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 8

Duke Energy Kentucky, Inc. Case No. 2017-00321 Forecasted Test Period Filing Requirements Table of Contents				
Vol. #	**Tab #**	**Filing Requirement**	**Description**	**Sponsoring Witness**
1	1	KRS 278.180	30 days' notice of rates to PSC.	James P. Henning
1	2	807 KAR 5:001 Section 7(1)	The original and 10 copies of application plus copy for anyone named as interested party.	James P. Henning
1	3	807 KAR 5:001 Section 12(2)	(a) Amount and kinds of stock authorized. (b) Amount and kinds of stock issued and outstanding. (c) Terms of preference of preferred stock whether cumulative or participating, or on dividends or assets or otherwise. (d) Brief description of each mortgage on property of applicant, giving date of execution, name of mortgagor, name of mortgagee, or trustee, amount of indebtedness authorized to be secured thereby, and the amount of indebtedness actually secured, together with any sinking fund provisions. (e) Amount of bonds authorized, and amount issued, giving the name of the public utility which issued the same, describing each class separately, and giving date of issue, face value, rate of interest, date of maturity and how secured, together with amount of interest paid thereon during the last fiscal year. (f) Each note outstanding, giving date of issue, amount, date of maturity, rate of interest, in whose favor, together with amount of interest paid thereon during the last fiscal year. (g) Other indebtedness, giving same by classes and describing security, if any, with a brief statement of the devolution or assumption of any portion of such indebtedness upon or by person or corporation if the original liability has been transferred, together with amount of interest paid thereon during the last fiscal year. (h) Rate and amount of dividends paid during the five (5) previous fiscal years, and the amount of capital stock on which dividends were paid each year.	John L. Sullivan, III
1	4	807 KAR 5:001 Section 12(2)(i)	Detailed income statement and balance sheet.	David L. Doss
1	5	807 KAR 5:001 Section 14(1)	Full name, mailing address, and electronic mail address of applicant and reference to the particular provision of law requiring PSC approval.	James P. Henning

Duke Energy Kentucky, Inc.
Case No. 2017-00321
Forecasted Test Period Filing Requirements
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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, 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 September 30, 2016:

Registrant	Description	Shares
Duke Energy	Common stock, $0.001 par value	688,941,372
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.

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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 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 ability to complete necessary or desirable pipeline expansion or infrastructure projects in our natural gas business;
- Operational interruptions to our gas distribution and transmission activities;
- 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, including the proposed sale of International Energy, excluding the equity investment in National Methanol Company; and
- The ability to successfully integrate the natural gas businesses since the acquisition of Piedmont Natural Gas Company, Inc. 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.

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 September 30,		Nine Months Ended September 30,	
(in millions, except per-share amounts)	**2016**	**2015**	**2016**	**2015**
Operating Revenues				
Regulated electric	$ 6,303	$ 6,017	$ 16,321	$ 16,564
Nonregulated electric and other	429	377	1,251	1,157
Regulated natural gas	89	89	355	416
Total operating revenues	6,821	6,483	17,927	18,137
Operating Expenses				
Fuel used in electric generation and purchased power – regulated	2,016	2,113	5,102	5,775
Fuel used in electric generation and purchased power – nonregulated	75	61	215	283
Cost of natural gas	17	21	98	158
Operation, maintenance and other	1,547	1,426	4,467	4,274
Depreciation and amortization	837	774	2,464	2,341
Property and other taxes	303	293	893	836
Impairment charges	10	111	208	111
Total operating expenses	4,805	4,799	13,447	13,778
Gains on Sales of Other Assets and Other, net	6	4	20	31
Operating Income	2,022	1,688	4,500	4,390
Other Income and Expenses				
Equity in earnings (losses) of unconsolidated affiliates	(60)	17	(37)	53
Other income and expenses, net	99	57	270	203
Total other income and expenses	39	74	233	256
Interest Expense	482	402	1,493	1,208
Income From Continuing Operations Before Income Taxes	1,579	1,360	3,240	3,438
Income Tax Expense from Continuing Operations	520	420	972	1,118
Income From Continuing Operations	1,059	940	2,268	2,320
Income (Loss) From Discontinued Operations, net of tax	122	(5)	124	29
Net Income	1,181	935	2,392	2,349
Less: Net Income Attributable to Noncontrolling Interests	5	3	13	10
Net Income Attributable to Duke Energy Corporation	$ 1,176	$ 932	$ 2,379	$ 2,339
Earnings Per Share – Basic and Diluted				
Income from continuing operations attributable to Duke Energy Corporation common stockholders				
Basic	$ 1.52	$ 1.36	$ 3.27	$ 3.31
Diluted	$ 1.52	$ 1.36	$ 3.26	$ 3.31
Income (Loss) from discontinued operations attributable to Duke Energy Corporation common stockholders				
Basic	$ 0.18	$ (0.01)	$ 0.18	$ 0.05
Diluted	$ 0.18	$ (0.01)	$ 0.18	$ 0.05
Net income attributable to Duke Energy Corporation common stockholders				
Basic	$ 1.70	$ 1.35	$ 3.45	$ 3.36
Diluted	$ 1.70	$ 1.35	$ 3.44	$ 3.36
Weighted average shares outstanding				
Basic	689	688	689	696
Diluted	691	688	690	696

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)	2016	2015	2016	2015
Net Income	**$ 1,181**	$ 935	**$ 2,392**	$ 2,349
Other Comprehensive (Loss) Income, net of tax				
Foreign currency translation adjustments	**(12)**	(122)	**95**	(238)
Pension and OPEB adjustments	**—**	(3)	**2**	(1)
Net unrealized gains (losses) on cash flow hedges	**6**	(9)	**(19)**	(7)
Reclassification into earnings from cash flow hedges	**1**	1	**3**	6
Unrealized (losses) gains on available-for-sale securities	**—**	(2)	**7**	(5)
Other Comprehensive (Loss) Income, net of tax	**(5)**	(135)	**88**	(245)
Comprehensive Income	**1,176**	800	**2,480**	2,104
Less: Comprehensive Income (Loss) Attributable to Noncontrolling Interests	**4**	(2)	**16**	—
Comprehensive Income Attributable to Duke Energy Corporation	**$ 1,172**	$ 802	**$ 2,464**	$ 2,104

See Notes to Condensed Consolidated Financial Statements

PART I

DUKE ENERGY CORPORATION
Condensed Consolidated Balance Sheets
(Unaudited)

(in millions)	September 30, 2016	December 31, 2015
ASSETS		
Current Assets		
Cash and cash equivalents	$ 6,179	$ 857
Receivables (net of allowance for doubtful accounts of $25 at 2016 and $18 at 2015)	583	703
Receivables of VIEs (net of allowance for doubtful accounts of $54 at 2016 and $53 at 2015)	2,139	1,748
Inventory	3,351	3,810
Regulatory assets (includes $51 related to VIEs at 2016)	853	877
Other	429	327
Total current assets	13,534	8,322
Investments and Other Assets		
Investments in equity method unconsolidated affiliates	604	499
Nuclear decommissioning trust funds	6,112	5,825
Goodwill	16,354	16,343
Other	2,948	3,042
Total investments and other assets	26,018	25,709
Property, Plant and Equipment		
Cost	116,376	112,826
Accumulated depreciation and amortization	(38,812)	(37,665)
Generation facilities to be retired, net	652	548
Net property, plant and equipment	78,216	75,709
Regulatory Assets and Deferred Debits		
Regulatory assets (includes $1,156 related to VIEs at 2016)	11,896	11,373
Other	22	43
Total regulatory assets and deferred debits	11,918	11,416
Total Assets	$ 129,686	$ 121,156
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$ 2,138	$ 2,400
Notes payable and commercial paper	3,011	3,633
Taxes accrued	636	348
Interest accrued	504	430
Current maturities of long-term debt (includes $258 at 2016 and $125 at 2015 related to VIEs)	3,201	2,074
Asset retirement obligations	539	—
Regulatory liabilities	319	400
Other	1,728	2,115
Total current liabilities	12,076	11,400
Long-Term Debt (includes $3,641 at 2016 and $2,197 at 2015 related to VIEs)	43,964	37,495
Deferred Credits and Other Liabilities		
Deferred income taxes	13,201	12,705
Investment tax credits	486	472
Accrued pension and other post-retirement benefit costs	1,030	1,088
Asset retirement obligations	10,291	10,264
Regulatory liabilities	6,241	6,255
Other	1,851	1,706
Total deferred credits and other liabilities	33,100	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	37,997	37,968
Retained earnings	3,212	2,564
Accumulated other comprehensive loss	(721)	(806)

Total Duke Energy Corporation stockholders' equity		**40,489**		39,727
Noncontrolling interests		**57**		44
Total equity		**40,546**		39,771
Total Liabilities and Equity	**$**	**129,686**	$	121,156

See Notes to Condensed Consolidated Financial Statements

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

	Nine Months Ended September 30,	
(in millions)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 2,392	$ 2,349
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion (including amortization of nuclear fuel)	2,847	2,680
Equity component of AFUDC	(140)	(123)
Gains on sales of other assets	(27)	(44)
Impairment charges	279	145
Deferred income taxes	648	1,104
Equity in earnings of unconsolidated affiliates	(34)	(53)
Accrued pension and other post-retirement benefit costs	12	53
Contributions to qualified pension plans	—	(143)
Payments for asset retirement obligations	(443)	(208)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	36	(23)
Receivables	(295)	67
Inventory	455	(13)
Other current assets	(163)	(119)
Increase (decrease) in		
Accounts payable	(207)	(182)
Taxes accrued	417	41
Other current liabilities	(157)	79
Other assets	(64)	(143)
Other liabilities	36	(71)
Net cash provided by operating activities	5,592	5,396
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(5,242)	(4,642)
Investment expenditures	(198)	(209)
Acquisitions	(10)	(1,317)
Purchases of available-for-sale securities	(4,048)	(3,017)
Proceeds from sales and maturities of available-for-sale securities	4,107	3,037
Net proceeds from the sale of the Midwest Generation Disposal Group	—	2,792
Net proceeds from the sales of equity investments and other assets	6	124
Change in restricted cash	(34)	(49)
Other	(136)	(10)
Net cash used in investing activities	(5,555)	(3,291)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the:		
Issuance of long-term debt	8,647	1,780
Issuance of common stock related to employee benefit plans	7	16
Payments for the redemption of long-term debt	(988)	(1,264)
Proceeds from the issuance of short-term debt with original maturities greater than 90 days	1,424	287
Payments for the redemption of short-term debt with original maturities greater than 90 days	(492)	(931)
Notes payable and commercial paper	(1,579)	531
Distributions to noncontrolling interests	(3)	(7)
Dividends paid	(1,731)	(1,685)
Repurchase of common shares	—	(1,500)
Other	—	2
Net cash provided by (used in) financing activities	5,285	(2,771)
Net increase (decrease) in cash and cash equivalents	5,322	(666)
Cash and cash equivalents at beginning of period	857	2,036
Cash and cash equivalents at end of period	$ 6,179	$ 1,370

Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	**$ 631**	$ 610

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 (Losses) Gains 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	—	—	—	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
Balance at December 31, 2015	688	$ 1	$ 37,968	$ 2,564	$ (692)	$ (50)	$ (3)	$ (61)	$ 39,727	$ 44	$ 39,771
Net income	—	—	—	2,379	—	—	—	—	2,379	13	2,392
Other comprehensive income (loss)	—	—	—	—	92	(16)	7	2	85	3	88
Common stock issuances, including dividend reinvestment and employee benefits	1	—	29	—	—	—	—	—	29	—	29
Common stock dividends	—	—	—	(1,731)	—	—	—	—	(1,731)	—	(1,731)
Distributions to noncontrolling interest in subsidiaries	—	—	—	—	—	—	—	—	—	(3)	(3)
Balance at September 30, 2016	689	$ 1	$ 37,997	$ 3,212	$ (600)	$ (66)	$ 4	$ (59)	$ 40,489	$ 57	$ 40,546

(a) The $19 million change in Noncontrolling Interests for the nine months ended September 30, 2015, is primarily related to an acquisition of majority interest in a solar company.

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)	**2016**	**2015**	**2016**	**2015**
Operating Revenues	$ 2,226	$ 2,061	$ 5,641	$ 5,669
Operating Expenses				
Fuel used in electric generation and purchased power	581	548	1,391	1,553
Operation, maintenance and other	493	511	1,481	1,469
Depreciation and amortization	268	269	802	779
Property and other taxes	68	67	206	204
Total operating expenses	1,410	1,395	3,880	4,005
Losses on Sales of Other Assets and Other, net	(1)	—	(1)	—
Operating Income	815	666	1,760	1,664
Other Income and Expenses, net	39	42	121	125
Interest Expense	102	105	316	313
Income Before Income Taxes	752	603	1,565	1,476
Income Tax Expense	258	220	539	536
Net Income	$ 494	$ 383	$ 1,026	$ 940
Other Comprehensive Income, net of tax				
Reclassification into earnings from cash flow hedges	—	1	1	1
Unrealized gains on available-for-sale securities	—	1	—	1
Other Comprehensive Income, net of tax	—	2	1	2
Comprehensive Income	$ 494	$ 385	$ 1,027	$ 942

See Notes to Condensed Consolidated Financial Statements

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

(in millions)	September 30, 2016	December 31, 2015
ASSETS		
Current Assets		
Cash and cash equivalents	$ 82	$ 13
Receivables (net of allowance for doubtful accounts of $2 at 2016 and $3 at 2015)	129	142
Receivables of VIEs (net of allowance for doubtful accounts of $7 at 2016 and 2015)	780	596
Receivables from affiliated companies	88	107
Notes receivable from affiliated companies	32	163
Inventory	1,053	1,276
Regulatory assets	256	305
Other	22	128
Total current assets	2,442	2,730
Investments and Other Assets		
Nuclear decommissioning trust funds	3,234	3,050
Other	923	999
Total investments and other assets	4,157	4,049
Property, Plant and Equipment		
Cost	40,495	39,398
Accumulated depreciation and amortization	(14,125)	(13,521)
Net property, plant and equipment	26,370	25,877
Regulatory Assets and Deferred Debits		
Regulatory assets	3,040	2,766
Other	3	4
Total regulatory assets and deferred debits	3,043	2,770
Total Assets	$ 36,012	$ 35,426
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$ 582	$ 753
Accounts payable to affiliated companies	149	229
Taxes accrued	198	25
Interest accrued	125	95
Current maturities of long-term debt	468	356
Asset retirement obligations	303	—
Regulatory liabilities	125	39
Other	417	519
Total current liabilities	2,367	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	6,464	6,146
Investment tax credits	195	199
Accrued pension and other post-retirement benefit costs	93	107
Asset retirement obligations	3,622	3,918
Regulatory liabilities	2,864	2,802
Other	685	621
Total deferred credits and other liabilities	13,923	13,793
Commitments and Contingencies		
Equity		
Member's equity	10,840	11,617
Accumulated other comprehensive loss	(10)	(11)
Total equity	10,830	11,606
Total Liabilities and Equity	$ 36,012	$ 35,426

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)	**2016**	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 1,026	$ 940
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including amortization of nuclear fuel)	1,020	1,016
Equity component of AFUDC	(75)	(73)
Losses on sales of other assets and other, net	1	—
Deferred income taxes	382	183
Accrued pension and other post-retirement benefit costs	3	11
Contributions to qualified pension plans	—	(42)
Payments for asset retirement obligations	(204)	(104)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	4	—
Receivables	(191)	(9)
Receivables from affiliated companies	19	—
Inventory	217	(48)
Other current assets	81	42
Increase (decrease) in		
Accounts payable	(179)	(141)
Accounts payable to affiliated companies	(100)	(11)
Taxes accrued	248	182
Other current liabilities	51	49
Other assets	57	97
Other liabilities	(15)	(61)
Net cash provided by operating activities	2,345	2,031
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,531)	(1,372)
Purchases of available-for-sale securities	(2,070)	(1,926)
Proceeds from sales and maturities of available-for-sale securities	2,070	1,926
Notes receivable from affiliated companies	131	(549)
Other	(65)	(13)
Net cash used in investing activities	(1,465)	(1,934)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	992	496
Payments for the redemption of long-term debt	(3)	(3)
Distributions to parent	(1,800)	(401)
Other	—	(4)
Net cash (used in) provided by financing activities	(811)	88
Net increase in cash and cash equivalents	69	185
Cash and cash equivalents at beginning of period	13	13
Cash and cash equivalents at end of period	$ 82	$ 198
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$ 228	$ 229

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		940		—		—	940
Other comprehensive income		—		1		1	2
Distributions to parent		(401)		—		—	(401)
Balance at September 30, 2015	$	11,476	$	(11)	$	—	$ 11,465
Balance at December 31, 2015	$	11,617	$	(11)	$	—	$ 11,606
Net income		1,026		—		—	1,026
Other comprehensive income		—		1		—	1
Distributions to parent		(1,800)		—		—	(1,800)
Other		(3)		—		—	(3)
Balance at September 30, 2016	$	10,840	$	(10)	$	—	$ 10,830

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)	**2016**	**2015**	**2016**	**2015**
Operating Revenues	$ 2,965	$ 2,929	$ 7,645	$ 7,941
Operating Expenses				
Fuel used in electric generation and purchased power	1,120	1,238	2,832	3,273
Operation, maintenance and other	582	539	1,699	1,672
Depreciation and amortization	318	261	904	831
Property and other taxes	136	132	375	367
Impairment charges	1	7	4	7
Total operating expenses	2,157	2,177	5,814	6,150
Gains on Sales of Other Assets and Other, net	6	4	18	18
Operating Income	814	756	1,849	1,809
Other Income and Expenses, net	31	17	79	63
Interest Expense	177	170	497	504
Income From Continuing Operations Before Income Taxes	668	603	1,431	1,368
Income Tax Expense From Continuing Operations	219	151	496	435
Income From Continuing Operations	449	452	935	933
Loss From Discontinued Operations, net of tax	—	(1)	—	(2)
Net Income	449	451	935	931
Less: Net Income Attributable to Noncontrolling Interests	3	3	8	8
Net Income Attributable to Parent	$ 446	$ 448	$ 927	$ 923

Net Income	$ 449	$ 451	$ 935	$ 931
Other Comprehensive Income, net of tax				
Pension and OPEB adjustments	—	(3)	2	(1)
Reclassification into earnings from cash flow hedges	1	3	4	2
Unrealized gains (losses) on available-for-sale securities	1	—	2	(1)
Other Comprehensive Income, net of tax	2	—	8	—
Comprehensive Income	451	451	943	931
Less: Comprehensive Income Attributable to Noncontrolling Interests	3	3	8	8
Comprehensive Income Attributable to Parent	$ 448	$ 448	$ 935	$ 923

See Notes to Condensed Consolidated Financial Statements

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

(in millions)	September 30, 2016	December 31, 2015
ASSETS		
Current Assets		
Cash and cash equivalents	$ 165	$ 44
Receivables (net of allowance for doubtful accounts of $6 at 2016 and 2015)	109	151
Receivables of VIEs (net of allowance for doubtful accounts of $8 at 2016 and 2015)	857	658
Receivables from affiliated companies	8	375
Notes receivable from affiliated companies	43	—
Inventory	1,653	1,751
Regulatory assets (includes $51 related to VIEs at 2016)	347	362
Other	183	156
Total current assets	3,365	3,497
Investments and Other Assets		
Nuclear decommissioning trust funds	2,879	2,775
Goodwill	3,655	3,655
Other	865	834
Total investments and other assets	7,399	7,264
Property, Plant and Equipment		
Cost	44,151	42,666
Accumulated depreciation and amortization	(15,169)	(14,867)
Generation facilities to be retired, net	562	548
Net property, plant and equipment	29,544	28,347
Regulatory Assets and Deferred Debits		
Regulatory assets (includes $1,156 related to VIEs at 2016)	5,652	5,435
Other	4	5
Total regulatory assets and deferred debits	5,656	5,440
Total Assets	$ 45,964	$ 44,548
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$ 673	$ 722
Accounts payable to affiliated companies	202	311
Notes payable to affiliated companies	510	1,308
Taxes accrued	228	53
Interest accrued	186	195
Current maturities of long-term debt (includes $62 related to VIEs at 2016)	578	315
Asset retirement obligations	236	—
Regulatory liabilities	148	286
Other	721	891
Total current liabilities	3,482	4,081
Long-Term Debt (includes $1,741 at 2016 and $479 at 2015 related to VIEs)	15,792	13,999
Long-Term Debt Payable to Affiliated Companies	150	150
Deferred Credits and Other Liabilities		
Deferred income taxes	5,148	4,790
Accrued pension and other post-retirement benefit costs	516	536
Asset retirement obligations	5,421	5,369
Regulatory liabilities	2,353	2,387
Other	379	383
Total deferred credits and other liabilities	13,817	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	8,096	8,092
Retained earnings	4,683	4,831

Accumulated other comprehensive loss		(40)		(48)
Total Progress Energy, Inc. stockholders' equity		12,739		12,875
Noncontrolling interests		(16)		(22)
Total equity		12,723		12,853
Total Liabilities and Equity	$	45,964	$	44,548

See Notes to Condensed Consolidated Financial Statements

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

	Nine Months Ended September 30,	
(in millions)	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 935	$ 931
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion (including amortization of nuclear fuel)	1,071	962
Equity component of AFUDC	(51)	(40)
Gains on sales of other assets	(23)	(24)
Impairment charges	4	7
Deferred income taxes	425	512
Accrued pension and other post-retirement benefit costs	(19)	(4)
Contributions to qualified pension plans	—	(42)
Payments for asset retirement obligations	(203)	(90)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	33	6
Receivables	(155)	(103)
Receivables from affiliated companies	329	(62)
Inventory	99	44
Other current assets	(30)	298
Increase (decrease) in		
Accounts payable	(24)	(157)
Accounts payable to affiliated companies	(109)	35
Taxes accrued	159	75
Other current liabilities	(156)	115
Other assets	(90)	(116)
Other liabilities	(4)	(87)
Net cash provided by operating activities	2,191	2,260
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(2,276)	(1,816)
Acquisitions	(10)	(1,249)
Purchases of available-for-sale securities	(1,849)	(829)
Proceeds from sales and maturities of available-for-sale securities	1,899	895
Proceeds from insurance	58	—
Proceeds from the sale of nuclear fuel	—	81
Notes receivable from affiliated companies	(43)	(31)
Change in restricted cash	(6)	—
Other	(17)	(44)
Net cash used in investing activities	(2,244)	(2,993)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	2,375	1,195
Payments for the redemption of long-term debt	(327)	(555)
Notes payable to affiliated companies	(798)	(401)
Distributions to noncontrolling interests	(1)	(4)
Capital contribution from parent	—	625
Dividends to parent	(1,075)	—
Other	—	(11)
Net cash provided by financing activities	174	849
Net increase in cash and cash equivalents	121	116
Cash and cash equivalents at beginning of period	44	42
Cash and cash equivalents at end of period	$ 165	$ 158
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$ 228	$ 276

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	—	—	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
Balance at December 31, 2015	$ —	$ 8,092	$ 4,831	$ (31)	$ —	$ (17)	$ 12,875	$ (22)	$12,853
Net income	—	—	927	—	—	—	927	8	935
Other comprehensive income	—	—	—	4	2	2	8	—	8
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(1)	(1)
Dividends to parent	—	—	(1,075)	—	—	—	(1,075)	—	(1,075)
Other	—	4	—	—	—	—	4	(1)	3
Balance at September 30, 2016	$ —	$ 8,096	$ 4,683	$ (27)	$ 2	$ (15)	$ 12,739	$ (16)	$12,723

See Notes to Condensed Consolidated Financial Statements

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2016**	**2015**	**2016**	**2015**
Operating Revenues	$ 1,583	$ 1,488	$ 4,103	$ 4,130
Operating Expenses				
Fuel used in electric generation and purchased power	569	584	1,441	1,608
Operation, maintenance and other	360	329	1,067	1,066
Depreciation and amortization	176	147	526	462
Property and other taxes	40	35	119	102
Impairment charges	1	—	1	—
Total operating expenses	1,146	1,095	3,154	3,238
Gains on Sales of Other Assets and Other, net	1	1	2	2
Operating Income	438	394	951	894
Other Income and Expenses, net	18	14	47	49
Interest Expense	61	59	188	175
Income Before Income Taxes	395	349	810	768
Income Tax Expense	124	120	271	271
Net Income and Comprehensive Income	$ 271	$ 229	$ 539	$ 497

See Notes to Condensed Consolidated Financial Statements

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

(in millions)	September 30, 2016	December 31, 2015
ASSETS		
Current Assets		
Cash and cash equivalents	$ 136	$ 15
Receivables (net of allowance for doubtful accounts of $4 at 2016 and 2015)	42	87
Receivables of VIEs (net of allowance for doubtful accounts of $5 at 2016 and 2015)	473	349
Receivables from affiliated companies	5	16
Notes receivable from affiliated companies	65	—
Inventory	998	1,088
Regulatory assets	186	264
Other	83	121
Total current assets	1,988	1,940
Investments and Other Assets		
Nuclear decommissioning trust funds	2,171	2,035
Other	518	486
Total investments and other assets	2,689	2,521
Property, Plant and Equipment		
Cost	28,001	27,313
Accumulated depreciation and amortization	(10,508)	(10,141)
Generation facilities to be retired, net	562	548
Net property, plant and equipment	18,055	17,720
Regulatory Assets and Deferred Debits		
Regulatory assets	3,093	2,710
Other	2	3
Total regulatory assets and deferred debits	3,095	2,713
Total Assets	$ 25,827	$ 24,894
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$ 319	$ 399
Accounts payable to affiliated companies	143	190
Notes payable to affiliated companies	—	209
Taxes accrued	91	15
Interest accrued	81	96
Current maturities of long-term debt	252	2
Asset retirement obligations	236	—
Regulatory liabilities	129	85
Other	326	412
Total current liabilities	1,577	1,408
Long-Term Debt	6,609	6,366
Long-Term Debt Payable to Affiliated Companies	150	150
Deferred Credits and Other Liabilities		
Deferred income taxes	3,279	3,027
Investment tax credits	148	132
Accrued pension and other post-retirement benefit costs	247	262
Asset retirement obligations	4,623	4,567
Regulatory liabilities	1,874	1,878
Other	23	45
Total deferred credits and other liabilities	10,194	9,911
Commitments and Contingencies		
Member's Equity	7,297	7,059
Total Liabilities and Equity	$ 25,827	$ 24,894

See Notes to Condensed Consolidated Financial Statements

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

	Nine Months Ended September 30,	
(in millions)	**2016**	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 539	$ 497
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion (including amortization of nuclear fuel)	679	587
Equity component of AFUDC	(34)	(35)
Gains on sales of other assets	(4)	(5)
Impairment charges	1	—
Deferred income taxes	325	308
Accrued pension and other post-retirement benefit costs	(24)	(11)
Contributions to qualified pension plans	—	(21)
Payments for asset retirement obligations	(163)	(53)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	—	(3)
Receivables	(78)	(51)
Receivables from affiliated companies	11	4
Inventory	91	37
Other current assets	37	187
Increase (decrease) in		
Accounts payable	(44)	(69)
Accounts payable to affiliated companies	(47)	21
Taxes accrued	76	34
Other current liabilities	37	22
Other assets	(32)	(41)
Other liabilities	(10)	(64)
Net cash provided by operating activities	1,360	1,344
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,106)	(1,120)
Acquisitions	—	(1,249)
Purchases of available-for-sale securities	(1,470)	(511)
Proceeds from sales and maturities of available-for-sale securities	1,448	488
Notes receivable from affiliated companies	(65)	(70)
Other	(27)	(35)
Net cash used in investing activities	(1,220)	(2,497)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	505	1,195
Payments for the redemption of long-term debt	(15)	(544)
Notes payable to affiliated companies	(209)	—
Capital contribution from parent	—	625
Distributions to parent	(301)	—
Other	1	(9)
Net cash (used in) provided by financing activities	(19)	1,267
Net increase in cash and cash equivalents	121	114
Cash and cash equivalents at beginning of period	15	9
Cash and cash equivalents at end of period	$ 136	$ 123
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$ 66	$ 136

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		—		355		142		497
Contribution from parent		—		—		625		625
Transfer to Member's Equity		(2,159)		(4,063)		6,222		—
Balance at September 30, 2015	$	—	$	—	$	6,989	$	6,989
Balance at December 31, 2015	$	—	$	—	$	7,059	$	7,059
Net income		**—**		**—**		**539**		**539**
Distributions to parent		**—**		**—**		**(301)**		**(301)**
Balance at September 30, 2016	**$**	**—**	**$**	**—**	**$**	**7,297**	**$**	**7,297**

See Notes to Condensed Consolidated Financial Statements

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2016**	**2015**	**2016**	**2015**
Operating Revenues	$ 1,381	$ 1,436	$ 3,538	$ 3,803
Operating Expenses				
Fuel used in electric generation and purchased power	550	654	1,391	1,665
Operation, maintenance and other	219	208	623	598
Depreciation and amortization	142	113	378	369
Property and other taxes	96	97	256	265
Impairment charges	1	7	4	7
Total operating expenses	1,008	1,079	2,652	2,904
Operating Income	373	357	886	899
Other Income and Expenses, net	11	2	30	12
Interest Expense	62	50	143	149
Income Before Income Taxes	322	309	773	762
Income Tax Expense	116	93	286	268
Net Income	$ 206	$ 216	$ 487	$ 494
Other Comprehensive Income, net of tax				
Unrealized gains on available-for-sale securities	1	—	2	—
Comprehensive Income	$ 207	$ 216	$ 489	$ 494

See Notes to Condensed Consolidated Financial Statements

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

(in millions)		September 30, 2016		December 31, 2015
ASSETS				
Current Assets				
Cash and cash equivalents	$	10	$	8
Receivables (net of allowance for doubtful accounts of $2 at 2016 and 2015)		65		60
Receivables of VIEs (net of allowance for doubtful accounts of $3 at 2016 and 2015)		385		308
Receivables from affiliated companies		5		84
Inventory		656		663
Regulatory assets (includes $51 related to VIEs at 2016)		161		98
Other		46		21
Total current assets		1,328		1,242
Investments and Other Assets				
Nuclear decommissioning trust funds		708		740
Other		292		292
Total investments and other assets		1,000		1,032
Property, Plant and Equipment				
Cost		16,139		15,343
Accumulated depreciation and amortization		(4,654)		(4,720)
Net property, plant and equipment		11,485		10,623
Regulatory Assets and Deferred Debits				
Regulatory assets (includes $1,156 related to VIEs at 2016)		2,559		2,725
Other		2		2
Total regulatory assets and deferred debits		2,561		2,727
Total Assets	$	16,374	$	15,624
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable	$	354	$	322
Accounts payable to affiliated companies		61		116
Notes payable to affiliated companies		63		813
Taxes accrued		209		132
Interest accrued		58		43
Current maturities of long-term debt (includes $62 related to VIEs at 2016)		326		13
Regulatory liabilities		18		200
Other		367		452
Total current liabilities		1,456		2,091
Long-Term Debt (includes $1,441 at 2016 and $225 at 2015 related to VIEs)		5,802		4,253
Deferred Credits and Other Liabilities				
Deferred income taxes		2,597		2,460
Accrued pension and other post-retirement benefit costs		237		242
Asset retirement obligations		798		802
Regulatory liabilities		478		509
Other		167		146
Total deferred credits and other liabilities		4,277		4,159
Commitments and Contingencies				
Equity				
Member's equity		4,837		5,121
Accumulated other comprehensive income		2		—
Total equity		4,839		5,121
Total Liabilities and Equity	$	16,374	$	15,624

See Notes to Condensed Consolidated Financial Statements

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

	Nine Months Ended September 30,	
(in millions)	**2016**	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 487	$ 494
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	383	373
Equity component of AFUDC	(16)	(4)
Impairment charges	4	7
Deferred income taxes	136	341
Accrued pension and other post-retirement benefit costs	2	4
Contributions to qualified pension plans	—	(21)
Payments for asset retirement obligations	(41)	(37)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	34	3
Receivables	(78)	(52)
Receivables from affiliated companies	41	(58)
Inventory	8	7
Other current assets	(32)	78
Increase (decrease) in		
Accounts payable	20	(88)
Accounts payable to affiliated companies	(55)	10
Taxes accrued	61	43
Other current liabilities	(183)	97
Other assets	(56)	(73)
Other liabilities	1	(29)
Net cash provided by operating activities	716	1,095
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,169)	(696)
Acquisitions	(10)	—
Purchases of available-for-sale securities	(379)	(318)
Proceeds from sales and maturities of available-for-sale securities	450	408
Proceeds from insurance	58	—
Proceeds from the sale of nuclear fuel	—	81
Change in restricted cash	(6)	—
Other	10	(12)
Net cash used in investing activities	(1,046)	(537)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	1,870	—
Payments for the redemption of long-term debt	(12)	(11)
Notes payable to affiliated companies	(750)	161
Dividends to parent	—	(350)
Distributions to parent	(774)	(350)
Other	(2)	—
Net cash provided by (used in) financing activities	332	(550)
Net increase in cash and cash equivalents	2	8
Cash and cash equivalents at beginning of period	8	8
Cash and cash equivalents at end of period	$ 10	$ 16
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$ 162	$ 140

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY FLORIDA, LLC
Condensed Consolidated Statements of Changes in Equity
(Unaudited)

							Accumulated Other Comprehensive Income			
(in millions)		**Common Stock**		**Retained Earnings**		**Member's Equity**		**Net Unrealized Gains on Available-for-Sale Securities**		**Total Equity**
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
Balance at December 31, 2015	$	—	$	—	$	5,121	$	—	$	5,121
Net income		—		—		487		—		487
Other comprehensive income		—		—		—		2		2
Distributions to parent		—		—		(774)		—		(774)
Other		—		—		3		—		3
Balance at September 30, 2016	$	—	$	—	$	4,837	$	2	$	4,839

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)	**2016**	**2015**	**2016**	**2015**
Operating Revenues				
Regulated electric	$ 390	$ 367	$ 1,053	$ 1,005
Nonregulated electric and other	10	6	22	29
Regulated natural gas	89	89	358	419
Total operating revenues	489	462	1,433	1,453
Operating Expenses				
Fuel used in electric generation and purchased power – regulated	129	128	340	350
Fuel used in electric generation and purchased power – nonregulated	14	10	37	36
Cost of natural gas	6	7	64	116
Operation, maintenance and other	126	124	367	370
Depreciation and amortization	50	57	175	172
Property and other taxes	59	60	195	187
Total operating expenses	384	386	1,178	1,231
Gains on Sales of Other Assets and Other, net	1	—	2	8
Operating Income	106	76	257	230
Other Income and Expenses, net	3	—	6	(2)
Interest Expense	22	20	63	58
Income From Continuing Operations Before Income Taxes	87	56	200	170
Income Tax Expense From Continuing Operations	32	22	65	64
Income From Continuing Operations	55	34	135	106
Income (Loss) From Discontinued Operations, net of tax	34	(2)	36	23
Net Income and Comprehensive Income	$ 89	$ 32	$ 171	$ 129

See Notes to Condensed Consolidated Financial Statements

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

(in millions)	September 30, 2016	December 31, 2015
ASSETS		
Current Assets		
Cash and cash equivalents	$ 99	$ 14
Receivables (net of allowance for doubtful accounts of $2 at 2016 and 2015)	68	66
Receivables from affiliated companies	96	84
Notes receivable from affiliated companies	47	—
Inventory	110	105
Regulatory assets	46	36
Other	59	110
Total current assets	525	415
Investments and Other Assets		
Goodwill	920	920
Other	18	20
Total investments and other assets	938	940
Property, Plant and Equipment		
Cost	8,019	7,750
Accumulated depreciation and amortization	(2,566)	(2,507)
Net property, plant and equipment	5,453	5,243
Regulatory Assets and Deferred Debits		
Regulatory assets	490	497
Other	2	2
Total regulatory assets and deferred debits	492	499
Total Assets	$ 7,408	$ 7,097
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$ 250	$ 207
Accounts payable to affiliated companies	49	53
Notes payable to affiliated companies	—	103
Taxes accrued	163	171
Interest accrued	32	18
Current maturities of long-term debt	54	106
Regulatory liabilities	17	12
Other	84	153
Total current liabilities	649	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	1,422	1,407
Accrued pension and other post-retirement benefit costs	51	56
Asset retirement obligations	108	125
Regulatory liabilities	238	245
Other	168	165
Total deferred credits and other liabilities	1,987	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	(518)	(698)
Total equity	2,939	2,784
Total Liabilities and Equity	$ 7,408	$ 7,097

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)	**2016**	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 171	$ 129
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	178	175
Equity component of AFUDC	(4)	(2)
Gains on sales of other assets and other, net	(2)	(8)
Impairment charges	—	40
Deferred income taxes	36	127
Accrued pension and other post-retirement benefit costs	4	7
Contributions to qualified pension plans	—	(4)
Payments for asset retirement obligations	(4)	(2)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	—	(11)
Receivables	(1)	8
Receivables from affiliated companies	(3)	46
Inventory	(5)	2
Other current assets	50	6
Increase (decrease) in		
Accounts payable	13	7
Accounts payable to affiliated companies	(4)	(32)
Taxes accrued	(13)	(58)
Other current liabilities	(53)	101
Other assets	(8)	28
Other liabilities	(28)	(57)
Net cash provided by operating activities	327	502
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(334)	(266)
Notes receivable from affiliated companies	(47)	145
Other	(21)	(9)
Net cash used in investing activities	(402)	(130)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	341	—
Payments for the redemption of long-term debt	(53)	(153)
Notes payable to affiliated companies	(103)	(64)
Dividends to parent	(25)	(149)
Other	—	(2)
Net cash provided by (used in) financing activities	160	(368)
Net increase in cash and cash equivalents	85	4
Cash and cash equivalents at beginning of period	14	20
Cash and cash equivalents at end of period	$ 99	$ 24
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$ 56	$ 24
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		—		—		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
Balance at December 31, 2015	$	762	$	2,720	$	(698)	$	2,784
Net income		**—**		**—**		**171**		**171**
Dividends to parent		**—**		**(25)**		**—**		**(25)**
Contribution from parent		**—**		**—**		**9**		**9**
Balance at September 30, 2016	**$**	**762**	**$**	**2,695**	**$**	**(518)**	**$**	**2,939**

See Notes to Condensed Consolidated Financial Statements

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2016**	**2015**	**2016**	**2015**
Operating Revenues	$ 809	$ 749	$ 2,225	$ 2,223
Operating Expenses				
Fuel used in electric generation and purchased power	242	250	690	779
Operation, maintenance and other	175	164	526	525
Depreciation and amortization	123	109	345	320
Property and other taxes	22	23	67	41
Impairment charges	8	85	8	85
Total operating expenses	570	631	1,636	1,750
Loss on Sale of Other Assets and Other, net	—	(1)	—	—
Operating Income	239	117	589	473
Other Income and Expenses, net	5	—	15	9
Interest Expense	45	44	136	132
Income Before Income Taxes	199	73	468	350
Income Tax Expense	70	27	159	128
Net Income	$ 129	$ 46	$ 309	$ 222
Other Comprehensive Loss, net of tax				
Reclassification into earnings from cash flow hedges	—	(1)	(1)	(2)
Comprehensive Income	$ 129	$ 45	$ 308	$ 220

See Notes to Condensed Consolidated Financial Statements

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

(in millions)		September 30, 2016		December 31, 2015
ASSETS				
Current Assets				
Cash and cash equivalents	$	94	$	9
Receivables (net of allowance for doubtful accounts of $1 at 2016 and 2015)		84		96
Receivables from affiliated companies		74		71
Notes receivable from affiliated companies		38		83
Inventory		424		570
Regulatory assets		131		102
Other		104		15
Total current assets		949		946
Investments and Other Assets		174		212
Property, Plant and Equipment				
Cost		14,069		14,007
Accumulated depreciation and amortization		(4,225)		(4,484)
Generation facilities to be retired, net		90		—
Net property, plant and equipment		9,934		9,523
Regulatory Assets and Deferred Debits				
Regulatory assets		909		716
Other		2		2
Total regulatory assets and deferred debits		911		718
Total Assets	$	11,968	$	11,399
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable	$	167	$	189
Accounts payable to affiliated companies		82		83
Taxes accrued		48		89
Interest accrued		54		56
Current maturities of long-term debt		71		547
Regulatory liabilities		30		62
Other		95		97
Total current liabilities		547		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		1,822		1,657
Investment tax credits		137		138
Accrued pension and other post-retirement benefit costs		72		80
Asset retirement obligations		847		525
Regulatory liabilities		738		754
Other		94		65
Total deferred credits and other liabilities		3,710		3,219
Commitments and Contingencies				
Equity				
Member's equity		3,995		—
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		3,995		3,836
Total Liabilities and Equity	$	11,968	$	11,399

See Notes to Condensed Consolidated Financial Statements

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

	Nine Months Ended September 30,	
(in millions)	**2016**	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 309	$ 222
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	347	323
Equity component of AFUDC	(11)	(9)
Impairment charges	8	85
Deferred income taxes	122	276
Accrued pension and other post-retirement benefit costs	6	10
Contributions to qualified pension plans	—	(9)
Payments for asset retirement obligations	(31)	(12)
(Increase) decrease in		
Receivables	16	(5)
Receivables from affiliated companies	(3)	43
Inventory	146	(27)
Other current assets	(105)	67
Increase (decrease) in		
Accounts payable	(14)	11
Accounts payable to affiliated companies	(1)	(8)
Taxes accrued	12	(11)
Other current liabilities	(85)	16
Other assets	(38)	(50)
Other liabilities	64	(1)
Net cash provided by operating activities	742	921
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(540)	(506)
Purchases of available-for-sale securities	(12)	(5)
Proceeds from sales and maturities of available-for-sale securities	9	8
Proceeds from the sales of other assets	—	14
Notes receivable from affiliated companies	45	(166)
Other	(28)	13
Net cash used in investing activities	(526)	(642)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	495	—
Payments for the redemption of long-term debt	(476)	(2)
Notes payable to affiliated companies	—	(71)
Dividends to parent	—	(150)
Distributions to parent	(149)	—
Other	(1)	—
Net cash used in financing activities	(131)	(223)
Net increase in cash and cash equivalents	85	56
Cash and cash equivalents at beginning of period	9	6
Cash and cash equivalents at end of period	$ 94	$ 62
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$ 56	$ 46

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY INDIANA, LLC
Condensed Consolidated Statements of Changes in Equity
(Unaudited)

(in millions)	Common Stock	Additional Paid-in Capital	Retained Earnings	Member's Equity	Accumulated Other Comprehensive Income: Net Gains on Cash Flow Hedges	Total Equity
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
Balance at December 31, 2015	$ 1	$ 1,384	$ 2,450	$ —	$ 1	$ 3,836
Net income	—	—	—	309	—	309
Other comprehensive loss	—	—	—	—	(1)	(1)
Distributions to parent	—	—	—	(149)	—	(149)
Transfer to Member's Equity	(1)	(1,384)	(2,450)	3,835	—	—
Balance at September 30, 2016	$ —	$ —	$ —	$ 3,995	$ —	$ 3,995

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**	**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, 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. See Note 2 for information on the proposed sale of International Energy. 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). 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 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.

See Note 2 for information regarding Duke Energy's acquisition of Piedmont Natural Gas Company, Inc. (Piedmont) that closed on October 3, 2016. For the periods presented, Duke Energy's condensed consolidated financial information does not include the results of Piedmont. Also, the Duke Energy Registrants, as defined above, do not include Piedmont, unless otherwise noted.

BASIS OF PRESENTATION

Duke Energy completed the sale of Duke Energy Ohio's nonregulated Midwest generation business and Duke Energy Retail Sales (collectively, the Midwest Generation 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)	September 30, 2016	December 31, 2015
Duke Energy	$ 800	$ 748
Duke Energy Carolinas	318	283
Progress Energy	195	172
Duke Energy Progress	96	102
Duke Energy Florida	99	70
Duke Energy Ohio	2	3
Duke Energy Indiana	36	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 13 for further information. These receivables for unbilled revenues are shown in the table below.

(in millions)	September 30, 2016	December 31, 2015
Duke Energy Ohio	$ 72	$ 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.

INVENTORY

Inventory is used for operations and is recorded primarily using the average cost method. Inventory related to regulated operations is valued at historical cost. Inventory related to nonregulated operations is valued at the lower of cost or market. Materials and supplies are recorded as inventory when purchased and subsequently charged to expense or capitalized to property, plant and equipment when installed. Reserves are established for excess and obsolete inventory. Inventory reserves were not material at September 30, 2016 and December 31, 2015. The components of inventory are presented in the tables below.

	September 30, 2016						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Materials and supplies	$ 2,312	$ 760	$ 1,139	$ 781	$ 358	$ 85	$ 236
Coal held for electric generation	743	256	277	101	177	18	188
Oil, gas and other fuel held for electric generation	296	37	237	116	121	7	2
Total inventory	$ 3,351	$ 1,053	$ 1,653	$ 998	$ 656	$ 110	$ 424

	December 31, 2015						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Materials and supplies	$ 2,389	$ 785	$ 1,133	$ 776	$ 357	$ 81	$ 301
Coal held for electric generation	1,114	451	370	192	178	16	267
Oil, gas and other fuel held for electric generation	307	40	248	120	128	8	2
Total inventory	$ 3,810	$ 1,276	$ 1,751	$ 1,088	$ 663	$ 105	$ 570

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 September 30,		Nine Months Ended September 30,	
(in millions)	2016	2015	2016	2015
Duke Energy	$ 107	$ 109	$ 285	$ 308
Duke Energy Carolinas	6	9	21	27
Progress Energy	65	67	161	174
Duke Energy Progress	4	4	13	12
Duke Energy Florida	61	63	148	162
Duke Energy Ohio	26	24	77	80
Duke Energy Indiana	10	9	26	27

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 new Accounting Standards Updates (ASUs) have been issued, but have not yet been adopted by Duke Energy, as of September 30, 2016.

Revenue from Contracts with Customers. In May 2014, the Financial Accounting Standards Board (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.

The Duke Energy Registrants intend to adopt the revised accounting guidance 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 the Duke Energy Registrants, 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 classification on the Condensed Consolidated Statements of Cash Flows. The primary future impact to the Duke Energy Registrants is expected to be an increase in the volatility of income tax expense. This guidance will be adopted for the period beginning January 1, 2017.

Cash Flow Statement. In August 2016, the FASB issued revised accounting guidance for classification of certain cash receipts and payments. Stakeholders indicated diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows.

For the Duke Energy Registrants, this guidance is effective for the interim and annual periods beginning January 1, 2018, although it can be early adopted. The guidance is applied using a retrospective transition method to each period presented, if practical. Duke Energy is currently evaluating the requirements. The ultimate impact of the new standard has not yet been determined.

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

Piedmont Natural Gas is a North Carolina corporation primarily engaged in regulated natural gas distribution to residential, commercial, industrial and power generation customers in portions of North Carolina, South Carolina and Tennessee. On October 3, 2016, Duke Energy completed the acquisition contemplated by the Agreement and Plan of Merger (Merger Agreement) with Piedmont for a total cash purchase price of approximately $5.0 billion. The acquisition provides a foundation for establishing a broader strategic natural gas infrastructure platform within Duke Energy to complement the existing natural gas pipeline investments and regulated natural gas business in the Midwest. As a result of the acquisition, Piedmont became a wholly owned subsidiary of Duke Energy.

Preliminary Purchase Price Allocation

The preliminary purchase price allocation of the Piedmont acquisition is estimated as follows:

(in millions)		
Current assets	$	500
Property, plant and equipment, net		4,710
Goodwill		3,380
Other long-term assets		810
Total assets		9,400
Current liabilities, including current maturities of long-term debt		590
Long-term liabilities		1,810
Long-term debt		2,000
Total liabilities		4,400
Total purchase price	$	5,000

The estimated fair value of Piedmont's assets acquired and liabilities assumed are considered preliminary as a result of the short time period between the consummation of the merger and the filing of this Form 10-Q. The fair values were determined based on significant estimates and assumptions that are judgmental in nature, including projected future cash flows (including timing); discount rates reflecting risk inherent in the future cash flows and market prices of long-term debt. The preliminary amounts are subject to revision until the valuations are completed and to the extent that additional information is obtained about the facts and circumstances that existed as of the acquisition date.

The majority of Piedmont's operations are subject to the rate-setting authority of the NCUC, the PSCSC and the Tennessee Regulatory Authority and are accounted for pursuant to accounting guidance for regulated operations. The rate-setting and cost recovery provisions currently in place for Piedmont's regulated operations provide revenues derived from costs, including a return on investment of assets and liabilities included in rate base. Thus, the fair value of Piedmont's assets and liabilities subject to these rate-setting provisions approximate their carrying values and do not reflect any net valuation adjustments.

The significant assets and liabilities for which preliminary valuation adjustments are being determined are expected to include the acquired equity method investments and long-term debt. The difference between the preliminary fair value and the pre-merger carrying amounts for long-term debt for regulated operations are expected to be recorded as Regulatory assets.

The excess of the purchase price over the estimated fair value of Piedmont's assets and liabilities on the acquisition date will be recorded as goodwill. The goodwill reflects the value paid primarily for establishing a long-term natural gas infrastructure platform, an improved risk profile and expected synergies resulting from the combined entities. The allocation of estimated goodwill to Duke Energy's reporting units has not yet been completed as a result of the short time between the closing of the merger and the filing of this Form 10-Q. None of the goodwill recognized will be deductible for income tax purposes. Accordingly, no deferred taxes will be recorded related to goodwill.

Accounting Charges Related to the Acquisition

Duke Energy incurred pretax transaction and integration costs of $14 million and $22 million for the three and nine months ended September 30, 2016, respectively, substantially all of which were recorded within Operation, maintenance and other in Duke Energy's Condensed Consolidated Statements of Operations. Additionally, Duke Energy recorded interest expense of $51 million and $234 million for the three and nine months ended September 30, 2016, respectively, related to the acquisition financing. The interest expense includes realized losses on forward-starting interest rate swaps of $22 million and $190 million for the three and nine months ended September 30, 2016, respectively. See Note 10 for additional information on the swaps.

Acquisition Related Financings and Other Matters

Duke Energy financed the Piedmont acquisition with a combination of debt, equity issuances and other cash sources.

In August 2016, Duke Energy issued $3.75 billion of long-term debt to finance a portion of the Piedmont acquisition. On September 30, 2016, Duke Energy borrowed $750 million under the $1.5 billion short-term loan facility (Term Loan Facility) to partially fund the acquisition. The $4.9 billion senior unsecured bridge financing facility (Bridge Facility) with Barclays Capital, Inc. (Barclays) was terminated following the issuance of the long-term debt. See Note 6 for additional information related to the debt issuance and Term Loan Facility.

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. On October 5, 2016, Duke Energy settled the Equity Forwards for approximately $723 million in net cash proceeds to finance a portion of the Piedmont acquisition. For additional information regarding the Equity Forwards, see Note 14.

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

Pro Forma Information

The following unaudited pro forma financial information reflects the combined results of operations of Duke Energy and Piedmont. The unaudited pro forma financial information has been presented for illustrative purposes only and is not necessarily indicative of the consolidated results of operations that would have been achieved or the future consolidated results of operations of Duke Energy. This information is preliminary in nature and subject to change.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2016**	**2015**	**2016**	**2015**
Revenues	$ 6,958	$ 6,627	$ 18,688	$ 19,021
Net income attributable to Duke Energy Corporation	1,180	897	2,552	2,352

The pro forma financial information does not include potential cost savings, intercompany revenues, Piedmont's earnings from a certain equity method investment sold immediately prior to the merger or non-recurring transaction and integration costs incurred by Duke Energy and Piedmont. The after-tax non-recurring transaction and integration costs incurred by Duke Energy and Piedmont were $41 million and $161 million for the three and nine months ended September 30, 2016, respectively.

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 recovery of the South Carolina retail allocated costs of the asset purchased until Duke Energy Progress' next general rate case, which was filed in July 2016. In October 2016, Duke Energy Progress, the Office of Regulatory Staff (ORS) and intervenors entered into a settlement agreement that provides for recovery of the historical carrying value of the South Carolina allocated purchased costs of the transaction. The settlement agreement was filed with the PSCSC on the same day but has yet to be ruled upon by the PSCSC. See Note 4 for additional information on the South Carolina rate case.

DISPOSITIONS

Sale of International Energy

In October 2016, certain indirect subsidiaries of Duke Energy entered into two separate purchase and sale agreements (PSA) whereby Duke Energy will divest the International Energy business segment, excluding the equity method investment in National Methanol Company (NMC).

Brazilian Disposal Group

Duke Energy will sell its indirect ownership interest in Duke Energy International Brazil Holdings S.à.r.l. (the Brazil Subsidiary), which includes 2,090 MW of owned hydroelectric generation capacity in Brazil (the Brazilian Disposal Group), to China Three Gorges (Luxembourg) Energy S.à.r.l. (CTG), a subsidiary of China Three Gorges Corporation, pursuant to a PSA dated as of October 10, 2016 (the Brazil PSA).

CTG will purchase the Brazil Subsidiary for an enterprise value of approximately $1.2 billion. Closing of the transaction is subject to various conditions, including receipt of required regulatory approvals and the absence of any injunction or other orders preventing closing of the transaction. The sale of the Brazilian Disposal Group is expected to close by early 2017.

The Brazil PSA contains certain termination rights and provides that CTG may be required to pay a termination fee of approximately $49 million to Duke Energy upon termination of the Brazil PSA under certain specified circumstances.

Latin American Disposal Group

Duke Energy will sell its indirect ownership interest in Duke Energy International Group S.à.r.l., Duke Energy International España Holdings SL and Duke Energy International Investments No. 2 Ltd (collectively, the Latin America Subsidiaries), which includes 2,230 MW of owned hydroelectric and natural gas generation capacity, transmission infrastructure and natural gas processing facilities in Argentina, Chile, Ecuador, El Salvador, Guatemala and Peru (the Latin American Disposal Group) to ISQ Enerlam Aggregator, L.P. and Enerlam (UK) Holdings Ltd. (collectively, I Squared), entities controlled by a consortium of investors led by I Squared Capital, pursuant to a PSA dated as of October 10, 2016 (the Latin America PSA).

I Squared will purchase the Latin America Subsidiaries for an enterprise value of approximately $1.2 billion. Closing of the transaction is subject to various conditions, including the absence of any injunction or other orders preventing closing of the transaction and the completion of certain internal restructuring transactions by subsidiaries of Duke Energy. The sale of the Latin American Disposal Group is expected to close by early 2017.

I Squared provided irrevocable letters of credit with an undrawn face value of $89 million. In the event of a termination of the Latin America PSA under certain circumstances, Duke Energy can draw on the letters of credit as a termination fee.

Other Sale Related Matters

Including the impact of debt to be assumed by the buyers, working capital and other adjustments as well as local in-country taxes, Duke Energy expects the transactions to generate available cash proceeds of between $1.7 billion and $1.9 billion, excluding transaction costs. The proceeds are expected to be used to reduce Duke Energy holding company debt. Existing favorable tax attributes will result in no immediate U.S. federal-level tax impacts.

As a result of the transactions, both the Brazilian Disposal Group and the Latin American Disposal Group (together, the International Disposal Group) will be classified as held for sale and as discontinued operations beginning in the fourth quarter of 2016. Upon classification of the International Disposal Group as held for sale, Duke Energy expects to record an estimated pretax impairment charge of approximately $325 million to $375 million, primarily due to the cumulative foreign currency translation losses classified as accumulated other comprehensive loss.

Second Quarter Asset Impairment

In conjunction with the advancements of marketing efforts during 2016, Duke Energy performed recoverability tests of the long-lived asset groups of International Energy. As a result, in the second quarter of 2016, Duke Energy determined the carrying value of certain assets in Central America was not fully recoverable and recorded a pretax impairment charge of $194 million. The charge is included within Impairment Charges on the Condensed Consolidated Statements of Operations for the nine months ended September 30, 2016, and represents the excess of carrying value over the estimated fair value of the assets. The fair value of the assets was based on a Level 3 Fair Value measurement that was primarily determined from the income approach using discounted cash flows but also considered market information obtained in 2016.

Midwest Generation Exit

Duke Energy, through indirect subsidiaries, completed the sale of the Midwest Generation 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.

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 Midwest Generation Disposal Group for a portion of its standard service offer (SSO) supply requirement. The agreement and the SSO expired in May 2015.

The Midwest Generation 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 nine months ended September 30, 2015.

	Three Months Ended September 30, 2015		Nine Months Ended September 30, 2015	
(in millions)	**Duke Energy**	**Duke Energy Ohio**	**Duke Energy**	**Duke Energy Ohio**
Operating Revenues	$ —	$ —	$ 543	$ 412
Loss on disposition	(5)	(4)	(42)	(48)
(Loss) Income before income taxes[a]	$ (5)	$ (4)	$ 62	$ 48
Income tax (benefit) expense	(1)	(2)	29	25
(Loss) Income from discontinued operations of the Midwest Generation Disposal Group	(4)	(2)	33	23
Other, net of tax[b]	(1)	—	(4)	—
(Loss) Income From Discontinued Operations, net of tax	$ (5)	$ (2)	$ 29	$ 23

(a) The (Loss) Income before income taxes includes the pretax impact of an $81 million charge for the agreement in principle reached in a lawsuit related to the Midwest Generation Disposal Group for the nine months ended September 30, 2015. Refer to Note 5 for further information related to the lawsuit.
(b) Relates to discontinued operations of businesses not related to the Midwest Generation Disposal Group and includes indemnifications provided for certain legal, tax and environmental matters, and foreign currency translation adjustments.

Duke Energy and Duke Energy Ohio recognized an income tax benefit of $122 million and $34 million, respectively, for the three and nine months ended September 30, 2016, within Income From Discontinued Operations, net on the Condensed Consolidated Statements of Operations. The income tax benefit resulted from immaterial out of period deferred tax liability adjustments related to the Midwest Generation Disposal Group and another previously sold business.

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. See Note 2 for information related to the planned divestiture of International Energy, excluding the investment in NMC.

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 Midwest Generation 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 September 30, 2016						
(in millions)	Regulated Utilities	International Energy	Commercial Portfolio	Total Reportable Segments	Other	Eliminations	Consolidated
Unaffiliated revenues	$ 6,421	$ 245	$ 140	$ 6,806	$ 15	$ —	$ 6,821
Intersegment revenues	9	—	—	9	17	(26)	—
Total revenues	$ 6,430	$ 245	$ 140	$ 6,815	$ 32	$ (26)	$ 6,821
Segment income (loss)[(a)(b)]	$ 1,200	$ 64	$ (21)	$ 1,243	$ (189)	$ —	$ 1,054
Add back noncontrolling interests							5
Income from discontinued operations, net of tax[(c)]							122
Net income							$ 1,181
Segment assets	$ 114,707	$ 3,153	$ 4,414	$ 122,274	$ 7,228	$ 184	$ 129,686

(a) Other includes after-tax charges for costs to achieve mergers of $52 million, primarily due to interest expense related to the Piedmont acquisition financing, and cost savings initiatives of $12 million primarily due to severance costs.
(b) Commercial Portfolio includes an after-tax impairment of $45 million related to certain equity method investments in renewable energy projects. See Note 13, Variable Interest Entities, for additional information.
(c) Represents an income tax benefit resulting from deferred tax liability adjustments related to previously sold businesses. See Note 2, Acquisitions and Dispositions, for further information.

	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	$ 8	$ 982	$ (45)	$ —	$ 937
Add back noncontrolling interests							3
Loss from discontinued operations, net of tax							(5)
Net income							$ 935

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

	Nine Months Ended September 30, 2016						
(in millions)	Regulated Utilities	International Energy	Commercial Portfolio	Total Reportable Segments	Other	Eliminations	Consolidated
Unaffiliated revenues	$ 16,761	$ 761	$ 366	$ 17,888	$ 39	$ —	$ 17,927
Intersegment revenues	27	—	—	27	52	(79)	—
Total revenues	$ 16,788	$ 761	$ 366	$ 17,915	$ 91	$ (79)	$ 17,927
Segment income (loss)[(a)(b)(c)]	$ 2,613	$ 85	$ 20	$ 2,718	$ (463)	$ —	$ 2,255
Add back noncontrolling interests							13
Income from discontinued operations, net of tax[(d)]							124
Net income							$ 2,392

(a) Other includes after-tax charges for costs to achieve mergers of $195 million, primarily due to losses on forward-starting interest rate swaps related to the Piedmont acquisition, and cost savings initiatives of $39 million primarily due to severance costs. See Note 10 for additional information related to the swaps.
(b) International Energy includes an after-tax impairment charge of $145 million. See Note 2 for additional information.
(c) Commercial Portfolio includes an after-tax impairment of $45 million related to certain equity method investments in renewable energy projects. See Note 13, Variable Interest Entities, for additional information.
(d) Includes income tax benefit of $122 million resulting from deferred tax liability adjustments related to previously sold businesses. See Note 2 for further information.

	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	$ (15)	$ 2,453	$ (139)	$ (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 Midwest Generation 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 Midwest Generation 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 September 30,		Nine Months Ended September 30,	
(in millions)	2016	2015	2016	2015
Duke Energy Carolinas	$ (16)	$ (10)	$ (50)	$ (28)
Progress Energy[(a)]	(45)	(3)	(139)	(87)
Duke Energy Progress	(10)	(4)	(26)	(12)
Duke Energy Florida	(5)	(3)	(14)	(9)
Duke Energy Ohio	(10)	(12)	(29)	(20)
Duke Energy Indiana	(3)	(2)	(10)	(6)

(a) Other for Progress Energy also includes interest expense on corporate debt instruments of $55 million and $166 million for the three and nine months ended September 30, 2016, respectively, and $61 million and $180 million for the three and nine months ended September 30, 2015, respectively.

The assets of the Subsidiary Registrants are substantially all included within the Regulated Utilities segment at September 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 nine months ended September 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.

FUTURE OPERATING SEGMENTS

Due to the Piedmont acquisition and the agreements to sell the International Disposal Group, the chief operating decision maker changed how the business will be managed beginning in the fourth quarter of 2016. The financial reporting structure has been realigned to include the following segments: Electric Utilities and Infrastructure, Gas Utilities and Infrastructure, and Commercial Renewables.

- Electric Utilities and Infrastructure will be comprised of the regulated electric utilities in the Carolinas, Florida and the Midwest. This segment will also include the commercial transmission infrastructure investments.
- Gas Utilities and Infrastructure will contain Piedmont, Duke Energy's local distribution companies in Ohio and Kentucky, and gas storage and pipeline investments.
- Commercial Renewables will primarily include the company's non-regulated utility scale wind and solar generation assets.
- International Energy will remain a segment until the divestiture is complete, although results of the equity method investment in NMC will be recast to Other in the fourth quarter of 2016.

See Note 2 for further information on the Piedmont and International Energy transactions.

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 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 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, 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. On June 14, 2016, Duke Energy Carolinas and Duke Energy Progress reached a settlement agreement in principle to reduce the return on equity for both companies to 10 percent. On August 19, 2016, Duke Energy Carolinas and Duke Energy Progress filed for FERC approval of the settlement agreement. 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. On September 6, 2016, the Small Business Chamber of Commerce filed a motion for permission to file a brief supporting the environmental intervenors' position. On September 22, 2016, the South Carolina Supreme Court granted permission for the brief, and allowed Duke Energy Carolinas an opportunity to file a response, which was filed on October 3, 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. On October 19, 2016, Duke Energy Progress, the ORS and intervenors entered into a settlement agreement that was filed with the PSCSC on the same day. Terms of the settlement agreement include an approximate $56 million increase in revenues over a two-year period. An increase of approximately $38 million in revenues would be effective January 1, 2017, and an increase of approximately $18.5 million in revenues would be effective January 1, 2018. Duke Energy Progress will amortize approximately $18.5 million from the cost of removal reserve in 2017. Other settlement terms include a rate of return on equity of 10.1 percent, agreement to implement nuclear levelization accounting in South Carolina, and ongoing deferral of allocated ash basin closure costs from July 1, 2016, until the next base rate case. The settlement also provides that Duke Energy Progress will not seek an increase in rates in South Carolina to occur prior to 2019, with limited exceptions. A hearing was held 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. Site preparation activities are underway and construction of these plants is scheduled to begin in early 2017. 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, N.C. Waste Awareness and Reduction Network (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. On August 18, 2016, NC WARN and The Climate Times filed a petition with the N.C. Court of Appeals seeking appellate review of the NCUC's CPCN order, the July 8, 2016, appeal bond order and the August 2, 2016, order dismissing their notice of appeal, which the N.C. Court of Appeals denied on September 6, 2016. On September 19, 2016, the NCUC granted Duke Energy Progress' motion to dismiss NC WARN's and The Climate Times' subsequent appeal of the second bond order dated July 28, 2016, and NC WARN's and The Climate Times' subsequent appeal of the CPCN order and dismissal order dated August 18, 2016. On October 17, 2016, NC WARN and The Climate Times filed another petition for review with the N.C. Court of Appeals asking the court to reverse the CPCN order, the second bond order and the dismissal of their first and second notices of appeal as to the CPCN order. 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 $562 million and $548 million are included in Generation facilities to be retired, net on Duke Energy Progress' Condensed Consolidated Balance Sheet as of September 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 proposed to complete the Uprate Project in two phases: Phase one to include work on Hines Units 1-3 and common equipment, to be placed in service during October 2016; and Phase two work on Hines Unit 4 to be placed in service during January 2017. The final combined construction cost estimate for both phases of approximately $150 million is below the cost estimate provided during the need determination proceeding. Duke Energy Floride estimated an annual retail revenue requirement for Phase one and Phase two of approximately $17 million and $3 million, respectively. On August 29, 2016, the FPSC approved the Phase one revenue requirement to be effective in customer rates in November 2016. However, Duke Energy Florida made filings with the FPSC in October 2016 to remove the Uprate Project from customer rates because a portion of the common equipment required for either phase to be considered in-service will not be completed as expected. Duke Energy Florida is evaluating the potential impact to cost estimates related to the delay of the project. Duke Energy Florida will file for recovery of the costs associated with the Uprate Project at a later date. 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 in January 2017, upon the expiration of an existing Power Purchase Agreement between Calpine and Duke Energy Florida. In anticipation of closing, on August 29, 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 for the Osprey acquisition to be approximately $48 million. On November 1, 2016, the FPSC approved the Osprey Plant acquisition and the petition to include the revenue requirements in base rates.

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 13 for additional information.

Duke Energy Ohio

Base Rate Case

In connection with Duke Energy Ohio's deployment of SmartGrid network, consisting of investments in AMI and distribution automation, a rider was established to recover these investments and return expected savings to customers. A stipulation in establishing this rider was approved by the PUCO in 2012, whereby Duke Energy Ohio committed to filing a base electric distribution case within one year of full deployment of SmartGrid. On October 22, 2015, PUCO staff concluded that full deployment had occurred thereby, absent relief by the PUCO, Duke Energy Ohio would be required to file a base electric rate case proceeding no later than October 22, 2016. A number of proceedings have been initiated by the PUCO related to continued development of retail markets in Ohio including questions related to demand-side management, time-differentiated pricing and AMI that would impact such a base rate filing. On September 15, 2016, Duke Energy Ohio requested the PUCO approve a waiver of the condition in the 2012 stipulation to file a base rate case. On September 22, 2016, the Office of the Ohio Consumers' Counsel filed an objection to the waiver request and, on October 12, 2016, PUCO Staff filed a reply proposing a filing date no later than July 21, 2017. Duke Energy Ohio cannot predict the outcome of this matter.

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 $86 million and $110 million, excluding AFUDC. On September 13, 2016, Duke Energy Ohio filed with the Ohio Power Siting Board for approval of one of two proposed routes. If approved, construction of the pipeline extension is expected to be completed by early 2019.

Advanced Metering Infrastructure

On April 25, 2016, Duke Energy Kentucky filed with the KPSC an application for approval of a CPCN for the construction of AMI. 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. On September 28, 2016, the KPSC denied the Kentucky Attorney General's motion to dismiss and granted Duke Energy Kentucky's motion to file rebuttal testimony. An evidentiary hearing is scheduled for December 1, 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 proposed to replace certain natural gas service lines on an accelerated basis over a 10-year period. Duke Energy Ohio also proposed 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's current projected total capital and operations and maintenance expenditures under the ASRP is approximately $240 million. The filing also sought approval of Rider ASRP to recover related expenditures. Duke Energy Ohio proposed to update Rider ASRP on an annual basis. Intervenors opposed the ASRP, primarily because they believe the program is neither required nor necessary under federal pipeline regulation. On October 26, 2016, the PUCO issued an order denying the proposed ASRP. The PUCO did, however, encourage Duke Energy Ohio to work with the PUCO Staff and intervenors to identify a reasonable solution for the risks attributed to service line leaks caused by corrosion. Duke Energy Ohio is currently evaluating the order.

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. 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. On October 26, 2016, the PUCO issued an order approving the stipulation without modification.

2012 Natural Gas Rate Case/Manufactured Gas Plant Cost Recovery

On November 13, 2013, the PUCO issued an order (PUCO 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 PUCO order also authorized Duke Energy Ohio to continue deferring MGP environmental investigation and remediation costs incurred subsequent to 2012, and to submit annual filings to adjust the MGP rider for future costs. Intervening parties appealed this decision to the Ohio Supreme Court and that appeal remains pending. Oral argument is scheduled for February 28, 2017. Investigation and remediation expenses at these MGP sites that have not been collected through the MGP rider are approximately $101 million and are recorded as Regulatory assets on Duke Energy Ohio's Condensed Consolidated Balance Sheet as of September 30, 2016.

The PUCO order also contained deadlines for completing the MGP environmental investigation and remediation costs at the MGP sites. For the property known as the East End site the PUCO order established a deadline of December 31, 2016. As of September 30, 2016, $46 million of the regulatory asset represents future remediation cost expected to be incurred at the East End site after 2016. The PUCO order 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 PUCO set a procedural schedule for filing comments on the application and associated replies for November 23, 2016, and December 2, 2016, respectively.

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 September 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 portions of MTEP costs billed by MISO are recovered by Duke Energy Ohio through a non-bypassable rider. As of September 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 February 2017. 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 (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 was held on September 13, 2016, and an order is expected by early 2017. Duke Energy Indiana cannot predict the outcome of this matter.

The 11th through 15th semi-annual IGCC riders and a subdocket to Duke Energy Indiana's fuel adjustment clause were approved by the IURC as part of an August 2016 settlement agreement. Issues in these filings included 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 resulted 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 recovery of 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. On August 24, 2016, the IURC approved the settlement in full with no changes or conditions. The order was not appealed and the proceeding is concluded. As of September 30, 2016, deferred costs related to the project are approximately $184 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.

FERC Transmission Return on Equity Complaint

Customer groups have filed with 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, 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 September 28, 2016, the Initial Decision in the first complaint was affirmed by FERC. 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 Decision in the second complaint is pending FERC review. Duke Energy Indiana currently believes these matters will not have a material 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. 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. The order was not appealed, and the proceeding is concluded.

The settlement also 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. During the third quarter of 2016, Duke Energy Indiana decided to implement the AMI project. This decision resulted in a pretax impairment charge related to existing or non-AMI meters of approximately $8 million for the three and nine months ended September 30, 2016, based in part on the requirement to file a base rate case in 2022 under the approved T&D Rider plan. As of September 30, 2016, Duke Energy Indiana's remaining net book value of non-AMI meters is approximately $48 million and will be depreciated through 2022. In the event that Duke Energy Indiana were to file a base rate case earlier than 2022, it may result in additional impairment charges.

OTHER REGULATORY MATTERS

Atlantic Coast Pipeline

On September 2, 2014, Duke Energy, Dominion Resources (Dominion), Piedmont and Southern Company Gas, formerly AGL Resources Inc., 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 originally owned a 45 percent ownership percentage in ACP. Duke Energy owned a 40 percent ownership interest in ACP through its Commercial Portfolio segment. Piedmont owned 10 percent and the remaining share was owned by Southern Company Gas.

On October 3, 2016, Duke Energy and Piedmont completed a merger transaction that resulted in Piedmont becoming a wholly owned subsidiary of Duke Energy. In connection with this transaction, and pursuant to terms of the ACP partnership agreement, Piedmont transferred 3 percent of its interest in ACP to Dominion in exchange for approximately $14 million. As a result of this transfer, Dominion maintains a leading ownership percentage of 48 percent and Duke Energy has a combined ownership percentage of 47 percent. See Note 2 for additional information related to Duke Energy's acquisition of Piedmont.

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. In August 2016, FERC issued a Notice of Schedule indicating a final Environmental Impact Statement (EIS) will be issued by June 30, 2017. FERC approval of the application is expected within 90 days of the issuance of the final EIS. Construction is projected to begin once FERC approval is received with a targeted in-service date in the second half of 2019. ACP executed a construction agreement in September 2016 and 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.

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 has received regulatory approvals and initiated construction of the pipeline with an expected in-service date 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 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, 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. 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 been conducting 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 because 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 September 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	123
Duke Energy Indiana		
Wabash River Unit 6[(b)]	318	33
Gallagher Units 2 and 4[(c)]	280	137
Total Duke Energy	1,471	293

(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 $90 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 September 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 settlement of Edwardsport IGCC matters.

On October 23, 2015, the EPA published in the Federal Register the final Clean Power Plan (CPP) rule regulating carbon dioxide (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 were 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. 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 final CPP have been filed by stakeholders. On February 9, 2016, the U.S. Supreme Court issued a stay of the final CPP rule, halting implementation until legal challenges are resolved. 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, which 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 (AROs) 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 at all sites. 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, 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	34	5	5	2	3	6	20
Cash reductions	(12)	(4)	(6)	(2)	(4)	(1)	(2)
Balance at end of period	$ 119	$ 11	$ 16	$ 3	$ 13	$ 59	$ 30

	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

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	$ 69
Duke Energy Carolinas	22
Duke Energy Ohio	36
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.

The North Carolina Department of Environmental Quality (NCDEQ) has historically assessed Duke Energy Carolinas and Duke Energy Progress with Notices 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 ash release, Duke Energy Carolinas and Duke Energy Progress have been served with a higher level of NOVs, including assessed penalties for violations at L.V. Sutton Plant and Dan River Steam Station. These assessed penalties were unprecedented and inconsistent with historic enforcement practices of the NCDEQ. Based on historic practices, the expected liability of any existing NOVs would not be material. Duke Energy Carolinas and Duke Energy Progress cannot predict whether the NCDEQ will assess future penalties related to existing unresolved NOVs and if such penalties would be material.

See "NCDEQ Notices of Violation" section below for additional discussion.

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 the 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. As discussed below, an agreement-in-principle has been reached to settle the merger related claims in the Bresalier Complaint.

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* (Merger Chancery 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.

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 have reached an agreement-in-principle to settle the Merger Chancery Litigation, conditioned on dismissal as well of the *Tansey v. Rogers, et al* case and the merger related claims in the Bresaller Complaint discussed above, for a total of $27 million. The entire settlement amount is to be funded by insurance. The settlement amount, less court-approved attorney fees, will be payable to Duke Energy. The settlement is subject to the execution of definitive settlement documents and court approval.

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.

In February 2008, a group of individual plaintiffs filed suit against DEIGP, the State of São Paulo and the Brazilian electricity regulatory agency claiming that DEIGP failed to comply with its alleged obligation to expand installed generation capacity in the state of São Paulo by 15 percent. The lawsuit was dismissed as procedurally defective by the first instance federal court in São Paulo. On December 15, 2010, plaintiffs filed an appeal of the first instance court dismissal order. On September 23, 2016, in a split decision, three appellate court judges voted to reverse the first instance court decision. Due to the split decision, a review by an expanded five-judge panel has been scheduled for November 10, 2016. If the first instance court decision is reversed, the case will be remanded for continuation of the originally filed 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 this matter.

Pursuant to the Brazil PSA, Duke Energy will not retain any liability for this matter after the closing of the sale. See Note 2 for additional information regarding the Brazil PSA.

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.

Pursuant to the Brazil PSA, Duke Energy will not retain any liability for this matter after the closing of the sale. See Note 2 for additional information regarding the Brazil PSA.

Duke Energy Carolinas and Duke Energy Progress

NCDEQ Notices of Violation

In August 2014, the NCDEQ issued an NOV for alleged groundwater violations at Duke Energy Progress' L.V. Sutton Plant. On March 10, 2015, the 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, the NCDEQ issued an NOV for alleged groundwater violations at Duke Energy Progress' Asheville Plant. Duke Energy Progress responded to the NCDEQ regarding this NOV.

On September 29, 2015, Duke Energy Progress and Duke Energy Carolinas entered into a settlement agreement with the 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 the 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 the 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, the 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. On September 23, 2016, Duke Energy Carolinas entered into a settlement agreement with the NCDEQ, without admission of liability, under which Duke Energy Carolinas agreed to a payment of $6 million to resolve allegations underlying the asserted civil penalty related to the Dan River coal ash release and a March 4, 2016, NOV alleging unpermitted discharges at the facility.

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. The 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, the 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. The proceedings remain stayed as the parties negotiate a settlement with SELC subsequent to the court granting summary judgment in the state enforcement litigation.

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. Based on Duke Energy's announcement that it will beneficially recycle ash at the Buck Steam Station, Duke Energy Carolinas reached an agreement with the environmental groups to settle the Buck Steam Station proceeding on September 28, 2016.

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. On August 19, 2016, Duke Energy Progress filed a Motion to Dismiss the complaint.

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 the NCDEQ advising them not to drink water from the private wells on their land tested by the 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 North Carolina Coal Ash Management Act of 2014, as amended, (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 the 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 the 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.

Duke Energy Carolinas and Duke Energy Progress have received formal demand letters from residents near Duke Energy Carolinas' and Duke Energy Progress' coal ash basins. The residents claim damages for nuisance and diminution in property value, among other things. The parties have agreed to a two-phased mediation. The first phase took place on October 26, 2016, with the second phase scheduled for November 17, 2016.

It is not possible to estimate the maximum exposure of loss, if any, that may occur in connection with the claims made by 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 September 30, 2016, there were 120 asserted claims for non-malignant cases with the cumulative relief sought of up to $32 million, and 78 asserted claims for malignant cases with the cumulative relief sought of up to $14 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 $512 million at September 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 $814 million in excess of the self-insured retention. Receivables for insurance recoveries were $567 million at September 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. On September 21, 2016, the Court granted the motions to dismiss with prejudice. Plaintiffs filed a motion for reconsideration. Following a ruling on the motion for reconsideration, the plaintiffs will have 30 days to file an appeal.

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. On July 11, 2016, Duke Energy Florida and Westinghouse filed separate Motions for Summary Judgment. On September 29, 2016, the court issued its ruling on the parties' respective Motions for Summary Judgment. The court ruled in favor of Westinghouse on a $30 million termination fee claim. The court dismissed Duke Energy Florida's $54 million refund claim, however the court stated that Duke Energy Florida could use the refund claim to offset any damages for termination costs. Westinghouse's claim for termination costs is unaffected by this ruling and continues to trial. On October 11, 2016, in a pre-trial filing, Westinghouse reduced its claim for termination costs from $482 million to $424 million. The trial concluded on October 21, 2016, and the court will issue a ruling following the parties submitting post-trial briefs. There is no set timetable for the court to issue a decision on the merits of the case.

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 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 a pretax charge of $81 million 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. 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, are not expected to be material to Duke Energy Ohio.

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)	September 30, 2016	December 31, 2015
Reserves for Legal Matters		
Duke Energy	$ 110	$ 166
Duke Energy Carolinas	11	11
Progress Energy	54	54
Duke Energy Progress	8	6
Duke Energy Florida	30	31
Duke Energy Ohio	5	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

Piedmont Acquisition Financing

In August 2016, Duke Energy issued $3.75 billion of senior unsecured notes in three separate series. The net proceeds were used to finance a portion of the Piedmont acquisition. The $4.9 billion Bridge Facility was terminated following the issuance of this debt. See Note 2 for additional information on the Piedmont acquisition.

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 secured by substantially all the assets of the solar facilities and Tranche B of $105 million secured by an Equity Contribution Agreement with Duke Energy. Proceeds were used to reimburse Duke Energy for a portion of previously funded construction expenditures related to the Emerald State Solar, LLC portfolio. The initial interest rate on the loans was six months London Interbank Offered Rate (LIBOR) plus an applicable margin of 1.75 percent plus a 0.125 percent increase 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. See Note 10 for further information on the notional amounts of the interest rate swaps.

Nuclear Asset-Recovery Bonds

In June 2016, DEFPF issued $1,294 million of nuclear asset-recovery bonds and used the proceeds 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. See Notes 4 and 13 for additional information.

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

			Nine Months Ended September 30, 2016						
Issuance Date	**Maturity Date**	**Interest Rate**	**Duke Energy**	**Duke Energy (Parent)**	**Duke Energy Carolinas**	**Duke Energy Progress**	**Duke Energy Florida**	**Duke Energy Ohio**	**Duke Energy Indiana**
Unsecured									
April 2016[a]	April 2023	2.875%	$ 350	$ 350	$ —	$ —	$ —	$ —	$ —
August 2016	September 2021	1.800%	750	750	—	—	—	—	—
August 2016	September 2026	2.650%	1,500	1,500	—	—	—	—	—
August 2016	September 2046	3.750%	1,500	1,500	—	—	—	—	—
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	—
September 2016[d]	October 2046	3.400%	600	—	—	—	600	—	—
September 2016[b]	October 2046	3.700%	450	—	—	450	—	—	—
Secured Debt									
June 2016[e]	March 2020	1.196%	183	—	—	—	183	—	—
June 2016[e]	September 2022	1.731%	150	—	—	—	150	—	—
June 2016[e]	September 2029	2.538%	436	—	—	—	436	—	—
June 2016[e]	March 2033	2.858%	250	—	—	—	250	—	—
June 2016[e]	September 2036	3.112%	275	—	—	—	275	—	—
August 2016	June 2034	2.747%	228	—	—	—	—	—	—
August 2016	June 2020	2.747%	105	—	—	—	—	—	—
Total issuances			$ 8,527	$ 4,100	$ 1,000	$ 450	$ 1,894	$ 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 were used to fund capital expenditures for ongoing construction, capital maintenance, to repay short-term borrowings under the intercompany money pool borrowing arrangement and for general corporate purposes.
(e) The nuclear asset-recovery bonds are sequential pay amortizing bonds. The maturity date above represents the scheduled final maturity date for the bonds.

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, 2016
Unsecured Debt			
Duke Energy (Parent)	November 2016	2.150%	$ 500
Duke Energy (Parent)	April 2017	1.034%	400
Duke Energy[a]	May 2017	15.681%	56
Duke Energy (Parent)	August 2017	1.625%	700
Secured Debt			
Duke Energy	June 2017	2.155%	45
First Mortgage Bonds			
Duke Energy Carolinas	December 2016	1.750%	350
Duke Energy Progress	March 2017	1.035%	250
Duke Energy Florida	September 2017	5.800%	250
Tax-exempt Bonds			
Duke Energy Carolinas	February 2017	3.600%	77
Other[b]			573
Current maturities of long-term debt			$ 3,201

(a) The interest rate includes country-specific risk premiums.
(b) 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.

	September 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	$ 3,400	$ 1,100	$ 1,000	$ 950	$ 450	$ 600
Reduction to backstop issuances							
Commercial paper[b]	(1,652)	(1,027)	(300)	(150)	—	(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	$ 5,155	$ 2,303	$ 511	$ 598	$ 949	$ 425	$ 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.

Term Loan Facility

On February 22, 2016, Duke Energy (Parent) entered into a six-month term loan facility with commitments totaling $1.0 billion (the Term Loan). On August 1, 2016, Duke Energy (Parent) and each of the lenders 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 September 30, 2016, $850 million has been drawn under the amended and restated term loan, including $750 million used to fund a portion of the Piedmont acquisition.

On October 28, 2016, Duke Energy (Parent) drew the remaining $650 million available under the $1.5 billion Term Loan and used the proceeds to manage short-term liquidity and for general corporate purposes. The terms and conditions of the Term Loan are generally consistent with those governing Duke Energy's Master Credit Facility.

7. ASSET RETIREMENT OBLIGATIONS

Duke Energy records an 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.

The following table presents the AROs recorded on the Condensed Consolidated Balance Sheets.

	September 30, 2016						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Decommissioning of Nuclear Power Facilities[a]	$ 5,163	$ 1,808	$ 3,153	$ 2,428	$ 725	$ —	$ —
Closure of Ash Impoundments	5,411	2,089	2,418	2,398	20	77	828
Other	256	28	86	33	53	31	19
Total asset retirement obligation	$ 10,830	$ 3,925	$ 5,657	$ 4,859	$ 798	$ 108	$ 847
Less: current portion	539	303	236	236	—	—	—
Total noncurrent asset retirement obligation	$ 10,291	$ 3,622	$ 5,421	$ 4,623	$ 798	$ 108	$ 847

(a) The Duke Energy amount includes purchase accounting adjustments related to the merger with Progress Energy.

North Carolina and South Carolina Ash Basins

Asset retirement obligations recorded on the Duke Energy Carolinas and Duke Energy Progress Condensed Consolidated Balance Sheets at September 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 Coal Ash Act, the EPA CCR rule and other agreements. In January 2016, the 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 impacts to both surface and groundwater. The NCDEQ's draft proposed classifications categorized 12 basins at four sites as intermediate risk and four basins at three sites 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. The NCDEQ's draft proposed classifications also categorized nine basins at six sites 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, proposing to rank all originally proposed low risk and "low-intermediate" risk sites as intermediate.

On July 14, 2016, the governor of North Carolina signed legislation which amended the Coal Ash Act and required 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. Upon satisfactory completion of the dam improvement projects and installation of alternate drinking water sources by October 15, 2018, the legislation requires the NCDEQ to reclassify sites proposed as intermediate risk, excluding H.F. Lee, Cape Fear and Weatherspoon, as low risk.

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. On October 5, 2016, Duke Energy announced Buck Steam Station as a first location for one of the beneficiation projects.

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 or a probability weighting of potential closure methods. 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.

ARO Liability Rollforward

In April 2015, the EPA published a rule to regulate the disposal of CCR from electric utilities as solid waste. The federal regulation classifies CCR as nonhazardous waste and allows for beneficial use of CCR with some restrictions. Federal CCR reporting procedures require Duke Energy to make certain closure plans available to the public during the fourth quarter of 2016. In conjunction with preparing these closure plans, the Duke Energy Registrants updated coal ash ARO liability estimates based on additional site specific information about the related costs, methods and timing of work to be performed. Actual closure costs incurred could be materially different from current estimates that form the basis of the recorded asset retirement obligations.

The following table presents the change in 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, 2015(a)	$ 10,264	$ 3,918	$ 5,369	$ 4,567	$ 802	$ 125	$ 525
Accretion expense(b)	290	141	171	144	28	4	16
Liabilities settled(c)	(443)	(204)	(203)	(163)	(41)	(4)	(31)
Liabilities incurred in the current year	13	—	3	3	—	—	—
Revisions in estimates of cash flows	706	70	317	308	9	(17)	337
Balance at September 30, 2016	$ 10,830	$ 3,925	$ 5,657	$ 4,859	$ 798	$ 108	$ 847

(a) Primarily relates to decommissioning nuclear power facilities, closure of ash basins, asbestos removal, closure of landfills at fossil generation facilities, retirement of natural gas mains and removal of renewable energy generation assets.
(b) For the nine months ended September 30, 2016, substantially all accretion expense relates to Duke Energy's regulated electric operations and has been deferred in accordance with regulatory accounting treatment.
(c) Primarily relates to ash impoundment closures and nuclear decommissioning of Crystal River Unit 3.

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.

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, 2015	$ 15,950	$ 271	$ 122	$ 16,343
Foreign exchange changes	—	11	—	11
Goodwill at September 30, 2016	$ 15,950	$ 282	$ 122	$ 16,354

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, 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.

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 exceed their respective carrying values at the date of the annual impairment analysis, no impairment charges were recorded in the third quarter of 2016.

9. 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 September 30,		Nine Months Ended September 30,	
(in millions)	**2016**	**2015**	**2016**	**2015**
Duke Energy Carolinas				
Corporate governance and shared service expenses[(a)]	$ 204	$ 211	$ 620	$ 632
Indemnification coverages[(b)]	5	6	16	18
JDA revenue[(c)]	10	7	21	47
JDA expense[(c)]	36	48	127	143
Progress Energy				
Corporate governance and shared service expenses[(a)]	$ 182	$ 184	$ 515	$ 523
Indemnification coverages[(b)]	9	10	25	29
JDA revenue[(c)]	36	48	127	143
JDA expense[(c)]	10	7	21	47
Duke Energy Progress				
Corporate governance and shared service expenses[(a)]	$ 103	$ 101	$ 292	$ 296
Indemnification coverages[(b)]	4	4	10	12
JDA revenue[(c)]	36	48	127	143
JDA expense[(c)]	10	7	21	47
Duke Energy Florida				
Corporate governance and shared service expenses[(a)]	$ 79	$ 83	$ 223	$ 227
Indemnification coverages[(b)]	5	6	15	17
Duke Energy Ohio				
Corporate governance and shared service expenses[(a)]	$ 89	$ 88	$ 261	$ 276
Indemnification coverages[(b)]	1	1	4	5
Duke Energy Indiana				
Corporate governance and shared service expenses[(a)]	$ 96	$ 87	$ 279	$ 259
Indemnification coverages[(b)]	2	2	6	6

(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 nine months ended September 30, 2016 and 2015 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 Midwest Generation 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 Midwest Generation 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
September 30, 2016						
Intercompany income tax receivable	$ —	$ 113	$ 56	$ —	$ —	$ 67
Intercompany income tax payable	64	—	—	65	27	—
December 31, 2015						
Intercompany income tax receivable	$ 122	$ 120	$ 104	$ —	$ 54	$ —
Intercompany income tax payable	—	—	—	96	—	47

10. 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 nine months ended September 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.

In August 2016, Duke Energy unwound $1.4 billion of forward-starting interest rate swaps associated with the Piedmont acquisition financing described in Note 6, Debt and Credit Facilities. The swaps were considered undesignated as they did not qualify for hedge accounting. Losses on the swaps of $22 million and $190 million are included within Interest Expense on the Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2016, respectively. 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.

	September 30, 2016					
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio
Cash flow hedges[(a)]	$ 990	$ —	$ —	$ —	$ —	$ —
Undesignated contracts	927	400	500	250	250	27
Total notional amount	$ 1,917	$ 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 $789 million and $497 million as of September 30, 2016 and December 31, 2015, respectively. In August 2016, Duke Energy entered into $326 million of interest rate swaps related to the solar facilities financing described in Note 6, including $103 million of 4-year swaps and $223 million of 18-year swaps.

COMMODITY PRICE RISK

The Duke Energy Registrants are exposed to the impact of changes in the prices of electricity purchased and sold in bulk power markets and coal and natural gas purchases. Exposure to commodity price risk is influenced by a number of factors including the term of contracts, the liquidity of markets and delivery locations. For the Subsidiary Registrants, bulk power electricity and coal and natural gas purchases flow through fuel adjustment clauses, formula based contracts or other cost sharing mechanisms. Differences between the costs included in rates and the incurred costs, including undesignated derivative contracts, are largely deferred as regulatory assets or regulatory liabilities.

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.

	September 30, 2016						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Electricity (gigawatt-hours)	2	—	—	—	—	—	2
Natural gas (millions of decatherms)	375	83	292	116	176	—	—

	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	September 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	$ 40	$ 5	$ 12	$ 7	$ 5	$ 3	$ 20
Noncurrent	13	5	8	4	4	—	—
Total Derivative Assets – Commodity Contracts	$ 53	$ 10	$ 20	$ 11	$ 9	$ 3	$ 20
Interest Rate Contracts							
Designated as Hedging Instruments							
Noncurrent	$ 2	$ —	$ —	$ —	$ —	$ —	$ —
Not Designated as Hedging Instruments							
Current	4	—	4	1	3	—	—
Noncurrent	7	—	7	3	4	—	—
Total Derivative Assets – Interest Rate Contracts	$ 13	$ —	$ 11	$ 4	$ 7	$ —	$ —
Total Derivative Assets	$ 66	$ 10	$ 31	$ 15	$ 16	$ 3	$ 20

Derivative Liabilities	September 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	$ 67	$ 5	$ 62	$ 9	$ 53	$ —	$ —
Noncurrent	21	2	19	3	11	—	—
Total Derivative Liabilities – Commodity Contracts	$ 88	$ 7	$ 81	$ 12	$ 64	$ —	$ —
Interest Rate Contracts							
Designated as Hedging Instruments							
Current	$ 12	$ —	$ —	$ —	$ —	$ —	$ —
Noncurrent	46	—	—	—	—	—	—
Not Designated as Hedging Instruments							
Current	1	—	—	—	—	1	—
Noncurrent	99	92	—	—	—	7	—
Total Derivative Liabilities – Interest Rate Contracts	$ 158	$ 92	$ —	$ —	$ —	$ 8	$ —
Total Derivative Liabilities	$ 246	$ 99	$ 81	$ 12	$ 64	$ 8	$ —

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	**September 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	$ 44	$ 5	$ 16	$ 8	$ 8	$ 3	$ 20
Gross amounts offset	(10)	(3)	(7)	(4)	(3)	—	—
Net amounts presented in Current Assets: Other	$ 34	$ 2	$ 9	$ 4	$ 5	$ 3	$ 20
Noncurrent							
Gross amounts recognized	$ 22	$ 5	$ 15	$ 7	$ 8	$ —	$ —
Gross amounts offset	(7)	(2)	(5)	(2)	(3)	—	—
Net amounts presented in Investments and Other Assets: Other	$ 15	$ 3	$ 10	$ 5	$ 5	$ —	$ —

Derivative Liabilities	**September 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	$ 80	$ 5	$ 62	$ 9	$ 53	$ 1	$ —
Gross amounts offset	(10)	(3)	(7)	(4)	(3)	—	—
Net amounts presented in Current Liabilities: Other	$ 70	$ 2	$ 55	$ 5	$ 50	$ 1	$ —
Noncurrent							
Gross amounts recognized	$ 166	$ 94	$ 19	$ 3	$ 11	$ 7	$ —
Gross amounts offset	(7)	(2)	(5)	(2)	(3)	—	—
Net amounts presented in Deferred Credits and Other Liabilities: Other	$ 159	$ 92	$ 14	$ 1	$ 8	$ 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.

	September 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	$ 171	$ 99	$ 72	$ 12	$ 60
Fair value of collateral already posted	—	—	—	—	—
Additional cash collateral or letters of credit in the event credit-risk-related contingent features were triggered	171	99	72	12	60

	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.

	September 30, 2016	December 31, 2015
(in millions)	**Receivables**	**Receivables**
Duke Energy	$ —	$ 30
Progress Energy	—	30
Duke Energy Florida	—	30

11. 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 credit loss is included in earnings. There were no material credit losses as of September 30, 2016 and December 31, 2015.

DUKE ENERGY

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

	September 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	$ —	$ —	$ 151	$ —	$ —	$ 179
Equity securities	1,968	55	3,949	1,823	58	3,590
Corporate debt securities	25	2	551	7	8	432
Municipal bonds	9	1	341	5	1	185
U.S. government bonds	31	—	994	11	5	1,254
Other debt securities	—	3	132	—	4	177
Total NDTF	$ 2,033	$ 61	$ 6,118	$ 1,846	$ 76	$ 5,817
Other Investments						
Cash and cash equivalents	$ —	$ —	$ 24	$ —	$ —	$ 29
Equity securities	38	—	104	32	1	95
Corporate debt securities	2	1	91	1	3	92
Municipal bonds	5	1	78	3	1	74
U.S. government bonds	1	—	49	—	—	45
Other debt securities	—	1	55	—	2	62
Total Other Investments(a)	$ 46	$ 3	$ 401	$ 36	$ 7	$ 397
Total Investments	$ 2,079	$ 64	$ 6,519	$ 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)	September 30, 2016
Due in one year or less	$ 92
Due after one through five years	655
Due after five through 10 years	529
Due after 10 years	1,015
Total	$ 2,291

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)	2016	2015	2016	2015
Realized gains	$ 82	$ 30	$ 200	$ 160
Realized losses	42	28	134	59

DUKE ENERGY CAROLINAS

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

	September 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	$ —	$ —	$ 43	$ —	$ —	$ 34
Equity securities	1,091	29	2,170	1,021	27	2,094
Corporate debt securities	14	2	374	3	5	292
Municipal bonds	2	—	66	1	—	33
U.S. government bonds	12	—	454	3	3	438
Other debt securities	—	3	123	—	4	147
Total NDTF	$ 1,119	$ 34	$ 3,230	$ 1,028	$ 39	$ 3,038
Other Investments						
Other debt securities	$ —	$ 1	$ 3	$ —	$ 1	$ 3
Total Other Investments(a)	$ —	$ 1	$ 3	$ —	$ 1	$ 3
Total Investments	$ 1,119	$ 35	$ 3,233	$ 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)	September 30, 2016
Due in one year or less	$ 3
Due after one through five years	206
Due after five through 10 years	268
Due after 10 years	543
Total	$ 1,020

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)	2016	2015	2016	2015
Realized gains	$ 58	$ 25	$ 125	$ 132
Realized losses	28	24	84	47

PROGRESS ENERGY

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

	September 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	$ —	$ —	$ 108	$ —	$ —	$ 145
Equity securities	877	26	1,779	802	31	1,496
Corporate debt securities	11	—	177	4	3	140
Municipal bonds	7	1	275	4	1	152
U.S. government bonds	19	—	540	8	2	816
Other debt securities	—	—	9	—	—	30
Total NDTF	$ 914	$ 27	$ 2,888	$ 818	$ 37	$ 2,779
Other Investments						
Cash and cash equivalents	$ —	$ —	$ 20	$ —	$ —	$ 18
Municipal bonds	4	—	47	3	—	45
Total Other Investments(a)	$ 4	$ —	$ 67	$ 3	$ —	$ 63
Total Investments	$ 918	$ 27	$ 2,955	$ 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)	September 30, 2016
Due in one year or less	$ 67
Due after one through five years	372
Due after five through 10 years	187
Due after 10 years	422
Total	$ 1,048

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)	2016	2015	2016	2015
Realized gains	$ 21	$ 5	$ 71	$ 26
Realized losses	13	4	49	10

DUKE ENERGY PROGRESS

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

	September 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	$ —	$ —	$ 56	$ —	$ —	$ 110
Equity securities	657	21	1,438	596	25	1,178
Corporate debt securities	8	—	123	3	2	96
Municipal bonds	7	1	275	4	1	150
U.S. government bonds	12	—	279	6	2	486
Other debt securities	—	—	6	—	—	18
Total NDTF	$ 684	$ 22	$ 2,177	$ 609	$ 30	$ 2,038
Other Investments						
Cash and cash equivalents	$ —	$ —	$ 1	$ —	$ —	$ 1
Total Other Investments(a)	$ —	$ —	$ 1	$ —	$ —	$ 1
Total Investments	$ 684	$ 22	$ 2,178	$ 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)	September 30, 2016
Due in one year or less	$ 21
Due after one through five years	200
Due after five through 10 years	142
Due after 10 years	320
Total	$ 683

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)	2016	2015	2016	2015
Realized gains	$ 18	$ 4	$ 60	$ 21
Realized losses	11	3	42	8

DUKE ENERGY FLORIDA

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

	September 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	$ —	$ —	$ 52	$ —	$ —	$ 35
Equity securities	220	5	341	206	6	318
Corporate debt securities	3	—	54	1	1	44
Municipal bonds	—	—	—	—	—	2
U.S. government bonds	7	—	261	2	—	330
Other debt securities	—	—	3	—	—	12
Total NDTF (c)	$ 230	$ 5	$ 711	$ 209	$ 7	$ 741
Other Investments						
Cash and cash equivalents	$ —	$ —	$ 2	$ —	$ —	$ 6
Municipal bonds	4	—	47	3	—	45
Total Other Investments(a)	$ 4	$ —	$ 49	$ 3	$ —	$ 51
Total Investments	$ 234	$ 5	$ 760	$ 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.
(c) The decrease in estimated fair value of the NDTF as of September 30, 2016, is due to reimbursements from the NDTF for costs related to ongoing decommissioning activity of the Crystal Unit 3 Nuclear Plant.

The table below summarizes the maturity date for debt securities.

(in millions)	**September 30, 2016**
Due in one year or less	$ 46
Due after one through five years	172
Due after five through 10 years	45
Due after 10 years	102
Total	$ 365

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)	**2016**	**2015**	**2016**	**2015**
Realized gains	$ 3	$ 1	$ 11	$ 5
Realized losses	2	1	7	2

DUKE ENERGY INDIANA

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

	September 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	31	—	77	27	—	71
Corporate debt securities	—	—	2	—	—	2
Municipal bonds	1	1	28	—	1	26
Total Other Investments(a)	$ 32	$ 1	$ 107	$ 27	$ 1	$ 101
Total Investments	$ 32	$ 1	$ 107	$ 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)	September 30, 2016
Due in one year or less	$ 3
Due after one through five years	9
Due after five through 10 years	13
Due after 10 years	5
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, 2016 and 2015.

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, (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 nine months ended September 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 10. See Note 11 for additional information related to investments by major security type.

	September 30, 2016				
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**	**Not categorized**
Nuclear decommissioning trust fund equity securities	$ 3,949	$ 3,871	$ —	$ —	$ 78
Nuclear decommissioning trust fund debt securities	2,169	664	1,505	—	—
Other available-for-sale equity securities	104	104	—	—	—
Other available-for-sale debt securities	297	74	219	4	—
Derivative assets	66	—	43	23	—
Total assets	6,585	4,713	1,767	27	78
Derivative liabilities	(246)	—	(246)	—	—
Net assets	$ 6,339	$ 4,713	$ 1,521	$ 27	$ 78

	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 September 30, 2016		
(in millions)	Investments	Derivatives (net)	Total
Balance at beginning of period	$ 4	$ 34	$ 38
Purchases, sales, issuances and settlements:			
Settlements	—	(9)	(9)
Total losses included on the Condensed Consolidated Balance Sheet as regulatory assets or liabilities	—	(2)	(2)
Balance at end of period	$ 4	$ 23	$ 27

	Three Months Ended September 30, 2015		
(in millions)	Investments	Derivatives (net)	Total
Balance at beginning of period	$ 5	$ 23	$ 28
Purchases, sales, issuances and settlements:			
Settlements	—	(6)	(6)
Balance at end of period	$ 5	$ 17	$ 22

	Nine Months Ended September 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	—	(22)	(22)
Total gains included on the Condensed Consolidated Balance Sheet as regulatory assets or liabilities	—	1	1
Balance at end of period	$ 4	$ 23	$ 27

	Nine Months Ended September 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	—	(28)	(28)
Total gains included on the Condensed Consolidated Balance Sheet as regulatory assets or liabilities	—	4	4
Balance at end of period	$ 5	$ 17	$ 22

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, 2016				
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**	**Not categorized**
Nuclear decommissioning trust fund equity securities	$ 2,170	$ 2,092	$ —	$ —	$ 78
Nuclear decommissioning trust fund debt securities	1,060	184	876	—	—
Other available-for-sale debt securities	3	—	—	3	—
Derivative assets	10	—	10	—	—
Total assets	3,243	2,276	886	3	78
Derivative liabilities	(99)	—	(99)	—	—
Net assets	$ 3,144	$ 2,276	$ 787	$ 3	$ 78

	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 nine months ended September 30, 2016 and September 30, 2015.

PROGRESS ENERGY

The following tables provide recorded balances for assets and liabilities measured et 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, 2016		
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**
Nuclear decommissioning trust fund equity securities	$ 1,779	$ 1,779	$ —
Nuclear decommissioning trust fund debt securities	1,109	480	629
Other available-for-sale debt securities	67	20	47
Derivative assets	31	—	31
Total assets	2,986	2,279	707
Derivative liabilities	(81)	—	(81)
Net assets	$ 2,905	$ 2,279	$ 626

	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 10. See Note 11 for additional information related to investments by major security type.

	September 30, 2016		
(in millions)	Total Fair Value	Level 1	Level 2
Nuclear decommissioning trust fund equity securities	$ 1,438	$ 1,438	$ —
Nuclear decommissioning trust fund debt securities and other	739	220	519
Other available-for-sale debt securities and other	1	1	—
Derivative assets	15	—	15
Total assets	2,193	1,659	534
Derivative liabilities	(12)	—	(12)
Net assets	$ 2,181	$ 1,659	$ 522

	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 10. See Note 11 for additional information related to investments by major security type.

	September 30, 2016		
(in millions)	Total Fair Value	Level 1	Level 2
Nuclear decommissioning trust fund equity securities	$ 341	$ 341	$ —
Nuclear decommissioning trust fund debt securities and other	370	260	110
Other available-for-sale debt securities and other	49	2	47
Derivative assets	16	—	16
Total assets	776	603	173
Derivative liabilities	(64)	—	(64)
Net assets	$ 712	$ 603	$ 109

	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 10.

	September 30, 2016			
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**
Derivative assets	$ 3	$ —	$ —	$ 3
Derivative liabilities	(8)	—	(8)	—
Net (liabilities) assets	$ (5)	$ —	$ (8)	$ 3

	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 September 30,	
(in millions)	**2016**	**2015**
Balance at beginning of period	$ 5	$ 5
Purchases, sales, issuances and settlements:		
Purchases	—	5
Sales	—	(5)
Settlements	(2)	(1)
Balance at end of period	$ 3	$ 4

	Derivatives (net)	
	Nine Months Ended September 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	5
Settlements	(4)	(4)
Total losses included on the Condensed Consolidated Balance Sheet as regulatory assets or liabilities	(1)	—
Balance at end of period	$ 3	$ 4

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, 2016			
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**
Other available-for-sale equity securities	$ 77	$ 77	$ —	$ —
Other available-for-sale debt securities and other	30	—	30	—
Derivative assets	20	—	—	20
Net assets	$ 127	$ 77	$ 30	$ 20

	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 September 30,	
(in millions)	**2016**	**2015**
Balance at beginning of period	$ 29	$ 17
Purchases, sales, issuances and settlements:		
Purchases	—	1
Settlements	(7)	(6)
Total losses included on the Condensed Consolidated Balance Sheet as regulatory assets or liabilities	(2)	—
Balance at end of period	$ 20	$ 12

	Derivatives (net)	
	Nine Months Ended September 30,	
(in millions)	**2016**	**2015**
Balance at beginning of period	$ 7	$ 14
Purchases, sales, issuances and settlements:		
Purchases	29	19
Settlements	(18)	(25)
Total gains included on the Condensed Consolidated Balance Sheet as regulatory assets or liabilities	2	4
Balance at end of period	$ 20	$ 12

QUANTITATIVE INFORMATION ABOUT UNOBSERVABLE INPUTS

The following table includes quantitative information about the Duke Energy Registrants' derivatives classified as Level 3. As of September 30, 2016 and December 31, 2015, all Level 3 derivatives were financial transmission rights (FTRs).

	September 30, 2016			
	Fair Value of FTRs (in millions)	Valuation Technique	Unobservable Input	Range
Duke Energy	$ 23	RTO auction pricing	FTR price – per Megawatt-Hour (MWh)	$ (2.59) - $ 8.16
Duke Energy Ohio	3	RTO auction pricing	FTR price – per MWh	0.45 - 2.01
Duke Energy Indiana	20	RTO auction pricing	FTR price – per MWh	(2.59) - 8.16

	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.

	September 30, 2016		December 31, 2015	
(in millions)	Book Value	Fair Value	Book Value	Fair Value
Duke Energy	$ 47,165	$ 50,997	$ 39,569	$ 42,537
Duke Energy Carolinas	9,360	10,799	8,367	9,156
Progress Energy	16,520	19,060	14,464	15,856
Duke Energy Progress	7,011	7,787	6,518	6,757
Duke Energy Florida	6,128	7,127	4,266	4,908
Duke Energy Ohio	1,887	2,128	1,598	1,724
Duke Energy Indiana	3,787	4,538	3,768	4,219

At both September 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.

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.

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 nine months ended September 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 September 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)	September 30, 2016
Receivables of VIEs	$ 7
Regulatory Assets: Current	51
Current Assets: Other	29
Regulatory Assets and Deferred Debits: Regulatory assets	1,156
Interest accrued	9
Current maturities of long-term debt	62
Long-Term Debt	1,216

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 Consolidated Balance Sheets related to renewables VIEs.

(in millions)	September 30, 2016	December 31, 2015
Current Assets: Other	$ 252	$ 138
Property, plant and equipment, cost	2,583	2,015
Accumulated depreciation and amortization	(400)	(321)
Current maturities of long-term debt	193	108
Long-Term Debt	1,151	968
Deferred Credits and Other Liabilities: Deferred income taxes	50	289
Deferred Credits and Other Liabilities: Other	270	33

NON-CONSOLIDATED VIEs

The following tables summarize the impact of non-consolidated VIEs on the Condensed Consolidated Balance Sheets.

	September 30, 2016				
	Duke Energy			Duke Energy	Duke Energy
(in millions)	Renewables	Other	Total	Ohio	Indiana
Receivables from affiliated companies	$ —	$ —	$ —	$ 50	$ 74
Investments in equity method unconsolidated affiliates	168	317	485	—	—
Investments and Other Assets: Other	—	12	12	—	—
Total assets	$ 168	$ 329	$ 497	$ 50	$ 74
Other current liabilities	—	2	2	—	—
Deferred credits and other liabilities	—	13	13	—	—
Total liabilities	$ —	$ 15	$ 15	$ —	$ —
Net assets	$ 168	$ 314	$ 482	$ 50	$ 74

	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.

Impairment of Equity Method Investments

During the three and nine months ended September 30, 2016, Duke Energy recorded an other than temporary impairment of certain wind project investments. The $71 million pretax impairment was recorded within Equity in earnings (losses) of unconsolidated affiliates on Duke Energy's Condensed Consolidated Statements of Operations. The other than temporary decline in value of these investments was primarily attributable to a sustained decline in market pricing where the wind investments are located, the continued projected net losses for the projects and a reduction in the projected cash distributions to the class of investment owned by Duke Energy.

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. See Note 4, Regulatory Matters, for information related to Duke Energy's additional ownership interest in ACP following the Piedmont acquisition.

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	1.5%	1.2%	1.5%	1.2%
Receivable turnover rate	13.3%	12.9%	10.6%	10.6%

The following table shows the gross and net receivables sold.

	Duke Energy Ohio		Duke Energy Indiana	
(in millions)	**September 30, 2016**	**December 31, 2015**	**September 30, 2016**	**December 31, 2015**
Receivables sold	$ 217	$ 233	$ 296	$ 260
Less: Retained interests	50	47	74	60
Net receivables sold	$ 167	$ 186	$ 222	$ 200

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)	2016	2015	2016	2015	2016	2015	2016	2015
Sales								
Receivables sold	$ 481	$ 449	$ 1,442	$ 1,518	$ 722	$ 679	$ 1,980	$ 2,032
Loss recognized on sale	2	2	7	7	3	3	8	8
Cash flows								
Cash proceeds from receivables sold	$ 468	$ 461	$ 1,432	$ 1,568	$ 703	$ 692	$ 1,958	$ 2,074
Collection fees received	1	—	1	1	—	—	1	1
Return received on retained interests	1	—	2	2	2	1	4	4

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.

14. 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 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)	2016	2015	2016	2015
Income from continuing operations attributable to Duke Energy common stockholders excluding impact of participating securities	$ 1,053	$ 935	$ 2,252	$ 2,307
Weighted average shares outstanding – basic	689	688	689	696
Equity Forwards	2	—	1	—
Weighted average shares outstanding – diluted	691	688	690	696
Earnings per share from continuing operations attributable to Duke Energy common stockholders				
Basic	$ 1.52	$ 1.36	$ 3.27	$ 3.31
Diluted	$ 1.52	$ 1.36	$ 3.26	$ 3.31
Potentially dilutive items excluded from the calculation[(a)]	2		2	2
Dividends declared per common share	$ 0.855	$ 0.825	$ 2.505	$ 2.42

(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. The Equity Forwards required Duke Energy to either physically settle the transactions by issuing 10.6 million shares, or net settle in whole or in part through the delivery or receipt of cash or shares. As of September 30, 2016, share dilution resulting from the agreements was determined under the treasury stock method.

On October 5, 2016, following the close of the Piedmont acquisition, Duke Energy physically settled the Equity Forwards in full by delivering 10.6 million shares of common stock in exchange for net cash proceeds of approximately $723 million. The net proceeds were used to finance a portion of the Piedmont acquisition.

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.

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.

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)	2016	2015	2016	2015
Restricted stock unit awards	$ 8	$ 9	$ 25	$ 29
Performance awards	4	5	14	18
Pretax stock-based compensation cost	$ 12	$ 14	$ 39	$ 47
Tax benefit associated with stock-based compensation expense	$ 5	$ 6	$ 14	$ 18
Stock-based compensation costs capitalized	—	1	2	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 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 generally accumulates a retirement benefit based on their (i) highest three-year or four-year average earnings, (ii) years of participation or credited service, and (iii) various plan formula provisions (e.g., caps on years of participation or credited service). 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 Duke Energy's 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 nine months ended September 30, 2016.

	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

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. 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 September 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	$ 36	$ 12	$ 11	$ 6	$ 4	$ 1	$ 2
Interest cost on projected benefit obligation	83	21	27	12	14	5	7
Expected return on plan assets	(128)	(35)	(42)	(21)	(21)	(6)	(10)
Amortization of actuarial loss	33	8	14	6	7	1	3
Amortization of prior service credit	(4)	(2)	(1)	—	(1)	—	—
Other	2	1	1	—	1	—	—
Net periodic pension costs	$ 22	$ 5	$ 10	$ 3	$ 4	$ 1	$ 2

	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

	Nine Months Ended September 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	$ 109	$ 36	$ 32	$ 18	$ 14	$ 3	$ 6
Interest cost on projected benefit obligation	249	64	80	37	42	15	21
Expected return on plan assets	(386)	(106)	(126)	(62)	(63)	(20)	(31)
Amortization of actuarial loss	99	24	41	17	21	3	9
Amortization of prior service credit	(12)	(6)	(3)	(1)	(1)	—	—
Other	6	2	2	1	1	—	—
Net periodic pension costs	$ 65	$ 14	$ 26	$ 10	$ 14	$ 1	$ 5

	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

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, 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	4	—	2	—	—
Amortization of actuarial loss	2	—	1	1	1
Amortization of prior service credit	(1)	—	—	—	—
Net periodic pension costs	$ 6	$ —	$ 3	$ 1	$ 1

	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

	Nine Months Ended September 30, 2016				
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida
Service cost	$ 2	$ —	$ —	$ —	$ —
Interest cost on projected benefit obligation	11	1	4	1	1
Amortization of actuarial loss	6	—	2	1	1
Amortization of prior service credit	(1)	—	—	—	—
Net periodic pension costs	$ 18	$ 1	$ 6	$ 2	$ 2

	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

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 September 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	4	2	3	—	1
Expected return on plan assets	(2)	(2)	(1)	—	—	—	—
Amortization of actuarial loss (gain)	2	—	5	3	2	(1)	—
Amortization of prior service credit	(35)	(4)	(26)	(16)	(8)	—	(1)
Net periodic other post-retirement benefit costs	$ (26)	$ (4)	$ (17)	$ (11)	$ (3)	$ (1)	$ —

	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

	Nine Months Ended September 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	$ —	$ 1	$ —	$ —	$ —	$ —
Interest cost on accumulated post-retirement benefit obligation	26	6	11	6	6	1	3
Expected return on plan assets	(9)	(6)	(1)	—	—	—	(1)
Amortization of actuarial loss (gain)	5	(2)	16	9	7	(2)	(1)
Amortization of prior service credit	(106)	(10)	(77)	(50)	(26)	—	(1)
Net periodic other post-retirement benefit costs	$ (82)	$ (12)	$ (50)	$ (35)	$ (13)	$ (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

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 September 30,							
2016	**$ 39**	**$ 13**	**$ 12**	**$ 8**	**$ 3**	**$ 1**	**$ 2**
2015	34	11	10	7	3	—	1
Nine Months Ended September 30,							
2016	**$ 130**	**$ 44**	**$ 39**	**$ 27**	**$ 11**	**$ 3**	**$ 6**
2015	120	40	36	26	10	2	5

17. 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, and in October 2016 Duke Energy entered sales agreements to complete the divestiture. Accordingly, Duke Energy no longer intends to indefinitely reinvest the undistributed earnings of International Energy. See Note 2 for additional information on the sale.

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 nine months ended September 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 September 30,		Nine Months Ended September 30,	
	2016	**2015**	**2016**	**2015**
Duke Energy	**32.9%**	30.9%	**30.0%**	32.5%
Duke Energy Carolinas	**34.3%**	36.5%	**34.4%**	36.3%
Progress Energy	**32.8%**	25.0%	**34.7%**	31.8%
Duke Energy Progress	**31.4%**	34.4%	**33.5%**	35.3%
Duke Energy Florida	**36.0%**	30.1%	**37.0%**	35.2%
Duke Energy Ohio	**36.8%**	39.3%	**32.5%**	37.6%
Duke Energy Indiana	**35.2%**	37.0%	**34.0%**	36.6%

The increase in the effective tax rate for Duke Energy for the three months ended September 30, 2016, is primarily due to audit adjustments and the tax benefit related to a manufacturing deduction in 2015 which is now limited due to taxable income. The decrease in the effective tax rate for Duke Energy for the nine months ended September 30, 2016, is primarily due to lower income taxes on foreign earnings due to a 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 September 30, 2016, is primarily due to favorable tax return true-ups and a favorable change to the manufacturing deduction. The decrease in the effective tax rate for Duke Energy Carolinas for the nine months ended September 30, 2016, is primarily due to a favorable state resolution related to prior year tax returns and favorable tax return true-ups.

The increase in the effective tax rate for Progress Energy for the three and nine months ended September 30, 2016, is primarily due to state tax benefits from legal entity restructuring in 2015 and the release of tax reserves in 2015 due to expired statutes.

The decrease in the effective tax rate for Duke Energy Progress for the three and nine months ended September 30, 2016, is primarily due to the impact of tax return true-ups.

The increase in the effective tax rate for Duke Energy Florida for the three and nine months ended September 30, 2016, is primarily due to a release of tax reserves in 2015 due to expired tax statutes.

The decrease in the effective tax rate for Duke Energy Ohio for the three months ended September 30, 2016, is primarily due to an increase in AFUDC equity. The decrease in the effective tax rate for the nine months ended September 30, 2016, is primarily due to a favorable adjustment related to prior period depreciation and other property, plant and equipment.

The decrease in the effective tax rate for Duke Energy Indiana for the three months ended September 30, 2016, is primarily due to income tax levelization. The decrease in the effective tax rate for Duke Energy Indiana for the nine months ended September 30, 2016, is primarily due to a favorable adjustment related to prior period depreciation and other property, plant and equipment.

18. SUBSEQUENT EVENTS

In the fourth quarter of 2016, Hurricane Matthew caused historic flooding, extensive damage and widespread power outages across Florida and the Carolinas. Duke Energy has not completed the final accumulation of total estimated incremental storm restoration costs incurred. Duke Energy Florida intends to charge storm restoration costs to an FPSC approved storm reserve. Duke Energy Progress, given the magnitude of the storm, intends to request approval to defer the incremental costs incurred to a regulatory asset for recovery in its next base rate cases.

For information on additional subsequent events related to acquisitions and dispositions, regulatory matters, commitments and contingencies, debt and credit facilities, asset retirement obligations and common stock see Notes 2, 4, 5, 6, 7 and 14, 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 nine months ended September 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 3, 2016, Duke Energy completed the acquisition contemplated by the Agreement and Plan of Merger (Merger Agreement) with Piedmont Natural Gas Company, Inc. (Piedmont), a North Carolina corporation primarily engaged in regulated natural gas distribution to residential, commercial, industrial and power generation customers in portions of North Carolina, South Carolina and Tennessee. As a result of the acquisition, Piedmont became a wholly owned subsidiary of Duke Energy.

Duke Energy's acquisition of Piedmont provides a foundation for establishing a broader strategic natural gas infrastructure platform within Duke Energy, complementing the existing natural gas pipeline investments and regulated natural gas business in the Midwest. Duke Energy's business risk profile is expected to improve over time due to the increased proportion of the business that is regulated. Additionally, cost savings, efficiencies, and other benefits are expected from combined operations.

Duke Energy acquired Piedmont for approximately $5.0 billion in cash and assumption of Piedmont's existing long-term debt, which had an estimated fair value of approximately $2.0 billion at the time of the acquisition. The excess of the purchase price over the estimated fair value of Piedmont's assets and liabilities on the acquisition date will be recorded as goodwill. Duke Energy estimates the transaction will result in incremental goodwill of approximately $3.4 billion.

Duke Energy financed the transaction with a combination of debt, equity issuances and other cash sources. Financings to fund the transaction included $3.75 billion of long-term debt issued in August 2016, $750 million borrowed under a short-term loan facility (Term Loan Facility) on September 30, 2016, as well as the issuance of 10.6 million shares of common stock in October 2016. The share issuance resulted in net cash proceeds of approximately $723 million. See Note 6 to the Condensed Consolidated Financial Statements, "Debt and Credit Facilities," for additional information related to the debt issuance and Note 14, "Common Stock," for additional information related to the equity issuance.

Duke Energy anticipates recording charges or reductions in revenue, as applicable, of approximately $150 million to $175 million in the fourth quarter of 2016 associated with the acquisition. These charges include commitments made in conjunction with the transaction, such as charitable contributions and a one-time bill credit to Piedmont customers prior to December 2016, as well as professional fees and severance. Duke Energy also expects to incur system integration and other acquisition-related transition costs, primarily through 2018, that are necessary to achieve certain anticipated cost savings, efficiencies and other benefits.

See Note 2 to the Condensed Consolidated Financial Statements, "Acquisitions and Dispositions," for additional information regarding the Piedmont acquisition, and Note 4 , "Regulatory Matters," for additional information regarding Duke Energy and Piedmont's joint investment in Atlantic Coast Pipeline, LLC (ACP).

Sale of International Energy

On October 10, 2016, Duke Energy reached agreements to sell the International Energy business segment, excluding the equity method investment in NMC (the International Disposal Group) in two separate transactions with a combined enterprise value of approximately $2.4 billion. Including the impact of debt to be assumed by the buyers, working capital and other adjustments as well as local in-country taxes, Duke Energy expects the transactions to generate available cash proceeds of between $1.7 billion and $1.9 billion, excluding transaction costs. The proceeds are expected to be used to reduce Duke Energy holding company debt. Existing favorable tax attributes will result in no immediate U.S. federal-level tax impacts.

Upon classification of the International Disposal Group as held for sale and as discontinued operations in the fourth quarter of 2016, Duke Energy expects to record an estimated pretax impairment charge of approximately $325 million to $375 million, primarily due to the cumulative foreign currency translation losses classified as accumulated other comprehensive loss. The transactions are expected to close by early 2017.

In conjunction with the advancements of marketing efforts during 2016, Duke Energy performed recoverability tests of the long-lived asset groups of International Energy. As a result, in the second quarter of 2016, Duke Energy determined the carrying value of certain assets in Central America was not fully recoverable and recorded a pretax impairment charge of $194 million. The charge is included within Impairment Charges on the Condensed Consolidated Statements of Operations for the nine months ended September 30, 2016, and 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.

Future Operating Segments

Due to the Piedmont acquisition and the agreements to sell the International Disposal Group, the chief operating decision maker changed how the business will be managed beginning in the fourth quarter of 2016. The financial reporting structure has been realigned to include the following segments: Electric Utilities and Infrastructure, Gas Utilities and Infrastructure, and Commercial Renewables.

- Electric Utilities and Infrastructure will be comprised of the regulated electric utilities in the Carolinas, Florida and the Midwest. This segment will also include the commercial transmission infrastructure investments.
- Gas Utilities and Infrastructure will contain Piedmont, Duke Energy's local distribution companies in Ohio and Kentucky, and gas storage and pipeline investments.
- Commercial Renewables will primarily include the company's non-regulated utility scale wind and solar generation assets.
- International Energy will remain a segment until the divestiture is complete, although results of the equity method investment in NMC will be recast to Other in the fourth quarter of 2016.

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.

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, including 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 with 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.
- Cost savings initiatives represents severance charges related to company-wide initiatives to standardize processes and systems, leverage technology and workforce optimization, which are not representative of ongoing costs.
- Commercial Renewables Impairment represents an other-than-temporary impairment of certain equity method investments. Management believes the impairment does not reflect an ongoing cost.
- Edwardsport Settlement and Ash Basin Settlement represent charges related to settlement agreements with regulators and other governmental entities 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 Midwest Generation Disposal Group), which have been classified as discontinued operations. Management believes inclusion of the Midwest Generation 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 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

Three Months Ended September 30, 2016 as compared to September 30, 2015

Reported EPS attributable to Duke Energy Corporation common stockholders (Reported EPS) was $1.70 for the third quarter of 2016 compared to $1.35 for the third quarter of 2015. The increase in Reported EPS was driven by higher retail revenues due to more favorable weather, favorable tax adjustments related to previously disposed businesses, and a charge in the prior year related to the Edwardsport settlement, partially offset by higher interest expense related to the Piedmont acquisition financing, including losses on interest rate swaps.

As discussed above, management also evaluates financial performance based on adjusted diluted EPS. Duke Energy's third quarter 2016 adjusted diluted EPS was $1.68 compared to $1.47 for the third quarter of 2015.

The following table reconciles non-GAAP measures, including adjusted diluted EPS, to their most directly comparable GAAP measures.

	Three Months Ended September 30, 2016							
(in millions, except per-share amounts)	Regulated Utilities	International Energy	Commercial Portfolio	Total Reportable Segments	Other	Discontinued Operations	Duke Energy	Per Diluted Share
Reported Net Income Attributable to Duke Energy Corporation/Reported EPS	$ 1,200	$ 64	$ (21)	$ 1,243	$ (189)	$ 122	$ 1,176	$ 1.70
Costs to achieve, mergers(a)	—	—	—	—	52	—	52	0.07
Cost savings initiatives(b)	—	—	—	—	12	—	12	0.02
Commercial Renewables Impairment(c)	—	—	45	45	—	—	45	0.07
Discontinued operations	—	—	—	—	—	(122)	(122)	(0.18)
Adjusted earnings/Adjusted EPS	$ 1,200	$ 64	$ 24	$ 1,288	$ (125)	$ —	$ 1,163	$ 1.68

(a) Net of $32 million tax benefit.
(b) Net of $7 million tax benefit. Primarily consists of severance costs.
(c) Net of $26 million tax benefit. Impairment charge related to certain equity method investments. See Note 13 to the Condensed Consolidated Financial Statements, "Variable Interest Entities," for additional information.

	Three Months Ended September 30, 2015							
(in millions, except per-share amounts)	Regulated Utilities	International Energy	Commercial Portfolio	Total Reportable Segments	Other	Discontinued Operations	Duke Energy	Per Diluted Share
Reported Net Income Attributable to Duke Energy Corporation/Reported EPS	$ 905	$ 69	$ 8	$ 982	$ (45)	$ (5)	$ 932	$ 1.35
Costs to achieve, Progress Energy merger(a)	—	—	—	—	15	—	15	0.02
Edwardsport settlement(b)	56	—	—	56	—	—	56	0.08
Ash basin settlement(c)	4	—	—	4	—	—	4	0.01
Economic hedges (mark-to-market)	—	—	(1)	(1)	—	—	(1)	—
Discontinued operations	—	—	—	—	—	5	5	0.01
Adjusted earnings/Adjusted EPS	$ 965	$ 69	$ 7	$ 1,041	$ (30)	$ —	$ 1,011	$ 1.47

(a) Net of $9 million tax benefit.
(b) Net of $34 million tax benefit.
(c) Net of $3 million tax benefit.

The increase in adjusted earnings for the three months ended September 30, 2016, compared to the same period in 2015, was primarily due to:

- Higher regulated results due to warmer weather in the current year, higher retail volumes and effective cost control efforts driving down operating expenses; as well as
- Higher Commercial Portfolio earnings driven by additional wind farms placed in service and improved wind production.

Partially offset by:

- The impact of a higher effective income tax rate.

Nine Months Ended September 30, 2016 as compared to September 30, 2015

Duke Energy's Reported EPS was $3.44 for the nine months ended September 30, 2016, compared to $3.36 for the nine months ended September 30, 2015. Reported EPS was higher due to favorable tax adjustments on previously disposed businesses, lower operations and maintenance expense at Regulated Utilities driven by cost control efforts, higher revenues from rider recoveries, and a favorable tax adjustment at International Energy. These favorable results were partially offset by an impairment of certain assets in Central America and higher costs to achieve mergers, including losses on interest rate swaps related to the Piedmont acquisition financing.

As discussed above, management also evaluates financial performance based on adjusted diluted EPS. Duke Energy's adjusted diluted EPS was $3.88 for the nine months ended September 30, 2016, compared to $3.66 for the nine months ended September 30, 2015.

The following table reconciles non-GAAP measures, including adjusted diluted EPS, to their most directly comparable GAAP measures.

	Nine Months Ended September 30, 2016							
(in millions, except per-share amounts)	Regulated Utilities	International Energy	Commercial Portfolio	Total Reportable Segments	Other	Discontinued Operations	Duke Energy	Per Diluted Share
Net Income Attributable to Duke Energy Corporation/Reported EPS	$ 2,613	$ 85	$ 20	$ 2,718	$ (463)	$ 124	$ 2,379	$ 3.44
Costs to achieve, mergers(a)	—	—	—	—	195	—	195	0.28
International impairment(b)	—	145	—	145	—	—	145	0.21
Cost savings initiatives(c)	—	—	—	—	39	—	39	0.06
Commercial Renewables Impairment(d)	—	—	45	45	—	—	45	0.07
Discontinued operations	—	—	—	—	—	(124)	(124)	(0.18)
Adjusted earnings/Adjusted EPS	$ 2,613	$ 230	$ 65	$ 2,908	$ (229)	$ —	$ 2,679	$ 3.88

(a) Net of $120 million tax benefit. Primarily consists of losses on forward-starting interest rate swaps related to the Piedmont acquisition financing.
(b) Net of $49 million tax benefit. Impairment charge related to certain assets in Central America.
(c) Net of $24 million tax benefit. Primarily consists of severance costs.
(d) Net of $26 million tax benefit. Impairment charge related to certain equity method investments. See Note 13 to the Condensed Consolidated Financial Statements, "Variable Interest Entities," for additional information.

	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
Net Income Attributable to Duke Energy Corporation/Reported EPS	$ 2,311	$ 157	$ (15)	$ 2,453	$ (139)	$ 25	$ 2,339	$ 3.36
Costs to achieve, Progress Energy merger(a)	—	—	—	—	42	—	42	0.05
Edwardsport settlement(b)	56	—	—	56	—	—	56	0.08
Midwest Generation operations(c)	—	—	94	94	—	(94)	—	—
Ash basin settlement(d)	4	—	—	4	—	—	4	0.01
Economic hedges (mark-to-market)	—	—	(1)	(1)	—	—	(1)	—
Discontinued operations	—	—	41	41	—	69	110	0.16
Adjusted earnings/Adjusted EPS	$ 2,371	$ 157	$ 119	$ 2,647	$ (97)	$ —	$ 2,550	$ 3.66

(a) Net of $25 million tax benefit.
(b) Net of $34 million tax benefit.
(c) Net of $53 million tax benefit.
(d) Net of $3 million tax benefit.

The increase in adjusted earnings for the nine months ended September 30, 2016, compared to the same period in 2015, was primarily due to:

- Lower operations and maintenance expense at Regulated Utilities driven by effective cost control efforts, partially offset by an increase in storm restoration costs including those related to severe winter storms in the Carolinas;
- Higher retail revenues from pricing and riders, including energy efficiency programs;
- 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. See Note 17 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;
- Incremental earnings from the additional ownership interest in generating assets acquired from North Carolina Eastern Municipal Power Agency (NCEMPA); and
- Reduction in weighted average shares outstanding primarily due to the prior-year accelerated stock repurchase.

Partially offset by:

- Lower results due to the absence of earnings from the Midwest Generation 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 methyl tertiary butyl ether (MTBE) and methanol prices.

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)	**2016**	**2015**	**Variance**	**2016**	**2015**	**Variance**
Operating Revenues	$ 6,430	$ 6,147	$ 283	$ 16,788	$ 17,090	$ (302)
Operating Expenses	4,385	4,481	(96)	12,124	12,789	(665)
Gains on Sales of Other Assets and Other, net	1	1	—	3	10	(7)
Operating Income	2,046	1,667	379	4,667	4,311	356
Other Income and Expenses	75	56	19	213	187	26
Interest Expense	293	280	13	848	829	19
Income Before Income Taxes	1,828	1,443	385	4,032	3,669	363
Income Tax Expense	628	538	90	1,419	1,358	61
Segment Income	$ 1,200	$ 905	$ 295	$ 2,613	$ 2,311	$ 302
Duke Energy Carolinas Gigawatt-hours (GWh) sales	25,508	23,737	1,771	67,890	67,511	379
Duke Energy Progress GWh sales	20,033	18,283	1,750	54,011	50,000	4,011
Duke Energy Florida GWh sales	12,440	11,513	927	31,542	30,788	754
Duke Energy Ohio GWh sales	7,214	6,698	516	19,117	19,698	(581)
Duke Energy Indiana GWh sales	9,073	8,784	289	26,624	25,217	1,407
Total Regulated Utilities GWh sales	74,268	69,015	5,253	199,184	193,214	5,970
Net proportional Megawatt (MW) capacity in operation				49,411	50,033	(622)

Three Months Ended September 30, 2016 as Compared to September 30, 2015

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

Operating Revenues. The variance was driven primarily by:

- a $154 million increase in electric retail sales, net of fuel revenue, due to favorable weather as compared to the prior year;
- a $134 million increase in rider revenues, including amounts related to energy efficiency programs, Duke Energy Florida's Nuclear Asset Securitization revenues beginning in 2016, the additional ownership interest in certain generating assets acquired from NCEMPA in the third quarter of 2015, and increased revenues related to Duke Energy Indiana's clean coal equipment;
- a $47 million increase in weather-normal sales volumes to retail customers (net of fuel revenue) reflecting increased demand; and
- a $32 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.

Partially offset by:

- a $104 million decrease in fuel revenues driven by lower fuel prices included in electric rates.

Operating Expenses. The variance was driven primarily by:

- a $98 million decrease in fuel expense (including purchased power and natural gas purchases for resale) primarily due to lower natural gas and coal prices, partially offset by increased generation due to higher sales volumes; and
- an $85 million impairment charge in prior year related to the September 2015 Edwardsport IGCC settlement.

Partially offset by:

- a $58 million increase in depreciation and amortization expense primarily due to additional plant in service, including the amortization of Duke Energy Florida's Crystal River 3 regulatory asset, and the additional ownership interest in generating assets acquired from NCEMPA in the third quarter of 2015; and
- a $22 million increase in operations and maintenance expense primarily due to higher environmental and operational costs that are recoverable in rates, increased employee benefits costs, and higher storm restoration costs; partially offset by lower costs due to effective cost control efforts.

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 September 30, 2016 and 2015 were 34.4 percent and 37.3 percent, respectively. The decrease in the effective tax rate is primarily due to an unfavorable prior period adjustment recorded in 2015.

Nine Months Ended September 30, 2016 as Compared to September 30, 2015

Regulated Utilities' results were impacted by increased pricing and rider revenues, the prior year impairment associated with the September 2015 Edwardsport IGCC settlement, an increase in wholesale power margins, and increase in weather-normal sales volumes. These impacts were partially offset by 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 $739 million decrease in fuel revenues driven by lower fuel prices included in electric rates.

Partially offset by:

- a $275 million increase in rider revenues including increased revenues related to energy efficiency programs, the additional ownership interest in certain generating assets acquired from NCEMPA in the third quarter of 2015, and increased revenues related to Duke Energy Indiana's clean coal equipment, and retail electric pricing primarily due to the expiration of the North Carolina cost of removal decrement rider;
- an $84 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; and
- a $40 million increase in weather-normal sales volumes to retail customers (net of fuel revenue) reflecting retail sales growth.

Operating Expenses. The variance was driven primarily by:

- a $725 million decrease in fuel expense (including purchased power and natural gas purchases for resale) primarily due to lower natural gas and coal prices and lower natural gas volumes to full-service retail natural gas customers; and
- an $85 million impairment charge in prior year related to the September 2015 Edwardsport IGCC settlement.

Partially offset by:

- a $102 million increase in depreciation and amortization expense primarily due to additional plant in service, including the expiration of the North Carolina cost of removal decrement rider, and the additional ownership interest in generating assets acquired from NCEMPA in the third quarter of 2015; and
- a $45 million increase in property and other taxes primarily due to higher property taxes across multiple jurisdictions and higher sales and use tax at Duke Energy Indiana.

Other Income and Expenses, net. The variance was driven primarily by higher AFUDC equity.

Income Tax Expense. The variance is due to an increase in pretax income and a lower effective tax rate. The effective tax rates for the nine months ended September 30, 2016 and 2015 were 35.2 and 37 percent, respectively. The decrease in effective tax rate is primarily due to favorable impacts of finalizing tax audits, favorable tax return true-ups and an unfavorable prior period adjustment recorded in 2015.

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 7 to the Condensed Consolidated Financial Statements, "Asset Retirement Obligations," 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, "Regulatory Matters" and Note 7, "Asset Retirement Obligations," to the Condensed Consolidated Financial Statements for additional information.

In the fourth quarter of 2016, Hurricane Matthew caused historic flooding, extensive damage and widespread power outages within the Duke Energy Progress service territory. Duke Energy has not completed the final accumulation of total estimated incremental storm restoration costs incurred; however, the preliminary estimate is approximately $200 million. Given the magnitude of the storm, Duke Energy Progress intends to request approval to defer the incremental costs incurred to a regulatory asset for recovery in its next base rate cases. An order from regulatory authorities disallowing the deferral and future recovery of storm restoration costs could have an adverse impact on Regulated Utilities' financial position, results of operations and cash flows.

International Energy

	Three Months Ended September 30,			Nine Months Ended September 30,		
(in millions)	**2016**	**2015**	**Variance**	**2016**	**2015**	**Variance**
Operating Revenues	$ 245	$ 281	$ (36)	$ 761	$ 841	$ (80)
Operating Expenses	177	200	(23)	713	639	74
Loss on Sales of Other Assets and Other, net	(1)	—	(1)	(2)	(1)	(1)
Operating Income	67	81	(14)	46	201	(155)
Other Income and Expenses	23	24	(1)	62	69	(7)
Interest Expense	19	21	(2)	63	66	(3)
Income Before Income Taxes	71	84	(13)	45	204	(159)
Income Tax Expense (Benefit)	4	14	(10)	(48)	44	(92)
Less: Income Attributable to Noncontrolling Interests	3	1	2	8	3	5
Segment Income	$ 64	$ 69	$ (5)	$ 85	$ 157	$ (72)
Sales, GWh	5,017	4,590	427	16,522	13,580	2,942
Net proportional MW capacity in operation				4,315	4,333	(18)

Three Months Ended September 30, 2016 as Compared to September 30, 2015

International Energy's results were impacted by lower earnings from the equity method investment in NMC. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by:

- a $39 million decrease in Central America due to lower average prices and volumes; and
- a $9 million decrease in Peru due to lower hydrocarbon and energy sales volumes and average prices.

Partially offset by:

- a $19 million increase in Brazil due to stronger foreign currency exchange rates and higher average contract prices.

Operating Expenses. The variance was driven primarily by:

- a $34 million decrease in Central America due to lower fuel and purchased power costs; and
- a $20 million decrease in Ecuador primarily due to the absence of a prior year impairment loss.

Partially offset by:

- a $27 million increase in Brazil due to higher purchased power costs and stronger foreign currency exchange rates.

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 prices, offset by lower butane costs and the receipt of an insurance reimbursement in Ecuador.

Income Tax Expense (Benefit). The effective tax rates for the three months ended September 30, 2016 and 2015 were 5.6 percent and 16.7 percent, respectively. The decrease in effective tax rate was primarily due to a true-up of foreign tax credits.

Nine Months Ended September 30, 2016 as Compared to September 30, 2015

International Energy's results were impacted by an impairment charge related to certain assets in Central America, lower earnings from the equity method investment in NMC and unfavorable exchange rates in Latin America, partially offset by improved hydrology in Brazil and lower income taxes as a result of the company's intent to no longer indefinitely reinvest foreign earnings. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by:

- a $65 million decrease in Central America due to lower average prices; and
- a $14 million decrease in Peru due to lower hydrocarbon average prices and volumes and lower energy sales volumes.

Operating Expenses. The variance was driven primarily by:

- a $130 million increase in Central America due to the asset impairment, partially offset by lower purchased power and fuel costs; and
- an $11 million increase in Peru due to higher purchased power costs, partially offset by lower hydrocarbon royalty costs.

Partially offset by:

- a $39 million decrease in Brazil due to lower purchased power costs resulting from improved hydrology and weaker foreign currency exchange rates, partially offset by higher variable costs; and
- a $14 million decrease in Ecuador primarily due to the absence of a prior year impairment.

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, as well as lower MTBE sales volumes due to planned maintenance, partially offset by lower butane costs, the absence of a prior year net currency remeasurement loss in Latin America, and the receipt of an insurance claim reimbursement in Ecuador.

Income Tax Expense (Benefit). The variance was due to a decrease in the effective tax rate and a decrease in pretax income. The decrease in the effective tax rate was primarily a result of Duke Energy's ability to more efficiently utilize foreign tax credits. See Note 17 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 October 2016, Duke Energy reached agreements to sell the International Disposal Group. As a result, the International Disposal Group will be classified as held for sale and as discontinued operations beginning in the fourth quarter of 2016. Upon classification as held for sale, International Energy expects to record an estimated pretax impairment charge of approximately $325 million to $375 million, primarily due to the cumulative foreign currency translation losses classified as accumulated other comprehensive loss. The transactions are expected to close by early 2017.

Commercial Portfolio

	Three Months Ended September 30,			Nine Months Ended September 30,		
(in millions)	**2016**	**2015**	**Variance**	**2016**	**2015**	**Variance**
Operating Revenues	$ 140	$ 66	$ 74	$ 366	$ 214	$ 152
Operating Expenses	141	82	59	373	255	118
Gains on Sales of Other Assets and Other, net	1	—	1	3	6	(3)
Operating Loss	—	(16)	16	(4)	(35)	31
Other Income and Expenses	(69)	(3)	(66)	(63)	(3)	(60)
Interest Expense	15	11	4	38	33	5
Loss Before Income Taxes	(84)	(30)	(54)	(105)	(71)	(34)
Income Tax Benefit	(62)	(37)	(25)	(123)	(55)	(68)
Less: Loss Attributable to Noncontrolling Interests	(1)	(1)	—	(2)	(1)	(1)
Segment (Loss) Income	$ (21)	$ 8	$ (29)	$ 20	$ (15)	$ 35
Renewable plant production, GWh	1,801	1,230	571	5,619	3,913	1,706
Net proportional MW capacity in operation				2,725	1,634	1,091

Three Months Ended September 30, 2016 as Compared to September 30, 2015

Commercial Portfolio's lower earnings were primarily due to an impairment charge related to certain equity method investments in wind projects, partially offset by new wind and solar generation placed in service, 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 $58 million increase in electric revenues due to growth in the REC Solar business; 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 $55 million increase in operating expenses due to growth in the REC Solar business; and
- a $13 million increase in operating expenses from new wind and solar generation placed in service.

Other Income and Expenses, net. The variance was due to a $71 million pretax impairment charge related to certain equity method investments in wind projects. See Note 13 to the Condensed Consolidated Financial Statements, "Variable Interest Entities," for additional information.

Income Tax Benefit. The variance was primarily due to an increase in pretax losses. The decrease in the effective tax rate was primarily due to the impact of production tax credits for the renewables portfolio.

Nine Months Ended September 30, 2016 as Compared to September 30, 2015

Commercial Portfolio's higher earnings were primarily due to a state tax charge recorded in the prior year related to the Midwest Generation business, new wind and solar generation placed in service and improved wind production, partially offset by an impairment charge related to certain equity method investments in wind projects. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by:

- a $115 million increase in electric revenues due to acquisition and growth of REC Solar; and
- a $52 million increase in electric revenues from new wind and solar generation placed in service and improved wind production.

Partially offset by:

- a $14 million decrease due to the shift of the residual Midwest Generation business out of Commercial Portfolio following the sale of the Midwest Generation Disposal Group.

Operating Expenses. The variance was driven primarily by:

- a $111 million increase in operating expenses due to acquisition and growth of REC Solar; and
- a $26 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 Midwest Generation Disposal Group. See Note 3 to the Condensed Consolidated Financial Statements, "Business Segments," for additional information.

Other Income and Expenses, net. The variance was driven primarily by:

- a $71 million pretax impairment charge related to certain equity method investments in wind projects. See Note 13 to the Condensed Consolidated Financial Statements, "Variable Interest Entities," for additional information.

Partially offset by:

- a $12 million increase in equity earnings from the Commercial Pipeline business.

Income Tax Benefit. 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 Midwest Generation Disposal Group in the second quarter of 2015 and the impact of production tax credits for the renewables portfolio.

Matters Impacting Future Commercial Portfolio

Persistently low market pricing or wind resources, primarily in the Ercot West market, and the future expiration of tax incentives including Investment Tax Credits and Production Tax Credits could result in adverse impacts to the future results of Commercial Renewables.

Other

	Three Months Ended September 30,			Nine Months Ended September 30,		
(in millions)	2016	2015	Variance	2016	2015	Variance
Operating Revenues	$ 32	$ 17	$ 15	$ 91	$ 78	$ 13
Operating Expenses	128	64	64	316	177	139
Gains on Sales of Other Assets and Other, net	5	3	2	16	16	—
Operating Loss	(91)	(44)	(47)	(209)	(83)	(126)
Other Income and Expenses	12	(2)	14	30	8	22
Interest Expense	157	91	66	553	285	268
Loss Before Income Taxes	(236)	(137)	(99)	(732)	(360)	(372)
Income Tax Benefit	(50)	(95)	45	(276)	(229)	(47)
Less: Income Attributable to Noncontrolling Interests	3	3	—	7	8	(1)
Net Expense	$ (189)	$ (45)	$ (144)	$ (463)	$ (139)	$ (324)

Three Months Ended September 30, 2016 as Compared to September 30, 2015

Other's higher net expense was driven by higher interest expense related to the Piedmont acquisition financing, severance accruals, increased charitable donations and prior year tax benefits. 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, increase in donations to the Duke Energy Foundation and costs related to the Piedmont acquisition. The Duke Energy Foundation is a nonprofit organization funded by Duke Energy shareholders that makes charitable contributions to selected nonprofits and government subdivisions.

Other Income and Expenses, net. The increase was primarily due to higher returns on investments that support employee benefit obligations.

Interest Expense. The increase was primarily due to Piedmont acquisition financing, including bridge facility costs and losses on forward-starting interest rate swaps. For additional information see Notes 2 and 10 to the Condensed Consolidated Financial Statements, "Acquisitions and Dispositions" and "Derivatives and Hedging," respectively.

Income Tax Benefit. The variance was primarily due to a decrease in the effective tax rate, partially offset by an increase in pretax losses. The effective tax rates for the three months ended September 30, 2016 and 2015 were 21.2 percent and 69.3 percent, respectively. The decrease in the effective tax rate was primarily due to a change in manufacturing deduction, impacts of finalizing federal tax audits and the benefit from legal entity restructuring recorded in 2015.

Nine Months Ended September 30, 2016 as Compared to September 30, 2015

Other's higher net expense was due to higher interest expense related to the Piedmont acquisition financing, severance accruals and donations to the Duke Energy Foundation. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The increase was primarily 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.

Operating Expenses. The increase was primarily due to severance accruals, an increase in donations to the Duke Energy Foundation, costs related to the Piedmont acquisition 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.

Other Income and Expenses, net. The increase was primarily due to higher returns on investments that support employee benefit obligations.

Interest Expense. The increase was primarily due to Piedmont acquisition financing, including bridge facility costs and losses on forward-starting interest rate swaps. For additional information see Notes 2 and 10 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 nine months ended September 30, 2016 and 2015 were 37.7 percent and 63.6 percent, respectively. The decrease in the effective tax rate was primarily due to a change in the manufacturing deduction, tax levelization and the benefit from legal entity restructuring recorded in 2015.

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 Midwest Generation 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 and Nine Months Ended September 30, 2016 as Compared to September 30, 2015

Discontinued Operations, Net of Tax. The variance was primarily driven by a $122 million income tax benefit resulting from immaterial out of period deferred tax liability adjustments related to previously sold businesses. See Note 2 to the Condensed Consolidated Financial Statements, "Acquisitions and Dispositions," for more information.

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, 2016 and 2015 and the Annual Report on Form 10-K for the year ended December 31, 2015.

Results of Operations

	Nine Months Ended September 30,		
(in millions)	**2016**	**2015**	**Variance**
Operating Revenues	$ 5,641	$ 5,669	$ (28)
Operating Expenses	3,880	4,005	(125)
Losses on Sales of Other Assets and Other, net	(1)	—	(1)
Operating Income	1,760	1,664	96
Other Income and Expenses, net	121	125	(4)
Interest Expense	316	313	3
Income Before Income Taxes	1,565	1,476	89
Income Tax Expense	539	536	3
Net Income	$ 1,026	$ 940	$ 86

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.

Increase (Decrease) over prior year	2016
Residential sales	(1.7)%
General service sales	0.1 %
Industrial sales	(1.1)%
Wholesale power sales	8.0 %
Joint dispatch sales	(38.8)%
Total sales	0.6 %
Average number of customers	1.4 %

Nine Months Ended September 30, 2016 as Compared to September 30, 2015

Operating Revenues. The variance was driven primarily by:

- a $179 million decrease in fuel revenues driven by lower fuel prices included in electric retail and wholesale rates.

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;
- a $35 million increase in electric sales, net of fuel revenues, to retail customers due to favorable weather compared to the prior year;
- a $28 million increase in weather-normal electric sales, net of fuel revenues, to retail customers due to load growth; and
- a $26 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 $163 million decrease in fuel used in electric generation and purchased power primarily related to lower natural gas and coal prices, as well as a change in generation mix.

Partially offset by:

- a $23 million increase in depreciation and amortization expense primarily due to higher amount of property, plant and equipment in service; and
- a $13 million increase in operating and maintenance expense primarily due to higher storm restoration costs and severance expenses, partially offset by lower expenses at generating plants.

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 nine months ended September 30, 2016 and 2015 were 34.4 percent and 36.3 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 tax true-ups.

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 7 to the Condensed Consolidated Financial Statements, "Asset Retirement Obligations," 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 Note 4, "Regulatory Matters" and Note 7, "Asset Retirement Obligations," to the Condensed Consolidated Financial Statements 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 nine months ended September 30, 2016 and 2015 and the Annual Report on Form 10-K for the year ended December 31, 2015.

Results of Operations

	Nine Months Ended September 30,		
(in millions)	**2016**	**2015**	**Variance**
Operating Revenues	$ 7,645	$ 7,941	$ (296)
Operating Expenses	5,814	6,150	(336)
Gains on Sales of Other Assets and Other, net	18	18	—
Operating Income	1,849	1,809	40
Other Income and Expenses, net	79	63	16
Interest Expense	497	504	(7)
Income From Continuing Operations Before Taxes	1,431	1,368	63
Income Tax Expense From Continuing Operations	496	435	61
Income From Continuing Operations	935	933	2
Loss From Discontinued Operations, net of tax	—	(2)	2
Net Income	935	931	4
Less: Net Income Attributable to Noncontrolling Interests	8	8	—
Net Income Attributable to Parent	$ 927	$ 923	$ 4

Nine Months Ended September 30, 2016 as Compared to September 30, 2015

Operating Revenues. The variance was driven primarily by:

- a $469 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.

Partially offset by:

- a $124 million increase in rate riders, including increased revenues related to energy efficiency programs, the additional ownership interest in certain generating assets acquired from NCEMPA in the third quarter of 2015, higher nuclear asset securitization revenues in the current year, and an increase in energy conservation and environmental cost recovery clause revenues, partially offset by lower nuclear cost recovery clause rider revenues due to suspending recovery for the Levy nuclear project in 2015; and
- a $34 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 and wholesale contracts that expired in the prior year at Duke Energy Florida.

Operating Expenses. The variance was driven primarily by:

- a $441 million decrease in fuel used in electric generation and purchased power primarily due to lower natural gas prices, changes in generation mix, lower deferred fuel expense, and lower generation costs, partially offset by increased purchased power.

Partially offset by:

- a $73 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; and
- a $27 million increase in operations and maintenance expense primarily due to an increase in costs recoverable through the energy conservation cost recovery clause and an increase in employee benefit costs, partially offset by a decrease in payroll and labor costs.

Other Income and Expenses, net. The variance was driven by higher AFUDC equity return on the Citrus County Combined Cycle and Hines Chiller Uprate projects in the current year and gains on insurance policies, both at Duke Energy Florida.

Income Tax Expense. The variance was primarily due to an increase in pretax income and a higher effective tax rate. The effective tax rate for the nine months ended September 30, 2016 and 2015 were 34.7 percent and 31.8 percent, respectively. The increase in the effective tax rate was primarily due to state tax benefits from legal entity restructuring in 2015 and the release of tax reserves in 2015 due to expired statutes.

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 7 to the Condensed Consolidated Financial Statements, "Asset Retirement Obligations," 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 Note 4, "Regulatory Matters" and Note 7, "Asset Retirement Obligations," to the Condensed Consolidated Financial Statements for additional information.

In the fourth quarter of 2016, Hurricane Matthew caused historic flooding, extensive damage and widespread power outages within the Duke Energy Progress service territory. Duke Energy has not completed the final accumulation of total estimated incremental storm restoration costs incurred; however, the preliminary estimate is approximately $200 million. Given the magnitude of the storm, Duke Energy Progress intends to request approval to defer the incremental costs incurred to a regulatory asset for recovery in its next base rate cases. An order from regulatory authorities disallowing the deferral and future recovery of storm restoration costs could have an adverse impact on Progress Energy's financial position, results of operations and cash flows.

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, 2016 and 2015 and the Annual Report on Form 10-K for the year ended December 31, 2015.

Results of Operations

	Nine Months Ended September 30,		
(in millions)	**2016**	**2015**	**Variance**
Operating Revenues	$ 4,103	$ 4,130	$ (27)
Operating Expenses	3,154	3,238	(84)
Gains on Sales of Other Assets and Other, net	2	2	—
Operating Income	951	894	57
Other Income and Expenses, net	47	49	(2)
Interest Expense	188	175	13
Income Before Income Taxes	810	768	42
Income Tax Expense	271	271	—
Net Income and Comprehensive Income	$ 539	$ 497	$ 42

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.

Increase (Decrease) over prior period	**2016**
Residential sales	(3.7)%
General service sales	0.1 %
Industrial sales	— %
Wholesale power sales	21.4 %
Joint dispatch sales	39.4 %
Total sales	8.0 %
Average number of customers	1.3 %

Nine Months Ended September 30, 2016 as Compared to September 30, 2015

Operating Revenues. The variance was driven primarily by:

- a $166 million decrease in fuel revenues driven by lower natural gas prices and changes in generation mix;
- a $12 million decrease in intercompany Joint Dispatch Agreement (JDA) coal blending revenues; and
- a $7 million decrease in transmission revenues driven by lower volumes and a settlement with customers that reduced the rate of return on equity.

Partially offset by:

- a $111 million increase in rider revenues due to a rider established in December 2015 to recover costs associated with the purchase of NCEMPA's ownership interest in certain generating assets, and growth in rider revenues related to energy efficiency programs; and
- a $52 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 $167 million decrease in fuel used in electric generation and purchased power primarily due lower natural gas prices and changes in generation mix.

Partially offset by:

- a $64 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 $17 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 variance was primarily due to a lower effective tax rate, partially offset by an increase in pretax income. The effective tax rates for the nine months ended September 30, 2016 and 2015 were 33.5 percent and 35.3 percent, respectively. The decrease in the effective tax rate was primarily due to the impact of tax return true-ups.

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 7 to the Condensed Consolidated Financial Statements, "Asset Retirement Obligations," 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.

In the fourth quarter of 2016, Hurricane Matthew caused historic flooding, extensive damage and widespread power outages within the Duke Energy Progress service territory. Duke Energy has not completed the final accumulation of total estimated incremental storm restoration costs incurred; however, the preliminary estimate is approximately $200 million. Given the magnitude of the storm, Duke Energy Progress intends to request approval to defer the incremental costs incurred to a regulatory asset for recovery in its next base rate cases. An order from regulatory authorities disallowing the deferral and future recovery of storm restoration costs could have an adverse impact on Duke Energy Progress' financial position, results of operations and cash flows.

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, 2016 and 2015 and the Annual Report on Form 10-K for the year ended December 31, 2015.

Results of Operations

	Nine Months Ended September 30,		
(in millions)	**2016**	**2015**	**Variance**
Operating Revenues	$ 3,538	$ 3,803	$ (265)
Operating Expenses	2,652	2,904	(252)
Operating Income	886	899	(13)
Other Income and Expenses, net	30	12	18
Interest Expense	143	149	(6)
Income Before Income Taxes	773	762	11
Income Tax Expense	286	268	18
Net Income	$ 487	$ 494	$ (7)

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	3.0 %
General service sales	0.8 %
Industrial sales	(2.5)%
Wholesale and other	29.2 %
Total sales	2.4 %
Average number of customers	1.6 %

Nine Months Ended September 30, 2016 as Compared to September 30, 2015

Operating Revenues. The variance was driven primarily by:

- a $303 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
- an $18 million decrease in wholesale power revenues primarily driven by contracts that expired in the prior year.

Partially offset by:

- a $16 million increase in weather-normal sales volumes to retail customers in the current year;
- a $15 million increase in other revenue primarily due to a transmission customer settlement charge taken in the prior year, increased transmission demand and higher transmission rates; and
- a $13 million increase in rider revenues primarily due to nuclear asset securitization revenues beginning in 2016 and an increase in energy conservation cost recovery clause and environmental cost recovery clause revenues due to high recovery rates in 2016, partially offset by a decrease in nuclear cost recovery clause revenues due to suspending recovery of the Levy nuclear project in 2015.

Operating Expenses. The variance was driven primarily by:

- a $274 million decrease in fuel used in electric generation and purchased power primarily due to lower deferred fuel expense and lower generation costs, partially offset by increased purchased power.

Partially offset by:

- a $24 million increase in operations and maintenance expense primarily due to an increase in costs recoverable through the energy conservation cost recovery clause and an increase in employee benefit costs, partially offset by a decrease in payroll and labor costs.

Other Income and Expenses, net. The variance was driven by higher AFUDC equity return on the Citrus County Combined Cycle and Hines Chiller Uprate projects in the current year and gains on insurance policies.

Income Tax Expense. The variance was primarily due to an increase in pretax income and a higher effective tax rate. The effective tax rates for the nine months ended September 30, 2016 and 2015 were 37.0 percent and 35.2 percent, respectively. The increase in the effective tax rate was primarily due to a release of tax reserves in 2015 due to expired tax statutes.

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, 2016 and 2015 and the Annual Report on Form 10-K for the year ended December 31, 2015.

Results of Operations

	Nine Months Ended September 30,		
(in millions)	**2016**	**2015**	**Variance**
Operating Revenues	$ 1,433	$ 1,453	$ (20)
Operating Expenses	1,178	1,231	(53)
Gains on Sales of Other Assets and Other, net	2	8	(6)
Operating Income	257	230	27
Other Income and Expenses, net	6	(2)	8
Interest Expense	63	58	5
Income from Continuing Operations Before Income Taxes	200	170	30
Income Tax Expense from Continuing Operations	65	64	1
Income from Continuing Operations	135	106	29
Income from Discontinued Operations, net of tax	36	23	13
Net Income	$ 171	$ 129	$ 42

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.

Increase (Decrease) over prior year	2016
Residential sales	(1.3)%
General service sales	0.6 %
Industrial sales	(0.6)%
Wholesale power sales	(69.0)%
Total sales	(2.9)%
Average number of customers	0.8 %

Nine Months Ended September 30, 2016 as Compared to September 30, 2015

Operating Revenues. The variance was driven primarily by:

- a $40 million decrease in fuel revenues driven by lower electric fuel and natural gas prices and decreased sales volumes; and
- a $3 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 $52 million decrease in the cost of natural gas, primarily due to decreased sales volumes and lower natural gas prices.

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 rate for the nine months ended September 30, 2016 and 2015 were 32.5 percent and 37.6 percent, respectively. The decrease in the effective tax rate was primarily due to a favorable adjustment related to prior period depreciation and other property, plant and equipment.

Discontinued Operations, Net of Tax. The variance was primarily due to an income tax benefit resulting from immaterial out of period deferred tax liability adjustments related to the Midwest Generation Disposal Group, partially offset by the Midwest Generation Disposal Group's operating results in 2015. See Note 2 to the Condensed Consolidated Financial Statements, "Acquisitions and Dispositions," for additional information.

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, "Regulatory Matters" and Note 7, "Asset Retirement Obligations," to the Condensed Consolidated Financial Statements 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.

On November 13, 2013, the Public Utilities Commission of Ohio (PUCO) issued an order (PUCO 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. At September 30, 2016, Duke Energy Ohio had recorded in Regulatory assets on the Condensed Consolidated Balance Sheet approximately $101 million of estimated MGP remediation costs not yet recovered through the MGP rider mechanism. Intervenors have appealed to the Ohio Supreme Court the PUCO order authorizing recovery of these amounts. That appeal remains pending. The PUCO order also established deadlines for costs to be incurred at certain sites in order to be for the costs to be recoverable. On May 16, 2016, Duke Energy Ohio filed an application to extend the deadline of December 31, 2016, for the East End site. The amount of Regulatory assets previously discussed includes $46 million of costs expected to be incurred after the December 31, 2016 deadline. Duke Energy Ohio cannot predict the outcome of the appeal before the Ohio Supreme Court or future action by the PUCO. If Duke Energy Ohio is not able to recover these remediation costs in rates, the costs could have an adverse impact on 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 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, 2016 and 2015 and the Annual Report on Form 10-K for the year ended December 31, 2015.

Results of Operations

	Nine Months Ended September 30,		
(in millions)	**2016**	**2015**	**Variance**
Operating Revenues	$ 2,225	$ 2,223	$ 2
Operating Expenses	1,636	1,750	(114)
Operating Income	589	473	116
Other Income and Expenses, net	15	9	6
Interest Expense	136	132	4
Income Before Income Taxes	468	350	118
Income Tax Expense	159	128	31
Net Income	$ 309	$ 222	$ 87

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.

Increase (Decrease) over prior year	2016
Residential sales	(2.5)%
General service sales	(0.1)%
Industrial sales	0.6 %
Wholesale power sales	38.3 %
Total sales	5.6 %
Average number of customers	1.1 %

Nine Months Ended September 30, 2016 as Compared to September 30, 2015

Operating Revenues. The variance was driven primarily by:

- a $46 million increase in retail pricing and rate rider revenues primarily due to increased revenues related to clean coal equipment and Edwardsport IGCC; and
- a $29 million increase in wholesale revenues due to new contracts and higher demand.

Partially offset by:

- a $71 million decrease in fuel revenues, including emission allowances, primarily due to a decrease in fuel prices.

Operating Expenses. The variance was driven primarily by:

- an $89 million decrease in fuel used in electric generation and purchased power primarily due to lower fuel prices and the net benefit to expense of reduced purchased power and increased internal generation; and
- an $85 million impairment charge in the prior year related to the September 2015 Edwardsport IGCC settlement.

Partially offset by:

- a $26 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;
- a $25 million increase in depreciation and amortization expenses primarily due to a higher amount of property, plant and equipment in service; and
- an $8 million impairment charge in the current year related to the early retirement of certain metering equipment.

Income Tax Expense. The variance was primarily due to an increase in pretax income. The effective tax rates for the nine months ended September 30, 2016 and 2015 were 34.0 percent and 36.6 percent, respectively. The decrease in the effective tax rate was primarily due to a favorable adjustment related to prior period 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.

The IURC approved a settlement agreement between Duke Energy Indiana and multiple parties that resolves 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. Pursuant to the terms of this agreement, the agreement imposes a cost cap for retail recoverable operations and maintenance costs in the second half of 2016, and 2017. An inability to manage operating 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.

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.

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.

At September 30, 2016, Duke Energy had cash and cash equivalents of $6.2 billion, of which $526 million is held by entities domiciled in foreign jurisdictions. The increase in cash and cash equivalents was primarily due to proceeds from debt issuances intended to fund the Piedmont acquisition, as discussed below.

Piedmont Acquisition

On October 3, 2016, Duke Energy completed the acquisition contemplated by the Merger Agreement with Piedmont for a total cash price of approximately $5.0 billion and assumed Piedmont's existing long-term debt, which had an estimated fair value of approximately $2.0 billion.

Financings to fund the transaction included $3.75 billion of long-term debt issued in August 2016, and $750 million borrowed under the Term Loan Facility on September 30, 2016.

Following the close of the Piedmont acquisition, Duke Energy physically settled the Equity Forwards in full by delivering 10.6 million shares of common stock in exchange for net cash proceeds of approximately $723 million. The net proceeds were used to finance e portion of the Piedmont acquisition.

See Notes 2 and 14 to the Condensed Consolidated Financial Statements, "Acquisitions and Dispositions" and "Common Stock," respectively, for additional information on the Piedmont acquisition financing.

International Energy

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 September 30, 2016, approximately $1.6 billion has been remitted.

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 Disposal Group. On October 10, 2016, Duke Energy reached agreements to sell the Internationel Disposal Group in two separate transactions with a combined enterprise value of approximately $2.4 billion. The transactions are expected to close by early 2017.

For further information on the sale of International Energy, refer to Note 2 to the Condensed Consolidated Financial Statements, "Acquisitions and Dispositions."

Accordingly, Duke Energy no longer intends to indefinitely reinvest the undistributed earnings of International Energy. 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 for the nine months ended September 30, 2016.

Proceeds received from the notes described above or resulting from a sale of International Energy are expected to be used by Duke Energy to reduce debt and fund the operations and growth of domestic businesses.

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.

	September 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	$ 3,400	$ 1,100	$ 1,000	$ 950	$ 450	$ 600
Reduction to backstop issuances							
Commercial paper[(b)]	(1,852)	(1,027)	(300)	(150)	—	(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	$ 5,155	$ 2,303	$ 511	$ 598	$ 949	$ 425	$ 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.

Term Loan Facility

On February 22, 2016, Duke Energy entered into a six-month term loan facility with commitments totaling $1.0 billion (the Term Loan). On August 1, 2016, Duke Energy and each of the lenders 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 September 30, 2016, $850 million has been drawn under the amended and restated term loan, including $750 million used to fund a portion of the Piedmont acquisition.

On October 28, 2016, Duke Energy drew the remaining $650 million available under the $1.5 billion Term Loan and used the proceeds to manage short-term liquidity and for general corporate purposes. The terms and conditions of the Term Loan are generally consistent with those governing Duke Energy's Master Credit Facility.

Shelf Registration

In September 2016, 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 was filed to replace a similar prior filing upon expiration of its three year term, and 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, 2016
Unsecured Debt			
Duke Energy (Parent)	November 2016	2.150%	$ 500
Duke Energy (Parent)	April 2017	1.034%	400
Duke Energy[(a)]	May 2017	15.681%	56
Duke Energy (Parent)	August 2017	1.625%	700
Secured Debt			
Duke Energy	June 2017	2.155%	45
First Mortgage Bonds			
Duke Energy Carolinas	December 2016	1.750%	350
Duke Energy Progress	March 2017	1.035%	250
Duke Energy Florida	September 2017	5.800%	250
Tax-exempt Bonds			
Duke Energy Carolinas	February 2017	3.600%	77
Other[(b)]			573
Current maturities of long-term debt			$ 3,201

(a) The interest rate includes country-specific risk premiums.
(b) 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).

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, 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, except for the Duke Energy Corporation outlook from Fitch. In October 2016, Fitch removed Duke Energy Corporation's ratings from rating watch negative and assigned a negative outlook.

In October 2016, S&P downgraded Piedmont's issuer credit rating and senior unsecured debt rating to A- from A and commercial paper to A-2 from A-1. S&P removed Piedmont's ratings from credit watch with negative implications and assigned a negative outlook. These actions aligned Piedmont's S&P credit ratings with those of Duke Energy Corporation, under S&P's group rating methodology.

Cash Flow Information

The following table summarizes Duke Energy's cash flows.

	Nine Months Ended September 30,	
(in millions)	2016	2015
Cash flows provided by (used in):		
Operating activities	$ 5,592	$ 5,396
Investing activities	(5,555)	(3,291)
Financing activities	5,285	(2,771)
Net increase (decrease) in cash and cash equivalents	5,322	(666)
Cash and cash equivalents at beginning of period	857	2,036
Cash and cash equivalents at end of period	$ 6,179	$ 1,370

OPERATING CASH FLOWS

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

	Nine Months Ended September 30,	
(in millions)	2016	2015
Net income	$ 2,392	$ 2,349
Non-cash adjustments to net income	3,585	3,762
Contributions to qualified pension plans	—	(143)
Payments for asset retirement obligations	(443)	(208)
Working capital	58	(364)
Net cash provided by operating activities	$ 5,592	$ 5,396

The variance was driven primarily due to:

- a $422 million increase in working capital primarily due to higher property tax accruals due to timing of payments and lower coal stock inventory due to management of high inventory levels through less delivery receipts and higher utilization as a result of warmer than normal weather, partially offset by higher current year receivables;

Partially offset by:

- a $235 million increase in payments for the closure of ash basins and nuclear decommissioning of Crystal River Unit 3.

INVESTING CASH FLOWS

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

	Nine Months Ended September 30,	
(in millions)	2016	2015
Capital, investment and acquisition expenditures	$ (5,450)	$ (6,168)
Available for sale securities, net	59	20
Proceeds from sale of the Midwest Generation Disposal Group	—	2,792
Other investing items	(164)	65
Net cash used in investing activities	$ (5,555)	$ (3,291)

The variance was primarily due to:

- a $2,792 million decrease in proceeds mainly due to prior year sale of the Midwest Generation Disposal Group to Dynegy Inc.;

Partially offset by:

- a $718 million decrease in capital, investment and acquisition expenditures primarily due to the prior year purchase of NCEMPA ownership interests in certain generating assets.

FINANCING CASH FLOWS

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

	Nine Months Ended September 30,	
(in millions)	2016	2015
Issuance of common stock related to employee benefit plans	$ 7	$ 16
Issuances of long-term debt, net	7,659	516
Notes payable and commercial paper	(647)	(113)
Dividends paid	(1,731)	(1,685)
Repurchase of common shares	—	(1,500)
Other financing items	(3)	(5)
Net cash provided by (used in) financing activities	$ 5,285	$ (2,771)

The variance was due primarily to:

- a $7,143 million increase in proceeds from net issuances of long-term debt mainly due to the issuance of $3,750 million of senior unsecured notes used to fund a portion of the Piedmont acquisition, $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, pay down outstanding commercial paper and repay debt maturities; 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 $534 million increase in net payments of notes payable and commercial paper, primarily due to repayment of commercial paper, partially offset by proceeds from the Term Loan used primarily to fund a portion of the Piedmont acquisition. These cash outflows were primarily made with proceeds from long-term debt issuances.

Summary of Significant Debt Issuances

Piedmont Acquisition Financing

In August 2016, Duke Energy issued $3.75 billion of senior unsecured notes in three separate series to fund a portion of the Piedmont acquisition. The $4.9 billion senior unsecured bridge financing facility with Barclays Capital, Inc. was terminated following the issuance of this long-term debt. See Note 2 to the Condensed Consolidated Financial Statements, "Acquisitions and Dispositions", for additional information on the Piedmont acquisition.

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 secured by substantially all the assets of the solar facilities and Tranche B of $105 million secured by an Equity Contribution Agreement with Duke Energy. Proceeds were used to reimburse Duke Energy for a portion of previously funded construction expenditures related to the Emerald State Solar, LLC portfolio. The initial interest rate on the loans was six months London Interbank Offered Rate (LIBOR) plus an applicable margin of 1.75 percent plus a 0.125 percent increase 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.

Nuclear Asset-Recovery Bonds

In June 2016, DEFPF issued $1,294 million of nuclear asset-recovery bonds and used the proceeds 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. See Notes 4 and 13 to the Condensed Consolidated Financial Statements, "Regulatory Matters" and "Variable Interest Entities," respectively, for additional information.

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

			Nine Months Ended September 30, 2016						
Issuance Date	Maturity Date	Interest Rate	Duke Energy	Duke Energy (Parent)	Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Unsecured									
April 2016(a)	April 2023	2.875%	$ 350	$ 350	$ —	$ —	$ —	$ —	$ —
August 2016	September 2021	1.800%	750	750	—	—	—	—	—
August 2016	September 2026	2.650%	1,500	1,500	—	—	—	—	—
August 2016	September 2046	3.750%	1,500	1,500	—	—	—	—	—
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	—
September 2016(d)	October 2046	3.400%	600	—	—	—	600	—	—
September 2016(b)	October 2046	3.700%	450	—	—	450	—	—	—
Secured Debt									
June 2016(e)	March 2020	1.196%	183	—	—	—	183	—	—
June 2016(e)	September 2022	1.731%	150	—	—	—	150	—	—
June 2016(e)	September 2029	2.538%	436	—	—	—	436	—	—
June 2016(e)	March 2033	2.858%	250	—	—	—	250	—	—
June 2016(e)	September 2036	3.112%	275	—	—	—	275	—	—
August 2016	June 2034	2.747%	228	—	—	—	—	—	—
August 2016	June 2020	2.747%	105	—	—	—	—	—	—
Total issuances			$ 8,527	$ 4,100	$ 1,000	$ 450	$ 1,894	$ 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 were used to fund capital expenditures for ongoing construction, capital maintenance, to repay short-term borrowings under the intercompany money pool borrowing arrangement and for general corporate purposes.
(e) The nuclear asset-recovery bonds are sequential pay amortizing bonds. The maturity date above represents the scheduled final maturity date for the bonds.

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. A decision by the court on the remaining issues is expected in the second quarter of 2017. 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 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

Asset retirement obligations recorded on the Duke Energy Carolinas and Duke Energy Progress Condensed Consolidated Balance Sheets at September 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 Coal Ash Act, the EPA CCR rule and other agreements. In January 2016, the 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 impacts to both surface and groundwater. The NCDEQ's draft proposed classifications categorized 12 basins at four sites as intermediate risk and four basins at three sites 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. The NCDEQ's draft proposed classifications also categorized nine basins at six sites 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, proposing to rank all originally proposed low risk and "low-intermediate" risk sites as intermediate.

On July 14, 2016, the governor of North Carolina signed legislation which amended the Coal Ash Act and required 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 the NCDEQ to reclassify sites proposed as intermediate risk, 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 or a probability weighting of potential closure methods. 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.

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. The Duke Energy Registrants cannot predict the outcome of these matters.

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. Initial petitioner briefs are due December 5, 2016. It is unknown at this time when the courts will rule on the petitions. The Duke Energy Registrants cannot predict the outcome of these matters.

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, 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 7, "Asset Retirement Obligations" in this Form 10-Q, and Note 9, "Asset Retirement Obligations" in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2015.

(in millions)	Estimated Cost
Duke Energy	**1,650**
Duke Energy Carolinas	755
Progress Energy	430
Duke Energy Progress	370
Duke Energy Florida	60
Duke Energy Ohio	115
Duke Energy Indiana	350

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 December 3, 2015, the EPA proposed a rule to lower the Cross-State Air Pollution Rule (CSAPR) Phase 2 state ozone season nitrogen oxide (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. On September 7, 2016, the EPA finalized a CSAPR update rule that reduces the CSAPR Phase 2 state ozone season NOx emission budgets for 22 eastern states, including Ohio, Kentucky and Indiana. In the final CSAPR update rule, the EPA removed Florida, South Carolina and North Carolina from the ozone season NOx program. Beginning in 2017, Duke Energy Registrants in these states will not be subject to any CSAPR ozone season NOx emission limitations. For the states that remain in the program, the reduced state ozone season NOx emission budgets will take effect on May 1, 2017. In Kentucky and Indiana, where Duke Energy Registrants own and operate coal-fired electric generating units subject to the final rule requirements, potential near-term responses could include changing unit dispatch to run certain generating units less frequently and/or purchasing NOx allowances from the trading market. Longer term, upgrading the performance of existing NOx controls is an option.

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 of CO_2 per gross MWh, 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. Initial petitioner briefs were submitted to the court on October 13, 2016. Final briefs in the case are due February 6, 2017. Oral arguments have not been scheduled. 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 were 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 the EPA or where a state plan is not approved by the EPA.

Legal challenges to the final CPP have been filed by stakeholders. On February 9, 2016, the Supreme Court issued a stay of the final CPP rule, halting implementation of the CPP until legal challenges are resolved. The states in which the Duke Energy Registrants operate have suspended work on the CPP in response to the stay. Oral arguments before 10 of the 11 judges on D.C. Circuit Court were heard on September 27, 2016. The court is expected to decide the case in early 2017.

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 metters 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 nine months ended September 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 nine months ended September 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 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, 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) are 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 are 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, 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 September 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 third 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

Please see the additional risk factors below affecting Duke Energy's business as a result of the Piedmont acquisition. These risk factors are 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, 2015, 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, 2015.

We may not be able to complete necessary or desirable pipeline expansion or infrastructure development or maintenance projects, which may delay or prevent us from serving our natural gas customers or expanding our natural gas business.

In order to serve current or new natural gas customers or expand our service to existing customers, we need to maintain, expand or upgrade our distribution, transmission and/or storage infrastructure, including laying new pipeline and building compressor stations. Various factors may prevent or delay us from completing such projects or make completion more costly, such as the inability to obtain required approval from local, state and/or federal regulatory and governmental bodies, public opposition to the project, inability to obtain adequate financing, competition for labor and materials, construction delays, cost overruns, and inability to negotiate acceptable agreements relating to rights-of-way, construction or other material development components. As a result, we may not be able to adequately serve existing natural gas customers or support customer growth, or could result in higher than anticipated cost, both of which would negatively impact our earnings.

The availability of adequate interstate pipeline transportation capacity and natural gas supply may decrease.

We purchase almost all of our gas supply from interstate sources that must then be transported to our service territory. Interstate pipeline companies transport the gas to our system under firm service agreements that are designed to meet the requirements of our core markets. A significant disruption to or reduction in that supply or interstate pipeline capacity due to events including but not limited to, operational failures or disruptions, hurricanes, tornadoes, floods, freeze off of natural gas wells, terrorist or cyber-attacks or other acts of war, or legislative or regulatory actions or requirements, including remediation related to integrity inspections, could reduce our normal interstate supply of gas and thereby reduce our earnings. Moreover, if additional natural gas infrastructure, including but not limited to exploration and drilling rigs and platforms, processing and gathering systems, off-shore pipelines, interstate pipelines and storage, cannot be built at a pace that meets demand, then our growth opportunities would be limited and our earnings negatively impacted.

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 third 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	Fourteenth Supplemental Indenture, dated as of August 12, 2016 (incorporated by reference to Exhibit 4.1 to registrant's Current Report on Form 8-K filed on August 12, 2016, File No. 1-32853).	X						
4.2	Fifty-Third Supplemental Indenture, dated as of September 1, 2016 (incorporated by reference to Exhibit 4.1 to registrant's Current Report on Form 8-K filed on September 9, 2016, File No. 1-03274).					X		
4.3	Eighty-Sixth Supplemental Indenture, dated as of September 1, 2016 (incorporated by reference to Exhibit 4.1 to registrant's Current Report on Form 8-K filed on September 16, 2016, File No. 1-15929).				X			
10.1	Purchase and Sale Agreement by and among Duke Energy International Group S.à.r.l., Duke Energy International Brazil Holdings S.à.r.l. and China Three Gorges (Luxembourg) Energy S.à.r.l., dated as of October 10, 2016 (incorporated by reference to Exhibit 2.1 to registrant's Current Report on Form 8-K filed on October 13, 2016, File No. 1-32853).	X						
10.2	Purchase and Sale Agreement by and among Duke Energy Brazil Holdings II, C.V., Duke Energy International Uruguay Investments SRL, Duke Energy International Group S.à.r.l., Duke Energy International España Holdings SL, Duke Energy International Investments No. 2 Ltd., ISQ Enerlam Aggregator, L.P., and Enerlam (UK) Holdings Ltd., dated as of October 10, 2016 (incorporated by reference to Exhibit 2.2. to registrant's Current Report on Form 8-K filed on October 13, 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 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, LLC

Date: November 4, 2016

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer (Principal Financial Officer)

Date: November 4, 2016

/s/ WILLIAM E. CURRENS JR.

William E. Currens Jr.
Senior Vice President, Chief Accounting Officer and Controller
(Principal Accounting Officer)

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)	**2016**	**2015**	**2014**	**2013**	**2012 (a)**	**2011**
Earnings as defined for fixed charges calculation						
Add:						
Pretax income from continuing operations(b)	$ 3,193	$ 4,053	$ 3,998	$ 3,657	$ 2,068	$ 1,975
Fixed charges	1,615	1,859	1,871	1,886	1,510	1,057
Distributed income of equity investees	26	104	136	109	151	149
Deduct:						
Preferred dividend requirements of subsidiaries	—	—	—	—	3	—
Interest capitalized	9	18	7	8	30	46
Total earnings	$ 4,825	$ 5,998	$ 5,998	$ 5,644	$ 3,696	$ 3,135
Fixed charges:						
Interest on debt, including capitalized portions	$ 1,544	$ 1,733	$ 1,733	$ 1,760	$ 1,420	$ 1,026
Estimate of interest within rental expense	71	126	138	126	87	31
Preferred dividend requirements	—	—	—	—	3	—
Total fixed charges	$ 1,615	$ 1,859	$ 1,871	$ 1,886	$ 1,510	$ 1,057
Ratio of earnings to fixed charges	3.0	3.2	3.2	3.0	2.4	3.0
Ratio of earnings to fixed charges and preferred dividends combined(c)	3.0	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: November 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: November 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: November 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: November 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: November 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: November 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: November 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: November 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, particulerly 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 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: November 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: November 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: November 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: November 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 end 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 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 September 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

November 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 September 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

November 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 September 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

November 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 September 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

November 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 September 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

November 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 September 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

November 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 September 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

November 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 September 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

November 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 September 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

November 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 September 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

November 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 September 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

November 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 September 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

November 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 September 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

November 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 September 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

November 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 March 31, 2017
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.
	DUKE ENERGY	
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
1-6196	**PIEDMONT NATURAL GAS COMPANY, INC.** (a North Carolina corporation) 4720 Piedmont Row Drive Charlotte, North Carolina 28210 704-364-3120 56-0556998		

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 ☐	Piedmont Natural Gas Company, Inc. (Piedmont)	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 ☐	Piedmont	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 ☐	Emerging Growth Company ☐
Duke Energy Carolinas	Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☒	Smaller reporting company ☐	Emerging Growth Company ☐
Progress Energy	Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☒	Smaller reporting company ☐	Emerging Growth Company ☐
Duke Energy Progress	Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☒	Smaller reporting company ☐	Emerging Growth Company ☐
Duke Energy Florida	Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☒	Smaller reporting company ☐	Emerging Growth Company ☐
Duke Energy Ohio	Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☒	Smaller reporting company ☐	Emerging Growth Company ☐
Duke Energy Indiana	Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☒	Smaller reporting company ☐	Emerging Growth Company ☐
Piedmont	Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☒	Smaller reporting company ☐	Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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 ☒	Piedmont	Yes ☐	No ☒

Number of shares of Common stock outstanding at March 31, 2017:

Registrant	Description	Shares
Duke Energy	Common stock, $0.001 par value	699,883,528

This combined Form 10-Q is filed separately by eight registrants: Duke Energy, Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio, Duke Energy Indiana and Piedmont (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, Duke Energy Indiana and Piedmont 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 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;
- 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 private 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 and natural gas markets and continued industry consolidation;
- 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, including extreme weather associated with climate change;
- 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 ability to complete necessary or desirable pipeline expansion or infrastructure projects in our natural gas business;
- Operational interruptions to our gas distribution and transmission activities;
- The availability of adequate interstate pipeline transportation capacity and natural gas supply;
- 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, including the financial stability of third party service providers;
- The timing and extent of changes in commodity prices and interest 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;
- Credit ratings of the Duke Energy Registrants may be different from what is expected;
- 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 the 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;

- Substantial revision to the U.S. tax code, such as changes to the corporate tax rate or material change in the deductibility of interest;
- The impact of potential goodwill impairments;
- The ability to successfully complete future merger, acquisition or divestiture plans; and
- The ability to successfully integrate the natural gas businesses following the acquisition of Piedmont Natural Gas Company, Inc. and realize anticipated benefits.

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)	**2017**	**2016**
Operating Revenues		
Regulated electric	$ 4,913	$ 5,053
Regulated natural gas	646	169
Nonregulated electric and other	170	155
Total operating revenues	5,729	5,377
Operating Expenses		
Fuel used in electric generation and purchased power	1,449	1,588
Cost of natural gas	258	49
Operation, maintenance and other	1,433	1,416
Depreciation and amortization	859	793
Property and other taxes	304	295
Impairment charges	—	3
Total operating expenses	4,303	4,144
Gains on Sales of Other Assets and Other, net	11	7
Operating Income	1,437	1,240
Other Income and Expenses		
Equity in earnings of unconsolidated affiliates	29	8
Other income and expenses, net	86	70
Total other income and expenses	115	78
Interest Expense	491	489
Income From Continuing Operations Before Income Taxes	1,061	829
Income Tax Expense from Continuing Operations	344	252
Income From Continuing Operations	717	577
Income From Discontinued Operations, net of tax	—	122
Net Income	717	699
Less: Net Income Attributable to Noncontrolling Interests	1	5
Net Income Attributable to Duke Energy Corporation	$ 716	$ 694
Earnings Per Share – Basic and Diluted		
Income from continuing operations attributable to Duke Energy Corporation common stockholders		
Basic	$ 1.02	$ 0.83
Diluted	$ 1.02	$ 0.83
Income from discontinued operations attributable to Duke Energy Corporation common stockholders		
Basic	$ —	$ 0.18
Diluted	$ —	$ 0.18
Net income attributable to Duke Energy Corporation common stockholders		
Basic	$ 1.02	$ 1.01
Diluted	$ 1.02	$ 1.01
Weighted average shares outstanding		
Basic	700	689
Diluted	700	689

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

	Three Months Ended March 31,	
(in millions)	**2017**	**2016**
Net Income	$ 717	$ 699
Other Comprehensive Income, net of tax		
Foreign currency translation adjustments	—	49
Pension and OPEB adjustments	1	—
Net unrealized gains (losses) on cash flow hedges	2	(14)
Reclassification into earnings from cash flow hedges	1	2
Unrealized gains on available-for-sale securities	4	4
Other Comprehensive Income, net of tax	8	41
Comprehensive Income	725	740
Less: Comprehensive Income Attributable to Noncontrolling Interests	1	6
Comprehensive Income Attributable to Duke Energy Corporation	$ 724	$ 734

DUKE ENERGY CORPORATION
Condensed Consolidated Balance Sheets
(Unaudited)

(in millions)	March 31, 2017	December 31, 2016
ASSETS		
Current Assets		
Cash and cash equivalents	$ 878	$ 392
Receivables (net of allowance for doubtful accounts of $13 at 2017 and $14 at 2016)	623	751
Receivables of VIEs (net of allowance for doubtful accounts of $57 at 2017 and $54 at 2016)	1,682	1,893
Inventory	3,366	3,522
Regulatory assets (includes $53 at 2017 and $50 at 2016 related to VIEs)	1,031	1,023
Other	425	458
Total current assets	8,005	8,039
Property, Plant and Equipment		
Cost	123,301	121,397
Accumulated depreciation and amortization	(40,293)	(39,406)
Generation facilities to be retired, net	508	529
Net property, plant and equipment	83,516	82,520
Other Noncurrent Assets		
Goodwill	19,425	19,425
Regulatory assets (includes $1,131 at 2017 and $1,142 at 2016 related to VIEs)	12,838	12,878
Nuclear decommissioning trust funds	6,448	6,205
Investments in equity method unconsolidated affiliates	1,122	925
Other	2,754	2,769
Total other noncurrent assets	42,587	42,202
Total Assets	$ 134,108	$ 132,761
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$ 2,203	$ 2,994
Notes payable and commercial paper	3,558	2,487
Taxes accrued	363	384
Interest accrued	526	503
Current maturities of long-term debt (includes $281 at 2017 and $260 at 2016 related to VIEs)	1,977	2,319
Asset retirement obligations	404	411
Regulatory liabilities	340	409
Other	1,570	2,044
Total current liabilities	10,941	11,551
Long-Term Debt (includes $4,108 at 2017 and $3,587 at 2016 related to VIEs)	47,021	45,576
Other Noncurrent Liabilities		
Deferred income taxes	14,443	14,155
Asset retirement obligations	10,186	10,200
Regulatory liabilities	6,972	6,881
Accrued pension and other post-retirement benefit costs	1,115	1,111
Investment tax credits	537	493
Other	1,707	1,753
Total other noncurrent liabilities	34,960	34,593
Commitments and Contingencies		
Equity		
Common stock, $0.001 par value, 2 billion shares authorized; 700 million shares outstanding at 2017 and 2016	1	1
Additional paid-in capital	38,742	38,741
Retained earnings	2,521	2,384
Accumulated other comprehensive loss	(85)	(93)
Total Duke Energy Corporation stockholders' equity	41,179	41,033
Noncontrolling interests	7	8
Total equity	41,186	41,041
Total Liabilities and Equity	$ 134,108	$ 132,761

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

(in millions)	Three Months Ended March 31, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 717	$ 699
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion (including amortization of nuclear fuel)	991	931
Equity component of AFUDC	(62)	(42)
Gains on sales of other assets	(11)	(9)
Impairment charges	—	3
Deferred income taxes	342	181
Equity in earnings of unconsolidated affiliates	(29)	(8)
Accrued pension and other post-retirement benefit costs	6	4
Payments for asset retirement obligations	(134)	(112)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	(38)	102
Receivables	343	139
Inventory	155	89
Other current assets	16	13
Increase (decrease) in		
Accounts payable	(463)	(210)
Taxes accrued	(28)	40
Other current liabilities	(478)	(81)
Other assets	(40)	45
Other liabilities	2	(102)
Net cash provided by operating activities	1,289	1,682
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(2,160)	(1,645)
Contributions to equity method investments	(175)	(59)
Purchases of available-for-sale securities	(1,386)	(1,347)
Proceeds from sales and maturities of available-for-sale securities	1,405	1,362
Change in restricted cash	(34)	(32)
Other	(49)	(37)
Net cash used in investing activities	(2,399)	(1,758)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the:		
Issuance of long-term debt	1,563	1,140
Issuance of common stock related to employee benefit plans	—	7
Payments for the redemption of long-term debt	(408)	(389)
Proceeds from the issuance of short-term debt with original maturities greater than 90 days	25	—
Payments for the redemption of short-term debt with original maturities greater than 90 days	(7)	(92)
Notes payable and commercial paper	1,045	(66)
Change in bank overdrafts	5	—
Dividends paid	(600)	(570)
Other	(27)	(33)
Net cash provided by (used in) financing activities	1,596	(3)
Changes in cash and cash equivalents associated with assets held for sale	—	30
Net increase (decrease) in cash and cash equivalents	486	(49)
Cash and cash equivalents at beginning of period	392	383
Cash and cash equivalents at end of period	$ 878	$ 334
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$ 575	$ 576

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 (Losses) Gains on Available-for-Sale-Securities	Pension and OPEB Adjustments	Total Duke Energy Corporation Stockholders' Equity	Noncontrolling Interests	Total Equity
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
Balance at December 31, 2016	700	$ 1	$ 38,741	$ 2,384	$ —	$ (20)	$ (1)	$ (72)	$ 41,033	$ 8	$ 41,041
Net income	—	—	—	716	—	—	—	—	716	1	717
Other comprehensive income	—	—	—	—	—	3	4	1	8	—	8
Common stock issuances, including dividend reinvestment and employee benefits	—	—	1	—	—	—	—	—	1	—	1
Common stock dividends	—	—	—	(600)	—	—	—	—	(600)	—	(600)
Distributions to noncontrolling interest in subsidiaries	—	—	—	—	—	—	—	—	—	(2)	(2)
Other[(a)]	—	—	—	21	—	—	—	—	21	—	21
Balance at March 31, 2017	700	$ 1	$ 38,742	$ 2,521	$ —	$ (17)	$ 3	$ (71)	$ 41,179	$ 7	$ 41,186

(a) Cumulative-effect adjustment due to implementation of a new accounting standard related to stock-based compensation and the associated income taxes. See Note 1 for more information.

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

	Three Months Ended March 31,	
(in millions)	**2017**	**2016**
Operating Revenues	$ 1,716	$ 1,740
Operating Expenses		
Fuel used in electric generation and purchased power	428	421
Operation, maintenance and other	482	512
Depreciation and amortization	254	259
Property and other taxes	68	67
Total operating expenses	1,232	1,259
Operating Income	484	481
Other Income and Expenses, net	37	37
Interest Expense	103	107
Income Before Income Taxes	418	411
Income Tax Expense	148	140
Net Income	$ 270	$ 271
Other Comprehensive Income, net of tax		
Reclassification into earnings from cash flow hedges	—	1
Comprehensive Income	$ 270	$ 272

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

(in millions)	March 31, 2017	December 31, 2016
ASSETS		
Current Assets		
Cash and cash equivalents	$ 11	$ 14
Receivables (net of allowance for doubtful accounts of $2 at 2017 and 2016)	166	160
Receivables of VIEs (net of allowance for doubtful accounts of $7 at 2017 and 2016)	563	645
Receivables from affiliated companies	109	163
Notes receivable from affiliated companies	—	66
Inventory	1,051	1,055
Regulatory assets	233	238
Other	65	37
Total current assets	2,198	2,378
Property, Plant and Equipment		
Cost	41,600	41,127
Accumulated depreciation and amortization	(14,649)	(14,365)
Net property, plant and equipment	26,951	26,762
Other Noncurrent Assets		
Regulatory assets	3,098	3,159
Nuclear decommissioning trust funds	3,406	3,273
Other	926	943
Total other noncurrent assets	7,430	7,375
Total Assets	$ 36,579	$ 36,515
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$ 602	$ 833
Accounts payable to affiliated companies	250	247
Notes payable to affiliated companies	337	—
Taxes accrued	90	143
Interest accrued	134	102
Current maturities of long-term debt	404	116
Asset retirement obligations	224	222
Regulatory liabilities	118	161
Other	345	468
Total current liabilities	2,504	2,292
Long-Term Debt	8,787	9,187
Long-Term Debt Payable to Affiliated Companies	300	300
Other Noncurrent Liabilities		
Deferred income taxes	6,668	6,544
Asset retirement obligations	3,658	3,673
Regulatory liabilities	2,860	2,840
Accrued pension and other post-retirement benefit costs	103	97
Investment tax credits	237	203
Other	595	607
Total other noncurrent liabilities	14,121	13,964
Commitments and Contingencies		
Equity		
Member's equity	10,876	10,781
Accumulated other comprehensive loss	(9)	(9)
Total equity	10,867	10,772
Total Liabilities and Equity	$ 36,579	$ 36,515

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

(in millions)	Three Months Ended March 31, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 270	$ 271
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including amortization of nuclear fuel)	339	330
Equity component of AFUDC	(30)	(23)
Deferred income taxes	162	145
Accrued pension and other post-retirement benefit costs	—	1
Payments for asset retirement obligations	(65)	(52)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	3	3
Receivables	66	2
Receivables from affiliated companies	54	33
Inventory	4	40
Other current assets	(26)	102
Increase (decrease) in		
Accounts payable	(131)	(165)
Accounts payable to affiliated companies	3	21
Taxes accrued	(53)	52
Other current liabilities	(125)	21
Other assets	(3)	26
Other liabilities	(2)	(26)
Net cash provided by operating activities	466	781
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(563)	(459)
Purchases of available-for-sale securities	(722)	(785)
Proceeds from sales and maturities of available-for-sale securities	722	785
Notes receivable from affiliated companies	66	(691)
Other	(20)	(18)
Net cash used in investing activities	(517)	(1,168)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	—	992
Payments for the redemption of long-term debt	(113)	(1)
Notes payable to affiliated companies	337	—
Distributions to parent	(175)	(600)
Other	(1)	—
Net cash provided by financing activities	48	391
Net (decrease) increase in cash and cash equivalents	(3)	4
Cash and cash equivalents at beginning of period	14	13
Cash and cash equivalents at end of period	$ 11	$ 17
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$ 164	$ 179

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

(in millions)		Member's Equity		Accumulated Other Comprehensive Loss: Net Losses on Cash Flow Hedges		Total Equity
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
Balance at December 31, 2016	$	10,781	$	(9)	$	10,772
Net income		**270**		**—**		**270**
Distributions to parent		**(175)**		**—**		**(175)**
Balance at March 31, 2017	**$**	**10,876**	**$**	**(9)**	**$**	**10,867**

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

	Three Months Ended March 31,	
(in millions)	**2017**	**2016**
Operating Revenues	$ 2,179	$ 2,332
Operating Expenses		
Fuel used in electric generation and purchased power	726	860
Operation, maintenance and other	544	592
Depreciation and amortization	313	290
Property and other taxes	117	119
Impairment charges	—	2
Total operating expenses	1,700	1,863
Gains on Sales of Other Assets and Other, net	8	6
Operating Income	487	475
Other Income and Expenses, net	24	20
Interest Expense	206	160
Income Before Income Taxes	305	335
Income Tax Expense	104	123
Net Income	201	212
Less: Net Income Attributable to Noncontrolling Interests	2	3
Net Income Attributable to Parent	$ 199	$ 209
Net Income	$ 201	$ 212
Other Comprehensive Income, net of tax		
Pension and OPEB adjustments	1	1
Reclassification into earnings from cash flow hedges	1	1
Unrealized gains on available-for-sale securities	1	1
Other Comprehensive Income, net of tax	3	3
Comprehensive Income	204	215
Less: Comprehensive Income Attributable to Noncontrolling Interests	2	3
Comprehensive Income Attributable to Parent	$ 202	$ 212

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

(in millions)	March 31, 2017	December 31, 2016
ASSETS		
Current Assets		
Cash and cash equivalents	$ 38	$ 46
Receivables (net of allowance for doubtful accounts of $3 at 2017 and $6 at 2016)	80	114
Receivables of VIEs (net of allowance for doubtful accounts of $7 at 2017 and 2016)	612	692
Receivables from affiliated companies	2	106
Notes receivable from affiliated companies	184	80
Inventory	1,652	1,717
Regulatory assets (includes $53 at 2017 and $50 at 2016 related to VIEs)	447	401
Other	252	148
Total current assets	3,267	3,304
Property, Plant and Equipment		
Cost	45,902	44,864
Accumulated depreciation and amortization	(15,618)	(15,212)
Generation facilities to be retired, net	508	529
Net property, plant and equipment	30,792	30,181
Other Noncurrent Assets		
Goodwill	3,655	3,655
Regulatory assets (includes $1,131 at 2017 and $1,142 at 2016 related to VIEs)	5,815	5,722
Nuclear decommissioning trust funds	3,041	2,932
Other	851	856
Total other noncurrent assets	13,362	13,165
Total Assets	$ 47,421	$ 46,650
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$ 678	$ 1,003
Accounts payable to affiliated companies	316	348
Notes payable to affiliated companies	866	729
Taxes accrued	96	83
Interest accrued	224	201
Current maturities of long-term debt (includes $55 at 2017 and $62 at 2016 related to VIEs)	521	778
Asset retirement obligations	180	189
Regulatory liabilities	157	189
Other	627	745
Total current liabilities	3,665	4,265
Long-Term Debt (includes $1,713 at 2017 and $1,741 at 2016 related to VIEs)	16,454	15,590
Long-Term Debt Payable to Affiliated Companies	1,173	1,173
Other Noncurrent Liabilities		
Deferred income taxes	5,484	5,246
Asset retirement obligations	5,289	5,286
Regulatory liabilities	2,472	2,395
Accrued pension and other post-retirement benefit costs	540	547
Other	332	341
Total other noncurrent liabilities	14,117	13,815
Commitments and Contingencies		
Equity		
Common stock, $0.01 par value, 100 shares authorized and outstanding at 2017 and 2016	—	—
Additional paid-in capital	8,094	8,094
Retained earnings	3,963	3,764
Accumulated other comprehensive loss	(35)	(38)
Total Progress Energy, Inc. stockholders' equity	12,022	11,820
Noncontrolling interests	(10)	(13)
Total equity	12,012	11,807
Total Liabilities and Equity	$ 47,421	$ 46,650

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

(in millions)	Three Months Ended March 31, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 201	$ 212
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion (including amortization of nuclear fuel)	365	342
Equity component of AFUDC	(24)	(14)
Gains on sales of other assets	(9)	(7)
Impairment charges	—	2
Deferred income taxes	220	182
Accrued pension and other post-retirement benefit costs	(3)	(6)
Payments for asset retirement obligations	(60)	(54)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	(2)	6
Receivables	115	70
Receivables from affiliated companies	100	295
Inventory	65	3
Other current assets	(173)	(76)
Increase (decrease) in		
Accounts payable	(228)	9
Accounts payable to affiliated companies	(32)	(55)
Taxes accrued	12	42
Other current liabilities	(121)	(64)
Other assets	(53)	(46)
Other liabilities	(14)	(7)
Net cash provided by operating activities	359	834
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,011)	(750)
Purchases of available-for-sale securities	(629)	(533)
Proceeds from sales and maturities of available-for-sale securities	635	548
Proceeds from insurance	4	43
Notes receivable from affiliated companies	(104)	—
Change in restricted cash	5	—
Other	(4)	(15)
Net cash used in investing activities	(1,104)	(707)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	892	53
Payments for the redemption of long-term debt	(288)	(310)
Notes payable to affiliated companies	137	128
Distributions to noncontrolling interests	(1)	(1)
Other	(3)	—
Net cash provided by (used in) financing activities	737	(130)
Net decrease in cash and cash equivalents	(8)	(3)
Cash and cash equivalents at beginning of period	46	44
Cash and cash equivalents at end of period	$ 38	$ 41
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$ 219	$ 228

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

			Accumulated Other Comprehensive Loss					
(in millions)	Additional Paid-in Capital	Retained Earnings	Net (Losses) Gains 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, 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
Balance at December 31, 2016	$ 8,094	$ 3,764	$ (23)	$ 1	$ (16)	$ 11,820	$ (13)	$ 11,807
Net income	—	199	—	—	—	199	2	201
Other comprehensive income	—	—	1	1	1	3	—	3
Other	—	—	—	—	—	—	1	1
Balance at March 31, 2017	**$ 8,094**	**$ 3,963**	**$ (22)**	**$ 2**	**$ (15)**	**$ 12,022**	**$ (10)**	**$ 12,012**

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

	Three Months Ended March 31,	
(in millions)	**2017**	**2016**
Operating Revenues	$ 1,219	$ 1,307
Operating Expenses		
Fuel used in electric generation and purchased power	364	448
Operation, maintenance and other	350	386
Depreciation and amortization	181	175
Property and other taxes	40	41
Total operating expenses	935	1,050
Gains on Sales of Other Assets and Other, net	2	1
Operating Income	286	258
Other Income and Expenses, net	19	17
Interest Expense	82	63
Income Before Income Taxes	223	212
Income Tax Expense	76	75
Net Income and Comprehensive Income	$ 147	$ 137

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

(in millions)	March 31, 2017	December 31, 2016
ASSETS		
Current Assets		
Cash and cash equivalents	$ 11	$ 11
Receivables (net of allowance for doubtful accounts of $1 at 2017 and $4 at 2016)	28	51
Receivables of VIEs (net of allowance for doubtful accounts of $5 at 2017 and 2016)	364	404
Receivables from affiliated companies	6	5
Notes receivable from affiliated companies	—	165
Inventory	1,053	1,076
Regulatory assets	187	188
Other	102	57
Total current assets	1,751	1,957
Property, Plant and Equipment		
Cost	28,769	28,419
Accumulated depreciation and amortization	(10,716)	(10,561)
Generation facilities to be retired, net	508	529
Net property, plant and equipment	18,561	18,387
Other Noncurrent Assets		
Regulatory assets	3,338	3,243
Nuclear decommissioning trust funds	2,315	2,217
Other	535	525
Total other noncurrent assets	6,188	5,985
Total Assets	$ 26,500	$ 26,329
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$ 317	$ 589
Accounts payable to affiliated companies	244	227
Notes payable to affiliated companies	502	—
Taxes accrued	35	104
Interest accrued	90	102
Current maturities of long-term debt	202	452
Asset retirement obligations	180	189
Regulatory liabilities	149	158
Other	294	365
Total current liabilities	2,013	2,186
Long-Term Debt	6,409	6,409
Long-Term Debt Payable to Affiliated Companies	150	150
Other Noncurrent Liabilities		
Deferred income taxes	3,453	3,323
Asset retirement obligations	4,516	4,508
Regulatory liabilities	2,012	1,946
Accrued pension and other post-retirement benefit costs	247	252
Investment tax credits	146	146
Other	49	51
Total other noncurrent liabilities	10,423	10,226
Commitments and Contingencies		
Equity		
Member's Equity	7,505	7,358
Total Liabilities and Equity	$ 26,500	$ 26,329

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

(in millions)	Three Months Ended March 31, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 147	$ 137
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including amortization of nuclear fuel)	228	223
Equity component of AFUDC	(13)	(10)
Gains on sales of other assets	(3)	(2)
Deferred income taxes	120	100
Accrued pension and other post-retirement benefit costs	(5)	(8)
Payments for asset retirement obligations	(47)	(42)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	(2)	(1)
Receivables	65	18
Receivables from affiliated companies	(1)	10
Inventory	23	15
Other current assets	(60)	83
Increase (decrease) in		
Accounts payable	(192)	(16)
Accounts payable to affiliated companies	17	(14)
Taxes accrued	(68)	18
Other current liabilities	(81)	(39)
Other assets	(44)	(17)
Other liabilities	(10)	(4)
Net cash provided by operating activities	74	451
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(474)	(379)
Purchases of available-for-sale securities	(476)	(390)
Proceeds from sales and maturities of available-for-sale securities	470	384
Notes receivable from affiliated companies	165	—
Other	(9)	(13)
Net cash used in investing activities	(324)	(398)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	—	53
Payments for the redemption of long-term debt	(250)	(8)
Notes payable to affiliated companies	502	(101)
Other	(2)	(1)
Net cash provided by (used in) financing activities	250	(57)
Net decrease in cash and cash equivalents	—	(4)
Cash and cash equivalents at beginning of period	11	15
Cash and cash equivalents at end of period	$ 11	$ 11
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$ 66	$ 55

DUKE ENERGY PROGRESS, LLC
Condensed Consolidated Statements of Changes in Equity
(Unaudited)

(in millions)	Member's Equity
Balance at December 31, 2015	$ 7,059
Net income	137
Balance at March 31, 2016	$ 7,196
Balance at December 31, 2016	$ 7,358
Net income	**147**
Balance at March 31, 2017	**$ 7,505**

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

	Three Months Ended March 31,	
(In millions)	**2017**	**2016**
Operating Revenues	$ **959**	$ 1,024
Operating Expenses		
Fuel used in electric generation and purchased power	**362**	412
Operation, maintenance and other	**191**	205
Depreciation and amortization	**132**	114
Property and other taxes	**77**	78
Impairment charges	**1**	2
Total operating expenses	**763**	811
Operating Income	**196**	213
Other Income and Expenses, net	**16**	5
Interest Expense	**70**	41
Income Before Income Taxes	**142**	177
Income Tax Expense	**52**	67
Net Income	$ **90**	$ 110
Other Comprehensive Income, net of tax		
Unrealized gains on available-for-sale securities	**1**	1
Comprehensive Income	$ **91**	$ 111

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

(in millions)	March 31, 2017	December 31, 2016
ASSETS		
Current Assets		
Cash and cash equivalents	$ 7	$ 16
Receivables (net of allowance for doubtful accounts of $2 at 2017 and 2016)	50	61
Receivables of VIEs (net of allowance for doubtful accounts of $2 at 2017 and 2016)	248	288
Receivables from affiliated companies	2	5
Notes receivable from affiliated companies	293	—
Inventory	599	641
Regulatory assets (includes $53 at 2017 and $50 at 2016 related to VIEs)	260	213
Other (includes $14 at 2017 and $53 at 2016 related to VIEs)	104	125
Total current assets	1,563	1,349
Property, Plant and Equipment		
Cost	17,122	16,434
Accumulated depreciation and amortization	(4,894)	(4,644)
Net property, plant and equipment	12,228	11,790
Other Noncurrent Assets		
Regulatory assets (includes $1,131 at 2017 and $1,142 at 2016 related to VIEs)	2,476	2,480
Nuclear decommissioning trust funds	726	715
Other	268	278
Total other noncurrent assets	3,470	3,473
Total Assets	$ 17,261	$ 16,612
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$ 361	$ 413
Accounts payable to affiliated companies	77	125
Notes payable to affiliated companies	—	297
Taxes accrued	62	33
Interest accrued	76	49
Current maturities of long-term debt (includes $55 at 2017 and $62 at 2016 related to VIEs)	319	326
Regulatory liabilities	7	31
Other	309	352
Total current liabilities	1,211	1,626
Long-Term Debt (includes $1,414 at 2017 and $1,442 at 2016 related to VIEs)	6,662	5,799
Other Noncurrent Liabilities		
Deferred income taxes	2,800	2,694
Asset retirement obligations	773	778
Regulatory liabilities	459	448
Accrued pension and other post-retirement benefit costs	261	262
Other	104	105
Total other noncurrent liabilities	4,397	4,287
Commitments and Contingencies		
Equity		
Member's equity	4,989	4,899
Accumulated other comprehensive income	2	1
Total equity	4,991	4,900
Total Liabilities and Equity	$ 17,261	$ 16,612

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

	Three Months Ended March 31,	
(in millions)	**2017**	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 90	$ 110
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	134	116
Equity component of AFUDC	(11)	(4)
Impairment charges	1	2
Deferred income taxes	100	83
Accrued pension and other post-retirement benefit costs	1	1
Payments for asset retirement obligations	(14)	(12)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	—	7
Receivables	51	52
Receivables from affiliated companies	(1)	14
Inventory	42	(12)
Other current assets	(33)	(44)
Increase (decrease) in		
Accounts payable	(35)	25
Accounts payable to affiliated companies	(48)	(40)
Taxes accrued	29	(70)
Other current liabilities	(47)	(14)
Other assets	(13)	(30)
Other liabilities	(5)	(6)
Net cash provided by operating activities	241	178
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(538)	(370)
Purchases of available-for-sale securities	(153)	(143)
Proceeds from sales and maturities of available-for-sale securities	165	164
Proceeds from insurance	4	43
Notes receivable from affiliated companies	(293)	—
Other	9	(1)
Net cash used in investing activities	(806)	(307)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	892	—
Payments for the redemption of long-term debt	(38)	(2)
Notes payable to affiliated companies	(297)	135
Other	(1)	—
Net cash provided by financing activities	556	133
Net (decrease) increase in cash and cash equivalents	(9)	4
Cash and cash equivalents at beginning of period	16	8
Cash and cash equivalents at end of period	$ 7	$ 12
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$ 153	$ 173

DUKE ENERGY FLORIDA, LLC
Condensed Consolidated Statements of Changes in Equity
(Unaudited)

(in millions)	Member's Equity	Accumulated Other Comprehensive Income — Net Unrealized Gains on Available-for-Sale Securities	Total Equity
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
Balance at December 31, 2016	$ 4,899	$ 1	$ 4,900
Net income	90	—	90
Other comprehensive income	—	1	1
Balance at March 31, 2017	**$ 4,989**	**$ 2**	**$ 4,991**

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

	Three Months Ended March 31,	
(in millions)	**2017**	**2016**
Operating Revenues		
Regulated electric	$ 337	$ 340
Regulated natural gas	170	170
Nonregulated electric and other	11	6
Total operating revenues	518	516
Operating Expenses		
Fuel used in electric generation and purchased power – regulated	97	111
Fuel used in electric generation and purchased power – nonregulated	15	10
Cost of natural gas	54	49
Operation, maintenance and other	130	119
Depreciation and amortization	67	61
Property and other taxes	72	71
Total operating expenses	435	421
Gains on Sales of Other Assets and Other, net	—	1
Operating Income	83	96
Other Income and Expenses, net	4	2
Interest Expense	22	20
Income From Continuing Operations Before Income Taxes	65	78
Income Tax Expense From Continuing Operations	23	21
Income From Continuing Operations	42	57
Income From Discontinued Operations, net of tax	—	2
Net Income and Comprehensive Income	$ 42	$ 59

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

(in millions)		March 31, 2017		December 31, 2016
ASSETS				
Current Assets				
Cash and cash equivalents	$	13	$	13
Receivables (net of allowance for doubtful accounts of $2 at 2017 and 2016)		63		71
Receivables from affiliated companies		88		129
Notes receivable from affiliated companies		179		94
Inventory		118		137
Regulatory assets		21		37
Other		34		37
Total current assets		516		518
Property, Plant and Equipment				
Cost		8,236		8,126
Accumulated depreciation and amortization		(2,611)		(2,579)
Net property, plant and equipment		5,625		5,547
Other Noncurrent Assets				
Goodwill		920		920
Regulatory assets		525		520
Other		23		23
Total other noncurrent assets		1,468		1,463
Total Assets	$	7,609	$	7,528
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable	$	252	$	282
Accounts payable to affiliated companies		64		63
Notes payable to affiliated companies		8		16
Taxes accrued		127		178
Interest accrued		33		19
Current maturities of long-term debt		1		1
Regulatory liabilities		21		21
Other		83		91
Total current liabilities		589		671
Long-Term Debt		1,951		1,858
Long-Term Debt Payable to Affiliated Companies		25		25
Other Noncurrent Liabilities				
Deferred income taxes		1,472		1,443
Asset retirement obligations		76		77
Regulatory liabilities		236		236
Accrued pension and other post-retirement benefit costs		56		56
Other		166		166
Total other noncurrent liabilities		2,006		1,978
Commitments and Contingencies				
Equity				
Common stock, $8.50 par value, 120,000,000 shares authorized; 89,663,086 shares outstanding at 2017 and 2016		762		762
Additional paid-in capital		2,695		2,695
Accumulated deficit		(419)		(461)
Total equity		3,038		2,996
Total Liabilities and Equity	$	7,609	$	7,528

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

	Three Months Ended March 31,	
(in millions)	**2017**	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 42	$ 59
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	68	62
Equity component of AFUDC	(2)	(1)
Gains on sales of other assets	—	(1)
Deferred income taxes	30	11
Accrued pension and other post-retirement benefit costs	1	1
Payments for asset retirement obligations	(2)	(1)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	1	2
Receivables	7	(18)
Receivables from affiliated companies	41	(9)
Inventory	19	1
Other current assets	9	78
Increase (decrease) in		
Accounts payable	(10)	(1)
Accounts payable to affiliated companies	1	—
Taxes accrued	(52)	(31)
Other current liabilities	9	14
Other assets	(6)	(2)
Other liabilities	(3)	—
Net cash provided by operating activities	153	164
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(143)	(85)
Notes receivable from affiliated companies	(85)	(19)
Other	(8)	(4)
Net cash used in investing activities	(236)	(108)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	93	95
Payments for the redemption of long-term debt	(1)	(51)
Notes payable to affiliated companies	(8)	(95)
Other	(1)	—
Net cash provided by (used in) financing activities	83	(51)
Net increase in cash and cash equivalents	—	5
Cash and cash equivalents at beginning of period	13	14
Cash and cash equivalents at end of period	$ 13	$ 19
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$ 57	$ 31

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, 2015	$ 762	$ 2,720	$ (698)	$ 2,784
Net income	—	—	59	59
Balance at March 31, 2016	$ 762	$ 2,720	$ (639)	$ 2,843
Balance at December 31, 2016	$ 762	$ 2,695	$ (461)	$ 2,996
Net income	—	—	42	42
Balance at March 31, 2017	**$ 762**	**$ 2,695**	**$ (419)**	**$ 3,038**

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

	Three Months Ended March 31,	
(in millions)	**2017**	**2016**
Operating Revenues	$ 758	$ 714
Operating Expenses		
Fuel used in electric generation and purchased power	251	228
Operation, maintenance and other	174	162
Depreciation and amortization	125	125
Property and other taxes	22	23
Total operating expenses	572	538
Operating Income	186	176
Other Income and Expenses, net	8	4
Interest Expense	44	44
Income Before Income Taxes	150	136
Income Tax Expense	59	41
Net Income	$ 91	$ 95
Other Comprehensive Loss, net of tax		
Reclassification into earnings from cash flow hedges	—	(1)
Comprehensive Income	$ 91	$ 94

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

(in millions)	March 31, 2017	December 31, 2016
ASSETS		
Current Assets		
Cash and cash equivalents	$ 15	$ 17
Receivables (net of allowance for doubtful accounts of $1 at 2017 and 2016)	72	105
Receivables from affiliated companies	88	114
Notes receivable from affiliated companies	199	86
Inventory	478	504
Regulatory assets	156	149
Other	35	45
Total current assets	1,043	1,020
Property, Plant and Equipment		
Cost	14,411	14,241
Accumulated depreciation and amortization	(4,426)	(4,317)
Net property, plant and equipment	9,985	9,924
Other Noncurrent Assets		
Regulatory assets	1,066	1,073
Other	156	147
Total other noncurrent assets	1,222	1,220
Total Assets	$ 12,250	$ 12,164
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$ 210	$ 263
Accounts payable to affiliated companies	75	74
Taxes accrued	72	31
Interest accrued	52	61
Current maturities of long-term debt	3	3
Regulatory liabilities	44	40
Other	75	93
Total current liabilities	531	565
Long-Term Debt	3,631	3,633
Long-Term Debt Payable to Affiliated Companies	150	150
Other Noncurrent Liabilities		
Deferred income taxes	1,921	1,900
Asset retirement obligations	867	866
Regulatory liabilities	743	748
Accrued pension and other post-retirement benefit costs	77	71
Investment tax credits	148	137
Other	24	27
Total other noncurrent liabilities	3,780	3,749
Commitments and Contingencies		
Equity		
Member's Equity	4,158	4,067
Total Liabilities and Equity	$ 12,250	$ 12,164

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

	Three Months Ended March 31,	
(in millions)	**2017**	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 91	$ 95
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	126	127
Equity component of AFUDC	(6)	(3)
Deferred income taxes	37	(16)
Accrued pension and other post-retirement benefit costs	1	2
Payments for asset retirement obligations	(7)	(5)
(Increase) decrease in		
Receivables	44	16
Receivables from affiliated companies	26	7
Inventory	26	45
Other current assets	(2)	(19)
Increase (decrease) in		
Accounts payable	(32)	(44)
Accounts payable to affiliated companies	1	(22)
Taxes accrued	41	30
Other current liabilities	(15)	(18)
Other assets	(11)	(4)
Other liabilities	(3)	(11)
Net cash provided by operating activities	317	180
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(189)	(151)
Purchases of available-for-sale securities	(4)	(5)
Proceeds from sales and maturities of available-for-sale securities	2	4
Notes receivable from affiliated companies	(113)	(19)
Other	(12)	(1)
Net cash used in investing activities	(316)	(172)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for the redemption of long-term debt	(2)	—
Other	(1)	—
Net cash used in financing activities	(3)	—
Net (decrease) increase in cash and cash equivalents	(2)	8
Cash and cash equivalents at beginning of period	17	9
Cash and cash equivalents at end of period	$ 15	$ 17
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$ 84	$ 42

DUKE ENERGY INDIANA, LLC
Condensed Consolidated Statements of Changes in Equity
(Unaudited)

(in millions)	Common Stock	Additional Paid-in Capital	Retained Earnings	Member's Equity	Accumulated Other Comprehensive Income: Net Gains on Cash Flow Hedges	Total Equity
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
Balance at December 31, 2016	$ —	$ —	$ —	$ 4,067	$ —	$ 4,067
Net income	—	—	—	91	—	91
Balance at March 31, 2017	**$ —**	**$ —**	**$ —**	**$ 4,158**	**$ —**	**$ 4,158**

PIEDMONT NATURAL GAS COMPANY, INC.
Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

	Three Months Ended March 31,	
	2017	**2016**
Operating Revenues		
Regulated natural gas	$ 498	$ 481
Nonregulated natural gas and other	2	2
Total operating revenues	500	483
Operating Expenses		
Cost of natural gas	205	197
Operation, maintenance and other	77	74
Depreciation and amortization	35	34
Property and other taxes	13	11
Total operating expenses	330	316
Operating Income	170	167
Equity in Earnings of Unconsolidated Affiliates	3	16
Interest Expense	20	17
Income Before Income Taxes	153	166
Income Tax Expense	58	63
Net Income and Comprehensive Income	$ 95	$ 103

PIEDMONT NATURAL GAS COMPANY, INC.
Condensed Consolidated Balance Sheets
(Unaudited)

(in millions)	March 31, 2017	December 31, 2016
ASSETS		
Current Assets		
Cash and cash equivalents	$ 15	$ 25
Receivables (net of allowance for doubtful accounts of $5 at 2017 and $3 at 2016)	193	232
Receivables from affiliated companies	7	7
Inventory	29	66
Regulatory assets	98	124
Other	21	21
Total current assets	363	475
Property, Plant and Equipment		
Cost	6,297	6,174
Accumulated depreciation and amortization	(1,390)	(1,360)
Net property, plant and equipment	4,907	4,814
Other Noncurrent Assets		
Goodwill	49	49
Regulatory assets	350	373
Investments in equity method unconsolidated affiliates	225	212
Other	19	21
Total other noncurrent assets	643	655
Total Assets	$ 5,913	$ 5,944
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$ 104	$ 155
Accounts payable to affiliated companies	3	8
Notes payable and commercial paper	—	330
Notes payable to affiliated companies	261	—
Taxes accrued	69	67
Interest accrued	27	33
Current maturities of long-term debt	35	35
Other	70	102
Total current liabilities	569	730
Long-Term Debt	1,786	1,786
Other Noncurrent Liabilities		
Deferred income taxes	981	931
Asset retirement obligations	14	14
Regulatory liabilities	613	608
Accrued pension and other post-retirement benefit costs	14	14
Other	169	189
Total other noncurrent liabilities	1,791	1,756
Commitments and Contingencies		
Equity		
Common stock, no par value: 100 shares authorized and outstanding at 2017 and 2016	860	860
Retained earnings	907	812
Total equity	1,767	1,672
Total Liabilities and Equity	$ 5,913	$ 5,944

PIEDMONT NATURAL GAS COMPANY, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended March 31,	
(in millions)	**2017**	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 95	$ 103
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	37	37
Deferred income taxes	50	68
Equity in earnings from unconsolidated affiliates	(3)	(16)
Accrued pension and other post-retirement benefit costs	3	1
Payments for asset retirement obligations	—	(1)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	(41)	—
Receivables	40	(14)
Inventory	37	49
Other current assets	24	20
Increase (decrease) in		
Accounts payable	(31)	(21)
Accounts payable to affiliated companies	(5)	—
Taxes accrued	2	3
Other current liabilities	(17)	(9)
Other assets	25	23
Other liabilities	(1)	(20)
Net cash provided by operating activities	215	223
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(141)	(132)
Contributions to equity method investments	(12)	(9)
Other	(3)	(1)
Net cash used in investing activities	(156)	(142)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of common stock	—	7
Notes payable and commercial paper	(330)	(80)
Notes payable to affiliated companies	261	—
Dividends paid	—	(27)
Net cash used in financing activities	(69)	(100)
Net decrease in cash and cash equivalents	(10)	(19)
Cash and cash equivalents at beginning of period	25	33
Cash and cash equivalents at end of period	$ 15	$ 14
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$ 24	$ 43

PIEDMONT NATURAL GAS COMPANY, INC.
Condensed Consolidated Statements of Changes in Equity
(Unaudited)

(in millions)	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income — Net Loss on Hedging Activities of Unconsolidated Affiliates	Total Equity
Balance at December 31, 2015	$ 728	$ 731	$ (1)	$ 1,458
Net income	—	103	—	103
Common stock issuances, including dividend reinvestments and employee benefits	7	—	—	7
Common stock dividends	—	(27)	—	(27)
Balance at March 31, 2016	$ 735	$ 807	$ (1)	$ 1,541
Balance at December 31, 2016	$ 860	$ 812	$ —	$ 1,672
Net income	—	95	—	95
Balance at March 31, 2017	$ 860	$ 907	$ —	$ 1,767

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**
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	•		•	•	•	•		•	•	•	•	•			•	•	•
Piedmont Natural Gas Company, Inc.	•	•	•	•	•	•	•	•	•	•	•	•		•	•	•	•

Tables within the notes may not sum across due to (i) Progress Energy's consolidation of Duke Energy Progress, Duke Energy Florida and other subsidiaries that are not registrants, (ii) subsidiaries that are not registrants but included in the consolidated Duke Energy balances and (iii) the Piedmont registrant not included in the consolidated Duke Energy results for the three months ended March 31, 2016, as Piedmont results were not consolidated by Duke Energy until after the acquisition date of October 3, 2016.

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.) primarily through its direct and indirect subsidiaries. Certain Duke Energy subsidiaries are also subsidiary registrants, including 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), Duke Energy Indiana, LLC (Duke Energy Indiana) and Piedmont Natural Gas Company, Inc. (Piedmont). When discussing Duke Energy's consolidated financial information, it necessarily includes the results of its separate subsidiary registrants (collectively referred to as the Subsidiary Registrants), which, along with Duke Energy, are collectively referred to as the Duke Energy Registrants.

On October 3, 2016, Duke Energy completed the acquisition of Piedmont. Piedmont's results of operations and cash flows are included in the accompanying condensed consolidated financial statements of Duke Energy for the three months ended March 31, 2017, but not for the three months ended March 31, 2016, as Piedmont's earnings and cash flows are only included in Duke Energy's consolidated results subsequent to the acquisition date. See Note 2 for additional information regarding the acquisition.

In December 2016, Duke Energy completed an exit of the Latin American market to focus on its domestic regulated business, which was further bolstered by the acquisition of Piedmont. The sale of the International Energy business segment, excluding an equity method investment in National Methanol Company (NMC), was completed through two transactions including a sale of assets in Brazil to China Three Gorges (Luxembourg) Energy S.à.r.l. (China Three Gorges) and a sale of Duke Energy's remaining Latin American assets in Peru, Chile, Ecuador, Guatemala, El Salvador and Argentina to ISQ Enerlam Aggregator, L.P. and Enerlam (UK) Holding Ltd. (I Squared Capital) (collectively, the International Disposal Group). See Note 2 for additional information on the sale of International Energy.

The results of operations of the International Disposal Group 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 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. Substantially all of the Subsidiary Registrants' operations qualify for regulatory accounting.

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.

Progress Energy is a public utility holding company headquartered in Raleigh, North Carolina, subject to regulation by FERC. Progress Energy conducts operations through its wholly owned subsidiaries, Duke Energy Progress and Duke Energy Florida.

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.

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.

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.

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.

Piedmont is a regulated public utility primarily engaged in the distribution of natural gas in portions of North Carolina, South Carolina and Tennessee. Piedmont is also invested in joint venture, energy-related businesses, including regulated interstate natural gas transportation and storage and intrastate natural gas transportation businesses. Piedmont is subject to the regulatory provisions of the NCUC, PSCSC, Tennessee Public Utility Commission (formerly the Tennessee Regulatory Authority) (TPUC) and FERC.

BASIS OF PRESENTATION

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, 2016, and the Consolidated Financial Statements and Notes in the Piedmont Annual Report on Form 10-K for the year ended October 31, 2016.

Effective November 1, 2016, Piedmont's fiscal year-end was changed from October 31 to December 31, the year-end of Duke Energy. A transition report was filed on Form 10-Q (Form 10-QT) as of December 31, 2016, for the transition period from November 1, 2016 to December 31, 2016.

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 and natural gas 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, meter reading schedules, and the impact of weather normalization or margin decoupling mechanisms.

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

(in millions)	March 31, 2017	December 31, 2016
Duke Energy	$ 724	$ 831
Duke Energy Carolinas	296	313
Progress Energy	151	161
Duke Energy Progress	84	102
Duke Energy Florida	67	59
Duke Energy Ohio	2	2
Duke Energy Indiana	27	32
Piedmont	38	77

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, 2017	December 31, 2016
Duke Energy Ohio	$ 69	$ 97
Duke Energy Indiana	106	123

AMOUNTS ATTRIBUTABLE TO CONTROLLING INTERESTS

Duke Energy's amount of Income from Discontinued Operations, net of tax presented on the Condensed Consolidated Statements of Operations for the three months ended March 31, 2016, includes amounts attributable to noncontrolling interest. The following table presents Net Income Attributable to Duke Energy Corporation for continuing operations and discontinued operations.

(in millions)	Three Months Ended March 31, 2016
Income from Continuing Operations	$ 577
Income from Continuing Operations Attributable to Noncontrolling Interests	3
Income from Continuing Operations Attributable to Duke Energy Corporation	$ 574
Income from Discontinued Operations, net of tax	$ 122
Income from Discontinued Operations Attributable to Noncontrolling Interests, net of tax	2
Income from Discontinued Operations Attributable to Duke Energy Corporation, net of tax	$ 120
Net Income	$ 699
Net Income Attributable to Noncontrolling Interests	5
Net Income Attributable to Duke Energy Corporation	$ 694

INVENTORY

Inventory is used for operations and is recorded primarily using the average cost method. Inventory related to regulated operations is valued at historical cost. Inventory related to nonregulated operations is valued at the lower of cost or market. Materials and supplies are recorded as inventory when purchased and subsequently charged to expense or capitalized to property, plant and equipment when installed. Inventory, including excess or obsolete inventory, is written-down to the lower of cost or market value. Once inventory has been written-down, it creates a new cost basis for the inventory that is not subsequently written-up. Provisions for inventory write-offs were not material for the three months ended March 31, 2017 and December 31, 2016. The components of inventory are presented in the tables below.

	March 31, 2017							
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Materials and supplies	$ 2,328	$ 766	$ 1,122	$ 780	$ 341	$ 85	$ 315	$ 2
Coal	724	248	297	162	135	17	161	—
Natural gas, oil and other fuel	314	37	233	111	123	16	2	27
Total inventory	$ 3,366	$ 1,051	$ 1,652	$ 1,053	$ 599	$ 118	$ 478	$ 29

	December 31, 2016							
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Materials and supplies	$ 2,374	$ 767	$ 1,167	$ 813	$ 354	$ 84	$ 312	$ 1
Coal	774	251	314	148	166	19	190	—
Natural gas, oil and other fuel	374	37	236	115	121	34	2	65
Total inventory	$ 3,522	$ 1,055	$ 1,717	$ 1,076	$ 641	$ 137	$ 504	$ 66

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)	2017	2016
Duke Energy	$ 91	$ 91
Duke Energy Carolinas	9	8
Progress Energy	46	47
Duke Energy Progress	5	5
Duke Energy Florida	41	42
Duke Energy Ohio	28	28
Duke Energy Indiana	7	8
Piedmont	1	1

NEW ACCOUNTING STANDARDS

The new accounting standards adopted for 2017 and 2016 had no material impact on the presentation or results of operations, cash flows or financial position of the Duke Energy Registrants. While immaterial, adoption of the following accounting standard had the most significant impact on the Duke Energy results of operations, cash flows and financial position for the three months ended March 31, 2017.

Stock-Based Compensation and Income Taxes. In March 2017, Duke Energy adopted Financial Accounting Standards Board (FASB) guidance, which revised the accounting for stock-based compensation and the associated income taxes. The adopted guidance changes certain aspects of accounting for stock-based payment awards to employees including the accounting for income taxes and classification on the Condensed Consolidated Statements of Cash Flows. The primary impact to Duke Energy as a result of implementing this guidance was a cumulative-effect adjustment to retained earnings for tax benefits not previously recognized and higher income tax expense for the three months ended March 31, 2017. See the Duke Energy Condensed Consolidated Statements of Changes in Equity and Note 16 for further information.

The following new Accounting Standards Updates (ASUs) have been issued, but have not yet been adopted by Duke Energy, as of March 31, 2017.

Retirement Benefits. In March 2017, the FASB issued revised accounting guidance for the presentation of net periodic costs related to benefit plans. Current GAAP permits the aggregation of all the components of net periodic costs on the income statement and does not require the disclosure of the location of net periodic costs on the Condensed Consolidated Statement of Operations. Under the amended guidance, the service cost component of net periodic costs must be included within Operating income within the same line as other compensation expenses. All other components of net periodic costs must be outside of Operating income. In addition, the updated guidance permits only the service cost component of net periodic costs to be capitalized to Inventory or Property, Plant and Equipment. This represents a change from current GAAP, which permits all components of net periodic costs to be capitalized. The guidance allows for a practical expedient that permits a company to use amounts disclosed in prior-period financial statements as the estimation basis for applying the retrospective presentation requirements.

For Duke Energy, this guidance is effective for interim and annual periods beginning January 1, 2018. These amendments should be applied retrospectively for the presentation of the various components of net periodic costs and prospectively for the change in eligible costs to be capitalized. Duke Energy currently presents all of the components of net periodic costs that are not capitalized within Operation, maintenance and other on the Condensed Consolidated Statement of Operations. Under this updated guidance, Duke Energy will retrospectively move all the components of net periodic costs except for the service cost component to below Operating income. However, Duke Energy will continue to present the service cost component not capitalized within Operation, maintenance and other as this line item includes other compensation expense. Duke Energy is currently evaluating the financial statement impact, if any, of adopting this standard and whether or not the practical expedient will be utilized.

Goodwill Impairment. In January 2017, the FASB issued revised guidance for subsequent measurement of goodwill. Under the guidance, a company will recognize an impairment to goodwill for the amount by which a reporting unit's carrying value exceeds the reporting unit's fair value, not to exceed the amount of goodwill allocated to that reporting unit. For Duke Energy, this guidance is effective for interim and annual periods beginning January 1, 2020. However, Duke Energy expects to early adopt this guidance on a prospective basis for the next interim or annual goodwill impairment test. Duke Energy does not expect adopting this guidance will have a material impact to its results of operations or financial position.

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.

Most of Duke Energy's revenue is expected to be in scope of the new guidance. The majority of our sales, including energy provided to residential customers, are from tariff offerings that provide natural gas or electricity without a defined contractual term ('at-will'). For such arrangements, Duke Energy expects that the revenue from contracts with customers will be equivalent to the electricity or natural gas supplied and billed in that period (including estimated billings). As such, Duke Energy does not expect that there will be a significant shift in the timing or pattern of revenue recognition for such sales. The evaluation of other revenue streams is ongoing, including long-term contracts with industrial customers and long-term purchase power agreements (PPA).

Duke Energy continues to evaluate what information would be most useful for users of the financial statements, including information already provided in disclosures outside of the financial statement footnotes. These additional disclosures could include the disaggregation of revenues by geographic location, type of service, customer class or by duration of contract ('at-will' versus contracted revenue). Revenues from contracts with customers, revenue recognized under regulated operations accounting and revenue from lease accounting will also be disclosed.

Duke Energy intends to use the modified retrospective method of adoption effective January 1, 2018. This method results in a cumulative-effect adjustment that will be recorded to retained earnings as of January 1, 2018, as if the standard had always been in effect. Disclosures for 2018 will include a comparison to what would have been reported for 2018 under the current revenue recognition rules in order to assist financial statement users in understanding how revenue recognition has changed as a result of this standard and to facilitate comparability with prior year reported results, which are not restated under the modified retrospective approach.

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 financial statement impact of adopting this standard. Other than an expected increase in assets and liabilities, the ultimate impact of the new standard has not yet been determined. Significant system enhancements may be required to facilitate the identification, tracking and reporting of potential leases based upon requirements of the new lease standard.

Statement of Cash Flows. In November 2016, the FASB issued revised accounting guidance to reduce diversity in practice for the presentation and classification of restricted cash on the statement of cash flows. Under the updated guidance, restricted cash and restricted cash equivalents will be included within beginning-of-period and end-of-period cash and cash equivalents on the statement of cash flows.

For Duke Energy, this guidance is effective for the interim and annual periods beginning January 1, 2018, although it can be early adopted. The guidance will be applied using a retrospective transition method to each period presented. Upon adoption by Duke Energy, the revised guidance will result in a change to the amount of cash and cash equivalents and restricted cash explained when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. Prior to adoption, the Duke Energy Registrants reflect changes in restricted cash within Cash Flows from Investing Activities on the Condensed Consolidated Statement of Cash Flows.

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 Accumulated other comprehensive income (AOCI). Additional disclosures will be required to present separately the financial assets and financial liabilities by measurement category and form of financial asset. An entity's equity investments that are accounted for under the equity method of accounting are not included within the scope of the new guidance.

For Duke Energy, the revised accounting guidance is effective for interim and annual periods beginning January 1, 2018, by recording a cumulative-effect adjustment to retained earnings as of January 1, 2018. This guidance is expected to have minimal impact on the Duke Energy Registrant's Condensed Consolidated Statements of Operations and Comprehensive Income as changes in the fair value of most of the Duke Energy Registrants' available-for-sale equity securities are deferred as regulatory assets or liabilities pursuant to accounting guidance for regulated operations.

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 3, 2016, Duke Energy acquired all outstanding common stock of Piedmont for a total cash purchase price of $5.0 billion and assumed Piedmont's existing long-term debt, which had a fair value of approximately $2.0 billion at the time of the acquisition. The acquisition provides a foundation for Duke Energy to establish a broader, long-term strategic natural gas infrastructure platform to complement its existing natural gas pipeline investments and regulated natural gas business in the Midwest. In connection with the closing of the acquisition, Piedmont became a wholly owned subsidiary of Duke Energy.

Purchase Price Allocation

The purchase price allocation of the Piedmont acquisition is as follows:

(in millions)		
Current assets	$	497
Property, plant and equipment, net		4,714
Goodwill		3,353
Other long-term assets		804
Total assets		9,368
Current liabilities, including current maturities of long-term debt		576
Long-term liabilities		1,790
Long-term debt		2,002
Total liabilities		4,368
Total purchase price	$	5,000

The fair value of Piedmont's assets and liabilities were determined based on significant estimates and assumptions that are judgmental in nature, including projected future cash flows (including timing), discount rates reflecting risk inherent in the future cash flows and market prices of long-term debt.

The majority of Piedmont's operations are subject to the rate-setting authority of the NCUC, the PSCSC and the TPUC and are accounted for pursuant to accounting guidance for regulated operations. The rate-setting and cost recovery provisions currently in place for Piedmont's regulated operations provide revenues derived from costs, including a return on investment of assets and liabilities included in rate base. Thus, the fair value of Piedmont's assets and liabilities subject to these rate-setting provisions approximates the pre-acquisition carrying value and does not reflect any net valuation adjustments.

The significant assets and liabilities for which valuation adjustments were reflected within the purchase price allocation include the acquired equity method investments and long-term debt. The difference between the fair value and the pre-acquisition carrying value of long-term debt for regulated operations was recorded as a regulatory asset.

The excess of the purchase price over the fair value of Piedmont's assets and liabilities on the acquisition date was recorded as goodwill. The goodwill reflects the value paid by Duke Energy primarily for establishing a broader, long-term strategic natural gas infrastructure platform, an improved risk profile and expected synergies resulting from the combined entities.

Under Securities and Exchange Commission (SEC) regulations, Duke Energy elected not to apply push down accounting to the stand-alone Piedmont financial statements.

Accounting Charges Related to the Acquisition

Duke Energy incurred pretax nonrecurring transaction and integration costs associated with the acquisition of $16 million and $101 million for the three months ended March 31, 2017 and 2016, respectively. The 2016 amount includes $100 million of Interest Expense, which was driven by $93 million of unrealized losses on forward-starting interest rate swaps related to the acquisition financing. See Note 9 for additional information on the swaps.

Pro Forma Financial Information

The following unaudited pro forma financial information reflects the combined results of operations of Duke Energy and Piedmont as if the merger had occurred as of January 1, 2016. The pro forma financial information excludes potential cost savings, intercompany revenues, Piedmont's earnings from the equity method investment in SouthStar sold immediately prior to the merger, and after-tax nonrecurring transaction and integration costs incurred by Duke Energy and Piedmont of $63 million. See Note 3 for additional information on Piedmont's sale of SouthStar.

This information has been presented for illustrative purposes only and is not necessarily indicative of the consolidated results of operations that would have been achieved or the future consolidated results of operations of Duke Energy.

(in millions)		Three Months Ended March 31, 2016
Operating Revenues	$	5,840
Net Income Attributable to Duke Energy Corporation		832

DISPOSITIONS

Sale of International Energy

In December 2016, Duke Energy sold its International Energy businesses, excluding the equity method investment in NMC (the International Disposal Group), in two separate transactions. Duke Energy sold its Brazilian business to China Three Gorges for approximately $1.2 billion, including the assumption of debt, and its remaining Central and South American businesses to I Squared Capital in a deal also valued at approximately $1.2 billion, including the assumption of debt. The transactions generated cash proceeds of $1.9 billion, excluding transaction costs, which were primarily used to reduce Duke Energy holding company debt.

The following table presents the results of the International Disposal Group, which are included in Income from Discontinued Operations, net of tax in Duke Energy's Condensed Consolidated Statements of Operations. Interest expense directly associated with the International Disposal Group was allocated to discontinued operations. No interest from corporate level debt was allocated to discontinued operations.

(in millions)	Three Months Ended March 31, 2016
Operating Revenues	$ 246
Fuel used in electric generation and purchased power	47
Cost of natural gas	11
Operation, maintenance and other	71
Depreciation and amortization	22
Property and other taxes	3
Other Income and Expenses, net	10
Interest Expense	22
Income before income taxes	80
Income tax benefit[a]	(39)
Income from discontinued operations of the International Disposal Group	119
Income from discontinued operations of other businesses	3
Income from Discontinued Operations, net of tax	$ 122

(a) Includes an income tax benefit of $95 million related to historical undistributed foreign earnings. See Note 16 for additional information.

Duke Energy has elected not to separately disclose discontinued operations on the Condensed Consolidated Statements of Cash Flows. The following table summarizes Duke Energy's cash flows from discontinued operations related to the International Disposal Group.

(in millions)	Three Months Ended March 31, 2016
Cash flows provided by (used in):	
Operating activities	$ 85
Investing activities	(9)

Other Sale Related Matters

Duke Energy will provide certain transition services to China Three Gorges and I Squared Capital for a period not to extend beyond November 2017 and December 2017, respectively. Cash flows related to providing the transition services are not material. In addition, Duke Energy will reimburse China Three Gorges and I Squared Capital for all tax obligations arising from the period preceding consummation on the transactions, totaling approximately $78 million. Duke Energy has not recorded any other liabilities, contingent liabilities or indemnifications related to the International Disposal Group.

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 includes intercompany revenues and expenses that are eliminated in the Condensed Consolidated Financial Statements. Products and services are sold between affiliate companies and reportable segments of Duke Energy at cost.

Duke Energy

Due to the Piedmont acquisition and the sale of International Energy in the fourth quarter of 2016, Duke Energy's segment structure has been realigned to include the following segments: Electric Utilities and Infrastructure, Gas Utilities and Infrastructure and Commercial Renewables. Prior period information has been recast to conform to the current segment structure. See Note 2 for further information on the Piedmont and International Energy transactions.

The Electric Utilities and Infrastructure segment includes Duke Energy's regulated electric utilities in the Carolinas, Florida and the Midwest. The regulated electric utilities conduct operations through the Subsidiary Registrants that are substantially all regulated and, accordingly, qualify for regulatory accounting treatment. Electric Utilities and Infrastructure also includes Duke Energy's electric transmission infrastructure investments.

The Gas Utilities and Infrastructure segment includes Piedmont, Duke Energy's natural gas local distribution companies in Ohio and Kentucky, and Duke Energy's natural gas storage and mid-stream pipeline investments. Gas Utilities and Infrastructure's operations are substantially all regulated and, accordingly, qualify for regulatory accounting treatment.

Commercial Renewables is primarily comprised of nonregulated utility scale wind and solar generation assets located throughout the U.S.

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). Other also includes Duke Energy's 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.

Business segment information is presented in the following tables. Segment assets presented exclude intercompany assets.

	Three Months Ended March 31, 2017						
(in millions)	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Commercial Renewables	Total Reportable Segments	Other	Eliminations	Consolidated
Unaffiliated revenues	$ 4,939	$ 648	$ 128	$ 5,715	$ 14	$ —	$ 5,729
Intersegment revenues	8	22	—	30	19	(49)	—
Total revenues	$ 4,947	$ 670	$ 128	$ 5,745	$ 33	$ (49)	$ 5,729
Segment income (loss)	$ 635	$ 133	$ 25	$ 793	$ (77)	$ —	$ 716
Add back noncontrolling interests							1
Net income							$ 717
Segment assets	$ 115,766	$ 10,866	$ 4,400	$ 131,032	$ 2,898	$ 178	$ 134,108

	Three Months Ended March 31, 2016						
(in millions)	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Commercial Renewables	Total Reportable Segments	Other	Eliminations	Consolidated
Unaffiliated revenues	$ 5,081	$ 169	$ 114	$ 5,364	$ 13	$ —	$ 5,377
Intersegment revenues	8	1	—	9	16	(25)	—
Total revenues	$ 5,089	$ 170	$ 114	$ 5,373	$ 29	$ (25)	$ 5,377
Segment income (loss)[(a)]	$ 664	$ 32	$ 26	$ 722	$ (148)	$ —	$ 574
Add back noncontrolling interests							3
Income from discontinued operations, net of tax							122
Net income							$ 699

(a) Other includes $74 million of after-tax costs to achieve mergers, including losses on forward-starting interest rate swaps related to the Piedmont acquisition financing. See Note 9 for additional information.

Duke Energy Ohio

Duke Energy Ohio has two reportable operating segments, Electric Utilities and Infrastructure and Gas Utilities and Infrastructure.

Electric Utilities and Infrastructure transmits and distributes electricity in portions of Ohio and generates, distributes and sells electricity in portions of Kentucky. Gas Utilities and Infrastructure 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 the Ohio Valley Electric Corporation's (OVEC) power plants. See Note 8 for additional information on related party transactions.

	Three Months Ended March 31, 2017					
(in millions)	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Total Reportable Segments	Other	Eliminations	Consolidated
Total revenues	$ 337	$ 170	$ 507	$ 11	$ —	$ 518
Segment income (loss)/Net Income	24	26	50	(8)	—	42
Segment assets	4,856	2,696	7,552	71	(14)	7,609

	Three Months Ended March 31, 2016					
(in millions)	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Total Reportable Segments	Other	Eliminations	Consolidated
Total revenues	$ 340	$ 170	$ 510	$ 6	$ —	$ 516
Segment income (loss)	$ 36	$ 31	$ 67	$ (9)	$ (1)	$ 57
Income from discontinued operations, net of tax						2
Net income						$ 59

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

Piedmont has one reportable segment, Gas Utilities and Infrastructure, which transports and sells natural gas. The remainder of Piedmont's operations is classified as Other. While not considered a reportable segment, Other primarily consists of certain unallocated corporate costs, including acquisition-related expenses, and Piedmont's equity method investment in SouthStar Energy Services, LLC (SouthStar) prior to its sale. Piedmont sold its 15 percent membership interest in SouthStar on October 3, 2016. Piedmont's income, net of tax, from SouthStar for the three months ended March 31, 2016 was $7 million.

The remaining Subsidiary Registrants each have one reportable operating segment, Electric Utilities and Infrastructure, 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. Other for Progress Energy also includes interest expense on corporate debt instruments of $55 million and $56 million for the three months ended March 31, 2017 and 2016, respectively. The following table summarizes the net loss of Other for each of these entities.

	Three Months Ended March 31,	
(in millions)	2017	2016
Duke Energy Carolinas	**$ (6)**	$ (17)
Progress Energy	**(43)**	(49)
Duke Energy Progress	**(3)**	(8)
Duke Energy Florida	**(2)**	(4)
Duke Energy Indiana	**(2)**	(2)
Piedmont	**(4)**	6

The assets at Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida and Duke Energy Indiana are substantially all included within the Electric Utilities and Infrastructure segment at March 31, 2017. The assets at Piedmont are substantially all included within the Gas Utilities and Infrastructure segment at March 31, 2017.

4. REGULATORY MATTERS

RATE RELATED INFORMATION

The NCUC, PSCSC, FPSC, IURC, PUCO, TPUC 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 and Indiana), as well as sales of transmission service. The FERC also regulates certification and siting of new interstate natural gas pipeline projects.

Duke Energy Carolinas and Duke Energy Progress

Ash Basin Closure Costs Deferral

On December 30, 2016, Duke Energy Carolinas and Duke Energy Progress filed a joint petition with the NCUC seeking an accounting order authorizing deferral 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 North Carolina. Initial comments were received in March 2017, and reply comments were filed on April 19, 2017. Duke Energy Carolinas and Duke Energy Progress cannot 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. On March 24, 2017, the South Carolina Supreme Court denied the request for review, thus concluding the matter.

William States Lee III Nuclear Station

In December 2007, Duke Energy Carolinas applied to the NRC for combined operating licenses (COLs) for two Westinghouse Electric Company (Westinghouse) AP1000 reactors for the proposed William States Lee III Nuclear Station to be located at a site in Cherokee County, South Carolina. The NCUC and PSCSC have concurred with the prudency of Duke Energy Carolinas decisions to incur certain project development and preconstruction costs through several separately issued orders, although full cost recovery is not guaranteed. In December 2016, the NRC issued a COL for each reactor. Duke Energy Carolinas is not required to build the nuclear reactors as a result of the COLs being issued.

On March 29, 2017, Westinghouse filed for voluntary Chapter 11 bankruptcy in the U.S. Bankruptcy Court for the Southern District of New York. Duke Energy Carolinas is monitoring the bankruptcy proceedings to assess the impact it will have on the future construction of nuclear plants.

Duke Energy Progress

Storm Cost Deferral Filing

On December 16, 2016, Duke Energy Progress filed a petition with the NCUC requesting an accounting order to defer certain costs incurred in connection with response to Hurricane Matthew and other significant storms in 2016. Duke Energy Progress proposed in the filing to true-up the total costs quarterly through August 2017. The current estimate of incremental operation and maintenance and capital costs is $116 million. On March 15, 2017, the Public Staff filed comments supporting deferral of a portion of Duke Energy Progress' requested amount. Duke Energy Progress filed reply comments on April 12, 2017. Duke Energy Progress cannot predict the outcome of this matter.

Western Carolinas Modernization Plan

On November 4, 2015, Duke Energy Progress announced a Western Carolinas Modernization Plan, which included 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 plan also included upgrades to existing transmission lines and substations, installation of solar generation and 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.

On March 28, 2016, the NCUC issued an order approving a Certificate of Public Convenience and Necessity (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. On March 28, 2017, Duke Energy Progress filed an annual progress report for the construction of the combined-cycle plants with the NCUC, with an estimated cost of $893 million. Site preparation activities for the combined-cycle plants are underway and construction of these plants is scheduled to begin in fall 2017, with an expected in-service date in late 2019. Duke Energy Progress plans to file for future approvals related to the proposed solar generation and pilot battery storage project.

The carrying value of the 376-MW Asheville coal-fired plant, including associated ash basin closure costs, of $471 million and $492 million are included in Generation facilities to be retired, net on Duke Energy Progress' Condensed Consolidated Balance Sheet as of March 31, 2017 and December 31, 2016, respectively.

Duke Energy Florida

Hines Chiller Uprate Project

On February 2, 2017, 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 Energy Complex. The Uprate Project was placed into service in March 2017 at a cost of approximately $150 million. The retail revenue requirement is approximately $19 million. On March 28, 2017, the FPSC issued an order approving the revenue requirement which were included in base rates for the first billing cycle of April 2017.

Levy Nuclear Project

On July 28, 2008, Duke Energy Florida applied to the NRC for COLs for two Westinghouse AP1000 reactors at Levy. In 2008, the FPSC granted Duke Energy Florida's petition for an affirmative Determination of Need and related orders requesting cost recovery under Florida's nuclear cost-recovery rule, together with the associated facilities, including transmission lines and substation facilities. In October 2016, the NRC issued COLs for the proposed Levy Nuclear Plant Units 1 and 2. Duke Energy Florida is not required to build the nuclear reactors as a result of the COLs being issued.

On January 28, 2014, Duke Energy Florida terminated the Levy engineering, procurement and construction agreement (EPC). Duke Energy Florida may be required to pay for work performed under the EPC. Duke Energy Florida recorded an exit obligation in 2014 for the termination of the EPC. This liability was recorded within Other in Deferred Credits and Other Liabilities with an offset primarily to Regulatory assets on the Condensed Consolidated Balance Sheets. Duke Energy Florida is allowed to recover reasonable and prudent EPC cancellation costs from its retail customers. On May 1, 2017, Duke Energy Florida filed a request with the FPSC to recover approximately $82 million of Levy Nuclear Project costs from retail customers in 2018. A hearing is scheduled in August 2017. Duke Energy Florida cannot predict the outcome of this matter.

On March 29, 2017, Westinghouse filed for voluntary Chapter 11 bankruptcy in the U.S. Bankruptcy Court for the Southern District of New York. Duke Energy Florida is monitoring the bankruptcy proceedings to assess the impact it will have on the future construction of nuclear plants.

Duke Energy Ohio

Ohio Valley Electric Corporation

On March 31, 2017, Duke Energy Ohio filed for approval to adjust its existing price stabilization rider (Rider PSR) to pass through net costs related to its contractual entitlement to capacity and energy from the generating assets owned by OVEC. The PUCO approved Rider PSR, but set it at zero dollars in connection with the most recent electric security plan. The application seeks to adjust Rider PSR as of April 1, 2017. Duke Energy Ohio is seeking deferral authority for net costs incurred from April 1, 2017, until the new rates under Rider PSR are put into effect. See Note 12 for additional discussion of Duke Energy Ohio's ownership interest in OVEC. Duke Energy Ohio cannot predict the outcome of this proceeding.

East Bend Coal Ash Basin Filing

On December 2, 2016, Duke Energy Kentucky filed with the KPSC a request for a CPCN for construction projects necessary to close and repurpose an ash basin at the East Bend facility as a result of current and proposed U.S. Environmental Protection Agency (EPA) regulations. Duke Energy Kentucky estimated a total cost of approximately $93 million in the filing and expects in-service date in the fourth quarter of 2018. Duke Energy Kentucky expects the KPSC to issue an order in the second quarter of 2017.

Base Rate Case

Duke Energy Ohio filed with the PUCO an electric distribution base rate case application and supporting testimony in March 2017. Duke Energy Ohio has requested an estimated annual increase of approximately $15 million and a return on equity of 10.4 percent. The application also includes requests to continue certain current riders and establish new riders related to LED Outdoor Lighting Service and regulatory mandates. Duke Energy Ohio cannot predict the outcome of this matter.

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. On January 20, 2017, Duke Energy Ohio filed an amended application with the Ohio Power Siting Board for approval of one of two proposed routes. If approved, construction of the pipeline extension is expected to be completed before the 2019/2020 winter season. A public hearing is scheduled for June 15, 2017, and an adjudicatory hearing is scheduled to begin July 12, 2017. The proposed project involves the installation of a natural gas line and is estimated to cost between $86 million and $110 million, excluding AFUDC.

Advanced Metering Infrastructure

On April 25, 2016, Duke Energy Kentucky filed with the KPSC an application for approval of a CPCN for the construction of advanced metering infrastructure. Duke Energy Kentucky estimates the $49 million project, if approved, will take 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 to be replaced. Duke Energy Kentucky and the Kentucky Attorney General entered into a stipulation to settle matters related to the application. An evidentiary hearing on the application and stipulation was held on December 8, 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 proposed to replace certain natural gas service lines on an accelerated basis over a 10-year period. Duke Energy Ohio also proposed 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's current projected total capital and operations and maintenance expenditures under the ASRP are approximately $240 million. The filing also sought approval of a rider mechanism (Rider ASRP) to recover related expenditures. Duke Energy Ohio proposed to update Rider ASRP on an annual basis. Intervenors opposed the ASRP, primarily because they believe the program is neither required nor necessary under federal pipeline regulation. On October 26, 2016, the PUCO issued an order denying the proposed ASRP. The PUCO did, however, encourage Duke Energy Ohio to work with the PUCO Staff and intervenors. Duke Energy Ohio filed an application for rehearing of the PUCO decision. In December 2016, the PUCO granted the request for the purpose of further review. 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. 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 upon 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 January 6, 2016, Duke Energy Ohio and the PUCO Staff entered into a stipulation, pending the PUCO's approval, to resolve issues related to performance incentives and the PUCO Staff audit of 2013 costs, among other issues. In December 2015, based upon the stipulation, Duke Energy Ohio re-established approximately $20 million of the revenues that had been previously reversed. On October 26, 2016, the PUCO issued an order approving the stipulation without modification. Intervenors requested a rehearing of the PUCO decision. In December 2016, the PUCO granted a rehearing for the purpose of further review. 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 PUCO order also authorized Duke Energy Ohio to continue deferring MGP environmental investigation and remediation costs incurred subsequent to 2012 and to submit annual filings to adjust the MGP rider for future costs. Intervening parties appealed this decision to the Ohio Supreme Court and that appeal remains pending. Oral argument was heard on February 28, 2017. Incurred and projected investigation and remediation expenses at these MGP sites that have not been collected through the MGP rider are approximately $100 million and are recorded as Regulatory assets on Duke Energy Ohio's Condensed Consolidated Balance Sheet as of March 31, 2017. 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 $90 million at March 31, 2017, and December 31, 2016, recorded within Other in Current liabilities and Other in Other Noncurrent Liabilities on the Condensed Consolidated Balance Sheets. The retail portions of MTEP costs billed by MISO are recovered by Duke Energy Ohio through a non-bypassable rider. As of March 31, 2017, and December 31, 2016, Duke Energy Ohio had $71 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 EPA's 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, including AFUDC, under a federal mandate tracker that 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. On January 24, 2017, Duke Energy Indiana and various Intervenors filed a settlement agreement with the IURC. Terms of the settlement include recovery of 60 percent of the estimated CCR compliance construction project capital costs through existing rider mechanisms and deferral of 40 percent of these costs until Duke Energy Indiana's next general retail rate case. The deferred costs will earn a return based on Duke Energy Indiana's long-term debt rate of 4.73 percent until costs are included in retail rates, at which time the deferred costs will earn a full return. Costs are to be capped at $365 million, plus actual AFUDC. Costs above the cap may be recoverable in the next rate case. Terms of the settlement agreement also require Duke Energy Indiana to perform certain reporting and groundwater monitoring. The settlement is subject to approval by the IURC. An evidentiary hearing was held on February 23, 2017, and Duke Energy Indiana filed a proposed order with the IURC on March 30, 2017. Duke Energy Indiana cannot predict the outcome of this matter.

FERC Transmission Return on Equity Complaints

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 complaints, among other things, claim that the current base rate of return on equity earned by MISO transmission owners should be reduced to 8.67 percent. On January 5, 2015, the FERC issued an order accepting the MISO transmission owners' adder of 0.50 percent 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. On December 22, 2015, the presiding FERC ALJ in the first complaint issued an Initial Decision in which the base rate of return on equity was set at 10.32 percent. On September 28, 2016, the Initial Decision in the first complaint was affirmed by FERC, but is subject to rehearing requests. 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 Decision in the second complaint is pending FERC review. On April 14, 2017, the U.S. Court of Appeals for the District of Columbia Circuit, in *Emera Maine v. FERC*, reversed and remanded certain aspects of the methodology employed by FERC to establish rates of return on equity. This decision may affect the outcome of the complaints against Duke Energy Indiana. Duke Energy Indiana currently believes these matters will not have a material impact on its results of operations, cash flows and financial position.

Piedmont

North Carolina Integrity Management Rider Filings

In October 2016, Piedmont filed a petition with the NCUC under the integrity management rider (IMR) mechanism seeking authority to collect an additional $8 million in annual revenues, effective December 2016, based on the eligible capital investments closed to integrity and safety projects over the six-month period ending September 30, 2016. In November 2016, the NCUC approved the request.

On May 1, 2017, Piedmont filed a petition with the NCUC under the IMR mechanism to collect an additional $11.6 million in annual revenues, effective June 2017, based on the eligible capital investments closed to integrity and safety projects over the six-month period ending March 31, 2017. A ruling from the NCUC is pending.

Tennessee IMR Filings

In November 2016, Piedmont filed an annual report with the TPUC under the IMR mechanism seeking authority to collect an additional $1.7 million in annual revenues effective January 2017, based on the capital investments in integrity and safety projects over the 12-month period ending October 31, 2016. The TPUC approved the request at a hearing on April 10, 2017.

OTHER REGULATORY MATTERS

Atlantic Coast Pipeline

On September 2, 2014, Duke Energy, Dominion Resources (Dominion), Piedmont and Southern Company Gas announced the formation of Atlantic Coast Pipeline, LLC (ACP) to build and own the proposed Atlantic Coast Pipeline (ACP pipeline), an approximately 600-mile interstate natural gas pipeline running from West Virginia to North Carolina. The ACP pipeline is designed to meet the needs identified in RFPs by Duke Energy Carolinas, Duke Energy Progress and Piedmont. The ACP pipeline development costs are estimated between $5.0 billion to $5.5 billion. Dominion will build and operate the ACP pipeline and holds a leading ownership percentage in ACP of 48 percent. Duke Energy owns a 47 percent interest through its Gas Utilities and Infrastructure segment. Southern Company Gas maintains a 5 percent interest. See Note 12 for additional information related to Duke Energy's ownership interest.

Duke Energy Carolinas, Duke Energy Progress and Piedmont, among others, will be customers of the pipeline. Purchases will be made under several 20-year supply contracts, subject to state regulatory approval. On September 18, 2015, ACP filed an application with the FERC requesting a CPCN authorizing ACP to construct the pipeline. ACP executed a construction agreement in September 2016. ACP also requested approval of an open access tariff and the precedent agreements it entered into with future pipeline customers. In December 2016, FERC issued a draft Environmental Impact Statement (EIS) indicating that the proposed pipeline would not cause significant harm to the environment or protected populations. The draft EIS comment period ended in April 2017, and ACP is working to resolve items identified through the comment process. The final EIS is expected in summer 2017. FERC approval of the application is expected within 90 days of the issuance of the final EIS. Construction is projected to begin in the second-half of 2017, with a targeted in-service date in the second half of 2019.

Sabal Trail Transmission, LLC Pipeline

On May 4, 2015, Duke Energy acquired a 7.5 percent ownership interest in Sabal Trail Transmission, LLC (Sabal Trail) from Spectra Energy Partners, LP, a master limited partnership, formed by Enbridge Inc. (formerly Spectra Energy Corp.). Spectra Energy Partners, LP holds a 50 percent ownership interest in Sabal Trail and NextEra Energy has a 42.5 percent ownership interest. Sabal Trail is a joint venture that is constructing a 515-mile natural gas pipeline (Sabal Trail pipeline) to transport natural gas to Florida. Total estimated project costs are approximately $3.2 billion. The Sabal Trail pipeline will traverse Alabama, Georgia and Florida. 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 pipeline. On September 7, 2016, FERC denied the intervenors' rehearing requests. On September 21, 2016, intervenors filed an appeal of FERC's CPCN orders to the U.S. Court of Appeals for the District of Columbia Circuit. Oral argument on the appeal was held on April 18, 2017, and a decision is expected in the summer of 2017. The Sabal Trail pipeline has received other required regulatory approvals and construction began in the summer of 2016, with an expected in-service date in mid-2017. See Note 12 for additional information related to Duke Energy's ownership interest.

Constitution Pipeline

Duke Energy owns a 24 percent ownership interest in Constitution Pipeline Company, LLC (Constitution). Constitution is a natural gas pipeline project slated to transport natural gas supplies from the Marcellus supply region in northern Pennsylvania to major northeastern markets. The pipeline will be constructed and operated by Williams Partners L.P., which has a 41 percent ownership share. The remaining interest is held by Cabot Oil and Gas Corporation and WGL Holdings, Inc.

On April 22, 2016, the New York State Department of Environmental Conservation (NYSDEC) denied Constitution's application for a necessary water quality certification for the New York portion of the Constitution pipeline. Constitution filed legal actions in the U.S. District Court for the Northern District of New York and in the U.S. Court of Appeals for the Second Circuit (U.S. Court of Appeals) challenging the legality and appropriateness of the NYSDEC's decision. Both courts granted Constitution's motions to expedite the schedules for the legal actions. On November 16, 2016, oral arguments were heard in the U.S. Court of Appeals. On March 16, 2017, the U.S. District Court for the Northern District of New York dismissed without prejudice Constitution's claim that New York State permits were preempted by the federal permitting process. The ruling on oral arguments made in the U.S. Court of Appeals regarding NYSDEC's denial of the water quality certification is currently expected in mid-2017.

Constitution remains steadfastly committed to pursuing the project and intends to pursue all available options to challenge the NYSDEC's decision. In light of the denial of the certification, Constitution revised its target in-service date of the project to be as early as the second half of 2018, assuming that the challenge process is satisfactorily and promptly concluded.

In July 2016, Constitution requested, and the FERC approved, an extension of the construction period and in-service deadline of the project to December 2018. Also in July, the FERC denied the New York Attorney General's (NYAG) complaint and request for a stay of the certificate order authorizing the project on the grounds that Constitution had improperly cut trees along the proposed route. The FERC found the complaint procedurally deficient and that there was no justification for a stay; it did find the filing constituted a valid request for investigation and thus referred the matter to FERC staff for further examination as may be appropriate. On November 22, 2016, the FERC denied the NYAG's request for reconsideration of this order.

Since April 2016, with the actions of the NYSDEC, Constitution stopped construction and discontinued capitalization of future development costs until the project's uncertainty is resolved. As a result, Duke Energy evaluated the investment in the Constitution project for other-than-temporary impairments (OTTIs). At this time, no OTTI has been determined and therefore no impairment charge to reduce the carrying value of the investment has been recorded. However, to the extent that the legal and regulatory proceedings have unfavorable outcomes, or if Constitution concludes that the project is not viable or does not go forward as legal and regulatory actions progress, the conclusions with respect to OTTIs could change and may require that an impairment charge of up to the recorded investment in the project, net of any cash and working capital returned, be recorded. Duke Energy will continue to monitor and update the OTTI analysis as required. Different assumptions could affect the timing and amount of any charge recorded in a period.

Pending the outcome of the matters described above, and when construction proceeds, Duke Energy remains committed to fund an amount in proportion to its ownership interest for the development and construction of the new pipeline. Duke Energy's total anticipated contributions are approximately $229 million.

See Note 12 for additional information related to ownership interest and carrying value of the investment.

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 primarily because facilities do not have the requisite emission control equipment 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. Dollar amounts in the table below are included in Net property, plant and equipment on the Condensed Consolidated Balance Sheets as of March 31, 2017, and exclude capitalized asset retirement costs.

	Capacity (in MW)	Remaining Net Book Value (in millions)
Duke Energy Carolinas		
Allen Steam Station Units 1-3[a]	585	$ 167
Progress Energy and Duke Energy Florida		
Crystal River Units 1 and 2[b]	873	117
Duke Energy Indiana		
Gallagher Units 2 and 4[c]	280	135
Total Duke Energy	1,738	$ 419

(a) Duke Energy Carolinas will retire Allen Steam Station Units 1 through 3 by December 31, 2024, as part of the resolution of a lawsuit involving alleged New Source Review violations.
(b) Duke Energy Florida will likely retire these coal units by 2018 to comply with environmental regulations.
(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 settlement of Edwardsport IGCC matters.

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

5. COMMITMENTS AND CONTINGENCIES

ENVIRONMENTAL

The Duke Energy 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 (AROs) 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 at all sites. 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 Other Noncurrent Liabilities on the Condensed Consolidated Balance Sheets.

	Three Months Ended March 31, 2017							
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Balance at beginning of period	$ 98	$ 10	$ 18	$ 3	$ 14	$ 59	$ 10	$ 1
Provisions/adjustments	6	1	—	—	1	4	(1)	1
Cash reductions	(6)	—	(1)	—	(1)	(4)	—	—
Balance at end of period	$ 98	$ 11	$ 17	$ 3	$ 14	$ 59	$ 9	$ 2

	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	Piedmont
Balance at beginning of period	$ 94	$ 10	$ 17	$ 3	$ 14	$ 54	$ 12	$ 1
Provisions/adjustments	10	2	1	—	1	—	6	—
Cash reductions	(3)	(1)	(2)	(1)	(1)	—	—	—
Balance at end of period	$ 101	$ 11	$ 16	$ 2	$ 14	$ 54	$ 18	$ 1

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	$ 71
Duke Energy Carolinas	22
Duke Energy Ohio	36
Duke Energy Indiana	7
Piedmont	2

North Carolina and South Carolina Ash Basins

In February 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. 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 future state or federal civil enforcement proceedings, future regulatory directives, natural resources damages, future claims or litigation and long-term environmental impact costs, cannot be reasonably estimated at this time.

The North Carolina Department of Environmental Quality (NCDEQ) 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 ash release, Duke Energy Carolinas and Duke Energy Progress have been served with a higher level of NOVs, including assessed penalties for violations at L.V. Sutton Combined Cycle Plant (Sutton) and Dan River Steam Station. Duke Energy Carolinas and Duke Energy Progress cannot predict whether the NCDEQ will assess future penalties related to existing unresolved NOVs and if such penalties would be material. See "NCDEQ Notices of Violation" section below for additional discussion.

LITIGATION

Duke Energy

Duke Energy no longer has exposure to litigation matters related to the International Energy Disposal Group as a result of the divestiture of the business in December 2016. See Note 2 for additional information related to the sale of International 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 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 December 14, 2016, the Delaware Chancery Court entered an order dismissing the Amended Complaint. Plaintiffs filed an appeal to the Delaware Supreme Court on January 9, 2017. The parties have completed briefing in the case and a date for oral argument has not been set.

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 appointed 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. On March 30, 2017, the court granted Defendants' Motion to Dismiss on the claims relating to coal ash environmental issues and political contributions. A notice of appeal has not been filed. As discussed below, an agreement-in-principle has been reached to settle the merger related claims in the Bresalier Complaint, and those claims were also dismissed subject to that agreement.

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* (Merger Chancery 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.

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 have reached an agreement-in-principle to settle the Merger Chancery Litigation, conditioned on dismissal as well, of the *Tansey v. Rogers, et al* case and the merger related claims in the Bresalier Complaint discussed above, for a total of $27 million. The entire settlement amount is to be funded by insurance. The settlement amount, less court-approved attorney fees, will be payable to Duke Energy. Settlement documents have been submitted to the court for approval and a hearing has been set for July 13, 2017.

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 in a consolidated federal court proceeding in Nevada. Each of these lawsuits contained 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 sought 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. The proposed settlement of the class action lawsuits was submitted to the Court and preliminarily approved on January 26, 2017. The Court will consider final approval of the class settlement following notice to the class members. The settlement amounts are not material to Duke Energy.

Duke Energy Carolinas and Duke Energy Progress

Coal Ash Insurance Coverage Litigation

In March 2017, Duke Energy Carolinas and Duke Energy Progress filed a civil action in North Carolina Superior Court against various insurance providers. The lawsuit seeks payment for coal ash related liabilities covered by third-party liability insurance policies. The insurance policies were issued between 1971 and 1986 and provide third-party liability insurance for property damage. The civil action seeks damages for breach of contract and indemnification for costs arising from the North Carolina Coal Ash Management Act of 2014, as amended, (Coal Ash Act) and the EPA CCR rule at 15 coal-fired plants in North Carolina and South Carolina. Duke Energy Carolinas and Duke Energy Progress 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. The 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, the 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.

The court issued orders in 2016 granting Motions' for Partial Summary Judgment for seven of the 14 North Carolina plants named in the enforcement actions. The litigation is concluded for these seven plants. Litigation continues for the remaining seven plants. In response to a motion for partial summary judgment on the groundwater claims filed by the environmental groups, on October 17, 2016, Duke Energy Carolinas and Duke Energy Progress filed a cross-motion for partial summary judgment on the groundwater claims. On February 13, 2017, the court issued an order denying both the environmental groups' motion for partial summary judgment and Duke Energy Carolinas and Duke Energy Progress' cross-motion for partial summary judgment. On March 15, 2017, Duke Energy Carolinas and Duke Energy Progress filed a Notice of Appeal to challenge the trial court's denial of their cross-motion for partial summary judgment. The parties were unable to reach an agreement at mediation on April 18, 2017.

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

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. On August 19, 2016, Duke Energy Progress filed a Motion to Dismiss. On April 26, 2017, the court entered an order dismissing four of the claims in the federal citizen suit. Two claims relating to alleged violations of National Pollutant Discharge Elimination System permit provisions survived the motion to dismiss, and Duke Energy Progress' response is due on May 10, 2017.

On March 16, 2017, the Roanoke River Basin Association served Duke Energy Progress with a 60-day notice of intent to bring suit pursuant to the citizen suit provision of the CWA for alleged violations of effluent standards and limitations at the Roxboro Plant.

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

Five previously filed cases involving the Riverbend, Cape Fear, H.F. Lee, Sutton and Buck plants were dismissed or settled in 2016.

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 the NCDEQ advising them not to drink water from the private wells on their land tested by the 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 basins, 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.

Duke Energy Carolinas and Duke Energy Progress have received formal demand letters from residents near Duke Energy Carolinas' and Duke Energy Progress' coal ash basins. The residents claim damages for nuisance and diminution in property value, among other things. The parties held three days of mediation discussions that ended at impasse. On January 6, 2017, Duke Energy Carolinas and Duke Energy Progress received the plaintiffs' notice of their intent to file suits should the matter not settle. The NCDEQ preliminarily approved Duke Energy's permanent water solution plans on January 13, 2017, and as a result shortly thereafter, Duke Energy issued a press release, providing additional details regarding the homeowner compensation package. This package consists of three components: (i) a $5,000 goodwill payment to each eligible well owner to support the transition to a new water supply, (ii) where a public water supply is available and selected by the eligible well owner, a stipend to cover 25 years of water bills and (iii) the Property Value Protection Plan. The Property Value Protection Plan is a program offered by Duke Energy designed to guarantee eligible plant neighbors the fair market value of their residential property should they decide to sell their property during the time that the plan is offered. Duke Energy received a letter from Plaintiffs' counsel indicating their intent to file suit on February 2, 2017, should a settlement not be reached by that date. Plaintiff's counsel did not file suit upon the expiration of the tolling agreement on February 2, 2017, and no suit has been filed to date. Duke Energy Carolinas and Duke Energy Progress have recognized reserves of $18 million and $4 million, respectively.

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, 2017, there were 111 asserted claims for non-malignant cases with the cumulative relief sought of up to $29 million, and 58 asserted claims for malignant cases with the cumulative relief sought of up to $16 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 $506 million at March 31, 2017 and $512 million at December 31, 2016. These reserves are classified in Other within Other Noncurrent 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 2036, 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 2036 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 $814 million in excess of the self-insured retention. Receivables for insurance recoveries were $587 million at March 31, 2017 and December 31, 2016. These amounts are classified in Other within Other Noncurrent 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. On September 21, 2016, the Court granted the motions to dismiss with prejudice. Plaintiffs filed a motion for reconsideration, which was denied. On January 4, 2017, plaintiffs filed a notice of appeal. Plaintiffs filed an appellate brief on March 16, 2017, and Duke Energy Florida filed responses on April 17, 2017. Duke Energy Florida cannot predict the outcome of this appeal.

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 an 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.

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. On July 11, 2016, Duke Energy Florida and Westinghouse filed separate Motions for Summary Judgment. On September 29, 2016, the court issued its ruling on the parties' respective Motions for Summary Judgment, ruling in favor of Westinghouse on a $30 million termination fee claim and dismissing Duke Energy Florida's $54 million refund claim, but stating that Duke Energy Florida could use the refund claim to offset any damages for termination costs. Westinghouse's claim for termination costs was unaffected by this ruling and continued to trial. At trial, Westinghouse reduced its claim for termination costs from $482 million to $424 million. Following a trial on the matter, the court issued its final order in December 2016 denying Westinghouse's claim for termination costs and re-affirming its earlier ruling in favor of Westinghouse on the $30 million termination fee and Duke Energy Florida's refund claim. Judgment was entered against Duke Energy Florida in the amount of approximately $34 million, which includes prejudgment interest. Westinghouse has appealed the trial court's order and Duke Energy Florida has cross-appealed.

It is not possible to predict the ultimate outcome of the appeal of the trial court's order. 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.

On March 29, 2017, Westinghouse filed Chapter 11 bankruptcy in the Southern District of New York, which could delay the timing of the appeal. Additional impacts, if any, of this bankruptcy filing on the resolution of the pending appeal and cross-appeal are unknown at this time.

MGP Cost Recovery Action

On December 30, 2011, Duke Energy Florida filed a lawsuit against FirstEnergy Corp. (FirstEnergy) to recover investigation and remediation costs incurred by Duke Energy Florida in connection with the restoration of two former MGP sites in Florida. Duke Energy Florida alleged that FirstEnergy, as the successor to Associated Gas & Electric Co., owes past and future contribution and response costs of up to $43 million for the investigation and remediation of MGP sites. On December 6, 2016, the trial court entered judgment against Duke Energy Florida in the case. In January 2017, Duke Energy Florida appealed the decision to the U.S. Court of Appeals for the 6th Circuit. Duke Energy Florida cannot predict the outcome of this appeal.

Duke Energy Indiana

Benton County Wind Farm Dispute

On December 16, 2013, Benton County Wind Farm LLC (BCWF) filed a lawsuit against Duke Energy Indiana seeking damages for past generation losses totaling approximately $16 million alleging Duke Energy Indiana violated its obligations under a 2006 PPA by refusing to offer electricity to the market at negative prices. Damage claims continue to increase during times that BCWF is not dispatched. Under 2013 revised MISO market rules, Duke Energy Indiana is required to make a price offer to MISO for the power it proposes to sell into MISO markets and MISO determines whether BCWF is dispatched. Because market prices would have been negative due to increased market participation, Duke Energy Indiana determined it would not bid at negative prices in order to balance customer needs against BCWF's need to run. BCWF contends Duke Energy Indiana must bid at the lowest negative price to ensure dispatch, while Duke Energy Indiana contends it is not obligated to bid at any particular price, that it cannot ensure dispatch with any bid and that is has reasonably balanced the parties' interests. On July 6, 2015, the U.S. District Court for the Southern District of Indiana entered judgment against BCWF on all claims. BCWF appealed the decision and on December 9, 2016, the appeals court ruled in favor of BCWF. The matter has been remanded to a lower court to determine damages. A settlement conference is scheduled on May 31, 2017. Duke Energy Indiana cannot predict the outcome of this matter. Ultimate resolution of this matter could have a material effect on the results of operations, financial position or cash flows of Duke Energy Indiana. However, appropriate regulatory recovery will be pursued for the retail portion of any costs incurred in connection with such resolution.

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 Other Noncurrent 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, 2017	December 31, 2016
Reserves for Legal Matters		
Duke Energy	$ 91	$ 98
Duke Energy Carolinas	23	23
Progress Energy	57	59
Duke Energy Progress	13	14
Duke Energy Florida	27	28
Duke Energy Ohio	4	4
Piedmont	2	2

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 or natural gas, 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, 2017		
Issuance Date	Maturity Date	Interest Rate	Duke Energy	Duke Energy Florida	Duke Energy Ohio
Secured Debt					
February 2017[a]	June 2034	4.120%	$ 587	$ —	$ —
First Mortgage Bonds					
January 2017[b]	January 2020	1.850%	250	250	—
January 2017[b]	January 2027	3.200%	650	650	—
March 2017[c]	June 2046	3.700%	100	—	100
Total issuances			$ 1,587	$ 900	$ 100

(a) Portfolio financing of four Texas and Oklahoma wind facilities. Secured by substantially all of the assets of these wind facilities and nonrecourse to Duke Energy. Proceeds were used to reimburse Duke Energy for a portion of previously funded construction expenditures.
(b) Debt issued to fund capital expenditures for ongoing construction and capital maintenance, to repay at maturity a $250 million aggregate principal amount of bonds due September 2017 and for general corporate purposes.
(c) Proceeds were used to fund capital expenditures for ongoing construction, capital maintenance and for general corporate purposes.

In April 2017, Duke Energy (Parent) issued $420 million of unsecured notes with a fixed interest rate of 3.364 percent and maturity date of April 2025. The net proceeds were used to refinance $400 million of unsecured debt at maturity and to repay outstanding commercial paper.

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, 2017
Unsecured Debt			
Duke Energy (Parent)	August 2017	1.625%	$ 700
Piedmont	September 2017	8.510%	35
Secured Debt			
Duke Energy	June 2017	2.605%	45
Duke Energy	June 2017	2.455%	34
First Mortgage Bonds			
Duke Energy Florida	September 2017	5.800%	250
Duke Energy Progress	November 2017	1.252%	200
Duke Energy Carolinas	January 2018	5.250%	400
Other[a]			313
Current maturities of long-term debt			$ 1,977

(a) Includes capital lease obligations, amortizing debt and small bullet maturities.

AVAILABLE CREDIT FACILITIES

Master Credit Facility

In March 2017, Duke Energy amended its Master Credit Facility to increase its capacity from $7.5 billion to $8 billion, and to extend the termination date of the facility from January 30, 2020, to March 16, 2022. The amendment also added Piedmont as a borrower within the Master Credit Facility. Piedmont's separate $850 million credit facility was terminated in connection with the amendment. With the amendment, 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, 2017							
(in millions)	Duke Energy	Duke Energy (Parent)	Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Facility size[(a)]	$ 8,000	$ 3,400	$ 1,100	$ 1,000	$ 950	$ 450	$ 600	$ 500
Reduction to backstop issuances								
Commercial paper[(b)]	(3,134)	(1,822)	(469)	(402)	—	(30)	(150)	(261)
Outstanding letters of credit	(71)	(62)	(4)	(2)	(1)	—	—	(2)
Tax-exempt bonds	(81)	—	—	—	—	—	(81)	—
Coal ash set-aside	(500)	—	(250)	(250)	—	—	—	—
Available capacity	$ 4,214	$ 1,516	$ 377	$ 346	$ 949	$ 420	$ 369	$ 237

(a) Represents the sublimit of each borrower. Certain sublimits were reallocated in May 2017 to provide additional liquidity to certain borrowers in light of near-term funding needs.

(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.

7. GOODWILL AND INTANGIBLE ASSETS

GOODWILL

Duke Energy

The following table presents the goodwill by reportable operating segment on Duke Energy's Condensed Consolidated Balance Sheets at March 31, 2017 and December 31, 2016.

(in millions)	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Commercial Renewables	Total
Goodwill	$ 17,379	$ 1,924	$ 122	$ 19,425

Duke Energy Ohio

Duke Energy Ohio's Goodwill balance of $920 million, allocated $596 million to Electric Utilities and Infrastructure and $324 million to Gas Utilities and Infrastructure, is presented net of accumulated impairment charges of $216 million on the Condensed Consolidated Balance Sheets at March 31, 2017 and December 31, 2016.

Progress Energy

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

Piedmont

Piedmont's Goodwill is included in the Gas Utilities and Infrastructure operating segment and there are no accumulated impairment charges. Effective November 1, 2016, Piedmont's fiscal year was changed from October 31 to December 31. Effective with this change, Piedmont changed the date of their annual impairment testing of goodwill from October 31 to August 31 to align with the other Duke Energy Registrants.

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)	**2017**	**2016**
Duke Energy Carolinas		
Corporate governance and shared service expenses[(a)]	$ 199	$ 217
Indemnification coverages[(b)]	6	5
JDA revenue[(c)]	16	9
JDA expense[(c)]	31	41
Intercompany natural gas purchases[(d)]	1	—
Progress Energy		
Corporate governance and shared service expenses[(a)]	$ 169	$ 174
Indemnification coverages[(b)]	10	9
JDA revenue[(c)]	31	41
JDA expense[(c)]	16	9
Intercompany natural gas purchases[(d)]	19	—
Duke Energy Progress		
Corporate governance and shared service expenses[(a)]	$ 103	$ 100
Indemnification coverages[(b)]	4	4
JDA revenue[(c)]	31	41
JDA expense[(c)]	16	9
Intercompany natural gas purchases[(d)]	19	—
Duke Energy Florida		
Corporate governance and shared service expenses[(a)]	$ 66	$ 74
Indemnification coverages[(b)]	6	5
Duke Energy Ohio		
Corporate governance and shared service expenses[(a)]	$ 90	$ 85
Indemnification coverages[(b)]	1	1
Duke Energy Indiana		
Corporate governance and shared service expenses[(a)]	$ 90	$ 94
Indemnification coverages[(b)]	2	2
Piedmont		
Corporate governance and shared service expenses[(a)]	$ 6	$ —
Indemnification coverages[(b)]	1	—
Intercompany natural gas sales[(d)]	20	—

(a) The Subsidiary Registrants are charged their proportionate share of corporate governance and other shared services costs, primarily related to human resources, 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.

(d) Piedmont provides long-term natural gas delivery service to Duke Energy Carolinas and Duke Energy Progress' natural gas-fired generation facilities. Piedmont recorded the sales in Operating Revenues – Regulated natural gas, and Duke Energy Carolinas and Duke Energy Progress recorded the related purchases in Operating Expenses – Cost of natural gas on their Condensed Consolidated Statements of Operations and Comprehensive Income. The amounts are not eliminated in accordance with rate-based accounting regulations. For the three months ended March 31, 2016, which was prior to the Piedmont acquisition, Piedmont recorded $19 million and $1 million of natural gas sales with Duke Energy Progress and Duke Energy Carolinas, respectively.

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 the year ended December 31, 2016 for more information regarding money pool. The net impact of these transactions was not material for the three months ended March 31, 2017 and 2016, 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.

Equity Method Investments

Piedmont has related party transactions as a customer of its equity method investments in natural gas storage and transportation facilities. Below are expenses for the three months ended March 31, 2017 and 2016, which are included in Operating Expenses – Cost of natural gas on Piedmont's Condensed Consolidated Statement of Operations and Comprehensive Income.

		Three Months Ended March 31,	
(in millions)	**Type of expense**	**2017**	**2016**
Cardinal	Transportation Costs	$ 2	$ 2
Pine Needle	Gas Storage Costs	2	3
Hardy Storage	Gas Storage Costs	2	2
Total		$ 6	$ 7

In association with these transactions, Piedmont has accounts payable to its equity method investments of $2 million at March 31, 2017, and December 31, 2016. These amounts are included in Accounts payable on the Condensed Consolidated Balance Sheets.

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	Piedmont
March 31, 2017							
Intercompany income tax receivable	$ 19	$ 139	$ 47	$ 48	$ 8	$ —	$ —
Intercompany income tax payable	—	—	—	—	—	23	44
December 31, 2016							
Intercompany income tax receivable	$ 1	$ —	$ —	$ 37	$ —	$ —	$ —
Intercompany income tax payable	—	37	90	—	1	3	38

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. Piedmont enters into gas supply contracts to provide diversification, reliability and gas cost benefits to their customers. 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 impacts 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, 2017, were not material. Duke Energy's interest rate derivatives designated as hedges include interest rate swaps used to hedge existing debt within the Commercial Renewables business.

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 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 March 31, 2016, Duke Energy entered into $1.4 billion of forward-starting interest rate swaps to manage interest rate exposure related to the Piedmont acquisition financing. The swaps did not qualify for hedge accounting and were 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 Duke Energy's Condensed Consolidated Statements of Operations. The swaps were unwound in August 2016 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 as of March 31, 2017 and December 31, 2016.

(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio
Cash flow hedges[(a)]	$ 750	$ —	$ —	$ —	$ —	$ —
Undesignated contracts	927	400	500	250	250	27
Total notional amount	$ 1,677	$ 400	$ 500	$ 250	$ 250	$ 27

(a) Duke Energy includes amounts related to consolidated VIEs of $750 million as of March 31, 2017 and December 31, 2016.

COMMODITY PRICE RISK

The Duke Energy Registrants are exposed to the impact of changes in the prices of electricity purchased and sold in bulk power markets and coal and natural gas purchases, including Piedmont's gas supply contracts. Exposure to commodity price risk is influenced by a number of factors including the term of contracts, the liquidity of markets and delivery locations. For the Subsidiary Registrants, bulk power electricity and coal and natural gas purchases flow through fuel adjustment clauses, formula based contracts or other cost sharing mechanisms. Differences between the costs included in rates and the incurred costs, including undesignated derivative contracts, are largely deferred as regulatory assets or regulatory liabilities. Piedmont policies allow for the use of financial instruments to hedge commodity price risks. The strategy and objective of these hedging programs are to use the financial instruments to reduce gas costs volatility for customers.

Volumes

The tables below include 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, 2017						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Indiana	Piedmont
Electricity (gigawatt-hours)	184	—	—	—	—	184	—
Natural gas (millions of dekatherms)	817	85	228	105	123	—	504

	December 31, 2016						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Indiana	Piedmont
Electricity (gigawatt-hours)	147	—	—	—	—	147	—
Natural gas (millions of dekatherms)	890	91	269	118	151	1	529

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, 2017							
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Commodity Contracts								
Not Designated as Hedging Instruments								
Current	$ 58	$ 16	$ 30	$ 19	$ 11	$ —	$ 9	$ 2
Noncurrent	5	1	2	1	1	1	—	—
Total Derivative Assets – Commodity Contracts	$ 63	$ 17	$ 32	$ 20	$ 12	$ 1	$ 9	$ 2
Interest Rate Contracts								
Designated as Hedging Instruments								
Noncurrent	$ 18	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Not Designated as Hedging Instruments								
Current	2	—	2	—	2	—	—	—
Total Derivative Assets – Interest Rate Contracts	$ 20	$ —	$ 2	$ —	$ 2	$ —	$ —	$ —
Total Derivative Assets	$ 83	$ 17	$ 34	$ 20	$ 14	$ 1	$ 9	$ 2

Derivative Liabilities	March 31, 2017							
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Commodity Contracts								
Not Designated as Hedging Instruments								
Current	$ 32	$ —	$ 17	$ 1	$ 17	$ —	$ —	$ 14
Noncurrent	145	4	11	4	1	—	—	131
Total Derivative Liabilities – Commodity Contracts	$ 177	$ 4	$ 28	$ 5	$ 18	$ —	$ —	$ 145
Interest Rate Contracts								
Designated as Hedging Instruments								
Current	$ 8	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Noncurrent	9	—	—	—	—	—	—	—
Not Designated as Hedging Instruments								
Current	1	—	—	—	—	1	—	—
Noncurrent	21	10	6	5	1	4	—	—
Total Derivative Liabilities – Interest Rate Contracts	$ 39	$ 10	$ 6	$ 5	$ 1	$ 5	$ —	$ —
Total Derivative Liabilities	$ 216	$ 14	$ 34	$ 10	$ 19	$ 5	$ —	$ 145

Derivative Assets	December 31, 2016							
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Commodity Contracts								
Not Designated as Hedging Instruments								
Current	$ 108	$ 23	$ 61	$ 35	$ 26	$ 4	$ 16	$ 3
Noncurrent	32	10	21	10	11	1	—	—
Total Derivative Assets – Commodity Contracts	$ 140	$ 33	$ 82	$ 45	$ 37	$ 5	$ 16	$ 3
Interest Rate Contracts								
Designated as Hedging Instruments								
Noncurrent	$ 19	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Not Designated as Hedging Instruments								
Current	3	—	3	1	2	—	—	—
Total Derivative Assets – Interest Rate Contracts	$ 22	$ —	$ 3	$ 1	$ 2	$ —	$ —	$ —
Total Derivative Assets	$ 162	$ 33	$ 85	$ 46	$ 39	$ 5	$ 16	$ 3

Derivative Liabilities	December 31, 2016							
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Commodity Contracts								
Not Designated as Hedging Instruments								
Current	$ 43	$ —	$ 12	$ —	$ 12	$ —	$ 2	$ 35
Noncurrent	166	1	7	1	—	—	—	152
Total Derivative Liabilities – Commodity Contracts	$ 209	$ 1	$ 19	$ 1	$ 12	$ —	$ 2	$ 187
Interest Rate Contracts								
Designated as Hedging Instruments								
Current	$ 8	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Noncurrent	8	—	—	—	—	—	—	—
Not Designated as Hedging Instruments								—
Current	1	—	—	—	—	1	—	—
Noncurrent	26	15	6	6	—	5	—	—
Total Derivative Liabilities – Interest Rate Contracts	$ 43	$ 15	$ 6	$ 6	$ —	$ 6	$ —	$ —
Total Derivative Liabilities	$ 252	$ 16	$ 25	$ 7	$ 12	$ 6	$ 2	$ 187

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, 2017				
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Current								
Gross amounts recognized	$ 60	$ 16	$ 32	$ 19	$ 13	$ —	$ 9	$ 2
Gross amounts offset	(7)	—	(7)	(1)	(6)	—	—	—
Net amounts presented in Current Assets: Other	$ 53	$ 16	$ 25	$ 18	$ 7	$ —	$ 9	$ 2
Noncurrent								
Gross amounts recognized	$ 23	$ 1	$ 2	$ 1	$ 1	$ 1	$ —	$ —
Gross amounts offset	(2)	(1)	(1)	(1)	—	—	—	—
Net amounts presented in Other Noncurrent Assets: Other	$ 21	$ —	$ 1	$ —	$ 1	$ 1	$ —	$ —

Derivative Liabilities				March 31, 2017				
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Current								
Gross amounts recognized	$ 41	$ —	$ 17	$ 1	$ 17	$ 1	$ —	$ 14
Gross amounts offset	(7)	—	(7)	(1)	(6)	—	—	—
Net amounts presented in Current Liabilities: Other	$ 34	$ —	$ 10	$ —	$ 11	$ 1	$ —	$ 14
Noncurrent								
Gross amounts recognized	$ 175	$ 14	$ 17	$ 9	$ 2	$ 4	$ —	$ 131
Gross amounts offset	(2)	(1)	(1)	(1)	—	—	—	—
Net amounts presented in Other Noncurrent Liabilities: Other	$ 173	$ 13	$ 16	$ 8	$ 2	$ 4	$ —	$ 131

Derivative Assets				December 31, 2016				
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Current								
Gross amounts recognized	$ 111	$ 23	$ 64	$ 36	$ 28	$ 4	$ 16	$ 3
Gross amounts offset	(11)	—	(11)	—	(11)	—	—	—
Net amounts presented in Current Assets: Other	$ 100	$ 23	$ 53	$ 36	$ 17	$ 4	$ 16	$ 3
Noncurrent								
Gross amounts recognized	$ 51	$ 10	$ 21	$ 10	$ 11	$ 1	$ —	$ —
Gross amounts offset	(2)	(1)	(1)	(1)	—	—	—	—
Net amounts presented in Other Noncurrent Assets: Other	$ 49	$ 9	$ 20	$ 9	$ 11	$ 1	$ —	$ —

Derivative Liabilities	December 31, 2016							
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Current								
Gross amounts recognized	$ 52	$ —	$ 12	$ —	$ 12	$ 1	$ 2	$ 35
Gross amounts offset	(11)	—	(11)	—	(11)	—	—	—
Net amounts presented in Current Liabilities: Other	$ 41	$ —	$ 1	$ —	$ 1	$ 1	$ 2	$ 35
Noncurrent								
Gross amounts recognized	$ 200	$ 16	$ 13	$ 7	$ —	$ 5	$ —	$ 152
Gross amounts offset	(2)	(1)	(1)	(1)	—	—	—	—
Net amounts presented in Other Noncurrent Liabilities: Other	$ 198	$ 15	$ 12	$ 6	$ —	$ 5	$ —	$ 152

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, Duke Energy Indiana and Piedmont were not material.

	March 31, 2017				
(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	$ 40	$ 14	$ 25	$ 9	$ 17
Fair value of collateral already posted	—	—	—	—	—
Additional cash collateral or letters of credit in the event credit-risk-related contingent features were triggered	40	14	25	9	17

	December 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	$ 34	$ 16	$ 18	$ 6	$ 12
Fair value of collateral already posted	—	—	—	—	—
Additional cash collateral or letters of credit in the event credit-risk-related contingent features were triggered	34	16	18	6	12

The Duke Energy Registrants have elected to offset cash collateral and fair values of derivatives. For amounts to be netted, the derivative and cash collateral must be executed with the same counterparty under the same master netting arrangement.

10. 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

Piedmont's investments in debt and equity securities held in rabbi trusts associated with certain deferred compensation plans are classified as trading securities. The fair value of these investments was $5 million as of March 31, 2017 and December 31, 2016.

AVAILABLE-FOR-SALE SECURITIES

All other investments in debt and equity securities are classified 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 OTTIs 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.

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 OTTI exists, the unrealized credit loss is included in earnings. There were no material credit losses as of March 31, 2017 and December 31, 2016.

DUKE ENERGY

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

	March 31, 2017			December 31, 2016		
(in millions)	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses(a)	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses(a)	Estimated Fair Value
NDTF						
Cash and cash equivalents	$ —	$ —	$ 114	$ —	$ —	$ 111
Equity securities	2,250	32	4,284	2,092	54	4,106
Corporate debt securities	10	5	576	10	8	528
Municipal bonds	3	6	336	3	10	331
U.S. government bonds	10	8	949	10	8	984
Other debt securities	—	3	132	—	3	124
Total NDTF	$ 2,273	$ 54	$ 6,391	$ 2,115	$ 83	$ 6,184
Other Investments						
Cash and cash equivalents	$ —	$ —	$ 18	$ —	$ —	$ 25
Equity securities	44	—	106	38	—	104
Corporate debt securities	1	—	60	1	1	66
Municipal bonds	2	1	84	2	1	82
U.S. government bonds	—	—	43	—	1	51
Other debt securities	—	2	42	—	2	42
Total Other Investments[b]	$ 47	$ 3	$ 353	$ 41	$ 5	$ 370
Total Investments	$ 2,320	$ 57	$ 6,744	$ 2,156	$ 88	$ 6,554

(a) Substantially all amounts are considered OTTIs on investments within Investment Trusts that have been recognized immediately as a regulatory asset.
(b) These amounts are recorded in Other within Other Noncurrent Assets on the Condensed Consolidated Balance Sheets.

The table below summarizes the maturity date for debt securities.

(in millions)	March 31, 2017
Due in one year or less	$ 82
Due after one through five years	640
Due after five through 10 years	514
Due after 10 years	986
Total	$ 2,222

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)	2017	2016
Realized gains	$ 93	$ 54
Realized losses	62	50

DUKE ENERGY CAROLINAS

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

	March 31, 2017			December 31, 2016		
(in millions)	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses(a)	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses(a)	Estimated Fair Value
NDTF						
Cash and cash equivalents	$ —	$ —	$ 20	$ —	$ —	$ 18
Equity securities	1,229	15	2,366	1,157	28	2,245
Corporate debt securities	5	4	388	5	6	354
Municipal bonds	1	1	67	1	2	67
U.S. government bonds	3	5	431	2	5	458
Other debt securities	—	3	120	—	3	116
Total NDTF	$ 1,238	$ 28	$ 3,392	$ 1,165	$ 44	$ 3,258
Other Investments						
Other debt securities	$ —	$ 1	$ 3	$ —	$ 1	$ 3
Total Other Investments(b)	$ —	$ 1	$ 3	$ —	$ 1	$ 3
Total Investments	$ 1,238	$ 29	$ 3,395	$ 1,165	$ 45	$ 3,261

(a) Substantially all amounts are considered OTTIs on investments within Investment Trusts that have been recognized immediately as a regulatory asset.
(b) These amounts are recorded in Other within Other Noncurrent Assets on the Condensed Consolidated Balance Sheets.

The table below summarizes the maturity date for debt securities.

(in millions)	March 31, 2017
Due in one year or less	$ 2
Due after one through five years	221
Due after five through 10 years	269
Due after 10 years	517
Total	$ 1,009

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)	2017	2016
Realized gains	$ 66	$ 34
Realized losses	40	37

PROGRESS ENERGY

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

	March 31, 2017			December 31, 2016		
(in millions)	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses(a)	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses(a)	Estimated Fair Value
NDTF						
Cash and cash equivalents	$ —	$ —	$ 94	$ —	$ —	$ 93
Equity securities	1,021	17	1,918	935	26	1,861
Corporate debt securities	5	1	188	5	2	174
Municipal bonds	2	5	269	2	8	264
U.S. government bonds	7	3	518	8	3	526
Other debt securities	—	—	12	—	—	8
Total NDTF	$ 1,035	$ 26	$ 2,999	$ 950	$ 39	$ 2,926
Other Investments						
Cash and cash equivalents	$ —	$ —	$ 12	$ —	$ —	$ 21
Municipal bonds	2	—	46	2	—	44
Total Other Investments[(b)]	$ 2	$ —	$ 58	$ 2	$ —	$ 65
Total Investments	$ 1,037	$ 26	$ 3,057	$ 952	$ 39	$ 2,991

(a) Substantially all amounts are considered OTTIs on investments within Investment Trusts that have been recognized immediately as a regulatory asset.
(b) These amounts are recorded in Other within Other Noncurrent Assets on the Condensed Consolidated Balance Sheets.

The table below summarizes the maturity date for debt securities.

(in millions)	March 31, 2017
Due in one year or less	$ 72
Due after one through five years	355
Due after five through 10 years	189
Due after 10 years	417
Total	$ 1,033

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)	2017	2016
Realized gains	$ 27	$ 19
Realized losses	21	13

DUKE ENERGY PROGRESS

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

	March 31, 2017			December 31, 2016		
(in millions)	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses(a)	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses(a)	Estimated Fair Value
NDTF						
Cash and cash equivalents	$ —	$ —	$ 43	$ —	$ —	$ 45
Equity securities	772	13	1,541	704	21	1,505
Corporate debt securities	4	1	131	4	1	120
Municipal bonds	2	5	268	2	8	263
U.S. government bonds	5	2	284	5	2	275
Other debt securities	—	—	7	—	—	5
Total NDTF	$ 783	$ 21	$ 2,274	$ 715	$ 32	$ 2,213
Other Investments						
Cash and cash equivalents	$ —	$ —	$ 1	$ —	$ —	$ 1
Total Other Investments(b)	$ —	$ —	$ 1	$ —	$ —	$ 1
Total Investments	$ 783	$ 21	$ 2,275	$ 715	$ 32	$ 2,214

(a) Substantially all amounts are considered OTTIs on investments within Investment Trusts that have been recognized immediately as a regulatory asset.
(b) These amounts are recorded in Other within Other Noncurrent Assets on the Condensed Consolidated Balance Sheets.

The table below summarizes the maturity date for debt securities.

(in millions)	March 31, 2017
Due in one year or less	$ 17
Due after one through five years	215
Due after five through 10 years	142
Due after 10 years	316
Total	$ 690

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)	2017	2016
Realized gains	$ 24	$ 15
Realized losses	19	11

DUKE ENERGY FLORIDA

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

	March 31, 2017			December 31, 2016		
(in millions)	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses(a)	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses(a)	Estimated Fair Value
NDTF						
Cash and cash equivalents	$ —	$ —	$ 51	$ —	$ —	$ 48
Equity securities	249	4	377	231	5	356
Corporate debt securities	1	—	57	1	1	54
Municipal bonds	—	—	1	—	—	1
U.S. government bonds	2	1	234	3	1	251
Other debt securities	—	—	5	—	—	3
Total NDTF[(b)]	$ 252	$ 5	$ 725	$ 235	$ 7	$ 713
Other Investments						
Cash and cash equivalents	$ —	$ —	$ 1	$ —	$ —	$ 4
Municipal bonds	2	—	46	2	—	44
Total Other Investments[(c)]	$ 2	$ —	$ 47	$ 2	$ —	$ 48
Total Investments	$ 254	$ 5	$ 772	$ 237	$ 7	$ 761

(a) Substantially all amounts are considered OTTIs on investments within Investment Trusts that have been recognized immediately as a regulatory asset.
(b) During the three months ended March 31, 2017, Duke Energy Florida continued to receive reimbursements from the NDTF for costs related to ongoing commissioning activity of the Crystal River Unit 3 nuclear plant.
(c) These amounts are recorded in Other within Other Noncurrent Assets on the Condensed Consolidated Balance Sheets.

The table below summarizes the maturity date for debt securities.

(in millions)	March 31, 2017
Due in one year or less	$ 55
Due after one through five years	140
Due after five through 10 years	47
Due after 10 years	101
Total	$ 343

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)	2017	2016
Realized gains	$ 3	$ 4
Realized losses	2	2

DUKE ENERGY INDIANA

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

	March 31, 2017			December 31, 2016		
(in millions)	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses(a)	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses(a)	Estimated Fair Value
Other Investments						
Equity securities	$ 38	$ —	$ 84	$ 33	$ —	$ 79
Corporate debt securities	—	—	2	—	—	2
Municipal bonds	—	1	28	—	1	28
U.S. government bonds	—	—	1	—	—	1
Total Other Investments(b)	$ 38	$ 1	$ 115	$ 33	$ 1	$ 110
Total Investments	$ 38	$ 1	$ 115	$ 33	$ 1	$ 110

(a) Substantially all amounts are considered OTTIs on investments within Investment Trusts that have been recognized immediately as a regulatory asset.
(b) These amounts are recorded in Other within Other Noncurrent Assets on the Condensed Consolidated Balance Sheets.

The table below summarizes the maturity date for debt securities.

(in millions)	March 31, 2017
Due in one year or less	$ 2
Due after one through five years	15
Due after five through 10 years	9
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 months ended March 31, 2017 and 2016.

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 that 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 months ended March 31, 2017 and 2016.

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 New York Stock Exchange (NYSE) and Nasdaq Stock Market. 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, including Piedmont's gas supply contracts, are primarily valued using internally developed discounted cash flow models that 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 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 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 that 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.

Other fair value considerations

See Note 2 related to the acquisition of Piedmont in 2016. See Note 11 in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2016 for a discussion of the valuation of goodwill and intangible 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 9. See Note 10 for additional information related to investments by major security type.

	March 31, 2017				
(in millions)	Total Fair Value	Level 1	Level 2	Level 3	Not categorized
Nuclear decommissioning trust fund equity securities	$ 4,284	$ 4,207	$ —	$ —	$ 77
Nuclear decommissioning trust fund debt securities	2,107	602	1,505	—	—
Other trading and available-for-sale equity securities	110	110	—	—	—
Other trading and available-for-sale debt securities	248	61	182	5	—
Derivative assets	83	2	71	10	—
Total assets	6,832	4,982	1,758	15	77
Derivative liabilities	(216)	—	(71)	(145)	—
Net assets (liabilities)	$ 6,616	$ 4,982	$ 1,687	$ (130)	$ 77

	December 31, 2016				
(in millions)	Total Fair Value	Level 1	Level 2	Level 3	Not categorized
Nuclear decommissioning trust fund equity securities	$ 4,106	$ 4,029	$ —	$ —	$ 77
Nuclear decommissioning trust fund debt securities	2,078	632	1,446	—	—
Other trading and available-for-sale equity securities	104	104	—	—	—
Other trading and available-for-sale debt securities	266	75	186	5	—
Derivative assets	162	5	136	21	—
Total assets	6,716	4,845	1,768	26	77
Derivative liabilities	(252)	(2)	(63)	(187)	—
Net assets (liabilities)	$ 6,464	$ 4,843	$ 1,705	$ (161)	$ 77

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, 2017		
(in millions)	Investments	Derivatives (net)	Total
Balance at beginning of period	$ 5	$ (166)	$ (161)
Purchases, sales, issuances and settlements:			
Settlements	—	(9)	(9)
Total amount included on the Condensed Consolidated Balance Sheet as regulatory assets or liabilities	—	40	40
Balance at end of period	$ 5	$ (135)	$ (130)

	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

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, 2017				
(in millions)	Total Fair Value	Level 1	Level 2	Level 3	Not categorized
Nuclear decommissioning trust fund equity securities	$ 2,366	$ 2,289	$ —	$ —	$ 77
Nuclear decommissioning trust fund debt securities	1,026	146	880	—	—
Other available-for-sale debt securities	3	—	—	3	—
Derivative assets	17	—	17	—	—
Total assets	3,412	2,435	897	3	77
Derivative liabilities	(14)	—	(14)	—	—
Net assets	$ 3,398	$ 2,435	$ 883	$ 3	$ 77

	December 31, 2016				
(in millions)	Total Fair Value	Level 1	Level 2	Level 3	Not categorized
Nuclear decommissioning trust fund equity securities	$ 2,245	$ 2,168	$ —	$ —	$ 77
Nuclear decommissioning trust fund debt securities	1,013	178	835	—	—
Other available-for-sale debt securities	3	—	—	3	—
Derivative assets	33	—	33	—	—
Total assets	3,294	2,346	868	3	77
Derivative liabilities	(16)	—	(16)	—	—
Net assets	$ 3,278	$ 2,346	$ 852	$ 3	$ 77

There was no change to the Level 3 balance during the three months ended March 31, 2017 and March 31, 2016.

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, 2017		
(in millions)	Total Fair Value	Level 1	Level 2
Nuclear decommissioning trust fund equity securities	$ 1,918	$ 1,918	$ —
Nuclear decommissioning trust fund debt securities	1,081	456	625
Other available-for-sale debt securities	58	12	46
Derivative assets	34	—	34
Total assets	3,091	2,386	705
Derivative liabilities	(34)	—	(34)
Net assets	$ 3,057	$ 2,386	$ 671

	December 31, 2016		
(in millions)	Total Fair Value	Level 1	Level 2
Nuclear decommissioning trust fund equity securities	$ 1,861	$ 1,861	$ —
Nuclear decommissioning trust fund debt securities	1,065	454	611
Other available-for-sale debt securities	65	21	44
Derivative assets	85	—	85
Total assets	3,076	2,336	740
Derivative liabilities	(25)	—	(25)
Net assets	$ 3,051	$ 2,336	$ 715

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, 2017		
(in millions)	Total Fair Value	Level 1	Level 2
Nuclear decommissioning trust fund equity securities	$ 1,541	$ 1,541	$ —
Nuclear decommissioning trust fund debt securities and other	733	221	512
Other available-for-sale debt securities and other	1	1	—
Derivative assets	20	—	20
Total assets	2,295	1,763	532
Derivative liabilities	(10)	—	(10)
Net assets	$ 2,285	$ 1,763	$ 522

	December 31, 2016		
(in millions)	Total Fair Value	Level 1	Level 2
Nuclear decommissioning trust fund equity securities	$ 1,505	$ 1,505	$ —
Nuclear decommissioning trust fund debt securities and other	708	207	501
Other available-for-sale debt securities and other	1	1	—
Derivative assets	46	—	46
Total assets	2,260	1,713	547
Derivative liabilities	(7)	—	(7)
Net assets	$ 2,253	$ 1,713	$ 540

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, 2017		
(in millions)	Total Fair Value	Level 1	Level 2
Nuclear decommissioning trust fund equity securities	$ 377	$ 377	$ —
Nuclear decommissioning trust fund debt securities and other	348	235	113
Other available-for-sale debt securities and other	47	1	46
Derivative assets	14	—	14
Total assets	786	613	173
Derivative liabilities	(19)	—	(19)
Net assets	$ 767	$ 613	$ 154

	December 31, 2016		
(in millions)	Total Fair Value	Level 1	Level 2
Nuclear decommissioning trust fund equity securities	$ 356	$ 356	$ —
Nuclear decommissioning trust fund debt securities and other	357	247	110
Other available-for-sale debt securities and other	48	4	44
Derivative assets	39	—	39
Total assets	800	607	193
Derivative liabilities	(12)	—	(12)
Net assets	$ 788	$ 607	$ 181

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, 2017			
(in millions)	Total Fair Value	Level 1	Level 2	Level 3
Derivative assets	$ 1	$ —	$ —	$ 1
Derivative liabilities	(5)	—	(5)	—
Net (liabilities) assets	$ (4)	$ —	$ (5)	$ 1

	December 31, 2016			
(in millions)	Total Fair Value	Level 1	Level 2	Level 3
Derivative assets	$ 5	$ —	$ —	$ 5
Derivative liabilities	(6)	—	(6)	—
Net (liabilities) assets	$ (1)	$ —	$ (6)	$ 5

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)	2017	2016
Balance at beginning of period	$ 5	$ 3
Purchases, sales, issuances and settlements:		
Settlements	(1)	(2)
Total losses included on the Condensed Consolidated Balance Sheet as regulatory assets or liabilities	(3)	(1)
Balance at end of period	$ 1	$ —

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, 2017			
(in millions)	Total Fair Value	Level 1	Level 2	Level 3
Other available-for-sale equity securities	$ 84	$ 84	$ —	$ —
Other available-for-sale debt securities and other	31	—	31	—
Derivative assets	9	—	—	9
Net assets	$ 124	$ 84	$ 31	$ 9

	December 31, 2016			
(in millions)	Total Fair Value	Level 1	Level 2	Level 3
Other available-for-sale equity securities	$ 79	$ 79	$ —	$ —
Other available-for-sale debt securities and other	31	—	31	—
Derivative assets	16	—	—	16
Total assets	126	79	31	16
Derivative liabilities	(2)	(2)	—	—
Net assets	$ 124	$ 77	$ 31	$ 16

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)	2017	2016
Balance at beginning of period	$ 16	$ 7
Purchases, sales, issuances and settlements:		
Settlements	(7)	(5)
Balance at end of period	$ 9	$ 2

PIEDMONT

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Condensed Consolidated Balance Sheets. See Note 10 for additional information related to investments.

	March 31, 2017		
(in millions)	Total Fair Value	Level 1	Level 3
Other trading equity securities	4	4	—
Other trading debt securities	1	1	—
Derivative assets	2	2	—
Total assets	7	7	—
Derivative liabilities	(145)	—	(145)
Net (liabilities) assets	$ (138)	$ 7	$ (145)

	December 31, 2016		
(in millions)	Total Fair Value	Level 1	Level 3
Other trading equity securities	$ 4	$ 4	$ —
Other trading debt securities	1	1	—
Derivative assets	3	3	—
Total assets	8	8	—
Derivative liabilities	(187)	—	(187)
Net (liabilities) assets	$ (179)	$ 8	$ (187)

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)	2017	2016
Balance at beginning of period	$ (187)	$ (149)
Total gains and settlements	42	23
Balance at end of period	$ (145)	$ (126)

QUANTITATIVE INFORMATION ABOUT UNOBSERVABLE INPUTS

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

	March 31, 2017			
Investment Type	Fair Value (in millions)	Valuation Technique	Unobservable Input	Range
Duke Energy Ohio				
Financial Transmission Rights (FTRs)	$ 1	RTO auction pricing	FTR price – per megawatt-hour (MWh)	$ 0.23 - $ 2.02
Duke Energy Indiana				
FTRs	9	RTO auction pricing	FTR price – per MWh	(1.08) - 5.33
Piedmont				
Natural gas contracts	(145)	Discounted cash flow	Forward natural gas curves – price per million British thermal unit (MMBtu)	2.08 - 3.57
Duke Energy				
Total Level 3 derivatives	$ (135)			

	December 31, 2016				
Investment Type	Fair Value (in millions)	Valuation Technique	Unobservable Input	Range	
Duke Energy Ohio					
FTRs	$ 5	RTO auction pricing	FTR price – per MWh	$ 0.77	- $ 3.52
Duke Energy Indiana					
FTRs	16	RTO auction pricing	FTR price – per MWh	(0.83)	- 9.32
Piedmont					
Natural gas contracts	(187)	Discounted cash flow	Forward natural gas curves – price per MMBtu	2.31	- 4.18
Duke Energy					
Total Level 3 derivatives	$ (166)				

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, 2017		December 31, 2016	
(in millions)	Book Value	Fair Value	Book Value	Fair Value
Duke Energy	**$ 48,998**	**$ 50,480**	$ 47,895	$ 49,161
Duke Energy Carolinas	**9,491**	**10,405**	9,603	10,494
Progress Energy	**18,148**	**19,742**	17,541	19,107
Duke Energy Progress	**6,761**	**7,103**	7,011	7,357
Duke Energy Florida	**6,981**	**7,596**	6,125	6,728
Duke Energy Ohio	**1,977**	**2,122**	1,884	2,020
Duke Energy Indiana	**3,784**	**4,292**	3,786	4,260
Piedmont	**1,821**	**1,954**	1,821	1,933

At both March 31, 2017 and December 31, 2016, fair value of cash and cash equivalents, accounts and notes receivable, accounts payable, notes payable and commercial paper, and nonrecourse 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 three months ended March 31, 2017 and the year ended December 31, 2016, 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, natural gas 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.

	Duke Energy			
		Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida
(in millions)	**CRC**	**DERF**	**DEPR**	**DEFR**
Expiration date	December 2018	December 2018	February 2019	April 2019
Credit facility amount	$ 325	$ 425	$ 300	$ 225
Amounts borrowed at March 31, 2017	325	425	300	225
Amounts borrowed at December 31, 2016	325	425	300	225

Nuclear Asset-Recovery Bonds – DEFPF

Duke Energy Florida Project Finance, LLC (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 Note 4.

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)	**March 31, 2017**	**December 31, 2016**
Receivables of VIEs	**$ 4**	$ 6
Current Assets: Regulatory assets	**53**	50
Current Assets: Other	**14**	53
Other Noncurrent Assets: Regulatory assets	**1,131**	1,142
Current Liabilities: Other	**3**	17
Current maturities of long-term debt	**55**	62
Long-Term Debt	**1,189**	1,217

Commercial Renewables

Certain 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. 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 PPAs, 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 Consolidated Balance Sheets related to renewables VIEs.

(in millions)	March 31, 2017	December 31, 2016
Current Assets: Other	$ 336	$ 223
Property, plant and equipment, cost	3,671	3,419
Accumulated depreciation and amortization	(448)	(453)
Current maturities of long-term debt	227	198
Long-Term Debt	1,645	1,097
Deferred income taxes	321	275
Other Noncurrent Liabilities: Other	251	252

NON-CONSOLIDATED VIEs

The following tables summarize the impact of non-consolidated VIEs on the Condensed Consolidated Balance Sheets.

	March 31, 2017						
	Duke Energy				Duke	Duke	
(in millions)	Pipeline Investments	Commercial Renewables	Other VIEs	Total	Energy Ohio	Energy Indiana	Piedmont
Receivables from affiliated companies	$ —	$ —	$ —	$ —	$ 53	$ 69	$ —
Investments in equity method unconsolidated affiliates	673	173	92	938	—	—	152
Other noncurrent assets	12	—	—	12	—	—	—
Total assets	$ 685	$ 173	$ 92	$ 950	$ 53	$ 69	$ 152
Taxes accrued[(a)]	23	—	—	23	—	—	(1)
Other current liabilities	—	—	2	2	—	—	—
Deferred income taxes[(a)]	(7)	—	—	(7)	—	—	4
Other noncurrent liabilities	—	—	13	13	—	—	—
Total liabilities	$ 16	$ —	$ 15	$ 31	$ —	$ —	$ 3
Net assets	$ 669	$ 173	$ 77	$ 919	$ 53	$ 69	$ 149

(a) Taxes accrued and Deferred income taxes are netted by jurisdiction on a consolidated basis on the Condensed Consolidated Balance Sheets.

	December 31, 2016						
	Duke Energy				Duke	Duke	
(in millions)	Pipeline Investments	Commercial Renewables	Other VIEs	Total	Energy Ohio	Energy Indiana	Piedmont
Receivables from affiliated companies	$ —	$ —	$ —	$ —	$ 82	$ 101	$ —
Investments in equity method unconsolidated affiliates	487	174	90	751	—	—	139
Other noncurrent assets	12	—	—	12	—	—	—
Total assets	$ 499	$ 174	$ 90	$ 763	$ 82	$ 101	$ 139
Other current liabilities	—	—	3	3	—	—	—
Other noncurrent liabilities	—	—	13	13	—	—	4
Total liabilities	$ —	$ —	$ 16	$ 16	$ —	$ —	4
Net assets	$ 499	$ 174	$ 74	$ 747	$ 82	$ 101	$ 135

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, some of which are reflected in the table above as Other noncurrent liabilities. For more information on various guarantees, refer to Note 5.

Pipeline Investments

Duke Energy has investments in various joint ventures with pipeline projects currently under construction. These entities are considered VIEs due to having insufficient equity to finance their own activities without subordinated financial support. Duke Energy does not have the power to direct the activities that most significantly impact the economic performance, the obligation to absorb losses or the right to receive benefits of these VIEs and therefore does not consolidate these entities.

The table below presents the ownership interest and investment balances in these joint ventures.

	Duke Energy			Piedmont		
		Investment Amount (in millions)			Investment Amount (in millions)	
Entity Name	Ownership Interest	March 31, 2017	December 31, 2016	Ownership Interest[a]	March 31, 2017	December 31, 2016
ACP	47%	$ 403	$ 265	7%	$ 59	$ 46
Sabal Trail	7.5%	188	140			
Constitution[b]	24%	82	82	24%	93	93
Total		$ 673	$ 487		$ 152	$ 139

(a) On April 1, 2017, Piedmont transferred its ownership interests in ACP and Constitution to a wholly owned subsidiary of Duke Energy at Piedmont's book value.

(b) Duke Energy's investment amount includes purchase accounting adjustments not recorded at the Piedmont registrant.

Commercial Renewables

Duke Energy has investments in various renewable energy project entities. Some of these entities are VIEs due to Duke Energy issuing guarantees for debt service and operations and maintenance reserves in support of debt financings. 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 VIEs

Duke Energy holds a 50 percent equity interest in Duke-American Transmission Company, LLC (DATC). DATC is considered a VIE due to having insufficient equity to finance their own activities without subordinated financial support. The activities that most significantly impact DATC's economic performance are 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, American Transmission Company, LLC, therefore Duke Energy does not consolidate DATC.

Duke Energy holds a 50 percent equity interest in Pioneer Transmission, LLC (Pioneer). Pioneer is considered a VIE due to having insufficient equity to finance their own activities without subordinated financial support. The activities that most significantly impact Pioneer's economic performance are decisions related to the 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, American Electric Power, therefore Duke Energy does not consolidate Pioneer.

OVEC

Duke Energy Ohio's 9 percent ownership interest in OVEC is considered a non-consolidated VIE due to having insufficient equity to finance their activities without subordinated financial support. As a counterparty to an inter-company power agreement (ICPA), Duke Energy Ohio has a contractual arrangement to receive entitlements to capacity and energy from OVEC's power plants through June 2040 commensurate with its power participation ratio, which is equivalent to Duke Energy Ohio's ownership interest. Costs, including fuel, operating expenses, fixed costs, debt amortization, and interest expense are allocated to counterparties to the ICPA based on their power participation ratio. The value of the ICPA is subject to variability due to fluctuation in power prices and changes in OVEC's cost of business, including costs associated with its 2,256 MW of coal-fired generation capacity. Deterioration in the credit quality, or bankruptcy of one or more parties to the ICPA could increase the costs of OVEC. In addition, certain proposed environmental rulemaking could result in future increased cost allocations.

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 OTTI has occurred.

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

	Duke Energy Ohio		Duke Energy Indiana	
	2017	**2016**	**2017**	**2016**
Anticipated credit loss ratio	**0.5%**	0.5%	**0.3%**	0.3%
Discount rate	**1.8%**	1.5%	**1.8%**	1.5%
Receivable turnover rate	**13.4%**	13.3%	**10.7%**	10.6%

The following table shows the gross and net receivables sold.

	Duke Energy Ohio		Duke Energy Indiana	
(in millions)	**March 31, 2017**	**December 31, 2016**	**March 31, 2017**	**December 31, 2016**
Receivables sold	**$ 238**	$ 267	**$ 277**	$ 306
Less: Retained interests	**53**	82	**69**	101
Net receivables sold	**$ 185**	$ 185	**$ 208**	**$ 205**

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)	**2017**	**2016**	**2017**	**2016**
Sales				
Receivables sold	**$ 533**	$ 532	**$ 664**	$ 635
Loss recognized on sale	**2**	3	**3**	3
Cash flows				
Cash proceeds from receivables sold	**$ 559**	$ 537	**$ 693**	$ 643
Return received on retained interests	**1**	1	**2**	1

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 shares 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 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 and equity forward sale agreements, 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 shares outstanding to the diluted weighted average number of common shares outstanding.

	Three Months Ended March 31,	
(in millions, except per share amounts)	**2017**	**2016**
Income from continuing operations attributable to Duke Energy common stockholders excluding impact of participating securities	$ 715	$ 574
Weighted average shares outstanding – basic	700	689
Weighted average shares outstanding – diluted	700	689
Earnings per share from continuing operations attributable to Duke Energy common stockholders		
Basic	$ 1.02	$ 0.83
Diluted	$ 1.02	$ 0.83
Potentially dilutive items excluded from the calculation[a]	2	2
Dividends declared per common share	$ 0.855	$ 0.825

(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 forward sale agreements with Barclays (the Equity Forwards). The Equity Forwards required Duke Energy to either physically settle the transactions by issuing 10.6 million shares, or net settle in whole or in part through the delivery or receipt of cash or shares. As of March 31, 2016, share dilution resulting from the agreements was determined under the treasury stock method.

Duke Energy physically settled the Equity Forwards in full in October 2016 following the close of the Piedmont acquisition. See Note 2 for additional information related to the Piedmont acquisition.

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)	**2017**	**2016**
Restricted stock unit awards	$ 8	$ 7
Performance awards	7	5
Pretax stock-based compensation cost	$ 15	$ 12
Tax benefit associated with stock-based compensation expense	$ 5	$ 4
Stock-based compensation costs capitalized	1	1

Prior to Duke Energy acquiring Piedmont, Piedmont had an incentive compensation plan for eligible officers and other participants. Piedmont's total stock-based compensation costs were approximately $2 million for the three months ended March 31, 2016.

15. EMPLOYEE BENEFIT PLANS

DEFINED BENEFIT RETIREMENT PLANS

Duke Energy maintains, and the Subsidiary Registrants participate in, qualified and non-qualified, non-contributory defined benefit retirement plans. 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. Duke Energy did not make any contributions to its U.S. qualified defined benefit pension plans during the three months ended March 31, 2017 and 2016.

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, 2017							
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Service cost	$ 40	$ 12	$ 12	$ 6	$ 5	$ 1	$ 2	$ 3
Interest cost on projected benefit obligation	82	20	25	12	13	5	7	3
Expected return on plan assets	(136)	(35)	(43)	(21)	(21)	(7)	(11)	(6)
Amortization of actuarial loss	36	8	14	6	7	1	3	3
Amortization of prior service credit	(6)	(2)	(1)	—	—	—	—	(1)
Other	2	—	1	—	—	—	—	—
Net periodic pension costs	$ 18	$ 3	$ 8	$ 3	$ 4	$ —	$ 1	$ 2

	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	Piedmont
Service cost	$ 36	$ 12	$ 11	$ 6	$ 5	$ 1	$ 2	$ 3
Interest cost on projected benefit obligation	83	21	26	12	14	5	7	2
Expected return on plan assets	(129)	(35)	(42)	(21)	(21)	(7)	(10)	(6)
Amortization of actuarial loss	33	8	14	6	7	1	3	2
Amortization of prior service credit	(4)	(2)	(1)	—	—	—	—	—
Other	3	1	1	—	—	—	—	—
Net periodic pension costs	$ 22	$ 5	$ 9	$ 3	$ 5	$ —	$ 2	$ 1

NON-QUALIFIED PENSION PLANS

Net periodic costs for non-qualified pension plans were not material for the three months ended March 31, 2017 and 2016.

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.

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

	Three Months Ended March 31, 2017							
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Service cost	$ 1	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Interest cost on accumulated post-retirement benefit obligation	9	2	4	2	2	—	—	—
Expected return on plan assets	(3)	(2)	—	—	—	—	—	—
Amortization of actuarial loss (gain)	2	(1)	5	3	2	—	—	—
Amortization of prior service credit	(29)	(2)	(21)	(14)	(8)	—	—	—
Net periodic other post-retirement benefit	$ (20)	$ (3)	$ (12)	$ (9)	$ (4)	$ —	$ —	$ —

	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	Piedmont
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	$ (28)	$ (4)	$ (17)	$ (12)	$ (5)	$ —	$ —	$ —

DEFINED CONTRIBUTION RETIREMENT PLANS

EMPLOYEE SAVINGS PLAN

Duke Energy sponsors, and the Subsidiary Registrants participate in, employee savings plans that cover substantially all U.S. employees.

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	Piedmont
Three Months Ended March 31,								
2017	**$ 65**	**$ 22**	**$ 18**	**$ 13**	**$ 5**	**$ 1**	**$ 3**	**$ 2**
2016	52	18	15	11	4	1	2	2

MONEY PURCHASE PENSION PLAN

Duke Energy provides, and Piedmont participates in, the Money Purchase Pension (MPP) plan, which is a defined contribution pension plan that allows employees to direct investments and assume risk of investment returns. In January 2017, a $2 million contribution was made to the MPP plan.

16. INCOME TAXES

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,	
	2017	**2016**
Duke Energy	**32.4%**	30.4%
Duke Energy Carolinas	**35.4%**	34.1%
Progress Energy	**34.1%**	36.7%
Duke Energy Progress	**34.1%**	35.4%
Duke Energy Florida	**36.6%**	37.9%
Duke Energy Ohio	**35.4%**	26.9%
Duke Energy Indiana	**39.3%**	30.2%
Piedmont	**37.9%**	38.0%

The increase in the effective tax rate (ETR) for Duke Energy for the three months ended March 31, 2017, is primarily due to lower investment tax credits due to lower solar investments in the current year, the inclusion of Piedmont's earnings at a higher ETR, and a tax charge related to the implementation of a new accounting standard related to stock compensation; partially offset by higher production tax credits related to wind projects placed in service. See Note 1 for additional information on the new accounting standard.

The increase in the ETR for Duke Energy Carolinas for the three months ended March 31, 2017, is primarily due to a favorable state resolution booked in 2016 related to prior year tax returns.

The decrease in the ETR for Progress Energy for the three months ended March 31, 2017, is primarily due to higher AFUDC equity and the amortization of excess North Carolina deferred tax.

The decrease in the ETR for Duke Energy Progress for the three months ended March 31, 2017, is primarily due to the amortization of excess North Carolina deferred tax.

The decrease in the ETR for Duke Energy Florida for the three months ended March 31, 2017, is primarily due to higher AFUDC equity.

The increase in the ETR for Duke Energy Ohio for the three months ended March 31, 2017, is primarily due to an immaterial out of period adjustment in the prior year related to deferred tax balances associated with property, plant and equipment.

The increase in the ETR for Duke Energy Indiana for the three months ended March 31, 2017, is primarily due to an immaterial out of period adjustment in the prior year related to deferred tax balances associated with property, plant and equipment.

TAXES ON FOREIGN EARNINGS

As of December 31, 2015, Duke Energy's intention was to indefinitely reinvest any future undistributed foreign earnings earned after December 31, 2014. In February 2016, Duke Energy announced it had initiated a process to divest the International Disposal Group and, accordingly, no longer intended to indefinitely reinvest post-2014 undistributed foreign earnings. This change in the company's intent, combined with the extension of bonus depreciation by Congress in late 2015, allowed Duke Energy to more efficiently utilize foreign tax credits and reduce U.S. deferred tax liabilities associated with historical unremitted foreign earnings by approximately $95 million for the three months ended March 31, 2016. Due to the classification of the International Disposal Group as discontinued operations, income tax amounts related to the International Disposal Group's foreign earnings are presented within Income from Discontinued Operations, net of tax on the Condensed Consolidated Statements of Operations. See Note 2 for additional information related to the sale of the International Disposal Group.

17. SUBSEQUENT EVENTS

For information on additional subsequent events related to regulatory matters, commitments and contingencies, debt and credit facilities, and variable interest entities see Notes 4, 5, 6 and 12, 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), Duke Energy Indiana, LLC (Duke Energy Indiana) and Piedmont Natural Gas Company, Inc. (Piedmont) (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, Duke Energy Indiana and Piedmont. 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. Piedmont's results of operations are included in Duke Energy's results for the three months ended March 31, 2017, but not for the three months ended March 31, 2016, as Piedmont's earnings are only included in Duke Energy's consolidated results subsequent to the acquisition date. See below for additional information regarding the acquisition.

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, 2017, and with Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2016, Piedmont's Annual Report on Form 10-K for the year ended October 31, 2016, and the transition report filed by Piedmont on Form 10-Q (Form 10-QT) as of December 31, 2016, for the transition period from November 1, 2016 to December 31, 2016.

Executive Overview

Acquisition of Piedmont Natural Gas

On October 3, 2016, Duke Energy completed the acquisition of Piedmont for a total cash purchase price of $5.0 billion and assumed Piedmont's existing long-term debt, which had a fair value of approximately $2.0 billion at the time of the acquisition. The acquisition provides a foundation for Duke Energy to establish a broader, long-term strategic natural gas infrastructure platform to complement its existing natural gas pipeline investments and regulated natural gas business in the Midwest.

Duke Energy incurred pretax nonrecurring transaction and integration costs associated with the acquisition of $16 million and $101 million for the three months ended March 31, 2017 and 2016, respectively. The 2016 amount includes $100 million of Interest Expense, which was driven by unrealized losses on forward-starting interest rate swaps related to the acquisition financing. Duke Energy expects to incur system integration and other acquisition-related transition costs, primarily through 2018, that are necessary to achieve certain anticipated cost savings, efficiencies and other benefits. See Note 2 to the Condensed Consolidated Financial Statements, "Acquisitions and Dispositions," for additional information regarding the transaction.

Sale of International Energy

In December 2016, Duke Energy sold its Latin American generation businesses (International Disposal Group) in two separate transactions for a combined enterprise value of $2.4 billion. Duke Energy sold its Brazilian business to China Three Gorges for approximately $1.2 billion, including the assumption of debt, and its remaining Central and South American businesses to I Squared Capital in a deal also valued at approximately $1.2 billion, including the assumption of debt. The transactions generated cash proceeds of $1.9 billion, excluding transaction costs, which were primarily used to reduce Duke Energy holding company debt. Existing favorable tax attributes resulted in no immediate U.S. federal-level cash tax impacts.

Due to the transactions, results of the International Disposal Group are classified as discontinued operations. See Note 2 to the Condensed Consolidated Financial Statements, "Acquisitions and Dispositions" for additional information.

Results of Operations

Non-GAAP Measures

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. 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. 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 may not be comparable to similarly titled measures used by other companies because other companies may not calculate the measures in the same manner.

Duke Energy management evaluates financial performance in part based on non-GAAP financial measures, including adjusted earnings and adjusted diluted EPS. Adjusted earnings and adjusted diluted EPS represent income from continuing operations attributable to Duke Energy, adjusted for the dollar and per share impact of special items. As discussed below, special items represent certain charges and credits, which management believes are not indicative of Duke Energy's ongoing performance.

Management believes the presentation of adjusted earnings and adjusted diluted EPS provides useful information to investors, as it provides them with 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 financial results to the Duke Energy Board of Directors, employees, stockholders, analysts and investors. 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 (GAAP Reported Earnings) and Diluted EPS Attributable to Duke Energy Corporation common stockholders (GAAP Reported EPS), respectively.

Special items included in the periods presented include the following items, which management believes do not reflect ongoing costs:

- Costs to Achieve Mergers represent charges that result from strategic acquisitions.
- Cost Savings Initiatives represents severance charges related to company-wide initiatives, excluding merger integration, to standardize processes and systems, leverage technology and workforce optimization.

Adjusted earnings also include operating results of the International Disposal Group, which have been classified as discontinued operations. Management believes inclusion of the operating results of the Disposal Group within adjusted earnings and adjusted diluted EPS results in a better reflection of Duke Energy's financial performance during the period.

Reconciliation of GAAP Reported Amounts to Adjusted Amounts

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

	Three Months Ended March 31,			
	2017		2016	
(In millions, except per-share amounts)	**Earnings**	**EPS**	**Earnings**	**EPS**
GAAP Reported Earnings/GAAP Reported EPS	$ 716	$ 1.02	$ 694	$ 1.01
Adjustments to Reported:				
Costs to Achieve Mergers[(a)]	10	0.02	74	0.11
Cost Savings Initiatives[(b)]	—	—	12	0.02
Discontinued Operations[(c)]	—	—	(3)	(0.01)
Adjusted Earnings/Adjusted Diluted EPS	$ 726	$ 1.04	$ 777	$ 1.13

(a) Net of tax of $6 million in 2017 and $46 million in 2016.
(b) Net of tax of $8 million in 2016.
(c) The 2016 amount represents GAAP reported Income from Discontinued Operations, less the International Disposal Group operating results, which are included in adjusted earnings.

Three Months Ended March 31, 2017 as compared to March 31, 2016

GAAP Reported EPS was $1.02 for the first quarter of 2017 compared to $1.01 for the first quarter of 2016. The increase in GAAP Reported EPS was driven by the inclusion of Piedmont's earnings, lower costs to achieve mergers including losses in the prior year on forward-starting interest rate swaps related to the Piedmont acquisition financing, as well as lower operations and maintenance expense at Electric Utilities and Infrastructure; partially offset by warm winter weather in the current year and the absence of the International Disposal Group's earnings.

As discussed above, management also evaluates financial performance based on adjusted diluted EPS. Duke Energy's first quarter 2017 adjusted diluted EPS was $1.04 compared to $1.13 for the first quarter of 2016.

The decrease in adjusted earnings for the three months ended March 31, 2017, compared to the same period in 2016, was primarily due to:

- The prior year operating results of the International Disposal Group, which was sold in December 2016. The 2016 operating results included a benefit from the revaluation of deferred income taxes. See Note 16 to the Condensed Consolidated Financial Statements, "Income Taxes," for additional information; and
- Lower regulated electric revenues due to warm winter weather in the current year.

Partially offset by:

- Piedmont's earnings contribution, net of financing costs, due to the acquisition on October 3, 2016;
- Lower operations and maintenance expense at Electric Utilities and Infrastructure due to ongoing cost efficiency efforts and significant storm costs in the prior year; and
- Higher regulated electric revenues from increased pricing and riders driven by new rates in DEP South Carolina, base rate adjustments in Florida, and energy efficiency rider revenues in North Carolina, as well as growth in retail volumes.

SEGMENT RESULTS

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.

Due to the Piedmont acquisition and the sale of International Energy in the fourth quarter of 2016, Duke Energy's segment structure has been realigned to include the following segments: Electric Utilities and Infrastructure, Gas Utilities and Infrastructure and Commercial Renewables. The remainder of Duke Energy's operations is presented as Other. Prior period information has been recast to conform to the current segment structure. See Note 2 to the Condensed Consolidated Financial Statements, "Acquisitions and Dispositions," for further information on the Piedmont acquisition and International Energy sale and Note 3, "Business Segments," for additional information on Duke Energy's segments.

Electric Utilities and Infrastructure

	Three Months Ended March 31,		
(in millions)	2017	2016	Variance
Operating Revenues	$ 4,947	$ 5,089	$ (142)
Operating Expenses			
Fuel used in electric generation and purchased power	1,454	1,577	(123)
Operation, maintenance and other	1,271	1,298	(27)
Depreciation and amortization	737	709	28
Property and other taxes	261	262	(1)
Impairment charges	—	2	(2)
Total operating expenses	3,723	3,848	(125)
Gains on Sales of Other Assets and Other, net	3	1	2
Operating Income	1,227	1,242	(15)
Other Income and Expenses	79	63	16
Interest Expense	315	270	45
Income Before Income Taxes	991	1,035	(44)
Income Tax Expense	356	371	(15)
Segment Income	$ 635	$ 664	$ (29)
Duke Energy Carolinas Gigawatt-hours (GWh) sales	20,781	21,625	(844)
Duke Energy Progress GWh sales	15,637	17,149	(1,512)
Duke Energy Florida GWh sales	8,305	8,456	(151)
Duke Energy Ohio GWh sales	6,059	6,107	(48)
Duke Energy Indiana GWh sales	8,208	9,394	(1,186)
Total Electric Utilities and Infrastructure GWh sales	58,990	62,731	(3,741)
Net proportional Megawatt (MW) capacity in operation	48,964	50,111	(1,147)

Three Months Ended March 31, 2017 as Compared to March 31, 2016

Electric Utilities and Infrastructure's results were impacted by warm winter weather and increased depreciation and amortization expense, partially offset by increased rider revenues and lower operations and maintenance expense. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by:

- a $159 million decrease in retail sales, net of fuel revenues, due to warm winter weather in the current year; and
- a $108 million decrease in fuel revenues driven by lower sales volumes.

Partially offset by:

- a $108 million increase in rider revenues related to energy efficiency programs, Duke Energy Florida's nuclear asset securitization revenues, and Duke Energy Indiana's clean coal equipment, as well as increased retail pricing due to the Duke Energy Progress South Carolina rate case and Duke Energy Florida's base rate adjustment for the Osprey acquisition; and
- an $11 million increase in weather-normal sales volumes to retail customers in the current year.

Operating Expenses. The variance was driven primarily by:

- a $123 million decrease in fuel expense, including purchased power, primarily due to lower sales volumes and lower coal prices, partially offset by higher natural gas prices; and
- a $27 million decrease in operations and maintenance expense primarily due to lower storm restoration costs and decreased labor costs, partially offset by higher environmental costs.

Partially offset by:

- a $28 million increase in depreciation and amortization expense primarily due to additional plant in service.

Other Income and Expenses. The variance was driven primarily by higher allowance for funds used during construction (AFUDC) equity.

Interest Expense. The increase was primarily due to higher debt outstanding in the current year.

Income Tax Expense. The variance was primarily due to a decrease in pretax income. The effective tax rates for both the three months ended March 31, 2017 and 2016 were 35.9 percent.

Matters Impacting Future Electric Utilities and Infrastructure Results

An order from regulatory authorities disallowing recovery of costs related to closure of ash impoundments could have an adverse impact on Electric Utilities and Infrastructure's 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, 2016, "Asset Retirement Obligations," for additional information.

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 former North Carolina governor on July 14, 2016. Electric Utilities and Infrastructure's estimated asset retirement obligations (AROs) 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 and corrective action measures are developed and approved for each site, the closure work progresses and the closure method scope and remedial methods are determined, the complexity of work and the amount of coal combustion material could be different than originally estimated and, therefore, could materially impact Electric Utilities and Infrastructure's financial position. See Note 9 in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2016, "Asset Retirement Obligations," for additional information.

Duke Energy is a party to multiple lawsuits and could be subject to fines and other penalties related to operations at certain North Carolina facilities with ash basins. The outcome of these lawsuits and potential fines and penalties could have an adverse impact on Electric Utilities and Infrastructure'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 the fourth quarter of 2016, Hurricane Matthew caused historic flooding, extensive damage and widespread power outages within the Duke Energy Progress service territory. Duke Energy Progress filed a petition with the North Carolina Utilities Commission (NCUC) requesting an accounting order to defer incremental operation and maintenance and capital costs incurred in response to Hurricane Matthew and other significant 2016 storms. Current estimated incremental costs are approximately $116 million. The NCUC has not ruled on the petition. A final order from the NCUC that disallows the deferral and future recovery of all or a significant portion of the incremental storm restoration costs incurred could result in an adverse impact on Electric Utilities and Infrastructure'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 Carolinas and Duke Energy Progress intend to file rate cases in North Carolina in 2017 to recover costs of complying with CCR regulations and the Coal Ash Act, as well as costs of capital investments in generation, transmission and distribution systems and any increase in expenditures subsequent to previous rate cases. Duke Energy Progress has filed notice with the NCUC that it intends to file a general rate case on or about June 1, 2017. In March 2017, Duke Energy Ohio filed an electric distribution base rate case application and supporting testimony. Electric Utilities and Infrastructure's earnings could be adversely impacted if these rate cases are delayed or denied by the NCUC or PUCO.

Gas Utilities and Infrastructure

	Three Months Ended March 31,		
(in millions)	**2017**	**2016**	**Variance**
Operating Revenues	**$ 670**	$ 170	$ 500
Operating Expenses			
Cost of natural gas	**258**	49	209
Operation, maintenance and other	**105**	32	73
Depreciation and amortization	**57**	20	37
Property and other taxes	**30**	18	12
Total operating expenses	**450**	119	331
Operating Income	**220**	51	169
Other Income and Expenses	**18**	3	15
Interest Expense	**26**	7	19
Income Before Income Taxes	**212**	47	165
Income Tax Expense	**79**	15	64
Segment Income	**$ 133**	$ 32	$ 101
Piedmont LDC throughput (dekatherms) [(a)]	**133,276,787**	—	133,276,787
Duke Energy Midwest LDC throughput (MCF)	**30,830,999**	34,741,520	(3,910,521)

(a) Includes throughput subsequent to Duke Energy's acquisition of Piedmont on October 3, 2016.

Three Months Ended March 31, 2017 as Compared to March 31, 2016

Gas Utilities and Infrastructure's higher results were almost entirely due to the inclusion of Piedmont's earnings in the current year as a result of Duke Energy's acquisition of Piedmont on October 3, 2016. Piedmont's earnings included in Gas Utilities and Infrastructure's results were $99 million for the three months ended March 31, 2017. All variances are related to the inclusion of Piedmont's results of operations, except for the following:

Other Income and Expenses. The variance was driven primarily by higher earnings from Duke Energy's mid-stream gas pipeline investments that were owned prior to the Piedmont acquisition.

Matters Impacting Future Gas Utilities and Infrastructure Results

Gas Utilities and Infrastructure has a 24 percent ownership interest in Constitution Pipeline Company, LLC (Constitution), a natural gas pipeline project slated to transport natural gas supplies to major northeastern markets. On April 22, 2016, the New York State Department of Environmental Conservation denied Constitution's application for a necessary water quality certification for the New York portion of the Constitution pipeline. Constitution has stopped construction and discontinued capitalization of future development costs until the project's uncertainty is resolved. To the extent the legal and regulatory proceedings have unfavorable outcomes, or if Constitution concludes that the project is not viable or does not go forward, an impairment charge of up to the recorded investment in the project, net of any cash and working capital returned, may be recorded. With the project on hold, funding of project costs has ceased until resolution of legal actions. Duke Energy is contractually obligated to provide funding of required operating costs, including the ownership percentage of legal expenses to obtain the necessary permitting for the project and project costs incurred prior to the denial of the water permit. If the legal actions result in an outcome where the project is abandoned, Constitution is obligated under various contracts to pay breakage fees that Gas Utilities and Infrastructure would be obligated to fund up to the ownership percentage, or potentially up to $10 million.

In 2013, the PUCO issued an order (PUCO order) approving Duke Energy Ohio's recovery of costs incurred between 2008 and 2012 for environmental investigation and remediation of two former MGP sites. At March 31, 2017, Duke Energy Ohio had recorded in Regulatory assets on the Condensed Consolidated Balance Sheet approximately $100 million of estimated MGP remediation costs not yet recovered through the MGP rider mechanism. Intervenors have appealed to the Ohio Supreme Court the PUCO order authorizing recovery of these amounts. That appeal remains pending. Duke Energy Ohio cannot predict the outcome of the appeal before the Ohio Supreme Court or future action by the PUCO. If Duke Energy Ohio is not able to recover these remediation costs in rates, the costs could have an adverse impact on Gas Utilities and Infrastructure's financial position, results of operations and cash flows. See Note 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

Commercial Renewables

	Three Months Ended March 31,		
(in millions)	**2017**	**2016**	**Variance**
Operating Revenues	$ 128	$ 114	$ 14
Operating Expenses			
Operation, maintenance and other	77	73	4
Depreciation and amortization	39	30	9
Property and other taxes	9	6	3
Total operating expenses	125	109	16
Gains on Sales of Other Assets and Other, net	2	1	1
Operating Income	5	6	(1)
Other Income and Expenses	(1)	(2)	1
Interest Expense	19	11	8
Loss Before Income Taxes	(15)	(7)	(8)
Income Tax Benefit	(39)	(33)	(6)
Less: Loss Attributable to Noncontrolling Interests	(1)	—	(1)
Segment Income	$ 25	$ 26	$ (1)
Renewable plant production, GWh	2,285	2,060	225
Net proportional MW capacity in operation	2,907	1,963	944

Three Months Ended March 31, 2017 as Compared to March 31, 2016

Commercial Renewables' results were impacted by higher financing costs and new renewables projects placed in service.

Operating Revenues and Operating Expenses. The increases were primarily due to new wind and solar generation placed in service.

Interest Expense. The variance was driven primarily by new wind project financings and less capitalized interest.

Income Tax Benefit. The variance was primarily due to an increase in pretax losses and higher production tax credits (PTCs) related to wind projects placed in service, partially offset by lower investment tax credits (ITCs) due to lower solar investments in the current year.

Matters Impacting Future Commercial Renewables Results

Changes or variability in assumptions used in calculating the fair value of the Commercial Renewables reporting units for goodwill testing purposes including but not limited to, legislative actions related to tax credit extensions, long-term growth rates and discount rates, could significantly impact the estimated fair value of the Commercial Renewables reporting units. In the event of a significant decline in the estimated fair value of the Commercial Renewables reporting units, goodwill impairment charges could be recorded. The carrying value of goodwill within Commercial Renewables was approximately $122 million at March 31, 2017.

Persistently low market pricing for wind resources, primarily in the Energy Reliability Council of Texas West market, and the future expiration of tax incentives including ITCs and PTCs could result in adverse impacts to the future results of Commercial Renewables.

Other

	Three Months Ended March 31,		
(in millions)	**2017**	**2016**	**Variance**
Operating Revenues	$ 33	$ 29	$ 4
Operating Expenses			
Fuel used in electric generation and purchased power	15	11	4
Operation, maintenance and other	8	36	(28)
Depreciation and amortization	26	34	(8)
Property and other taxes	3	9	(6)
Impairment charges	—	2	(2)
Total operating expenses	52	92	(40)
Gains on Sales of Other Assets and Other, net	5	5	—
Operating Loss	(14)	(58)	44
Other Income and Expenses	21	17	4
Interest Expense	134	205	(71)
Loss Before Income Taxes	(127)	(246)	119
Income Tax Benefit	(52)	(101)	49
Less: Income Attributable to Noncontrolling Interests	2	3	(1)
Net Expense	$ (77)	$ (148)	$ 71

Three Months Ended March 31, 2017 as Compared to March 31, 2016

Other's lower net expense was driven by lower interest expense related to the Piedmont acquisition financing, decreased severance accruals and decreased charitable donations. The following is a detailed discussion of the variance drivers by line item.

Operating Expenses. The variance was primarily due to a decrease in severance accruals and a decrease in donations to the Duke Energy Foundation. The Duke Energy Foundation is a nonprofit organization funded by Duke Energy shareholders that makes charitable contributions to selected nonprofits and government subdivisions.

Other Income and Expenses. The increase was primarily driven by higher earnings from NMC due to higher commodity prices.

Interest Expense. The decrease was primarily due to Piedmont acquisition financing costs in the prior year, including $93 million of unrealized losses on forward-starting interest rate swaps. 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 a decrease in pretax losses. The effective tax rates for the three months ended March 31, 2017 and 2016 were 40.9 percent and 41.1 percent, respectively.

Matters Impacting Future Other Results

Included in Other is Duke Energy Ohio's 9 percent ownership interest in OVEC, which owns 2,256 MW of coal-fired generation capacity. As a counterparty to an inter-company power agreement (ICPA), Duke Energy Ohio has a contractual arrangement to receive entitlements to capacity and energy from OVEC's power plants through June 2040 commensurate with its power participation ratio, which is equivalent to Duke Energy Ohio's ownership interest. Costs, including fuel, operating expenses, fixed costs, debt amortization, and interest expense, are allocated to counterparties to the ICPA, including Duke Energy Ohio, based on their power participation ratio. The value of the ICPA is subject to variability due to fluctuations in power prices and changes in OVEC's costs of business. Deterioration in the credit quality or bankruptcy of one or more parties to the ICPA could increase the costs of OVEC. In addition, certain proposed environmental rulemaking costs could result in future increased cost allocations.

The retired Beckjord generating station (Beckjord), a nonregulated 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, the costs could have an adverse impact on Other's financial position, results of operations and cash flows.

Earnings from an equity method investment in NMC reflect sales of methanol and methyl tertiary butyl ether (MTBE), which generate margins that are directionally correlated with Brent crude oil prices. Weakness in the market price of Brent crude oil and related commodities may result in a decline in earnings. Duke Energy's economic ownership interest will decrease from 25 percent to 17.5 percent upon successful startup of NMC's polyacetal production facility, which is expected to occur in the second quarter of 2017.

U.S. federal tax reform has become an important priority of the current Congress and Administration. Any substantial revision to the U.S. tax code, including a loss of the ability to deduct interest expense, could adversely impact Duke Energy's future earnings, cash flows or financial position.

INCOME FROM DISCONTINUED OPERATIONS, NET OF TAX

Three Months Ended March 31, 2017 as Compared to March 31, 2016

Discontinued Operations, Net of Tax. The variance was driven by 2016 earnings from the International Disposal Group, which was sold in December 2016. See Note 2 to the Condensed Consolidated Financial Statements, "Acquisitions and Dispositions," for additional information.

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, 2017 and 2016 and the Annual Report on Form 10-K for the year ended December 31, 2016.

Results of Operations

	Three Months Ended March 31,		
(in millions)	**2017**	**2016**	**Variance**
Operating Revenues	$ 1,716	$ 1,740	$ (24)
Operating Expenses			
Fuel used in electric generation and purchased power	428	421	7
Operation, maintenance and other	482	512	(30)
Depreciation and amortization	254	259	(5)
Property and other taxes	68	67	1
Total operating expenses	1,232	1,259	(27)
Operating Income	484	481	3
Other Income and Expenses	37	37	—
Interest Expense	103	107	(4)
Income Before Income Taxes	418	411	7
Income Tax Expense	148	140	8
Net Income	$ 270	$ 271	$ (1)

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.

Increase (Decrease) over prior year	**2017**
Residential sales	(9.4)%
General service sales	(2.1)%
Industrial sales	(0.3)%
Wholesale power sales	1.8 %
Joint dispatch sales	69.2 %
Total sales	(3.9)%
Average number of customers	1.4 %

Three Months Ended March 31, 2017 as Compared to March 31, 2016

Operating Revenues. The variance was driven primarily by:

- an $84 million decrease in retail sales, net of fuel revenues, due to warm winter weather in the current year.

Partially offset by:

- a $31 million increase in rider revenues related to energy efficiency programs;
- a $23 million increase in fuel revenues due to changes in generation mix, partially offset by lower sales volumes; and
- a $5 million increase in weather-normal retail sales volumes, net of fuel revenues.

Operating Expenses. The variance was driven primarily by a $30 million decrease in operations and maintenance expense due to lower storm restoration costs and decreased labor costs, partially offset by higher energy efficiency program costs.

Income Tax Expense. The variance was primarily due to an increase in pretax income and a higher effective tax rate. The effective tax rates for the three months ended March 31, 2017 and 2016 were 35.4 percent and 34.1 percent, respectively. The increase in the effective tax rate was primarily due to a favorable state resolution booked in 2016 related to prior year tax returns.

Matters Impacting Future Results

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 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, 2016, "Asset Retirement Obligations," for additional information.

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 former North Carolina governor on July 14, 2016. Duke Energy Carolinas' estimated AROs 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 and corrective action measures are developed and approved for each site, the closure work progresses, and the closure method scope and remedial action methods are determined, the complexity of work and the amount of coal combustion material could be different than originally estimated and, therefore, could materially impact Duke Energy Carolinas' financial position. See Note 9 in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2016, "Asset Retirement Obligations," for additional information.

Duke Energy Carolinas 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 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 intends to file a rate case in North Carolina in 2017 to recover costs of complying with CCR regulations and the Coal Ash Act, as well as costs of capital investments in generation, transmission and distribution systems and any increase in expenditures subsequent to previous rate cases. Duke Energy Carolinas' earnings could be adversely impacted if the rate case is delayed or denied by the NCUC.

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, 2017 and 2016 and the Annual Report on Form 10-K for the year ended December 31, 2016.

Results of Operations

	Three Months Ended March 31,		
(in millions)	**2017**	**2016**	**Variance**
Operating Revenues	$ 2,179	$ 2,332	$ (153)
Operating Expenses			
Fuel used in electric generation and purchased power	726	860	(134)
Operation, maintenance and other	544	592	(48)
Depreciation and amortization	313	290	23
Property and other taxes	117	119	(2)
Impairment charges	—	2	(2)
Total operating expenses	1,700	1,863	(163)
Gains on Sales of Other Assets and Other, net	8	6	2
Operating Income	487	475	12
Other Income and Expenses	24	20	4
Interest Expense	206	160	46
Income Before Income Taxes	305	335	(30)
Income Tax Expense	104	123	(19)
Net Income	201	212	(11)
Less: Net Income Attributable to Noncontrolling Interests	2	3	(1)
Net Income Attributable to Parent	$ 199	$ 209	$ (10)

Three Months Ended March 31, 2017 as Compared to March 31, 2016

Operating Revenues. The variance was driven primarily by:

- a $126 million decrease in fuel revenues driven by lower retail sales and changes in generation mix at Duke Energy Progress, as well as decreased demand and capacity rates to retail customers at Duke Energy Florida;
- a $67 million decrease in retail sales, net of fuel revenues, due to warm winter weather in the current year; and
- a $10 million decrease in wholesale power revenues primarily due to contracts that expired in the prior year at Duke Energy Florida, partially offset by higher peak demand at Duke Energy Progress.

Partially offset by:

- a $29 million increase in rider revenues related to energy efficiency programs at Duke Energy Progress, and nuclear asset securitization revenues beginning in July 2016 at Duke Energy Florida; and
- a $15 million increase in retail pricing due to the Duke Energy Progress South Carolina rate case and Duke Energy Florida's base rate adjustment for the Osprey acquisition.

Operating Expenses. The variance was driven primarily by:

- a $134 million decrease in fuel expense primarily due to lower retail sales and changes in generation mix at Duke Energy Progress, as well as lower deferred fuel costs and decreased purchased power at Duke Energy Florida; and
- a $48 million decrease in operations and maintenance expense due to lower storm restoration costs as well as decreased labor and plant outage costs.

Partially offset by:

- a $23 million increase in depreciation and amortization expense primarily due to additional plant in service and nuclear regulatory asset amortization.

Interest Expense. The variance was primarily due to higher debt outstanding.

Income Tax Expense. The variance was primarily due to a decrease in pretax income and a lower effective tax rate. The effective tax rates for the three months ended March 31, 2017 and 2016 were 34.1 percent and 36.7 percent, respectively. The decrease in the effective tax rate was primarily due to higher AFUDC equity and the amortization of excess North Carolina deferred tax.

Matters Impacting Future Results

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 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, 2016, "Asset Retirement Obligations," for additional information.

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 former North Carolina governor on July 14, 2016. Progress Energy's estimated AROs 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 and corrective action measures are developed and approved for each site, the closure work progresses, and the closure method scope and remedial action methods are determined, the complexity of work and the amount of coal combustion material could be different than originally estimated and, therefore, could materially impact Progress Energy's financial position. See Note 9 in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2016, "Asset Retirement Obligations," 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 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.

In the fourth quarter of 2016, Hurricane Matthew caused historic flooding, extensive damage and widespread power outages within the Duke Energy Progress service territory. Duke Energy Progress filed a petition with the NCUC requesting an accounting order to defer incremental operation and maintenance and capital costs incurred in response to Hurricane Matthew and other significant 2016 storms. Current estimated incremental costs are approximately $116 million. The NCUC has not ruled on the petition. A final order from the NCUC that disallows the deferral and future recovery of all or a significant portion of the incremental storm restoration costs incurred could result in an adverse impact on Progress Energy's financial position, results of operations and cash flows.

On May 2, 2017, Duke Energy Progress filed notice with the NCUC that it intends to file a general rate case on or about June 1, 2017. Duke Energy Progress will seek to recover costs of complying with CCR regulations and the Coal Ash Act, as well as costs of capital investments in generation, transmission and distribution systems and any increase in expenditures subsequent to previous rate cases. Progress Energy's earnings could be adversely impacted if the rate case is delayed or denied by the NCUC.

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, 2017 and 2016 and the Annual Report on Form 10-K for the year ended December 31, 2016.

Results of Operations

	Three Months Ended March 31,		
(in millions)	**2017**	**2016**	**Variance**
Operating Revenues	$ 1,219	$ 1,307	$ (88)
Operating Expenses			
Fuel used in electric generation and purchased power	364	448	(84)
Operation, maintenance and other	350	386	(36)
Depreciation and amortization	181	175	6
Property and other taxes	40	41	(1)
Total operating expenses	935	1,050	(115)
Gains on Sales of Other Assets and Other, net	2	1	1
Operating Income	286	258	28
Other Income and Expenses	19	17	2
Interest Expense	82	63	19
Income Before Income Taxes	223	212	11
Income Tax Expense	76	75	1
Net Income and Comprehensive Income	$ 147	$ 137	$ 10

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.

Increase (Decrease) over prior period	2017
Residential sales	(7.3)%
General service sales	(3.0)%
Industrial sales	2.1 %
Wholesale power sales	(11.6)%
Joint dispatch sales	(18.5)%
Total sales	(8.8)%
Average number of customers	1.3 %

Three Months Ended March 31, 2017 as Compared to March 31, 2016

Operating Revenues. The variance was driven primarily by:

- a $76 million decrease in fuel revenues driven by lower retail sales and changes in generation mix; and
- a $40 million decrease in retail sales, net of fuel revenues, due to warm winter weather in the current year.

Partially offset by:

- a $13 million increase in rider revenues related to energy efficiency programs;
- a $9 million increase in retail pricing due to the Duke Energy Progress South Carolina rate case; and
- an $8 million increase in wholesale power revenues primarily due to higher peak demand.

Operating Expenses. The variance was driven primarily by:

- an $84 million decrease in fuel expense primarily due to lower retail sales and changes in generation mix; and
- a $36 million decrease in operations and maintenance expense primarily due to lower storm restoration costs.

Interest Expense. The variance was primarily due to higher debt outstanding, as well as interest charges on North Carolina fuel overcollections.

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 March 31, 2017 and 2016 were 34.1 percent and 35.4 percent, respectively. The decrease in the effective tax rate was primarily due to the amortization of excess North Carolina deferred tax.

Matters Impacting Future Results

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 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, 2016, "Asset Retirement Obligations," for additional information.

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 former North Carolina governor on July 14, 2016. Duke Energy Progress' estimated AROs 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 and corrective action measures are developed and approved for each site, the closure work progresses, and the closure method scope and remedial action methods are determined, the complexity of work and the amount of coal combustion material could be different than originally estimated and, therefore, could materially impact Duke Energy Progress' financial position. See Note 9 in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2016, "Asset Retirement Obligations," 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.

In the fourth quarter of 2016, Hurricane Matthew caused historic flooding, extensive damage and widespread power outages within the Duke Energy Progress service territory. Duke Energy Progress filed a petition with the NCUC requesting an accounting order to defer incremental operation and maintenance and capital costs incurred in response to Hurricane Matthew and other significant 2016 storms. Current estimated incremental costs are approximately $116 million. The NCUC has not ruled on the petition. A final order from the NCUC that disallows the deferral and future recovery of all or a significant portion of the incremental storm restoration costs incurred could result in an adverse impact on Duke Energy Progress' financial position, results of operations and cash flows.

On May 2, 2017, Duke Energy Progress filed notice with the NCUC that it intends to file a general rate case on or about June 1, 2017. Duke Energy Progress will seek to recover costs of complying with CCR regulations and the Coal Ash Act, as well as costs of capital investments in generation, transmission and distribution systems and any increase in expenditures subsequent to previous rate cases. Duke Energy Progress' earnings could be adversely impacted if the rate case is delayed or denied by the NCUC.

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, 2017 and 2016 and the Annual Report on Form 10-K for the year ended December 31, 2016.

Results of Operations

	Three Months Ended March 31,		
(in millions)	2017	2016	Variance
Operating Revenues	$ 959	$ 1,024	$ (65)
Operating Expenses			
Fuel used in electric generation and purchased power	362	412	(50)
Operation, maintenance and other	191	205	(14)
Depreciation and amortization	132	114	18
Property and other taxes	77	78	(1)
Impairment charges	1	2	(1)
Total operating expenses	763	811	(48)
Operating Income	196	213	(17)
Other Income and Expenses	16	5	11
Interest Expense	70	41	29
Income Before Income Taxes	142	177	(35)
Income Tax Expense	52	67	(15)
Net Income	$ 90	$ 110	$ (20)

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	2017
Residential sales	(8.4)%
General service sales	0.4 %
Industrial sales	0.4 %
Wholesale and other	5.1 %
Total sales	(1.8)%
Average number of customers	1.4 %

Three Months Ended March 31, 2017 as Compared to March 31, 2016

Operating Revenues. The variance was driven primarily by:

- a $50 million decrease in fuel and capacity revenues primarily due to decreased demand and capacity rates to retail customers;
- a $27 million decrease in retail sales, net of fuel revenues, due to warm winter weather in the current year; and
- an $18 million decrease in wholesale power revenues primarily driven by contracts that expired in the prior year.

Partially offset by:

- a $16 million increase in rider revenues primarily due to nuclear asset securitization revenues beginning in July 2016;
- an $11 million increase in weather-normal sales volumes to retail customers in the current year; and
- a $6 million increase in retail pricing due to the base rate adjustment for the Osprey acquisition.

Operating Expenses. The variance was driven primarily by:

- a $50 million decrease in fuel expense primarily due to lower deferred fuel costs and decreased purchased power, partially offset by higher generation costs; and
- a $14 million decrease in operations and maintenance expense primarily due to decreased labor costs and planned outage costs.

Partially offset by:

- an $18 million increase in depreciation and amortization expense primarily due to additional plant in service, as well as nuclear regulatory asset amortization.

Other Income and Expenses. The variance was driven by higher AFUDC equity return on the Citrus County Combined Cycle and Hines Energy Complex Chiller Uprate projects in the current year and gains on insurance policies.

Interest Expense. The variance was primarily due to higher debt outstanding and lower debt returns, driven by the CR3 debt return recorded prior to the securitization of CR3 in June of 2016.

Income Tax Expense. The variance was primarily due to a decrease in pretax income and a decrease in effective tax rate. The effective tax rates for the three months ended March 31, 2017 and 2016 were 36.6 percent and 37.9 percent, respectively. The decrease in the effective tax rate was primarily due to higher AFUDC equity.

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, 2017 and 2016 and the Annual Report on Form 10-K for the year ended December 31, 2016.

Results of Operations

	Three Months Ended March 31,		
(in millions)	**2017**	**2016**	**Variance**
Operating Revenues			
Regulated electric	$ 337	$ 340	$ (3)
Regulated natural gas	170	170	—
Nonregulated electric and other	11	6	5
Total operating revenues	518	516	2
Operating Expenses			
Fuel used in electric generation and purchased power – regulated	97	111	(14)
Fuel used in electric generation and purchased power – nonregulated	15	10	5
Cost of natural gas	54	49	5
Operation, maintenance and other	130	119	11
Depreciation and amortization	67	61	6
Property and other taxes	72	71	1
Total operating expenses	435	421	14
Gains on Sales of Other Assets and Other, net	—	1	(1)
Operating Income	83	96	(13)
Other Income and Expenses	4	2	2
Interest Expense	22	20	2
Income from Continuing Operations Before Income Taxes	65	78	(13)
Income Tax Expense from Continuing Operations	23	21	2
Income from Continuing Operations	42	57	(15)
Income from Discontinued Operations, net of tax	—	2	(2)
Net Income	$ 42	$ 59	$ (17)

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.

Increase (Decrease) over prior year	**2017**
Residential sales	(2.9)%
General service sales	(1.7)%
Industrial sales	(0.2)%
Wholesale power sales	153.2 %
Total sales	(0.8)%
Average number of customers	0.8 %

Three Months Ended March 31, 2017 as Compared to March 31, 2016

Operating Revenues. The variance was driven primarily by:

- an $8 million increase in PJM transmission revenues;
- a $6 million increase in rider revenues primarily due to energy efficiency programs and a rate increase for the distribution capital investment rider, partially offset by a decrease in the percentage of income payment plan rider due to a rate decrease: and
- a $5 million increase in other revenues related to Ohio Valley Electric Corporation (OVEC).

Partially offset by:

- an $11 million decrease in fuel revenues primarily due to lower electric fuel prices and sales volumes, partially offset by higher costs passed through to natural gas customers due to higher natural gas prices; and
- an $8 million decrease in electric retail sales, net of fuel revenues, due to warm winter weather in the current year.

Operating Expenses. The variance was driven primarily by:

- an $11 million increase in operations and maintenance expense due to higher energy efficiency program costs, higher storm costs, and higher transmission and distribution operations costs; and
- a $6 million increase in depreciation and amortization expense due to additional plant in service.

Partially offset by:

- a $14 million decrease in fuel expense driven by lower sales volumes and lower electric fuel costs.

Income Tax Expense. The variance was primarily due to a decrease in pretax income, partially offset by a higher effective tax rate. The effective tax rate for the three months ended March 31, 2017 and 2016 were 35.4 percent and 26.9 percent, respectively. The increase in the effective tax rate was primarily due to an immaterial out of period adjustment in the prior year related to deferred tax balances associated with property, plant and equipment.

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 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, 2016, "Asset Retirement Obligations," for additional information.

Duke Energy Ohio's nonregulated Beckjord station, 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.

In 2013, the PUCO issued an order (PUCO order) approving Duke Energy Ohio's recovery of costs incurred between 2008 and 2012 for environmental investigation and remediation of two former MGP sites. At March 31, 2017, Duke Energy Ohio had recorded in Regulatory assets on the Condensed Consolidated Balance Sheet approximately $100 million of estimated MGP remediation costs not yet recovered through the MGP rider mechanism. Intervenors have appealed to the Ohio Supreme Court the PUCO order authorizing recovery of these amounts. That appeal remains pending. Duke Energy Ohio cannot predict the outcome of the appeal before the Ohio Supreme Court or future action by the PUCO. If Duke Energy Ohio is not able to recover these remediation costs in rates, the costs could have an adverse impact on 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 has a 9 percent ownership interest in OVEC, which owns 2,256 MW of coal-fired generation capacity. As a counterparty to an ICPA, Duke Energy Ohio has a contractual arrangement to receive entitlements to capacity and energy from OVEC's power plants through June 2040 commensurate with its power participation ratio, which is equivalent to Duke Energy Ohio's ownership interest. Costs, including fuel, operating expenses, fixed costs, debt amortization, and interest expense, are allocated to counterparties to the ICPA, including Duke Energy Ohio, based on their power participation ratio. The value of the ICPA is subject to variability due to fluctuations in power prices and changes in OVEC's costs of business. Deterioration in the credit quality or bankruptcy of one or more parties to the ICPA could increase the costs of OVEC. In addition, certain proposed environmental rulemaking costs could result in future increased cost allocations.

On March 2, 2017, Duke Energy Ohio filed an electric distribution base rate application with the PUCO to address recovery of electric distribution system capital investments and any increase in expenditures subsequent to previous rate cases. The application also includes requests to continue certain current riders and establish new riders related to LED Outdoor Lighting Service and regulatory mandates. Duke Energy Ohio's earnings could be adversely impacted if the rate case and requested riders are delayed or denied by the PUCO. See Note 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

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, 2017 and 2016 and the Annual Report on Form 10-K for the year ended December 31, 2016.

Results of Operations

	Three Months Ended March 31,		
(in millions)	**2017**	**2016**	**Variance**
Operating Revenues	$ 758	$ 714	$ 44
Operating Expenses			
Fuel used in electric generation and purchased power	251	228	23
Operation, maintenance and other	174	162	12
Depreciation and amortization	125	125	—
Property and other taxes	22	23	(1)
Total operating expenses	572	538	34
Operating Income	186	176	10
Other Income and Expenses	8	4	4
Interest Expense	44	44	—
Income Before Income Taxes	150	136	14
Income Tax Expense	59	41	18
Net Income	$ 91	$ 95	$ (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.

Increase (Decrease) over prior year	**2017**
Residential sales	(4.1)%
General service sales	(1.3)%
Industrial sales	— %
Wholesale power sales	(42.7)%
Total sales	(12.6)%
Average number of customers	1.2 %

Three Months Ended March 31, 2017 as Compared to March 31, 2016

Operating Revenues. The variance was driven primarily by:

- a $28 million increase in rider revenues related to Edwardsport IGCC and energy efficiency programs; and
- a $17 million increase in fuel revenues primarily due to higher purchased power costs passed through to customers and higher financial transmission right (FTR) revenues.

Operating Expenses. The variance was driven primarily by:

- a $23 million increase in fuel and purchased power expense, primarily due to higher purchased power volumes and prices, partially offset by lower fuel costs due to lower generation; and
- a $14 million increase in operations and maintenance expense due to growth in energy efficiency programs and higher expenses at Edwardsport IGCC.

Other Income and Expenses. The variance was primarily driven by higher AFUDC equity.

Income Tax Expense. The variance was primarily due to an increase in pretax income and a higher effective tax rate. The effective tax rates for the three months ended March 31, 2017 and 2016 were 39.3 percent and 30.2 percent, respectively. The increase in the effective tax rate was primarily due to an immaterial out of period adjustment in the prior year related to deferred tax balances associated with 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 AROs. 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.

The IURC approved a settlement agreement between Duke Energy Indiana and multiple parties that resolves 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. Pursuant to the terms of this agreement, the agreement imposes a cost cap for retail recoverable operations and maintenance costs through 2017. An inability to manage operating 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.

PIEDMONT

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, 2017, Piedmont's Annual Report on Form 10-K for the year ended October 31, 2016, and the transition report filed on Form 10-Q (Form 10-QT) as of December 31, 2016, for the transition period from November 1, 2016 to December 31, 2016.

Results of Operations

	Three Months Ended March 31,		
(in millions)	**2017**	**2016**	**Variance**
Operating Revenues			
Regulated natural gas	$ 498	$ 481	17
Nonregulated natural gas and other	2	2	—
Total operating revenues	500	483	17
Operating Expenses			
Cost of natural gas	205	197	8
Operation, maintenance and other	77	74	3
Depreciation and amortization	35	34	1
Property and other taxes	13	11	2
Total operating expenses	330	316	14
Operating Income	170	167	3
Equity in Earnings of Unconsolidated Affiliates	3	16	(13)
Interest Expense	20	17	3
Income Before Income Taxes	153	166	(13)
Income Tax Expense	58	63	(5)
Net Income	$ 95	$ 103	$ (8)

The following table shows the percent changes in dekatherms delivered and average number of customers. The percentages for all throughput deliveries represent billed and unbilled sales. Amounts are not weather-normalized.

Increase (Decrease) over prior year	2017
Residential deliveries	(23.2)%
Commercial deliveries	(19.9)%
Industrial deliveries	(7.1)%
Power generation deliveries	(12.4)%
For resale	(12.7)%
Total throughput deliveries	(14.3)%
Secondary market volumes	(1.7)%
Average number of customers	1.5 %

Piedmont's throughput was 133,276,787 dekatherms and 155,446,586 dekatherms for the three months ended March 31, 2017 and 2016, respectively. Due to the margin decoupling mechanism in North Carolina and weather normalization adjustment (WNA) mechanisms in South Carolina and Tennessee, changes in throughput deliveries do not have a material impact on Piedmont's revenues or earnings. The margin decoupling mechanism adjusts for variations in residential and commercial use per customer, including those due to weather and conservation. The WNA mechanisms mostly offset the impact of weather on bills rendered, but do not ensure full recovery of approved margin during periods when winter weather is significantly warmer or colder than normal.

Three Months Ended March 31, 2017 as Compared to March 31, 2016

Operating Revenues. The variance was driven primarily by:

- a $13 million increase in revenues to residential and commercial customers, net of natural gas costs passed through to customers, primarily due to IMR rate adjustments and customer growth, partially offset by decreased volumes delivered due to warmer weather; and
- an $8 million increase due to higher natural gas costs passed through to customers, primarily due to higher natural gas prices.

Partially offset by:

- a $3 million decrease in secondary market activity primarily due to lower margin sales.

Operating Expenses. The variance was driven by:

- An $8 million increase in costs of natural gas, primarily due to higher natural gas prices and decreased opportunity for capacity release transactions; and
- A $6 million increase in other operating expenses, primarily due to higher severance expense, increased property taxes and depreciation attributable to additional plant in service.

Equity in Earnings of Unconsolidated Affiliates. The variance was primarily due to equity earnings from the investment in SouthStar in the prior year. Piedmont sold its 15 percent membership interest in SouthStar on October 3, 2016.

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, 2017 and 2016 were 37.9 percent and 38.0 percent, respectively.

Matters Impacting Future Results

On April 1, 2017, Piedmont transferred its ownership interests in Atlantic Coast Pipeline, LLC (ACP) and Constitution to a wholly owned subsidiary of Duke Energy at book value. As a result, Piedmont will not recognize equity earnings (or losses) from these investments in future periods.

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 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, 2016, for a summary and detailed discussion of projected primary sources and uses of cash for 2017 to 2019.

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 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

In March 2017, Duke Energy amended its Master Credit Facility to increase its capacity from $7.5 billion to $8 billion, and to extend the termination date of the facility from January 30, 2020, to March 16, 2022. The amendment also added Piedmont as a borrower within the Master Credit Facility. Piedmont's separate $850 million credit facility was terminated in connection with the amendment. With the amendment, 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, 2017							
(In millions)	Duke Energy	Duke Energy (Parent)	Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Facility size[(a)]	$ 8,000	$ 3,400	$ 1,100	$ 1,000	$ 950	$ 450	$ 600	$ 500
Reduction to backstop issuances								
Commercial paper[(b)]	(3,134)	(1,822)	(469)	(402)	—	(30)	(150)	(261)
Outstanding letters of credit	(71)	(62)	(4)	(2)	(1)	—	—	(2)
Tax-exempt bonds	(81)	—	—	—	—	—	(81)	—
Coal ash set-aside	(500)	—	(250)	(250)	—	—	—	—
Available capacity	$ 4,214	$ 1,516	$ 377	$ 346	$ 949	$ 420	$ 369	$ 237

(a) Represents the sublimit of each borrower. Certain sublimits were reallocated in May 2017 to provide additional liquidity to certain borrowers in light of near-term funding needs.

(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.

Shelf Registration

In September 2016, Duke Energy filed a registration statement (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.

In January 2017, Duke Energy amended its Form S-3 to add Piedmont as a registrant and included in the amendment a prospectus for Piedmont under which it may issue debt securities in the same manner as other Duke Energy Registrants.

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, 2017
Unsecured Debt			
Duke Energy (Parent)	August 2017	1.625%	700
Piedmont	September 2017	8.510%	35
Secured Debt			
Duke Energy	June 2017	2.605%	45
Duke Energy	June 2017	2.455%	34
First Mortgage Bonds			
Duke Energy Florida	September 2017	5.800%	250
Duke Energy Progress	November 2017	1.252%	200
Duke Energy Carolinas	January 2018	5.250%	400
Other[(a)]			313
Current maturities of long-term debt			$ 1,977

(a) Includes capital lease obligations, amortizing debt and small bullet maturities.

CASH FLOWS FROM OPERATING ACTIVITIES

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

Duke Energy believes it has sufficient liquidity resources through the commercial paper markets, and ultimately the Master Credit Facility, to support these 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 Reports on Form 10-K for additional information).

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 not to exceed 65 percent for all borrowers except Piedmont. The debt-to-total capitalization ratio for Piedmont is not to exceed 70 percent. 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, 2017, 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 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 Moody's Investors Service, Inc. (Moody's) and Standard & Poor's Rating Services (S&P). In April 2017, Fitch Ratings, Inc. (Fitch) withdrew credit ratings of the Subsidiary Registrants, with the exclusion of Piedmont who was not previously rated by Fitch, due to commercial reasons. Fitch will continue to provide credit ratings for Duke Energy Corporation.

Cash Flow Information

The following table summarizes Duke Energy's cash flows.

	Three Months Ended March 31,	
(in millions)	**2017**	**2016**
Cash flows provided by (used in):		
Operating activities	$ 1,289	$ 1,682
Investing activities	(2,399)	(1,758)
Financing activities	1,596	(3)
Changes in cash and cash equivalents included in assets held for sale	—	30
Net increase (decrease) in cash and cash equivalents	486	(49)
Cash and cash equivalents at beginning of period	392	383
Cash and cash equivalents at end of period	$ 878	$ 334

OPERATING CASH FLOWS

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

	Three Months Ended March 31,	
(in millions)	**2017**	**2016**
Net income	$ 717	$ 699
Non-cash adjustments to net income	1,237	1,060
Payments for asset retirement obligations	(134)	(112)
Working capital	(531)	35
Net cash provided by operating activities	$ 1,289	$ 1,682

The variance was primarily due to:

- a $566 million decrease in cash flows from working capital due to the absence of the International Disposal Group's operating cash flows, lower regulated electric revenues due to warmer winter weather in the current year and the timing of payment of accruals.

Partially offset by:

- a $195 million increase in net income after non-cash adjustments, primarily due to the additional earnings attributed to the Piedmont acquisition.

INVESTING CASH FLOWS

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

	Three Months Ended March 31,	
(in millions)	**2017**	**2016**
Capital, investment and acquisition expenditures	$ (2,335)	$ (1,704)
Available for sale securities, net	19	15
Other investing items	(83)	(69)
Net cash used in investing activities	$ (2,399)	$ (1,758)

The variance was primarily due to:

- a $631 million increase in capital, investment and acquisition expenditures due to growth in regulated generation investments and natural gas infrastructure.

FINANCING CASH FLOWS

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

	Three Months Ended March 31,	
(in millions)	**2017**	**2016**
Issuances of long-term debt, net	$ 1,155	$ 751
Notes payable and commercial paper	1,063	(158)
Dividends paid	(600)	(570)
Other financing items	(22)	(26)
Net cash provided by (used in) financing activities	$ 1,596	$ (3)

The variance was due to:

- a $1,221 million increase in net proceeds from issuances of notes payable and commercial paper primarily as a result of the repayment of commercial paper at the end of 2016 with proceeds from the sale of the international business; and
- a $404 million increase in proceeds from net issuances of long-term debt mainly due to the timing of issuances and redemptions of long-term debt.

Summary of Significant Debt Issuances

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

			Three Months Ended March 31, 2017		
Issuance Date	**Maturity Date**	**Interest Rate**	**Duke Energy**	**Duke Energy Florida**	**Duke Energy Ohio**
Secured Debt					
February 2017[(a)]	June 2034	4.120%	$ 587	$ —	$ —
First Mortgage Bonds					
January 2017[(b)]	January 2020	1.850%	250	250	—
January 2017[(b)]	January 2027	3.200%	650	650	—
March 2017[(c)]	June 2046	3.700%	100	—	100
Total issuances			$ 1,587	$ 900	$ 100

(a) Portfolio financing of four Texas and Oklahoma wind facilities. Secured by substantially all of the assets of these wind facilities and nonrecourse to Duke Energy. Proceeds were used to reimburse Duke Energy for a portion of previously funded construction expenditures.

(b) Debt issued to fund capital expenditures for ongoing construction and capital maintenance, to repay at maturity a $250 million aggregate principal amount of bonds due September 2017 and for general corporate purposes.

(c) Proceeds were used to fund capital expenditures for ongoing construction, capital maintenance and for general corporate purposes.

In April 2017, Duke Energy (Parent) issued $420 million of unsecured notes with a fixed interest rate of 3.364 percent and maturity date of April 2025. The net proceeds were used to refinance $400 million of unsecured debt at maturity and to repay outstanding commercial paper.

OTHER MATTERS

Environmental Regulations

The Duke Energy 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

In April 2015, the EPA published a rule to regulate the disposal of CCR from electric utilities as solid waste. The federal regulation classifies CCR as nonhazardous waste 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, protection and remedial procedures and other operational and reporting procedures to ensure the safe disposal and management of CCR. As a result of the EPA rule, Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Ohio and Duke Energy Indiana recorded additional ARO amounts during 2015. Various industry and environmental parties have appealed the EPA's CCR rule in the U.S. Court of Appeals for the District of Columbia (D.C. Circuit Court). 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. A decision by the court on the remaining issues is expected in the third quarter of 2017. Duke Energy does not expect a material impact from the settlement or that it will result in additional ARO 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. 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, 2016.

Coal Ash Management Act of 2014

Asset retirement obligations recorded on the Duke Energy Carolinas and Duke Energy Progress Condensed Consolidated Balance Sheets at March 31, 2017, and December 31, 2016, 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 CCR rule and other agreements. In January 2016, the NCDEQ published draft 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 impacts to surface water and to groundwater. The NCDEQ's draft proposed classifications categorized 12 basins at four sites as intermediate risk and four basins at three sites as low risk. The NCDEQ's draft proposed classifications also categorized nine basins at six sites 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, proposing to rank all originally proposed low risk and "low-to-intermediate" risk sites as intermediate.

On July 14, 2016, the former governor of North Carolina signed legislation, which amended the Coal Ash Act and required 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-risk 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-risk basins is required to be completed no later than August 1, 2028. Upon satisfactory completion of the dam improvement projects and installation of alternative drinking water sources by October 15, 2018, the legislation requires the NCDEQ to reclassify sites proposed as intermediate risk, excluding H.F. Lee, Cape Fear and Weatherspoon, as low risk. In January 2017, NCDEQ issued preliminary approval of Duke Energy's plans for the alternative water sources.

Additionally, the July 2016 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. On October 5, 2016, Duke Energy announced Buck Steam Station as a first location for one of the beneficiation projects. On December 13, 2016, Duke Energy announced H.F. Lee as the second location. Duke Energy intends to announce the third location by July 1, 2017.

Provisions of the Coal Ash Act prohibit cost recovery in customer rates for unlawful discharge of ash impoundment waters occurring after January 1, 2014. The Coal Ash Act leaves the decision on cost recovery determinations related to closure of ash impoundments to the normal ratemaking processes before utility regulatory commissions. Consistent with the requirements of the Coal Ash Act, Duke Energy has submitted comprehensive site assessments and groundwater corrective plans to NCDEQ and will submit to NCDEQ site-specific coal ash impoundment closure plans in advance of closure. These plans and all associated permits must be approved by NCDEQ before closure work can begin.

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, 2016.

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 when the courts will rule on the petitions. The Duke Energy Registrants cannot predict the outcome of these matters.

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. On April 13, 2017, the EPA administrator granted petitions from the Utility Water Act Group and U.S. Small Business Administration requesting reconsideration and an administrative stay of compliance dates in the ELG rule that have not yet passed pending judicial review, effective April 25, 2017. Briefing in the case was scheduled to conclude on July 5, 2017, however, on April 24, 2017, the Fifth Circuit Court of Appeals granted EPA's request to stay the pending litigation on the ELG rule until August 12, 2017. By the end of the stay period, EPA intends to inform the court of the portions of the rule, if any, that it will seek to have remanded to the agency for further rulemaking. The Duke Energy Registrants cannot predict the outcome of these matters.

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, CWA 316(b) and ELGs through December 31, 2021. The table excludes ash basin closure costs recorded in Asset retirement obligations on the Condensed Consolidated Balance Sheets. For more information related to AROs, see Note 9, "Asset Retirement Obligations" in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2016.

(in millions)	Estimated Cost
Duke Energy	**$ 1,235**
Duke Energy Carolinas	530
Progress Energy	360
Duke Energy Progress	260
Duke Energy Florida	100
Duke Energy Ohio	125
Duke Energy Indiana	220

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 December 3, 2015, the EPA proposed a rule to lower the Cross-State Air Pollution Rule (CSAPR) Phase 2 state ozone season nitrogen oxide (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. On September 7, 2016, the EPA finalized the CSAPR Update Rule that reduces the CSAPR Phase 2 state ozone season NOx emission budgets for 22 eastern states, including Ohio, Kentucky and Indiana. In the final CSAPR Update Rule, the EPA removed Florida, South Carolina and North Carolina from the ozone season NOx program. Beginning in 2017, Duke Energy Registrants in these states will not be subject to any CSAPR ozone season NOx emission limitations. For the states that remain in the program, the reduced state ozone season NOx emission budgets took effect on May 1, 2017. In Kentucky and Indiana, where Duke Energy Registrants own and operate coal-fired electric generating units (EGUs) subject to the final rule requirements, potential near-term responses could include changing unit dispatch to run certain generating units less frequently and/or purchasing NOx allowances from the trading market. Longer term, upgrading the performance of existing NOx controls is an option. Numerous parties have filed petitions with the D.C. Circuit Court challenging various aspects of the CSAPR Update Rule. The court has yet to set a briefing schedule. Duke Energy Registrants cannot predict the outcome of these matters.

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 apply to plants that commenced construction after January 8, 2014. The EPA set an emissions standard for coal units of 1,400 pounds of CO_2 per gross MWh, 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 EGUs, 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.

On March 28, 2017, President Trump signed an Executive Order directing EPA to review the rule and determine whether to suspend, revise or rescind it. On the same day, the Department of Justice (DOJ) filed a motion with the D.C. Circuit Court requesting that the court stay the litigation of the rule while it is reviewed by EPA. Subsequent to the DOJ motion, the D.C. Circuit Court canceled oral argument in the case, which had been scheduled for April 17, 2017. On April 28, 2017, the court ordered that the litigation be suspended for 60 days and directing parties to file supplemental briefs by May 15, 2017, addressing whether the rule should be remanded to EPA rather than be suspended. The rule remains in effect pending the outcome of litigation and EPA's review. EPA has not announced a schedule for completing its review. The Duke Energy Registrants cannot predict the outcome of these matters, but do not expect the impacts of the current final standards will be material to Duke Energy's financial position, results of operations or cash flows.

Clean Power Plan

On October 23, 2015, the EPA published in the Federal Register the final Clean Power Plan (CPP) rule that regulates CO_2 emissions from existing fossil fuel-fired EGUs. The CPP established CO_2 emission rates and mass cap goals that apply to existing fossil fuel-fired EGUs. Petitions challenging the rule have been filed by several groups and on February 9, 2016, the Supreme Court issued a stay of the final CPP rule, halting implementation of the CPP until legal challenges are resolved. States in which the Duke Energy Registrants operate have suspended work on the CPP in response to the stay. Oral arguments before 10 of the 11 judges on D.C. Circuit Court were heard on September 27, 2016. The court has not issued its opinion in the case.

On March 28, 2017, President Trump signed an Executive Order directing EPA to review the CPP and determine whether to suspend, revise or rescind the rule. On the same day the DOJ filed a motion with the D.C. Circuit Court requesting that the court stay the litigation of the rule while it is reviewed by EPA. On April 28, 2017, the court issued an order to suspend the litigation for 60 days and directing parties to file supplemental briefs by May 15, 2017, addressing whether the rule should be remanded to the EPA rather than be suspended. Neither the Executive Order nor the court's order changes the current status of the CPP, which is under a legal hold by the U.S. Supreme Court. The EPA has not announced a schedule for completing its review. 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, 2016.

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, 2016.

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, 2017, 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, 2016.

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, 2017, 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, 2016.

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, 2017, there were no material changes to the Duke Energy Registrants' disclosures about market risk. For an in-depth discussion of the Duke Energy Registrants' market risks, see "Quantitative and Qualitative Disclosures about Market Risk" in Item 7 of the Annual Report on Form 10-K for the Duke Energy Registrants.

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) are 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 are 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, 2017, 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, 2017, 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 material legal proceedings, including regulatory and environmental matters, see Note 4, "Regulatory Matters," and Note 5, "Commitments and Contingencies," to the Condensed Consolidated Financial Statements.

MTBE Litigation

On June 19, 2014, the Commonwealth of Pennsylvania filed suit against Duke Energy Merchants, LLC, an indirect wholly owned subsidiary of Duke Energy, among others, 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. The case is currently in the discovery phase.

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, 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 2017.

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	Piedmont
4.1	Forty-fifth Supplemental Indenture, dated as of March 27, 2017, (incorporated by reference to Exhibit 4.1 to Registrant's Current Report on Form 8-K filed on March 27, 2017, File No. 1-01232).						X		
*4.2	Fifteenth Supplemental Indenture, dated as of April 11, 2017.	X							
10.1	Amendment No. 3 and Consent, dated as of March 16, 2017, among registrants, the Lenders party thereto, the Issuing Lenders party thereto, and Wells Fargo Bank, National Association, as Administrative Agent and Swingline Lender (incorporated by reference to Exhibit 10.1 to Registrants' Current Report on Form 8-K filed on March 17, 2017, File Nos. 1-32853, 1-04928, 1-03382, 1-03274, 1-01232, 1-03543, 1-06196).	X	X		X	X	X	X	X
*10.2**	Performance-Based Retention Award Agreement.	X							
*10.3**	Performance Award Agreement.	X							
*10.4**	Restricted Stock Unit Award Agreement.	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	
*31.1.8	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	
*31.2.8	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	
*32.1.8	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	
*32.2.8	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	X
*101.SCH	XBRL Taxonomy Extension Schema Document.	X	X	X	X	X	X	X	X
*101.CAL	XBRL Taxonomy Calculation Linkbase Document.	X	X	X	X	X	X	X	X
*101.LAB	XBRL Taxonomy Label Linkbase Document.	X	X	X	X	X	X	X	X
*101.PRE	XBRL Taxonomy Presentation Linkbase Document.	X	X	X	X	X	X	X	X
*101.DEF	XBRL Taxonomy Definition Linkbase Document.	X	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, LLC
PIEDMONT NATURAL GAS COMPANY, INC.

Date: May 9, 2017

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: May 9, 2017

/s/ WILLIAM E. CURRENS JR.

William E. Currens Jr.
Senior Vice President, Chief Accounting Officer
and Controller
(Principal Accounting Officer)

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, 2017
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.
	DUKE ENERGY	
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
1-6196	**PIEDMONT NATURAL GAS COMPANY, INC.** (a North Carolina corporation) 4720 Piedmont Row Drive Charlotte, North Carolina 28210 704-364-3120 56-0556998		

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 ☐	Piedmont Natural Gas Company, Inc. (Piedmont)	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 ☐	Piedmont	Yes ☒	No ☐

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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 ☒	Piedmont	Yes ☐	No ☒

Number of shares of Common stock outstanding at June 30, 2017:

Registrant	Description	Shares
Duke Energy	Common stock, $0.001 par value	699,950,383

This combined Form 10-Q is filed separately by eight registrants: Duke Energy, Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio, Duke Energy Indiana and Piedmont (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, Duke Energy Indiana and Piedmont 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, including those related to 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 rate case proceedings and 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;
- 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 sustained downturns of the economy and the economic health of our service territories or variations in customer usage patterns, including energy efficiency efforts and use of alternative energy sources, such as 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 private 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 and natural gas markets and continued industry consolidation;
- 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, including extreme weather associated with climate change;
- 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 ability to complete necessary or desirable pipeline expansion or infrastructure projects in our natural gas business;
- Operational interruptions to our gas distribution and transmission activities;
- The availability of adequate interstate pipeline transportation capacity and natural gas supply;
- 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, including the financial stability of third-party service providers;
- The timing and extent of changes in commodity prices and interest 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;
- Credit ratings of the Duke Energy Registrants may be different from what is expected;
- 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 the 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;

- Substantial revision to the U.S. tax code, such as changes to the corporate tax rate or material change in the deductibility of interest;
- The impact of potential goodwill impairments;
- The ability to successfully complete future merger, acquisition or divestiture plans;
- The ability to successfully integrate the natural gas businesses following the acquisition of Piedmont Natural Gas Company, Inc. and realize anticipated benefits; and
- The ability to implement our business strategy.

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)	**2017**	**2016**	**2017**	**2016**
Operating Revenues				
Regulated electric	$ 5,118	$ 4,965	$ 10,031	$ 10,018
Regulated natural gas	275	97	921	266
Nonregulated electric and other	162	151	332	306
Total operating revenues	5,555	5,213	11,284	10,590
Operating Expenses				
Fuel used in electric generation and purchased power	1,541	1,521	2,990	3,109
Cost of natural gas	76	9	334	58
Operation, maintenance and other	1,407	1,351	2,840	2,767
Depreciation and amortization	835	790	1,694	1,583
Property and other taxes	307	290	611	585
Impairment charges	9	1	9	4
Total operating expenses	4,175	3,962	8,478	8,106
Gains on Sales of Other Assets and Other, net	7	8	18	15
Operating Income	1,387	1,259	2,824	2,499
Other Income and Expenses				
Equity in earnings of unconsolidated affiliates	36	15	65	23
Other income and expenses, net	81	81	167	151
Total other income and expenses	117	96	232	174
Interest Expense	486	478	977	967
Income From Continuing Operations Before Income Taxes	1,018	877	2,079	1,706
Income Tax Expense from Continuing Operations	327	253	671	505
Income From Continuing Operations	691	624	1,408	1,201
(Loss) Income From Discontinued Operations, net of tax	(2)	(112)	(2)	10
Net Income	689	512	1,406	1,211
Less: Net Income Attributable to Noncontrolling Interests	3	3	4	8
Net Income Attributable to Duke Energy Corporation	$ 686	$ 509	$ 1,402	$ 1,203
Earnings Per Share – Basic and Diluted				
Income from continuing operations attributable to Duke Energy Corporation common stockholders				
Basic	$ 0.98	$ 0.90	$ 2.00	$ 1.73
Diluted	$ 0.98	$ 0.90	$ 2.00	$ 1.73
(Loss) Income from discontinued operations attributable to Duke Energy Corporation common stockholders				
Basic	$ —	$ (0.16)	$ —	$ 0.01
Diluted	$ —	$ (0.16)	$ —	$ 0.01
Net income attributable to Duke Energy Corporation common stockholders				
Basic	$ 0.98	$ 0.74	$ 2.00	$ 1.74
Diluted	$ 0.98	$ 0.74	$ 2.00	$ 1.74
Weighted average shares outstanding				
Basic	700	689	700	689
Diluted	700	690	700	689

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)	**2017**	**2016**	**2017**	**2016**
Net Income	$ 689	$ 512	$ 1,406	$ 1,211
Other Comprehensive Income, net of tax				
Foreign currency translation adjustments	—	58	—	107
Pension and OPEB adjustments	1	2	2	2
Net unrealized losses on cash flow hedges	(6)	(11)	(4)	(25)
Reclassification into earnings from cash flow hedges	4	—	5	2
Unrealized gains on available-for-sale securities	4	3	8	7
Other Comprehensive Income, net of tax	3	52	11	93
Comprehensive Income	692	564	1,417	1,304
Less: Comprehensive Income Attributable to Noncontrolling Interests	3	6	4	12
Comprehensive Income Attributable to Duke Energy Corporation	$ 689	$ 558	$ 1,413	$ 1,292

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY CORPORATION
Condensed Consolidated Balance Sheets
(Unaudited)

(in millions)	June 30, 2017	December 31, 2016
ASSETS		
Current Assets		
Cash and cash equivalents	$ 298	$ 392
Receivables (net of allowance for doubtful accounts of $13 at 2017 and $14 at 2016)	498	751
Receivables of VIEs (net of allowance for doubtful accounts of $56 at 2017 and $54 at 2016)	1,880	1,893
Inventory	3,369	3,522
Regulatory assets (includes $52 at 2017 and $50 at 2016 related to VIEs)	1,192	1,023
Other	436	458
Total current assets	7,673	8,039
Property, Plant and Equipment		
Cost	124,439	121,397
Accumulated depreciation and amortization	(40,522)	(39,406)
Generation facilities to be retired, net	487	529
Net property, plant and equipment	84,404	82,520
Other Noncurrent Assets		
Goodwill	19,425	19,425
Regulatory assets (includes $1,121 at 2017 and $1,142 at 2016 related to VIEs)	12,808	12,878
Nuclear decommissioning trust funds	6,601	6,205
Investments in equity method unconsolidated affiliates	1,267	925
Other	2,826	2,769
Total other noncurrent assets	42,927	42,202
Total Assets	$ 135,004	$ 132,761
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$ 2,177	$ 2,994
Notes payable and commercial paper	3,488	2,487
Taxes accrued	432	384
Interest accrued	506	503
Current maturities of long-term debt (includes $212 at 2017 and $260 at 2016 related to VIEs)	3,472	2,319
Asset retirement obligations	397	411
Regulatory liabilities	286	409
Other	1,708	2,044
Total current liabilities	12,466	11,551
Long-Term Debt (includes $4,018 at 2017 and $3,587 at 2016 related to VIEs)	46,043	45,576
Other Noncurrent Liabilities		
Deferred income taxes	14,695	14,155
Asset retirement obligations	10,165	10,200
Regulatory liabilities	7,048	6,881
Accrued pension and other post-retirement benefit costs	1,108	1,111
Investment tax credits	534	493
Other	1,651	1,753
Total other noncurrent liabilities	35,201	34,593
Commitments and Contingencies		
Equity		
Common stock, $0.001 par value, 2 billion shares authorized; 700 million shares outstanding at 2017 and 2016	1	1
Additional paid-in capital	38,758	38,741
Retained earnings	2,607	2,384
Accumulated other comprehensive loss	(82)	(93)
Total Duke Energy Corporation stockholders' equity	41,284	41,033
Noncontrolling interests	10	8
Total equity	41,294	41,041
Total Liabilities and Equity	$ 135,004	$ 132,761

See Notes to Condensed Consolidated Financial Statements

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

	Six Months Ended June 30,	
(in millions)	**2017**	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 1,406	$ 1,211
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion (including amortization of nuclear fuel)	1,953	1,868
Equity component of AFUDC	(125)	(87)
Gains on sales of other assets	(20)	(18)
Impairment charges	9	198
Deferred income taxes	669	285
Equity in earnings of unconsolidated affiliates	(65)	(23)
Accrued pension and other post-retirement benefit costs	13	8
Payments for asset retirement obligations	(272)	(263)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	(12)	199
Receivables	293	(38)
Inventory	153	178
Other current assets	(148)	(51)
Increase (decrease) in		
Accounts payable	(505)	(153)
Taxes accrued	41	216
Other current liabilities	(531)	(281)
Other assets	(101)	(9)
Other liabilities	(2)	(15)
Net cash provided by operating activities	2,756	3,225
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(3,931)	(3,393)
Contributions to equity method investments	(287)	(136)
Purchases of available-for-sale securities	(2,412)	(3,033)
Proceeds from sales and maturities of available-for-sale securities	2,439	3,059
Change in restricted cash	(44)	(21)
Other	(89)	(84)
Net cash used in investing activities	(4,324)	(3,608)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the:		
Issuance of long-term debt	2,734	3,514
Issuance of common stock related to employee benefit plans	—	7
Payments for the redemption of long-term debt	(1,009)	(795)
Proceeds from the issuance of short-term debt with original maturities greater than 90 days	230	500
Payments for the redemption of short-term debt with original maturities greater than 90 days	(32)	(492)
Notes payable and commercial paper	783	(1,349)
Dividends paid	(1,200)	(1,140)
Other	(32)	(43)
Net cash provided by financing activities	1,474	202
Changes in cash and cash equivalents associated with assets held for sale	—	79
Net decrease in cash and cash equivalants	(94)	(102)
Cash and cash equivalents at beginning of period	392	383
Cash and cash equivalents at end of period	$ 298	$ 281
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$ 589	$ 670

See Notes to Condensed Consolidated Financial Statements

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

(in millions)	Common Stock Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss: Foreign Currency Translation Adjustments	Net Losses on Cash Flow Hedges	Net Unrealized (Losses) Gains on Available-for-Sale-Securities	Pension and OPEB Adjustments	Total Duke Energy Corporation Stockholders' Equity	Noncontrolling Interests	Total Equity
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
Balance at December 31, 2016	700	$ 1	$ 38,741	$ 2,384	$ —	$ (20)	$ (1)	$ (72)	$ 41,033	$ 8	$ 41,041
Net income	—	—	—	1,402	—	—	—	—	1,402	4	1,406
Other comprehensive income	—	—	—	—	—	1	8	2	11	—	11
Common stock issuances, including dividend reinvestment and employee benefits	—	—	17	—	—	—	—	—	17	—	17
Common stock dividends	—	—	—	(1,200)	—	—	—	—	(1,200)	—	(1,200)
Distributions to noncontrolling interest in subsidiaries	—	—	—	—	—	—	—	—	—	(2)	(2)
Other[(a)]	—	—	—	21	—	—	—	—	21	—	21
Balance at June 30, 2017	700	$ 1	$ 38,758	$ 2,607	$ —	$ (19)	$ 7	$ (70)	$ 41,284	$ 10	$ 41,294

(a) Cumulative-effect adjustment due to implementation of a new accounting standard related to stock-based compensation and the associated income taxes. See Note 1 for more information.

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)	2017	2016	2017	2016
Operating Revenues	$ 1,729	$ 1,675	$ 3,445	$ 3,415
Operating Expenses				
Fuel used in electric generation and purchased power	435	389	863	810
Operation, maintenance and other	469	476	951	988
Depreciation and amortization	269	275	523	534
Property and other taxes	71	71	139	138
Total operating expenses	1,244	1,211	2,476	2,470
Operating Income	485	464	969	945
Other Income and Expenses, net	36	45	73	82
Interest Expense	103	107	206	214
Income Before Income Taxes	418	402	836	813
Income Tax Expense	145	141	293	281
Net Income	$ 273	$ 261	$ 543	$ 532
Other Comprehensive Income, net of tax				
Reclassification into earnings from cash flow hedges	1	—	1	1
Comprehensive Income	$ 274	$ 261	$ 544	$ 533

See Notes to Condensed Consolidated Financial Statements

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

(in millions)	June 30, 2017	December 31, 2016
ASSETS		
Current Assets		
Cash and cash equivalents	$ 16	$ 14
Receivables (net of allowance for doubtful accounts of $2 at 2017 and 2016)	165	160
Receivables of VIEs (net of allowance for doubtful accounts of $7 at 2017 and 2016)	611	645
Receivables from affiliated companies	85	163
Notes receivable from affiliated companies	—	66
Inventory	1,066	1,055
Regulatory assets	249	238
Other	34	37
Total current assets	2,226	2,378
Property, Plant and Equipment		
Cost	41,881	41,127
Accumulated depreciation and amortization	(14,632)	(14,365)
Net property, plant and equipment	27,249	26,762
Other Noncurrent Assets		
Regulatory assets	3,060	3,159
Nuclear decommissioning trust funds	3,499	3,273
Other	929	943
Total other noncurrent assets	7,488	7,375
Total Assets	$ 36,963	$ 36,515
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$ 639	$ 833
Accounts payable to affiliated companies	127	247
Notes payable to affiliated companies	534	—
Taxes accrued	162	143
Interest accrued	104	102
Current maturities of long-term debt	704	116
Asset retirement obligations	227	222
Regulatory liabilities	115	161
Other	409	468
Total current liabilities	3,021	2,292
Long-Term Debt	8,520	9,187
Long-Term Debt Payable to Affiliated Companies	300	300
Other Noncurrent Liabilities		
Deferred income taxes	6,742	6,544
Asset retirement obligations	3,644	3,673
Regulatory liabilities	2,885	2,840
Accrued pension and other post-retirement benefit costs	103	97
Investment tax credits	235	203
Other	574	607
Total other noncurrent liabilities	14,183	13,964
Commitments and Contingencies		
Equity		
Member's equity	10,947	10,781
Accumulated other comprehensive loss	(8)	(9)
Total equity	10,939	10,772
Total Liabilities and Equity	$ 36,963	$ 36,515

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)	**2017**	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 543	$ 532
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including amortization of nuclear fuel)	688	673
Equity component of AFUDC	(59)	(48)
Deferred income taxes	283	273
Accrued pension and other post-retirement benefit costs	—	2
Payments for asset retirement obligations	(123)	(118)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	24	3
Receivables	36	(48)
Receivables from affiliated companies	78	36
Inventory	(14)	102
Other current assets	(21)	24
Increase (decrease) in		
Accounts payable	(125)	(226)
Accounts payable to affiliated companies	(120)	(56)
Taxes accrued	19	188
Other current liabilities	(140)	28
Other assets	(44)	22
Other liabilities	(15)	(14)
Net cash provided by operating activities	1,010	1,373
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,092)	(1,031)
Purchases of available-for-sale securities	(1,225)	(1,395)
Proceeds from sales and maturities of available-for-sale securities	1,228	1,395
Notes receivable from affiliated companies	66	(89)
Other	(29)	(41)
Net cash used in investing activities	(1,052)	(1,161)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	—	992
Payments for the redemption of long-term debt	(114)	(1)
Notes payable to affiliated companies	534	—
Distributions to parent	(375)	(1,200)
Other	(1)	—
Net cash provided by (used in) financing activities	44	(209)
Net increase in cash and cash equivalents	2	3
Cash and cash equivalents at beginning of period	14	13
Cash and cash equivalents at end of period	$ 16	$ 16
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$ 200	$ 228

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		Total Equity
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
Balance at December 31, 2016	$	10,781	$	(9)	$	10,772
Net income		543		—		543
Other comprehensive income		—		1		1
Distributions to parent		(375)		—		(375)
Other		(2)		—		(2)
Balance at June 30, 2017	$	10,947	$	(8)	$	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)	**2017**	**2016**	**2017**	**2016**
Operating Revenues	$ 2,392	$ 2,348	$ 4,571	$ 4,680
Operating Expenses				
Fuel used in electric generation and purchased power	831	852	1,557	1,712
Operation, maintenance and other	534	525	1,078	1,117
Depreciation and amortization	311	296	624	586
Property and other taxes	129	120	246	239
Impairment charges	2	1	2	3
Total operating expenses	1,807	1,794	3,507	3,657
Gains on Sales of Other Assets and Other, net	6	6	14	12
Operating Income	591	560	1,078	1,035
Other Income and Expenses, net	21	28	45	48
Interest Expense	196	160	402	320
Income Before Income Taxes	416	428	721	763
Income Tax Expense	139	154	243	277
Net Income	277	274	478	486
Less: Net Income Attributable to Noncontrolling Interests	3	2	5	5
Net Income Attributable to Parent	$ 274	$ 272	$ 473	$ 481
Net Income	$ 277	$ 274	$ 478	$ 486
Other Comprehensive Income, net of tax				
Pension and OPEB adjustments	1	1	2	2
Net unrealized gain on cash flow hedges	5	—	6	—
Reclassification into earnings from cash flow hedges	—	2	—	3
Unrealized gains on available-for-sale securities	1	—	2	1
Other Comprehensive Income, net of tax	7	3	10	6
Comprehensive Income	284	277	488	492
Less: Comprehensive Income Attributable to Noncontrolling Interests	3	2	5	5
Comprehensive Income Attributable to Parent	$ 281	$ 275	$ 483	$ 487

See Notes to Condensed Consolidated Financial Statements

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

(in millions)	June 30, 2017	December 31, 2016
ASSETS		
Current Assets		
Cash and cash equivalents	$ 39	$ 46
Receivables (net of allowance for doubtful accounts of $4 at 2017 and $6 at 2016)	95	114
Receivables of VIEs (net of allowance for doubtful accounts of $7 at 2017 and 2016)	777	692
Receivables from affiliated companies	3	106
Notes receivable from affiliated companies	140	80
Inventory	1,621	1,717
Regulatory assets (includes $52 at 2017 and $50 at 2016 related to VIEs)	533	401
Other	196	148
Total current assets	3,404	3,304
Property, Plant and Equipment		
Cost	46,317	44,864
Accumulated depreciation and amortization	(15,652)	(15,212)
Generation facilities to be retired, net	487	529
Net property, plant and equipment	31,152	30,181
Other Noncurrent Assets		
Goodwill	3,655	3,655
Regulatory assets (includes $1,121 at 2017 and $1,142 at 2016 related to VIEs)	5,853	5,722
Nuclear decommissioning trust funds	3,102	2,932
Other	865	856
Total other noncurrent assets	13,475	13,165
Total Assets	$ 48,031	$ 46,650
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$ 649	$ 1,003
Accounts payable to affiliated companies	208	348
Notes payable to affiliated companies	1,070	729
Taxes accrued	165	83
Interest accrued	228	201
Current maturities of long-term debt (includes $55 at 2017 and $62 at 2016 related to VIEs)	1,022	778
Asset retirement obligations	170	189
Regulatory liabilities	120	189
Other	660	745
Total current liabilities	4,292	4,265
Long-Term Debt (includes $1,711 at 2017 and $1,741 at 2016 related to VIEs)	15,950	15,590
Long-Term Debt Payable to Affiliated Companies	1,173	1,173
Other Noncurrent Liabilities		
Deferred income taxes	5,662	5,246
Asset retirement obligations	5,288	5,286
Regulatory liabilities	2,511	2,395
Accrued pension and other post-retirement benefit costs	537	547
Other	321	341
Total other noncurrent liabilities	14,319	13,815
Commitments and Contingencies		
Equity		
Common stock, $0.01 par value, 100 shares authorized and outstanding at 2017 and 2016	—	—
Additional paid-in capital	8,096	8,094
Retained earnings	4,237	3,764
Accumulated other comprehensive loss	(28)	(38)
Total Progress Energy, Inc. stockholders' equity	12,305	11,820
Noncontrolling interests	(8)	(13)

Total equity		12,297		[illegible]
Total Liabilities and Equity	**$**	**48,031**	$	46,650

See Notes to Condensed Consolidated Financial Statements

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

	Six Months Ended June 30,	
(in millions)	**2017**	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 478	$ 486
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion (including amortization of nuclear fuel)	733	696
Equity component of AFUDC	(48)	(30)
Gains on sales of other assets	(15)	(15)
Impairment charges	2	3
Deferred income taxes	412	285
Accrued pension and other post-retirement benefit costs	(5)	(12)
Payments for asset retirement obligations	(128)	(126)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	—	32
Receivables	(64)	(66)
Receivables from affiliated companies	99	306
Inventory	95	25
Other current assets	(200)	45
Increase (decrease) in		
Accounts payable	(211)	(26)
Accounts payable to affiliated companies	(140)	(79)
Taxes accrued	81	90
Other current liabilities	(148)	(162)
Other assets	(70)	(72)
Other liabilities	(18)	15
Net cash provided by operating activities	853	1,395
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,733)	(1,441)
Purchases of available-for-sale securities	(1,108)	(1,570)
Proceeds from sales and maturities of available-for-sale securities	1,123	1,594
Proceeds from insurance	4	58
Notes receivable from affiliated companies	(60)	—
Change in restricted cash	5	(6)
Other	(26)	(14)
Net cash used in investing activities	(1,795)	(1,379)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	923	1,338
Payments for the redemption of long-term debt	(326)	(320)
Notes payable to affiliated companies	341	(392)
Dividends to parent	—	(651)
Other	(3)	(1)
Net cash provided by (used in) financing activities	935	(26)
Net decrease in cash and cash equivalents	(7)	(10)
Cash and cash equivalents at beginning of period	46	44
Cash and cash equivalents at end of period	$ 39	$ 34
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$ 174	$ 288

See Notes to Condensed Consolidated Financial Statements

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

			Accumulated Other Comprehensive Loss					
(in millions)	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, 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
Balance at December 31, 2016	$ 8,094	$ 3,764	$ (23)	$ 1	$ (16)	$ 11,820	$ (13)	$11,807
Net income	—	473	—	—	—	473	5	478
Other comprehensive income	—	—	6	2	2	10	—	10
Other	2	—	—	—	—	2	—	2
Balance at June 30, 2017	**$ 8,096**	**$ 4,237**	**$ (17)**	**$ 3**	**$ (14)**	**$ 12,305**	**$ (8)**	**$12,297**

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)	2017	2016	2017	2016
Operating Revenues	$ 1,199	$ 1,213	$ 2,418	$ 2,520
Operating Expenses				
Fuel used in electric generation and purchased power	375	424	739	872
Operation, maintenance and other	330	321	680	707
Depreciation and amortization	173	175	354	350
Property and other taxes	40	38	80	79
Total operating expenses	918	958	1,853	2,008
Gains on Sales of Other Assets and Other, net	1	—	3	1
Operating Income	282	255	568	513
Other Income and Expenses, net	14	12	33	29
Interest Expense	70	64	152	127
Income Before Income Taxes	226	203	449	415
Income Tax Expense	72	72	148	147
Net Income and Comprehensive Income	$ 154	$ 131	$ 301	$ 268

See Notes to Condensed Consolidated Financial Statements

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

(in millions)		June 30, 2017		December 31, 2016
ASSETS				
Current Assets				
Cash and cash equivalents	$	12	$	11
Receivables (net of allowance for doubtful accounts of $1 at 2017 and $4 at 2016)		32		51
Receivables of VIEs (net of allowance for doubtful accounts of $5 at 2017 and 2016)		422		404
Receivables from affiliated companies		5		5
Notes receivable from affiliated companies		—		165
Inventory		1,053		1,076
Regulatory assets		212		188
Other		76		57
Total current assets		1,812		1,957
Property, Plant and Equipment				
Cost		28,936		28,419
Accumulated depreciation and amortization		(10,734)		(10,561)
Generation facilities to be retired, net		487		529
Net property, plant and equipment		18,689		18,387
Other Noncurrent Assets				
Regulatory assets		3,379		3,243
Nuclear decommissioning trust funds		2,380		2,217
Other		536		525
Total other noncurrent assets		6,295		5,985
Total Assets	$	26,796	$	26,329
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable	$	277	$	589
Accounts payable to affiliated companies		169		227
Notes payable to affiliated companies		633		—
Taxes accrued		61		104
Interest accrued		101		102
Current maturities of long-term debt		203		452
Asset retirement obligations		170		189
Regulatory liabilities		113		158
Other		308		365
Total current liabilities		2,035		2,186
Long-Term Debt		6,407		6,409
Long-Term Debt Payable to Affiliated Companies		150		150
Other Noncurrent Liabilities				
Deferred income taxes		3,539		3,323
Asset retirement obligations		4,520		4,508
Regulatory liabilities		2,048		1,946
Accrued pension and other post-retirement benefit costs		246		252
Investment tax credits		145		146
Other		47		51
Total other noncurrent liabilities		10,545		10,226
Commitments and Contingencies				
Equity				
Member's Equity		7,659		7,358
Total Liabilities and Equity	$	26,796	$	26,329

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)	**2017**	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 301	$ 268
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including amortization of nuclear fuel)	453	451
Equity component of AFUDC	(26)	(20)
Gains on sales of other assets	(4)	(3)
Deferred income taxes	224	172
Accrued pension and other post-retirement benefit costs	(10)	(16)
Payments for asset retirement obligations	(101)	(100)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	(3)	(1)
Receivables	3	(19)
Receivables from affiliated companies	—	7
Inventory	23	20
Other current assets	(50)	131
Increase (decrease) in		
Accounts payable	(218)	(28)
Accounts payable to affiliated companies	(58)	(56)
Taxes accrued	(43)	56
Other current liabilities	(111)	(12)
Other assets	(37)	(26)
Other liabilities	(9)	(6)
Net cash provided by operating activities	334	818
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(840)	(704)
Purchases of available-for-sale securities	(819)	(1,299)
Proceeds from sales and maturities of available-for-sale securities	805	1,284
Notes receivable from affiliated companies	165	—
Other	(22)	(19)
Net cash used in investing activities	(711)	(738)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	15	59
Payments for the redemption of long-term debt	(269)	(15)
Notes payable to affiliated companies	633	(131)
Other	(1)	—
Net cash provided by (used in) financing activities	378	(87)
Net increase (decrease) in cash and cash equivalents	1	(7)
Cash and cash equivalents at beginning of period	11	15
Cash and cash equivalents at end of period	$ 12	$ 8
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$ 52	$ 73

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY PROGRESS, LLC
Condensed Consolidated Statements of Changes in Equity
(Unaudited)

(in millions)	Member's Equity
Balance at December 31, 2015	$ 7,059
Net income	268
Balance at June 30, 2016	$ 7,327
Balance at December 31, 2016	$ 7,358
Net income	**301**
Balance at June 30, 2017	**$ 7,659**

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)	2017	2016	2017	2016
Operating Revenues	$ 1,191	$ 1,133	$ 2,150	$ 2,157
Operating Expenses				
Fuel used in electric generation and purchased power	455	429	817	841
Operation, maintenance and other	203	199	394	404
Depreciation and amortization	137	122	269	236
Property and other taxes	89	82	166	160
Impairment charges	1	1	2	3
Total operating expenses	885	833	1,648	1,644
Operating Income	306	300	502	513
Other Income and Expenses, net	14	14	30	19
Interest Expense	70	40	140	81
Income Before Income Taxes	250	274	392	451
Income Tax Expense	92	103	144	170
Net Income	$ 158	$ 171	$ 248	$ 281
Other Comprehensive Income, net of tax				
Unrealized gains on available-for-sale securities	1	—	2	1
Comprehensive Income	$ 159	$ 171	$ 250	$ 282

See Notes to Condensed Consolidated Financial Statements

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

(in millions)	June 30, 2017	December 31, 2016
ASSETS		
Current Assets		
Cash and cash equivalents	$ 8	$ 16
Receivables (net of allowance for doubtful accounts of $3 at 2017 and $2 at 2016)	61	61
Receivables of VIEs (net of allowance for doubtful accounts of $2 at 2017 and 2016)	354	288
Receivables from affiliated companies	1	5
Notes receivable from affiliated companies	230	—
Inventory	568	641
Regulatory assets (includes $52 at 2017 and $50 at 2016 related to VIEs)	321	213
Other (includes $33 at 2017 and $53 at 2016 related to VIEs)	50	125
Total current assets	1,593	1,349
Property, Plant and Equipment		
Cost	17,369	16,434
Accumulated depreciation and amortization	(4,910)	(4,644)
Net property, plant and equipment	12,459	11,790
Other Noncurrent Assets		
Regulatory assets (includes $1,121 at 2017 and $1,142 at 2016 related to VIEs)	2,474	2,480
Nuclear decommissioning trust funds	723	715
Other	279	278
Total other noncurrent assets	3,476	3,473
Total Assets	$ 17,528	$ 16,612
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$ 372	$ 413
Accounts payable to affiliated companies	42	125
Notes payable to affiliated companies	—	297
Taxes accrued	112	33
Interest accrued	58	49
Current maturities of long-term debt (includes $55 at 2017 and $62 at 2016 related to VIEs)	819	326
Regulatory liabilities	7	31
Other	322	352
Total current liabilities	1,732	1,626
Long-Term Debt (includes $1,414 at 2017 and $1,442 at 2016 related to VIEs)	6,160	5,799
Other Noncurrent Liabilities		
Deferred income taxes	2,893	2,694
Asset retirement obligations	768	778
Regulatory liabilities	462	448
Accrued pension and other post-retirement benefit costs	258	262
Other	103	105
Total other noncurrent liabilities	4,484	4,287
Commitments and Contingencies		
Equity		
Member's equity	5,149	4,899
Accumulated other comprehensive income	3	1
Total equity	5,152	4,900
Total Liabilities and Equity	$ 17,528	$ 16,612

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)	**2017**	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 248	$ 281
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	274	239
Equity component of AFUDC	(22)	(9)
Impairment charges	2	3
Deferred income taxes	186	113
Accrued pension and other post-retirement benefit costs	2	1
Payments for asset retirement obligations	(27)	(25)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	2	34
Receivables	(65)	(49)
Receivables from affiliated companies	—	23
Inventory	72	5
Other current assets	(47)	(13)
Increase (decrease) in		
Accounts payable	7	3
Accounts payable to affiliated companies	(83)	(16)
Taxes accrued	78	5
Other current liabilities	(57)	(142)
Other assets	(32)	(47)
Other liabilities	(5)	20
Net cash provided by operating activities	533	426
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(893)	(737)
Purchases of available-for-sale securities	(289)	(271)
Proceeds from sales and maturities of available-for-sale securities	318	310
Proceeds from insurance	4	58
Notes receivable from affiliated companies	(230)	—
Change in restricted cash	—	(6)
Other	(4)	5
Net cash used in investing activities	(1,094)	(641)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	908	1,278
Payments for the redemption of long-term debt	(57)	(5)
Notes payable to affiliated companies	(297)	(407)
Distributions to parent	—	(649)
Other	(1)	(2)
Net cash provided by financing activities	553	215
Net decrease in cash and cash equivalents	(8)	—
Cash and cash equivalents at beginning of period	16	8
Cash and cash equivalents at end of period	$ 8	$ 8
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$ 122	$ 215

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY FLORIDA, LLC
Condensed Consolidated Statements of Changes in Equity
(Unaudited)

				Accumulated Other Comprehensive Income		
(in millions)		Member's Equity		Net Unrealized Gains on Available-for-Sale Securities		Total Equity
Balance at December 31, 2015	$	5,121	$	—	$	5,121
Net income		281		—		281
Other comprehensive income		—		1		1
Distribution to parent		(649)		—		(649)
Balance at June 30, 2016	$	4,753	$	1	$	4,754
Balance at December 31, 2016	$	4,899	$	1	$	4,900
Net income		248		—		248
Other comprehensive income		—		2		2
Other		2		—		2
Balance at June 30, 2017	$	5,149	$	3	$	5,152

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)	**2017**	**2016**	**2017**	**2016**
Operating Revenues				
Regulated electric	$ 328	$ 323	$ 665	$ 663
Regulated natural gas	100	99	270	269
Nonregulated electric and other	9	6	20	12
Total operating revenues	437	428	955	944
Operating Expenses				
Fuel used in electric generation and purchased power – regulated	86	100	183	211
Fuel used in electric generation and purchased power – nonregulated	14	13	29	23
Cost of natural gas	10	9	64	58
Operation, maintenance and other	131	122	261	241
Depreciation and amortization	63	64	130	125
Property and other taxes	67	65	139	136
Impairment charges	1	—	1	—
Total operating expenses	372	373	807	794
Gains on Sales of Other Assets and Other, net	—	—	—	1
Operating Income	65	55	148	151
Other Income and Expenses, net	4	1	8	3
Interest Expense	23	21	45	41
Income From Continuing Operations Before Income Taxes	46	35	111	113
Income Tax Expense From Continuing Operations	16	12	39	33
Income From Continuing Operations	30	23	72	80
Income From Discontinued Operations, net of tax	—	—	—	2
Net Income and Comprehensive Income	$ 30	$ 23	$ 72	$ 82

See Notes to Condensed Consolidated Financial Statements

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

(in millions)	June 30, 2017	December 31, 2016
ASSETS		
Current Assets		
Cash and cash equivalents	$ 9	$ 13
Receivables (net of allowance for doubtful accounts of $2 at 2017 and 2016)	61	71
Receivables from affiliated companies	74	129
Notes receivable from affiliated companies	63	94
Inventory	134	137
Regulatory assets	42	37
Other	38	37
Total current assets	421	518
Property, Plant and Equipment		
Cost	8,348	8,126
Accumulated depreciation and amortization	(2,626)	(2,579)
Net property, plant and equipment	5,722	5,547
Other Noncurrent Assets		
Goodwill	920	920
Regulatory assets	519	520
Other	23	23
Total other noncurrent assets	1,462	1,463
Total Assets	$ 7,605	$ 7,528
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$ 267	$ 282
Accounts payable to affiliated companies	47	63
Notes payable to affiliated companies	24	16
Taxes accrued	100	178
Interest accrued	19	19
Current maturities of long-term debt	1	1
Regulatory liabilities	16	21
Other	77	91
Total current liabilities	551	671
Long-Term Debt	1,951	1,858
Long-Term Debt Payable to Affiliated Companies	25	25
Other Noncurrent Liabilities		
Deferred income taxes	1,506	1,443
Asset retirement obligations	76	77
Regulatory liabilities	240	236
Accrued pension and other post-retirement benefit costs	56	56
Other	157	166
Total other noncurrent liabilities	2,035	1,978
Commitments and Contingencies		
Equity		
Common stock, $8.50 par value, 120 million shares authorized; 90 million shares outstanding at 2017 and 2016	762	762
Additional paid-in capital	2,670	2,695
Accumulated deficit	(389)	(461)
Total equity	3,043	2,996
Total Liabilities and Equity	$ 7,605	$ 7,528

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)	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 72	$ 82
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	132	127
Equity component of AFUDC	(5)	(2)
Gains on sales of other assets	—	(1)
Impairment charges	1	—
Deferred income taxes	64	68
Accrued pension and other post-retirement benefit costs	2	3
Payments for asset retirement obligations	(3)	(3)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	—	(2)
Receivables	11	3
Receivables from affiliated companies	55	49
Inventory	6	(5)
Other current assets	(11)	49
Increase (decrease) in		
Accounts payable	(4)	8
Accounts payable to affiliated companies	(16)	23
Taxes accrued	(79)	(68)
Other current liabilities	(15)	(66)
Other assets	(12)	(8)
Other liabilities	(8)	(9)
Net cash provided by operating activities	190	248
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(286)	(214)
Notes receivable from affiliated companies	31	(186)
Other	(13)	(13)
Net cash used in investing activities	(268)	(413)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	93	341
Payments for the redemption of long-term debt	(1)	(52)
Notes payable to affiliated companies	8	(103)
Dividends to parent	(25)	(25)
Other	(1)	—
Net cash provided by financing activities	74	161
Net decrease in cash and cash equivalents	(4)	(4)
Cash and cash equivalents at beginning of period	13	14
Cash and cash equivalents at end of period	$ 9	$ 10
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$ 59	$ 30

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, 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
Balance at December 31, 2016	$ 762	$ 2,695	$ (461)	$ 2,996
Net income	—	—	72	72
Dividends to parent	—	(25)	—	(25)
Balance at June 30, 2017	$ 762	$ 2,670	$ (389)	$ 3,043

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)	**2017**	**2016**	**2017**	**2016**
Operating Revenues	$ 742	$ 702	$ 1,500	$ 1,416
Operating Expenses				
Fuel used in electric generation and purchased power	234	220	485	448
Operation, maintenance and other	192	189	366	351
Depreciation and amortization	91	97	216	222
Property and other taxes	15	22	37	45
Total operating expenses	532	528	1,104	1,066
Operating Income	210	174	396	350
Other Income and Expenses, net	9	6	17	10
Interest Expense	44	47	88	91
Income Before Income Taxes	175	133	325	269
Income Tax Expense	69	48	128	89
Net Income	$ 106	$ 85	$ 197	$ 180
Other Comprehensive Loss, net of tax				
Reclassification into earnings from cash flow hedges	—	—	—	(1)
Comprehensive Income	$ 106	$ 85	$ 197	$ 179

See Notes to Condensed Consolidated Financial Statements

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

(in millions)	June 30, 2017	December 31, 2016
ASSETS		
Current Assets		
Cash and cash equivalents	$ 17	$ 17
Receivables (net of allowance for doubtful accounts of $1 at 2017 and 2016)	45	105
Receivables from affiliated companies	87	114
Notes receivable from affiliated companies	19	86
Inventory	470	504
Regulatory assets	159	149
Other	88	45
Total current assets	885	1,020
Property, Plant and Equipment		
Cost	14,573	14,241
Accumulated depreciation and amortization	(4,484)	(4,317)
Net property, plant and equipmant	10,089	9,924
Other Noncurrent Assets		
Regulatory assets	1,100	1,073
Other	159	147
Total other noncurrent assets	1,259	1,220
Total Assets	$ 12,233	$ 12,164
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$ 171	$ 263
Accounts payable to affiliated companies	50	74
Taxes accrued	28	31
Interest accrued	59	61
Current maturities of long-term debt	3	3
Regulatory liabilities	36	40
Other	122	93
Total current liabilities	469	565
Long-Term Debt	3,631	3,633
Long-Term Debt Payable to Affiliated Companies	150	150
Other Noncurrent Liabilities		
Deferred income taxes	2,011	1,900
Asset retirement obligations	865	866
Regulatory liabilities	745	748
Accrued pension and other post-retirement benefit costs	77	71
Investment tax credits	148	137
Other	23	27
Total other noncurrent liabilities	3,869	3,749
Commitments and Contingencies		
Equity		
Member's Equity	4,114	4,067
Total Liabilities and Equity	$ 12,233	$ 12,164

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)	**2017**	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 197	$ 180
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	218	223
Equity component of AFUDC	(12)	(7)
Deferred income taxes	131	36
Accrued pension and other post-retirement benefit costs	3	4
Payments for asset retirement obligations	(17)	(16)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	1	—
Receivables	73	12
Receivables from affiliated companies	27	11
Inventory	34	62
Other current assets	(15)	(19)
Increase (decrease) in		
Accounts payable	(68)	(22)
Accounts payable to affiliated companies	(24)	4
Taxes accrued	(3)	(42)
Other current liabilities	(11)	(60)
Other assets	(13)	(29)
Other liabilities	(9)	44
Net cash provided by operating activities	512	381
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(397)	(325)
Purchases of available-for-sale securities	(10)	(7)
Proceeds from sales and maturities of available-for-sale securities	4	5
Notes receivable from affiliated companies	67	(64)
Other	(23)	(6)
Net cash used in investing activities	(359)	(397)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	—	495
Payments for the redemption of long-term debt	(2)	(326)
Distributions to parent	(150)	(149)
Other	(1)	(1)
Net cash (used in) provided by financing activities	(153)	19
Net increase in cash and cash equivalents	—	3
Cash and cash equivalents at beginning of period	17	9
Cash and cash equivalents at end of period	$ 17	$ 12
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$ 81	$ 43

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY INDIANA, LLC
Condensed Consolidated Statements of Changes in Equity
(Unaudited)

(in millions)	Common Stock	Additional Paid-in Capital	Retained Earnings	Member's Equity	Accumulated Other Comprehensive Income: Net Gains on Cash Flow Hedges	Total Equity
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
Balance at December 31, 2016	$ —	$ —	$ —	$ 4,067	$ —	$ 4,067
Net income	—	—	—	197	—	197
Distributions to parent	—	—	—	(150)	—	(150)
Balance at June 30, 2017	$ —	$ —	$ —	$ 4,114	$ —	$ 4,114

See Notes to Condensed Consolidated Financial Statements

PIEDMONT NATURAL GAS COMPANY, INC.
Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Operating Revenues				
Regulated natural gas	$ 198	$ 179	$ 696	$ 660
Nonregulated natural gas and other	3	3	5	5
Total operating revenues	201	182	701	665
Operating Expenses				
Cost of natural gas	65	50	270	247
Operation, maintenance and other	76	73	153	147
Depreciation and amortization	36	34	71	68
Property and other taxes	12	11	25	22
Impairment charges	7	—	7	—
Total operating expenses	196	168	526	484
Operating Income	5	14	175	181
Equity in Earnings of Unconsolidated Affiliates	2	7	5	23
Other income and expenses, net	(1)	—	(1)	—
Total other income and expenses	1	7	4	23
Interest Expense	19	16	39	33
(Loss) Income Before Income Taxes	(13)	5	140	171
Income Tax (Benefit) Expense	(5)	2	53	65
Net (Loss) Income and Comprehensive (Loss) Income	$ (8)	$ 3	$ 87	$ 106

See Notes to Condensed Consolidated Financial Statements

PIEDMONT NATURAL GAS COMPANY, INC.
Condensed Consolidated Balance Sheets
(Unaudited)

(in millions)	June 30, 2017	December 31, 2016
ASSETS		
Current Assets		
Cash and cash equivalents	$ 14	$ 25
Receivables (net of allowance for doubtful accounts of $4 at 2017 and $3 at 2016)	80	232
Receivables from affiliated companies	8	7
Inventory	38	66
Regulatory assets	119	124
Other	87	21
Total current assets	346	475
Property, Plant and Equipment		
Cost	6,430	6,174
Accumulated depreciation and amortization	(1,424)	(1,360)
Net property, plant and equipment	5,006	4,814
Other Noncurrent Assets		
Goodwill	49	49
Regulatory assets	346	373
Investments in equity method unconsolidated affiliates	74	212
Other	12	21
Total other noncurrent assets	481	655
Total Assets	$ 5,833	$ 5,944
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$ 105	$ 155
Accounts payable to affiliated companies	50	8
Notes payable and commercial paper	—	330
Notes payable to affiliated companies	167	—
Taxes accrued	21	67
Interest accrued	30	33
Current maturities of long-term debt	35	35
Other	67	102
Total current liabilities	475	730
Long-Term Debt	1,911	1,786
Other Noncurrent Liabilities		
Deferred income taxes	1,019	931
Asset retirement obligations	15	14
Regulatory liabilities	625	608
Accrued pension and other post-retirement benefit costs	14	14
Other	164	189
Total other noncurrent liabilities	1,837	1,756
Commitments and Contingencies		
Equity		
Common stock, no par value: 100 shares authorized and outstanding at 2017 and 2016	860	860
Retained earnings	750	812
Total equity	1,610	1,672
Total Liabilities and Equity	$ 5,833	$ 5,944

See Notes to Condensed Consolidated Financial Statements

PIEDMONT NATURAL GAS COMPANY, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30,	
(in millions)	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 87	$ 106
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	74	74
Impairment charges	7	—
Deferred income taxes	100	70
Equity in earnings from unconsolidated affiliates	(5)	(23)
Accrued pension and other post-retirement benefit costs	6	2
Payments for asset retirement obligations	—	(4)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	(39)	41
Receivables	155	90
Receivables from affiliated companies	(1)	48
Inventory	28	—
Other current assets	(64)	(93)
Increase (decrease) in		
Accounts payable	(44)	(21)
Accounts payable to affiliated companies	42	—
Taxes accrued	(46)	8
Other current liabilities	(23)	(4)
Other assets	28	49
Other liabilities	(6)	3
Net cash provided by operating activities	299	346
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(260)	(247)
Contributions to equity method investments	(12)	(22)
Other	1	(1)
Net cash used in investing activities	(271)	(270)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the:		
Issuance of long-term debt	125	—
Issuance of common stock	—	12
Payments for the redemption of long-term debt	—	(40)
Notes payable and commercial paper	(330)	(5)
Notes payable to affiliated companies	167	—
Dividends paid	—	(55)
Other	(1)	—
Net cash used in financing activities	(39)	(88)
Net decrease in cash and cash equivalents	(11)	(12)
Cash and cash equivalents at beginning of period	25	33
Cash and cash equivalents at end of period	$ 14	$ 21
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	$ 45	$ 50
Transfer of ownership interest of certain equity method investees to parent	149	—

See Notes to Condensed Consolidated Financial Statements

PIEDMONT NATURAL GAS COMPANY, INC.
Condensed Consolidated Statements of Changes in Equity
(Unaudited)

(in millions)		Common Stock		Retained Earnings		Accumulated Other Comprehensive Income: Net Loss on Hedging Activities of Unconsolidated Affiliates		Total Equity
Balance at December 31, 2015	$	728	$	731	$	(1)	$	1,458
Net income		—		106		—		106
Common stock issuances, including dividend reinvestments and employee benefits		12		—		—		12
Common stock dividends		—		(55)		—		(55)
Balance at June 30, 2016	$	740	$	782	$	(1)	$	1,521
Balance at December 31, 2016	$	860	$	812	$	—	$	1,672
Net income		—		87		—		87
Transfer of ownership interest of certain equity method investees to parent		—		(149)		—		(149)
Balance at June 30, 2017	**$**	**860**	**$**	**750**	**$**	**—**	**$**	**1,610**

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**
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	•		•	•	•	•		•	•	•	•	•			•	•	•
Piedmont Natural Gas Company, Inc.	•	•	•	•	•	•	•	•	•	•	•	•		•	•	•	•

Tables within the notes may not sum across due to (i) Progress Energy's consolidation of Duke Energy Progress, Duke Energy Florida and other subsidiaries that are not registrants, (ii) subsidiaries that are not registrants but included in the consolidated Duke Energy balances and (iii) the Piedmont registrant not included in the consolidated Duke Energy results for the three and six months ended June 30, 2016, as Piedmont results were not consolidated by Duke Energy until after the acquisition date of October 3, 2016.

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.) primarily through its direct and indirect subsidiaries. Certain Duke Energy subsidiaries are also subsidiary registrants, including 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), Duke Energy Indiana, LLC (Duke Energy Indiana) and Piedmont Natural Gas Company, Inc. (Piedmont). When discussing Duke Energy's consolidated financial information, it necessarily includes the results of its separate subsidiary registrants (collectively referred to as the Subsidiary Registrants), which, along with Duke Energy, are collectively referred to as the Duke Energy Registrants.

On October 3, 2016, Duke Energy completed the acquisition of Piedmont. Piedmont's results of operations and cash flows are included in the accompanying condensed consolidated financial statements of Duke Energy for the three and six months ended June 30, 2017, but not for the three and six months ended June 30, 2016, as Piedmont's earnings and cash flows are only included in Duke Energy's consolidated results subsequent to the acquisition date. See Note 2 for additional information regarding the acquisition.

In December 2016, Duke Energy completed an exit of the Latin American market to focus on its domestic regulated business, which was further bolstered by the acquisition of Piedmont. The sale of the International Energy business segment, excluding an equity method investment in National Methanol Company (NMC), was completed through two transactions including a sale of assets in Brazil to China Three Gorges (Luxembourg) Energy S.à.r.l. (China Three Gorges) and a sale of Duke Energy's remaining Latin American assets in Peru, Chile, Ecuador, Guatemala, El Salvador and Argentina to ISQ Enerlam Aggregator, L.P. and Enerlam (UK) Holding Ltd. (I Squared Capital) (collectively, the International Disposal Group). See Note 2 for additional information on the sale of International Energy.

The results of operations of the International Disposal Group 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 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. Substantially all of the Subsidiary Registrants' operations qualify for regulatory accounting.

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.

Progress Energy is a public utility holding company headquartered in Raleigh, North Carolina, subject to regulation by FERC. Progress Energy conducts operations through its wholly owned subsidiaries, Duke Energy Progress and Duke Energy Florida.

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.

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.

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.

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.

Piedmont is a regulated public utility primarily engaged in the distribution of natural gas in portions of North Carolina, South Carolina and Tennessee. Piedmont is subject to the regulatory provisions of the NCUC, PSCSC, Tennessee Public Utility Commission (formerly the Tennessee Regulatory Authority) (TPUC) and FERC.

BASIS OF PRESENTATION

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, 2016, and the Consolidated Financial Statements and Notes in the Piedmont Annual Report on Form 10-K for the year ended October 31, 2016.

Effective November 1, 2016, Piedmont's fiscal year-end was changed from October 31 to December 31, the year-end of Duke Energy. A transition report was filed on Form 10-Q (Form 10-QT) as of December 31, 2016, for the transition period from November 1, 2016 to December 31, 2016.

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 and natural gas 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, meter reading schedules, and the impact of weather normalization or margin decoupling mechanisms.

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

(in millions)	June 30, 2017	December 31, 2016
Duke Energy	$ 761	$ 831
Duke Energy Carolinas	310	313
Progress Energy	220	161
Duke Energy Progress	125	102
Duke Energy Florida	95	59
Duke Energy Ohio	1	2
Duke Energy Indiana	13	32
Piedmont	1	77

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, 2017	December 31, 2016
Duke Energy Ohio	$ 70	$ 97
Duke Energy Indiana	118	123

AMOUNTS ATTRIBUTABLE TO CONTROLLING INTERESTS

For the three and six months ended June 30, 2017, the Loss from Discontinued Operations, net of tax on Duke Energy's Condensed Consolidated Statements of Operations is entirely attributable to controlling interests. The following table presents Net Income Attributable to Duke Energy Corporation for continuing operations and discontinued operations for the three and six months ended June 30, 2016.

	Three Months Ended	Six Months Ended
(in millions)	June 30, 2016	June 30, 2016
Income from Continuing Operations	$ 624	$ 1,201
Income from Continuing Operations Attributable to Noncontrolling Interests	—	3
Income from Continuing Operations Attributable to Duke Energy Corporation	$ 624	$ 1,198
(Loss) Income from Discontinued Operations, net of tax	$ (112)	$ 10
Income from Discontinued Operations Attributable to Noncontrolling Interests, net of tax	3	5
(Loss) Income from Discontinued Operations Attributable to Duke Energy Corporation, net of tax	$ (115)	$ 5
Net Income	$ 512	$ 1,211
Net Income Attributable to Noncontrolling Interests	3	8
Net Income Attributable to Duke Energy Corporation	$ 509	$ 1,203

INVENTORY

Inventory is used for operations and is recorded primarily using the average cost method. Inventory related to regulated operations is valued at historical cost. Inventory related to nonregulated operations is valued at the lower of cost or market. Materials and supplies are recorded as inventory when purchased and subsequently charged to expense or capitalized to property, plant and equipment when installed. Inventory, including excess or obsolete inventory, is written-down to the lower of cost or market value. Once inventory has been written-down, it creates a new cost basis for the inventory that is not subsequently written-up. Provisions for inventory write-offs were not material at June 30, 2017, and December 31, 2016. The components of inventory are presented in the tables below.

	June 30, 2017							
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Materials and supplies	$ 2,368	$ 791	$ 1,129	$ 782	$ 347	$ 85	$ 321	$ 2
Coal	665	239	262	161	101	17	147	—
Natural gas, oil and other fuel	336	36	230	110	120	32	2	36
Total inventory	$ 3,369	$ 1,066	$ 1,621	$ 1,053	$ 568	$ 134	$ 470	$ 38

	December 31, 2016							
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Materials and supplies	$ 2,374	$ 767	$ 1,167	$ 813	$ 354	$ 84	$ 312	$ 1
Coal	774	251	314	148	166	19	190	—
Netural gas, oil and other fuel	374	37	236	115	121	34	2	65
Total inventory	$ 3,522	$ 1,055	$ 1,717	$ 1,076	$ 641	$ 137	$ 504	$ 66

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 on a net basis.

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)	**2017**	**2016**	**2017**	**2016**
Duke Energy	$ 91	$ 87	$ 182	$ 178
Duke Energy Carolinas	9	7	18	15
Progress Energy	55	50	101	96
Duke Energy Progress	4	4	9	9
Duke Energy Florida	51	46	92	87
Duke Energy Ohio	23	22	51	51
Duke Energy Indiana	3	8	10	16
Piedmont	1	—	2	1

NEW ACCOUNTING STANDARDS

The new accounting standards adopted for 2017 and 2016 had no material impact on the presentation or results of operations, cash flows or financial position of the Duke Energy Registrants. While immaterial, adoption of the following accounting standard had the most significant impact on the Duke Energy results of operations, cash flows and financial position for the six months ended June 30, 2017.

Stock-Based Compensation and Income Taxes. In first quarter 2017, Duke Energy adopted Financial Accounting Standards Board (FASB) guidance, which revised the accounting for stock-based compensation and the associated income taxes. The adopted guidance changes certain aspects of accounting for stock-based payment awards to employees including the accounting for income taxes and classification on the Condensed Consolidated Statements of Cash Flows. The primary impact to Duke Energy as a result of implementing this guidance was a cumulative-effect adjustment to retained earnings for tax benefits not previously recognized and additional income tax expense for the six months ended June 30, 2017. See the Duke Energy Condensed Consolidated Statements of Changes in Equity for further information.

The following new Accounting Standards Updates (ASUs) have been issued, but have not yet been adopted by Duke Energy, as of June 30, 2017.

Retirement Benefits. In March 2017, the FASB issued revised accounting guidance for the presentation of net periodic costs related to benefit plans. Current GAAP permits the aggregation of all the components of net periodic costs on the income statement and does not require the disclosure of the location of net periodic costs on the Condensed Consolidated Statement of Operations. Under the amended guidance, the service cost component of net periodic costs must be included within Operating income within the same line as other compensation expenses. All other components of net periodic costs must be outside of Operating income. In addition, the updated guidance permits only the service cost component of net periodic costs to be capitalized to Inventory or Property, Plant and Equipment. This represents a change from current GAAP, which permits all components of net periodic costs to be capitalized. The guidance allows for a practical expedient that permits a company to use amounts disclosed in prior-period financial statements as the estimation basis for applying the retrospective presentation requirements.

For Duke Energy, this guidance is effective for interim and annual periods beginning January 1, 2018. These amendments should be applied retrospectively for the presentation of the various components of net periodic costs and prospectively for the change in eligible costs to be capitalized. Duke Energy currently presents all of the components of net periodic costs that are not capitalized within Operation, maintenance and other on the Condensed Consolidated Statement of Operations. Under this updated guidance, Duke Energy will retrospectively reclassify all the components of net periodic costs except for the service cost component to be presented outside of Operating income. However, Duke Energy will continue to present the service cost amount not capitalized within Operation, maintenance and other as this line item includes other compensation expense. Duke Energy is currently evaluating the financial statement impact, if any, of adopting this standard and whether or not the practical expedient will be utilized.

Goodwill Impairment. In January 2017, the FASB issued revised guidance for subsequent measurement of goodwill. Under the guidance, a company will recognize an impairment to goodwill for the amount by which a reporting unit's carrying value exceeds the reporting unit's fair value, not to exceed the amount of goodwill allocated to that reporting unit. For Duke Energy, this guidance is effective for interim and annual periods beginning January 1, 2020. However, Duke Energy expects to early adopt this guidance on a prospective basis for the next annual goodwill impairment test. Duke Energy does not expect adopting this guidance will have a material impact to its results of operations or financial position.

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.

Most of Duke Energy's revenue is expected to be in scope of the new guidance. The majority of our sales, including energy provided to residential customers, are from tariff offerings that provide natural gas or electricity without a defined contractual term ("at-will"). For such arrangements, Duke Energy expects that the revenue from contracts with customers will be equivalent to the electricity or natural gas supplied and billed in that period (including estimated billings). As such, Duke Energy does not expect that there will be a significant shift in the timing or pattern of revenue recognition for such sales. The evaluation of other revenue streams is ongoing, including long-term contracts with industrial customers and long-term purchase power agreements (PPA).

Duke Energy continues to evaluate what information would be most useful for users of the financial statements, including information already provided in disclosures outside of the financial statement footnotes. These additional disclosures could include the disaggregation of revenues by geographic location, type of service, customer class or by duration of contract ("at-will" versus contracted revenue). Revenues from contracts with customers, revenue recognized under regulated operations accounting and revenue from lease accounting will also be disclosed.

Duke Energy intends to use the modified retrospective method of adoption effective January 1, 2018. This method results in a cumulative-effect adjustment that will be recorded to retained earnings as of January 1, 2018, as if the standard had always been in effect. Disclosures for 2018 will include a comparison to what would have been reported for 2018 under the current revenue recognition rules in order to assist financial statement users in understanding how revenue recognition has changed as a result of this standard and to facilitate comparability with prior year reported results, which are not restated under the modified retrospective approach.

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 financial statement impact of adopting this standard and is continuing to monitor industry implementation issues, including easements, pole attachments and renewable power purchase agreements. Other than an expected increase in assets and liabilities, the ultimate impact of the new standard has not yet been determined. Significant system enhancements may be required to facilitate the identification, tracking and reporting of potential leases based upon requirements of the new lease standard.

Statement of Cash Flows. In November 2016, the FASB issued revised accounting guidance to reduce diversity in practice for the presentation and classification of restricted cash on the statement of cash flows. Under the updated guidance, restricted cash and restricted cash equivalents will be included within beginning-of-period and end-of-period cash and cash equivalents on the statement of cash flows.

For Duke Energy, this guidance is effective for the interim and annual periods beginning January 1, 2018, although it can be early adopted. The guidance will be applied using a retrospective transition method to each period presented. Upon adoption by Duke Energy, the revised guidance will result in a change to the amount of cash and cash equivalents and restricted cash explained when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. Prior to adoption, the Duke Energy Registrants reflect changes in restricted cash within Cash Flows from Investing Activities on the Condensed Consolidated Statement of Cash Flows.

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 Accumulated other comprehensive income (AOCI). Additional disclosures will be required to present separately the financial assets and financial liabilities by measurement category and form of financial asset. An entity's equity investments that are accounted for under the equity method of accounting are not included within the scope of the new guidance.

For Duke Energy, the revised accounting guidance is effective for interim and annual periods beginning January 1, 2018, by recording a cumulative-effect adjustment to retained earnings as of January 1, 2018. This guidance is expected to have minimal impact on the Duke Energy Registrant's Condensed Consolidated Statements of Operations and Comprehensive Income as changes in the fair value of most of the Duke Energy Registrants' available-for-sale equity securities are deferred as regulatory assets or liabilities pursuant to accounting guidance for regulated operations.

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 3, 2016, Duke Energy acquired all outstanding common stock of Piedmont for a total cash purchase price of $5.0 billion and assumed Piedmont's existing long-term debt, which had a fair value of approximately $2.0 billion at the time of the acquisition. The acquisition provides a foundation for Duke Energy to establish a broader, long-term strategic natural gas infrastructure platform to complement its existing natural gas pipeline investments and regulated natural gas business in the Midwest. In connection with the closing of the acquisition, Piedmont became a wholly owned subsidiary of Duke Energy.

Purchase Price Allocation

The purchase price allocation of the Piedmont acquisition is as follows:

(in millions)		
Current assets	$	497
Property, plant and equipment, net		4,714
Goodwill		3,353
Other long-term assets		804
Total assets		9,368
Current liabilities, including current maturities of long-term debt		576
Long-term liabilities		1,790
Long-term debt		2,002
Total liabilities		4,368
Total purchase price	$	5,000

The fair value of Piedmont's assets and liabilities were determined based on significant estimates and assumptions that are judgmental in nature, including the amount and timing of projected future cash flows, discount rates reflecting risk inherent in the future cash flows and market prices of long-term debt.

The majority of Piedmont's operations are subject to the rate-setting authority of the NCUC, the PSCSC and the TPUC and are accounted for pursuant to accounting guidance for regulated operations. The rate-setting and cost recovery provisions currently in place for Piedmont's regulated operations provide revenues derived from costs, including a return on investment of assets and liabilities included in rate base. Thus, the fair value of Piedmont's assets and liabilities subject to these rate-setting provisions approximates the pre-acquisition carrying value and does not reflect any net valuation adjustments.

The significant assets and liabilities for which valuation adjustments were reflected within the purchase price allocation include the acquired equity method investments and long-term debt. The difference between the fair value and the pre-acquisition carrying value of long-term debt for regulated operations was recorded as a regulatory asset.

The excess of the purchase price over the fair value of Piedmont's assets and liabilities on the acquisition date was recorded as goodwill. The goodwill reflects the value paid by Duke Energy primarily for establishing a broader, long-term strategic natural gas infrastructure platform, an improved risk profile and expected synergies resulting from the combined entities.

Under Securities and Exchange Commission (SEC) regulations, Duke Energy elected not to apply push down accounting to the stand-alone Piedmont financial statements.

Other Acquisition Related Matters

Duke Energy recorded unrealized losses on forward-starting interest rate swaps related to the acquisition financing of $75 million and $168 million for the three and six months ended June 30, 2016, respectively. See Note 9 for additional information.

During the three months ended June 30, 2017, Piedmont recorded a $7 million software impairment resulting from planned accounting system and process integration.

Pro Forma Financial Information

The following unaudited pro forma financial information reflects the combined results of operations of Duke Energy and Piedmont as if the merger had occurred as of January 1, 2016. The pro forma financial information excludes potential cost savings, intercompany revenues, Piedmont's earnings from the equity method investment in SouthStar Energy Services, LLC (SouthStar) sold immediately prior to the merger, and after-tax nonrecurring transaction and integration costs incurred by Duke Energy and Piedmont of $57 million and $120 million for the three and six months ended June 30, 2016, respectively. See Note 3 for additional information on Piedmont's sale of SouthStar.

This information has been presented for illustrative purposes only and is not necessarily indicative of the consolidated results of operations that would have been achieved or the future consolidated results of operations of Duke Energy.

(in millions)	Three Months Ended June 30, 2016	Six Months Ended June 30, 2016
Operating Revenues	$ 5,374	$ 11,214
Net Income Attributable to Duke Energy Corporation	540	1,372

DISPOSITIONS

Sale of International Energy

In December 2016, Duke Energy sold its International Energy businesses, excluding the equity method investment in NMC (the International Disposal Group), in two separate transactions. Duke Energy sold its Brazilian business to China Three Gorges for approximately $1.2 billion, including the assumption of debt, and its remaining Central and South American businesses to I Squared Capital in a deal also valued at approximately $1.2 billion, including the assumption of debt. The transactions generated cash proceeds of $1.9 billion, excluding transaction costs, which were primarily used to reduce Duke Energy holding company debt.

The following table presents the results of the International Disposal Group, which are included in Income from Discontinued Operations, net of tax in Duke Energy's Condensed Consolidated Statements of Operations. Interest expense directly associated with the International Disposal Group was allocated to discontinued operations. No interest from corporate level debt was allocated to discontinued operations.

(in millions)	Three Months Ended June 30, 2016	Six Months Ended June 30, 2016
Operating Revenues	$ 270	$ 516
Fuel used in electric generation and purchased power	70	117
Cost of natural gas	12	23
Operation, maintenance and other	84	155
Depreciation and amortization	22	44
Property and other taxes	2	5
Impairment charges[(a)]	194	194
Gains on Sales of Other Assets and Other, net	1	1
Other Income and Expenses, net	11	21
Interest Expense	22	44
Loss before income taxes	(124)	(44)
Income tax benefit[(b)]	(13)	(52)
(Loss) Income from discontinued operations of the International Disposal Group	(111)	8
(Loss) Income from discontinued operations of other businesses	(1)	2
(Loss) Income from Discontinued Operations, net of tax	$ (112)	$ 10

(a) In conjunction with the advancements of marketing efforts during 2016, Duke Energy performed recoverability tests of the long-lived asset groups of International Energy. As a result, Duke Energy determined the carrying value of certain assets in Central America was not fully recoverable and recorded a pretax impairment charge of $194 million. The charge represents the excess carrying value over the estimated fair value of the assets, which was based on a Level 3 Fair Value measurement that was primarily determined from the income approach using discounted cash flows but also considered market information obtained in 2016.

(b) Includes an income tax benefit of $95 million for the six months ended June 30, 2016 related to historical undistributed foreign earnings. See Note 16 for additional information.

Duke Energy has elected not to separately disclose discontinued operations on the Condensed Consolidated Statements of Cash Flows. The following table summarizes Duke Energy's cash flows from discontinued operations related to the International Disposal Group.

(in millions)	Six Months Ended June 30, 2016
Cash flows provided by (used in):	
Operating activities	$ 144
Investing activities	(24)

Other Sale Related Matters

Duke Energy will provide certain transition services to China Three Gorges and I Squared Capital for a period not to extend beyond November 2017 and December 2017, respectively. Cash flows related to providing the transition services are not material. In addition, Duke Energy will reimburse China Three Gorges and I Squared Capital for all tax obligations arising from the period preceding consummation on the transactions, totaling approximately $78 million. Duke Energy has not recorded any other liabilities, contingent liabilities or indemnifications related to the International Disposal Group.

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 includes intercompany revenues and expenses that are eliminated on the Condensed Consolidated Financial Statements.

Duke Energy

Due to the Piedmont acquisition and the sale of International Energy in the fourth quarter of 2016, Duke Energy's segment structure has been realigned to include the following segments: Electric Utilities and Infrastructure, Gas Utilities and Infrastructure and Commercial Renewables. Prior period information has been recast to conform to the current segment structure. See Note 2 for further information on the Piedmont and International Energy transactions.

The Electric Utilities and Infrastructure segment includes Duke Energy's regulated electric utilities in the Carolinas, Florida and the Midwest. The regulated electric utilities conduct operations through the Subsidiary Registrants that are substantially all regulated and, accordingly, qualify for regulatory accounting treatment. Electric Utilities and Infrastructure also includes Duke Energy's electric transmission infrastructure investments.

The Gas Utilities and Infrastructure segment includes Piedmont, Duke Energy's natural gas local distribution companies in Ohio and Kentucky, and Duke Energy's natural gas storage and midstream pipeline investments. Gas Utilities and Infrastructure's operations are substantially all regulated and, accordingly, qualify for regulatory accounting treatment.

Commercial Renewables is primarily comprised of nonregulated utility scale wind and solar generation assets located throughout the U.S.

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). Other also includes Duke Energy's 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.

Business segment information is presented in the following tables. Segment assets presented exclude intercompany assets.

	Three Months Ended June 30, 2017						
(in millions)	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Commercial Renewables	Total Reportable Segments	Other	Eliminations	Consolidated
Unaffiliated revenues	$ 5,150	$ 279	$ 110	$ 5,539	$ 16	$ —	$ 5,555
Intersegment revenues	8	22	—	30	19	(49)	—
Total revenues	$ 5,158	$ 301	$ 110	$ 5,569	$ 35	$ (49)	$ 5,555
Segment income (loss)[(a)]	$ 729	$ 27	$ 26	$ 782	$ (94)	$ —	$ 688
Add back noncontrolling interests							3
Loss from discontinued operations, net of tax							(2)
Net income							$ 689
Segment assets	$ 117,009	$ 11,073	$ 4,306	$ 132,388	$ 2,435	$ 181	$ 135,004

	Three Months Ended June 30, 2016						
(in millions)	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Commercial Renewables	Total Reportable Segments	Other	Eliminations	Consolidated
Unaffiliated revenues	$ 4,993	$ 97	$ 112	$ 5,202	$ 11	$ —	$ 5,213
Intersegment revenues	8	2	—	10	19	(29)	—
Total revenues	$ 5,001	$ 99	$ 112	$ 5,212	$ 30	$ (29)	$ 5,213
Segment income (loss)[(a)]	$ 704	$ 16	$ 11	$ 731	$ (107)	$ —	$ 624
Loss from discontinued operations, net of tax							(112)
Net income							$ 512

	Six Months Ended June 30, 2017						
(in millions)	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Commercial Renewables	Total Reportable Segments	Other	Eliminations	Consolidated
Unaffiliated revenues	$ 10,090	$ 927	$ 238	$ 11,255	$ 29	$ —	$ 11,284
Intersegment revenues	15	44	—	59	39	(98)	—
Total revenues	$ 10,105	$ 971	$ 238	$ 11,314	$ 68	$ (98)	$ 11,284
Segment income (loss)[a]	$ 1,364	$ 160	$ 51	$ 1,575	$ (171)	$ —	$ 1,404
Add back noncontrolling interests							4
Loss from discontinued operations, net of tax							(2)
Net income							$ 1,406

	Six Months Ended June 30, 2016						
(in millions)	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Commercial Renewables	Total Reportable Segments	Other	Eliminations	Consolidated
Unaffiliated revenues	$ 10,074	$ 266	$ 226	$ 10,566	$ 24	$ —	$ 10,590
Intersegment revenues	16	3	—	19	35	(54)	—
Total revenues	$ 10,090	$ 269	$ 226	$ 10,585	$ 59	$ (54)	$ 10,590
Segment income (loss)[a]	$ 1,368	$ 48	$ 37	$ 1,453	$ (255)	$ —	$ 1,198
Add back noncontrolling interests							3
Income from discontinued operations, net of tax							10
Net income							$ 1,211

(a) Other includes costs to achieve the Piedmont acquisition. See Notes 2 and 9 for additional information.

Duke Energy Ohio

Duke Energy Ohio has two reportable operating segments, Electric Utilities and Infrastructure and Gas Utilities and Infrastructure.

Electric Utilities and Infrastructure transmits and distributes electricity in portions of Ohio and generates, distributes and sells electricity in portions of northern Kentucky. Gas Utilities and Infrastructure 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.

The remainder of Duke Energy Ohio's operations is presented as Other, which 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 the Ohio Valley Electric Corporation's (OVEC) power plants. See Note 8 for additional information on related party transactions.

	Three Months Ended June 30, 2017				
(in millions)	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Total Reportable Segments	Other	Consolidated
Total revenues	$ 329	$ 100	$ 429	$ 8	$ 437
Segment income (loss)/Net Income	22	17	39	(9)	30
Segment assets	4,879	2,672	7,551	54	7,605

	Three Months Ended June 30, 2016				
(in millions)	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Total Reportable Segments	Other	Consolidated
Total revenues	$ 323	$ 98	$ 421	$ 7	$ 428
Segment income (loss)/Net Income	19	14	33	(10)	23

	Six Months Ended June 30, 2017				
(in millions)	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Total Reportable Segments	Other	Consolidated
Total revenues	$ 665	$ 270	$ 935	$ 20	$ 955
Segment income (loss)/Net Income	46	42	88	(16)	72

	Six Months Ended June 30, 2016				
(in millions)	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Total Reportable Segments	Other	Consolidated
Total revenues	$ 663	$ 269	$ 932	$ 12	$ 944
Segment income (loss)	$ 55	$ 45	$ 100	$ (20)	$ 80
Income from discontinued operations, net of tax					2
Net income					82

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

Piedmont has one reportable segment, Gas Utilities and Infrastructure, which transports and sells natural gas. The remainder of Piedmont's operations is presented as Other, which is comprised of certain unallocated corporate costs, including acquisition-related expenses, and earnings from Piedmont's equity method investment in SouthStar prior to its sale. Piedmont sold its 15 percent membership interest in SouthStar on October 3, 2016. Piedmont's income, net of tax, from SouthStar for the three and six months ended June 30, 2016, was $3 million and $10 million, respectively.

The remaining Subsidiary Registrants each have one reportable operating segment, Electric Utilities and Infrastructure, which generates, transmits, distributes and sells electricity. The remainder of each company's operations is presented as Other, which is comprised of certain unallocated corporate costs. Other for Progress Energy also includes interest expense on corporate debt instruments of $56 million and $111 million for the three and six months ended June 30, 2017, respectively, and $55 million and $111 million for the three and six months ended June 30, 2016, respectively. The following table summarizes the net (loss) income of Other for each of these entities.

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2017	2016	2017	2016
Duke Energy Carolinas	$ (6)	$ (17)	$ (12)	$ (34)
Progress Energy	(45)	(45)	(88)	(94)
Duke Energy Progress	(4)	(8)	(7)	(16)
Duke Energy Florida	(3)	(5)	(5)	(9)
Duke Energy Indiana	(1)	(5)	(3)	(7)
Piedmont	(9)	1	(13)	7

The assets at Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida and Duke Energy Indiana are substantially all included within the Electric Utilities and Infrastructure segment at June 30, 2017. The assets at Piedmont are substantially all included within the Gas Utilities and Infrastructure segment at June 30, 2017.

4. REGULATORY MATTERS

RATE RELATED INFORMATION

The NCUC, PSCSC, FPSC, IURC, PUCO, TPUC 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 and Indiana), as well as sales of transmission service. The FERC also regulates certification and siting of new interstate natural gas pipeline projects.

Duke Energy Carolinas and Duke Energy Progress

Ash Basin Closure Costs Deferral

On December 30, 2016, Duke Energy Carolinas and Duke Energy Progress filed a joint petition with the NCUC seeking an accounting order authorizing deferral 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 North Carolina. Initial comments were received in March 2017, and reply comments were filed on April 19, 2017. On July 10, 2017, the NCUC consolidated Duke Energy Progress' coal ash deferral request into the Duke Energy Progress rate case docket for decision. See "2017 North Carolina Rate Case" section below for additional discussion. The NCUC also indicated that the Duke Energy Carolinas coal ash deferral request will be consolidated into Duke Energy Carolinas' next base rate case proceeding. Duke Energy Carolinas and Duke Energy Progress cannot predict the outcome of this matter.

Duke Energy Carolinas

Lincoln County Combustion Turbine Addition

On June 12, 2017, Duke Energy Carolinas filed an application with the NCUC for a Certificate of Public Convenience and Necessity (CPCN) to construct and operate a new 402-megawatt (MW) simple cycle advanced combustion turbine natural gas-fueled electric generating unit at its existing Lincoln County site. The request also included construction of related transmission and natural gas pipeline interconnection facilities. If approved, construction would begin in 2018 with an estimated commercial operation date in 2024. An evidentiary hearing is scheduled for August 30, 2017. Duke Energy Carolinas cannot predict the outcome of this matter.

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. On March 24, 2017, the South Carolina Supreme Court denied the request for review, thus concluding the matter.

William States Lee III Nuclear Station

In December 2007, Duke Energy Carolinas applied to the NRC for combined operating licenses (COLs) for two Westinghouse Electric Company (Westinghouse) AP1000 reactors for the proposed William States Lee III Nuclear Station (Lee Nuclear Station) to be located at a site in Cherokee County, South Carolina. The NCUC and PSCSC have concurred with the prudency of Duke Energy Carolinas decisions to incur certain project development and preconstruction costs through several separately issued orders through 2011, although full cost recovery is not guaranteed. In December 2016, the NRC issued a COL for each reactor. Duke Energy Carolinas is not required to build the nuclear reactors as a result of the COLs being issued.

On March 29, 2017, Westinghouse filed for voluntary Chapter 11 bankruptcy in the U.S. Bankruptcy Court for the Southern District of New York. Duke Energy Carolinas is monitoring the bankruptcy proceedings to assess the impact it will have on the future construction of nuclear plants. On May 15, 2017, the NCUC issued an order requiring Duke Energy Carolinas to provide information regarding potential impacts of the Westinghouse bankruptcy on the Lee Nuclear Station, as well as Duke Energy Carolinas' plans for cost recovery and additional financial information regarding the project. The NCUC granted an extension until August 30, 2017, to provide that information. Duke Energy Carolinas cannot predict the outcome of this matter.

Duke Energy Progress

2017 North Carolina Rate Case

On June 1, 2017, Duke Energy Progress filed an application with the NCUC for a rate increase for retail customers of approximately $477 million, which represents an approximate 14.9 percent increase in annual revenues. The rate increase is driven by capital investments subsequent to the previous base rate case, costs of complying with coal combustion residuals (CCR) regulations and the North Carolina Coal Ash Management Act of 2014 (Coal Ash Act), costs relating to storm recovery, investments in customer service technologies and recovery of costs associated with renewable purchased power. An evidentiary hearing is scheduled to begin November 20, 2017. Duke Energy Progress cannot predict the outcome of this matter.

Storm Cost Deferral Filing

On December 16, 2016, Duke Energy Progress filed a petition with the NCUC requesting an accounting order to defer certain costs incurred in connection with response to Hurricane Matthew and other significant storms in 2016. Duke Energy Progress proposed in the filing to true-up the total costs quarterly through August 2017. The current estimate of incremental operation and maintenance and capital costs is $116 million. On March 15, 2017, the North Carolina Utilities Commission Public Staff filed comments supporting deferral of a portion of Duke Energy Progress' requested amount. Duke Energy Progress filed reply comments on April 12, 2017. On July 10, 2017, the NCUC consolidated Duke Energy Progress' storm deferral request into the Duke Energy Progress rate case docket for decision. See "2017 North Carolina Rate Case" for additional discussion. Duke Energy Progress cannot predict the outcome of this matter.

Western Carolinas Modernization Plan

On November 4, 2015, Duke Energy Progress announced a Western Carolinas Modernization Plan, which included 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 plan also included upgrades to existing transmission lines and substations, installation of solar generation and 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.

On March 28, 2016, the NCUC issued an order approving a 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. On March 28, 2017, Duke Energy Progress filed an annual progress report for the construction of the combined-cycle plants with the NCUC, with an estimated cost of $893 million. Site preparation activities for the combined-cycle plants are underway and construction of these plants is scheduled to begin in fall 2017, with an expected in-service date in late 2019. Duke Energy Progress plans to file for future approvals related to the proposed solar generation and pilot battery storage project.

The carrying value of the 376-MW Asheville coal-fired plant, including associated ash basin closure costs, of $450 million and $492 million are included in Generation facilities to be retired, net on Duke Energy Progress' Condensed Consolidated Balance Sheet as of June 30, 2017 and December 31, 2016, respectively.

Duke Energy Florida

Hines Chiller Uprate Project

On February 2, 2017, 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 Energy Complex. The Uprate Project was placed into service in March 2017 at a cost of approximately $150 million. The annual retail revenue requirement is approximately $19 million. On March 28, 2017, the FPSC issued an order approving the revenue requirement, which was included in base rates for the first billing cycle of April 2017.

Levy Nuclear Project

On July 28, 2008, Duke Energy Florida applied to the NRC for COLs for two Westinghouse AP1000 reactors at Levy. In 2008, the FPSC granted Duke Energy Florida's petition for an affirmative Determination of Need and related orders requesting cost recovery under Florida's nuclear cost-recovery rule, together with the associated facilities, including transmission lines and substation facilities. In October 2016, the NRC issued COLs for the proposed Levy Nuclear Plant Units 1 and 2. Duke Energy Florida is not required to build the nuclear reactors as a result of the COLs being issued.

On January 28, 2014, Duke Energy Florida terminated the Levy engineering, procurement and construction agreement (EPC). Duke Energy Florida may be required to pay for work performed under the EPC. Duke Energy Florida recorded an exit obligation in 2014 for the termination of the EPC. This liability was recorded within Other in Other Noncurrent Liabilities with an offset primarily to Regulatory assets on the Condensed Consolidated Balance Sheets. Duke Energy Florida is allowed to recover reasonable and prudent EPC cancellation costs from its retail customers. On May 1, 2017, Duke Energy Florida filed a request with the FPSC to recover approximately $82 million of Levy Nuclear Project costs from retail customers in 2018. A hearing is scheduled in October 2017. Duke Energy Florida cannot predict the outcome of this matter.

On March 29, 2017, Westinghouse filed for voluntary Chapter 11 bankruptcy in the U.S. Bankruptcy Court for the Southern District of New York. Duke Energy Florida is monitoring the bankruptcy proceedings to assess the impact it will have on the future construction of nuclear plants.

Duke Energy Ohio

Electric Security Plan Filing

On June 1, 2017, Duke Energy Ohio filed with the PUCO a request for a standard service offer in the form of an electric security plan (ESP). If approved by the PUCO, the term of the ESP would be from June 1, 2018, to May 31, 2024. Terms of the ESP included continuation of market-based customer rates through competitive procurement processes for generation, continuation of existing rider mechanisms and proposed new rider mechanisms relating to regulatory mandates, costs incurred to enhance the customer experience and transform the grid and a service reliability rider for vegetation management. Duke Energy Ohio cannot predict the outcome of this matter.

Woodsdale Station Fuel System Filing

On June 9, 2015, the FERC ruled in favor of PJM Interconnection, LLC (PJM) on a revised Tariff and Reliability Assurance Agreement including implementation of a Capacity Performance (CP) proposal and to amend sections of the Operating Agreement related to generation non-performance. The CP proposal includes performance-based penalties for non-compliance. Duke Energy Kentucky is a Fixed Resource Requirement (FRR) entity, and therefore is subject to the compliance standards through its FRR plans. A partial CP obligation will apply to Duke Energy Kentucky in the delivery year beginning June 1, 2019, with full compliance beginning June 1, 2020. Duke Energy Kentucky has developed strategies for CP compliance investments. On May 31, 2017, Duke Energy Kentucky filed an application with the KPSC requesting authority to construct an ultra-low sulfur diesel backup fuel system for the Woodsdale Station. The back-up fuel system is projected to cost approximately $55 million and, if approved, is anticipated to be in service prior to the CP compliance deadline of April 2019. Duke Energy Kentucky cannot predict the outcome of this proceeding at this time.

Ohio Valley Electric Corporation

On March 31, 2017, Duke Energy Ohio filed for approval to adjust its existing price stabilization rider (Rider PSR) to pass through net costs related to its contractual entitlement to capacity and energy from the generating assets owned by OVEC. The PUCO approved Rider PSR, but set it at zero dollars in connection with the most recent ESP. The application seeks to adjust Rider PSR as of April 1, 2017. Duke Energy Ohio is seeking deferral authority for net costs incurred from April 1, 2017, until the new rates under Rider PSR are put into effect. Various intervenors have filed motions to dismiss or stay the proceeding and Duke Energy Ohio has opposed these filings. See Note 12 for additional discussion of Duke Energy Ohio's ownership interest in OVEC. Duke Energy Ohio cannot predict the outcome of this proceeding.

East Bend Coal Ash Basin Filing

On December 2, 2016, Duke Energy Kentucky filed with the KPSC a request for a CPCN for construction projects necessary to close and repurpose an ash basin at the East Bend facility as a result of current and proposed U.S. Environmental Protection Agency (EPA) regulations. Duke Energy Kentucky estimated a total cost of approximately $93 million in the filing and expects in-service date in the fourth quarter of 2018. On June 6, 2017, the KPSC approved the CPCN request.

Base Rate Case

Duke Energy Ohio filed with the PUCO an electric distribution base rate case application and supporting testimony in March 2017. Duke Energy Ohio has requested an estimated annual increase of approximately $15 million and a return on equity of 10.4 percent. The application also includes requests to continue certain current riders and establish new riders related to LED Outdoor Lighting Service and regulatory mandates. Duke Energy Ohio cannot predict the outcome of this matter.

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. On January 20, 2017, Duke Energy Ohio filed an amended application with the Ohio Power Siting Board for approval of one of two proposed routes. If approved, construction of the pipeline extension is expected to be completed before the 2019/2020 winter season. A public hearing was held on June 15, 2017, and an adjudicatory hearing is scheduled to begin September 11, 2017. The proposed project involves the installation of a natural gas line and is estimated to cost between $86 million and $110 million, excluding AFUDC.

Advanced Metering Infrastructure

On April 25, 2016, Duke Energy Kentucky filed with the KPSC an application for approval of a CPCN for the construction of advanced metering infrastructure. Duke Energy Kentucky estimates the $49 million project will take 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 to be replaced. Duke Energy Kentucky and the Kentucky Attorney General entered into a stipulation to settle matters related to the application. On May 25, 2017, the KPSC issued an order to approve the stipulation with certain modifications. On June 1, 2017, Duke Energy Kentucky filed its acceptance of the modifications.

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 proposed to replace certain natural gas service lines on an accelerated basis over a 10-year period. Duke Energy Ohio also proposed 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's projected total capital and operations and maintenance expenditures under the ASRP were approximately $240 million. The filing also sought approval of a rider mechanism (Rider ASRP) to recover related expenditures. Duke Energy Ohio proposed to update Rider ASRP on an annual basis. Intervenors opposed the ASRP, primarily because they believe the program is neither required nor necessary under federal pipeline regulation. On October 26, 2016, the PUCO issued an order denying the proposed ASRP. Duke Energy Ohio's application for rehearing of the PUCO decision was denied on May 17, 2017.

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. 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 upon 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 January 6, 2016, Duke Energy Ohio and the PUCO Staff entered into a stipulation, pending the PUCO's approval, to resolve issues related to performance incentives and the PUCO Staff audit of 2013 costs, among other issues. In December 2015, based upon the stipulation, Duke Energy Ohio re-established approximately $20 million of the revenues that had been previously reversed. On October 26, 2016, the PUCO issued an order approving the stipulation without modification. Intervenors requested a rehearing of the PUCO decision. In December 2016, the PUCO granted a rehearing for the purpose of further review. 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 PUCO order also authorized Duke Energy Ohio to continue deferring MGP environmental investigation and remediation costs incurred subsequent to 2012 and to submit annual filings to adjust the MGP rider for future costs. Intervening parties appealed this decision to the Ohio Supreme Court and on June 29, 2017, the Ohio Supreme Court issued its decision affirming the PUCO order. Appellants have filed a request for reconsideration with the court. Duke Energy Ohio and the PUCO opposed the request. Incurred and projected investigation and remediation expenses at these MGP sites that have not been collected through the MGP rider are approximately $95 million and are recorded as Regulatory assets on Duke Energy Ohio's Condensed Consolidated Balance Sheet as of June 30, 2017. 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, 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 $90 million at June 30, 2017, and December 31, 2016, recorded within Other in Current liabilities and Other in Other Noncurrent Liabilities on the Condensed Consolidated Balance Sheets. The retail portions of MTEP costs billed by MISO are recovered by Duke Energy Ohio through a non-bypassable rider. As of June 30, 2017, and December 31, 2016, Duke Energy Ohio had $71 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. On June 21, 2017, a three-judge panel affirmed FERC's 2015 decision holding that Duke Energy Ohio has no liability for the cost of the MVP projects constructed after Duke Energy Ohio's withdrawal from MISO. MISO has the right to file a petition for rehearing by all the Sixth Circuit judges or to file a petition with the U.S. Supreme Court seeking a review of the decision. 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 CCR rule compliance projects (Phase I CCR Compliance Projects) to comply with the EPA's 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, including AFUDC, and recovery of incremental operating and maintenance costs under a federal mandate tracker that 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. On January 24, 2017, Duke Energy Indiana and various intervenors filed a settlement agreement with the IURC. Terms of the settlement include recovery of 60 percent of the estimated CCR compliance construction project capital costs through existing rider mechanisms and deferral of 40 percent of these costs until Duke Energy Indiana's next general retail rate case. The deferred costs will earn a return based on Duke Energy Indiana's long-term debt rate of 4.73 percent until costs are included in retail rates, at which time the deferred costs will earn a full return. Costs are to be capped at $365 million, plus actual AFUDC. Costs above the cap would be considered for recovery in the next rate case. Terms of the settlement agreement also require Duke Energy Indiana to perform certain reporting and groundwater monitoring. An evidentiary hearing was held on February 23, 2017, and Duke Energy Indiana filed a proposed order with the IURC on March 30, 2017. On May 24, 2017, the IURC approved the settlement agreement.

FERC Transmission Return on Equity Complaints

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 complaints, among other things, claim that the current base rate of return on equity earned by MISO transmission owners should be reduced to 8.67 percent. On January 5, 2015, the FERC issued an order accepting the MISO transmission owners' adder of 0.50 percent 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. On December 22, 2015, the presiding FERC ALJ in the first complaint issued an Initial Decision in which the base rate of return on equity was set at 10.32 percent. On September 28, 2016, the Initial Decision in the first complaint was affirmed by FERC, but is subject to rehearing requests. 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 Decision in the second complaint is pending FERC review. On April 14, 2017, the U.S. Court of Appeals for the District of Columbia Circuit, in *Emera Maine v. FERC*, reversed and remanded certain aspects of the methodology employed by FERC to establish rates of return on equity. This decision may affect the outcome of the complaints against Duke Energy Indiana. Duke Energy Indiana currently believes these matters will not have a material impact on its results of operations, cash flows and financial position.

Piedmont

South Carolina Rate Stabilization Adjustment Filing

In June 2017, Piedmont filed with the PSCSC under the South Carolina Rate Stabilization Act its quarterly monitoring report for the 12-month period ending March 31, 2017. The filing includes a revenue deficiency calculation and tariff rates in order to permit Piedmont the opportunity to earn the rate of return on common equity established in its last general rate case. This filing is currently under review and audit by the South Carolina Office of Regulatory Staff. Piedmont cannot predict the outcome of this matter.

North Carolina Integrity Management Rider Filings

In May 2017, Piedmont filed, and the NCUC approved, a petition under the Integrity Management Rider mechanism to collect an additional $11.6 million in annual revenues, effective June 2017, based on the eligible capital investments closed to integrity and safety projects over the six-month period ending March 31, 2017.

OTHER REGULATORY MATTERS

Atlantic Coast Pipeline

On September 2, 2014, Duke Energy, Dominion Resources (Dominion), Piedmont and Southern Company Gas announced the formation of Atlantic Coast Pipeline, LLC (ACP) to build and own the proposed Atlantic Coast Pipeline (ACP pipeline), an approximately 600-mile interstate natural gas pipeline running from West Virginia to North Carolina. The ACP pipeline is designed to meet the needs identified in RFPs by Duke Energy Carolinas, Duke Energy Progress and Piedmont. The ACP pipeline development costs are estimated between $5.0 billion to $5.5 billion. Dominion will build and operate the ACP pipeline and holds a leading ownership percentage in ACP of 48 percent. Duke Energy owns a 47 percent interest through its Gas Utilities and Infrastructure segment. Southern Company Gas maintains a 5 percent interest. See Note 12 for additional information related to Duke Energy's ownership interest.

Duke Energy Carolinas, Duke Energy Progress and Piedmont, among others, will be customers of the pipeline. Purchases will be made under several 20-year supply contracts, subject to state regulatory approval. On September 18, 2015, ACP filed an application with the FERC requesting a CPCN authorizing ACP to construct the pipeline. ACP executed a construction agreement in September 2016. ACP also requested approval of an open access tariff and the precedent agreements it entered into with future pipeline customers. In December 2016, FERC issued a draft Environmental Impact Statement (EIS) indicating that the proposed pipeline would not cause significant harm to the environment or protected populations. The FERC issued the final EIS in July 2017. FERC approval of the application is expected in the fall of 2017 if the FERC reaches a quorum. Construction is projected to begin in the fourth quarter of 2017, with a targeted in-service date in the second half of 2019.

Sabal Trail Transmission, LLC Pipeline

On May 4, 2015, Duke Energy acquired a 7.5 percent ownership interest in Sabal Trail Transmission, LLC (Sabal Trail) from Spectra Energy Partners, LP, a master limited partnership, formed by Enbridge Inc. (formerly Spectra Energy Corp.). Spectra Energy Partners, LP holds a 50 percent ownership interest in Sabal Trail and NextEra Energy has a 42.5 percent ownership interest. Sabal Trail is a joint venture to construct a 515-mile natural gas pipeline (Sabal Trail pipeline) to transport natural gas to Florida. Total estimated project costs are approximately $3.2 billion. The Sabal Trail pipeline traverses Alabama, Georgia and Florida. 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 pipeline. On September 7, 2016, FERC denied the intervenors' rehearing requests. On September 21, 2016, intervenors filed an appeal of FERC's CPCN orders to the U.S. Court of Appeals for the District of Columbia Circuit. Oral argument on the appeal was held on April 18, 2017, and a decision is expected in the summer of 2017. The Sabal Trail pipeline has received other required regulatory approvals and the phase one mainline was placed in service in July 2017. Completion of a lateral line to Citrus County is expected in October 2017. See Note 12 for additional information related to Duke Energy's ownership interest.

Constitution Pipeline Company, LLC

Duke Energy has a 24 percent ownership interest in Constitution Pipeline Company, LLC (Constitution). Constitution is a natural gas pipeline project slated to transport natural gas supplies from the Marcellus supply region in northern Pennsylvania to major northeastern markets. The pipeline will be constructed and operated by Williams Partners L.P., which has a 41 percent ownership share. The remaining interest is held by Cabot Oil and Gas Corporation and WGL Holdings, Inc. Duke Energy's total anticipated contributions are approximately $229 million.

On April 22, 2016, the New York State Department of Environmental Conservation (NYSDEC) denied Constitution's application for a necessary water quality certification for the New York portion of the Constitution pipeline. Constitution filed legal actions in the U.S. Court of Appeals for the Second Circuit (U.S. Court of Appeals) challenging the legality and appropriateness of the NYSDEC's decision. On November 16, 2016, oral arguments were heard in the U.S. Court of Appeals. Constitution has revised the target in-service date to as early as the first half of 2019 due to the NYDSEC's denial of the water quality certification and the delay in a ruling from the U.S. Court of Appeals.

Since April 2016, with the actions of the NYSDEC, Constitution stopped construction and discontinued capitalization of future development costs until the project's uncertainty is resolved. To the extent the legal and regulatory proceedings have unfavorable outcomes, or if Constitution concludes that the project is not viable or does not go forward, an impairment charge of up to the recorded investment in the project, net of any cash and working capital returned, may be recorded.

See Note 12 for additional information related to ownership interest and carrying value of the investment.

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 primarily because facilities do not have the requisite emission control equipment 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. Dollar amounts in the table below are included in Net property, plant and equipment on the Condensed Consolidated Balance Sheets as of June 30, 2017, and exclude capitalized asset retirement costs.

	Capacity (in MW)	Remaining Net Book Value (in millions)
Duke Energy Carolinas		
Allen Steam Station Units 1-3[(a)]	585	$ 172
Progress Energy and Duke Energy Florida		
Crystal River Units 1 and 2[(b)]	873	113
Duke Energy Indiana		
Gallagher Units 2 and 4[(c)]	280	131
Total Duke Energy	1,738	$ 416

(a) Duke Energy Carolinas will retire Allen Steam Station Units 1 through 3 by December 31, 2024, as part of the resolution of a lawsuit involving alleged New Source Review violations.
(b) Duke Energy Florida will likely retire these coal units by 2018 to comply with environmental regulations.
(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 settlement of Edwardsport IGCC matters.

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

5. COMMITMENTS AND CONTINGENCIES

ENVIRONMENTAL

The Duke Energy 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 at all sites. 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 on 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 Other Noncurrent Liabilities on the Condensed Consolidated Balance Sheets.

	Six Months Ended June 30, 2017							
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Balance at beginning of period	$ 98	$ 10	$ 18	$ 3	$ 14	$ 59	$ 10	$ 1
Provisions/adjustments	—	1	—	—	1	(2)	—	—
Cash reductions	(8)	(1)	(2)	—	(2)	(4)	(1)	—
Balance at end of period	$ 90	$ 10	$ 16	$ 3	$ 13	$ 53	$ 9	$ 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	Piedmont
Balance at beginning of period	$ 94	$ 10	$ 17	$ 3	$ 14	$ 54	$ 12	$ 1
Provisions/adjustments	27	3	4	1	3	1	21	—
Cash reductions	(7)	(2)	(4)	(1)	(3)	(1)	(1)	—
Balance at end of period	$ 114	$ 11	$ 17	$ 3	$ 14	$ 54	$ 32	$ 1

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	$ 70
Duke Energy Carolinas	23
Duke Energy Ohio	35
Duke Energy Indiana	7
Piedmont	2

North Carolina and South Carolina Ash Basins

In February 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. 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. Future costs related to the Dan River release, including future civil enforcement, future regulatory directives, natural resources damages, future claims or litigation and long-term environmental impact costs, cannot be reasonably estimated at this time.

The North Carolina Department of Environmental Quality (NCDEQ) 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 ash release, Duke Energy Carolinas and Duke Energy Progress have been served with a higher level of NOVs, including assessed penalties for violations at L.V. Sutton Combined Cycle Plant (Sutton) and Dan River Steam Station. Duke Energy Carolinas and Duke Energy Progress cannot predict whether the NCDEQ will assess future penalties related to existing unresolved NOVs and if such penalties would be material. See "NCDEQ Notices of Violation" section below for additional discussion.

LITIGATION

Duke Energy

Duke Energy no longer has exposure to litigation matters related to the International Disposal Group as a result of the divestiture of the business in December 2016. See Note 2 for additional information related to the sale of International 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 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 December 14, 2016, the Delaware Chancery Court entered an order dismissing the Amended Complaint. Plaintiffs filed an appeal to the Delaware Supreme Court on January 9, 2017. The parties have completed briefing in the case and oral argument is scheduled for September 27, 2017.

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 appointed 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. On March 30, 2017, the court granted Defendants' Motion to Dismiss on the claims relating to coal ash environmental issues and political contributions. A notice of appeal has not been filed. As discussed below, an agreement-in-principle has been reached to settle the merger related claims in the Bresalier Complaint, and those claims were also dismissed subject to that agreement.

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* (Merger Chancery 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.

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 reached an agreement-in-principle to settle the Merger Chancery Litigation, conditioned on dismissal as well, of the *Tansey v. Rogers, et al* case and the merger related claims in the Bresalier Complaint discussed above, for a total of $27 million, which was approved by the Delaware Chancery Court on July 13, 2017. The entire settlement amount is to be funded by insurance. The settlement amount, less court-approved attorney fees, will be payable to Duke Energy.

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 in a consolidated federal court proceeding in Nevada. Each of these lawsuits contained 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 sought 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. The proposed settlement of the class action lawsuits was approved by the Court and all settlement amounts, which are not material to Duke Energy, have been paid.

Duke Energy Carolinas and Duke Energy Progress

Coal Ash Insurance Coverage Litigation

In March 2017, Duke Energy Carolinas and Duke Energy Progress filed a civil action in North Carolina Superior Court against various insurance providers. The lawsuit seeks payment for coal ash related liabilities covered by third-party liability insurance policies. The insurance policies were issued between 1971 and 1986 and provide third-party liability insurance for property damage. The civil action seeks damages for breach of contract and indemnification for costs arising from the Coal Ash Act and the EPA CCR rule at 15 coal-fired plants in North Carolina and South Carolina. Duke Energy Carolinas and Duke Energy Progress cannot predict the outcome of this matter.

NCDEQ State Enforcement Actions

In the first quarter of 2013, the Southern Environmental Law Center (SELC) sent notices of intent to sue Duke Energy Carolinas and Duke Energy Progress related to alleged Clean Water Act (CWA) violations from coal ash basins at two of their coal-fired power plants in North Carolina. The 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, the 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.

The court issued orders in 2016 granting Motions' for Partial Summary Judgment for seven of the 14 North Carolina plants named in the enforcement actions. The litigation is concluded for these seven plants. Litigation continues for the remaining seven plants. In response to a motion for partial summary judgment on the groundwater claims filed by the environmental groups, on October 17, 2016, Duke Energy Carolinas and Duke Energy Progress filed a cross-motion for partial summary judgment on the groundwater claims. On February 13, 2017, the court issued an order denying both the environmental groups' motion for partial summary judgment and Duke Energy Carolinas and Duke Energy Progress' cross-motion for partial summary judgment. On March 15, 2017, Duke Energy Carolinas and Duke Energy Progress filed a Notice of Appeal to challenge the trial court's denial of their cross-motion for partial summary judgment. The parties were unable to reach an agreement at mediation on April 18, 2017. The court has requested the parties to make submissions on what issues remain to be tried.

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

On June 13, 2016, the Roanoke River Basin Association (RRBA) 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. On August 19, 2016, Duke Energy Progress filed a Motion to Dismiss. On April 26, 2017, the court entered an order dismissing four of the claims in the federal citizen suit. Two claims relating to alleged violations of National Pollutant Discharge Elimination System permit provisions survived the motion to dismiss, and Duke Energy Progress filed its response on May 10, 2017. The parties are engaged in pre-trial discovery.

On March 16, 2017, RRBA served Duke Energy Progress with a Notice of Intent to Sue under the CWA for alleged violations of effluent standards and limitations at the Roxboro Plant. In anticipation of litigation, Duke Energy Progress filed a Complaint for Declaratory Relief in the U.S. District Court for the Western District of Virginia on May 11, 2017, disputing RRBA's claims and requesting declaratory judgment in its favor. RRBA then filed a motion to dismiss or transfer venue of the declaratory action filed by Duke Energy Progress in the Western District of Virginia. Duke Energy Progress' motion of opposition was heard on July 24, 2017, and a ruling is pending. On May 16, 2017, RRBA filed a federal citizen suit in the U.S. District Court for the Middle District of North Carolina. On July 17, 2017, Duke Energy Progress filed a motion to dismiss that action in favor of the pending action in the Western District of Virginia.

On June 20, 2017, RRBA filed a federal citizen suit in the U.S. District Court for the Middle District of North Carolina challenging the closure plans at the Mayo Plant under the EPA CCR Rule. Duke Energy Progress' response is due by August 21, 2017.

On August 2, 2017, RRBA filed a federal citizen suit in the U.S. District Court for the Middle District of North Carolina challenging the closure plans at the Roxboro Plant under the EPA CCR Rule. Duke Energy Progress' response is due by October 2, 2017.

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

Five previously filed cases involving the Riverbend, Cape Fear, H.F. Lee, Sutton and Buck plants were dismissed or settled in 2016.

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 the NCDEQ advising them not to drink water from the private wells on their land tested by the 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 basins, 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.

Duke Energy Carolinas and Duke Energy Progress have received formal demand letters from residents near Duke Energy Carolinas' and Duke Energy Progress' coal ash basins. The residents claim damages for nuisance and diminution in property value, among other things. The parties held three days of mediation discussions that ended at impasse. On January 6, 2017, Duke Energy Carolinas and Duke Energy Progress received the plaintiffs' notice of their intent to file suits should the matter not settle. The NCDEQ preliminarily approved Duke Energy's permanent water solution plans on January 13, 2017, and as a result shortly thereafter, Duke Energy issued a press release, providing additional details regarding the homeowner compensation package. This package consists of three components: (i) a $5,000 goodwill payment to each eligible well owner to support the transition to a new water supply, (ii) where a public water supply is available and selected by the eligible well owner, a stipend to cover 25 years of water bills and (iii) the Property Value Protection Plan. The Property Value Protection Plan is a program offered by Duke Energy designed to guarantee eligible plant neighbors the fair market value of their residential property should they decide to sell their property during the time that the plan is offered. Duke Energy received a letter from Plaintiffs' counsel indicating their intent to file suit on February 2, 2017, should a settlement not be reached by that date. Plaintiff's counsel did not file suit upon the expiration of the tolling agreement on February 2, 2017, and no suit has been filed to date. Duke Energy Carolinas and Duke Energy Progress have recognized reserves of $18 million and $4 million, respectively.

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, 2017, there were 87 asserted claims for non-malignant cases with cumulative relief sought of up to $23 million, and 58 asserted claims for malignant cases with cumulative relief sought of up to $16 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 $497 million at June 30, 2017 and $512 million at December 31, 2016. These reserves are classified in Other within Other Noncurrent 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 2036, 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 2036 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 $814 million in excess of the self-insured retention. Receivables for insurance recoveries were $587 million at June 30, 2017 and December 31, 2016. These amounts are classified in Other within Other Noncurrent Assets and Receivables within Current Assets 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. On September 21, 2016, the Court granted the motions to dismiss with prejudice. Plaintiffs filed a motion for reconsideration, which was denied. On January 4, 2017, plaintiffs filed a notice of appeal to the Eleventh Circuit U.S. Court of Appeals. Plaintiffs filed an appellate brief on March 16, 2017, and Duke Energy Florida filed responses on April 17, 2017. Oral argument is scheduled for August 22, 2017. Duke Energy Florida cannot predict the outcome of this appeal.

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 an 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.

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. On July 11, 2016, Duke Energy Florida and Westinghouse filed separate Motions for Summary Judgment. On September 29, 2016, the court issued its ruling on the parties' respective Motions for Summary Judgment, ruling in favor of Westinghouse on a $30 million termination fee claim and dismissing Duke Energy Florida's $54 million refund claim, but stating that Duke Energy Florida could use the refund claim to offset any damages for termination costs. Westinghouse's claim for termination costs was unaffected by this ruling and continued to trial. At trial, Westinghouse reduced its claim for termination costs from $482 million to $424 million. Following a trial on the matter, the court issued its final order in December 2016 denying Westinghouse's claim for termination costs and re-affirming its earlier ruling in favor of Westinghouse on the $30 million termination fee and Duke Energy Florida's refund claim. Judgment was entered against Duke Energy Florida in the amount of approximately $34 million, which includes prejudgment interest. Westinghouse has appealed the trial court's order and Duke Energy Florida has cross-appealed. Duke Energy Florida cannot predict the ultimate outcome of the appeal of the trial court's order.

On March 29, 2017, Westinghouse filed Chapter 11 bankruptcy in the Southern District of New York, which automatically stayed the appeal. On May 23, 2017, the bankruptcy court entered an order lifting the stay with respect to the appeal. The Fourth Circuit has issued a revised briefing schedule that provides for completion of briefing by October 20, 2017.

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.

MGP Cost Recovery Action

On December 30, 2011, Duke Energy Florida filed a lawsuit against FirstEnergy Corp. (FirstEnergy) to recover investigation and remediation costs incurred by Duke Energy Florida in connection with the restoration of two former MGP sites in Florida. Duke Energy Florida alleged that FirstEnergy, as the successor to Associated Gas & Electric Co., owes past and future contribution and response costs of up to $43 million for the investigation and remediation of MGP sites. On December 6, 2016, the trial court entered judgment against Duke Energy Florida in the case. In January 2017, Duke Energy Florida appealed the decision to the U.S. Court of Appeals for the 6th Circuit and briefing has been completed. Duke Energy Florida cannot predict the outcome of this appeal.

Duke Energy Indiana

Benton County Wind Farm Dispute

On December 16, 2013, Benton County Wind Farm LLC (BCWF) filed a lawsuit against Duke Energy Indiana seeking damages for past generation losses totaling approximately $16 million alleging Duke Energy Indiana violated its obligations under a 2006 PPA by refusing to offer electricity to the market at negative prices. Damage claims continue to increase during times that BCWF is not dispatched. Under 2013 revised MISO market rules, Duke Energy Indiana is required to make a price offer to MISO for the power it proposes to sell into MISO markets and MISO determines whether BCWF is dispatched. Because market prices would have been negative due to increased market participation, Duke Energy Indiana determined it would not bid at negative prices in order to balance customer needs against BCWF's need to run. BCWF contends Duke Energy Indiana must bid at the lowest negative price to ensure dispatch, while Duke Energy Indiana contends it is not obligated to bid at any particular price, that it cannot ensure dispatch with any bid and that it has reasonably balanced the parties' interests. On July 6, 2015, the U.S. District Court for the Southern District of Indiana entered judgment against BCWF on all claims. BCWF appealed the decision and on December 9, 2016, the appeals court ruled in favor of BCWF. On June 30, 2017, the parties finalized a settlement agreement. Terms of the settlement included Duke Energy Indiana paying $29 million for back damages. Additionally, the parties agreed on the method by which the contract will be bid into the market in the future. Duke Energy Indiana recorded an obligation and a regulatory asset related to the settlement amount in fourth quarter 2016. The settlement amount was paid in June 2017.

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 Other Noncurrent 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, 2017	December 31, 2016
Reserves for Legal Matters		
Duke Energy	$ 82	$ 98
Duke Energy Carolinas	23	23
Progress Energy	57	59
Duke Energy Progress	12	14
Duke Energy Florida	28	28
Duke Energy Ohio	—	4
Piedmont	2	2

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 or natural gas, 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). Refer to the "Available Credit Facilities" section below regarding amounts issued under the Three Year Revolver and the Piedmont Term Loan facilities.

			Six Months Ended June 30, 2017			
Issuance Date	Maturity Date	Interest Rate	Duke Energy	Duke Energy (Parent)	Duke Energy Florida	Duke Energy Ohio
Unsecured Debt						
April 2017[(a)]	April 2025	3.364%	$ 420	$ 420	$ —	$ —
June 2017[(b)]	June 2020	2.100%	330	330	—	—
Secured Debt						
February 2017[(c)]	June 2034	4.120%	587	—	—	—
First Mortgage Bonds						
January 2017[(d)]	January 2020	1.850%	250	—	250	—
January 2017[(d)]	January 2027	3.200%	650	—	650	—
March 2017[(e)]	June 2046	3.700%	100	—	—	100
Total issuances			$ 2,337	$ 750	$ 900	$ 100

(a) Proceeds were used to refinance $400 million of unsecured debt at maturity and to repay a portion of outstanding commercial paper.
(b) Debt issued to repay a portion of outstanding commercial paper.
(c) Portfolio financing of four Texas and Oklahoma wind facilities. Secured by substantially all of the assets of these wind facilities and nonrecourse to Duke Energy. Proceeds were used to reimburse Duke Energy for a portion of previously funded construction expenditures.
(d) Debt issued to fund capital expenditures for ongoing construction and capital maintenance, to repay at maturity a $250 million aggregate principal amount of bonds due September 2017 and for general corporate purposes.
(e) Proceeds were used to fund capital expenditures for ongoing construction, capital maintenance 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	June 30, 2017
Unsecured Debt			
Duke Energy (Parent)	August 2017	1.625%	$ 700
Piedmont	September 2017	8.510%	35
Duke Energy (Parent)	June 2018	6.250%	250
Duke Energy (Parent)	June 2018	2.100%	500
First Mortgage Bonds			
Duke Energy Florida	September 2017	5.800%	250
Duke Energy Progress	November 2017	1.372%	200
Duke Energy Carolinas	January 2018	5.250%	400
Duke Energy Carolinas	April 2018	5.100%	300
Duke Energy Florida	June 2018	5.650%	500
Other(a)			337
Current maturities of long-term debt			$ 3,472

(a) Includes capital lease obligations, amortizing debt and small bullet maturities.

AVAILABLE CREDIT FACILITIES

Master Credit Facility

In March 2017, Duke Energy amended its Master Credit Facility to increase its capacity from $7.5 billion to $8 billion, and to extend the termination date of the facility from January 30, 2020, to March 16, 2022. The amendment also added Piedmont as a borrower within the Master Credit Facility. Piedmont's separate $850 million credit facility was terminated in connection with the amendment. With the amendment, 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, 2017							
(in millions)	Duke Energy	Duke Energy (Parent)	Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Facility size(a)	$ 8,000	$ 3,150	$ 1,350	$ 1,250	$ 700	$ 450	$ 600	$ 500
Reduction to backstop issuances								
Commercial paper(b)	(3,115)	(1,392)	(732)	(661)	—	(45)	(150)	(135)
Outstanding letters of credit	(68)	(59)	(4)	(2)	(1)	—	—	(2)
Tax-exempt bonds	(81)	—	—	—	—	—	(81)	—
Coal ash set-aside	(500)	—	(250)	(250)	—	—	—	—
Available capacity under the Master Credit Facility	$ 4,236	$ 1,699	$ 364	$ 337	$ 699	$ 405	$ 369	$ 363

(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 on the Condensed Consolidated Balance Sheets.

Three Year Revolving Credit Facility

In June 2017, Duke Energy (Parent) entered into a three-year $1.0 billion revolving credit facility (the Three Year Revolver). Borrowings under this facility will be used for general corporate purposes.

As of June 30, 2017, $270 million has been drawn under the Three Year Revolver. This balance is classified as Long-Term Debt on Duke Energy's Condensed Consolidated Balance Sheets. Any undrawn commitments can be drawn, and borrowings can be prepaid, at any time throughout the term of the facility. The terms and conditions of the Three Year Revolver are generally consistent with those governing Duke Energy's Master Credit Facility.

Piedmont Term Loan Facility

In June 2017, Piedmont entered into an 18-month term loan facility with commitments totaling $250 million (the Piedmont Term Loan). Borrowings under the facility will be used for general corporate purposes.

As of June 30, 2017, $125 million has been drawn under the Piedmont Term Loan. This balance is classified as Long-Term Debt on Piedmont's Condensed Consolidated Balance Sheets. The remaining $125 million can be drawn in one additional borrowing, which must occur within 90 days of the closing date of the facility. Piedmont anticipates borrowing the remaining $125 million in the third quarter of 2017. The terms and conditions of the Piedmont Term Loan are generally consistent with those governing Duke Energy's Master Credit Facility.

7. GOODWILL AND INTANGIBLE ASSETS

GOODWILL

Duke Energy

The following table presents the goodwill by reportable operating segment on Duke Energy's Condensed Consolidated Balance Sheets at June 30, 2017 and December 31, 2016.

(in millions)	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Commercial Renewables	Total
Goodwill	$ 17,379	$ 1,924	$ 122	$ 19,425

Duke Energy Ohio

Duke Energy Ohio's Goodwill balance of $920 million, allocated $596 million to Electric Utilities and Infrastructure and $324 million to Gas Utilities and Infrastructure, is presented net of accumulated impairment charges of $216 million on the Condensed Consolidated Balance Sheets at June 30, 2017 and December 31, 2016.

Progress Energy

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

Piedmont

Piedmont's Goodwill is included in the Gas Utilities and Infrastructure operating segment and there are no accumulated impairment charges. Effective November 1, 2016, Piedmont's fiscal year was changed from October 31 to December 31. Effective with this change, Piedmont changed the date of their annual impairment testing of goodwill from October 31 to August 31 to align with the other Duke Energy Registrants.

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 on 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)	**2017**	**2016**	**2017**	**2016**
Duke Energy Carolinas				
Corporate governance and shared service expenses[(a)]	$ 178	$ 199	$ 377	$ 416
Indemnification coverages[(b)]	6	5	12	11
JDA revenue[(c)]	17	2	33	11
JDA expense[(c)]	21	50	52	91
Intercompany natural gas purchases[(d)]	1	—	2	—
Progress Energy				
Corporate governance and shared service expenses[(a)]	$ 173	$ 160	$ 342	$ 334
Indemnification coverages[(b)]	9	9	19	17
JDA revenue[(c)]	21	50	52	91
JDA expense[(c)]	17	2	33	11
Intercompany natural gas purchases[(d)]	19	—	38	—
Duke Energy Progress				
Corporate governance and shared service expenses[(a)]	$ 102	$ 89	$ 205	$ 189
Indemnification coverages[(b)]	3	4	7	7
JDA revenue[(c)]	21	50	52	91
JDA expense[(c)]	17	2	33	11
Intercompany natural gas purchases[(d)]	19	—	38	—
Duke Energy Florida				
Corporate governance and shared service expenses[(a)]	$ 71	$ 71	$ 137	$ 145
Indemnification coverages[(b)]	6	5	12	10
Duke Energy Ohio				
Corporate governance and shared service expenses[(a)]	$ 84	$ 87	$ 174	$ 172
Indemnification coverages[(b)]	1	1	2	2
Duke Energy Indiana				
Corporate governance and shared service expenses[(a)]	$ 87	$ 89	$ 177	$ 183
Indemnification coverages[(b)]	2	2	4	4
Piedmont				
Corporate governance and shared service expenses[(a)]	$ 8	$ —	$ 14	$ —
Indemnification coverages[(b)]	—	—	1	—
Intercompany natural gas sales[(d)]	20	—	40	—

(a) The Subsidiary Registrants are charged their proportionate share of corporate governance and other shared services costs, primarily related to human resources, employee benefits, information technology, legal and accounting fees, as well as other third-party costs. These amounts are primarily 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 Joint Dispatch Agreement (JDA), which allows the collective dispatch of power plants between the service territories to reduce customer rates. Revenues from the sale of power and expenses from the purchase of power under the JDA are recorded in Operating Revenues and Fuel used in electric generation and purchased power, respectively, on the Condensed Consolidated Statements of Operations and Comprehensive Income.

(d) Piedmont provides long-term natural gas delivery service to certain Duke Energy Carolinas and Duke Energy Progress' natural gas-fired generation facilities. Piedmont records the sales in Regulated natural gas revenues, and Duke Energy Carolinas and Duke Energy Progress record the related purchases in Fuel used in electric generation and purchased power on their respective Condensed Consolidated Statements of Operations and Comprehensive Income. The amounts are not eliminated in accordance with rate-based accounting regulations. For the three and six months ended June 30, 2016, which was prior to the Piedmont acquisition, Piedmont recorded $19 million and $38 million, respectively, of natural gas sales with Duke Energy Progress and $1 million and 2 million, respectively, with Duke Energy Carolinas.

In addition to the amounts presented above, the Subsidiary Registrants have 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 the year ended December 31, 2016, for more information regarding the money pool. These transactions of the Subsidiary Registrants were not material for the three and six months ended June 30, 2017 and 2016.

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.

Equity Method Investments

Piedmont has related party transactions as a customer of its equity method investments in natural gas storage and transportation facilities. The following table presents expenses for the three and six months ended June 30, 2017 and 2016, which are included in Cost of natural gas on Piedmont's Condensed Consolidated Statement of Operations and Comprehensive Income.

		Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**Type of expense**	**2017**	**2016**	**2017**	**2016**
Cardinal	Transportation Costs	$ 2	$ 2	$ 4	$ 4
Pine Needle	Gas Storage Costs	2	2	4	5
Hardy Storage	Gas Storage Costs	3	3	5	5
Total		$ 7	$ 7	$ 13	$ 14

Piedmont had accounts payable to its equity method investments of $2 million at June 30, 2017, and December 31, 2016, related to these transactions. These amounts are included in Accounts payable on the Condensed Consolidated Balance Sheets.

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**	**Piedmont**
June 30, 2017							
Intercompany income tax receivable	$ —	$ 102	$ 35	$ —	$ 19	$ 25	$ 56
Intercompany income tax payable	20	—	—	3	—	—	—
December 31, 2016							
Intercompany income tax receivable	$ 1	$ —	$ —	$ 37	$ —	$ —	$ —
Intercompany income tax payable	—	37	90	—	1	3	38

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. Piedmont enters into gas supply contracts to provide diversification, reliability and gas cost benefits to their customers. 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 or Treasury locks 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 impacts 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 and six months ended June 30, 2017, were not material. Duke Energy's interest rate derivatives designated as hedges include interest rate swaps used to hedge existing debt within the Commercial Renewables business.

In July and August 2017, Duke Energy entered into $200 million notional amount of Treasury locks that were designated as hedges of debt anticipated to be issued in 2017.

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 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 entered into $1.4 billion of forward-starting interest rate swaps to manage interest rate exposure related to the Piedmont acquisition financing. The swaps did not qualify for hedge accounting and were marked-to-market, with any gains or losses included within earnings. For the three and six months ended June 30, 2016, unrealized losses on the swaps of $75 million and $168 million, respectively, were included within Interest Expense on Duke Energy's Condensed Consolidated Statements of Operations. The swaps were unwound in August 2016 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, 2017					
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio
Cash flow hedges[(a)]	$ 703	$ —	$ —	$ —	$ —	$ —
Undesignated contracts	927	400	500	250	250	27
Total notional amount	$ 1,630	$ 400	$ 500	$ 250	$ 250	$ 27

	December 31, 2016					
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio
Cash flow hedges[(a)]	$ 750	$ —	$ —	$ —	$ —	$ —
Undesignated contracts	927	400	500	250	250	27
Total notional amount	$ 1,677	$ 400	$ 500	$ 250	$ 250	$ 27

(a) Duke Energy includes amounts related to consolidated VIEs of $703 million and $750 million as of June 30, 2017 and December 31, 2016, respectively.

COMMODITY PRICE RISK

The Duke Energy Registrants are exposed to the impact of changes in the prices of electricity purchased and sold in bulk power markets and coal and natural gas purchases, including Piedmont's gas supply contracts. Exposure to commodity price risk is influenced by a number of factors including the term of contracts, the liquidity of markets and delivery locations. For the Subsidiary Registrants, bulk power electricity and coal and natural gas purchases flow through fuel adjustment clauses, formula based contracts or other cost sharing mechanisms. Differences between the costs included in rates and the incurred costs, including undesignated derivative contracts, are largely deferred as regulatory assets or regulatory liabilities. Piedmont policies allow for the use of financial instruments to hedge commodity price risks. The strategy and objective of these hedging programs are to use the financial instruments to reduce gas costs volatility for customers.

Volumes

The tables below include 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, 2017						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Indiana	Piedmont
Electricity (gigawatt-hours)	178	—	—	—	—	178	—
Natural gas (millions of dekatherms)	791	92	202	106	96	2	495

	December 31, 2016						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Indiana	Piedmont
Electricity (gigawatt-hours)	147	—	—	—	—	147	—
Natural gas (millions of dekatherms)	890	91	269	118	151	1	529

LOCATION AND FAIR VALUE OF DERIVATIVE ASSETS AND LIABILITIES RECOGNIZED ON 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, 2017							
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Commodity Contracts								
Not Designated as Hedging Instruments								
Current	$ 76	$ 7	$ 11	$ 7	$ 4	$ 3	$ 54	$ 2
Noncurrent	3	1	2	1	1	—	—	—
Total Derivative Assets – Commodity Contracts	$ 79	$ 8	$ 13	$ 8	$ 5	$ 3	$ 54	$ 2
Interest Rate Contracts								
Designated as Hedging Instruments								
Noncurrent	$ 14	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Not Designated as Hedging Instruments								
Current	2	—	2	—	1	—	—	—
Total Derivative Assets – Interest Rate Contracts	$ 16	$ —	$ 2	$ —	$ 1	$ —	$ —	$ —
Total Derivative Assets	$ 95	$ 8	$ 15	$ 8	$ 6	$ 3	$ 54	$ 2

Derivative Liabilities	June 30, 2017							
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Commodity Contracts								
Not Designated as Hedging Instruments								
Current	$ 40	$ 1	$ 21	$ 2	$ 19	$ —	$ —	$ 18
Noncurrent	140	3	10	3	1	—	—	127
Total Derivative Liabilities – Commodity Contracts	$ 180	$ 4	$ 31	$ 5	$ 20	$ —	$ —	$ 145
Interest Rate Contracts								
Designated as Hedging Instruments								
Current	$ 6	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Noncurrent	9	—	—	—	—	—	—	—
Not Designated as Hedging Instruments								
Current	23	22	—	—	—	1	—	—
Noncurrent	9	—	4	3	—	4	—	—
Total Derivative Liabilities – Interest Rate Contracts	$ 47	$ 22	$ 4	$ 3	$ —	$ 5	$ —	$ —
Total Derivative Liabilities	$ 227	$ 26	$ 35	$ 8	$ 20	$ 5	$ —	$ 145

Derivative Assets				**December 31, 2016**				
(in millions)	**Duke Energy**	**Duke Energy Carolinas**	**Progress Energy**	**Duke Energy Progress**	**Duke Energy Florida**	**Duke Energy Ohio**	**Duke Energy Indiana**	**Piedmont**
Commodity Contracts								
Not Designated as Hedging Instruments								
Current	$ 108	$ 23	$ 61	$ 35	$ 26	$ 4	$ 16	$ 3
Noncurrent	32	10	21	10	11	1	—	—
Total Derivative Assets – Commodity Contracts	$ 140	$ 33	$ 82	$ 45	$ 37	$ 5	$ 16	$ 3
Interest Rate Contracts								
Designated as Hedging Instruments								
Noncurrent	$ 19	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Not Designated as Hedging Instruments								
Current	3	—	3	1	2	—	—	—
Total Derivative Assets – Interest Rate Contracts	$ 22	$ —	$ 3	$ 1	$ 2	$ —	$ —	$ —
Total Derivative Assets	$ 162	$ 33	$ 85	$ 46	$ 39	$ 5	$ 16	$ 3

Derivative Liabilities				**December 31, 2016**				
(in millions)	**Duke Energy**	**Duke Energy Carolinas**	**Progress Energy**	**Duke Energy Progress**	**Duke Energy Florida**	**Duke Energy Ohio**	**Duke Energy Indiana**	**Piedmont**
Commodity Contracts								
Not Designated as Hedging Instruments								
Current	$ 43	$ —	$ 12	$ —	$ 12	$ —	$ 2	$ 35
Noncurrent	166	1	7	1	—	—	—	152
Total Derivative Liabilities – Commodity Contracts	$ 209	$ 1	$ 19	$ 1	$ 12	$ —	$ 2	$ 187
Interest Rate Contracts								
Designated as Hedging Instruments								
Current	$ 8	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Noncurrent	8	—	—	—	—	—	—	—
Not Designated as Hedging Instruments								—
Current	1	—	—	—	—	1	—	—
Noncurrent	26	15	6	6	—	5	—	—
Total Derivative Liabilities – Interest Rate Contracts	$ 43	$ 15	$ 6	$ 6	$ —	$ 6	$ —	$ —
Total Derivative Liabilities	$ 252	$ 16	$ 25	$ 7	$ 12	$ 6	$ 2	$ 187

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, 2017							
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Current								
Gross amounts recognized	$ 78	$ 7	$ 13	$ 7	$ 5	$ 3	$ 54	$ 2
Gross amounts offset	(3)	—	(4)	—	(3)	—	—	—
Net amounts presented in Current Assets: Other	$ 75	$ 7	$ 9	$ 7	$ 2	$ 3	$ 54	$ 2
Noncurrent								
Gross amounts recognized	$ 17	$ 1	$ 2	$ 1	$ 1	$ —	$ —	$ —
Gross amounts offset	(1)	—	(1)	—	(1)	—	—	—
Net amounts presented in Other Noncurrent Assets: Other	$ 16	$ 1	$ 1	$ 1	$ —	$ —	$ —	$ —

Derivative Liabilities	June 30, 2017							
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Current								
Gross amounts recognized	$ 69	$ 23	$ 21	$ 2	$ 19	$ 1	$ —	$ 18
Gross amounts offset	(4)	(1)	(4)	(1)	(3)	—	—	—
Net amounts presented in Current Liabilities: Other	$ 65	$ 22	$ 17	$ 1	$ 16	$ 1	$ —	$ 18
Noncurrent								
Gross amounts recognized	$ 158	$ 3	$ 14	$ 6	$ 1	$ 4	$ —	$ 127
Gross amounts offset	(2)	(1)	(1)	(1)	(1)	—	—	—
Net amounts presented in Other Noncurrent Liabilities: Other	$ 156	$ 2	$ 13	$ 5	$ —	$ 4	$ —	$ 127

Derivative Assets	December 31, 2016							
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Current								
Gross amounts recognized	$ 111	$ 23	$ 64	$ 36	$ 28	$ 4	$ 16	$ 3
Gross amounts offset	(11)	—	(11)	—	(11)	—	—	—
Net amounts presented in Current Assets: Other	$ 100	$ 23	$ 53	$ 36	$ 17	$ 4	$ 16	$ 3
Noncurrent								
Gross amounts recognized	$ 51	$ 10	$ 21	$ 10	$ 11	$ 1	$ —	$ —
Gross amounts offset	(2)	(1)	(1)	(1)	—	—	—	—
Net amounts presented in Other Noncurrent Assets: Other	$ 49	$ 9	$ 20	$ 9	$ 11	$ 1	$ —	$ —

Derivative Liabilities	December 31, 2016							
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Current								
Gross amounts recognized	$ 52	$ —	$ 12	$ —	$ 12	$ 1	$ 2	$ 35
Gross amounts offset	(11)	—	(11)	—	(11)	—	—	—
Net amounts presented in Current Liabilities: Other	$ 41	$ —	$ 1	$ —	$ 1	$ 1	$ 2	$ 35
Noncurrent								
Gross amounts recognized	$ 200	$ 16	$ 13	$ 7	$ —	$ 5	$ —	$ 152
Gross amounts offset	(2)	(1)	(1)	(1)	—	—	—	—
Net amounts presented in Other Noncurrent Liabilities: Other	$ 198	$ 15	$ 12	$ 6	$ —	$ 5	$ —	$ 152

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, Duke Energy Indiana and Piedmont were not material.

	June 30, 2017				
(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	$ 51	$ 25	$ 26	$ 7	$ 19
Fair value of collateral already posted	—	—	—	—	—
Additional cash collateral or letters of credit in the event credit-risk-related contingent features were triggered	51	25	26	7	19

	December 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	$ 34	$ 16	$ 18	$ 6	$ 12
Fair value of collateral already posted	—	—	—	—	—
Additional cash collateral or letters of credit in the event credit-risk-related contingent features were triggered	34	16	18	6	12

The Duke Energy Registrants have elected to offset cash collateral and fair values of derivatives. For amounts to be netted, the derivative and cash collateral must be executed with the same counterparty under the same master netting arrangement.

10. 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

Piedmont's investments in debt and equity securities held in rabbi trusts associated with certain deferred compensation plans are classified as trading securities. The fair value of these investments was $2 million and $5 million as of June 30, 2017 and December 31, 2016, respectively.

AVAILABLE-FOR-SALE (AFS) SECURITIES

All other investments in debt and equity securities are classified as AFS.

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 (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 (OTTIs) 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.

Substantially all amounts of the Duke Energy Registrants' gross unrealized holding losses as of June 30, 2017 and December 31, 2016, are considered OTTIs on investments within Investment Trusts that have been recognized immediately as a regulatory asset.

Other AFS Securities

Unrealized gains and losses on all other AFS 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 OTTI exists, the unrealized credit loss is included in earnings. There were no material credit losses as of June 30, 2017 and December 31, 2016.

Other Investments amounts are recorded in Other within Other Noncurrent Assets on the Condensed Consolidated Balance Sheets.

DUKE ENERGY

The following table presents the estimated fair value of investments in AFS securities.

	June 30, 2017			December 31, 2016		
(in millions)	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
NDTF						
Cash and cash equivalents	$ —	$ —	$ 116	$ —	$ —	$ 111
Equity securities	2,373	29	4,422	2,092	54	4,106
Corporate debt securities	15	2	611	10	8	528
Municipal bonds	4	3	340	3	10	331
U.S. government bonds	12	6	961	10	8	984
Other debt securities	—	1	142	—	3	124
Total NDTF	$ 2,404	$ 41	$ 6,592	$ 2,115	$ 83	$ 6,184
Other Investments						
Cash and cash equivalents	$ —	$ —	$ 15	$ —	$ —	$ 25
Equity securities	47	—	110	38	—	104
Corporate debt securities	1	—	63	1	1	66
Municipal bonds	3	1	82	2	1	82
U.S. government bonds	—	—	49	—	1	51
Other debt securities	—	—	36	—	2	42
Total Other Investments	$ 51	$ 1	$ 355	$ 41	$ 5	$ 370
Total Investments	$ 2,455	$ 42	$ 6,947	$ 2,156	$ 88	$ 6,554

The table below summarizes the maturity date for debt securities.

(in millions)	June 30, 2017
Due in one year or less	$ 86
Due after one through five years	631
Due after five through 10 years	503
Due after 10 years	1,064
Total	$ 2,284

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2017**	**2016**	**2017**	**2016**
Realized gains	$ 40	$ 64	$ 133	$ 118
Realized losses	37	42	99	92

DUKE ENERGY CAROLINAS

The following table presents the estimated fair value of investments in AFS securities.

	June 30, 2017			December 31, 2016		
(in millions)	**Gross Unrealized Holding Gains**	**Gross Unrealized Holding Losses**	**Estimated Fair Value**	**Gross Unrealized Holding Gains**	**Gross Unrealized Holding Losses**	**Estimated Fair Value**
NDTF						
Cash and cash equivalents	$ —	$ —	$ 33	$ —	$ —	$ 18
Equity securities	1,299	14	2,441	1,157	28	2,245
Corporate debt securities	9	2	407	5	6	354
Municipal bonds	1	1	60	1	2	67
U.S. government bonds	3	3	417	2	5	458
Other debt securities	—	1	132	—	3	116
Total NDTF	$ 1,312	$ 21	$ 3,490	$ 1,165	$ 44	$ 3,258
Other Investments						
Other debt securities	—	—	—	—	1	3
Total Investments	$ 1,312	$ 21	$ 3,490	$ 1,165	$ 45	$ 3,261

The table below summarizes the maturity date for debt securities.

(in millions)	**June 30, 2017**
Due in one year or less	$ 4
Due after one through five years	224
Due after five through 10 years	245
Due after 10 years	543
Total	$ 1,016

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2017**	**2016**	**2017**	**2016**
Realized gains	$ 24	$ 33	$ 90	$ 67
Realized losses	23	19	63	56

PROGRESS ENERGY

The following table presents the estimated fair value of investments in AFS securities.

	June 30, 2017			December 31, 2016		
(in millions)	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
NDTF						
Cash and cash equivalents	$ —	$ —	$ 83	$ —	$ —	$ 93
Equity securities	1,074	15	1,981	935	26	1,861
Corporate debt securities	6	—	204	5	2	174
Municipal bonds	3	2	280	2	8	264
U.S. government bonds	9	3	544	8	3	526
Other debt securities	—	—	10	—	—	8
Total NDTF	$ 1,092	$ 20	$ 3,102	$ 950	$ 39	$ 2,926
Other Investments						
Cash and cash equivalents	$ —	$ —	$ 12	$ —	$ —	$ 21
Municipal bonds	3	—	47	2	—	44
Total Other Investments	$ 3	$ —	$ 59	$ 2	$ —	$ 65
Total Investments	$ 1,095	$ 20	$ 3,161	$ 952	$ 39	$ 2,991

The table below summarizes the maturity date for debt securities.

(in millions)	June 30, 2017
Due in one year or less	$ 72
Due after one through five years	347
Due after five through 10 years	196
Due after 10 years	470
Total	$ 1,085

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2017	2016	2017	2016
Realized gains	$ 15	$ 31	$ 42	$ 50
Realized losses	14	23	35	36

DUKE ENERGY PROGRESS

The following table presents the estimated fair value of investments in AFS securities.

	June 30, 2017			December 31, 2016		
(in millions)	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
NDTF						
Cash and cash equivalents	$ —	$ —	$ 31	$ —	$ —	$ 45
Equity securities	816	12	1,607	704	21	1,505
Corporate debt securities	5	—	142	4	1	120
Municipal bonds	3	2	279	2	8	263
U.S. government bonds	6	2	314	5	2	275
Other debt securities	—	—	6	—	—	5
Total NDTF	$ 830	$ 16	$ 2,379	$ 715	$ 32	$ 2,213
Other Investments						
Cash and cash equivalents	$ —	$ —	$ 1	$ —	$ —	$ 1
Total Investments	$ 830	$ 16	$ 2,380	$ 715	$ 32	$ 2,214

The table below summarizes the maturity date for debt securities.

(in millions)	June 30, 2017
Due in one year or less	$ 18
Due after one through five years	220
Due after five through 10 years	144
Due after 10 years	359
Total	$ 741

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2017	2016	2017	2016
Realized gains	$ 11	$ 27	$ 35	$ 42
Realized losses	11	20	30	31

DUKE ENERGY FLORIDA

The following table presents the estimated fair value of investments in AFS securities.

	June 30, 2017			December 31, 2016		
(in millions)	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
NDTF						
Cash and cash equivalents	$ —	$ —	$ 52	$ —	$ —	$ 48
Equity securities	258	3	374	231	5	356
Corporate debt securities	1	—	62	1	1	54
Municipal bonds	—	—	1	—	—	1
U.S. government bonds	3	1	230	3	1	251
Other debt securities	—	—	4	—	—	3
Total NDTF[(a)]	$ 262	$ 4	$ 723	$ 235	$ 7	$ 713
Other Investments						
Cash and cash equivalents	$ —	$ —	$ 1	$ —	$ —	$ 4
Municipal bonds	3	—	47	2	—	44
Total Other Investments	$ 3	$ —	$ 48	$ 2	$ —	$ 48
Total Investments	$ 265	$ 4	$ 771	$ 237	$ 7	$ 761

(a) During the six months ended June 30, 2017, Duke Energy Florida continued to receive 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)	June 30, 2017
Due in one year or less	$ 54
Due after one through five years	127
Due after five through 10 years	52
Due after 10 years	111
Total	$ 344

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2017	2016	2017	2016
Realized gains	$ 4	$ 4	$ 7	$ 8
Realized losses	3	3	5	5

DUKE ENERGY INDIANA

The following table presents the estimated fair value of investments in AFS securities.

	June 30, 2017			December 31, 2016		
(in millions)	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
Investments						
Equity securities	$ 40	$ —	$ 87	$ 33	$ —	$ 79
Corporate debt securities	—	—	3	—	—	2
Municipal bonds	—	1	27	—	1	28
U.S. government bonds	—	—	1	—	—	1
Total Investments	$ 40	$ 1	$ 118	$ 33	$ 1	$ 110

The table below summarizes the maturity date for debt securities.

(in millions)	June 30, 2017
Due in one year or less	$ 3
Due after one through five years	14
Due after five through 10 years	8
Due after 10 years	6
Total	$ 31

Realized gains and losses, which were determined on a specific identification basis, from sales of AFS securities were insignificant for the three and six months ended June 30, 2017 and 2016.

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 that 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, 2017 and 2016.

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 New York Stock Exchange (NYSE) and Nasdaq Stock Market. 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, including Piedmont's gas supply contracts, are primarily valued using internally developed discounted cash flow models that 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 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 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 that 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.

Other fair value considerations

See Note 2 related to the acquisition of Piedmont in 2016. See Note 11 in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2016, for a discussion of the valuation of goodwill and intangible 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 tables below for all Duke Energy Registrants exclude cash collateral, which is disclosed in Note 9. See Note 10 for additional information related to investments by major security type for the Duke Energy Registrants.

	June 30, 2017				
(in millions)	Total Fair Value	Level 1	Level 2	Level 3	Not categorized
NDTF equity securities	$ 4,422	$ 4,345	$ —	$ —	$ 77
NDTF debt securities	2,170	593	1,577	—	—
Other trading and AFS equity securities	112	112	—	—	—
Other trading and AFS debt securities	245	63	182	—	—
Derivative assets	95	4	37	54	—
Total assets	7,044	5,117	1,796	54	77
Derivative liabilities	(227)	(1)	(81)	(145)	—
Net assets (liabilities)	$ 6,817	$ 5,116	$ 1,715	$ (91)	$ 77

	December 31, 2016				
(in millions)	Total Fair Value	Level 1	Level 2	Level 3	Not categorized
NDTF equity securities	$ 4,106	$ 4,029	$ —	$ —	$ 77
NDTF debt securities	2,078	632	1,446	—	—
Other trading and AFS equity securities	104	104	—	—	—
Other trading and AFS debt securities	266	75	186	5	—
Derivative assets	162	5	136	21	—
Total assets	6,716	4,845	1,768	26	77
Derivative liabilities	(252)	(2)	(63)	(187)	—
Net assets (liabilities)	$ 6,464	$ 4,843	$ 1,705	$ (161)	$ 77

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 Cost of natural gas on the Duke Energy Registrants' Condensed Consolidated Statements of Operations and Comprehensive Income. Amounts included in changes of net assets on the Duke Energy Registrants' Condensed Consolidated Balance Sheets are included in regulatory assets or liabilities. All derivative assets and liabilities are presented on a net basis.

	Three Months Ended June 30, 2017			Three Months Ended June 30, 2016		
(in millions)	Investments	Derivatives (net)	Total	Investments	Derivatives (net)	Total
Balance at beginning of period	$ 5	$ (135)	$ (130)	$ 4	$ 2	$ 6
Total pretax realized or unrealized gains included in comprehensive income	1	—	1	—	—	—
Purchases, sales, issuances and settlements:						
Purchases	—	55	55	—	34	34
Sales	(6)	—	(6)	—	—	—
Settlements	—	(9)	(9)	—	(6)	(6)
Total (losses) gains included on the Condensed Consolidated Balance Sheet	—	(2)	(2)	—	4	4
Balance at end of period	$ —	$ (91)	$ (91)	$ 4	$ 34	$ 38

	Six Months Ended June 30, 2017			Six Months Ended June 30, 2016		
(in millions)	Investments	Derivatives (net)	Total	Investments	Derivatives (net)	Total
Balance at beginning of period	$ 5	$ (166)	$ (161)	$ 5	$ 10	$ 15
Total pretax realized or unrealized gains included in comprehensive income	1	—	1	—	—	—
Purchases, sales, issuances and settlements:						
Purchases	—	55	55	—	34	34
Sales	(6)	—	(6)	(1)	—	(1)
Settlements	—	(18)	(18)	—	(13)	(13)
Total gains included on the Condensed Consolidated Balance Sheet	—	38	38	—	3	3
Balance at end of period	$ —	$ (91)	$ (91)	$ 4	$ 34	$ 38

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.

	June 30, 2017				
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**	**Not categorized**
NDTF equity securities	$ 2,441	$ 2,364	$ —	$ —	$ 77
NDTF debt securities	1,049	141	908	—	—
Derivative assets	8	—	8	—	—
Total assets	3,498	2,505	916	—	77
Derivative liabilities	(26)	—	(26)	—	—
Net assets	$ 3,472	$ 2,505	$ 890	$ —	$ 77

	December 31, 2016				
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**	**Level 3**	**Not categorized**
NDTF equity securities	$ 2,245	$ 2,168	$ —	$ —	$ 77
NDTF debt securities	1,013	178	835	—	—
Other AFS debt securities	3	—	—	3	—
Derivative assets	33	—	33	—	—
Total assets	3,294	2,346	868	3	77
Derivative liabilities	(16)	—	(16)	—	—
Net assets	$ 3,278	$ 2,346	$ 852	$ 3	$ 77

The following table provides a reconciliation of beginning and ending balances of assets and liabilities measured at fair value using Level 3 measurements.

	Investments			
	Three Months Ended June 30,		**Six Months Ended June 30,**	
(in millions)	**2017**	**2016**	**2017**	**2016**
Balance at beginning of period	3	$ 3	$ 3	3
Total pretax realized or unrealized gains included in comprehensive income	1	—	1	—
Purchases, sales, issuances and settlements:				
Sales	(4)	—	(4)	—
Balance at end of period	$ —	$ 3	$ —	$ 3

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.

	June 30, 2017			December 31, 2016		
(in millions)	**Total Fair Value**	**Level 1**	**Level 2**	**Total Fair Value**	**Level 1**	**Level 2**
NDTF equity securities	$ 1,981	$ 1,981	$ —	$ 1,861	$ 1,861	$ —
NDTF debt securities	1,121	452	669	1,065	454	611
Other AFS debt securities	59	12	47	65	21	44
Derivative assets	15	—	15	85	—	85
Total assets	3,176	2,445	731	3,076	2,336	740
Derivative liabilities	(35)	—	(35)	(25)	—	(25)
Net assets	$ 3,141	$ 2,445	$ 696	$ 3,051	$ 2,336	$ 715

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.

	June 30, 2017			December 31, 2016		
(in millions)	Total Fair Value	Level 1	Level 2	Total Fair Value	Level 1	Level 2
NDTF equity securities	$ 1,607	$ 1,607	$ —	$ 1,505	$ 1,505	$ —
NDTF debt securities and other	772	226	546	708	207	501
Other AFS debt securities and other	1	1	—	1	1	—
Derivative assets	8	—	8	46	—	46
Total assets	2,388	1,834	554	2,260	1,713	547
Derivative liabilities	(8)	—	(8)	(7)	—	(7)
Net assets	$ 2,380	$ 1,834	$ 546	$ 2,253	$ 1,713	$ 540

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.

	June 30, 2017			December 31, 2016		
(in millions)	Total Fair Value	Level 1	Level 2	Total Fair Value	Level 1	Level 2
NDTF equity securities	$ 374	$ 374	$ —	$ 356	$ 356	$ —
NDTF debt securities and other	349	226	123	357	247	110
Other AFS debt securities and other	48	1	47	48	4	44
Derivative assets	6	—	6	39	—	39
Total assets	777	601	176	800	607	193
Derivative liabilities	(20)	—	(20)	(12)	—	(12)
Net assets	$ 757	$ 601	$ 156	$ 788	$ 607	$ 181

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.

	June 30, 2017			December 31, 2016		
(in millions)	Total Fair Value	Level 2	Level 3	Total Fair Value	Level 2	Level 3
Derivative assets	$ 3	$ —	$ 3	$ 5	$ —	$ 5
Derivative liabilities	(5)	(5)	—	(6)	(6)	—
Net (liabilities) assets	$ (2)	$ (5)	$ 3	$ (1)	$ (6)	$ 5

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,		Six Months Ended June 30,	
(in millions)	2017	2016	2017	2016
Balance at beginning of period	$ 1	$ —	$ 5	$ 3
Purchases, sales, issuances and settlements:				
Purchases	3	5	3	5
Settlements	(1)	—	(2)	(2)
Total losses included on the Condensed Consolidated Balance Sheet	—	—	(3)	(1)
Balance at end of period	$ 3	$ 5	$ 3	$ 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.

	June 30, 2017				December 31, 2016			
(in millions)	Total Fair Value	Level 1	Level 2	Level 3	Total Fair Value	Level 1	Level 2	Level 3
Other AFS equity securities	$ 87	$ 87	$ —	$ —	$ 79	$ 79	$ —	$ —
Other AFS debt securities and other	31	—	31	—	31	—	31	—
Derivative assets	54	3	—	51	16	—	—	16
Total assets	172	90	31	51	126	79	31	16
Derivative liabilities	—	—	—	—	(2)	(2)	—	—
Net assets	$ 172	$ 90	$ 31	$ 51	$ 124	$ 77	$ 31	$ 16

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,		Six Months Ended June 30,	
(in millions)	2017	2016	2017	2016
Balance at beginning of period	$ 9	$ 2	$ 16	$ 7
Purchases, sales, issuances and settlements:				
Purchases	52	29	52	29
Settlements	(9)	(6)	(16)	(11)
Total (losses) gains included on the Condensed Consolidated Balance Sheet	(1)	4	(1)	4
Balance at end of period	$ 51	$ 29	$ 51	$ 29

PIEDMONT

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Condensed Consolidated Balance Sheets.

	June 30, 2017			December 31, 2016		
(in millions)	Total Fair Value	Level 1	Level 3	Total Fair Value	Level 1	Level 3
Other trading equity securities	2	2	—	$ 4	$ 4	$ —
Other trading debt securities	—	—	—	1	1	—
Derivative assets	2	2	—	3	3	—
Total assets	4	4	—	8	8	—
Derivative liabilities	(145)	—	(145)	(187)	—	(187)
Net (liabilities) assets	$ (141)	$ 4	$ (145)	$ (179)	$ 8	$ (187)

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,		Six Months Ended June 30,	
(in millions)	2017	2016	2017	2016
Balance at beginning of period	$ (145)	$ (126)	$ (187)	$ (149)
Total (losses) gains and settlements	—	(64)	42	(41)
Balance at end of period	$ (145)	$ (190)	$ (145)	$ (190)

QUANTITATIVE INFORMATION ABOUT UNOBSERVABLE INPUTS

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

	June 30, 2017					
Investment Type	**Fair Value (in millions)**	**Valuation Technique**	**Unobservable Input**	**Range**		
Duke Energy Ohio						
Financial Transmission Rights (FTRs)	$ 3	RTO auction pricing	FTR price – per megawatt-hour (MWh)	$ (5.24)	-	$ 1.82
Duke Energy Indiana						
FTRs	51	RTO auction pricing	FTR price – per MWh	(1.65)	-	6.66
Piedmont						
Natural gas contracts	(145)	Discounted cash flow	Forward natural gas curves – price per million British thermal unit (MMBtu)	2.21	-	3.78
Duke Energy						
Total Level 3 derivatives	$ (91)					

	December 31, 2016					
Investment Type	**Fair Value (in millions)**	**Valuation Technique**	**Unobservable Input**	**Range**		
Duke Energy Ohio						
FTRs	$ 5	RTO auction pricing	FTR price – per MWh	$ 0.77	-	$ 3.52
Duke Energy Indiana						
FTRs	16	RTO auction pricing	FTR price – per MWh	(0.83)	-	9.32
Piedmont						
Natural gas contracts	(187)	Discounted cash flow	Forward natural gas curves – price per MMBtu	2.31	-	4.18
Duke Energy						
Total Level 3 derivatives	$ (166)					

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, 2017		December 31, 2016	
(in millions)	**Book Value**	**Fair Value**	**Book Value**	**Fair Value**
Duke Energy	$ 49,515	$ 51,947	$ 47,895	$ 49,161
Duke Energy Carolinas	9,524	10,657	9,603	10,494
Progress Energy	18,145	20,101	17,541	19,107
Duke Energy Progress	6,760	7,266	7,011	7,357
Duke Energy Florida	6,979	7,753	6,125	6,728
Duke Energy Ohio	1,977	2,155	1,884	2,020
Duke Energy Indiana	3,784	4,379	3,786	4,260
Piedmont	1,946	2,107	1,821	1,933

At both June 30, 2017 and December 31, 2016, fair value of cash and cash equivalents, accounts and notes receivable, accounts payable, notes payable and commercial paper, and nonrecourse 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, 2017 and the year ended December 31, 2016, 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, natural gas 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.

	Duke Energy			
		Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida
(in millions)	**CRC**	**DERF**	**DEPR**	**DEFR**
Expiration date	December 2018	December 2018	February 2019	April 2019
Credit facility amount	$ 325	$ 425	$ 300	$ 225
Amounts borrowed at June 30, 2017	325	425	297	225
Amounts borrowed at December 31, 2016	325	425	300	225

Nuclear Asset-Recovery Bonds – DEFPF

Duke Energy Florida Project Finance, LLC (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.

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, 2017	December 31, 2016
Receivables of VIEs	$ 5	$ 6
Current Assets: Regulatory assets	52	50
Current Assets: Other	33	53
Other Noncurrent Assets: Regulatory assets	1,121	1,142
Current Liabilities: Other	10	17
Current maturities of long-term debt	55	62
Long-Term Debt	1,189	1,217

Commercial Renewables

Certain 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. 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 PPAs, 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 Consolidated Balance Sheets related to renewables VIEs.

(in millions)	June 30, 2017	December 31, 2016
Current Assets: Other	$ 293	$ 223
Property, plant and equipment, cost	3,695	3,419
Accumulated depreciation and amortization	(518)	(453)
Current maturities of long-term debt	157	198
Long-Term Debt	1,557	1,097
Deferred income taxes	300	275
Other Noncurrent Liabilities: Other	249	252

NON-CONSOLIDATED VIEs

The following tables summarize the impact of non-consolidated VIEs on the Condensed Consolidated Balance Sheets.

	June 30, 2017					
	Duke Energy				Duke Energy Ohio	Duke Energy Indiana
(in millions)	Pipeline Investments	Commercial Renewables	Other VIEs	Total		
Receivables from affiliated companies	$ —	$ —	$ —	$ —	$ 44	$ 72
Investments in equity method unconsolidated affiliates	800	176	92	1,068	—	—
Other noncurrent assets	12	—	—	12	—	—
Total assets	$ 812	$ 176	$ 92	$ 1,080	$ 44	$ 72
Other current liabilities	10	—	—	10	—	—
Other noncurrent liabilities	—	—	13	13	—	—
Total liabilities	$ 10	$ —	$ 13	$ 23	$ —	$ —
Net assets	$ 802	$ 176	$ 79	$ 1,057	$ 44	$ 72

	December 31, 2016						
	Duke Energy				Duke	Duke	
(in millions)	Pipeline Investments	Commercial Renewables	Other VIEs	Total	Energy Ohio	Energy Indiana	Piedmont[a]
Receivables from affiliated companies	$ —	$ —	$ —	$ —	$ 82	$ 101	$ —
Investments in equity method unconsolidated affiliates	487	174	90	751	—	—	139
Other noncurrent assets	12	—	—	12	—	—	—
Total assets	$ 499	$ 174	$ 90	$ 763	$ 82	$ 101	$ 139
Other current liabilities	—	—	3	3	—	—	—
Other noncurrent liabilities	—	—	13	13	—	—	4
Total liabilities	$ —	$ —	$ 16	$ 16	$ —	$ —	4
Net assets	$ 499	$ 174	$ 74	$ 747	$ 82	$ 101	$ 135

(a) In April 2017, Piedmont transferred its non-consolidated VIE investments to a wholly owned subsidiary of Duke Energy. See "Pipeline Investments" section below for additional detail.

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, some of which are reflected in the table above as Other noncurrent liabilities. For more information on various guarantees, refer to Note 5.

Pipeline Investments

Duke Energy has investments in various joint ventures with pipeline projects currently under construction. These entities are considered VIEs due to having insufficient equity to finance their own activities without subordinated financial support. Duke Energy does not have the power to direct the activities that most significantly impact the economic performance, the obligation to absorb losses or the right to receive benefits of these VIEs and therefore does not consolidate these entities.

The table below presents the ownership interest and investment balances in these joint ventures.

	Duke Energy		
		VIE Investment Amount (in millions)	
Entity Name	Ownership Interest	June 30, 2017	December 31, 2016
ACP	47%	$ 507	$ 265
Sabal Trail	7.5%	211	140
Constitution	24%	82	82
Total		$ 800	$ 487

At December 31, 2016, Piedmont had a 7 percent ownership interest in ACP and a 24 percent ownership interest in Constitution. In April 2017, Piedmont transferred its ownership interests in ACP and Constitution to a wholly owned subsidiary of Duke Energy at book value.

Commercial Renewables

Duke Energy has investments in various renewable energy project entities. Some of these entities are VIEs due to Duke Energy issuing guarantees for debt service and operations and maintenance reserves in support of debt financings. 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 VIEs

Duke Energy holds a 50 percent equity interest in Duke-American Transmission Company, LLC (DATC). DATC is considered a VIE due to having insufficient equity to finance their own activities without subordinated financial support. The activities that most significantly impact DATC's economic performance are 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, American Transmission Company, LLC, therefore Duke Energy does not consolidate DATC.

Duke Energy holds a 50 percent equity interest in Pioneer Transmission, LLC (Pioneer). Pioneer is considered a VIE due to having insufficient equity to finance their own activities without subordinated financial support. The activities that most significantly impact Pioneer's economic performance are decisions related to the 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, American Electric Power, therefore Duke Energy does not consolidate Pioneer.

OVEC

Duke Energy Ohio's 9 percent ownership interest in OVEC is considered a non-consolidated VIE due to OVEC having insufficient equity to finance their activities without subordinated financial support. As a counterparty to an inter-company power agreement (ICPA), Duke Energy Ohio has a contractual arrangement to receive entitlements to capacity and energy from OVEC's power plants through June 2040 commensurate with its power participation ratio, which is equivalent to Duke Energy Ohio's ownership interest. Costs, including fuel, operating expenses, fixed costs, debt amortization, and interest expense are allocated to counterparties to the ICPA based on their power participation ratio. The value of the ICPA is subject to variability due to fluctuation in power prices and changes in OVEC's cost of business, including costs associated with its 2,256 MW of coal-fired generation capacity. Deterioration in the credit quality, or bankruptcy of one or more parties to the ICPA could increase the costs of OVEC. In addition, certain proposed environmental rulemaking could result in future increased cost allocations.

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 OTTI has occurred.

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

	Duke Energy Ohio		Duke Energy Indiana	
	2017	2016	2017	2016
Anticipated credit loss ratio	0.5%	0.5%	0.3%	0.3%
Discount rate	1.9%	1.5%	1.9%	1.5%
Receivable turnover rate	13.4%	13.3%	10.7%	10.6%

The following table shows the gross and net receivables sold.

	Duke Energy Ohio		Duke Energy Indiana	
(in millions)	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Receivables sold	$ 210	$ 267	$ 299	$ 306
Less: Retained interests	44	82	72	101
Net receivables sold	$ 166	$ 185	$ 227	$ 205

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)	2017	2016	2017	2016	2017	2016	2017	2016
Sales								
Receivables sold	$ 421	$ 429	$ 954	$ 961	$ 663	$ 623	$ 1,327	$ 1,258
Loss recognized on sale	3	2	5	5	3	2	6	5
Cash flows								
Cash proceeds from receivables sold	$ 428	$ 427	$ 987	$ 964	$ 658	$ 612	$ 1,351	$ 1,255
Collection fees received	—	—	—	—	1	1	1	1
Return received on retained interests	1	—	2	1	1	1	3	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 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, as 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 stockholders, 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 and equity forward sale agreements, 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 shares 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)	**2017**	**2016**	**2017**	**2016**
Income from continuing operations attributable to Duke Energy common stockholders excluding impact of participating securities	$ 687	$ 621	$ 1,402	$ 1,195
Weighted average shares outstanding – basic	700	689	700	689
Equity Forwards	—	1	—	—
Weighted average shares outstanding – diluted	700	690	700	689
Earnings per share from continuing operations attributable to Duke Energy common stockholders				
Basic	$ 0.98	$ 0.90	$ 2.00	$ 1.73
Diluted	$ 0.98	$ 0.90	$ 2.00	$ 1.73
Potentially dilutive items excluded from the calculation[(a)]	2	2	2	2
Dividends declared per common share	$ 0.855	$ 0.825	$ 1.71	$ 1.65

(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 forward sale agreements with Barclays (the Equity Forwards). The Equity Forwards required Duke Energy to either physically settle the transactions by issuing 10.6 million shares, or net settle in whole or in part through the delivery or receipt of cash or shares. As of June 30, 2016, share dilution resulting from the agreements was determined under the treasury stock method.

Duke Energy physically settled the Equity Forwards in full in October 2016 following the close of the Piedmont acquisition. See Note 2 for additional information related to the Piedmont acquisition.

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)	**2017**	**2016**	**2017**	**2016**
Restricted stock unit awards	$ 12	$ 10	$ 20	$ 17
Performance awards	6	5	13	10
Pretax stock-based compensation cost	$ 18	$ 15	$ 33	$ 27
Tax benefit associated with stock-based compensation expense	$ 7	$ 5	$ 12	$ 9
Stock-based compensation costs capitalized	—	1	1	2

Prior to Duke Energy acquiring Piedmont, Piedmont had an incentive compensation plan for eligible officers and other participants. Piedmont's total pretax stock-based compensation costs were approximately $2 million and $3 million for the three end six months ended June 30, 2016, respectively. The tax benefit associated with Piedmont's stock based compensation expense for the three and six months ended June 30, 2016, was immaterial.

15. EMPLOYEE BENEFIT PLANS

DEFINED BENEFIT RETIREMENT PLANS

Duke Energy maintains, and the Subsidiary Registrants participate in, qualified and non-qualified, non-contributory defined benefit retirement plans. 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. Duke Energy did not make any contributions to its U.S. qualified defined benefit pension plans during the six months ended June 30, 2017 and 2016.

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, 2017							
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Service cost	$ 40	$ 12	$ 12	$ 6	$ 5	$ 1	$ 2	$ 3
Interest cost on projected benefit obligation	82	20	25	12	13	5	7	3
Expected return on plan assets	(136)	(36)	(43)	(21)	(21)	(7)	(11)	(6)
Amortization of actuarial loss	36	8	14	6	7	1	3	3
Amortization of prior service credit	(6)	(2)	(1)	—	—	—	—	(1)
Other	2	—	1	1	—	—	—	1
Net periodic pension costs	$ 18	$ 2	$ 8	$ 4	$ 4	$ —	$ 1	$ 3

	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	Piedmont
Service cost	$ 37	$ 12	$ 10	$ 6	$ 5	$ 1	$ 2	$ 2
Interest cost on projected benefit obligation	83	22	27	13	14	5	7	3
Expected return on plan assets	(129)	(36)	(42)	(20)	(21)	(7)	(11)	(6)
Amortization of actuarial loss	33	8	13	5	7	1	3	2
Amortization of prior service credit	(4)	(2)	(1)	(1)	—	—	—	(1)
Other	1	—	—	1	—	—	—	—
Net periodic pension costs	$ 21	$ 4	$ 7	$ 4	$ 5	$ —	$ 1	$ —

	Six Months Ended June 30, 2017							
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Service cost	$ 80	$ 24	$ 24	$ 12	$ 10	$ 2	$ 4	$ 6
Interest cost on projected benefit obligation	164	40	50	24	26	10	14	6
Expected return on plan assets	(272)	(71)	(86)	(42)	(42)	(14)	(22)	(12)
Amortization of actuarial loss	72	16	28	12	14	2	6	6
Amortization of prior service credit	(12)	(4)	(2)	—	—	—	—	(2)
Other	4	—	2	1	—	—	—	1
Net periodic pension costs	$ 36	$ 5	$ 16	$ 7	$ 8	$ —	$ 2	$ 5

	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	Piedmont
Service cost	$ 73	$ 24	$ 21	$ 12	$ 10	$ 2	$ 4	$ 5
Interest cost on projected benefit obligation	166	43	53	25	28	10	14	5
Expected return on plan assets	(258)	(71)	(84)	(41)	(42)	(14)	(21)	(12)
Amortization of actuarial loss	66	16	27	11	14	2	6	4
Amortization of prior service credit	(8)	(4)	(2)	(1)	—	—	—	(1)
Other	4	1	1	1	—	—	—	—

Net periodic pension costs	$	43	$	9	$	16	$	7	$	10	$	—	$	3	$	1

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, 2017				
(in millions)	**Duke Energy**	**Duke Energy Carolinas**	**Progress Energy**	**Duke Energy Progress**	**Duke Energy Florida**
Service cost	$ —	$ —	$ —	$ —	$ —
Interest cost on projected benefit obligation	3	1	1	—	—
Amortization of actuarial loss	2	—	1	—	—
Net periodic pension costs	$ 5	$ 1	$ 2	$ —	$ —

	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

	Six Months Ended June 30, 2017				
(in millions)	**Duke Energy**	**Duke Energy Carolinas**	**Progress Energy**	**Duke Energy Progress**	**Duke Energy Florida**
Service cost	$ —	$ —	$ —	$ —	$ —
Interest cost on projected benefit obligation	6	1	2	1	1
Amortization of actuarial loss	4	—	2	—	—
Net periodic pension costs	$ 10	$ 1	$ 4	$ 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

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.

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

	Three Months Ended June 30, 2017							
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Service cost	$ 1	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Interest cost on accumulated post-retirement benefit obligation	9	2	3	2	2	—	—	—
Expected return on plan assets	(4)	(2)	—	—	—	—	—	—
Amortization of actuarial loss (gain)	2	(1)	5	3	2	(1)	—	—
Amortization of prior service credit	(29)	(2)	(21)	(13)	(7)	—	—	—
Net periodic other post-retirement benefit costs	$ (21)	$ (3)	$ (13)	$ (8)	$ (3)	$ (1)	$ —	$ —

	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	Piedmont
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)	$ —	$ —	$ —

	Six Months Ended June 30, 2017							
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Service cost	$ 2	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Interest cost on accumulated post-retirement benefit obligation	18	4	7	4	4	—	—	—
Expected return on plan assets	(7)	(4)	—	—	—	—	—	—
Amortization of actuarial loss (gain)	4	(2)	10	6	4	(1)	—	—
Amortization of prior service credit	(58)	(4)	(42)	(27)	(15)	—	—	—
Net periodic other post-retirement benefit costs	$ (41)	$ (6)	$ (25)	$ (17)	$ (7)	$ (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	Piedmont
Service cost	$ 2	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Interest cost on accumulated post-retirement benefit obligation	17	4	7	4	3	1	2	1
Expected return on plan assets	(7)	(4)	—	—	—	—	(1)	(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)	$ —	$ —	$ —

DEFINED CONTRIBUTION RETIREMENT PLANS

EMPLOYEE SAVINGS PLANS

Duke Energy sponsors, and the Subsidiary Registrants participate in, employee savings plans that cover substantially all U.S. employees. 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	Piedmont
Three Months Ended June 30,								
2017	**$ 39**	**$ 13**	**$ 12**	**$ 8**	**$ 4**	**$ 1**	**$ 2**	**$ 1**
2016	39	13	12	8	4	1	2	1
Six Months Ended June 30,								
2017	**$ 104**	**$ 35**	**$ 30**	**$ 21**	**$ 9**	**$ 2**	**$ 5**	**$ 3**
2016	91	31	27	19	8	2	4	3

MONEY PURCHASE PENSION PLAN

Duke Energy provides, and Piedmont participates in, the Money Purchase Pension (MPP) plan, which is a defined contribution pension plan that allows certain employees to direct investments and assume risk of investment returns. In January 2017, a $2 million contribution was made to the MPP plan.

16. INCOME TAXES

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,	
	2017	**2016**	**2017**	**2016**
Duke Energy	**32.1%**	28.8%	**32.3%**	29.6%
Duke Energy Carolinas	**34.7%**	35.1%	**35.0%**	34.6%
Progress Energy	**33.4%**	36.0%	**33.7%**	36.3%
Duke Energy Progress	**31.9%**	35.5%	**33.0%**	35.4%
Duke Energy Florida	**36.8%**	37.6%	**36.7%**	37.7%
Duke Energy Ohio	**34.8%**	34.3%	**35.1%**	29.2%
Duke Energy Indiana	**39.4%**	36.1%	**39.4%**	33.1%
Piedmont	**38.5%**	40.0%	**37.9%**	38.0%

The increase in the effective tax rate (ETR) for Duke Energy for the three and six months ended June 30, 2017, is primarily due to favorable impacts in the prior year of finalizing federal tax audits and unfavorable tax levelization in the current year, partially offset by higher production tax credits related to wind projects placed in service.

The decrease in the ETR for Progress Energy for the three and six months ended June 30, 2017, is primarily due to lower North Carolina corporate tax rates.

The decrease in the ETR for Duke Energy Progress for the three and six months ended June 30, 2017, is primarily due to lower North Carolina corporate tax rates.

The increase in the ETR for Duke Energy Ohio for the six months ended June 30, 2017, is primarily due to an immaterial out of period adjustment in the prior year related to deferred tax balances associated with property, plant and equipment.

The increase in the ETR for Duke Energy Indiana for the three months ended June 30, 2017, is primarily due to favorable state tax credits recorded in the prior year. The increase in the ETR for Duke Energy Indiana for the six months ended June 30, 2017, is primarily due to an immaterial out of period adjustment in the prior year related to deferred tax balances associated with property, plant and equipment.

The decrease in the ETR for Piedmont for the three months ended June 30, 2017, is primarily due to lower North Carolina corporate tax rates.

TAXES ON FOREIGN EARNINGS

As of December 31, 2015, Duke Energy's intention was to indefinitely reinvest any future undistributed foreign earnings earned after December 31, 2014. In February 2016, Duke Energy announced it had initiated a process to divest the International Disposal Group and, accordingly, no longer intended to indefinitely reinvest post-2014 undistributed foreign earnings. This change in the company's intent, combined with the extension of bonus depreciation by Congress in late 2015, allowed Duke Energy to more efficiently utilize foreign tax credits and reduce U.S. deferred tax liabilities associated with historical unremitted foreign earnings by approximately $95 million for the six months ended June 30, 2016. Due to the classification of the International Disposal Group as discontinued operations, income tax amounts related to the International Disposal Group's foreign earnings are presented within (Loss) Income from Discontinued Operations, net of tax on the Condensed Consolidated Statements of Operations. See Note 2 for additional information related to the sale of the International Disposal Group.

17. SUBSEQUENT EVENTS

For information on additional subsequent events related to regulatory matters, commitments and contingencies and derivatives and hedging see Notes 4, 5 and 9.

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), Duke Energy Indiana, LLC (Duke Energy Indiana) and Piedmont Natural Gas Company, Inc. (Piedmont) (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, Duke Energy Indiana and Piedmont. 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. Piedmont's results of operations are included in Duke Energy's results for the three and six months ended June 30, 2017, but not for the three and six months ended June 30, 2016, as Piedmont's earnings are only included in Duke Energy's consolidated results subsequent to the acquisition date. See below for additional information regarding the acquisition.

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, 2017, and with Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2016, Piedmont's Annual Report on Form 10-K for the year ended October 31, 2016, and the transition report filed by Piedmont on Form 10-Q (Form 10-QT) as of December 31, 2016, for the transition period from November 1, 2016 to December 31, 2016.

Executive Overview

Acquisition of Piedmont Natural Gas

On October 3, 2016, Duke Energy completed the acquisition of Piedmont for a total cash purchase price of $5.0 billion and assumed Piedmont's existing long-term debt, which had a fair value of approximately $2.0 billion et the time of the acquisition. The acquisition provides a foundation for Duke Energy to establish a broader, long-term strategic natural gas infrastructure platform to complement its existing natural gas pipeline investments and regulated natural gas business in the Midwest.

Duke Energy incurred pretax nonrecurring transaction and integration costs associated with the acquisition of $30 million and $46 million for the three and six months ended June 30, 2017, respectively, and $90 million and $191 million for the three and six months ended June 30, 2016, respectively. Acquisition-related costs in the prior year were principally due to unrealized losses on forward-starting interest rate swaps related to the acquisition financing of $75 million and $168 million for the three and six months ended June 30, 2016, respectively. For additional information on the swaps see Note 9 to the Condensed Consolidated Financial Statements, "Derivatives and Hedging."

Duke Energy expects to incur system integration and other acquisition-related transition costs, primarily through 2018, that are necessary to achieve certain anticipated cost savings, efficiencies and other benefits. See Note 2 to the Condensed Consolidated Financial Statements, "Acquisitions and Dispositions," for additional information regarding the transaction.

Sale of International Energy

In December 2016, Duke Energy sold its Latin American generation businesses (International Disposal Group) in two separate transactions for a combined enterprise value of $2.4 billion. Duke Energy sold its Brazilian business to China Three Gorges for approximately $1.2 billion, including the assumption of debt, and its remaining Central and South American businesses to I Squared Capital in a deal also valued at approximately $1.2 billion, including the assumption of debt. The transactions generated cash proceeds of $1.9 billion, excluding transaction costs, which were primarily used to reduce Duke Energy holding company debt. Existing favorable tax attributes resulted in no immediate U.S. federal-level cash tax impacts.

In conjunction with the advancements of marketing efforts during the second quarter of 2016, Duke Energy performed recoverability tests of the long-lived asset groups of International Energy. As a result, Duke Energy determined the carrying value of certain assets in Central America was not fully recoverable and recorded a pretax impairment charge of $194 million. The charge represents the excess carrying value over the estimated fair value of the assets.

Due to the transactions, results of the International Disposal Group, including the impairment described above, are classified as discontinued operations. See Note 2 to the Condensed Consolidated Financial Statements, "Acquisitions and Dispositions" for additional information.

Results of Operations

Non-GAAP Measures

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. 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. 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 may not be comparable to similarly titled measures used by other companies because other companies may not calculate the measures in the same manner.

Management evaluates financial performance in part based on non-GAAP financial measures, including adjusted earnings and adjusted diluted earnings per share (EPS). Adjusted earnings and adjusted diluted EPS represent income from continuing operations attributable to Duke Energy, adjusted for the dollar and per share impact of special items. As discussed below, special items represent certain charges and credits, which management believes are not indicative of Duke Energy's ongoing performance.

Management believes the presentation of adjusted earnings and adjusted diluted EPS provides useful information to investors, as it provides them with 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 financial results to the Duke Energy Board of Directors, employees, stockholders, analysts and investors. 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 (GAAP Reported Earnings) and Diluted EPS Attributable to Duke Energy Corporation common stockholders (GAAP Reported EPS), respectively.

Special items included in the periods presented include the following items, which management believes do not reflect ongoing costs:

- Costs to Achieve Mergers represent charges that result from strategic acquisitions.
- Cost Savings Initiatives represent severance charges related to companywide initiatives, excluding merger integration, to standardize processes and systems, leverage technology and workforce optimization.

Adjusted earnings also include operating results of the International Disposal Group, which have been classified as discontinued operations. Management believes inclusion of the operating results of the Disposal Group within adjusted earnings and adjusted diluted EPS results in a better reflection of Duke Energy's financial performance during the period.

Three Months Ended June 30, 2017 as compared to June 30, 2016

GAAP Reported EPS was $0.98 for the second quarter of 2017 compared to $0.74 for the second quarter of 2016. The increase in GAAP Reported EPS was primarily driven by the prior year impairment charge related to certain assets in Central America recorded within Loss from Discontinued Operations.

As discussed above, management also evaluates financial performance based on adjusted diluted EPS. Duke Energy's second quarter 2017 adjusted diluted EPS was $1.01 compared to $1.07 for the second quarter of 2016. The following table reconciles non-GAAP measures, including adjusted diluted EPS, to their most directly comparable GAAP measures.

	Three Months Ended June 30,			
	2017		2016	
(in millions, except per-share amounts)	Earnings	EPS	Earnings	EPS
GAAP Reported Earnings/GAAP Reported EPS	$ 686	$ 0.98	$ 509	$ 0.74
Adjustments:				
Costs to Achieve Mergers[(a)]	19	0.03	69	0.10
Cost Savings Initiatives[(b)]	—	—	15	0.02
Discontinued Operations[(c)]	2	—	146	0.21
Adjusted Earnings/Adjusted Diluted EPS	$ 707	$ 1.01	$ 739	$ 1.07

(a) Net of tax of $11 million in 2017 and $42 million in 2016.
(b) Net of tax of $9 million in 2016.
(c) The 2016 amount is net of tax of $49 million and primarily represents an impairment charge related to certain assets in Central America that were sold in 2016.

The decrease in adjusted earnings for the three months ended June 30, 2017, compared to the same period in 2016, was primarily due to:

- Lower regulated electric revenues due to less favorable weather in the current year;
- The prior year operating results of the International Disposal Group, which was sold in December 2016; and
- Higher financing costs, primarily due to the Piedmont acquisition.

Partially offset by:

- Higher regulated electric revenues from increased pricing and riders driven by new rates in Duke Energy Progress South Carolina, base rate adjustments in Florida, and energy efficiency rider revenues in North Carolina;
- Additional earnings from investments in the Atlantic Coast Pipeline (ACP) and Sabal Trail natural gas pipelines; and
- Improved resources and new wind projects placed in service at Commercial Renewables.

Six Months Ended June 30, 2017 as compared to June 30, 2016

Duke Energy's GAAP Reported EPS was $2.00 for the six months ended June 30, 2017, compared to $1.74 for the six months ended June 30, 2016. The increase in GAAP Reported EPS was driven by regulatory activity and additional investments at the electric utilities, the inclusion of Piedmont's earnings in the current year and losses in the prior year on interest rate swaps related to the Piedmont acquisition financing; partially offset by unfavorable weather in the current year.

As discussed above, management also evaluates financial performance based on adjusted diluted EPS. Duke Energy's adjusted diluted EPS for the six months ended June 30, 2017, was $2.05 compared to $2.20 for the six months ended June 30, 2016. The following table reconciles non-GAAP measures, including adjusted diluted EPS, to their most directly comparable GAAP measures.

	Six Months Ended June 30,			
	2017		2016	
(in millions, except per-share amounts)	Earnings	EPS	Earnings	EPS
GAAP Reported Earnings/GAAP Reported EPS	$ 1,402	$ 2.00	$ 1,203	$ 1.74
Adjustments:				
Costs to Achieve Mergers[(a)]	29	0.05	143	0.21
Cost Savings Initiatives[(b)]	—	—	27	0.04
Discontinued Operations[(c)]	2	—	143	0.21
Adjusted Earnings/Adjusted Diluted EPS	$ 1,433	$ 2.05	$ 1,516	$ 2.20

(a) Net of tax of $17 million in 2017 and $88 million in 2016.
(b) Net of tax of $17 million in 2016.
(c) The 2016 amount is net of tax of $49 million and primarily represents an impairment charge related to certain assets in Central America that were sold in 2016.

The decrease in adjusted earnings for the six months ended June 30, 2017, compared to the same period in 2016, was primarily due to:

- Lower regulated electric revenues due to unfavorable weather in the current year; and
- The prior year operating results of the International Disposal Group, which was sold in December 2016. The 2016 operating results included a benefit from the revaluation of deferred income taxes. See Note 16 to the Condensed Consolidated Financial Statements, "Income Taxes," for additional information.

Partially offset by:

- Higher regulated electric revenues from increased pricing and riders driven by new rates in Duke Energy Progress South Carolina, base rate adjustments in Florida, and energy efficiency rider revenues in North Carolina, as well as growth in weather-normal retail volumes;
- Lower operations and maintenance expense, net of amounts recoverable in rates, at Electric Utilities and Infrastructure resulting from ongoing cost efficiency efforts and significant storm costs in the prior year; and
- Piedmont's earnings contribution, net of financing costs, due to the acquisition on October 3, 2016.

SEGMENT RESULTS

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 on the Condensed Consolidated Financial Statements.

Due to the Piedmont acquisition and the sale of International Energy in the fourth quarter of 2016, Duke Energy's segment structure has been realigned to include the following segments: Electric Utilities and Infrastructure, Gas Utilities and Infrastructure and Commercial Renewables. The remainder of Duke Energy's operations is presented as Other. Prior period information has been recast to conform to the current segment structure. See Note 2 to the Condensed Consolidated Financial Statements, "Acquisitions and Dispositions," for further information on the Piedmont acquisition and International Energy sale and Note 3, "Business Segments," for additional information on Duke Energy's segments.

Electric Utilities and Infrastructure

	Three Months Ended June 30,			Six Months Ended June 30,		
(in millions)	**2017**	**2016**	**Variance**	**2017**	**2016**	**Variance**
Operating Revenues	**$ 5,158**	$ 5,001	$ 157	**$ 10,105**	$ 10,090	$ 15
Operating Expenses						
Fuel used in electric generation and purchased power	**1,549**	1,509	40	**3,003**	3,086	(83)
Operation, maintenance and other	**1,265**	1,230	35	**2,536**	2,528	8
Depreciation and amortization	**714**	701	13	**1,451**	1,410	41
Property and other taxes	**270**	263	7	**531**	525	6
Impairment charges	**2**	1	1	**2**	3	(1)
Total operating expenses	**3,800**	3,704	96	**7,523**	7,552	(29)
Gains on Sales of Other Assets and Other, net	**1**	1	—	**4**	2	2
Operating Income	**1,359**	1,298	61	**2,586**	2,540	46
Other Income and Expenses	**76**	77	(1)	**155**	140	15
Interest Expense	**305**	272	33	**620**	542	78
Income Before Income Taxes	**1,130**	1,103	27	**2,121**	2,138	(17)
Income Tax Expense	**401**	399	2	**757**	770	(13)
Segment Income	**$ 729**	$ 704	$ 25	**$ 1,364**	$ 1,368	$ (4)
Duke Energy Carolinas Gigawatt-hours (GWh) sales	**21,243**	20,757	486	**42,024**	42,382	(358)
Duke Energy Progress GWh sales	**15,562**	16,829	(1,267)	**31,199**	33,978	(2,779)
Duke Energy Florida GWh sales	**10,740**	10,646	94	**19,045**	19,102	(57)
Duke Energy Ohio GWh sales	**5,901**	5,796	105	**11,960**	11,903	57
Duke Energy Indiana GWh sales	**7,972**	8,157	(185)	**16,180**	17,551	(1,371)
Total Electric Utilities and Infrastructure GWh sales	**61,418**	62,185	(767)	**120,408**	124,916	(4,508)
Net proportional Megawatt (MW) capacity in operation				**48,877**	49,620	(743)

Three Months Ended June 30, 2017 as Compared to June 30, 2016

Electric Utilities and Infrastructure's growth was driven by higher retail revenues from pricing and riders, as well as higher weather-normal retail sales volumes, partially offset by less favorable weather. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by:

- a $147 million increase in rider revenues related to energy efficiency programs, Duke Energy Florida's nuclear asset securitization revenues, Midwest transmission and distribution revenues, and Duke Energy Indiana's clean coal equipment, as well as increased retail pricing due to Duke Energy Florida's base rate adjustments for the Osprey acquisition and Hines Chillers, and the Duke Energy Progress South Carolina rate case;
- a $32 million increase in weather-normal sales volumes to retail customers in the current year; and
- an $11 million increase in transmission and other miscellaneous revenues.

Partially offset by:

- a $61 million decrease in retail sales, net of fuel revenues, due to less favorable weather in the current year.

Operating Expenses. The variance was driven primarily by:

- a $40 million increase in fuel expense, including purchased power, primarily due to higher costs at fossil plants;
- a $35 million increase in operations and maintenance (O&M) expense primarily due to higher operational costs that are recoverable in rates; and
- a $13 million increase in depreciation and amortization expense primarily due to additional plant in service.

Interest Expense. The increase was primarily due to higher debt outstanding in the current year to fund growth, as well as Duke Energy Florida's Crystal River Unit 3 (CR3) regulatory asset debt return ending in June 2016 upon securitization.

Income Tax Expense. The variance was primarily due to an increase in pretax income, partially offset by lower North Carolina corporate tax rates. The effective tax rates for the three months ended June 30, 2017 and 2016 were 35.5 percent and 36.2 percent, respectively.

Six Months Ended June 30, 2017 as Compared to June 30, 2016

Electric Utilities and Infrastructure's results were impacted by unfavorable weather in the first half of the year, partially offset by higher pricing and riders and O&M efficiencies. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by:

- a $256 million increase in rider revenues related to energy efficiency programs, Duke Energy Florida's nuclear asset securitization revenues, Midwest transmission and distribution revenues, and Duke Energy Indiana's clean coal equipment, as well as increased retail pricing due to Duke Energy Florida's base rate adjustments for the Osprey acquisition and Hines Chillers, and the Duke Energy Progress South Carolina rate case;
- a $43 million increase in weather-normal sales volumes to retail customers in the current year;
- a $21 million increase in transmission and other miscellaneous revenues; and
- a $6 million increase in wholesale power revenues, net of sharing and fuel.

Partially offset by:

- a $220 million decrease in retail sales, net of fuel revenues, due to unfavorable weather in the current year; and
- a $94 million decrease in fuel revenues due to lower retail sales volumes, partially offset by higher fuel prices included in rates.

Operating Expenses. The variance was driven primarily by:

- an $83 million decrease in fuel expense, including purchased power, primarily due to lower retail sales volumes, partially offset by higher fuel prices.

Partially offset by:

- a $41 million increase in depreciation and amortization expense primarily due to additional plant in service; and
- an $8 million increase in operations and maintenance expense primarily due to higher operational costs that are recoverable in rates, partially offset by lower storm restoration costs and O&M efficiencies, including decreased labor costs.

Other Income and Expenses. The increase was driven primarily by higher allowance for funds used during construction (AFUDC) equity.

Interest Expense. The increase was primarily due to higher debt outstanding in the current year, and Duke Energy Florida's CR3 regulatory asset debt return ending in June 2016 upon securitization.

Income Tax Expense. The variance was primarily due to a decrease in pretax income and lower North Carolina corporate tax rates. The effective tax rates for the six months ended June 30, 2017 and 2016 were 35.7 percent and 36.0 percent, respectively.

Matters Impacting Future Electric Utilities and Infrastructure Results

An order from regulatory authorities disallowing recovery of costs related to closure of ash impoundments could have an adverse impact on Electric Utilities and Infrastructure's 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, 2016, "Asset Retirement Obligations," for additional information.

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 former North Carolina governor on July 14, 2016. Electric Utilities and Infrastructure's estimated asset retirement obligations (AROs) 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 and corrective action measures are developed and approved for each site, the closure work progresses and the closure method scope and remedial methods are determined, the complexity of work and the amount of coal combustion material could be different than originally estimated and, therefore, could materially impact Electric Utilities and Infrastructure's financial position. See Note 9 in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2016, "Asset Retirement Obligations," for additional information.

Duke Energy is a party to multiple lawsuits and could be subject to fines and other penalties related to operations at certain North Carolina facilities with ash basins. The outcome of these lawsuits and potential fines and penalties could have an adverse impact on Electric Utilities and Infrastructure'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 the fourth quarter of 2016, Hurricane Matthew caused historic flooding, extensive damage and widespread power outages within the Duke Energy Progress service territory. Duke Energy Progress filed a petition with the North Carolina Utilities Commission (NCUC) requesting an accounting order to defer incremental operation and maintenance and capital costs incurred in response to Hurricane Matthew and other significant 2016 storms. Current estimated incremental costs are approximately $116 million. The NCUC will address this request in Duke Energy Progress' currently pending rate case. A final order from the NCUC that disallows the deferral and future recovery of all or a significant portion of the incremental storm restoration costs incurred could result in an adverse impact on Electric Utilities and Infrastructure'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 Progress has filed and Duke Energy Carolinas intends to file rate cases in North Carolina in 2017 to recover costs of complying with Coal Combustion Residuals (CCR) regulations and the Coal Ash Act, as well as costs of capital investments in generation, transmission and distribution systems and any increase in expenditures subsequent to previous rate cases. Duke Energy Progress filed a general rate case with the NCUC on June 1, 2017. On July 25, 2017, Duke Energy Carolinas filed notice with the NCUC that it intends to file a general rate case on or about August 25, 2017. In March 2017, Duke Energy Ohio filed an electric distribution base rate case application and supporting testimony. Electric Utilities and Infrastructure's earnings could be adversely impacted if these rate increases are delayed or denied by the NCUC or Public Utility Commission of Ohio (PUCO).

Gas Utilities and Infrastructure

	Three Months Ended June 30,			Six Months Ended June 30,		
(in millions)	**2017**	**2016**	**Variance**	**2017**	**2016**	**Variance**
Operating Revenues	$ 301	$ 99	$ 202	$ 971	$ 269	$ 702
Operating Expenses						
Cost of natural gas	76	9	67	334	58	276
Operation, maintenance and other	93	28	65	198	60	138
Depreciation and amortization	57	20	37	114	40	74
Property and other taxes	26	14	12	56	32	24
Total operating expenses	252	71	181	702	190	512
Operating Income	49	28	21	269	79	190
Other Income and Expenses	20	3	17	38	6	32
Interest Expense	26	6	20	52	13	39
Income Before Income Taxes	43	25	18	255	72	183
Income Tax Expense	16	9	7	95	24	71
Segment Income	$ 27	$ 16	$ 11	$ 160	$ 48	$ 112
Piedmont LDC throughput (dekatherms) [(a)]	94,013,754	—	94,013,754	227,290,541	—	227,290,541
Duke Energy Midwest LDC throughput (Mcf)	12,204,767	12,714,127	(509,360)	43,035,766	47,455,646	(4,419,880)

(a) Includes throughput subsequent to Duke Energy's acquisition of Piedmont on October 3, 2016.

Three Months Ended June 30, 2017 as Compared to June 30, 2016

Gas Utilities and Infrastructure's higher results were primarily due to increased investments in the ACP and Sabal Trail midstream gas pipelines. Piedmont's earnings included in Gas Utilities and Infrastructure's results were $1 million for the three months ended June 30, 2017. All variances are related to the inclusion of Piedmont's results of operations as a result of Duke Energy's acquisition of Piedmont on October 3, 2016, except for the following:

Other Income and Expenses. The variance was driven primarily by increased investments in the ACP and Sabal Trail midstream gas pipelines.

Six Months Ended June 30, 2017 as Compared to June 30, 2016

Gas Utilities and Infrastructure's higher results were almost entirely due to the inclusion of Piedmont's earnings in the current year as a result of Duke Energy's acquisition of Piedmont on October 3, 2016. Piedmont's earnings included in Gas Utilities and Infrastructure's results were $100 million for the six months ended June 30, 2017. All variances are related to the inclusion of Piedmont's results of operations, except for the following:

Other Income and Expenses. The variance was driven primarily by increased investments in the ACP and Sabal Trail midstream gas pipelines.

Matters Impacting Future Gas Utilities and Infrastructure Results

Gas Utilities and Infrastructure has a 24 percent ownership interest in Constitution Pipeline Company, LLC (Constitution), a natural gas pipeline project slated to transport natural gas supplies to major northeastern markets. On April 22, 2016, the New York State Department of Environmental Conservation denied Constitution's application for a necessary water quality certification for the New York portion of the Constitution pipeline. Constitution has stopped construction and discontinued capitalization of future development costs until the project's uncertainty is resolved. To the extent the legal and regulatory proceedings have unfavorable outcomes, or if Constitution concludes that the project is not viable or does not go forward, an impairment charge of up to the recorded investment in the project, net of any cash and working capital returned, may be recorded. With the project on hold, funding of project costs has ceased until resolution of legal actions.

Commercial Renewables

	Three Months Ended June 30,			Six Months Ended June 30,		
(in millions)	**2017**	**2016**	**Variance**	**2017**	**2016**	**Variance**
Operating Revenues	$ 110	$ 112	$ (2)	$ 238	$ 226	$ 12
Operating Expenses						
Operation, maintenance and other	58	82	(24)	135	155	(20)
Depreciation and amortization	38	32	6	77	62	15
Property and other taxes	8	6	2	17	12	5
Total operating expenses	104	120	(16)	229	229	—
Gains on Sales of Other Assets and Other, net	2	1	1	4	2	2
Operating Income (Loss)	8	(7)	15	13	(1)	14
Other Income and Expenses	(1)	—	(1)	(2)	(2)	—
Interest Expense	23	12	11	42	23	19
Loss Before Income Taxes	(16)	(19)	3	(31)	(26)	(5)
Income Tax Benefit	(42)	(29)	(13)	(81)	(62)	(19)
Less: Loss Attributable to Noncontrolling Interests	—	(1)	1	(1)	(1)	—
Segment Income	$ 26	$ 11	$ 15	$ 51	$ 37	$ 14
Renewable plant production, GWh	2,231	1,758	473	4,516	3,818	698
Net proportional MW capacity in operation				2,908	1,978	930

Three Months Ended June 30, 2017 as Compared to June 30, 2016

Commercial Renewables' results were impacted by improved wind resources and higher production tax credits (PTCs) from new wind facilities placed in service at the end of 2016, partially offset by lower investment tax credits (ITCs). The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The decrease was primarily due to lower revenues from Duke Energy's REC Solar investment, partially offset by higher revenues from improved wind and solar resources and new wind facilities placed in service.

Operating Expenses. The decrease was primarily due to lower operations and maintenance expense at REC Solar, partially offset by higher operating expenses related to new wind projects placed in service.

Interest Expense. The increase was driven primarily by new project financings and less capitalized interest due to fewer projects under construction.

Income Tax Benefit. The variance was primarily due to higher PTCs related to wind projects placed in service, partially offset by lower ITCs due to lower solar investments in the current year.

Six Months Ended June 30, 2017 as Compared to June 30, 2016

Commercial Renewables' results were impacted by improved resources and higher PTCs from new wind facilities placed in service at the end of 2016, partially offset by lower ITCs. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The increase was primarily due to higher revenue from new wind facilities placed in service, partially offset by lower revenues from Duke Energy's REC Solar investment.

Operating Expenses. Lower operations and maintenance expense at REC Solar was offset by higher operating expenses related to new wind projects placed in service.

Interest Expense. The variance was driven primarily by new project financings and less capitalized interest due to fewer projects under construction.

Income Tax Benefit. The variance was primarily due to higher PTCs related to wind projects placed in service, partially offset by lower ITCs due to lower solar investments in the current year.

Matters Impacting Future Commercial Renewables Results

Changes or variability in assumptions used in calculating the fair value of the Commercial Renewables reporting units for goodwill testing purposes including but not limited to, legislative actions related to tax credit extensions, long-term growth rates and discount rates, could significantly impact the estimated fair value of the Commercial Renewables reporting units. In the event of a significant decline in the estimated fair value of the Commercial Renewables reporting units, goodwill impairment charges could be recorded. The carrying value of goodwill within Commercial Renewables was approximately $122 million at June 30, 2017.

Persistently low market pricing for wind resources, primarily in the Electric Reliability Council of Texas West market, and the future expiration of tax incentives including ITCs and PTCs could result in adverse impacts to the future results of Commercial Renewables.

Other

	Three Months Ended June 30,			Six Months Ended June 30,		
(in millions)	2017	2016	Variance	2017	2016	Variance
Operating Revenues	$ 35	$ 30	$ 5	$ 68	$ 59	$ 9
Operating Expenses						
Fuel used in electric generation and purchased power	14	12	2	29	23	6
Operation, maintenance and other	18	39	(21)	26	75	(49)
Depreciation and amortization	26	37	(11)	52	71	(19)
Property and other taxes	4	8	(4)	7	17	(10)
Impairment charges	7	—	7	7	2	5
Total operating expenses	69	96	(27)	121	188	(67)
Gains on Sales of Other Assets and Other, net	6	6	—	11	11	—
Operating Loss	(28)	(60)	32	(42)	(118)	76
Other Income and Expenses	28	19	9	49	36	13
Interest Expense	139	191	(52)	273	396	(123)
Loss Before Income Taxes	(139)	(232)	93	(266)	(478)	212
Income Tax Benefit	(48)	(126)	78	(100)	(227)	127
Less: Income Attributable to Noncontrolling Interests	3	1	2	5	4	1
Net Expense	$ (94)	$ (107)	$ 13	$ (171)	$ (255)	$ 84

Three Months Ended June 30, 2017 as Compared to June 30, 2016

Other's results were impacted by lower interest expense related to the Piedmont acquisition financing and decreased severance expenses. The following is a detailed discussion of the variance drivers by line item.

Operating Expenses. The decrease was primarily due to prior year severance expenses related to cost savings initiatives.

Other Income and Expenses. The increase was driven by higher earnings from National Methanol Company (NMC).

Interest Expense. The decrease was primarily due to Piedmont pre-acquisition financing costs in the prior year, including $75 million of unrealized losses on forward-starting interest rate swaps, partially offset by interest costs on $3.75 billion of debt issued in August 2016 to fund the 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 a decrease in pretax losses and a lower effective tax rate due to favorable impacts in the prior year of finalizing federal tax audits. The effective tax rates for the three months ended June 30, 2017 and 2016 were 34.5 percent and 54.3 percent, respectively.

Six Months Ended June 30, 2017 as Compared to June 30, 2016

Other's results were impacted by lower interest expense related to the Piedmont acquisition financing and decreased severance expenses. The following is a detailed discussion of the variance drivers by line item.

Operating Expenses. The decrease was primarily due to prior year severance expenses related to cost savings initiatives.

Other Income and Expenses. The increase was primarily driven by higher earnings from NMC.

Interest Expense. The decrease was primarily due to Piedmont pre-acquisition financing costs in the prior year, including $168 million of unrealized losses on forward-starting interest rate swaps, partially offset by interest costs on $3.75 billion of debt issued in August 2016 to fund the 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 a decrease in pretax losses and a lower effective tax rate due to favorable impacts in the prior year of finalizing federal tax audits. The effective tax rates for the six months ended June 30, 2017 and 2016 were 37.6 percent and 47.5 percent, respectively.

Matters Impacting Future Other Results

Included in Other is Duke Energy Ohio's 9 percent ownership interest in the Ohio Valley Electric Corporation (OVEC), which owns 2,256 MW of coal-fired generation capacity. As a counterparty to an inter-company power agreement (ICPA), Duke Energy Ohio has a contractual arrangement to receive entitlements to capacity and energy from OVEC's power plants through June 2040 commensurate with its power participation ratio, which is equivalent to Duke Energy Ohio's ownership interest. Costs, including fuel, operating expenses, fixed costs, debt amortization, and interest expense, are allocated to counterparties to the ICPA, including Duke Energy Ohio, based on their power participation ratio. The value of the ICPA is subject to variability due to fluctuations in power prices and changes in OVEC's costs of business. Deterioration in the credit quality or bankruptcy of one or more parties to the ICPA could increase the costs of OVEC. In addition, certain proposed environmental rulemaking costs could result in future increased cost allocations.

The retired Beckjord generating station (Beckjord), a nonregulated facility retired during 2014, is not subject to the U.S. Environmental Protection Agency (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, the costs could have an adverse impact on Other's financial position, results of operations and cash flows.

Earnings from an equity method investment in NMC reflect sales of methanol and methyl tertiary butyl ether (MTBE), which generate margins that are directionally correlated with Brent crude oil prices. Weakness in the market price of Brent crude oil and related commodities may result in a decline in earnings. Duke Energy's economic ownership interest will decrease from 25 percent to 17.5 percent upon successful startup of NMC's polyacetal production facility, which is expected to occur in the third quarter of 2017.

U.S. federal tax reform has become an important priority of Congress and the Administration. Any substantial revision to the U.S. tax code, including a loss of the ability to deduct interest expense, could adversely impact Duke Energy's future earnings, cash flows or financial position.

INCOME FROM DISCONTINUED OPERATIONS, NET OF TAX

Three Months Ended June 30, 2017 as Compared to June 30, 2016

Discontinued Operations, Net of Tax. The variance was driven by a 2016 impairment charge related to certain assets in Central America that were sold in 2016, partially offset by the operating results of the International Disposal Group. See Note 2 to the Condensed Consolidated Financial Statements, "Acquisitions and Dispositions," for additional information.

Six Months Ended June 30, 2017 as Compared to June 30, 2016

Discontinued Operations, Net of Tax. The variance was driven by 2016 earnings from the International Disposal Group, which was sold in December 2016, partially offset by an impairment charge related to certain assets in Central America that were sold in 2016. See Note 2 to the Condensed Consolidated Financial Statements, "Acquisitions and Dispositions," for additional information.

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, 2017 and 2016 and the Annual Report on Form 10-K for the year ended December 31, 2016.

Results of Operations

	Six Months Ended June 30,		
(in millions)	**2017**	**2016**	**Variance**
Operating Revenues	$ 3,445	$ 3,415	$ 30
Operating Expenses			
Fuel used in electric generation and purchased power	863	810	53
Operation, maintenance and other	951	988	(37)
Depreciation and amortization	523	534	(11)
Property and other taxes	139	138	1
Total operating expenses	2,476	2,470	6
Operating Income	969	945	24
Other Income and Expenses	73	82	(9)
Interest Expense	206	214	(8)
Income Before Income Taxes	836	813	23
Income Tax Expense	293	281	12
Net Income	$ 543	$ 532	$ 11

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.

Increase (Decrease) over prior year	**2017**
Residential sales	(4.1)%
General service sales	(0.5)%
Industrial sales	0.1 %
Wholesale power sales	5.5 %
Joint dispatch sales	181.6 %
Total sales	(0.8)%
Average number of customers	1.5 %

Six Months Ended June 30, 2017 as Compared to June 30, 2016

Operating Revenues. The variance was driven primarily by:

- e $70 million increase in rider revenues related to energy efficiency programs;

- a $67 million increase in fuel revenues primarily due to changes in generation mix;
- a $16 million increase in weather-normal retail sales volumes, net of fuel revenues; and
- a $5 million increase in wholesale power revenues, net of sharing and fuel, primarily due to additional volumes for customers served under long-term contracts.

Partially offset by:

- a $132 million decrease in retail sales, net of fuel revenues, due to unfavorable weather in the current year.

Operating Expenses. The variance was driven primarily by:

- a $53 million increase in fuel expense primarily due to changes in generation mix and higher costs at fossil plants, partially offset by lower retail sales.

Partially offset by:

- a $37 million decrease in operations and maintenance expense primarily due to lower expenses at generating plants, lower storm restoration costs, and lower severance expenses, partially offset by higher energy efficiency program costs and higher distribution maintenance expenses; and
- an $11 million decrease in depreciation and amortization expense primarily due to lower amortization of certain regulatory assets, partially offset by higher depreciation due to additional plant in service.

Other Income and Expenses. The variance was primarily due to a decrease in recognition of post in-service equity 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 and a favorable state resolution recorded in the prior year, partially offset by lower North Carolina corporate tax rates. The effective tax rates for the six months ended June 30, 2017 and 2016 were 35.0 percent and 34.6 percent, respectively.

Matters Impacting Future Results

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 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, 2016, "Asset Retirement Obligations," for additional information.

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 former North Carolina governor on July 14, 2016. Duke Energy Carolinas' estimated AROs 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 and corrective action measures are developed and approved for each site, the closure work progresses, and the closure method scope and remedial action methods are determined, the complexity of work and the amount of coal combustion material could be different than originally estimated and, therefore, could materially impact Duke Energy Carolinas' financial position. See Note 9 in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2016, "Asset Retirement Obligations," for additional information.

Duke Energy Carolinas 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 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 filed notice with the NCUC that it intends to file a general rate case on or about August 25, 2017, to recover costs of complying with CCR regulations and the Coal Ash Act, as well as costs of capital investments in generation, transmission and distribution systems and any increase in expenditures subsequent to previous rate cases. Duke Energy Carolinas' earnings could be adversely impacted if the rate increase is delayed or denied by the NCUC.

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, 2017 and 2016 and the Annual Report on Form 10-K for the year ended December 31, 2016.

Results of Operations

	Six Months Ended June 30,		
(in millions)	**2017**	**2016**	**Variance**
Operating Revenues	$ 4,571	$ 4,680	$ (109)
Operating Expenses			
Fuel used in electric generation and purchased power	1,557	1,712	(155)
Operation, maintenance and other	1,078	1,117	(39)
Depreciation and amortization	624	586	38
Property and other taxes	246	239	7
Impairment charges	2	3	(1)
Total operating expenses	3,507	3,657	(150)
Gains on Sales of Other Assets and Other, net	14	12	2
Operating Income	1,078	1,035	43
Other Income and Expenses	45	48	(3)
Interest Expense	402	320	82
Income Before Income Taxes	721	763	(42)
Income Tax Expense	243	277	(34)
Net Income	478	486	(8)
Less: Net Income Attributable to Noncontrolling Interests	5	5	—
Net Income Attributable to Parent	$ 473	$ 481	$ (8)

Six Months Ended June 30, 2017 as Compared to June 30, 2016

Operating Revenues. The variance was driven primarily by:

- a $168 million decrease in fuel revenues driven by lower retail sales and changes in generation mix at Duke Energy Progress, as well as decreased demand and capacity rates to retail customers at Duke Energy Florida, partially offset by an increase in fuel rates to retail customers; and
- a $72 million decrease in retail sales, net of fuel revenues, due to unfavorable weather in the current year.

Partially offset by:

- a $67 million increase in rider revenues related to energy efficiency programs at Duke Energy Progress, as well as nuclear asset securitization beginning in July 2016 and extended uprate project revenues beginning in 2017 at Duke Energy Florida; and
- a $41 million increase in retail pricing due to the base rate adjustment for the Osprey acquisition and the completion of the Hines Energy Complex Chiller Uprate Project, as well as the Duke Energy Progress South Carolina rate case.

Operating Expenses. The variance was driven primarily by:

- a $155 million decrease in fuel expense primarily due to lower retail sales and changes in generation mix at Duke Energy Progress, as well as decreased purchased power and lower deferred fuel and capacity costs at Duke Energy Florida; and
- a $39 million decrease in operations and maintenance expense due to lower storm restoration costs at Duke Energy Progress and lower planned outage costs at Duke Energy Florida.

Partially offset by:

- a $38 million increase in depreciation and amortization expense primarily due to additional plant in service and nuclear regulatory asset amortization at Duke Energy Florida.

Interest Expense. The variance was primarily due to higher debt outstanding, and lower debt returns driven by the CR3 regulatory asset debt return ending in June 2016 upon securitization.

Income Tax Expense. The variance was primarily due to a decrease in pretax income. The effective tax rates for the six months ended June 30, 2017 and 2016 were 33.7 percent and 36.3 percent, respectively. The decrease in the effective tax rate was primarily due to lower North Carolina corporate tax rates.

Matters Impacting Future Results

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 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, 2016, "Asset Retirement Obligations," for additional information.

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 former North Carolina governor on July 14, 2016. Progress Energy's estimated AROs 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 and corrective action measures are developed and approved for each site, the closure work progresses, and the closure method scope and remedial action methods are determined, the complexity of work and the amount of coal combustion material could be different than originally estimated and, therefore, could materially impact Progress Energy's financial position. See Note 9 in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2016, "Asset Retirement Obligations," 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 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.

In the fourth quarter of 2016, Hurricane Matthew caused historic flooding, extensive damage and widespread power outages within the Duke Energy Progress service territory. Duke Energy Progress filed a petition with the NCUC requesting an accounting order to defer incremental operation and maintenance and capital costs incurred in response to Hurricane Matthew and other significant 2016 storms. Current estimated incremental costs are approximately $116 million. The NCUC will address this request in Duke Energy Progress's currently pending rate case. A final order from the NCUC that disallows the deferral and future recovery of all or a significant portion of the incremental storm restoration costs incurred could result in an adverse impact on Progress Energy's financial position, results of operations and cash flows.

Duke Energy Progress filed a general rate case with the NCUC on June 1, 2017. Duke Energy Progress will seek to recover costs of complying with CCR regulations and the Coal Ash Act, as well as costs of capital investments in generation, transmission and distribution systems and any increase in expenditures subsequent to previous rate cases. Progress Energy's earnings could be adversely impacted if the rate increase is delayed or denied by the NCUC.

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, 2017 and 2016 and the Annual Report on Form 10-K for the year ended December 31, 2016.

Results of Operations

	Six Months Ended June 30,		
(in millions)	**2017**	**2016**	**Variance**
Operating Revenues	$ 2,418	$ 2,520	$ (102)
Operating Expenses			
Fuel used in electric generation and purchased power	739	872	(133)
Operation, maintenance and other	680	707	(27)
Depreciation and amortization	354	350	4
Property and other taxes	80	79	1
Total operating expenses	1,853	2,008	(155)
Gains on Sales of Other Assets and Other, net	3	1	2
Operating Income	568	513	55
Other Income and Expenses	33	29	4
Interest Expense	152	127	25
Income Before Income Taxes	449	415	34
Income Tax Expense	148	147	1
Net Income and Comprehensive Income	$ 301	$ 268	$ 33

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.

Increase (Decrease) over prior period	**2017**
Residential sales	(3.0)%
General service sales	(0.9)%
Industrial sales	2.1 %
Wholesale power sales	(17.9)%
Joint dispatch sales	(46.8)%
Total sales	(8.2)%
Average number of customers	1.3 %

Six Months Ended June 30, 2017 as Compared to June 30, 2016

Operating Revenues. The variance was driven primarily by:

- a $146 million decrease in fuel revenues driven by lower retail sales and changes in generation mix; and
- a $37 million decrease in retail sales, net of fuel revenues, due to unfavorable weather in the current year.

Partially offset by:

- a $29 million increase in rider revenues related to energy efficiency programs;
- a $28 million increase in wholesale power revenues, net of fuel, primarily due to higher peak demand; and
- an $18 million increase in retail pricing due to the Duke Energy Progress South Carolina rate case.

Operating Expenses. The variance was driven primarily by:

- a $133 million decrease in fuel expense primarily due to lower retail sales and changes in generation mix; and
- a $27 million decrease in operations and maintenance expense primarily due to lower storm restoration costs.

Interest Expense. The increase was primarily due to higher debt outstanding, as well as interest charges on North Carolina fuel overcollections.

Income Tax Expense. The variance was primarily due to an increase in pretax income, partially offset by a lower effective tax rate due to lower North Carolina corporate tax rates. The effective tax rates for the six months ended June 30, 2017 and 2016 were 33.0 percent and 35.4 percent, respectively.

Matters Impacting Future Results

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 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, 2016, "Asset Retirement Obligations," for additional information.

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 former North Carolina governor on July 14, 2016. Duke Energy Progress' estimated AROs 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 and corrective action measures are developed and approved for each site, the closure work progresses, and the closure method scope and remedial action methods are determined, the complexity of work and the amount of coal combustion material could be different than originally estimated and, therefore, could materially impact Duke Energy Progress' financial position. See Note 9 in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2016, "Asset Retirement Obligations," 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.

In the fourth quarter of 2016, Hurricane Matthew caused historic flooding, extensive damage and widespread power outages within the Duke Energy Progress service territory. Duke Energy Progress filed a petition with the NCUC requesting an accounting order to defer incremental operation and maintenance and capital costs incurred in response to Hurricane Matthew and other significant 2016 storms. Current estimated incremental costs are approximately $116 million. The NCUC will address this request in Duke Energy Progress's currently pending rate case. A final order from the NCUC that disallows the deferral and future recovery of all or a significant portion of the incremental storm restoration costs incurred could result in an adverse impact on Duke Energy Progress' financial position, results of operations and cash flows.

Duke Energy Progress filed a general rate case with the NCUC on June 1, 2017. Duke Energy Progress will seek to recover costs of complying with CCR regulations and the Coal Ash Act, as well as costs of capital investments in generation, transmission and distribution systems and any increase in expenditures subsequent to previous rate cases. Duke Energy Progress' earnings could be adversely impacted if the rate increase is delayed or denied by the NCUC.

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, 2017 and 2016 and the Annual Report on Form 10-K for the year ended December 31, 2016.

Results of Operations

	Six Months Ended June 30,		
(in millions)	**2017**	**2016**	**Variance**
Operating Revenues	$ 2,150	$ 2,157	$ (7)
Operating Expenses			
Fuel used in electric generation and purchased power	817	841	(24)
Operation, maintenance and other	394	404	(10)
Depreciation and amortization	269	236	33
Property and other taxes	166	160	6
Impairment charges	2	3	(1)
Total operating expenses	1,648	1,644	4
Operating Income	502	513	(11)
Other Income and Expenses	30	19	11
Interest Expense	140	81	59
Income Before Income Taxes	392	451	(59)
Income Tax Expense	144	170	(26)
Net Income	$ 248	$ 281	$ (33)

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	**2017**
Residential sales	(3.1)%
General service sales	(0.1)%
Industrial sales	(1.4)%
Wholesale and other	32.9 %
Total sales	(0.3)%
Average number of customers	1.5 %

Six Months Ended June 30, 2017 as Compared to June 30, 2016

Operating Revenues. The variance was driven primarily by:

- a $35 million decrease in retail sales, net of fuel revenues, due to unfavorable weather in the current year;
- a $30 million decrease in wholesale power revenues primarily due to contracts that expired in the prior year; and
- a $22 million decrease in fuel and capacity revenues primarily due to a decrease in capacity rates to retail customers, partially offset by an increase in fuel rates to retail customers.

Partially offset by:

- a $38 million increase in rider revenues primarily due to nuclear asset securitization beginning in July 2016 and extended power uprate project revenues beginning in 2017;
- a $23 million increase in retail pricing due to the base rate adjustment for the Osprey acquisition and the completion of the Hines Energy Complex Chiller Uprate Project; and
- a $20 million increase in weather-normal sales volumes to retail customers in the current year.

Operating Expenses. The variance was driven primarily by:

- a $33 million increase in depreciation and amortization expense primarily due to nuclear regulatory asset amortization, as well as additional plant in service.

Partially offset by:

- a $24 million decrease in fuel expense primarily due to decreased purchased power and lower deferred fuel and capacity costs, partially offset by higher generation costs; and
- a $10 million decrease in operations and maintenance expense primarily due to lower planned outage costs.

Other Income and Expenses. The variance was driven by higher AFUDC equity return on the Citrus County Combined Cycle and Hines Energy Complex Chiller Uprate projects in the current year.

Interest Expense. The variance was primarily due to higher debt outstanding and lower debt returns driven by the CR3 regulatory asset debt return ending in June 2016 upon securitization.

Income Tax Expense. The variance was primarily due to a decrease in pretax income. The effective tax rates for the six months ended June 30, 2017 and 2016 were 36.7 percent and 37.7 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, 2017 and 2016 and the Annual Report on Form 10-K for the year ended December 31, 2016.

Results of Operations

	Six Months Ended June 30,		
(in millions)	**2017**	**2016**	**Variance**
Operating Revenues			
Regulated electric	$ 665	$ 663	$ 2
Regulated natural gas	270	269	1
Nonregulated electric and other	20	12	8
Total operating revenues	955	944	11
Operating Expenses			
Fuel used in electric generation and purchased power – regulated	183	211	(28)
Fuel used in electric generation and purchased power – nonregulated	29	23	6
Cost of natural gas	64	58	6
Operation, maintenance and other	261	241	20
Depreciation and amortization	130	125	5
Property and other taxes	139	136	3
Impairment Charges	1	—	1
Total operating expenses	807	794	13
Gains on Sales of Other Assets and Other, net	—	1	(1)
Operating Income	148	151	(3)
Other Income and Expenses	8	3	5
Interest Expense	45	41	4
Income from Continuing Operations Before Income Taxes	111	113	(2)
Income Tax Expense from Continuing Operations	39	33	6
Income from Continuing Operations	72	80	(8)
Income from Discontinued Operations, net of tax	—	2	(2)
Net Income	$ 72	$ 82	$ (10)

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.

Increase (Decrease) over prior year	**2017**
Residential sales	(0.9)%
General service sales	(1.1)%
Industrial sales	0.1 %
Wholesale power sales	178.4 %
Total sales	0.5 %
Average number of customers	0.8 %

Six Months Ended June 30, 2017 as Compared to June 30, 2016

Operating Revenues. The variance was driven primarily by:

- a $24 million increase in rider revenues primarily due to energy efficiency programs and a rate increase for the distribution capital investment rider, partially offset by a decrease in the percentage of income payment plan rider due to a rate decrease;
- a $10 million increase in PJM Interconnection, LLC (PJM) transmission revenues;
- a $7 million increase in other revenues related to OVEC; and
- a $5 million increase in Bulk Power Marketing (BPM) sales.

Partially offset by:

- a $24 million decrease in fuel revenues primarily due to lower electric fuel prices and sales volumes, partially offset by higher costs passed through to natural gas customers due to higher natural gas prices; and
- a $13 million decrease in electric retail sales, net of fuel revenues, due to unfavorable weather in the current year.

Operating Expenses. The variance was driven primarily by:

- a $20 million increase in operations and maintenance expense due to higher energy efficiency program costs and higher transmission and distribution operations costs;
- a $6 million increase in natural gas costs due to higher gas prices; and
- a $5 million increase in depreciation and amortization expense due to additional plant in service.

Partially offset by:

- a $28 million decrease in fuel expense driven by lower sales volumes and lower electric fuel costs.

Income Tax Expense. The variance was primarily due to a higher effective tax rate, partially offset by lower pretax income. The effective tax rates for the six months ended June 30, 2017 and 2016 were 35.1 percent and 29.2 percent, respectively. The increase in the effective tax rate was primarily due to an immaterial out of period adjustment in the prior year related to deferred tax balances associated with property, plant and equipment.

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 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, 2016, "Asset Retirement Obligations," for additional information.

Duke Energy Ohio's nonregulated Beckjord station, 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 Ohio has a 9 percent ownership interest in OVEC, which owns 2,256 MW of coal-fired generation capacity. As a counterparty to an ICPA, Duke Energy Ohio has a contractual arrangement to receive entitlements to capacity and energy from OVEC's power plants through June 2040 commensurate with its power participation ratio, which is equivalent to Duke Energy Ohio's ownership interest. Costs, including fuel, operating expenses, fixed costs, debt amortization, and interest expense, are allocated to counterparties to the ICPA, including Duke Energy Ohio, based on their power participation ratio. The value of the ICPA is subject to variability due to fluctuations in power prices and changes in OVEC's costs of business. Deterioration in the credit quality or bankruptcy of one or more parties to the ICPA could increase the costs of OVEC. In addition, certain proposed environmental rulemaking costs could result in future increased cost allocations.

On March 2, 2017, Duke Energy Ohio filed an electric distribution base rate application with the PUCO to address recovery of electric distribution system capital investments and any increase in expenditures subsequent to previous rate cases. The application also includes requests to continue certain current riders and establish new riders related to LED Outdoor Lighting Service and regulatory mandates. Duke Energy Ohio's earnings could be adversely impacted if the rate case and requested riders are delayed or denied by the PUCO. See Note 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

On August 2, 2017, Duke Energy Kentucky filed notice with the Kentucky Public Service Commission (KPSC) that it intends to file a general rate case for its electric business on or about September 1, 2017, to recover costs of capital investments in generation, transmission and distribution systems and to recover other incremental expenses since its last rate case filed in 2006. Duke Energy Kentucky's earnings could be adversely impacted if the rate increase is delayed or denied by the KPSC.

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, 2017 and 2016 and the Annual Report on Form 10-K for the year ended December 31, 2016.

Results of Operations

	Six Months Ended June 30,		
(in millions)	**2017**	**2016**	**Variance**
Operating Revenues	$ 1,500	$ 1,416	$ 84
Operating Expenses			
Fuel used in electric generation and purchased power	485	448	37
Operation, maintenance and other	366	351	15
Depreciation and amortization	216	222	(6)
Property and other taxes	37	45	(8)
Total operating expenses	1,104	1,066	38
Operating Income	396	350	46
Other Income and Expenses	17	10	7
Interest Expense	88	91	(3)
Income Before Income Taxes	325	269	56
Income Tax Expense	128	89	39
Net Income	$ 197	$ 180	$ 17

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.

Increase (Decrease) over prior year	**2017**
Residential sales	(2.5)%
General service sales	(0.3)%
Industrial sales	0.2 %
Wholesale power sales	(29.0)%
Total sales	(7.8)%
Average number of customers	0.9 %

Six Months Ended June 30, 2017 as Compared to June 30, 2016

Operating Revenues. The variance was driven primarily by:

- a $56 million increase in rider revenues related to Edwardsport Integrated Gasification Combined Cycle (IGCC) and energy efficiency programs; and
- a $34 million increase in fuel revenues primarily due to higher purchased power costs passed through to customers and higher financial transmission right (FTR) revenues.

Operating Expenses. The variance was driven primarily by:

- a $37 million increase in fuel and purchased power expense, primarily due to higher purchased power volumes and prices; and
- a $15 million increase in operations and maintenance expense due to growth in energy efficiency programs and higher expenses at Edwardsport IGCC.

Partially offset by:

- an $8 million decrease in property and other taxes primarily due to utilization of ITCs.

Other Income and Expenses. The increase was primarily driven by higher AFUDC equity.

Income Tax Expense. The variance was primarily due to an increase in pretax income. The effective tax rates for the six months ended June 30, 2017 and 2016 were 39.4 percent and 33.1 percent, respectively. The increase in the effective tax rate was primarily due to an immaterial out of period adjustment in the prior year related to deferred tax balances associated with 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 AROs. Additionally, Duke Energy Indiana has retired facilities that are not subject to the CCR rule. Duke Energy Indiana may incur costs at these facilities to comply with environmental regulations or to mitigate risks associated with on-site storage of coal ash. 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. See Note 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

The Indiana Utility Regulatory Commission (IURC) approved a settlement agreement between Duke Energy Indiana and multiple parties that resolves 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 settlement agreement imposed a cost cap for retail recoverable operations and maintenance costs through 2017. An inability to manage operating 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.

PIEDMONT

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, 2017, Piedmont's Annual Report on Form 10-K for the year ended October 31, 2016, and the transition report filed on Form 10-Q (Form 10-QT) as of December 31, 2016, for the transition period from November 1, 2016 to December 31, 2016.

Results of Operations

	Six Months Ended June 30,		
(in millions)	**2017**	**2016**	**Variance**
Operating Revenues			
Regulated natural gas	$ 696	$ 660	$ 36
Nonregulated natural gas and other	5	5	—
Total operating revenues	701	665	36
Operating Expenses			
Cost of natural gas	270	247	23
Operation, maintenance and other	153	147	6
Depreciation and amortization	71	68	3
Property and other taxes	25	22	3
Impairment charges	7	—	7
Total operating expenses	526	484	42
Operating Income	175	181	(6)
Equity in Earnings of Unconsolidated Affiliates	5	23	(18)
Other income and expenses, net	(1)	—	(1)
Total other income and expenses	4	23	(19)
Interest Expense	39	33	6
Income Before Income Taxes	140	171	(31)
Income Tax Expense	53	65	(12)
Net Income	$ 87	$ 106	$ (19)

The following table shows the percent changes in dekatherms delivered and average number of customers. The percentages for all throughput deliveries represent billed and unbilled sales. Amounts are not weather-normalized.

Increase (Decrease) over prior year	**2017**
Residential deliveries	(21.9)%
Commercial deliveries	(17.2)%
Industrial deliveries	(5.0)%
Power generation deliveries	(13.1)%
For resale	(10.6)%
Total throughput deliveries	(13.0)%
Secondary market volumes	2.5 %
Average number of customers	1.6 %

Piedmont's throughput was 227,290,541 dekatherms and 261,343,238 dekatherms for the six months ended June 30, 2017 and 2016, respectively. Due to the margin decoupling mechanism in North Carolina and weather normalization adjustment (WNA) mechanisms in South Carolina and Tennessee, changes in throughput deliveries do not have a material impact on Piedmont's revenues or earnings. The margin decoupling mechanism adjusts for variations in residential and commercial use per customer, including those due to weather and conservation. The WNA mechanisms mostly offset the impact of weather on bills rendered, but do not ensure full recovery of approved margin during periods when winter weather is significantly warmer or colder than normal.

Six Months Ended June 30, 2017 as Compared to June 30, 2016

Operating Revenues. The variance was driven primarily by:

- a $23 million increase due to higher natural gas costs passed through to customers primarily due to higher natural gas prices; and
- a $13 million increase in revenues to residential and commercial customers, net of natural gas costs passed through to customers, primarily due to Integrity Management Rider (IMR) rate adjustments, customer growth and wholesale marketing revenue.

Operating Expenses. The variance was driven by:

- a $23 million increase in costs of natural gas primarily due to higher natural gas prices;
- a $6 million increase in operations and maintenance expense primarily due to higher severance and contract labor expenses; and
- a $7 million increase due to an impairment of software resulting from planned accounting system and process integration in 2018.

Equity in Earnings of Unconsolidated Affiliates. The decrease was primarily due to equity earnings from the investment in SouthStar Energy Services, LLC (SouthStar) in the prior year. Piedmont sold its 15 percent membership interest in SouthStar on October 3, 2016.

Income Tax Expense. The variance was primarily due to a decrease in pretax income. The effective tax rates for the six months ended June 30, 2017 and 2016 were 37.9 percent and 38.0 percent, respectively.

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 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, 2016, for a summary and detailed discussion of projected primary sources and uses of cash for 2017 to 2019.

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 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

Refer to Note 6 to the Condensed Consolidated Financial Statements, "Debt and Credit Facilities," for further information regarding Duke Energy's available credit facilities including the Master Credit Facility.

Shelf Registration

In September 2016, Duke Energy filed a registration statement (Form S-3) with the U.S. 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.

In January 2017, Duke Energy amended its Form S-3 to add Piedmont as a registrant and included in the amendment a prospectus for Piedmont under which it may issue debt securities in the same manner as other Duke Energy Registrants.

DEBT MATURITIES

Refer to Note 6 to the Condensed Consolidated Financial Statements, "Debt and Credit Facilities," for further information regarding significant components of Current Maturities of Long-Term Debt on the Condensed Consolidated Balance Sheets.

CASH FLOWS FROM OPERATING ACTIVITIES

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

Duke Energy believes it has sufficient liquidity resources through the commercial paper markets, and ultimately the Master Credit and Revolving Facilities, to support these 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 Reports on Form 10-K for additional information).

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 not to exceed 65 percent for all borrowers except Piedmont. The debt-to-total capitalization ratio for Piedmont is not to exceed 70 percent. 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, 2017, 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 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 Moody's Investors Service, Inc. (Moody's) and Standard & Poor's Rating Services (S&P). In April 2017, Fitch Ratings, Inc. (Fitch) withdrew credit ratings of the Subsidiary Registrants, with the exclusion of Piedmont who was not previously rated by Fitch, due to commercial reasons. Fitch will continue to provide credit ratings for Duke Energy Corporation.

In May 2017, Moody's changed their rating outlook for Duke Energy Corporation to stable from negative and affirmed Duke Energy Corporation's credit ratings.

Cash Flow Information

The following table summarizes Duke Energy's cash flows.

	Six Months Ended June 30,	
(in millions)	2017	2016
Cash flows provided by (used in):		
Operating activities	$ 2,756	$ 3,225
Investing activities	(4,324)	(3,608)
Financing activities	1,474	202
Changes in cash and cash equivalents included in assets held for sale	—	79
Net decrease in cash and cash equivalents	(94)	(102)
Cash and cash equivalents at beginning of period	392	383
Cash and cash equivalents at end of period	$ 298	$ 281

OPERATING CASH FLOWS

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

	Six Months Ended June 30,	
(in millions)	2017	2016
Net income	$ 1,406	$ 1,211
Non-cash adjustments to net income	2,434	2,231
Payments for asset retirement obligations	(272)	(263)
Working capital	(812)	46
Net cash provided by operating activities	$ 2,756	$ 3,225

The variance was primarily due to:

- an $858 million decrease in cash flows from working capital due to the timing of the payment of accruals; increased taxes accrued resulting from an increased effective tax rate; warmer winter weather; and the absence of the International Disposal Group's operating cash flows.

Partially offset by:

- a $398 million increase in net income after non-cash adjustments, primarily due to higher regulated electric revenues from increased pricing; lower operations and maintenance expense; and the additional Piedmont earnings contribution in the current year.

INVESTING CASH FLOWS

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

	Six Months Ended June 30,	
(in millions)	2017	2016
Capital, investment and acquisition expenditures	$ (4,218)	$ (3,529)
Other investing items	(106)	(79)
Net cash used in investing activities	$ (4,324)	$ (3,608)

The variance was primarily due to:

- a $689 million increase in capital, investment and acquisition expenditures due to growth in regulated generation investments and natural gas infrastructure; partially offset by a reduction in Commercial Renewables capital expenditures.

FINANCING CASH FLOWS

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

	Six Months Ended June 30,	
(in millions)	2017	2016
Issuances of long-term debt, net	$ 1,725	$ 2,719
Notes payable and commercial paper	981	(1,341)
Dividends paid	(1,200)	(1,140)
Other financing items	(32)	(36)
Net cash provided by financing activities	$ 1,474	$ 202

The variance was due to:

- a $2,322 million decrease in cash outflows for the net payments of notes payable and commercial paper primarily through the use of the proceeds from $1,294 million nuclear asset-recovery bonds issued at Duke Energy Florida in the prior year, further increased by the repayment of commercial paper at the end of 2016 with proceeds from the sale of the International business.

Partially offset by:

- a $994 million decrease in issuances of long-term debt caused by the prior year $1,294 million nuclear asset-recovery bonds issued at Duke Energy Florida net of a $300 million increase in proceeds from net issuances of long-term debt.

Summary of Significant Debt Issuances

Refer to Note 6 to the Condensed Consolidated Financial Statements, "Debt and Credit Facilities," for further information regarding significant debt issuances.

OTHER MATTERS

Environmental Regulations

The Duke Energy 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

In April 2015, the EPA published a rule to regulate the disposal of CCR from electric utilities as solid waste. The federal regulation classifies CCR as nonhazardous waste 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, protection and remedial procedures and other operational and reporting procedures to ensure the safe disposal and management of CCR. As a result of the EPA rule, Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Ohio and Duke Energy Indiana recorded additional ARO amounts during 2015. Various industry and environmental parties have appealed the EPA's CCR rule in the U.S. Court of Appeals for the District of Columbia (D.C. Circuit Court). 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. Oral argument on the remaining issues has not been scheduled. Duke Energy does not expect a material impact from the settlement or that it will result in additional ARO adjustments. The Utility Solid Waste Activities Group filed a petition with the EPA seeking to have EPA reconsider certain provisions of the final rule, extend remaining compliance deadlines and ask the D.C. Circuit Court to hold the litigation in abeyance.

In addition to the requirements of the federal CCR regulation, CCR landfills and surface impoundments will continue to be independently regulated by most states. 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, 2016.

Coal Ash Management Act of 2014

Asset retirement obligations recorded on the Duke Energy Carolinas and Duke Energy Progress Condensed Consolidated Balance Sheets at June 30, 2017, and December 31, 2016, 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 CCR rule and other agreements. On July 14, 2016, the Coal Ash Act was amended requiring 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 legislation ranked 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-risk 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-risk basins is required to be completed no later than August 1, 2028. Upon satisfactory completion of the dam improvement projects and installation of alternative drinking water sources by October 15, 2018, the legislation requires the NCDEQ to reclassify all remaining sites, excluding H.F. Lee, Cape Fear and Weatherspoon, as low risk. In January 2017, NCDEQ issued preliminary approval of Duke Energy's plans for the alternative water sources.

Additionally, the July 2016 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. On October 5, 2016, Duke Energy announced Buck Steam Station as a first location for one of the beneficiation projects. On December 13, 2016, Duke Energy announced H.F. Lee as the second location. On June 30, 2017, Duke Energy announced the Cape Fear Plant as the third beneficiation location.

Provisions of the Coal Ash Act prohibit cost recovery in customer rates for unlawful discharge of ash impoundment waters occurring after January 1, 2014. The Coal Ash Act leaves the decision on cost recovery determinations related to closure of ash impoundments to the normal ratemaking processes before utility regulatory commissions. Consistent with the requirements of the Coal Ash Act, Duke Energy has submitted comprehensive site assessments and groundwater corrective plans to NCDEQ and will submit to NCDEQ site-specific coal ash impoundment closure plans in advance of closure. These plans and all associated permits must be approved by NCDEQ before closure work can begin.

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, 2016.

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 when the courts will rule on the petitions. The Duke Energy Registrants cannot predict the outcome of these matters.

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. On April 13, 2017, the EPA administrator granted petitions from the Utility Water Act Group and U.S. Small Business Administration requesting reconsideration and an administrative stay of compliance dates in the ELG rule that have not yet passed pending judicial review, effective April 25, 2017. Briefing in the case was scheduled to conclude on July 5, 2017, however, on April 24, 2017, the Fifth Circuit Court of Appeals granted EPA's request to stay the pending litigation on the ELG rule until August 12, 2017. By the end of the stay period, EPA intends to inform the court of the portions of the rule, if any, that it will seek to have remanded to the agency for further rulemaking. On June 6, 2017, the EPA issued a proposed rule seeking comment on postponing the compliance deadlines for direct and indirect discharges of fly ash transport water, bottom ash transport water, flue gas desulfurization wastewater, flue gas mercury control wastewater and IGCC gasification wastewater. The Duke Energy Registrants cannot predict the outcome of these matters.

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, CWA 316(b) and ELGs through December 31, 2021. The table excludes ash basin closure costs recorded in Asset retirement obligations on the Condensed Consolidated Balance Sheets. For more information related to AROs, see Note 9, "Asset Retirement Obligations" in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2016.

(in millions)	Estimated Cost
Duke Energy	$ 1,225
Duke Energy Carolinas	530
Progress Energy	350
Duke Energy Progress	260
Duke Energy Florida	90
Duke Energy Ohio	125
Duke Energy Indiana	220

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 December 3, 2015, the EPA proposed a rule to lower the Cross-State Air Pollution Rule (CSAPR) Phase 2 state ozone season nitrogen oxide (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. On September 7, 2016, the EPA finalized the CSAPR Update Rule that reduces the CSAPR Phase 2 state ozone season NOx emission budgets for 22 eastern states, including Ohio, Kentucky and Indiana. In the final CSAPR Update Rule, the EPA removed Florida, South Carolina and North Carolina from the ozone season NOx program. Beginning in 2017, Duke Energy Registrants in these states will not be subject to any CSAPR ozone season NOx emission limitations. For the states that remain in the program, the reduced state ozone season NOx emission budgets took effect on May 1, 2017. In Kentucky and Indiana, where Duke Energy Registrants own and operate coal-fired electric generating units (EGUs) subject to the final rule requirements, potential near-term responses could include changing unit dispatch to run certain generating units less frequently and/or purchasing NOx allowances from the trading market. Longer term, upgrading the performance of existing NOx controls is an option. The Indiana Utility Group and the Indiana Energy Association jointly filed a petition for reconsideration asking that the EPA correct errors it made in calculating the Indiana budget and increase the budget accordingly. EPA has yet to act on the petition. Numerous parties have filed petitions with the D.C. Circuit Court challenging various aspects of the CSAPR Update Rule. Briefing in the case is scheduled to begin on August 21, 2017. The date for oral argument has not been established. The Duke Energy Registrants cannot predict the outcome of these matters.

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 apply to plants that commenced construction after January 8, 2014. The EPA set an emissions standard for coal units of 1,400 pounds of CO_2 per gross MWh, 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 EGUs, 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.

On March 28, 2017, President Trump signed an Executive Order directing EPA to review the rule and determine whether to suspend, revise or rescind it. On the same day, the Department of Justice (DOJ) filed a motion with the D.C. Circuit Court requesting that the court stay the litigation of the rule while it is reviewed by EPA. Subsequent to the DOJ motion, the D.C. Circuit Court canceled oral argument in the case, which had been scheduled for April 17, 2017. On April 28, 2017, the court ordered that the litigation be suspended for 60 days and directing parties to file supplemental briefs by May 15, 2017, addressing whether the rule should be remanded to EPA rather than be suspended. The court has yet to issue an order. The rule remains in effect pending the outcome of litigation and EPA's review. EPA has not announced a schedule for completing its review. The Duke Energy Registrants cannot predict the outcome of these matters, but do not expect the impacts of the current final standards will be material to Duke Energy's financial position, results of operations or cash flows.

Clean Power Plan

On October 23, 2015, the EPA published in the Federal Register the final Clean Power Plan (CPP) rule that regulates CO_2 emissions from existing fossil fuel-fired EGUs. The CPP established CO_2 emission rates and mass cap goals that apply to existing fossil fuel-fired EGUs. Petitions challenging the rule have been filed by several groups and on February 9, 2016, the Supreme Court issued a stay of the final CPP rule, halting implementation of the CPP until legal challenges are resolved. States in which the Duke Energy Registrants operate have suspended work on the CPP in response to the stay. Oral arguments before 10 of the 11 judges on D.C. Circuit Court were heard on September 27, 2016. The court has not issued its opinion in the case.

On March 28, 2017, President Trump signed an Executive Order directing EPA to review the CPP and determine whether to suspend, revise or rescind the rule. On the same day the DOJ filed a motion with the D.C. Circuit Court requesting that the court stay the litigation of the rule while it is reviewed by EPA. On April 28, 2017, the court issued an order to suspend the litigation for 60 days and directing parties to file supplemental briefs by May 15, 2017, addressing whether the rule should be remanded to the EPA rather than be suspended. The court has yet to issue an order. Neither the Executive Order nor the court's order change the current status of the CPP, which is under a legal hold by the U.S. Supreme Court. The EPA has not announced a schedule for completing its review. 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, 2016.

North Carolina Legislation

In July 2017, the North Carolina General Assembly passed House Bill 589 and it was subsequently enacted into law by the Governor. The law includes, among other things, overall reform of the application of the Public Utility Regulatory Policies Act of 1978 (PURPA) for new solar projects in the state, a requirement for the utility to procure approximately 2,600 MW of renewable energy through a competitive bidding process and recovery of costs related to the competitive bidding process through the fuel clause and a competitive procurement rider. Duke Energy is evaluating the impact of this law.

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, 2016.

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, 2017, 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, 2016.

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, 2017, 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, 2016.

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, 2017, there were no material changes to the Duke Energy Registrants' disclosures about market risk. For an in-depth discussion of the Duke Energy Registrants' market risks, see "Quantitative and Qualitative Disclosures about Market Risk" in Item 7 of the Annual Report on Form 10-K for the Duke Energy Registrants.

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) are 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 are 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, 2017, 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, 2017, 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 material legal proceedings, including regulatory and environmental matters, see Note 4, "Regulatory Matters," and Note 5, "Commitments and Contingencies," to the Condensed Consolidated Financial Statements. For additional information, see Item 3, "Legal Proceedings," in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2016.

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, 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 2017.

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	Piedmont
*4.1	Sixteenth Supplemental Indenture, dated as of June 13, 2017.	X							
10.1	$1,000,000,000 Credit Agreement, dated as of June 14, 2017, among Duke Energy Corporation, the lenders listed therein, The Bank of Nova Scotia, as Administrative Agent, PNC Bank, National Association, Sumitomo Mitsui Banking Corporation and TD Bank, N.A., as Co-Syndication Agents, and Bank of China, New York Branch, BNP Paribas, Santander Bank, N.A. and U.S. Bank National Association, as Co-Documentation Agents (incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on June 14, 2017, File No. 1-32853).	X							
10.2	$250,000,000 Term Loan Credit Agreement, dated as of June 14, 2017, among Piedmont Natural Gas Company, Inc., the lenders listed therein, U.S. Bank National Association, as Administrative Agent, Branch Banking and Trust Company and Regions Bank, as Co-Syndication Agents, and PNC Bank, National Association, as Documentation Agent (incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on June 14, 2017, File No. 1-32853).								X
*10.3	Duke Energy Corporation Director Compensation Program Summary	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	
*31.1.8	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	
*31.2.8	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	
*32.1.8	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	
*32.2.8	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	X
*101.SCH	XBRL Taxonomy Extension Schema Document.	X	X	X	X	X	X	X	X
*101.CAL	XBRL Taxonomy Calculation Linkbase Document.	X	X	X	X	X	X	X	X
*101.LAB	XBRL Taxonomy Label Linkbase Document.	X	X	X	X	X	X	X	X
*101.PRE	XBRL Taxonomy Presentation Linkbase Document.	X	X	X	X	X	X	X	X
*101.DEF	XBRL Taxonomy Definition Linkbase Document.	X	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, LLC
PIEDMONT NATURAL GAS COMPANY, INC.

Date: August 3, 2017

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer (Principal Financial Officer)

Date: August 3, 2017

/s/ WILLIAM E. CURRENS JR.

William E. Currens Jr.
Senior Vice President, Chief Accounting Officer and Controller
(Principal Accounting Officer)

Exhibit 4.1

DUKE ENERGY CORPORATION

TO

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

Trustee

Sixteenth Supplemental Indenture
Dated as of June 13, 2017

$330,000,000 2.10% SENIOR NOTES DUE 2020

TABLE OF CONTENTS[1]

ARTICLE I

2.10% SENIOR NOTES DUE 2020

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 SIXTEENTH SUPPLEMENTAL INDENTURE is made as of the 13th day of June, 2017, 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 Sixteenth 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 Sixteenth 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

2.10% SENIOR NOTES DUE 2020

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 2.10% Senior Notes due 2020 (the "2020 Notes").

There are to be authenticated and delivered initially $330,000,000 principal amount of the 2020 Notes, and no further 2020 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 2020 Notes shall be issued in fully registered form without coupons.

The 2020 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 2020 Notes shall be in substantially the form set forth in Exhibit B hereto.

Each 2020 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 2020 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 June 15 and December 15 of each year, commencing on December 15, 2017.

"Legal Holiday" means any day that is a legal holiday in New York, New York.

"Original Issue Date" means June 13, 2017.

"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 June 15, 2020.

Section 1.03. Payment of Principal and Interest. The principal of the 2020 Notes shall be due at Stated Maturity (unless earlier redeemed). The unpaid principal amount of the 2020 Notes shall bear interest at the rate of 2.10% per annum until paid or duly provided for, such interest to accrue from June 13, 2017 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 2020 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 2020 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 2020 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 2020 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 2020 Notes shall include interest accrued to but excluding the respective Interest Payment Dates. Interest payments for the 2020 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 2020 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 2020 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 2020 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 2020 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 2020 Notes shall be made at the office of the Paying Agent upon surrender of such 2020 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 2020 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 2020 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 2020 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 2020 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 2020 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, 2020 Notes represented by such Global Security or Global Securities shall not be exchangeable for, and shall not otherwise be issuable as, 2020 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 2020 Notes shall be construed to require the Corporation to register any 2020 Note under the Securities Act, or to make any transfer of such 2020 Note in violation of applicable law.

A Global Security representing the 2020 Notes shall be exchangeable for 2020 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 2020 Notes and beneficial owners of a majority in aggregate principal amount of the 2020 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 2020 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 2020 Notes commences and (ii) the Original Issue Date of the 2020 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.

Any beneficial interest in one of the Global Securities that is transferred to a person who takes delivery in the form of an interest in another Global Security of that series will, upon transfer, cease to be an interest in the initial Global Security of that series and will become an interest in the other Global Security of that series and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interests in such other Global Security of that series for as long as it remains such an interest.

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 2020 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. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of a Regulation S Global Note and a corresponding increase in the principal amount of a Rule 144A Global Note or vice versa, as applicable. 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 2020 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 2020 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 2020 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, the 2020 Notes shall be redeemable, in whole or in part and from time to time, 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 2020 Notes being redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the 2020 Notes being redeemed (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 10 basis points, plus, in either case, accrued and unpaid interest on the principal amount of the 2020 Notes being redeemed to, but excluding, such Redemption Date.

For purposes of the first paragraph 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 2020 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 2020 Notes.

"Comparable Treasury Price" means, with respect to any Redemption Date for the 2020 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 as determined by the Corporation.

"Quotation Agent" means a Reference Treasury Dealer appointed by the Corporation.

"Reference Treasury Dealer" means RBC Capital Markets, LLC, plus four other financial institutions appointed by the Corporation at the time of any redemption of the 2020 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 2020 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 2020 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 by the Corporation 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 2020 Notes occurring before the Par Call Date promptly after the calculation thereof. The Trustee shall not be responsible for calculating said redemption price.

If less than all of the 2020 Notes are to be redeemed, the Trustee shall select the 2020 Notes or portions of 2020 Notes to be redeemed by such method as the Trustee shall deem fair and appropriate. The Trustee may select for redemption 2020 Notes and portions of 2020 Notes in amounts of $2,000 or any integral multiple of $1,000 in excess thereof. As long as the 2020 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 2020 Notes shall not have a sinking fund.

Section 1.07. Paying Agent. The Trustee shall initially serve as Paying Agent with respect to the 2020 Notes, with the Place of Payment initially being the Corporate Trust Office.

Section 1.08. Legends. Each 2020 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 Sixteenth 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 2020 Notes and this Sixteenth 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 Sixteenth Supplemental Indenture shall be read, taken and construed as one and the same instrument.

Section 2.03. Executed in Counterparts. This Sixteenth 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.

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:	/s/John L. Sullivan, III
Name:	John L. Sullivan, III
Title:	Assistant Treasurer

The Bank of New York Mellon Trust Company, N.A., as Trustee

By:	/s/Valere Boyd
Name:	Valere Boyd
Title:	Vice President

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
2.10% SENIOR NOTE DUE 2020

No.

Rule 144A CUSIP No. 26441C AV7
Regulation S CUSIP No. U2648M AC6

DUKE ENERGY CORPORATION
2.10% SENIOR NOTE DUE 2020

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: June 13, 2017

Stated Maturity: June 15, 2020

Interest Payment Dates: Semi-annually on June 15 and December 15 of each year, commencing on December 15, 2017

Interest Rate: 2.10% 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 December 15, 2017 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 2.10% Senior Note due 2020 (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 June 13, 2017 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, the Securities of this series shall be redeemable, in whole or in part and from time to time, 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 Securities of this series being redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the Securities of this series being redeemed (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 10 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 as determined by the Corporation.

"Quotation Agent" means a Reference Treasury Dealer appointed by the Corporation.

"Reference Treasury Dealer" means RBC Capital Markets, LLC, plus four 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 by the Corporation 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 occurring before the Par Call Date 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 10 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 June 13, 2017.

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: June 13, 2017

The Bank of New York Mellon Trust Company, N.A., as Trustee

By: ______________________

Authorized Signatory

(Reverse Side of Security)

This 2.10% Senior Note due 2020 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 2.10% Senior Notes due 2020 initially in the aggregate principal amount of $330,000,000. 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 ______ under
TEN ENT - as tenants by the entireties	(Cust) (Minor)
	Uniform Gifts to Minors Act
JT TEN - as joint tenants with rights of survivorship and not as tenants in common	____________________ (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 2.10% SENIOR NOTE DUE 2020 (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: ________________________________

* Fill in blank or check appropriate box, as applicable.

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	Amounts of decrease in Principle 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

Exhibit 10.3

DUKE ENERGY CORPORATION DIRECTOR COMPENSATION PROGRAM SUMMARY

Effective May 4, 2017, the compensation paid to our outside directors will consist of:

Type of Fee	**Fee**
Annual Board Retainer (Cash)	$125,000
Additional Annual Board Retainer (Cash) (up to one) If director meets one or more of the following during the calendar year: - Serves as a member of a special committee - Attends (in person) more than two offsite committee meetings (excluding the annual Board retreat) - Attends more than thirty (30) meetings of the Board and its regular standing committees	$10,000
Annual Board Retainer (Stock)	$160,000
Annual Non-Executive Chairman of the Board Retainer, if applicable	$100,000
Annual Lead Director Retainer, if applicable	$40,000
Annual Audit Committee Chair Retainer	$25,000
Annual Compensation Committee Chair/Nuclear Oversight Committee Chair Retainer	$20,000
Annual Committee Chair Retainer (Other Committees)	$15,000

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)	2017	2016	2015	2014	2013	2012 (a)
Earnings as defined for fixed charges calculation						
Add:						
Pretax income from continuing operations(b)	$ 2,010	$ 3,668	$ 3,832	$ 3,636	$ 3,204	$ 1,622
Fixed charges	1,078	2,170	1,859	1,871	1,886	1,510
Distributed income of equity investees	5	30	104	136	109	151
Deduct:						
Preferred dividend requirements of subsidiaries	—	—	—	—	—	3
Interest capitalized	1	10	18	7	8	30
Total earnings	$ 3,092	$ 5,858	$ 5,777	$ 5,636	$ 5,191	$ 3,250
Fixed charges:						
Interest on debt, including capitalized portions	$ 1,030	$ 2,066	$ 1,733	$ 1,733	$ 1,760	$ 1,420
Estimate of interest within rental expense	48	104	126	138	126	87
Preferred dividend requirements of subsidiaries	—	—	—	—	—	3
Total fixed charges	$ 1,078	$ 2,170	$ 1,859	$ 1,871	$ 1,886	$ 1,510
Ratio of earnings to fixed charges	2.9	2.7	3.1	3.0	2.8	2.2
Ratio of earnings to fixed charges and preferred dividends combined(c)	2.9	2.7	3.1	3.0	2.8	2.2

(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 3, 2017

/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: August 3, 2017

/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 3, 2017

/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 3, 2017

/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 3, 2017

/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: August 3, 2017

/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 3, 2017

/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 Piedmont Natural Gas Company, 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 3, 2017

/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 3, 2017

/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 3, 2017

/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 3, 2017

/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 3, 2017

/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 3, 2017

/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 3, 2017

/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 3, 2017

/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 Piedmont Natural Gas Company, 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 3, 2017

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

EXHIBIT 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

In connection with the Quarterly Report of Duke Energy Corporation ("Duke Energy") on Form 10-Q for the period ending June 30, 2017 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 3, 2017

**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, 2017 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 3, 2017

**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, 2017 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 3, 2017

**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, 2017 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 3, 2017

**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, 2017 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 3, 2017

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, 2017 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 3, 2017

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, 2017 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 3, 2017

**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 Piedmont Natural Gas Company, Inc. ("Piedmont") on Form 10-Q for the period ending June 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynn J. Good, Chief Executive Officer of Piedmont, 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 Piedmont.

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

August 3, 2017

**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, 2017 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 3, 2017

**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, 2017 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 3, 2017

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, 2017 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 3, 2017

**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, 2017 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 3, 2017

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, 2017 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 3, 2017

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, 2017 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 3, 2017

**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, 2017 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 3, 2017

**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 Piedmont Natural Gas Company, Inc. ("Piedmont") on Form 10-Q for the period ending June 30, 2017 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 Piedmont, 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 Piedmont.

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

August 3, 2017