2,068	$ 1,975
Fixed charges	1,071	1,859	1,871	1,886	1,510	1,057
Distributed income of equity investees	18	104	136	109	151	149
Deduct:						
Preferred dividend requirements of subsidiaries	—	—	—	—	3	—
Interest capitalized	8	18	7	8	30	46
Total earnings	$ 2,711	$ 5,998	$ 5,998	$ 5,644	$ 3,696	$ 3,135
Fixed charges:						
Interest on debt, including capitalized portions	$ 1,039	$ 1,733	$ 1,733	$ 1,760	$ 1,420	$ 1,026
Estimate of interest within rental expense	32	126	138	126	87	31
Preferred dividend requirements	—	—	—	—	3	—
Total fixed charges	$ 1,071	$ 1,859	$ 1,871	$ 1,886	$ 1,510	$ 1,057
Ratio of earnings to fixed charges	2.5	3.2	3.2	3.0	2.4	3.0
Ratio of earnings to fixed charges and preferred dividends combined[c]	2.5	3.2	3.2	3.0	2.4	3.0

(a) Includes the results of Progress Energy, Inc. beginning on July 2, 2012.
(b) Excludes amounts attributable to noncontrolling interests and income or loss from equity investees.
(c) For the periods presented, Duke Energy Corporation had no preferred stock outstanding.

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Lynn J. Good, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Corporation;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2016

/s/ LYNN J. GOOD

Lynn J. Good
Chairman, President and
Chief Executive Officer

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Lynn J. Good, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Carolinas, LLC;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in eccordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2016

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Lynn J. Good, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Progress Energy, Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2016

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Lynn J. Good, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Progress, LLC;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2016

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Lynn J. Good, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Florida, LLC;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2016

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

EXHIBIT 31.1.6

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Lynn J. Good, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Ohio, Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2016

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Lynn J. Good, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Indiana, LLC;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2016

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Steven K. Young, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Corporation;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2016

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Steven K. Young, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Carolinas, LLC;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2016

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Steven K. Young, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Progress Energy, Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2016

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Steven K. Young, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Progress, LLC;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2016

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Steven K. Young, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Florida, LLC;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2016

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Steven K. Young, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Ohio, Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2016

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Steven K. Young, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Indiana, LLC;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2016

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Corporation ("Duke Energy") on Form 10-Q for the period ending June 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynn J. Good, Chairman, President and Chief Executive Officer of Duke Energy, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy.

/s/ LYNN J. GOOD

Lynn J. Good
Chairman, President and
Chief Executive Officer

August 4, 2016

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Duke Energy Carolinas, LLC ("Duke Energy Carolinas") on Form 10-Q for the period ending June 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynn J. Good, Chief Executive Officer of Duke Energy Carolinas, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Carolinas.

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

August 4, 2016

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Progress Energy, Inc. ("Progress Energy") on Form 10-Q for the period ending June 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynn J. Good, Chief Executive Officer of Progress Energy, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Progress Energy.

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

August 4, 2016

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Progress, LLC ("Duke Energy Progress") on Form 10-Q for the period ending June 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynn J. Good, Chief Executive Officer of Duke Energy Progress, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Progress.

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

August 4, 2016

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Florida, LLC ("Duke Energy Florida") on Form 10-Q for the period ending June 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynn J. Good, Chief Executive Officer of Duke Energy Florida, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Florida.

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

August 4, 2016

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Ohio, Inc. ("Duke Energy Ohio") on Form 10-Q for the period ending June 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynn J. Good, Chief Executive Officer of Duke Energy Ohio, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Ohio.

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

August 4, 2016

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Duke Energy Indiana, LLC ("Duke Energy Indiana") on Form 10-Q for the period ending June 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynn J. Good, Chief Executive Officer of Duke Energy Indiana, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Indiana.

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

August 4, 2016

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Corporation ("Duke Energy") on Form 10-Q for the period ending June 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven K. Young, Executive Vice President and Chief Financial Officer of Duke Energy, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy.

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

August 4, 2016

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Carolinas, LLC ("Duke Energy Carolinas") on Form 10-Q for the period ending June 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven K. Young, Executive Vice President and Chief Financial Officer of Duke Energy Carolinas, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Carolinas.

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

August 4, 2016

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Progress Energy, Inc. ("Progress Energy") on Form 10-Q for the period ending June 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven K. Young, Executive Vice President and Chief Financial Officer of Progress Energy, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Progress Energy.

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

August 4, 2016

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Duke Energy Progress, LLC ("Duke Energy Progress") on Form 10-Q for the period ending June 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven K. Young, Executive Vice President and Chief Financial Officer of Duke Energy Progress, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Progress.

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

August 4, 2016

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Duke Energy Florida, LLC ("Duke Energy Florida") on Form 10-Q for the period ending June 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven K. Young, Executive Vice President and Chief Financial Officer of Duke Energy Florida, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Florida.

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

August 4, 2016

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Ohio, Inc. ("Duke Energy Ohio") on Form 10-Q for the period ending June 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven K. Young, Executive Vice President and Chief Financial Officer of Duke Energy Ohio, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Ohio.

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

August 4, 2016

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Indiana, LLC ("Duke Energy Indiana") on Form 10-Q for the period ending June 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven K. Young, Executive Vice President and Chief Financial Officer of Duke Energy Indiana, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Indiana.

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

August 4, 2016