COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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

CASE NO. 2018-00261

FILING REQUIREMENTS

VOLUME 7

Duke Energy Kentucky, Inc.
Case No. 2018-00261
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.	Amy B. Spiller
1	2	807 KAR 5:001 Section 7(1)	The original and 10 copies of application plus copy for anyone named as interested party.	Amy B. Spiller
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. (i) Detailed income statement and balance sheet.	Robert H. "Beau" Pratt Michael Covington
1	4	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.	Amy B. Spiller
1	5	807 KAR 5:001 Section 14(2)	If a corporation, the applicant shall identify in the application the state in which it is incorporated and the date of its incorporation, attest that it is currently in good standing in the state in which it is incorporated, and, if it is not a Kentucky corporation, state if it is authorized to transact business in Kentucky.	Amy B. Spiller

1	6	807 KAR 5:001 Section 14(3)	If a limited liability company, the applicant shall identify in the application the state in which it is organized and the date on which it was organized, attest that it is in good standing in the state in which it is organized, and, if it is not a Kentucky limited liability company, state if it is authorized to transact business in Kentucky.	Amy B. Spiller
1	7	807 KAR 5:001 Section 14(4)	If the applicant is a limited partnership, a certified copy of its limited partnership agreement and all amendments, if any, shall be annexed to the application, or a written statement attesting that its partnership agreement and all amendments have been filed with the commission in a prior proceeding and referencing the case number of the prior proceeding.	Amy B. Spiller
1	8	807 KAR 5:001 Section 16 (1)(b)(1)	Reason adjustment is required.	Amy B. Spiller William Don Wathen, Jr.
1	9	807 KAR 5:001 Section 16 (1)(b)(2)	Certified copy of certificate of assumed name required by KRS 365.015 or statement that certificate not necessary.	Amy B. Spiller
1	10	807 KAR 5:001 Section 16 (1)(b)(3)	New or revised tariff sheets, if applicable in a format that complies with 807 KAR 5:011 with an effective date not less than thirty (30) days from the date the application is filed	Bruce L. Sailers
1	11	807 KAR 5:001 Section 16 (1)(b)(4)	Proposed tariff changes shown by present and proposed tariffs in comparative form or by indicating additions in italics or by underscoring and striking over deletions in current tariff.	Bruce L. Sailers
1	12	807 KAR 5:001 Section 16 (1)(b)(5)	A statement that notice has been given in compliance with Section 17 of this administrative regulation with a copy of the notice.	Amy B. Spiller
1	13	807 KAR 5:001 Section 16(2)	If gross annual revenues exceed $5,000,000, written notice of intent filed at least 30 days, but not more than 60 days prior to application. Notice shall state whether application will be supported by historical or fully forecasted test period.	Amy B. Spiller
1	14	807 KAR 5:001 Section 16(3)	Notice given pursuant to Section 17 of this administrative regulation shall satisfy the requirements of 807 KAR 5:051, Section 2.	Amy B. Spiller
1	15	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. "Beau" Pratt
1	16	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. "Beau" Pratt
1	17	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	18	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. "Beau" Pratt

1	19	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. "Beau" Pratt
1	20	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	21	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	22	807 KAR 5:001 Section 16(7)(b)	Most recent capital construction budget containing at minimum 3 year forecast of construction expenditures.	Robert H. "Beau" Pratt Gary J. Hebbeler
1	23	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. "Beau" Pratt
1	24	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. "Beau" Pratt
1	25	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.	Amy B. Spiller
1	26	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. "Beau" Pratt Gary J. Hebbeler
1	27	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. "Beau" Pratt Gary J. Hebbeler

1	28	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. "Beau" Pratt Gary J. Hebbeler Benjamin Passty
1	29	807 KAR 5:001 Section 16(7)(i)	Most recent FERC or FCC audit reports.	Michael Covington
1	30	807 KAR 5:001 Section 16(7)(j)	Prospectuses of most recent stock or bond offerings.	Robert H. "Beau" Pratt
1	31	807 KAR 5:001 Section 16(7)(k)	Most recent FERC Form 1 (electric), FERC Form 2 (gas), or PSC Form T (telephone).	Michael Covington
2	32	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.	Robert H. "Beau" Pratt
3	33	807 KAR 5:001 Section 16(7)(m)	Current chart of accounts if more detailed than Uniform System of Accounts charts.	Michael Covington
3	34	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.	Michael Covington
3	35	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.	Michael Covington Robert H. "Beau" Pratt
3-11	36	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.	Michael Covington
11	37	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.	Michael Covington
11	38	807 KAR 5:001 Section 16(7)(r)	Quarterly reports to the stockholders for the most recent 5 quarters.	Robert H. "Beau" Pratt

11	39	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
11	40	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
11	41	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
11	42	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	43	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	44	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	45	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. "Beau" Pratt John R. Panizza James E. Ziolkowski Michael Covington
11	46	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	47	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. "Beau" Pratt James E. Ziolkowski
11	48	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.	John R. Panizza
11	49	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	50	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 Renee H. Metzler
11	51	807 KAR 5:001 Section 16(8)(h)	Computation of gross revenue conversion factor for forecasted period.	Sarah E. Lawler
11	52	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.	Michael Covington Robert H. "Beau" Pratt
11	53	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.	Robert H. "Beau" Pratt
11	54	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. "Beau" Pratt Michael Covington
11	55	807 KAR 5:001 Section 16(8)(l)	Narrative description and explanation of all proposed tariff changes.	Bruce L. Sailers
11	56	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	57	807 KAR 5:001 Section 16(8)(n)	Typical bill comparison under present and proposed rates for all customer classes.	Bruce L. Sailers
11	58	807 KAR 5:001 Section 16(9)	The commission shall notify the applicant of any deficiencies in the application within thirty (30) days of the application's submission. An application shall not be accepted for filing until the utility has cured all noted deficiencies.	William Don Wathen, Jr.

11	59	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.	Amy B. Spiller
11	60	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.	Amy B. Spiller

11	61	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.	Amy B. Spiller

11	62	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	63	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 (n)	Schedule Book, including Work Papers (Schedules A-N)	Various
13	-	807 KAR 5:001 Section 16(7)(a)	Testimony (Volume 1 of 3)	Various
14	-	807 KAR 5:001 Section 16(7)(a)	Testimony (Volume 2 of 3)	Various
15	-	807 KAR 5:001 Section 16(7)(a)	Testimony (Volume 3 of 3)	Various
16-17	-	KRS 278.2205(6)	Cost Allocation Manual	Legal

TAB 36 continued…

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

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal period ended December 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.
1-32853	**DUKE ENERGY CORPORATION** (a Delaware corporation) 550 South Tryon Street Charlotte, NC 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		

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Registrant	Title of each class	Name of each exchange on which registered
Duke Energy Corporation (Duke Energy)	Common Stock, $0.001 par value	New York Stock Exchange, Inc.
Duke Energy	5.125% Junior Subordinated Debentures due January 15, 2073	New York Stock Exchange, Inc.

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act

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 if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes ☐ No ☒ (Response applicable to all registrants.)

Indicate by check mark whether the registrants (1) have 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. Yes ☒ No ☐

Indicate by check mark whether the registrants have submitted electronically and posted on their 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). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐ (Only applicable to Duke Energy)

Indicate by check mark whether Duke Energy 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. (Check one): 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 Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio, Duke Energy Indiana and Piedmont are large accelerated filers, accelerated filers, non-accelerated filers, or smaller reporting companies. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one): 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 registrants are a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Estimated aggregate market value of the common equity held by nonaffiliates of Duke Energy at June 30, 2017.	$	58,468,482,557
Number of shares of Common Stock, $0.001 par value, outstanding at January 31, 2018.		700,092,667

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Duke Energy definitive proxy statement for the 2018 Annual Meeting of the Shareholders or an amendment to this Annual Report are incorporated by reference into PART III, Items 10, 11 and 13 hereof.

This combined Form 10-K 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 I(1)(a) and (b) of Form 10-K and are, therefore, filing this Form 10-K with the reduced disclosure format specified in General Instructions I(2) of Form 10-K.

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FORM 10-K FOR THE YEAR ENDED December 31, 2017

PART IV.

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 natural 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 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, compliance with debt covenants and conditions and general market and 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;
- The impact of new U.S. tax legislation to our financial condition, results of operations or cash flows and our credit ratings;
- The impacts from potential impairments of goodwill or equity method investment carrying values;
- The ability to successfully complete future merger, acquisition or divestiture plans; 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.

Glossary of Terms

The following terms or acronyms used in this Form 10-K are defined below:

Term or Acronym	Definition
2013 Settlement	Revised and Restated Stipulation and Settlement Agreement approved in November 2013 among Duke Energy Florida, the Florida OPC and other customer advocates
the 2015 Plan	Duke Energy Corporation 2015 Long-Term Incentive Plan
2017 Settlement	Second Revised and Restated Settlement Agreement in 2017 among Duke Energy Florida, the Florida OPC and other customer advocates, which replaces and supplants the 2013 Settlement
ACP	Atlantic Coast Pipeline, LLC, a limited liability company owned by Dominion, Duke Energy and Southern Company Gas
ACP Pipeline	The approximately 600-mile proposed interstate natural gas pipeline
ADIT	Net Accumulated Deferred Income Tax
AFUDC	Allowance for funds used during construction
the Agents	Wells Fargo Securities, LLC, Citigroup Global Market Inc.,J.P. Morgan Securities, LLC
ALJ	Administrative Law Judge
Amended Complaint	Amended Verified Consolidated Shareholder Derivative Complaint
AMI	Advanced Metering Infrastructure
ANPRM	Advance Notice of Proposed Rulemaking
AOCI	Accumulated Other Comprehensive Income (Loss)
ARO	Asset Retirement Obligation
the ASR	Accelerated Stock Repurchase Program
ASRP	Accelerated natural gas service line replacement program
Audit Committee	Audit Committee of the Board of Directors
Barclays	Barclays Capital Inc.
BCWF	Benton County Wind Farm, LLC
Beckjord	Beckjord Generating Station
Belews Creek	Belews Creek Steam Station
Bison	Bison Insurance Company Limited
Board of Directors	Duke Energy Board of Directors
Bresalier Complaint	Shareholder derivative lawsuit filed by Saul Bresalier related to ash basin management practices
Bresalier Defendants	Several current and former Duke Energy officers and directors named in the Bresalier Complaint
Bridge Facility	$4.9 billion senior secured financing facility with Barclays Capital Inc.
Brunswick	Brunswick Nuclear Plant
CAA	Clean Air Act
Cardinal	Cardinal Pipeline Company, LLC
Catawba	Catawba Nuclear Station
CC	Combined Cycle
CCR	Coal Combustion Residuals
CCS	Carbon Capture and Storage
CECPCN	Certificate of Environmental Compatibility and Public Convenience and Necessity

CEO	Chief Executive Officer
CertainTeed	CertainTeed Gypsum NC, Inc.
Cinergy	Cinergy Corp. (collectively with its subsidiaries)
CO_2	Carbon Dioxide

Coal Ash Act	North Carolina Coal Ash Management Act of 2014
COL	Combined Operating License
the Company	Duke Energy Corporation and its subsidiaries
Consolidated Complaint	Corrected Verified Consolidated Shareholder Derivative Complaint
Constitution	Constitution Pipeline Company, LLC
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CP	Capacity Performance
CPCN	Certificate of Public Convenience and Necessity
CPP	Clean Power Plan
CRC	Cinergy Receivables Company LLC
Crystal River Unit 3	Crystal River Unit 3 Nuclear Plant
CSA	Comprehensive Site Assessment
CSAPR	Cross-State Air Pollution Rule
CT	Combustion Turbine
CTG	China Three Gorges Energy S.à.r.l.
CWA	Clean Water Act
DATC	Duke-American Transmission Co.
D.C. Circuit Court	U.S. Court of Appeals for the District of Columbia
the Dealers	Goldman, Sachs & Co. and JPMorgan Chase Bank
DEFPF	Duke Energy Florida Project Finance, LLC
DEFR	Duke Energy Florida Receivables, LLC
Deloitte	Deloitte & Touche LLP, and the member firms of Deloitte Touche Tohmatsu and their respective affiliates
DEPR	Duke Energy Progress Receivables, LLC
DERF	Duke Energy Receivables Finance Company, LLC
DHHS	North Carolina Department of Health and Human Services
Directors' Savings Plan	Duke Energy Corporation Directors' Savings Plan
DOE	U.S. Department of Energy
DOJ	Department of Justice
Dominion	Dominion Resources
DRIP	Dividend Reinvestment Program
DSM	Demand Side Management
Dth	Dekatherm
Duke Energy	Duke Energy Corporation (collectively with its subsidiaries)
Duke Energy Carolinas	Duke Energy Carolinas, LLC
Duke Energy Defendants	Several current and former Duke Energy officers and directors named as defendants in the Consolidated Complaint
Duke Energy Florida	Duke Energy Florida, LLC

Duke Energy Indiana	Duke Energy Indiana, LLC
Duke Energy Kentucky	Duke Energy Kentucky, Inc.
Duke Energy Ohio	Duke Energy Ohio, Inc.
Duke Energy Progress	Duke Energy Progress, LLC

Duke Energy Registrants	Duke Energy, Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio, Duke Energy Indiana and Piedmont
Dynegy	Dynegy Inc.
East Bend	East Bend Generating Station
the EDA	Equity Distribution Agreement
EE	Energy efficiency
EGU	Electric Generating Units
EIS	Environmental Impact Statement
ELG	Effluent Limitations Guidelines
EPA	U.S. Environmental Protection Agency
EPC	Engineering, Procurement and Construction agreement
EPS	Earnings Per Share
ESP	Electric Security Plan
ETR	Effective tax rate
Exchange Act	Exchange Act of 1934
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
Fitch	Fitch Ratings, Inc.
FirstEnergy	FirstEnergy Corp.
Florida OPC	Florida Office of Public Counsel
Form S-3	Registration statement
FP&L	Florida Power & Light Company
FPSC	Florida Public Service Commission
FRR	Fixed Resource Requirement
FTR	Financial transmission rights
GAAP	Generally Accepted Accounting Principles in the United States
GHG	Greenhouse Gas
GWh	Gigawatt-hours
Hardy Storage	Hardy Storage Company, LLC
Harris	Shearon Harris Nuclear Plant
Hines	Hines Energy Complex
I Squared	ISQ Enerlam Aggregator, L.P. and Enerlam Holding Ltd.
IBNR	Incurred but not yet reported
ICPA	Inter-Company Power Agreement
IGCC	Integrated Gasification Combined Cycle

IGCC Rider	Tracking mechanism used to recover costs related to the Edwardsport IGCC plant from retail electric customers
IGCC Settlement	2015 Settlement to resolve disputes with intervenors related to five IGCC riders
IMR	Integrity Management Rider
International Disposal Group	Duke Energy's international business, excluding National Methanol Company
IRP	Integrated Resource Plans
IRS	Internal Revenue Service

ISFSI	Independent Spent Fuel Storage Installation
ISO	Independent System Operator
ITC	Investment Tax Credit
IURC	Indiana Utility Regulatory Commission
Investment Trusts	Grantor trusts of Duke Energy Progress, Duke Energy Florida and Duke Energy Indiana
JDA	Joint Dispatch Agreement
KO Transmission	KO Transmission Company
KPSC	Kentucky Public Service Commission
kV	Kilovolt
kWh	Kilowatt-hour
LDC	Local Distribution Company
Lee Nuclear Station	William States Lee III Nuclear Station
Legacy Duke Energy Directors	Members of the pre-merger Duke Energy Board of Directors
Levy	Duke Energy Florida's proposed nuclear plant in Levy County, Florida
LIBOR	London Interbank Offered Rate
Long-Term FERC Mitigation	The revised market power mitigation plan related to the Progress Energy merger
Master Trust	Duke Energy Master Retirement Trust
McGuire	McGuire Nuclear Station
Merger Agreement	The Agreement and Plan of Merger between Duke Energy and Piedmont
Merger Chancery Litigation	Four shareholder derivative lawsuits filed in the Delaware Chancery Court related to the Progress Energy merger
MGP	Manufactured gas plant
Midwest Generation Disposal Group	Duke Energy Ohio's nonregulated Midwest generation business and Duke Energy Retail Sales, LLC
MISO	Midcontinent Independent System Operator, Inc.
MMBtu	Million British Thermal Unit
MPP	Money Purchase Pension
Moody's	Moody's Investors Service, Inc.
MTBE	Methyl tertiary butyl ether
MTEP	MISO Transmission Expansion Planning
MW	Megawatt
MVP	Multi Value Projects
MWh	Megawatt-hour
NCDEQ	North Carolina Department of Environmental Quality (formerly the North Carolina Department of Environment and Natural Resources)
NCEMC	North Carolina Electric Membership Corporation
NCEMPA	North Carolina Eastern Municipal Power Agency

NCRC	Florida's Nuclear Cost Recovery Clause
NCRS	Nuclear Power Plant Cost Recovery Statutes
NCUC	North Carolina Utilities Commission
NDTF	Nuclear decommissioning trust funds
NEIL	Nuclear Electric Insurance Limited

New Source Review	New Source Review (NSR) is a CAA program that requires industrial facilities to install modern pollution control equipment when they are built or when making a change that increases emissions significantly
NYSDEC	New York State Department of Environmental Conservation
NMC	National Methanol Company
NOL	Net operating loss
NOV	Notice of violation
NO_x	Nitrogen oxide
NPDES	National Pollutant Discharge Elimination System
NPNS	Normal purchase/normal sale
NPR	Notice of Proposed Rulemaking
NRC	U.S. Nuclear Regulatory Commission
NWPA	Nuclear Waste Policy Act of 1982
NYSE	New York Stock Exchange
Oconee	Oconee Nuclear Station
OPEB	Other Post-Retirement Benefit Obligations
ORS	Office of Regulatory Staff
Osprey Plant acquisition	Duke Energy Florida's purchase of a Calpine Corporation's 599-MW combined-cycle natural gas plant in Auburndale, Florida
OTTI	Other-than-temporary impairment
OVEC	Ohio Valley Electric Corporation
the Parent	Duke Energy Corporation holding company
PCAOB	Public Company Accounting Oversight Board
PGA	Purchased Gas Adjustments
Phase I CCR Compliance Projects	Duke Energy Indiana's federally mandated compliance projects to comply with the EPA's CCR rule
Philadelphia Utility Index	Philadelphia Sector Index
PHMSA	Pipeline and Hazardous Materials Safety Administration
Piedmont	Piedmont Natural Gas Company, Inc.
Piedmont Pension Assets	Qualified pension plan assets associated with the Retirement Plan of Piedmont
Piedmont Term Loan	18-month term loan facility with commitments totaling $250M entered in June 2017
Pine Needle	Pine Needle LNG Company, LLC
Pioneer	Pioneer Transmission, LLC
PJM	PJM Interconnection, LLC
PMPA	Piedmont Municipal Power Agency
PPA	Purchase Power Agreement
Progress Energy	Progress Energy, Inc.
PSCSC	Public Service Commission of South Carolina

PTC	Production Tax Credits
PUCO	Public Utilities Commission of Ohio
PUCO Order	Order issued by PUCO approving a settlement of Duke Energy Ohio's natural gas base rate case and authorizing the recovery of certain MGP costs
PURPA	Public Utility Regulatory Policies Act of 1978
QF	Qualifying Facility

RCA	Revolving Credit Agreement
RCRA	Resource Conservation and Recovery Act
Relative TSR	TSR of Duke Energy stock relative to a predefined peer group
Robinson	Robinson Nuclear Plant
RRBA	Roanoke River Basin Association
RSU	Restricted Stock Unit
RTO	Regional Transmission Organization
Sabal Trail	Sabal Trail Transmission, LLC
Sabal Trail Pipeline	Sabal Trail Natural Gas Pipeline
SACE	Southern Alliance of Clean Energy
SAFSTOR	A method of decommissioning in which a nuclear facility is placed and maintained in a condition that allows the facility to be safely stored and subsequently decontaminated to levels that permit release for unrestricted use
S.C. Court of Appeals	Court of Appeals of South Carolina
SCCL	South Carolina Coastal Conservation League
SEC	Securities and Exchange Commission
SEIS	Supplemental Environmental Impact Statement
SELC	Southern Environmental Law Center
Segment Income	Income from continuing operations net of income attributable to noncontrolling interests
SO_2	Sulfur dioxide
SouthStar	SouthStar Energy Services, LLC
Spectra Capital	Spectra Energy Capital, LLC
S&P	Standard & Poor's Rating Services
S&P 500	Standard & Poor's 500 Stock Index
SSO	Standard Service Offer
State Utility Commissions	NCUC, PSCSC, FPSC, PUCO, IURC, KPSC and TPUC (Collectively)
State Electric Utility Commissions	NCUC, PSCSC, FPSC, PUCO, IURC and KPSC (Collectively)
State Gas Utility Commissions	NCUC, PSCSC, PUCO, TPUC and KPSC (Collectively)
Subsidiary Registrants	Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio, Duke Energy Indiana and Piedmont
Sutton	L.V. Sutton Combined Cycle Plant
the Tax Act	Tax Cut and Jobs Act
T&D Rider	Tracking mechanism to recover grid infrastructure improvement costs in Indiana
TPUC	Tennessee Public Utility Commission
TSR	Total shareholder return
Uprate Project	Hines Chiller Uprate Project
U.S.	United States

U.S. Court of Appeals	U.S. Court of Appeals for the Second Circuit
VEBA	Voluntary Employees' Beneficiary Association
VIE	Variable Interest Entity
WACC	Weighted Average Cost of Capital
WNA	weather normalization adjustment
WVPA	Wabash Valley Power Association, Inc.

PART I

ITEM 1. BUSINESS

DUKE ENERGY

General

Duke Energy Corporation (collectively with its subsidiaries, Duke Energy) was incorporated on May 3, 2005, and 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.

Piedmont, a North Carolina corporation, is an energy services company whose principal business is the distribution of natural gas to over 1 million residential, commercial, industrial and power generation customers in portions of North Carolina, South Carolina and Tennessee, including customers served by municipalities who are Piedmont's sales for resale customers. In October 2016, Duke Energy completed the acquisition of Piedmont. Piedmont's earnings and cash flows are only included in Duke Energy's consolidated results subsequent to the acquisition date. See Note 2 to the Consolidated Financial Statements, "Acquisitions and Dispositions," 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. (CTG) 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) (collectively, the International Disposal Group). See Note 2 to the Consolidated Financial Statements, "Acquisitions and Dispositions," for additional information on the sale of International Energy.

The Duke Energy Registrants electronically file reports with the Securities and Exchange Commission (SEC), including Annual Reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxies and amendments to such reports.

The public may read and copy any materials the Duke Energy Registrants file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at http://www.sec.gov. Additionally, information about the Duke Energy Registrants, including reports filed with the SEC, is available through Duke Energy's website at http://www.duke-energy.com. Such reports are accessible at no charge and are made available as soon as reasonably practicable after such material is filed with or furnished to the SEC.

Business Segments

Duke Energy's segment structure includes three reportable operating segments (business segments); Electric Utilities and Infrastructure, Gas Utilities and Infrastructure and Commercial Renewables. The remainder of Duke Energy's operations is presented as Other. Duke Energy's chief operating decision-maker routinely reviews financial information about each of these business segments in deciding how to allocate resources and evaluate the performance of the business. For additional information on each of these business segments, including financial and geographic information, see Note 3 to the Consolidated Financial Statements, "Business Segments." The following sections describe the business and operations of each of Duke Energy's business segments, as well as Other.

ELECTRIC UTILITIES AND INFRASTRUCTURE

Electric Utilities and Infrastructure conducts operations primarily through the regulated public utilities of Duke Energy Carolinas, Duke Energy Progress, Duke Energy Florida, Duke Energy Indiana and Duke Energy Ohio. Electric Utilities and Infrastructure provides retail electric service through the generation, transmission, distribution and sale of electricity to approximately 7.6 million customers within the Southeast and Midwest regions of the U.S. The service territory is approximately 95,000 square miles across six states with a total estimated population of 24 million people. The operations include electricity sold wholesale to municipalities, electric cooperative utilities and other load-serving entities. Electric Utilities and Infrastructure is also a joint owner in certain electric transmission projects. Electric Utilities and Infrastructure has a 50 percent ownership interest in Duke-American Transmission Co. (DATC), a partnership with American Transmission Company, formed to design, build and operate transmission infrastructure. DATC owns 72 percent of the transmission service rights to Path 15, an 84-mile transmission line in central California. Electric Utilities and Infrastructure also has a 50 percent ownership interest in Pioneer Transmission, LLC, which builds, owns and operates electric transmission facilities in North America.

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The electric operations and investments in projects are subject to the rules and regulations of the FERC, the North Carolina Utilities Commission (NCUC), the Public Service Commission of South Carolina (PSCSC), the Florida Public Service Commission (FPSC), the Indiana Utility Regulatory Commission (IURC), the Public Utilities Commission of Ohio (PUCO) and the Kentucky Public Service Commission (KPSC).

The following table represents the distribution of billed sales by customer class for the year ended December 31, 2017.

	Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Residential	30%	26%	49%	34%	26%
General service	33%	23%	37%	38%	25%
Industrial	25%	16%	8%	23%	32%
Total retail sales	88%	65%	94%	95%	83%
Wholesale and other sales	12%	35%	6%	5%	17%
Total sales	100%	100%	100%	100%	100%

The number of residential and general service customers within the Electric Utilities and Infrastructure service territory is expected to increase over time. While economic conditions within the service territory continue to improve, sales growth has been hampered by continued adoption of energy efficiencies and self-generation. The continued adoption of more efficient housing and appliances is expected to have a negative impact on average usage per residential customer over time. While residential sales increased in 2017 compared to 2016, the growth rate was modest when compared to historical periods.

Seasonality and the Impact of Weather

Revenues and costs are influenced by seasonal weather patterns. Peak sales of electricity occur during the summer and winter months, which results in higher revenue and cash flows during these periods. By contrast, lower sales of electricity occur during the spring and fall, allowing for scheduled plant maintenance. Residential and general service customers are more impacted by weather than industrial customers. Estimated weather impacts are based on actual current period weather compared to normal weather conditions. Normal weather conditions are defined as the long-term average of actual historical weather conditions.

The estimated impact of weather on earnings is based on the temperature variances from a normal condition and customers' historic usage patterns. The methodology used to estimate the impact of weather does not consider all variables that may impact customer response to weather conditions such as humidity in the summer or wind chill in the winter. The precision of this estimate may also be impacted by applying long-term weather trends to shorter-term periods.

Heating-degree days measure the variation in weather based on the extent the average daily temperature falls below a base temperature. Cooling-degree days measure the variation in weather based on the extent the average daily temperature rises above the base temperature. Each degree of temperature below the base temperature counts as one heating-degree day and each degree of temperature above the base temperature counts as one cooling-degree day.

Competition

Retail

Electric Utilities and Infrastructure's businesses operate as the sole supplier of electricity within their service territories, with the exception of Ohio, which has a competitive electricity supply market for generation service. Electric Utilities and Infrastructure owns and operates facilities necessary to transmit and distribute electricity and, except in Ohio, to generate electricity. Services are priced by state commission approved rates designed to include the costs of providing these services and a reasonable return on invested capital. This regulatory policy is intended to provide safe and reliable electricity at fair prices.

Competition in the regulated electric distribution business is primarily from the development and deployment of alternative energy sources including on-site generation from industrial customers and distributed generation, such as private solar, at residential, general service and/or industrial customer sites.

Duke Energy is not aware of any proposed legislation within any of its jurisdictions that would provide retail customers the right to choose their electricity provider or otherwise restructure or deregulate the electric industry, including broadly subsidizing distributed generation such as private solar.

Although there is no pending legislation at this time, if the retail jurisdictions served by Electric Utilities and Infrastructure become subject to deregulation, the recovery of stranded costs could become a significant consideration. Stranded costs primarily include the generation assets of Electric Utilities and Infrastructure whose value in a competitive marketplace may be less than their current book value, as well as above-market purchased power commitments from qualifying facilities (QFs). The Public Utility Regulatory Policies Act of 1978 (PURPA) established a new class of generating facilities as QFs, typically small power production facilities that generate power within a utility company's service territory for which the utility companies are legally obligated to purchase the energy at an avoided cost rate. Thus far, all states that have passed restructuring legislation have provided for the opportunity to recover a substantial portion of stranded costs.

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Electric Utilities and Infrastructure's largest stranded cost exposure is primarily related to Duke Energy Florida's purchased power commitments with QFs, under which it has future minimum expected capacity payments through 2043 of $2.4 billion. Duke Energy Florida was obligated to enter into these contracts under provisions of PURPA. Duke Energy Florida continues to seek ways to address the impact of escalating payments under these contracts. However, the FPSC allows full recovery of the retail portion of the cost of power purchased from QFs. For additional information related to these purchased power commitments, see Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies."

In Ohio, Electric Utilities and Infrastructure conducts competitive auctions for electricity supply. The cost of energy purchased through these auctions is recovered from retail customers. Electric Utilities and Infrastructure earns retail margin in Ohio on the transmission and distribution of electricity and not on the cost of the underlying energy.

Wholesale

Duke Energy competes with other utilities and merchant generators for bulk power sales, sales to municipalities and cooperatives and wholesale transactions under primarily cost-based contracts approved by FERC. The principal factors in competing for these sales are price, availability of capacity and power and reliability of service. Prices are influenced primarily by market conditions and fuel costs.

Increased competition in the wholesale electric utility industry and the availability of transmission access could affect Electric Utilities and Infrastructure's load forecasts, plans for power supply and wholesale energy sales and related revenues. Wholesale energy sales will be impacted by the extent to which additional generation is available to sell to the wholesale market and the ability of Electric Utilities and Infrastructure to attract new customers and to retain existing customers.

Energy Capacity and Resources

Electric Utilities and Infrastructure owns approximately 49,506 megawatts (MW) of generation capacity. For additional information on owned generation facilities, see Item 2, "Properties."

Energy and capacity are also supplied through contracts with other generators and purchased on the open market. Factors that could cause Electric Utilities and Infrastructure to purchase power for its customers may include, but are not limited to, generating plant outages, extreme weather conditions, generation reliability, demand growth and price. Electric Utilities and Infrastructure has interconnections and arrangements with its neighboring utilities to facilitate planning, emergency assistance, sale and purchase of capacity and energy and reliability of power supply.

Electric Utilities and Infrastructure's generation portfolio is a balanced mix of energy resources having different operating characteristics and fuel sources designed to provide energy at the lowest possible cost to meet its obligation to serve retail customers. All options, including owned generation resources and purchased power opportunities, are continually evaluated on a real-time basis to select and dispatch the lowest-cost resources available to meet system load requirements.

Potential Plant Retirements

The Subsidiary Registrants periodically file Integrated Resource Plans (IRP) with 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 earlier than their current estimated useful lives, primarily because these facilities do not have the requisite emission control equipment to meet United States Environmental Protection Agency (EPA) regulations recently approved or proposed. Duke Energy continues to evaluate the potential need to retire these coal-fired generating facilities earlier than the current estimated useful lives and plans to seek regulatory recovery for amounts that would not be otherwise recovered when any of these assets are retired. For additional information related to potential plant retirements, see Note 4 to the Consolidated Financial Statements, "Regulatory Matters."

On October 23, 2015, the EPA published in the Federal Register the final Clean Power Plan (CPP) rule that regulates carbon dioxide (CO_2) emissions from existing fossil fuel-fired electric generating units (EGUs). The CPP establishes CO_2 emission rates and mass cap goals that apply to existing fossil fuel-fired EGUs. Petitions challenging the rule were 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 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. On April 28, 2017, the court issued an order to suspend the litigation for 60 days. On August 8, 2017, the court, on its own motion, extended the suspension of the litigation for an additional 60 days. On October 16, 2017, EPA issued a Notice of Proposed Rulemaking (NPR) to repeal the CPP based on a change to EPA's legal interpretation of the section of the Clean Air Act (CAA) on which the CPP was based. In the proposal, EPA indicates that it has not determined whether it will issue a rule to replace the CPP, and if it will do so, when and what form that rule will take. The comment period on EPA's NPR ends April 26, 2018. On December 28, 2017 EPA issued an Advance Notice of Proposed Rulemaking (ANPRM) in which it seeks public comment on various aspects of a potential CPP replacement rule. The comment period on the ANPRM ends February 26, 2018. If EPA decides to move forward with a CPP replacement rule, it will need to issue a formal proposal for public comment. Litigation of the CPP remains on hold in the D.C. Circuit and the February 2016 U.S. Supreme Court stay of the CPP remains in effect.

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Should the CPP be upheld, compliance could cause the industry to replace coal-fired 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. 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.

Sources of Electricity

Electric Utilities and Infrastructure relies principally on coal, nuclear fuel and natural gas for its generation of electricity. The following table lists sources of electricity and fuel costs for the three years ended December 31, 2017.

	Generation by Source			Cost of Delivered Fuel per Net Kilowatt-hour Generated (Cents)		
	2017	2016	2015	2017	2016	2015
Coal[a]	27.4%	27.1%	29.0%	2.72	3.07	3.24
Nuclear[a]	27.8%	27.4%	27.0%	0.69	0.66	0.65
Natural gas and oil[a]	23.6%	22.9%	23.1%	2.85	3.07	3.74
All fuels (cost-based on weighted average)[a]	78.8%	77.4%	79.1%	2.04	2.22	2.50
Hydroelectric and solar[b]	0.7%	0.7%	0.8%			
Total generation	79.5%	78.1%	79.9%			
Purchased power and net interchange	20.5%	21.9%	20.1%			
Total sources of energy	100.0%	100.0%	100.0%			

(a) Statistics related to all fuels reflect Electric Utilities and Infrastructure's ownership interest in jointly owned generation facilities.
(b) Generating figures are net of output required to replenish pumped storage facilities during off-peak periods.

Coal

Electric Utilities and Infrastructure meets its coal demand through a portfolio of long-term purchase contracts and short-term spot market purchase agreements. Large amounts of coal are purchased under long-term contracts with mining operators who mine both underground and at the surface. Electric Utilities and Infrastructure uses spot market purchases to meet coal requirements not met by long-term contracts. Expiration dates for its long-term contracts, which have various price adjustment provisions and market re-openers, range from 2018 to 2020 for Duke Energy Carolinas, 2018 to 2020 for Duke Energy Progress, 2018 to 2020 for Duke Energy Florida, 2018 to 2020 for Duke Energy Ohio and 2018 to 2025 for Duke Energy Indiana. Electric Utilities and Infrastructure expects to renew these contracts or enter into similar contracts with other suppliers as existing contracts expire, though prices will fluctuate over time as coal markets change. Electric Utilities and Infrastructure has an adequate supply of coal under contract to meet its hedging guidelines regarding projected future consumption. As a result of volatility in natural gas prices and the associated impacts on coal-fired dispatch within the generation fleet, coal inventories will continue to fluctuate. Electric Utilities and Infrastructure continues to actively manage its portfolio and has worked with suppliers to obtain increased flexibility in its coal contracts.

Coal purchased for the Carolinas is primarily produced from mines in Central Appalachia, Northern Appalachia and the Illinois Basin. Coal purchased for Florida is primarily produced from mines in Colorado and the Illinois Basin. Coal purchased for Kentucky is delivered by barge and is produced from mines along the Ohio River in Illinois, Ohio, West Virginia and Pennsylvania. Coal purchased for Indiana is primarily produced in Indiana and Illinois. The current average sulfur content of coal purchased by Electric Utilities and Infrastructure is between 1.5 percent and 2 percent for Duke Energy Carolinas, between 1.5 percent and 2 percent for Duke Energy Progress, between 1 percent and 3 percent for Duke Energy Florida, between 3 percent and 3.5 percent for Duke Energy Ohio and between 2.5 percent and 3 percent for Duke Energy Indiana. Electric Utilities and Infrastructure's environmental controls, in combination with the use of sulfur dioxide (SO_2) emission allowances, enable Electric Utilities and Infrastructure to satisfy current SO_2 emission limitations for its existing facilities.

Nuclear

The industrial processes for producing nuclear generating fuel generally involve the mining and milling of uranium ore to produce uranium concentrates and services to convert, enrich and fabricate fuel assemblies.

Electric Utilities and Infrastructure has contracted for uranium materials and services to fuel its nuclear reactors. Uranium concentrates, conversion services and enrichment services are primarily met through a diversified portfolio of long-term supply contracts. The contracts are diversified by supplier, country of origin and pricing. Electric Utilities and Infrastructure staggers its contracting so that its portfolio of long-term contracts covers the majority of its fuel requirements in the near term and decreasing portions of its fuel requirements over time thereafter. Near-term requirements not met by long-term supply contracts have been and are expected to be fulfilled with spot market purchases. Due to the technical complexities of changing suppliers of fuel fabrication services, Electric Utilities and Infrastructure generally sources these services to a single domestic supplier on a plant-by-plant basis using multiyear contracts.

Electric Utilities and Infrastructure has entered into fuel contracts that cover 100 percent of its uranium concentrates, conversion services and enrichment services requirements through at least 2018 and cover fabrication services requirements for these plants through at least 2027. For future requirements not already covered under long-term contracts, Electric Utilities and Infrastructure believes it will be able to renew contracts as they expire or enter into similar contractual arrangements with other suppliers of nuclear fuel materials and services.

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Natural Gas and Fuel Oil

Natural gas and fuel oil supply, transportation and storage for Electric Utilities and Infrastructure's generation fleet is purchased under standard industry agreements from various suppliers, including Piedmont. Natural gas supply agreements typically provide for a percentage of forecasted burns being procured over time, with varied expiration dates. Electric Utilities and Infrastructure believes it has access to an adequate supply of natural gas and fuel oil for the reasonably foreseeable future.

Electric Utilities and Infrastructure has certain dual-fuel generating facilities that can operate utilizing both natural gas and fuel oil. The cost of Electric Utilities and Infrastructure's natural gas and fuel oil is fixed price or determined by published market prices as reported in certain industry publications, plus any transportation and freight costs. Duke Energy Carolinas, Duke Energy Progress, Duke Energy Florida and Duke Energy Indiana use derivative instruments to manage a portion of their exposure to price fluctuations for natural gas. For Duke Energy Florida, there is currently an agreed to moratorium on future hedging with the Florida Public Service Commission.

Electric Utilities and Infrastructure has firm interstate and intrastate natural gas transportation agreements and storage agreements in place to support generation needed for load requirements. Electric Utilities and Infrastructure may purchase additional shorter-term natural gas transportation and utilize natural gas interruptible transportation agreements to support generation needed for load requirements. The Electric Utilities and Infrastructure natural gas plants are served by various supply zones and multiple pipelines.

Purchased Power

Electric Utilities and Infrastructure purchases a portion of its capacity and system requirements through purchase obligations, leases and purchase capacity contracts. Electric Utilities and Infrastructure believes it can obtain adequate purchased power capacity to meet future system load needs. However, during periods of high demand, the price and availability of purchased power may be significantly affected.

The following table summarizes purchased power for the previous three years:

	2017	2016	2015
Purchase obligations and leases (in millions of megawatt-hours (MWh))[a]	17.7	18.0	14.9
Purchase capacity under contract (in MW)[b]	4,028	4,588	4,573

(a) Represents approximately 7 percent of total system requirements for 2017 and 2016 and 6 percent for 2015.
(b) These agreements include approximately 451 MW of firm capacity under contract by Duke Energy Florida with QFs.

Inventory

Generation of electricity is capital intensive. Electric Utilities and Infrastructure must maintain an adequate stock of fuel and materials and supplies in order to ensure continuous operation of generating facilities and reliable delivery to customers. As of December 31, 2017, the inventory balance for Electric Utilities and Infrastructure was approximately $3.1 billion. For additional information on inventory, see Note 1 to the Consolidated Financial Statements, "Summary of Significant Accounting Policies."

Ash Basin Management

The North Carolina Coal Ash Management Act of 2014 (Coal Ash Act) regulates the handling of coal ash within the state and requires closure of ash impoundments by no later than December 31, 2029, based on risk rankings, among other detailed requirements. The Coal Ash Act leaves the decision on cost recovery determinations related to closure of coal ash surface impoundments (ash basins or impoundments) to the normal ratemaking processes before utility regulatory commissions. Duke Energy has and will periodically submit to applicable authorities required site-specific coal ash impoundment remediation or closure plans. These plans and all associated permits must be approved before any work can begin.

On April 17, 2015, the EPA published in the Federal Register a rule to regulate the disposal of coal combustion residuals (CCR) from electric utilities as solid waste. The rule classifies CCR as nonhazardous under Subtitle D of the Resource Conservation and Recovery Act (RCRA). The EPA CCR rule has certain requirements, which if not met could initiate impoundment closure and require closure completion within five years. The EPA CCR rule includes extension requirements, which if met could allow the extension of closure completion by up to 10 years. The RCRA and the Coal Ash Act finalized the legal framework related to coal ash management practices and ash basin closure.

Duke Energy has advanced the strategy and implementation for the remediation or closure of coal ash basins. In 2015, Duke Energy began activities at certain North Carolina sites specified as high priority by the Coal Ash Act, including moving coal ash off-site for use in structural fill or to lined landfills. Additional modifications to operating coal plants are underway to comply with the Coal Ash Act and RCRA.

Duke Energy Carolinas and Duke Energy Progress have included compliance costs associated with the EPA CCR rule and the Coal Ash Act in their respective rate case filings. During 2017, Duke Energy Carolinas' and Duke Energy Progress' wholesale contracts were amended to include the recovery of expenditures related to asset retirement obligations for the closure of coal ash basins. The amended contracts have retail disallowance parity or provisions limiting challenges to CCR cost recovery actions at FERC. FERC approved the amended wholesale rate schedules in 2017. For additional information on the ash basins and recovery, see Notes 4, 5 and 9 to the Consolidated Financial Statements, "Regulatory Matters," "Commitments and Contingencies" and "Asset Retirement Obligations," respectively.

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Nuclear Matters

Duke Energy owns, wholly or partially, 11 operating nuclear reactors located at six stations. The Crystal River Unit 3 Nuclear Plant (Crystal River Unit 3) permanently ceased operation in February 2013. Nuclear insurance includes: nuclear liability coverage; property damage coverage; nuclear accident decontamination and premature decommissioning coverage; and accidental outage coverage for losses in the event of a major accidental outage. Joint owners reimburse Duke Energy for certain expenses associated with nuclear insurance in accordance with joint owner agreements. The Price-Anderson Act requires plant owners to provide for public nuclear liability claims resulting from nuclear incidents to the maximum total financial protection liability, which is approximately $13.4 billion. For additional information on nuclear insurance see Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies."

Duke Energy has a significant future financial commitment to dispose of spent nuclear fuel and decommission and decontaminate each plant safely. The NCUC, PSCSC and FPSC require Duke Energy to update their cost estimates for decommissioning their nuclear plants every five years.

The following table summarizes the fair value of nuclear decommissioning trust fund (NDTF) balances and cost study results for Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida. Decommissioning costs in the table below are stated in 2013 or 2014 dollars, depending the year of the cost study, and include costs to decommission plant components not subject to radioactive contamination.

	NDTF[a]		Decommissioning	
(in millions)	December 31, 2017	December 31, 2016	Costs[a][b]	Year of Cost Study
Duke Energy	$ 7,097	$ 6,205	$ 8,150	2013 and 2014
Duke Energy Carolinas	3,772	3,273	3,420	2013
Duke Energy Progress	2,588	2,217	3,550	2014
Duke Energy Florida[c]	736	715	1,180	2013

(a) Amounts for Progress Energy equal the sum of Duke Energy Progress and Duke Energy Florida.
(b) Amounts include the Subsidiary Registrants' ownership interest in jointly owned reactors. Other joint owners are responsible for decommissioning costs related to their interest in the reactors.
(c) Duke Energy Florida received reimbursements from the NDTF for costs related to ongoing decommissioning activity of Crystal River Unit 3.

The NCUC, PSCSC, FPSC and FERC have allowed Electric Utilities and Infrastructure to recover estimated decommissioning costs through retail and wholesale rates over the expected remaining service periods of their nuclear stations. Electric Utilities and Infrastructure believes the decommissioning costs being recovered through rates, when coupled with the existing fund balances and expected fund earnings, will be sufficient to provide for the cost of future decommissioning. For additional information, see Note 9 to the Consolidated Financial Statements, "Asset Retirement Obligations."

The Nuclear Waste Policy Act of 1982 (as amended) (NWPA) provides the framework for development by the federal government of interim storage and permanent disposal facilities for high-level radioactive waste materials. The government has not yet developed a storage facility or disposal capacity, so Electric Utilities and Infrastructure will continue to store spent fuel on its reactor sites.

Under federal law, the U.S. Department of Energy (DOE) is responsible for the selection and construction of a facility for the permanent disposal of spent nuclear fuel and high-level radioactive waste. The DOE terminated the project to license and develop a geologic repository at Yucca Mountain, Nevada in 2010, and is currently taking no action to fulfill its responsibilities to dispose of spent fuel.

Until the DOE begins to accept the spent nuclear fuel, Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida will continue to safely manage their spent nuclear fuel. Under current regulatory guidelines, Shearon Harris Nuclear Plant (Harris) has sufficient storage capacity in its spent fuel pools through the expiration of its renewed operating license. Crystal River Unit 3 ceased operation in 2013 and was placed in a SAFSTOR condition in January 2018. As of January 2018, all spent fuel at Crystal River Unit 3 has been transferred from the spent fuel pool to dry storage at an on-site independent spent fuel storage installation where it will be stored until the DOE removes it. With certain modifications and approvals by the U.S. Nuclear Regulatory Commission (NRC) to expand the on-site dry cask storage facilities, spent nuclear fuel dry storage facilities will be sufficient to provide storage space of spent fuel through the expiration of the operating licenses, including any license renewals, for the Brunswick Nuclear Plant (Brunswick), Catawba Nuclear Station (Catawba), McGuire Nuclear Station (McGuire), Oconee Nuclear Station (Oconee) and Robinson Nuclear Plant (Robinson).

The nuclear power industry faces uncertainties with respect to the cost and long-term availability of disposal sites for spent nuclear fuel and other radioactive waste, compliance with changing regulatory requirements, capital outlays for modifications and new plant construction.

PART I

Electric Utilities and Infrastructure is subject to the jurisdiction of the NRC for the design, construction and operation of its nuclear generating facilities. The following table includes the current year of expiration of nuclear operating licenses for nuclear stations in operation. Nuclear operating licenses are potentially subject to extension.

Unit	Year of Expiration
Duke Energy Carolinas	
Catawba Units 1 and 2	2043
McGuire Unit 1	2041
McGuire Unit 2	2043
Oconee Units 1 and 2	2033
Oconee Unit 3	2034
Duke Energy Progress	
Brunswick Unit 1	2036
Brunswick Unit 2	2034
Harris	2046
Robinson	2030

The NRC has acknowledged permanent cessation of operation and permanent removal of fuel from the reactor vessel at Crystal River Unit 3. Therefore, the license no longer authorizes operation of the reactor. For additional information on decommissioning activity, see Note 4 to the Consolidated Financial Statements, "Regulatory Matters."

On October 27, 2016, and December 15, 2016, the NRC issued combined operating licenses for Duke Energy Florida's proposed Levy Nuclear Plant Units 1 and 2 (Levy) and Duke Energy Carolinas' William States Lee III Nuclear Station Units 1 and 2, respectively. On August 25, 2017, as part of Duke Energy Carolinas rate case filing, Duke Energy Carolinas requested NCUC approval to cancel the development of the Lee Nuclear Station project with the intent to maintain the combined operating licenses. On August 29, 2017, Duke Energy announced the complete abandonment of the Levy project with the intent to terminate the combined operating licenses. For additional information on these proposed nuclear plants, see Note 4 to the Consolidated Financial Statements, "Regulatory Matters."

Regulation

State

The NCUC, PSCSC, FPSC, PUCO, IURC and KPSC (collectively, the state electric utility commissions) approve rates for Duke Energy's retail electric service within their respective states. The state electric utility commissions, to varying degrees, have authority over the construction and operation of Electric Utilities and Infrastructure's generating facilities. Certificates of Public Convenience and Necessity issued by the state electric utility commissions, as applicable, authorize Electric Utilities and Infrastructure to construct and operate its electric facilities and to sell electricity to retail and wholesale customers. Prior approval from the relevant state electric utility commission is required for the entities within Electric Utilities and Infrastructure to issue securities. The underlying concept of utility ratemaking is to set rates at a level that allows the utility to collect revenues equal to its cost of providing service plus earn a reasonable rate of return on its invested capital, including equity.

In addition to rates approved in base rate cases, each of the state electric utility commissions allow recovery of certain costs through various cost-recovery clauses to the extent the respective commission determines in periodic hearings that such costs, including any past over or under-recovered costs, are prudent.

Fuel, fuel-related costs and certain purchased power costs are eligible for recovery by Electric Utilities and Infrastructure. Electric Utilities and Infrastructure uses coal, hydroelectric, natural gas, oil, renewable generation and nuclear fuel to generate electricity, thereby maintaining a diverse fuel mix that helps mitigate the impact of cost increases in any one fuel. Due to the associated regulatory treatment and the method allowed for recovery, changes in fuel costs from year to year have no material impact on operating results of Electric Utilities and Infrastructure, unless a commission finds a portion of such costs to have been imprudent. However, delays between the expenditure for fuel costs and recovery from customers can adversely impact the timing of cash flows of Electric Utilities and Infrastructure.

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The table below reflects significant electric rate case applications approved and effective in the past three years or applications currently pending approval.

	Regulatory Body	Annual Increase (in millions)	Return on Equity	Equity Component of Capital Structure	Effective Date
Approved Rate Cases:					
Duke Energy Progress 2016 South Carolina Rate Case[a]	PSCSC	(a)	10.1%	53%	1/1/2017
Pending Rate Cases:					
Duke Energy Carolinas 2017 North Carolina Rate Case	NCUC	$ 647	10.75%	53%	5/1/2018[d]
Duke Energy Progress 2017 North Carolina Rate Case[b]	NCUC	85	9.9%	52%	2/1/2018[d]
Duke Energy Progress 2017 North Carolina Rate Case[c]	NCUC	221	9.9%	52%	2/1/2018[d]
Duke Energy Kentucky 2017 Kentucky Rate Case	KPSC	49	10.3%	49%	4/15/2018[d]
Duke Energy Ohio 2017 Ohio Rate Case	PUCO	15	10.4%	50.75%	1/1/2018[d]

(a) An increase of approximately $38 million in revenues was effective January 1, 2017, and an additional increase of approximately $18.5 million in revenues was effective January 1, 2018. Duke Energy Progress amortized approximately $18.5 million from the cost of removal reserve in 2017.
(b) On November 22, 2017, Duke Energy Progress and the North Carolina Public Staff filed an Agreement and Stipulation of Partial Settlement resolving certain portions of the proceeding, pending NCUC approval.
(c) Represents portions in the original 2017 rate case application not covered by the Agreement and Stipulation of Partial Settlement.
(d) Represents the requested effective dates in the filings. Actual effective dates may differ based on orders from the respective commission.

For more information on rate matters and other regulatory proceedings, see Note 4 to the Consolidated Financial Statements, "Regulatory Matters."

Federal

The FERC approves Electric Utilities and Infrastructure's cost-based rates for electric sales to certain power and transmission wholesale customers. Regulations of FERC and the state electric utility commissions govern access to regulated electric and other data by nonregulated entities and services provided between regulated and nonregulated energy affiliates. These regulations affect the activities of nonregulated affiliates with Electric Utilities and Infrastructure.

Regional Transmission Organizations (RTO). PJM Interconnection, LLC (PJM) and Midcontinent Independent System Operator, Inc. (MISO) are the Independent System Operators (ISO) and FERC-approved RTOs for the regions in which Duke Energy Ohio and Duke Energy Indiana operate. PJM and MISO operate energy, capacity and other markets, and control the day-to-day operations of bulk power systems through central dispatch.

Duke Energy Ohio is a member of PJM and Duke Energy Indiana is a member of MISO. Transmission owners in these RTOs have turned over control of their transmission facilities and their transmission systems are currently under the dispatch control of the RTOs. Transmission service is provided on a regionwide, open-access basis using the transmission facilities of the RTO members at rates based on the costs of transmission service.

Environmental. Electric Utilities and Infrastructure is subject to the jurisdiction of the EPA and state and local environmental agencies. For a discussion of environmental regulation, see "Environmental Matters" in this section. See "Other Matters" section of MD&A for a discussion about potential Global Climate Change legislation and other EPA regulations under development and the potential impacts such legislation and regulation could have on Duke Energy's operations.

GAS UTILITIES AND INFRASTRUCTURE

Gas Utilities and Infrastructure conducts natural gas operations primarily through the regulated public utilities of Piedmont and Duke Energy Ohio. The natural gas operations are subject to the rules and regulations of the NCUC, PSCSC, PUCO, KPSC, Tennessee Public Utility Commission (TPUC), Pipeline and Hazardous Materials Safety Administration (PHMSA) and the FERC. Gas Utilities and Infrastructure serves residential, commercial, industrial and power generation natural gas customers. Gas Utilities and Infrastructure has over 1.5 million customers, including more than 1 million customers located in North Carolina, South Carolina and Tennessee, and an additional 526,000 customers located within southwestern Ohio and northern Kentucky. In the Carolinas, Ohio and Kentucky, the service areas are comprised of numerous cities, towns and communities. In Tennessee, the service area is the metropolitan area of Nashville.

The number of residential, commercial and industrial customers within the Gas Utilities and Infrastructure service territory is expected to increase over time. Average usage per residential customer is expected to remain flat or decline for the foreseeable future, however decoupled rates in North Carolina and various rate design mechanisms in other jurisdictions partially mitigate the impact of the declining usage per customer on overall profitability. While total industrial and general service sales increased in 2017 when compared to 2016, the growth rate was modest when compared to historical periods.

Gas Utilities and Infrastructure also owns, operates and has investments in various pipeline transmission and natural gas storage facilities.

PART I

Natural Gas for Retail Distribution

Gas Utilities and Infrastructure is responsible for the distribution of natural gas to retail customers in its North Carolina, South Carolina, Tennessee, Ohio and Kentucky service territories. Gas Utilities and Infrastructure's natural gas procurement strategy is to contract primarily with major and independent producers and marketers for natural gas supply. It also purchases a diverse portfolio of transportation and storage service from interstate pipelines. This strategy allows Gas Utilities and Infrastructure to assure reliable natural gas supply and transportation for its firm customers during peak winter conditions. When firm pipeline services or contracted natural gas supplies are temporarily not needed due to market demand fluctuations, Gas Utilities and Infrastructure may release these services and supplies in the secondary market under FERC-approved capacity release provisions or make wholesale secondary market sales. In 2017, firm supply purchase commitment agreements provided 100 percent of the natural gas supply for Piedmont and 100 percent for Duke Energy Ohio.

Seasonality and the Impact of Weather

Gas Utilities and Infrastructure's costs and revenues are influenced by seasonal patterns due to peak natural gas sales occurring during the winter months. Residential customers are the most impacted by weather. There are certain regulatory mechanisms for the North Carolina, South Carolina and Tennessee service territories that normalize the margins collected from certain customer classes during the winter, providing for an adjustment either up or down. In North Carolina, rate design provides protection from both weather and other usage variations such as conservation. In South Carolina and Tennessee, revenues are adjusted solely based on weather during the periods of November through March and October through April, respectively. Rate design for the Ohio service territory also mitigates the impacts of weather on customer bills. Estimated weather impacts are based on actual current period weather compared to normal weather conditions. Normal weather conditions are defined as the long-term average of actual historical weather conditions.

Degree-day data are used to estimate energy required to maintain comfortable indoor temperatures based on each day's average temperature. Heating-degree days measure the variation in weather based on the extent the average daily temperature falls below a base temperature. The methodology used to estimate the applicable impact of weather does not consider all variables that may impact customer response to weather conditions, such as wind chill. The precision of this estimate may also be impacted by applying long-term weather trends to shorter-term periods.

Competition

Gas Utilities and Infrastructure's businesses operate as the sole supplier of natural gas within their retail service territories, with the exception of Ohio, which has a competitive natural gas supply market for distribution service. Gas Utilities and Infrastructure owns and operates facilities necessary to transport and distribute natural gas. Gas Utilities and Infrastructure earns retail margin on the transmission and distribution of natural gas and not on the cost of the underlying commodity. Services are priced by state commission approved rates designed to include the costs of providing these services and a reasonable return on invested capital. This regulatory policy is intended to provide safe and reliable natural gas service at fair prices.

In residential, commercial and industrial customer markets, natural gas distribution operations compete with other companies that supply energy, primarily electric companies, propane and fuel oil dealers, renewable energy providers and coal companies in relation to sources of energy for electric power plants, as well as nuclear energy. A significant competitive factor is price. Gas Utilities and Infrastructure's primary product competition is with electricity for heating, water heating and cooking. Increases in the price of natural gas or decreases in the price of other energy sources could negatively impact competitive position by decreasing the price benefits of natural gas to the consumer. In the case of industrial customers, such as manufacturing plants, adverse economic or market conditions, including higher natural gas costs, could cause these customers to suspend business operations or to use alternative sources of energy in favor of energy sources with lower per-unit costs.

Higher natural gas costs or decreases in the price of other energy sources may allow competition from alternative energy sources for applications that have traditionally used natural gas, encouraging some customers to move away from natural gas-fired equipment to equipment fueled by other energy sources. Competition between natural gas and other forms of energy is also based on efficiency, performance, reliability, safety and other non-price factors. Technological improvements in other energy sources and events that impair the public perception of the non-price attributes of natural gas could erode our competitive advantage. These factors in turn could decrease the demand for natural gas, impair our ability to attract new customers and cause existing customers to switch to other forms of energy or to bypass our systems in favor of alternative competitive sources. This could result in slow or no customer growth and could cause customers to reduce or cease using our product, thereby reducing our ability to make capital expenditures and otherwise grow our business, adversely affecting our earnings.

Pipeline and Storage Investments

Duke Energy, through its Gas Utilities and Infrastructure segment, is a 47 percent equity member of Atlantic Coast Pipeline, LLC (ACP) that plans to build and own the proposed Atlantic Coast Pipeline (ACP Pipeline), an approximately 600-mile interstate natural gas pipeline, regulated by FERC. Prior to the Piedmont acquisition, Duke Energy owned a 40 percent equity ownership in ACP. The ACP pipeline is intended to transport diverse natural gas supplies into southeastern markets. Duke Energy Carolinas, Duke Energy Progress and Piedmont, among others, will be customers of the ACP pipeline. The targeted in-service date of the pipeline is late 2019.

Gas Utilities and Infrastructure also has a 7.5 percent equity ownership interest in Sabal Trail Transmission, LLC (Sabal Trail). Sabal Trail is a joint venture that owns a 515-mile natural gas pipeline (Sabal Trail pipeline) to transport natural gas to Florida, regulated by FERC. The Sabal Trail phase one mainline was placed into service in July 2017 and traverses Alabama, Georgia and Florida. A request to place in-service a lateral line to the Duke Energy Florida's Citrus County Combined Cycle facility is pending with FERC. Current legal challenges to the Sabal Trail pipeline are ongoing, which may have an impact on continuing operations of the pipeline.

Gas Utilities and Infrastructure has a 24 percent equity ownership interest in Constitution Pipeline Company, LLC (Constitution), an interstate pipeline development company formed to develop, construct, own and operate a 124-mile natural gas pipeline and related facilities connecting shale natural gas supplies and gathering systems in Susquehanna County, Pennsylvania, to Iroquois Gas Transmission and Tennessee Gas Pipeline systems in New York, regulated by FERC. As a result of permitting delays and project uncertainty, Constitution is unable to approximate an in-service date.

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As a result of the Piedmont acquisition, Duke Energy, through its Gas Utilities and Infrastructure segment, has a 21.49 percent equity ownership interest in Cardinal Pipeline Company, LLC (Cardinal), an intrastate pipeline located in North Carolina regulated by the NCUC, a 45 percent equity ownership in Pine Needle LNG Company, LLC (Pine Needle), an interstate liquefied natural gas storage facility located in North Carolina and a 50 percent equity ownership interest in Hardy Storage Company, LLC (Hardy Storage), an underground interstate natural gas storage facility located in Hardy and Hampshire counties in West Virginia. Pine Needle and Hardy Storage are regulated by FERC.

KO Transmission Company (KO Transmission), a wholly owned subsidiary of Duke Energy Ohio, is an interstate pipeline company engaged in the business of transporting natural gas and is subject to the rules and regulations of FERC. KO Transmission's 90-mile pipeline supplies natural gas to Duke Energy Ohio and interconnects with the Columbia Gulf Transmission pipeline and Tennessee Gas Pipeline. An approximately 70-mile portion of KO Transmission's pipeline facilities is co-owned by Columbia Gas Transmission Corporation.

See Notes 4, 12 and 17 to the Consolidated Financial Statements, "Regulatory Matters," "Investments in Unconsolidated Affiliates" and "Variable Interest Entities," respectively, for further information on Duke Energy's pipeline investments.

Inventory

Gas Utilities and Infrastructure must maintain adequate natural gas inventory in order to provide reliable delivery to customers. As of December 31, 2017, the inventory balance for Gas Utilities and Infrastructure was $106 million. For more information on inventory, see Note 1 to the Consolidated Financial Statements, "Summary of Significant Accounting Policies."

Regulation

State

The NCUC, PSCSC, PUCO, TPUC and KPSC (collectively, the state gas utility commissions) approve rates for Duke Energy's retail natural gas service within their respective states. The state gas utility commissions, to varying degrees, have authority over the construction and operation of Gas Utilities and Infrastructure's natural gas distribution facilities. Certificates of Public Convenience and Necessity or Certificates of Environmental Compatibility and Public Necessity issued by the state gas utility commissions or other government agencies, as applicable, authorize Gas Utilities and Infrastructure to construct and operate its natural gas distribution facilities and to sell natural gas to retail and wholesale customers. Prior approval from the relevant state gas utility commission is required for Gas Utilities and Infrastructure to issue securities. The underlying concept of utility ratemaking is to set rates at a level that allows the utility to collect revenues equal to its cost of providing service plus a reasonable rate of return on its invested capital, including equity.

In addition to amounts collected from customers though approved base rates, each of the state gas utility commissions allow recovery of certain costs through various cost-recovery clauses to the extent the respective commission determines in periodic hearings that such costs, including any past over- or under-recovered costs, are prudent.

Natural gas costs are eligible for recovery by Gas Utilities and Infrastructure. Due to the associated regulatory treatment and the method allowed for recovery, changes in natural gas costs from year to year have no material impact on operating results of Gas Utilities and Infrastructure, unless a commission finds a portion of such costs to have not been prudent. However, delays between the expenditure for natural gas and recovery from customers can adversely impact the timing of cash flows of Gas Utilities and Infrastructure.

The following table summarizes certain components underlying recently approved and effective base rates or rate stabilization filings in the last three years.

	Annual Increase (in millions)	Return on Equity	Equity Component of Capital Structure	Effective Date
Piedmont 2016 South Carolina Rate Stabilization Adjustment Filing[a]	8	10.2%	53.0%	November 2016
Piedmont 2017 South Carolina Rate Stabilization Adjustment Filing[a]	6	10.2%	53.0%	November 2017

(a) Under the rate stabilization adjustment mechanism, Piedmont resets rates in South Carolina based on updated costs and revenues on an annual basis.

Gas Utilities and Infrastructure has integrity management rider (IMR) mechanisms in North Carolina and Tennessee designed to separately track and recover certain costs associated with capital investments incurred to comply with federal pipeline safety and integrity programs, as well as additional state safety and integrity requirements in Tennessee. The following table summarizes information related to recently approved or pending IMR filings.

(in millions)	Cumulative Investment	Annual Margin Revenues	Effective Date
Piedmont 2017 IMR Filing – North Carolina[a]	$ 738	$ 77	December 2017
Piedmont 2016 IMR Filing – Tennessee[b]	193	23	January 2017
Pending Filing:			**Proposed Effective Date**
Piedmont 2017 IMR Filing – Tennessee[c]	$ 231	$ 23.4	January 2018

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(a) Cumulative investment amounts through September 30, 2017.
(b) Cumulative investment amounts through October 31, 2016.
(c) Cumulative investment amounts through October 31, 2017. A ruling from the TPUC is pending.

For more information on rate matters and other regulatory proceedings, see Note 4 to the Consolidated Financial Statements, "Regulatory Matters."

Federal

Gas Utilities and Infrastructure is subject to various federal regulations, including regulations that are particular to the natural gas industry. These federal regulations include but are not limited to the following:

- Regulations of the FERC affect the certification and siting of new interstate natural gas pipeline projects, the purchase and sale of, the prices paid for, and the terms and conditions of service for the interstate transportation and storage of natural gas.
- Regulations of the PHMSA affect the design, construction, operation, maintenance, integrity, safety and security of natural gas distribution and transmission systems.
- Regulations of the EPA relate to the environment including proposed air emissions regulations that would expand to include emissions of methane. For a discussion of environmental regulation, see "Environmental Matters" in this section. Refer to "Other Matters" section of Management's Discussion and Analysis of Financial Condition and Results of Operations for a discussion about potential Global Climate Change legislation and other EPA regulations under development and the potential impacts such legislation and regulation could have on Duke Energy's operations.

Regulations of FERC and the state gas utility commissions govern access to regulated natural gas and other data by nonregulated entities and services provided between regulated and nonregulated energy affiliates. These regulations affect the activities of nonregulated affiliates with Gas Utilities and Infrastructure.

COMMERCIAL RENEWABLES

Commercial Renewables primarily acquires, builds, develops and operates wind and solar renewable generation throughout the continental U.S. The portfolio includes nonregulated renewable energy and energy storage businesses.

Commercial Renewables' renewable energy includes utility-scale wind and solar generation assets, which total 2,907 MW across 14 states from 21 wind facilities and 63 solar facilities. Revenues are primarily generated by selling the power produced from renewable generation through long-term contracts to utilities, electric cooperatives, municipalities and commercial and industrial customers. In most instances, these customers have obligations under state-mandated renewable energy portfolio standards or similar state or local renewable energy goals. Energy and renewable energy credits generated by wind and solar projects are generally sold at contractual prices. In addition, as eligible wind and solar projects are placed in service, Commercial Renewables recognizes either investment tax credits (ITCs) when the renewable solar or wind project achieves commercial availability or production tax credits (PTC) as power is generated by wind projects over 10 years. Renewable ITCs are recognized over the useful life of the asset as a reduction to depreciation expense with the benefit of the tax basis adjustment due to the ITC recognized in income in the year of commercial availability.

As part of its growth strategy, Commercial Renewables has expanded its investment portfolio through the addition of distributed solar companies and projects, energy storage systems and energy management solutions specifically tailored to commercial businesses. These investments include the 2015 acquisition of a controlling interest in REC Solar Corp., a California-based provider of solar installations for retail, manufacturing, agriculture, technology, government and nonprofit customers across the U.S. and Phoenix Energy Technologies Inc., a California-based provider of enterprise energy management and information software to commercial businesses. In 2017, Duke Energy acquired the remaining interest in REC Solar.

For additional information on Commercial Renewables' generation facilities, see Item 2, "Properties."

Regulation

Commercial Renewables is subject to regulation at the federal level, primarily from the FERC. Regulations of the FERC govern access to regulated market information by nonregulated entities and services provided between regulated and nonregulated utilities.

Market Environment and Competition

The market price of commodities and services, along with the quality and reliability of services provided, drive competition in the wholesale energy business. Commercial Renewables' main competitors include other nonregulated generators and wholesale power providers.

Sources of Electricity

Commercial Renewables relies on wind and solar resources for its generation of electric energy.

OTHER

The remainder of Duke Energy's operations is presented as Other. While it is not an operating segment, Other primarily includes interest expense on holding company debt, unallocated corporate costs including costs to achieve strategic acquisitions, amounts related to certain companywide initiatives and contributions made to the Duke Energy Foundation. Other also includes Bison Insurance Company Limited (Bison) and an investment in NMC.

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The Duke Energy Foundation is a nonprofit organization funded by Duke Energy shareholders that makes charitable contributions to selected nonprofits and government subdivisions.

Bison, a wholly owned subsidiary of Duke Energy, is a captive insurance company with the principal activity of providing Duke Energy subsidiaries with indemnification for financial losses primarily related to property, workers' compensation and general liability.

NMC is a joint venture that operates in Jubail, Saudi Arabia, as a large regional producer of methanol and methyl tertiary butyl ether (MTBE), an additive to gasoline. In 2017, NMC produced approximately 934,000 metric tons of methanol and approximately 1,087,000 metric tons of MTBE. Approximately 40 percent of methanol is normally used in MTBE production. Upon the successful startup of NMC's polyacetal production facility during the fourth quarter of 2017, Duke Energy's ownership interest in NMC decreased from 25 percent to 17.5 percent. Duke Energy records the investment activity of NMC using the equity method of accounting and retains 25 percent of NMC's board of directors representation and voting rights.

Regulation

Certain entities within Other are subject to the jurisdiction of federal, state and local agencies.

Employees

On December 31, 2017, Duke Energy had a total of 29,060 employees on its payroll. The total includes 5,483 employees who are represented by labor unions under various collective bargaining agreements that generally cover wages, benefits, working practices, and other terms and conditions of employment.

Executive Officers of the Registrants

The following table sets forth the individuals who currently serve as executive officers. Executive officers serve until their successors are duly elected or appointed.

Name	Age[a]	Current and Recent Positions Held
Lynn J. Good	58	**Chairman, President and Chief Executive Officer.** Ms. Good was elected as Chairman of the Board, effective January 1, 2016, and assumed her position as President and Chief Executive Officer in July 2013. Prior to that, she served as Executive Vice President and Chief Financial Officer since 2009.
Steven K. Young	59	**Executive Vice President and Chief Financial Officer.** Mr. Young assumed his current position in August 2013. Prior to that, he had served as Senior Vice President, Chief Accounting Officer and Controller since April 2006.
Douglas F Esamann	60	**Executive Vice President, Energy Solutions and President, Midwest and Florida Regions.** Mr. Esamann assumed his current position in September 2016 and was Executive Vice President and President, Midwest and Florida Regions since June 2015. Prior to that, he was President, Duke Energy Indiana since November 2010.
Lloyd M. Yates	57	**Executive Vice President, Customer and Delivery Operations and President, Carolinas Region.** Mr. Yates assumed his current position in September 2016 and was Executive Vice President, Market Solutions and President, Carolinas Region since August 2014. He held the position of Executive Vice President, Regulated Utilities from December 2012 to August 2014, and prior to that, had served as Executive Vice President, Customer Operations since July 2012, upon the merger of Duke Energy and Progress Energy. Prior to the merger, Mr. Yates was President and Chief Executive Officer of Progress Energy Carolinas, Inc., which is now known as Duke Energy Progress, LLC since July 2007.
Dhiaa M. Jamil	61	**Executive Vice President and Chief Operating Officer.** Mr. Jamil assumed the role of Chief Operating Officer in May 2016. Prior to his current position, he had held the title Executive Vice President and President, Regulated Generation and Transmission since June 2015. Prior to that, he had served as Executive Vice President and President, Regulated Generation since August 2014. He served as Executive Vice President and President of Duke Energy Nuclear from March 2013 to August 2014, and Chief Nuclear Officer from February 2008 to February 2013. He also served as Chief Generation Officer for Duke Energy from July 2009 to June 2012.
Franklin H. Yoho	58	**Executive Vice President and President, Natural Gas.** Mr. Yoho assumed his current position in October 2016 upon the acquisition of Piedmont by Duke Energy. Prior to this appointment, he served as Senior Vice President and Chief Commercial Officer of Piedmont since August 2011. Prior to that, he served as Senior Vice President, Commercial Operations since March 2002.
Julia S. Janson	53	**Executive Vice President, External Affairs, Chief Legal Officer and Corporate Secretary.** Ms. Janson assumed her current position in December 2012 and, in May 2017, assumed the responsibilities for the External Affairs and Strategic Policy organization. Prior to that, she had held the position of President of Duke Energy Ohio and Duke Energy Kentucky since 2008.
Melissa H. Anderson	53	**Executive Vice President, Administration and Chief Human Resources Officer.** Ms. Anderson assumed her position in May 2016 and had been Executive Vice President and Chief Human Resources Officer since January 2015. Prior to joining Duke Energy, she served as Senior Vice President of Human Resources at Domtar Inc. since 2010.
William E. Currens Jr.	48	**Senior Vice President, Chief Accounting Officer and Controller.** Mr. Currens assumed his current position in May 2016. Prior to that, he had held the position of Vice President, Investor Relations since 2009.

(a) The ages of the officers provided are as of December 31, 2017.

There are no family relationships between any of the executive officers, nor any arrangement or understanding between any executive officer and any other person involved in officer selection.

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Environmental Matters

The Duke Energy Registrants are subject to federal, state and local laws and regulations with regard to air and water quality, hazardous and solid waste disposal and other environmental matters. Environmental laws and regulations affecting the Duke Energy Registrants include, but are not limited to:

- The Clean Air Act (CAA), as well as state laws and regulations impacting air emissions, including State Implementation Plans related to existing and new national ambient air quality standards for ozone and particulate matter. Owners and/or operators of air emission sources are responsible for obtaining permits and for annual compliance and reporting.
- The Clean Water Act (CWA), which requires permits for facilities that discharge wastewaters into navigable waters.
- The Comprehensive Environmental Response, Compensation and Liability Act, which can require any individual or entity that currently owns or in the past owned or operated a disposal site, as well as transporters or generators of hazardous substances sent to a disposal site, to share in remediation costs.
- The National Environmental Policy Act, which requires federal agencies to consider potential environmental impacts in their permitting and licensing decisions, including siting approvals.
- Coal Ash Act, as amended, which establishes requirements regarding the use and closure of existing ash basins, the disposal of ash at active coal plants and the handling of surface water and groundwater impacts from ash basins in North Carolina.
- The Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act (RCRA), which creates a framework for the proper management of hazardous and nonhazardous solid waste; classifies CCR as nonhazardous waste; and establishes standards for landfill and surface impoundment placement, design, operation and closure, groundwater monitoring, corrective action, and post-closure care.
- The Toxic Substances Control Act (TSCA), which gives EPA the authority to require reporting, recordkeeping and testing requirements, and to place restrictions relating to chemical substances and/or mixtures, including polychlorinated biphenyls.

For more information on environmental matters, see Notes 5 and 9 to the Consolidated Financial Statements, "Commitments and Contingencies – Environmental" and "Asset Retirement Obligations," respectively, and the "Other Matters" section of MD&A. Except as otherwise described in these sections, costs to comply with current federal, state and local provisions regulating the discharge of materials into the environment or other potential costs related to protecting the environment are incorporated into the routine cost structure of our various business segments and are not expected to have a material adverse effect on the competitive position, consolidated results of operations, cash flows or financial position of the Duke Energy Registrants.

The "Other Matters" section of MD&A includes an estimate of future capital expenditures required to comply with environmental regulations and a discussion of Global Climate Change including the potential impact of current and future legislation related to greenhouse gas (GHG) emissions on the Duke Energy Registrants' operations. Recently passed and potential future environmental statutes and regulations could have a significant impact on the Duke Energy Registrants' results of operations, cash flows or financial position. However, if and when such statutes and regulations become effective, the Duke Energy Registrants will seek appropriate regulatory recovery of costs to comply within its regulated operations.

DUKE ENERGY CAROLINAS

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' service area covers approximately 24,000 square miles and supplies electric service to 2.5 million residential, commercial and industrial customers. For information about Duke Energy Carolinas' generating facilities, see Item 2, "Properties." Duke Energy Carolinas is subject to the regulatory provisions of the NCUC, PSCSC, NRC and FERC.

Substantially all of Duke Energy Carolinas' operations are regulated and qualify for regulatory accounting. Duke Energy Carolinas operates one reportable business segment, Electric Utilities and Infrastructure. For additional information regarding this business segment, including financial information, see Note 3 to the Consolidated Financial Statements, "Business Segments."

PROGRESS ENERGY

Progress Energy is a public utility holding company primarily engaged in the regulated electric utility business and is subject to regulation by the FERC. Progress Energy conducts operations through its wholly owned subsidiaries, Duke Energy Progress and Duke Energy Florida. When discussing Progress Energy's financial information, it necessarily includes the results of Duke Energy Progress and Duke Energy Florida.

Substantially all of Progress Energy's operations are regulated and qualify for regulatory accounting. Progress Energy operates one reportable business segment, Electric Utilities and Infrastructure. For additional information regarding this business segment, including financial information, see Note 3 to the Consolidated Financial Statements, "Business Segments."

DUKE ENERGY PROGRESS

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' service area covers approximately 32,000 square miles and supplies electric service to approximately 1.5 million residential, commercial and industrial customers. For information about Duke Energy Progress' generating facilities, see Item 2, "Properties." Duke Energy Progress is subject to the regulatory provisions of the NCUC, PSCSC, NRC and FERC.

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Substantially all of Duke Energy Progress' operations are regulated and qualify for regulatory accounting. Duke Energy Progress operates one reportable business segment, Electric Utilities and Infrastructure. For additional information regarding this business segment, including financial information, see Note 3 to the Consolidated Financial Statements, "Business Segments."

DUKE ENERGY FLORIDA

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's service area covers approximately 13,000 square miles and supplies electric service to approximately 1.8 million residential, commercial and industrial customers. For information about Duke Energy Florida's generating facilities, see Item 2, "Properties." Duke Energy Florida is subject to the regulatory provisions of the FPSC, NRC and FERC.

Substantially all of Duke Energy Florida's operations are regulated and qualify for regulatory accounting. Duke Energy Florida operates one reportable business segment, Electric Utilities and Infrastructure. For additional information regarding this business segment, including financial information, see Note 3 to the Consolidated Financial Statements, "Business Segments."

DUKE ENERGY OHIO

Duke Energy Ohio is a regulated public utility primarily engaged in the transmission and distribution of electricity in portions of Ohio and Kentucky, in the generation and sale of electricity in portions of Kentucky and the transportation and sale of natural gas in portions of Ohio and Kentucky. Duke Energy Ohio also conducts competitive auctions for retail electricity supply in Ohio whereby recovery of the energy price is from retail customers. Operations in Kentucky are conducted through its wholly owned subsidiary, Duke Energy Kentucky, Inc. (Duke Energy Kentucky). References herein to Duke Energy Ohio include Duke Energy Ohio and its subsidiaries, unless otherwise noted. Duke Energy Ohio is subject to the regulatory provisions of the PUCO, KPSC and FERC.

Duke Energy Ohio's service area covers approximately 3,000 square miles and supplies electric service to approximately 850,000 residential, commercial and industrial customers and provides transmission and distribution services for natural gas to approximately 529,000 customers. For information about Duke Energy Ohio's generating facilities, see Item 2, "Properties."

KO Transmission, a wholly owned subsidiary of Duke Energy Ohio, is an interstate pipeline company engaged in the business of transporting natural gas and is subject to the rules and regulations of FERC. KO Transmission's 90-mile pipeline supplies natural gas to Duke Energy Ohio and interconnects with the Columbia Gulf Transmission pipeline and Tennessee Gas Pipeline. An approximately 70-mile portion of KO Transmission's pipeline facilities is co-owned by Columbia Gas Transmission Corporation.

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. For further information about the sale of the Midwest Generation business, refer to Note 2 to the Consolidated Financial Statements, "Acquisitions and Dispositions."

Substantially all of Duke Energy Ohio's operations that remain after the sale qualify for regulatory accounting.

Business Segments

Duke Energy Ohio has two reportable operating segments, Electric Utilities and Infrastructure and Gas Utilities and Infrastructure. For additional information on these business segments, including financial information, see Note 3 to the Consolidated Financial Statements, "Business Segments."

DUKE ENERGY INDIANA

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's service area covers 23,000 square miles and supplies electric service to 820,000 residential, commercial and industrial customers. See Item 2, "Properties" for further discussion of Duke Energy Indiana's generating facilities, transmission and distribution. Duke Energy Indiana is subject to the regulatory provisions of the IURC and FERC.

Substantially all of Duke Energy Indiana's operations are regulated and qualify for regulatory accounting. Duke Energy Indiana operates one reportable business segment, Electric Utilities and Infrastructure. For additional information regarding this business segment, including financial information, see Note 3 to the Consolidated Financial Statements, "Business Segments."

PIEDMONT

Piedmont is a regulated public utility primarily engaged in the distribution of natural gas to over 1 million residential, commercial, industrial and power generation customers in portions of North Carolina, South Carolina and Tennessee, including customers served by municipalities who are wholesale customers. Piedmont is subject to the regulatory provisions of the NCUC, PSCSC, TPUC and FERC.

Substantially all of Piedmont's operations are regulated and qualify for regulatory accounting. Piedmont operates one reportable business segment, Gas Utilities and Infrastructure. For additional information regarding this business segment, including financial information, see Note 3 to the Consolidated Financial Statements, "Business Segments."

PART I

ITEM 1A. RISK FACTORS

In addition to other disclosures within this Form 10-K, including "Management's Discussion and Analysis of Financial Condition and Results of Operations – Matters Impacting Future Results" for each registrant in Item 7, and other documents filed with the SEC from time to time, the following factors should be considered in evaluating Duke Energy and its subsidiaries. Such factors could affect actual results of operations and cause results to differ substantially from those currently expected or sought. Unless otherwise indicated, risk factors discussed below generally relate to risks associated with all of the Duke Energy Registrants. Risks identified at the Subsidiary Registrant level are generally applicable to Duke Energy.

Business Strategy Risks

Duke Energy's future results could be adversely affected if it is unable to implement its business strategy.

Duke Energy's future results of operations depend, in significant part, on the extent to which it can implement its business strategy successfully. Duke Energy's strategy, including transforming the customer experience, modernizing the energy grid, generating cleaner energy, expansion of natural gas infrastructure, modernizing the regulatory construct and engaging employees and stakeholders to accomplish these priorities, is subject to business, economic and competitive uncertainties and contingencies, many of which are beyond its control. As a consequence, Duke Energy may not be able to fully implement or realize the anticipated results of its strategy.

Regulatory, Legislative and Legal Risks

The Duke Energy Registrants' regulated utility revenues, earnings and results are dependent on state legislation and regulation that affect electric generation, electric and natural gas transmission, distribution and related activities, which may limit their ability to recover costs.

The Duke Energy Registrants' regulated electric and natural gas utility businesses are regulated on a cost-of-service/rate-of-return basis subject to statutes and regulatory commission rules and procedures of North Carolina, South Carolina, Florida, Ohio, Tennessee, Indiana and Kentucky. If the Duke Energy Registrants' regulated utility earnings exceed the returns established by the state utility commissions, retail electric and natural gas rates may be subject to review and possible reduction by the commissions, which may decrease the Duke Energy Registrants' future earnings. Additionally, if regulatory bodies do not allow recovery of costs incurred in providing service on a timely basis, the Duke Energy Registrants' future earnings could be negatively impacted.

If legislative and regulatory structures were to evolve in such a way that the Duke Energy Registrants' exclusive rights to serve their regulated customers were eroded, their future earnings could be negatively impacted. 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 and an increase in customer net energy metering, which allows customers with private solar to receive bill credits for surplus power at the full retail amount. Over time, customer adoption of these technologies and increased energy efficiency could result in excess generation resources as well as stranded costs if Duke Energy is not able to fully recover the costs and investment in generation.

State regulators have approved various mechanisms to stabilize natural gas utility margins, including margin decoupling in North Carolina, rate stabilization in South Carolina and uncollectible natural gas cost recovery in all states. State regulators have approved other margin stabilizing mechanisms that, for example, allow for recovery of margin losses associated with negotiated transactions designed to retain large volume customers that could use alternative fuels or that may otherwise directly access natural gas supply through their own connection to an interstate pipeline. If regulators decided to discontinue the Duke Energy Registrants' use of tariff mechanisms, it would negatively impact results of operations, financial condition and cash flows. In addition, regulatory authorities also review whether natural gas costs are prudent and can disallow the recovery of a portion of natural gas costs that the Duke Energy Registrants seek to recover from customers, which would adversely impact earnings.

The rates that the Duke Energy Registrants' regulated utility businesses are allowed to charge are established by state utility commissions in rate case proceedings, which may limit their ability to recover costs and earn an appropriate return on investment.

The rates that the Duke Energy Registrants' regulated utility business are allowed to charge significantly influences the results of operations, financial position and liquidity of the Duke Energy Registrants. The regulation of the rates that the regulated utility businesses charge customers is determined, in large part, by state utility commissions in rate case proceedings. Negative decisions made by these regulators could have a material adverse effect on the Duke Energy Registrants' results of operations, financial position or liquidity and affect the ability of the Duke Energy Registrants to recover costs and an appropriate return on the significant infrastructure investments being made. Duke Energy cannot predict the outcome of these rate case proceedings.

Deregulation or restructuring in the electric industry may result in increased competition and unrecovered costs that could adversely affect the Duke Energy Registrants' financial position, results of operations or cash flows and their utility businesses.

Increased competition resulting from deregulation or restructuring legislation could have a significant adverse impact on the Duke Energy Registrants' results of operations, financial position or cash flows. Retail competition and the unbundling of regulated electric service could have a significant adverse financial impact on the Duke Energy Registrants due to an impairment of assets, a loss of retail customers, lower profit margins or increased costs of capital. The Duke Energy Registrants cannot predict the extent and timing of entry by additional competitors into the electric markets. The Duke Energy Registrants cannot predict if or when they will be subject to changes in legislation or regulation, nor can they predict the impact of these changes on their financial position, results of operations or cash flows.

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The Duke Energy Registrants' businesses are subject to extensive federal regulation and a wide variety of laws and governmental policies, including taxes, that may change over time in ways that affect operations and costs.

Duke Energy is subject to regulations under a wide variety of U.S. federal and state regulations and policies. There can be no assurance that laws, regulations and policies will not be changed in ways that result in material modifications of business models and objectives or affect returns on investment by restricting activities and products, subjecting them to escalating costs or prohibiting them outright.

On December 22, 2017, President Trump signed the Tax Cuts and Jobs Acts (the Tax Act) into law which, among other provisions, reduces the maximum federal corporate income tax rate from 35 percent to 21 percent and limits interest deductions outside of regulated utility operations effective January 1, 2018. The resulting revaluation of existing deferred tax assets and liabilities to the lower federal corporate tax rate were recognized in Duke Energy's December 31, 2017, financial statements. Guidance issued by the SEC indicates that additional adjustments for items that were estimated may be recorded during 2018 if new information becomes available. The Tax Act also could be amended or subject to technical correction, which could change the financial impacts that were recorded at December 31, 2017, or are expected to be recorded in future periods. The FERC and state utility commissions will determine the regulatory treatment of the impacts of the Tax Act. Duke Energy's future results of operations, financial condition and cash flows could be adversely impacted by the Tax Act, subsequent amendments or corrections, or the actions of the FERC, state utility commissions or credit rating agencies related to the Tax Act.

The Duke Energy Registrants are subject to regulation by FERC, NRC, EPA and various other federal agencies as well as the North American Electric Reliability Corporation. Regulation affects almost every aspect of the Duke Energy Registrants' businesses, including, among other things, their ability to: take fundamental business management actions; determine the terms and rates of transmission and distribution services; make acquisitions; issue equity or debt securities; engage in transactions with other subsidiaries and affiliates; and pay dividends upstream to the Duke Energy Registrants. Changes to federal regulations are continuous and ongoing. The Duke Energy Registrants cannot predict the future course of regulatory changes or the ultimate effect those changes will have on their businesses. However, changes in regulation can cause delays in or affect business planning and transactions and can substantially increase the Duke Energy Registrants' costs.

The Duke Energy Registrants are subject to numerous environmental laws and regulations requiring significant capital expenditures that can increase the cost of operations, and which may impact or limit business plans, or cause exposure to environmental liabilities.

The Duke Energy Registrants are subject to numerous environmental laws and regulations affecting many aspects of their present and future operations, including CCRs, air emissions, water quality, wastewater discharges, solid waste and hazardous waste. These laws and regulations can result in increased capital, operating and other costs. These laws and regulations generally require the Duke Energy Registrants to obtain and comply with a wide variety of environmental licenses, permits, inspections and other approvals. Compliance with environmental laws and regulations can require significant expenditures, including expenditures for cleanup costs and damages arising from contaminated properties. Failure to comply with environmental regulations may result in the imposition of fines, penalties and injunctive measures affecting operating assets. The steps the Duke Energy Registrants could be required to take to ensure their facilities are in compliance could be prohibitively expensive. As a result, the Duke Energy Registrants may be required to shut down or alter the operation of their facilities, which may cause the Duke Energy Registrants to incur losses. Further, the Duke Energy Registrants may not be successful in recovering capital and operating costs incurred to comply with new environmental regulations through existing regulatory rate structures and their contracts with customers. Also, the Duke Energy Registrants may not be able to obtain or maintain from time to time all required environmental regulatory approvals for their operating assets or development projects. Delays in obtaining any required environmental regulatory approvals, failure to obtain and comply with them or changes in environmental laws or regulations to more stringent compliance levels could result in additional costs of operation for existing facilities or development of new facilities being prevented, delayed or subject to additional costs. Although it is not expected that the costs to comply with current environmental regulations will have a material adverse effect on the Duke Energy Registrants' financial position, results of operations or cash flows due to regulatory cost recovery, the Duke Energy Registrants are at risk that the costs of complying with environmental regulations in the future will have such an effect.

The EPA has recently enacted or proposed new federal regulations governing the management of cooling water intake structures, wastewater and CO_2 emissions. These regulations may require the Duke Energy Registrants to make additional capital expenditures and increase operating and maintenance costs.

The Duke Energy Registrants' operations, capital expenditures and financial results may be affected by regulatory changes related to the impacts of global climate change.

There is continued concern, both nationally and internationally, about climate change. The EPA may adopt and implement regulations to restrict emissions of GHGs. Increased regulation of GHG emissions could impose significant additional costs on the Duke Energy Registrants' operations, their suppliers and customers. Regulatory changes could also result in generation facilities to be retired early and result in stranded costs if Duke Energy is not able to fully recover the costs and investment in generation. At this time, the effect that climate change regulation may have in the future on Duke Energy's business, financial condition or results of operations is not able to be predicted.

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Operational Risks

The Duke Energy Registrants' results of operations may be negatively affected by overall market, economic and other conditions that are beyond their control.

Sustained downturns or sluggishness in the economy generally affect the markets in which the Duke Energy Registrants operate and negatively influence operations. Declines in demand for electricity or natural gas as a result of economic downturns in the Duke Energy Registrants' regulated service territories will reduce overall sales and lessen cash flows, especially as industrial customers reduce production and, therefore, consumption of electricity and the use of natural gas. Although the Duke Energy Registrants' regulated electric and natural gas businesses are subject to regulated allowable rates of return and recovery of certain costs, such as fuel and purchased natural gas costs, under periodic adjustment clauses, overall declines in electricity or natural gas sold as a result of economic downturn or recession could reduce revenues and cash flows, thereby diminishing results of operations. Additionally, prolonged economic downturns that negatively impact the Duke Energy Registrants' results of operations and cash flows could result in future material impairment charges to write-down the carrying value of certain assets, including goodwill, to their respective fair values.

The Duke Energy Registrants also sell electricity into the spot market or other competitive power markets on a contractual basis. With respect to such transactions, the Duke Energy Registrants are not guaranteed any rate of return on their capital investments through mandated rates, and revenues and results of operations are likely to depend, in large part, upon prevailing market prices. These market prices may fluctuate substantially over relatively short periods of time and could reduce the Duke Energy Registrants' revenues and margins, thereby diminishing results of operations.

Factors that could impact sales volumes, generation of electricity and market prices at which the Duke Energy Registrants are able to sell electricity and natural gas are as follows:

- weather conditions, including abnormally mild winter or summer weather that cause lower energy or natural gas usage for heating or cooling purposes, as applicable, and periods of low rainfall that decrease the ability to operate facilities in an economical manner;
- supply of and demand for energy commodities;
- transmission or transportation constraints or inefficiencies that impact nonregulated energy operations;
- availability of competitively priced alternative energy sources, which are preferred by some customers over electricity produced from coal, nuclear or natural gas plants, and customer usage of energy-efficient equipment that reduces energy demand;
- natural gas, crude oil and refined products production levels and prices;
- ability to procure satisfactory levels of inventory, such as coal, natural gas and uranium; and
- capacity and transmission service into, or out of, the Duke Energy Registrants' markets.

Natural disasters or operational accidents may adversely affect the Duke Energy Registrants' operating results.

Natural disasters (such as electromagnetic events or the 2011 earthquake and tsunami in Japan) or other operational accidents within the company or industry (such as the San Bruno, California natural gas transmission pipeline failure) could have direct significant impacts on the Duke Energy Registrants as well as on key contractors and suppliers. Such events could indirectly impact the Duke Energy Registrants through changes to policies, laws and regulations whose compliance costs have a significant impact on the Duke Energy Registrants' financial position, results of operations and cash flows.

The reputation and financial condition of the Duke Energy Registrants could be negatively impacted due to their obligations to comply with federal and state regulations, laws, and other legal requirements that govern the operations, assessments, storage, closure, remediation, disposal and monitoring relating to CCR, the high costs and new rate impacts associated with implementing these new CCR-related requirements and the strategies and methods necessary to implement these requirements in compliance with these legal obligations.

As a result of electricity produced for decades at coal-fired power plants, the Duke Energy Registrants manage large amounts of CCR that are primarily stored in dry storage within landfills or combined with water in other surface impoundments, all in compliance with applicable regulatory requirements. However, the potential exists for another CCR-related incident, such as the one that occurred during the 2014 Dan River Steam Station ash basin release, that could raise environmental or general public health concerns. Such a CCR-related incident could have a material adverse impact on the reputation and financial condition of the Duke Energy Registrants.

During 2015, EPA regulations were enacted related to the management of CCR from power plants. These regulations classify CCR as nonhazardous waste under the RCRA and apply to electric generating sites with new and existing landfills, new and existing surface impoundments, structural fills and CCR piles, and 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 for the disposal and management of CCR. In addition to the federal regulations, CCR landfills and surface impoundments will continue to be independently regulated by existing state laws, regulations and permits, as well as additional legal requirements that may be imposed in the future. These federal and state laws, regulations and other legal requirements may require or result in additional expenditures, increased operating and maintenance costs and/or result in closure of certain power generating facilities, which could affect the financial position, results of operations and cash flows of the Duke Energy Registrants. The Duke Energy Registrants intend to seek full cost recovery for expenditures through the normal ratemaking process with state and federal utility commissions, who permit recovery in rates of necessary and prudently incurred costs associated with the Duke Energy Registrants' regulated operations, and through other wholesale contracts with terms that contemplate recovery of such costs, although there is no guarantee of full cost recovery. In addition, the timing for recovery of such costs could have a material adverse impact on Duke Energy's cash flows.

The Duke Energy Registrants have recognized significant asset retirement obligations related to these CCR-related requirements. Closure activities began in 2015 at the four sites specified as high priority by the Coal Ash Act and at the W.S. Lee Steam Station site in South Carolina in connection with other legal requirements. Excavation at these sites involves movement of large amounts of CCR materials to off-site locations for use as structural fill, to appropriate engineered off-site or on-site lined landfills or conversion of the ash for beneficial use. At other sites, preliminary planning and closure methods have been studied and factored into the estimated retirement and management costs. The Coal Ash Act requires CCR surface impoundments in North Carolina to be closed, with the closure method and timing based on a risk ranking classification determined by legislation or state regulators. Additionally, the RCRA required closure timing depends upon meeting or continuing to meet certain criteria. As the closure and CCR management work progresses and final closure plans and corrective action measures are developed and approved at each site, the scope and complexity of work and the amount of CCR material could be greater than estimates and could, therefore, materially increase compliance expenditures and rate impacts.

The Duke Energy Registrants' financial position, results of operations and cash flows may be negatively affected by a lack of growth or slower growth in the number of customers, or decline in customer demand or number of customers.

Growth in customer accounts and growth of customer usage each directly influence demand for electricity and natural gas and the need for additional power generation and delivery facilities. Customer growth and customer usage are affected by a number of factors outside the control of the Duke Energy Registrants, such as mandated energy efficiency measures, demand-side management goals, distributed generation resources and economic and demographic conditions, such as population changes, job and income growth, housing starts, new business formation and the overall level of economic activity.

Certain regulatory and legislative bodies have introduced or are considering requirements and/or incentives to reduce energy consumption by certain dates. Additionally, technological advances driven by federal laws mandating new levels of energy efficiency in end-use electric devices or other improvements in or applications of technology could lead to declines in per capita energy consumption.

Advances in distributed generation technologies that produce power, including fuel cells, microturbines, wind turbines and solar cells, may reduce the cost of alternative methods of producing power to a level competitive with central power station electric production utilized by the Duke Energy Registrants.

Some or all of these factors could result in a lack of growth or decline in customer demand for electricity or number of customers and may cause the failure of the Duke Energy Registrants to fully realize anticipated benefits from significant capital investments and expenditures, which could have a material adverse effect on their financial position, results of operations and cash flows.

Furthermore, the Duke Energy Registrants currently have energy efficiency riders in place to recover the cost of energy efficiency programs in North Carolina, South Carolina, Florida, Indiana, Ohio and Kentucky. Should the Duke Energy Registrants be required to invest in conservation measures that result in reduced sales from effective conservation, regulatory lag in adjusting rates for the impact of these measures could have a negative financial impact.

The Duke Energy Registrants' operating results may fluctuate on a seasonal and quarterly basis and can be negatively affected by changes in weather conditions and severe weather, including extreme weather conditions associated with climate change.

Electric power generation and natural gas distribution are generally seasonal businesses. In most parts of the U.S., the demand for power peaks during the warmer summer months, with market prices also typically peaking at that time. In other areas, demand for power peaks during the winter. Demand for natural gas peaks during the winter months. Further, extreme weather conditions such as heat waves, winter storms and severe weather associated with climate change could cause these seasonal fluctuations to be more pronounced. As a result, the overall operating results of the Duke Energy Registrants' businesses may fluctuate substantially on a seasonal and quarterly basis and thus make period-to-period comparison less relevant.

Sustained severe drought conditions could impact generation by hydroelectric plants, as well as fossil and nuclear plant operations, as these facilities use water for cooling purposes and for the operation of environmental compliance equipment. Furthermore, destruction caused by severe weather events, such as hurricanes, tornadoes, severe thunderstorms, snow and ice storms, can result in lost operating revenues due to outages, property damage, including downed transmission and distribution lines, and additional and unexpected expenses to mitigate storm damage. The cost of storm restoration efforts may not be fully recoverable through the regulatory process.

The Duke Energy Registrants' sales may decrease if they are unable to gain adequate, reliable and affordable access to transmission assets.

The Duke Energy Registrants depend on transmission and distribution facilities owned and operated by utilities and other energy companies to deliver electricity sold to the wholesale market. The FERC's power transmission regulations require wholesale electric transmission services to be offered on an open-access, non-discriminatory basis. If transmission is disrupted, or if transmission capacity is inadequate, the Duke Energy Registrants' ability to sell and deliver products may be hindered.

The different regional power markets have changing regulatory structures, which could affect growth and performance in these regions. In addition, the ISOs who oversee the transmission systems in regional power markets have imposed in the past, and may impose in the future, price limitations and other mechanisms to address volatility in the power markets. These types of price limitations and other mechanisms may adversely impact the profitability of the Duke Energy Registrants' wholesale power marketing business.

PART I

Duke Energy may be unable to complete necessary or desirable pipeline expansion or infrastructure development or maintenance projects, which may delay or prevent the Duke Energy Registrants from serving natural gas customers or expanding the natural gas business.

In order to serve current or new natural gas customers or expand the service to existing customers, the Duke Energy Registrants need to maintain, expand or upgrade distribution, transmission and/or storage infrastructure, including laying new pipeline and building compressor stations. Duke Energy Registrants have made significant investments in a number of pipeline development projects, which are being operated and constructed by third party joint venture partners. Various factors, such as the inability to obtain required approval from local, state and/or federal regulatory and governmental bodies, public opposition to projects, inability to obtain adequate financing, competition for labor and materials, construction delays, cost overruns and the inability to negotiate acceptable agreements relating to rights of way, construction or other material development components, may prevent or delay the completion of projects or increase costs. As a result, the Duke Energy Registrants may be unable to adequately serve existing natural gas customers or support customer growth or could incur higher than anticipated costs, which could have a negative financial impact.

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

The Duke Energy Registrants purchase almost all of their natural gas supply from interstate sources that must be transported to the applicable service territories. Interstate pipeline companies transport the natural gas to the Duke Energy Registrants' systems under firm service agreements that are designed to meet the requirements of their core markets. A significant disruption to interstate pipelines capacity or reduction in natural gas supply due to events including, but not limited to, operational failures or disruptions, hurricanes, tornadoes, floods, freeze off of natural gas wells, terrorist or cyberattacks or other acts of war or legislative or regulatory actions or requirements, including remediation related to integrity inspections, could reduce the normal interstate supply of natural gas and thereby reduce 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 growth opportunities could be limited and earnings negatively impacted.

Fluctuations in commodity prices or availability may adversely affect various aspects of the Duke Energy Registrants' operations as well as their financial condition, results of operations and cash flows.

The Duke Energy Registrants are exposed to the effects of market fluctuations in the price of natural gas, coal, fuel oil, nuclear fuel, electricity and other energy-related commodities as a result of their ownership of energy-related assets. Fuel costs are recovered primarily through cost-recovery clauses, subject to the approval of state utility commissions.

Additionally, the Duke Energy Registrants are exposed to risk that counterparties will not be able to fulfill their obligations. Disruption in the delivery of fuel, including disruptions as a result of, among other things, transportation delays, weather, labor relations, force majeure events or environmental regulations affecting any of these fuel suppliers, could limit the Duke Energy Registrants' ability to operate their facilities. Should counterparties fail to perform, the Duke Energy Registrants might be forced to replace the underlying commitment at prevailing market prices possibly resulting in losses in addition to the amounts, if any, already paid to the counterparties.

Certain of the Duke Energy Registrants' hedge agreements may result in the receipt of, or posting of, derivative collateral with counterparties, depending on the daily derivative position. Fluctuations in commodity prices that lead to the return of collateral received and/or the posting of collateral with counterparties negatively impact liquidity. Downgrades in the Duke Energy Registrants' credit ratings could lead to additional collateral posting requirements. The Duke Energy Registrants continually monitor derivative positions in relation to market price activity.

Potential terrorist activities, or military or other actions, could adversely affect the Duke Energy Registrants' businesses.

The continued threat of terrorism and the impact of retaliatory military and other action by the U.S. and its allies may lead to increased political, economic and financial market instability and volatility in prices for natural gas and oil, which may have material adverse effects in ways the Duke Energy Registrants cannot predict at this time. In addition, future acts of terrorism and possible reprisals as a consequence of action by the U.S. and its allies could be directed against companies operating in the U.S. Information technology systems, transmission and distribution and generation facilities such as nuclear plants could be potential targets of terrorist activities or harmful activities by individuals or groups. The potential for terrorism has subjected the Duke Energy Registrants' operations to increased risks and could have a material adverse effect on their businesses. In particular, the Duke Energy Registrants may experience increased capital and operating costs to implement increased security for their information technology systems, transmission and distribution and generation facilities, including nuclear power plants under the NRC's design basis threat requirements. These increased costs could include additional physical plant security and security personnel or additional capability following a terrorist incident.

Cyberattacks and data security breaches could adversely affect the Duke Energy Registrants' businesses.

Information security risks have generally increased in recent years as a result of the proliferation of new technologies and the increased sophistication and frequency of cyberattacks and data security breaches. The utility industry requires the continued operation of sophisticated information technology systems and network infrastructure, which are part of an interconnected regional grid. Additionally, connectivity to the internet continues to increase through smart grid and other initiatives. Because of the critical nature of the infrastructure, increased connectivity to the internet and technology systems' inherent vulnerability to disability or failures due to hacking, viruses, acts of war or terrorism or other types of data security breaches, the Duke Energy Registrants face a heightened risk of cyberattack. In the event of such an attack, the Duke Energy Registrants could (i) have business operations disrupted, property damaged, customer information stolen and other private information accessed, (ii) experience substantial loss of revenues, repair and restoration costs, implementation costs for additional security measures to avert future cyberattacks and other financial loss and (iii) be subject to increased regulation, litigation and reputational damage.

PART I

Failure to attract and retain an appropriately qualified workforce could unfavorably impact the Duke Energy Registrants' results of operations.

Certain events, such as an aging workforce, mismatch of skill set or complement to future needs, or unavailability of contract resources may lead to operating challenges and increased costs. The challenges include lack of resources, loss of knowledge base and the lengthy time required for skill development. In this case, costs, including costs for contractors to replace employees, productivity costs and safety costs, may increase. Failure to hire and adequately train replacement employees, including the transfer of significant internal historical knowledge and expertise to new employees, or future availability and cost of contract labor may adversely affect the ability to manage and operate the business, especially considering the workforce needs associated with nuclear generation facilities and new skills required to operate a modernized, technology-enabled power grid. If the Duke Energy Registrants are unable to successfully attract and retain an appropriately qualified workforce, their financial position, results of operations or cash flows could be negatively affected.

The costs of retiring Duke Energy Florida's Crystal River Unit 3 could prove to be more extensive than is currently identified.

Costs to retire and decommission the plant could exceed estimates and, if not recoverable through the regulatory process, could adversely affect Duke Energy's, Progress Energy's and Duke Energy Florida's financial condition, results of operations and cash flows.

Duke Energy Ohio's and Duke Energy Indiana's membership in an RTO presents risks that could have a material adverse effect on their results of operations, financial condition and cash flows.

The rules governing the various regional power markets may change, which could affect Duke Energy Ohio's and Duke Energy Indiana's costs and/or revenues. To the degree Duke Energy Ohio and Duke Energy Indiana incur significant additional fees and increased costs to participate in an RTO, their results of operations may be impacted. Duke Energy Ohio and Duke Energy Indiana may be allocated a portion of the cost of transmission facilities built by others due to changes in RTO transmission rate design. Duke Energy Ohio and Duke Energy Indiana may be required to expand their transmission system according to decisions made by an RTO rather than their own internal planning process. While RTO transmission rates were initially designed to be revenue neutral, various proposals and proceedings currently taking place by the FERC may cause transmission rates to change from time to time. In addition, RTOs have been developing rules associated with the allocation and methodology of assigning costs associated with improved transmission reliability, reduced transmission congestion and firm transmission rights that may have a financial impact on Duke Energy Ohio and Duke Energy Indiana.

As members of an RTO, Duke Energy Ohio and Duke Energy Indiana are subject to certain additional risks, including those associated with the allocation among RTO members, of losses caused by unreimbursed defaults of other participants in the RTO markets and those associated with complaint cases filed against an RTO that may seek refunds of revenues previously earned by RTO members.

The Duke Energy Registrants may not recover costs incurred to begin construction on projects that are canceled.

Duke Energy's long-term strategy requires the construction of new projects, either wholly owned or partially owned, which involve a number of risks, including construction delays, nonperformance by equipment and other third party suppliers, and increases in equipment and labor costs. To limit the risks of these construction projects, the Duke Energy Registrants enter into equipment purchase orders and construction contracts and incur engineering and design service costs in advance of receiving necessary regulatory approvals and/or siting or environmental permits. If any of these projects are canceled for any reason, including failure to receive necessary regulatory approvals and/or siting or environmental permits, significant cancellation penalties under the equipment purchase orders and construction contracts could occur. In addition, if any construction work or investments have been recorded as an asset, an impairment may need to be recorded in the event the project is canceled.

Nuclear Generation Risks

Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida may incur substantial costs and liabilities due to their ownership and operation of nuclear generating facilities.

Ownership interest in and operation of nuclear stations by Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida subject them to various risks. These risks include, among other things: the potential harmful effects on the environment and human health resulting from the current or past operation of nuclear facilities and the storage, handling and disposal of radioactive materials; limitations on the amounts and types of insurance commercially available to cover losses that might arise in connection with nuclear operations; and uncertainties with respect to the technological and financial aspects of decommissioning nuclear plants at the end of their licensed lives.

Ownership and operation of nuclear generation facilities requires compliance with licensing and safety-related requirements imposed by the NRC. In the event of non-compliance, the NRC may increase regulatory oversight, impose fines or shut down a unit depending upon its assessment of the severity of the situation. Revised security and safety requirements promulgated by the NRC, which could be prompted by, among other things, events within or outside of the control of Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida, such as a serious nuclear incident at a facility owned by a third party, could necessitate substantial capital and other expenditures, as well as assessments to cover third-party losses. In addition, if a serious nuclear incident were to occur, it could have a material adverse effect on the results of operations, financial condition, cash flows and reputation of the Duke Energy Registrants.

PART I

Liquidity, Capital Requirements and Common Stock Risks

The Duke Energy Registrants rely on access to short-term borrowings and longer-term debt and equity markets to finance their capital requirements and support their liquidity needs. Access to those markets can be adversely affected by a number of conditions, many of which are beyond the Duke Energy Registrants' control.

The Duke Energy Registrants' businesses are significantly financed through issuances of debt and equity. The maturity and repayment profile of debt used to finance investments often does not correlate to cash flows from their assets. Accordingly, as a source of liquidity for capital requirements not satisfied by the cash flows from their operations and to fund investments originally financed through debt instruments with disparate maturities, the Duke Energy Registrants rely on access to short-term money markets as well as longer-term capital markets. The Subsidiary Registrants also rely on access to short-term intercompany borrowings. If the Duke Energy Registrants are not able to access debt or equity at competitive rates or at all, the ability to finance their operations and implement their strategy and business plan as scheduled could be adversely affected. An inability to access debt and equity may limit the Duke Energy Registrants' ability to pursue improvements or acquisitions that they may otherwise rely on for future growth.

Market disruptions may increase the cost of borrowing or adversely affect the ability to access one or more financial markets. Such disruptions could include: economic downturns, the bankruptcy of an unrelated energy company, unfavorable capital market conditions, market prices for electricity and natural gas, actual or threatened terrorist attacks, or the overall health of the energy industry. The availability of credit under Duke Energy's Master Credit Facility depends upon the ability of the banks providing commitments under the facility to provide funds when their obligations to do so arise. Systematic risk of the banking system and the financial markets could prevent a bank from meeting its obligations under the facility agreement.

Duke Energy maintains a revolving credit facility to provide backup for its commercial paper program and letters of credit to support variable rate demand tax-exempt bonds that may be put to the Duke Energy Registrant issuer at the option of the holder. The facility includes borrowing sublimits for the Duke Energy Registrants, each of whom is a party to the credit facility, and financial covenants that limit the amount of debt that can be outstanding as a percentage of the total capital for the specific entity. Failure to maintain these covenants at a particular entity could preclude Duke Energy from issuing commercial paper or the Duke Energy Registrants from issuing letters of credit or borrowing under the Master Credit Facility.

The Duke Energy Registrants must meet credit quality standards and there is no assurance they will maintain investment grade credit ratings. If the Duke Energy Registrants are unable to maintain investment grade credit ratings, they would be required under credit agreements to provide collateral in the form of letters of credit or cash, which may materially adversely affect their liquidity.

Each of the Duke Energy Registrants' senior long-term debt issuances is currently rated investment grade by various rating agencies. The Duke Energy Registrants cannot ensure their senior long-term debt will be rated investment grade in the future.

If the rating agencies were to rate the Duke Energy Registrants below investment grade, borrowing costs would increase, perhaps significantly. In addition, the potential pool of investors and funding sources would likely decrease. Further, if the short-term debt rating were to fall, access to the commercial paper market could be significantly limited.

A downgrade below investment grade could also require the posting of additional collateral in the form of letters of credit or cash under various credit, commodity and capacity agreements and trigger termination clauses in some interest rate derivative agreements, which would require cash payments. All of these events would likely reduce the Duke Energy Registrants' liquidity and profitability and could have a material effect on their financial position, results of operations or cash flows.

Non-compliance with debt covenants or conditions could adversely affect the Duke Energy Registrants' ability to execute future borrowings.

The Duke Energy Registrants' debt and credit agreements contain various financial and other covenants. Failure to meet those covenants beyond applicable grace periods could result in accelerated due dates and/or termination of the agreements.

Market performance and other changes may decrease the value of the NDTF investments of Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida, which then could require significant additional funding.

Ownership and operation of nuclear generation facilities also requires the maintenance of funded trusts that are intended to pay for the decommissioning costs of the respective nuclear power plants. The performance of the capital markets affects the values of the assets held in trust to satisfy these future obligations. Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida have significant obligations in this area and hold significant assets in these trusts. These assets are subject to market fluctuations and will yield uncertain returns, which may fall below projected rates of return. Although a number of factors impact funding requirements, a decline in the market value of the assets may increase the funding requirements of the obligations for decommissioning nuclear plants. If Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida are unable to successfully manage their NDTF assets, their financial condition, results of operations and cash flows could be negatively affected.

Poor investment performance of the Duke Energy pension plan holdings and other factors impacting pension plan costs could unfavorably impact the Duke Energy Registrants' liquidity and results of operations.

The costs of providing non-contributory defined benefit pension plans are dependent upon a number of factors, such as the rates of return on plan assets, discount rates, the level of interest rates used to measure the required minimum funding levels of the plans, future government regulation and required or voluntary contributions made to the plans. The Subsidiary Registrants are allocated their proportionate share of the cost and obligations related to these plans. Without sustained growth in the pension investments over time to increase the value of plan assets and, depending upon the other factors impacting costs as listed above, Duke Energy could be required to fund its plans with significant amounts of cash. Such cash funding obligations, and the Subsidiary Registrants' proportionate share of such cash funding obligations, could have a material impact on the Duke Energy Registrants' financial position, results of operations or cash flows.

Duke Energy is a holding company and depends on the cash flows from its subsidiaries to meet its financial obligations.

Because Duke Energy is a holding company with no operations or cash flows of its own, its ability to meet its financial obligations, including making interest and principal payments on outstanding indebtedness and to pay dividends on its common stock, is primarily dependent on the net income and cash flows of its subsidiaries and the ability of those subsidiaries to pay upstream dividends or to repay borrowed funds. Prior to funding Duke Energy, its subsidiaries have regulatory restrictions and financial obligations that must be satisfied. These subsidiaries are separate legal entities and have no obligation to provide Duke Energy with funds. In addition, Duke Energy may provide capital contributions or debt financing to its subsidiaries under certain circumstances, which would reduce the funds available to meet its financial obligations, including making interest and principal payments on outstanding indebtedness and to pay dividends on Duke Energy's common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

ELECTRIC UTILITIES AND INFRASTRUCTURE

The following table provides information related to the Electric Utilities and Infrastructure's generation stations as of December 31, 2017. The MW displayed in the table below are based on summer capacity. Ownership interest in all facilities is 100 percent unless otherwise indicated.

Facility	Plant Type	Primary Fuel	Location	Owned MW Capacity
Duke Energy Carolinas				
Oconee	Nuclear	Uranium	SC	2,554
McGuire	Nuclear	Uranium	NC	2,316
Catawba[a]	Nuclear	Uranium	SC	445
Belews Creek	Fossil	Coal	NC	2,220
Marshall	Fossil	Coal	NC	2,058
J.E. Rogers	Fossil	Coal	NC	1,388
Lincoln Combustion Turbine (CT)	Fossil	Gas/Oil	NC	1,193
Allen	Fossil	Coal	NC	1,098
Rockingham CT	Fossil	Gas/Oil	NC	825
Buck Combined Cycle (CC)	Fossil	Gas	NC	668
Dan River CC	Fossil	Gas	NC	662
Mill Creek CT	Fossil	Gas/Oil	SC	563
W.S. Lee	Fossil	Gas	SC	170
W.S. Lee CT	Fossil	Gas/Oil	SC	84
Bad Creek	Hydro	Water	SC	1,360
Jocassee	Hydro	Water	SC	780
Cowans Ford	Hydro	Water	NC	324
Keowee	Hydro	Water	SC	152
Other small facilities (25 plants)	Hydro	Water	NC/SC	669
Distributed generation	Renewable	Solar	NC	39
Total Duke Energy Carolinas				**19,568**

Facility	Plant Type	Primary Fuel	Location	Owned MW Capacity
Duke Energy Progress				
Brunswick	Nuclear	Uranium	NC	1,870
Harris	Nuclear	Uranium	NC	928
Robinson	Nuclear	Uranium	SC	741
Roxboro	Fossil	Coal	NC	2,439
Smith CC	Fossil	Gas/Oil	NC	1,073
H.F. Lee CC	Fossil	Gas/Oil	NC	888
Wayne County CT	Fossil	Gas/Oil	NC	857
Smith CT	Fossil	Gas/Oil	NC	772
Darlington CT	Fossil	Gas/Oil	SC	664
Mayo	Fossil	Coal	NC	727
L.V. Sutton CC	Fossil	Gas/Oil	NC	607
Asheville	Fossil	Coal	NC	378
Asheville CT	Fossil	Gas/Oil	NC	320
Weatherspoon CT	Fossil	Gas/Oil	NC	124
L.V. Sutton CT (Black Start)	Fossil	Gas/Oil	NC	80
Blewett CT	Fossil	Oil	NC	52
Walters	Hydro	Water	NC	112
Other small facilities (three plants)	Hydro	Water	NC	115
Distributed generation	Renewable	Solar	NC	62
Total Duke Energy Progress				**12,809**

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Facility	Plant Type	Primary Fuel	Location	Owned MW Capacity
Duke Energy Florida				
Crystal River	Fossil	Coal	FL	2,188
Hines CC	Fossil	Gas/Oil	FL	2,032
Bartow CC	Fossil	Gas/Oil	FL	1,080
Anclote	Fossil	Gas	FL	1,013
Intercession City CT	Fossil	Gas/Oil	FL	951
Osprey CC	Fossil	Gas/Oil	FL	582
DeBary CT	Fossil	Gas/Oil	FL	561
Tiger Bay CC	Fossil	Gas/Oil	FL	200
Bartow CT	Fossil	Gas/Oil	FL	168
Bayboro CT	Fossil	Oil	FL	171
Suwannee River CT	Fossil	Gas	FL	149
Higgins CT	Fossil	Gas/Oil	FL	107
Avon Park CT	Fossil	Gas/Oil	FL	48
University of Florida CoGen CT	Fossil	Gas	FL	47
Distributed generation	Renewable	Solar	FL	8
Total Duke Energy Florida				**9,305**

Facility	Plant Type	Primary Fuel	Location	Owned MW Capacity
Duke Energy Ohio				
East Bend	Fossil	Coal	KY	600
Woodsdale CT	Fossil	Gas/Propane	OH	476
Beckjord Battery Storage	Renewable	Storage	OH	4
Total Duke Energy Ohio				**1,080**

Facility	Plant Type	Primary Fuel	Location	Owned MW Capacity
Duke Energy Indiana				
Gibson[b]	Fossil	Coal	IN	2,822
Cayuga[c]	Fossil	Coal/Oil	IN	1,005
Edwardsport	Fossil	Coal	IN	595
Madison CT	Fossil	Gas	OH	566
Vermillion CT[d]	Fossil	Gas	IN	360
Wheatland CT	Fossil	Gas	IN	450
Noblesville CC	Fossil	Gas/Oil	IN	264
Gallagher	Fossil	Coal	IN	280
Henry County CT	Fossil	Gas/Oil	IN	129
Cayuga CT	Fossil	Gas/Oil	IN	80
Connersville CT	Fossil	Oil	IN	74
Miami Wabash CT	Fossil	Oil	IN	64
Markland	Hydro	Water	IN	45
Distributed generation	Renewable	Solar	IN	10
Total Duke Energy Indiana				**6,744**

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Totals by Type	Owned MW Capacity
Total Electric Utilities	**49,506**
Totals By Plant Type	
Nuclear	8,854
Fossil	36,972
Hydro	3,557
Renewable	123
Total Electric Utilities	**49,506**

(a) Jointly owned with North Carolina Municipal Power Agency Number 1, North Carolina Electric Membership Corporation and Piedmont Municipal Power Agency. Duke Energy Carolinas' ownership is 19.25 percent of the facility.
(b) Duke Energy Indiana owns and operates Gibson Station Units 1 through 4 and is a joint owner of unit 5 with Wabash Valley Power Association, Inc. (WVPA) and Indiana Municipal Power Agency. Duke Energy Indiana operates unit 5 and owns 50.05 percent.
(c) Includes Cayuga Internal Combustion.
(d) Jointly owned with WVPA. Duke Energy Indiana's ownership is 62.5 percent of the facility.

The following table provides information related to Electric Utilities and Infrastructure's electric transmission and distribution properties as of December 31, 2017.

	Duke Energy	Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Electric Transmission Lines						
Miles of 500 to 525 kilovolt (kV)	1,100	600	300	200	—	—
Miles of 345 kV	1,700	—	—	—	1,000	700
Miles of 230 kV	8,400	2,700	3,400	1,600	—	700
Miles of 100 to 161 kV	12,300	6,800	2,500	900	700	1,400
Miles of 13 to 69 kV	8,400	3,000	—	2,200	700	2,500
Total conductor miles of electric transmission lines	31,900	13,100	6,200	4,900	2,400	5,300
Electric Distribution Lines						
Miles of overhead lines	174,300	66,600	46,400	25,200	13,700	22,400
Miles of underground line	102,800	37,800	29,400	20,800	5,900	8,900
Total conductor miles of electric distribution lines	277,100	104,400	75,800	46,000	19,600	31,300
Number of electric transmission and distribution substations	3,300	1,500	500	500	300	500

Substantially all of Electric Utilities and Infrastructure's electric plant in service is mortgaged under indentures relating to Duke Energy Carolinas', Duke Energy Progress', Duke Energy Florida's, Duke Energy Ohio's and Duke Energy Indiana's various series of First Mortgage Bonds.

GAS UTILITIES AND INFRASTRUCTURE

Gas Utilities and Infrastructure owns transmission pipelines and distribution mains that are generally underground, located near public streets and highways, or on property owned by others for which Duke Energy Ohio and Piedmont have obtained the necessary legal rights to place and operate facilities on such property located within the Gas Utilities and Infrastructure service territories. The following table provides information related to Gas Utilities and Infrastructure's natural gas distribution.

	Duke Energy	Duke Energy Ohio	Piedmont
Miles of natural gas distribution and transmission pipelines	33,100	7,200	25,900
Miles of natural gas service lines	27,400	6,900	20,500

PART I

COMMERCIAL RENEWABLES

The following table provides information related to Commercial Renewables' electric generation facilities as of December 31, 2017. The MW displayed in the table below are based on nameplate capacity. Ownership interest in all facilities is 100 percent unless otherwise indicated.

Facility	Plant Type	Primary Fuel	Location	Owned MW Capacity
Commercial Renewables – Wind				
Los Vientos Windpower (five sites)	Renewable	Wind	TX	912
Top of the World	Renewable	Wind	WY	200
Frontier	Renewable	Wind	OK	200
Notrees	Renewable	Wind	TX	153
Campbell Hill	Renewable	Wind	WY	99
North Allegheny	Renewable	Wind	PA	70
Laurel Hill Wind Energy	Renewable	Wind	PA	69
Ocotillo	Renewable	Wind	TX	59
Kit Carson	Renewable	Wind	CO	51
Silver Sage	Renewable	Wind	WY	42
Happy Jack	Renewable	Wind	WY	29
Shirley	Renewable	Wind	WI	20
Sweetwater IV[(a)]	Renewable	Wind	TX	113
Sweetwater V[(a)]	Renewable	Wind	TX	38
Ironwood[(a)]	Renewable	Wind	KS	84
Cimarron II[(a)]	Renewable	Wind	KS	66
Mesquite Creek[(a)]	Renewable	Wind	TX	106
Total Renewables – Wind				2,311
Commercial Renewables – Solar				
Conetoe II	Renewable	Solar	NC	80
Seville I & II	Renewable	Solar	CA	50
Rio Bravo I & II	Renewable	Solar	CA	40
Wildwood I & II	Renewable	Solar	CA	35
Caprock	Renewable	Solar	NM	25
Kelford	Renewable	Solar	NC	22
Highlander	Renewable	Solar	CA	21
Dogwood	Renewable	Solar	NC	20
Halifax Airport	Renewable	Solar	NC	20
Pasquotank	Renewable	Solar	NC	20
Pumpjack	Renewable	Solar	CA	20
Shawboro	Renewable	Solar	NC	20
Longboat	Renewable	Solar	CA	20
Bagdad	Renewable	Solar	AZ	15
TX Solar	Renewable	Solar	TX	14
Creswell Alligood	Renewable	Solar	NC	14
Victory	Renewable	Solar	CO	13
Washington White Post	Renewable	Solar	NC	12
Whitakers	Renewable	Solar	NC	12
Other small solar	Renewable	Solar	Various	123
Total Renewables – Solar				596
Total Commercial Renewables				**2,907**

(a) Commercial Renewables owns 47 percent of Sweetwater IV and V and 50 percent of Ironwood, Cimarron II and Mesquite Creek.

OTHER

Duke Energy owns approximately 8 million square feet and leases approximately 2 million square feet of corporate, regional and district office space spread throughout its service territories.

PART I

ITEM 3. LEGAL PROCEEDINGS

For information regarding legal proceedings, including regulatory and environmental matters, see Note 4, "Regulatory Matters," and Note 5, "Commitments and Contingencies," to the Consolidated Financial Statements.

MTBE Litigation

On June 19, 2014, the Commonwealth of Pennsylvania filed suit against, among others, Duke Energy Merchants, 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 lawsuit was moved to federal court and consolidated into an existing multidistrict litigation docket of pending MTBE cases. This suit was settled for an immaterial amount in December 2017.

In December 2017, the state of Maryland filed a lawsuit in Baltimore City Circuit Court against Duke Energy Merchants and other defendants alleging contamination of its water supplies from MTBE. Discovery is underway. Duke Energy cannot predict the outcome of this matter.

ITEM 4. MINE SAFETY DISCLOSURES

This is not applicable for any of the Duke Energy Registrants.

PART II

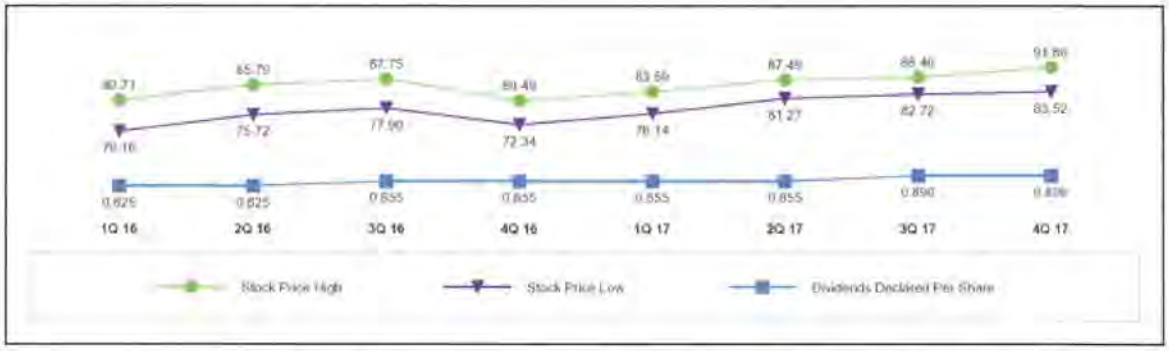
ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The common stock of Duke Energy is listed and traded on the New York Stock Exchange (NYSE) (ticker symbol DUK). As of January 31, 2018, there were 166,271 Duke Energy common stockholders of record.

There is no market for common stock of the Subsidiary Registrants, all of which is owned by Duke Energy.

Common Stock Data by Quarter

The following chart provides Duke Energy common stock trading prices as reported on the NYSE and information on common stock dividends declared. Stock prices represent the intraday high and low stock price.



Duke Energy expects to continue its policy of paying regular cash dividends; however, there is no assurance as to the amount of future dividends as they depend on future earnings, capital requirements and financial condition, and are subject to declaration by the Duke Energy Board of Directors.

Duke Energy's operating subsidiaries have certain restrictions on their ability to transfer funds in the form of dividends or loans to Duke Energy. See Note 4 to the Consolidated Financial Statements, "Regulatory Matters" for further information regarding these restrictions.

Securities Authorized for Issuance Under Equity Compensation Plans

See Item 12 of Part III within this Annual Report for information regarding Securities Authorized for Issuance Under Equity Compensation Plans.

Issuer Purchases of Equity Securities for Fourth Quarter 2017

There were no repurchases of equity securities during the fourth quarter of 2017.

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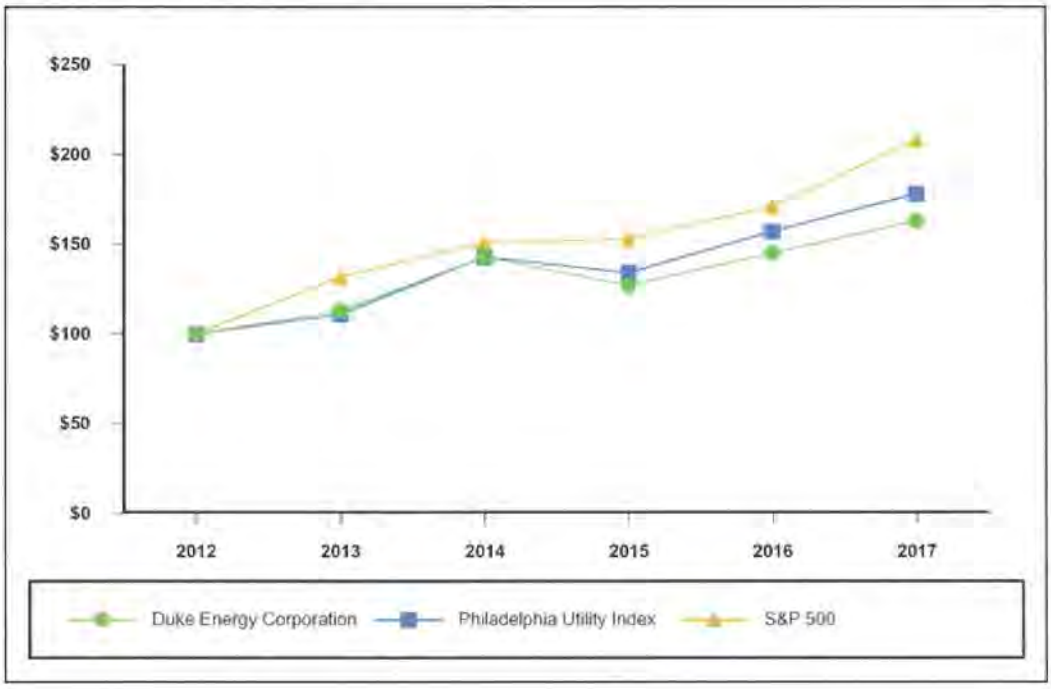
Stock Performance Graph

The following performance graph compares the cumulative total shareholder return from Duke Energy Corporation common stock, as compared with the Standard & Poor's 500 Stock Index (S&P 500) and the Philadelphia Utility Sector Index (Philadelphia Utility Index) for the past five years. The graph assumes an initial investment of $100 on December 31, 2012, in Duke Energy common stock, in the S&P 500 and in the Philadelphia Utility Index and that all dividends were reinvested. The stockholder return shown below for the five-year historical period may not be indicative of future performance.



NYSE CEO Certification

Duke Energy has filed the certification of its Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 as exhibits to this Annual Report on Form 10-K for the year ended December 31, 2017.

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ITEM 6. SELECTED FINANCIAL DATA

The following table provides selected financial data for the years of 2013 through 2017. See also Item 7.

(in millions, except per share amounts)	2017	2016	2015	2014	2013
Statement of Operations[a]					
Total operating revenues	$ **23,565**	$ 22,743	$ 22,371	$ 22,509	$ 21,211
Operating income	**5,781**	5,341	5,078	4,842	4,305
Income from continuing operations	**3,070**	2,578	2,654	2,538	2,278
(Loss) Income from discontinued operations, net of tax	**(6)**	(408)	177	(649)	398
Net income	**3,064**	2,170	2,831	1,889	2,676
Net income attributable to Duke Energy Corporation	**3,059**	2,152	2,816	1,883	2,665
Common Stock Data					
Income from continuing operations attributable to Duke Energy Corporation common stockholders					
Basic	$ **4.37**	$ 3.71	$ 3.80	$ 3.58	$ 3.21
Diluted	**4.37**	3.71	3.80	3.58	3.21
(Loss) Income from discontinued operations attributable to Duke Energy Corporation common stockholders					
Basic	$ **(0.01)**	$ (0.60)	$ 0.25	$ (0.92)	$ 0.56
Diluted	**(0.01)**	(0.60)	0.25	(0.92)	0.55
Net income attributable to Duke Energy Corporation common stockholders					
Basic	$ **4.36**	$ 3.11	$ 4.05	$ 2.66	$ 3.77
Diluted	**4.36**	3.11	4.05	2.66	3.76
Dividends declared per share of common stock	**3.49**	3.36	3.24	3.15	3.09
Balance Sheet					
Total assets	$ **137,914**	$ 132,761	$ 121,156	$ 120,557	$ 114,779
Long-term debt including capital leases, less current maturities	**49,035**	45,576	36,842	36,075	37,065

(a) Significant transactions reflected in the results above include: (i) the sale of the International Disposal Group in 2016, including a loss on sale recorded within discontinued operations (see Note 2 to the Consolidated Financial Statements, "Acquisitions and Dispositions") (ii) the acquisition of Piedmont in 2016, including losses on interest rate swaps related to the acquisition financing (see Note 2); (iii) 2014 impairment related to the disposal of the Midwest Generation Disposal Group; (iv) 2014 incremental tax expense resulting from the decision to repatriate all cumulative historical undistributed foreign earnings; (v) 2014 increase in the litigation reserve related to a criminal investigation of the Dan River release; (vi) 2013 charges related to Crystal River Unit 3 and nuclear development costs; and (vii) costs to achieve mergers in all periods.

PART II

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis includes financial information prepared in accordance with generally accepted accounting principles (GAAP) in the United States (U.S.), as well as certain non-GAAP financial measures such as adjusted earnings and adjusted earnings per share 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 as presented herein may not be comparable to similarly titled measures used by other companies.

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 its subsidiaries 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). 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. Subsequent to Duke Energy's acquisition of Piedmont on October 3, 2016, Piedmont is a wholly owned subsidiary of Duke Energy. The financial information for Duke Energy includes results of Piedmont subsequent to October 3, 2016. See Note 2 to the Consolidated Financial Statements, "Acquisitions and Dispositions," for additional information regarding the acquisition.

DUKE ENERGY

Duke Energy is an energy company headquartered in Charlotte, North Carolina. Duke Energy operates in the 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.

Management's Discussion and Analysis should be read in conjunction with the Consolidated Financial Statements and Notes for the years ended December 31, 2017, 2016 and 2015.

Executive Overview

With our multiyear portfolio transition complete, we operated in 2017 as a domestic, regulated energy infrastructure business. Our long-term view provides a compelling vision to advance our strategy, leveraging scale and a focused portfolio to deliver a reliable dividend with 4 to 6 percent earnings per share (EPS) growth during our five year planning horizon. We have made progress advancing our long-term strategy to invest in our growth drivers of cleaner energy, grid modernization and natural gas infrastructure, while also improving customer satisfaction.

Financial Results

(a) See Results of Operations below for Duke Energy's definition of adjusted earnings and adjusted earnings per share as well as a reconciliation of this non-GAAP financial measure to net income attributable to Duke Energy and net income attributable to Duke Energy per diluted share.

Duke Energy's 2017 GAAP reported earnings were impacted by unfavorable weather and the absence of International Energy partially offset by growth in the electric and gas businesses, including the addition of a full year's earnings contribution from Piedmont and ongoing cost management efforts. See "Results of Operations" below for a detailed

discussion of the consolidated results of operations, as well as a detailed discussion of financial results for each of Duke Energy's reportable business segments, as well as Other.

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2017 Areas of Focus and Accomplishments

Duke Energy advanced a number of important strategic initiatives to transform its energy future with a focus on customers, employees, operations and growth. The company has responded to an environment of changing customer demands by investing in electric and natural gas infrastructure that customers value and that provide an opportunity for sustainable growth.

Portfolio Transition. On October 3, 2016, Duke Energy completed the acquisition of 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. In December 2016, Duke Energy completed the sale of its Latin American generation businesses in two separate transactions. See Note 2 to the Consolidated Financial Statements, "Acquisitions and Dispositions," for additional information regarding these transactions.

With the acquisition of Piedmont and the sale of International Energy, Duke Energy completed a multiyear portfolio transition. The Piedmont acquisition reflects the growing importance of natural gas to the future of the energy infrastructure within the company's service territory and throughout the U.S. and establishes a strategic platform for future growth in natural gas infrastructure. The growth opportunities reflected in our 10-year strategy are expected to increase the earnings contributions from the natural gas business from 8 percent to 15 percent.

Operational Excellence. Duke Energy continues to focus on the safe and efficient operation of its generation fleet. During 2017, we delivered strong overall safety and environmental performance, with our key employee safety metric, total incident case rate, and our reportable environmental events both improving from last year. Our nuclear and fossil/hydro generation fleets demonstrated strong performance, exceeding their respective reliability targets.

Storm Response and System Restoration. Hurricane Irma, in October 2017, was one of the most powerful storms ever to hit the southern U.S. During Hurricane Irma, over 1.3 million customers in Florida were without power. Our restoration efforts involved coordination and communication with more than 12,000 line and fieldworkers and our team restored power to 99 percent of customers within eight days.

Customer Satisfaction. Higher J.D. Power residential customer satisfaction scores in 2017 reflect progress in the company's efforts to meet customers' expectations. The work to improve customer satisfaction will continue, but all jurisdictions remain on track to make steady gains in the years ahead as Duke Energy continues to transform the customer experience through its Customer Connect Program.

Constructive Regulatory Outcomes. One of our long-term strategic goals is to achieve modernized regulatory constructs in all of our jurisdictions within 10 years. Modernized constructs provide a number of benefits, including improved earnings and cash flows through more timely recovery of investments, as well as stable pricing for customers. We filed several base rate cases during 2017 to recover a range of strategic investments, such as customer service technologies, coal ash costs in the Carolinas, smart meters, natural gas and solar generation. We continue to pursue additional legislative and regulatory outcomes, both in Washington and across our service territories, that make sense for our customers and investors.

Cost Management and Efficiencies. Duke Energy has a demonstrated track record of driving efficiencies and productivity, including merger integration and continuous improvement efforts. These efficiencies will help in Duke Energy's objective to keep overall customer rates below the national average, while moderating customer bill increases over time. We are on track to exceed targeted Piedmont merger cost synergies without significant disruptions to the business or culture, integrating the Piedmont and Midwest natural gas operations, and moving to a shared services model. We continue to leverage new technology and data analytics to drive additional efficiencies across the business.

Dividend Growth. In 2017, Duke Energy continued to grow the dividend payment to shareholders by approximately 4 percent. 2017 represented the 91st consecutive year Duke Energy paid a cash dividend on its common stock.

Duke Energy Objectives – 2018 and Beyond

Duke Energy will continue to deliver exceptional value to customers, be an integral part of the communities in which it does business, and provide attractive returns to investors. Duke Energy is committed to lead the way to cleaner, smarter energy solutions that customers value through a strategy focused on:

- Transformation of the customer experience to meet changing customer expectations through enhanced convenience, control and choice in energy supply and usage.
- Modernization of the electric grid, including smart meters, storm hardening, self-healing and targeted undergrounding to ensure the system is better prepared for severe weather and to improve the system's reliability and flexibility, as well as to provide better information and services for customers.
- Generation of cleaner energy through an increased amount of natural gas, renewables generation and the continued safe and reliable operation of nuclear plants.
- Expansion of natural gas infrastructure, from midstream gas pipelines to local distribution systems.
- Operational excellence through engagement with employees and being an industry leader in safety performance and efficient operations.
- Stakeholder engagement to ensure the regulatory rules in the states in which Duke Energy operates benefit customers and allow Duke Energy to recover its significant investments in a timely manner while maintaining affordable rates.
- Engagement with regulatory commissions to determine the regulatory treatment of the impact of the Tax Act.

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Primary objectives toward the implementation of this strategy include:

Growth Initiatives. Growth in the Electric Utilities and Infrastructure business is expected to be supported by the investment of significant capital in the electric transmission and distribution grid, and in cleaner, more efficient generation. Duke Energy expects to invest approximately $30 billion in Electric Utilities and Infrastructure growth projects over the next five years (2018-2022), continuing its efforts to generate cleaner energy. Duke Energy intends to work constructively with regulators to evaluate the current regulatory construct and seek modernized recovery solutions, such as riders, rate decoupling and multiyear rate plans, that benefit both customers and shareholders.

Investment projects at Electric Utilities and Infrastructure currently underway that will support growth initiatives include:

- Duke Energy Indiana's $1.4 billion grid modernization plan, which is aimed at improving reliability, including fewer outages and quicker restoration.
- Significant investments in combined-cycle natural gas plants, including completing the $1.5 billion Citrus County plant in Florida, the $600 million W.S. Lee facility in South Carolina and the $900 million investment in the Western Carolinas Modernization Project. These investments will allow Duke Energy to replace older, less efficient coal units.
- Duke Energy expects to continue to advance other cleaner energy sources within its regulated electric jurisdictions, including hydro, wind, solar and combined heat and power projects, increasing the flexibility of the system and allowing Duke Energy to continue lowering carbon emissions.
    - In North Carolina, HB 589 provides a timely cost recovery mechanism for any solar investments we are able to make through a competitive market process.
    - In Florida, as part of the comprehensive multi-year rate settlement, we committed to invest in approximately 700 MW of solar capacity over the next five years and will be authorized to recover the cost of that investment through a single issue base rate increase. We also advanced our strategic priority of energy grid investment, establishing a multiyear recovery method for $1 billion of grid investments.

Duke Energy expects to invest around $7 billion growing its Gas Utilities and Infrastructure business over the next five years. Growth in Gas Utilities and Infrastructure will be focused on the following:

- With the acquisition of Piedmont, Duke Energy now operates natural gas distribution businesses across five states. The continued integration of Piedmont, as well as additional investments in the natural gas Local Distribution Company (LDC) system, will help maintain system integrity and expand natural gas distribution to new customers.
- Duke Energy will continue to grow its midstream pipeline business, underpinned by investments in the Atlantic Coast Pipeline, Sabal Trail and Constitution pipeline projects. These highly contracted pipelines will bring much needed, low-cost natural gas supplies to the eastern U.S., spurring economic growth and helping Duke Energy to grow its customer base in the Southeast.

For Commercial Renewables, Duke Energy will continue to pursue long-term contracted wind and solar projects that meet its return criteria.

Cost Management. Duke Energy has a demonstrated track record of driving efficiencies and productivity into the business, leveraging its scale through competitive procurement initiatives, deploying digital transformation and continuing to identify sustainable cost savings as an essential element in response to a transforming industry.

Execute on Coal Ash Management Strategy. Duke Energy will continue the company's compliance strategy with the North Carolina Coal Ash Management Act of 2014 (Coal Ash Act) and Resource Conservation and Recovery Act. Duke Energy will update ash management plans to comply with the appropriate regulations and expand excavation and other compliance work at additional sites once plans and permits are approved.

Results of Operations

Non-GAAP Measures

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 attributable to Duke Energy, adjusted for the dollar and per share impact of special items. As discussed below, special items include 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 (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, which management believes do not reflect ongoing costs:

- Costs to Achieve Mergers represents charges that result from strategic acquisitions.
- Cost Savings Initiatives represent severance charges related to company-wide initiatives, excluding merger integration, to standardize processes and systems, leverage technology and workforce optimization.

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- Regulatory Settlements in 2017 represent charges related to the Levy nuclear project in Florida and the Mayo Zero Liquid Discharge and Sutton combustion turbine projects in North Carolina. The 2015 amount represents charges related to the IGCC Settlement.
- Commercial Renewables Impairments represent other-than-temporary, asset and goodwill impairments.
- Impacts of the Tax Act represent estimated amounts recognized related to the Tax Cuts and Jobs Act.
- Ash Basin Settlement and Penalties represent charges related to Plea Agreements and settlement agreements with regulators and other governmental entities.

Adjusted earnings also include the operating results of the nonregulated Midwest generation business and Duke Energy Retail Sales (collectively, the Midwest Generation Disposal Group) and the International Disposal Group, which have been classified as discontinued operations. Management believes inclusion of the operating results of the Disposal Groups within adjusted earnings and adjusted diluted EPS results in a better reflection of Duke Energy's financial performance during the period.

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

Reconciliation of GAAP Reported Amounts to Adjusted Amounts

The following table presents a reconciliation of adjusted earnings and adjusted diluted EPS to the most directly comparable GAAP measures.

	Years Ended December 31,					
	2017		2016		2015	
(in millions, except per share amounts)	Earnings	EPS	Earnings	EPS	Earnings	EPS
GAAP Reported Earnings/EPS	$ 3,059	$ 4.36	$ 2,152	$ 3.11	$ 2,816	$ 4.05
Adjustments to Reported:						
Costs to Achieve Mergers	64	0.09	329	0.48	60	0.09
Regulatory Settlements	98	0.14	—	—	58	0.08
Commercial Renewables Impairments	74	0.11	45	0.07	—	—
Impacts of the Tax Act[c]	(102)	(0.14)	—	—	—	—
Cost Savings Initiatives	—	—	57	0.08	88	0.13
Ash Basin Settlement and Penalties	—	—	—	—	11	0.02
Discontinued Operations[a][b]	6	0.01	661	0.95	119	0.17
Adjusted Earnings/Adjusted Diluted EPS	$ 3,199	$ 4.57	$ 3,244	$ 4.69	$ 3,152	$ 4.54

(a) For 2016, includes a loss on sale of the International Disposal Group. Represents the GAAP reported Loss from Discontinued Operations, less the International Disposal Group operating results, which are included in adjusted earnings.

(b) For 2015, includes the impact of a litigation reserve related to the Midwest Generation Disposal Group. Represents (i) GAAP reported Income from Discontinued Operations, less the International Disposal Group operating results and Midwest Generation Disposal Group operating results, which are included in adjusted earnings, and (ii) a state tax charge resulting from the completion of the sale of the Midwest Generation Disposal Group but not reported as discontinued operations.

(c) The Tax Act reduced the corporate income tax rate from 35 percent to 21 percent, effective January 1, 2018. As the tax change was enacted in 2017, Duke Energy is required to remeasure its existing deferred tax assets and liabilities at the lower rate. For Duke Energy's regulated operations, where the reduction in the net accumulated deferred income tax liability is expected to be returned to customers in future rates, the remeasurement has been deferred as a regulatory liability.

Year Ended December 31, 2017, as compared to 2016

Duke Energy's full-year 2017 GAAP Reported EPS was $4.36 compared to $3.11 for full-year 2016. In addition to the adjusted diluted EPS drivers discussed below, GAAP Reported EPS in 2017 was higher primarily due to a $0.14 benefit per share related to the Tax Act in 2017, lower costs to achieve the Piedmont merger and a loss on sale and impairments associated with the sale of the International Disposal Group in 2016, partially offset by charges of $0.14 related to regulatory settlements in Electric Utilities and Infrastructure.

As discussed, management also evaluates financial performance based on adjusted earnings. Duke Energy's full-year 2017 adjusted diluted EPS was $4.57 compared to $4.69 for full-year 2016. The decrease in adjusted diluted EPS was primarily due to:

- Lower regulated electric revenues of $0.26 per share due to less favorable weather in the current year, including lost revenues related to Hurricane Irma;
- The prior year operating results from the International Disposal Group, which was sold in December 2016. The 2016 operating results included a benefit from the valuation of deferred income taxes. See Note 22 to the Consolidated Financial Statements, Income Taxes," for additional information;
- Higher financing costs, primarily due to the Piedmont acquisition; and

- Higher depreciation and amortization expense at Electric Utilities and Infrastructure primarily due to higher depreciable base.

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, maintenance and other expenses, net of amounts recoverable in rates, at Electric Utilities and Infrastructure resulting from ongoing cost efficiency efforts and lower year-to-date storm costs than the prior year; and
- Additional earnings from incremental investments in Atlantic Coast Pipeline, LLC (ACP) and Sabal Trail natural gas pipelines.

Year Ended December 31, 2016, as compared to 2015

Duke Energy's full-year 2016 GAAP Reported EPS was $3.11 compared to $4.05 for full-year 2015. GAAP Reported EPS was lower primarily due to a $0.93 loss on sale of the International business, which has been presented as discontinued operations. Duke Energy also recorded $0.40 of after-tax costs to achieve the Piedmont merger in 2016, including losses on interest rate swaps related to the acquisition financing. See Note 2, "Acquisitions and Dispositions," for additional information on the Piedmont and International transactions.

As discussed, management also evaluates financial performance based on adjusted earnings. Duke Energy's full-year 2016 adjusted diluted EPS was $4.69 compared to $4.54 for full-year 2015. The variance in adjusted diluted EPS was primarily due to:

- More favorable weather in 2016 compared to 2015;
- Increased retail revenues from pricing and riders, including energy efficiency programs;
- Strong operations and maintenance cost control at Electric Utilities and Infrastructure; and
- Piedmont's earnings contribution subsequent to the acquisition in October 2016.

Partially offset by:

- Higher storm costs at Electric Utilities and Infrastructure due to significant 2016 storms;
- Higher interest expense related to additional debt outstanding; and
- Higher depreciation and amortization expense at Electric Utilities and Infrastructure primarily due to higher depreciable base.

Segment Results

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

Duke Energy's segment structure includes 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. See Note 3 to the Consolidated Financial Statements, "Business Segments," for additional information on Duke Energy's segment structure.

Tax Cuts and Jobs Act (the Tax Act)

On December 22, 2017, President Trump signed the Tax Act into law. Among other provisions, the Tax Act lowers the corporate federal income tax rate from 35 percent to 21 percent, limits interest deductions outside of regulated utility operations, and eliminates bonus depreciation for regulated utilities, effective January 1, 2018. The Tax Act also could be amended or subject to technical correction, which could change the financial impacts that were recorded at December 31, 2017, or are expected to be recorded in future periods. See Note 22 to the Consolidated Financial Statements, "Income Taxes," for additional information on the Tax Act. The FERC and state utility commissions will determine the regulatory treatment of the impacts of the Tax Act for the Subsidiary Registrants. Duke Energy's segments' future results of operations, financial condition and cash flows could be adversely impacted by the Tax Act, subsequent amendments or corrections, or the actions of the FERC, state utility commissions or credit rating agencies related to the Tax Act. Duke Energy is reviewing orders to address the rate treatment of the Tax Act by each state utility commission in which the Subsidiary Registrants operate. See Note 4 to the Consolidated Financial Statements, "Regulatory Matters," for additional information. Beginning in January 2018, the Subsidiary Registrants will defer the estimated ongoing impacts of the Tax Act that are expected to be returned to customers. See the Credit Ratings section below for additional information on the impact of the Tax Act on the Duke Energy Registrants' credit ratings.

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As a result of the Tax Act, Duke Energy revalued its existing deferred tax assets and deferred tax liabilities as of December 31, 2017, to account for the estimated future impact of lower corporate tax rates on these deferred tax amounts. For Duke Energy's regulated operations, where the net reduction in the net accumulated deferred income tax liability is expected to be returned to customers in future rates, the remeasurement has been deferred as a regulatory liability. See Note 4 to the Consolidated Financial Statements, "Regulatory Matters," for additional information on the Tax Act's impact to the regulatory asset and liability accounts. The following table shows the expense (benefit) recorded on Duke Energy's Consolidated Statement of Operations for the year ended December 31, 2017.

(in millions)	Impacts of the Tax Act[a][b]
Electric Utilities and Infrastructure[c]	$ (231)
Gas Utilities and Infrastructure[d][e]	(26)
Commercial Renewables	(442)
Other[f]	597
Total impact of the Tax Act[d]	$ (102)

(a) Except where noted below, amounts are included within Income Tax Expense From Continuing Operations on the Consolidated Statement of Operations.
(b) See Note 4 and Note 22 to the Consolidated Financial Statements, "Regulatory Matters" and "Income Taxes," for information about the Tax Act's impact on Duke Energy's Consolidated Balance Sheets.
(c) Amount primarily relates to the remeasurement of net deferred tax liabilities that are excluded for ratemaking purposes related to abandoned or impaired assets and certain wholesale fixed rate contracts.
(d) Includes a $16 million expense recorded within Equity in earnings (losses) of unconsolidated affiliates on the Consolidated Statement of Operations.
(e) Amount primarily relates to the remeasurement of net deferred tax liabilities that relates to equity method investments and certain wholesale fixed rate contracts.
(f) Amount primarily relates to the remeasurement of Foreign Tax Credits, federal net operating losses and non-regulated deferred tax assets.

Electric Utilities and Infrastructure

	Years Ended December 31,				
(in millions)	2017	2016	Variance 2017 vs. 2016	2015	Variance 2016 vs. 2015
Operating Revenues	$ 21,331	$ 21,366	$ (35)	$ 21,521	$ (155)
Operating Expenses					
Fuel used in electric generation and purchased power	6,379	6,595	(216)	7,308	(713)
Operations, maintenance and other	5,196	5,292	(96)	5,138	154
Depreciation and amortization	3,010	2,897	113	2,735	162
Property and other taxes	1,079	1,021	58	1,013	8
Impairment charges	176	16	160	101	(85)
Total operating expenses	15,840	15,821	19	16,295	(474)
Gains on Sales of Other Assets and Other, net	6	—	6	5	(5)
Operating Income	5,497	5,545	(48)	5,231	314
Other Income and Expenses	308	303	5	264	39
Interest Expense	1,240	1,136	104	1,074	62
Income Before Income Taxes	4,565	4,712	(147)	4,421	291
Income Tax Expense	1,355	1,672	(317)	1,602	70
Segment Income	$ 3,210	$ 3,040	$ 170	$ 2,819	$ 221
Duke Energy Carolinas Gigawatt-Hours (GWh) sales	87,305	88,545	(1,240)	86,950	1,595
Duke Energy Progress GWh sales	66,822	69,049	(2,227)	64,881	4,168
Duke Energy Florida GWh sales	40,591	40,404	187	40,053	351
Duke Energy Ohio GWh sales	24,639	25,163	(524)	25,439	(276)
Duke Energy Indiana GWh sales	33,145	34,368	(1,223)	33,518	850
Total Electric Utilities and Infrastructure GWh sales	252,502	257,529	(5,027)	250,841	6,688
Net proportional MW capacity in operation	48,828	49,295	(467)	50,170	(875)

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Year Ended December 31, 2017, as Compared to 2016

Electric Utilities and Infrastructure's results were impacted by the Tax Act, growth from investments, lower operations and maintenance expense and higher weather-normal retail sales volumes, partially offset by less favorable weather, impairment charges due to regulatory settlements, increased depreciation and amortization, higher interest expense and higher property and other taxes. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by:

- a $292 million decrease in retail sales, net of fuel revenue, due to less favorable weather in the current year; and
- a $235 million decrease in fuel revenues driven by lower retail sales volumes, lower fuel prices included in rates and changes in the generation mix.

Partially offset by:

- a $364 million increase in rider revenues including increased revenues related to energy efficiency programs, Duke Energy Florida's nuclear asset securitization, Midwest transmission and distribution capital investments and Duke Energy Indiana's Edwardsport Integrated Gasification Combined Cycle (IGCC) plant, as well as an increase in retail pricing due to base rate adjustments for Duke Energy Florida's Osprey acquisition and Hines Chillers and the Duke Energy Progress South Carolina rate case;
- an $86 million increase in weather-normal sales volumes to customers; and
- a $26 million increase in other revenues primarily due to favorable transmission revenues.

Operating Expenses. The variance was driven primarily by:

- a $160 million increase in impairment charges primarily due to the write-off of remaining unrecovered Levy Nuclear Project costs in the current year at Duke Energy Florida and the disallowance from rate base of certain projects at the Mayo and Sutton plants in the current year at Duke Energy Progress related to the partial settlement in the North Carolina rate case;
- a $113 million increase in depreciation and amortization expense primarily due to additional plant in service; and
- a $58 million increase in property and other taxes primarily due to higher property taxes.

Partially offset by:

- a $216 million decrease in fuel expense (including purchased power) primarily due to lower retail sales and changes in the generation mix; and
- a $96 million decrease in operation, maintenance and other expense primarily due to lower plant outage, storm restoration and labor and benefits costs partially offset by higher operational costs that are recoverable in rates.

Interest Expense. The variance was due to higher debt outstanding in the current year and Duke Energy Florida's Crystal River 3 (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 the impact of the Tax Act. The effective tax rates for the years ended December 31, 2017, and 2016 were 29.7 percent and 35.5 percent, respectively. The decrease in the effective tax rate was primarily due to the impact of the Tax Act. See the Tax Cuts and Jobs Act section above for additional information on the Tax Act.

Year Ended December 31, 2016, as Compared to 2015

Electric Utilities and Infrastructure's higher earnings were primarily due to increased pricing and rider revenues, favorable weather, a prior year impairment charge associated with the 2015 Edwardsport IGCC settlement and an increase in wholesale power margins. These impacts were partially offset by increased depreciation and amortization expense, higher interest expense and higher 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 $768 million decrease in fuel revenues driven by lower fuel prices included in rates.

Partially offset by:

- a $414 million increase in rider revenues including increased revenues related to energy efficiency programs, the additional ownership interest in generating assets acquired from NCEMPA in the third quarter of 2015 and increased revenues related to Duke Energy Indiana's clean coal equipment, and increased retail electric pricing primarily due to the expiration of the North Carolina cost of removal decrement rider;
- a $101 million increase in retail sales, net of fuel revenue, due to favorable weather compared to the prior year; and
- a $76 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.

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Operating Expenses. The variance was driven primarily by:

- a $713 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 volumes of coal and oil, partially offset by higher volumes of natural gas; and
- an $85 million decrease in pretax impairment charges in the prior year primarily due to the 2015 Edwardsport IGCC settlement.

Partially offset by:

- a $162 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, as well as the expiration of the North Carolina cost of removal decrement rider; and
- a $154 million increase in operations and maintenance expense primarily due to higher environmental and operational costs that are recoverable in rates, increased employee benefit costs, and higher storm restoration costs, partially offset by lower costs due to effective cost control efforts.

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

Interest Expense. The variance was due to higher debt outstanding in the current year.

Income Tax Expense. The variance was primarily due to an increase in pretax income. The effective tax rates for the years ended December 31, 2016, and 2015 were 35.5 percent and 36.2 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 and Note 9 to the Consolidated Financial Statements, "Regulatory Matters" and "Asset Retirement Obligations," respectively, 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 enacted 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 to the 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 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 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. 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 Consolidated Financial Statements, "Regulatory Matters," for additional information.

Duke Energy has several rate cases pending. Duke Energy Kentucky filed an electric rate case with the Kentucky Public Service Commission (KPSC) on September 1, 2017, to recover costs of capital investments in generation, transmission and distribution systems and to recover other incremental expenses since its previous rate case. Duke Energy Carolinas and Duke Energy Progress filed general rate cases with the NCUC on August 25, 2017, and June 1, 2017, respectively, 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. In March 2017, Duke Energy Ohio filed an electric distribution base rate case application and supporting testimony with the Public Utility Commission of Ohio (PUCO). Electric Utilities and Infrastructure's earnings could be impacted adversely if these rate increases are delayed or denied by the KPSC, NCUC or PUCO. See Note 4 to the Consolidated Financial Statements, "Regulatory Matters," for additional information.

On August 29, 2017, Duke Energy Florida filed a 2017 Second Revised and Restated Settlement Agreement (2017 Settlement) with the FPSC. On November 20, 2017, the FPSC issued an order to approve the 2017 Settlement. See Note 4 to the Consolidated Financial Statements, "Regulatory Matters," for additional information about the 2017 Settlement. In accordance with the 2017 Settlement, Duke Energy Florida will not seek recovery of any costs associated with the ongoing Westinghouse contract litigation, which is currently being appealed. See Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies," for additional information about the litigation. An unfavorable appeals ruling on that matter could have an adverse impact on Electric Utilities and Infrastructure's financial position, results of operations and cash flows.

Within this Item 7, see the Tax Cuts and Jobs Act above as well as Liquidity and Capital Resources below for risks associated with the Tax Act.

PART II

Gas Utilities and Infrastructure

	Years Ended December 31,				
(in millions)	2017	2016	Variance 2017 vs. 2016	2015	Variance 2016 vs. 2015
Operating Revenues	$ 1,836	$ 901	$ 935	$ 541	$ 360
Operating Expenses					
Cost of natural gas	632	265	367	141	124
Operation, maintenance and other	393	186	207	126	60
Depreciation and amortization	231	115	116	79	36
Property and other taxes	106	70	36	62	8
Total operating expenses	1,362	636	726	408	228
(Loss) Gains on Sales of Other Assets and Other, net	—	(1)	1	6	(7)
Operating Income	474	264	210	139	125
Other Income and Expenses	66	24	42	3	21
Interest Expense	105	46	59	25	21
Income Before Income Taxes	435	242	193	117	125
Income Tax Expense	116	90	26	44	46
Segment Income	$ 319	$ 152	$ 167	$ 73	$ 79
Piedmont LDC throughput (dekatherms)[a]	468,259,777	120,908,508	347,351,269	—	120,908,508
Duke Energy Midwest LDC throughput (MCF)	80,934,836	81,870,489	(935,653)	84,523,814	(2,653,325)

(a) Includes throughput subsequent to Duke Energy's acquisition of Piedmont on October 3, 2016.

Year Ended December 31, 2017, as Compared to 2016

Gas Utilities and Infrastructure's higher results were primarily 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, as well as additional equity earnings from investments in the ACP and Sabal Trail pipelines.

Operating Revenues. The variance was driven primarily by:

- an $884 million increase in operating revenues due to the inclusion of Piedmont's operating revenues beginning in October 2016; and
- a $47 million increase in Piedmont's fourth quarter results due to colder weather, higher natural gas prices, Integrity Management Rider (IMR) rate adjustments, customer growth and new power generation customers.

Operating Expenses. The variance was driven primarily by:

- a $686 million increase in operating expenses due to the inclusion of Piedmont's operating expenses beginning in October 2016; and
- a $34 million increase in Piedmont's fourth quarter results primarily due to higher natural gas costs passed through to customers due to the higher price per dekatherm of natural gas.

Other Income and Expenses. The increase was driven primarily by higher equity earnings from pipeline investments.

Interest Expense. The variance was primarily due to the inclusion of Piedmont's interest expense beginning in October 2016.

Income Tax Expense. The variance was primarily due to an increase in pretax income due to the inclusion of Piedmont's earnings beginning in October 2016, partially offset by prior period true-ups. The effective tax rates for the years ended December 31, 2017, and 2016 were 26.7 percent and 37.2 percent, respectively. The decrease in the effective tax rate was primarily due to the prior period true-ups and the impact of the Tax Act. See the Tax Cuts and Jobs Act section above for additional information on the Tax Act.

Year Ended December 31, 2016, as Compared to 2015

Gas Utilities and Infrastructure's higher results were primarily due to the inclusion of Piedmont's earnings subsequent to the merger on October 3, 2016, and higher equity earnings from pipeline investments. Piedmont's earnings included in Gas Utilities and Infrastructure's results were $67 million for the year ended December 31, 2016.

Operating Revenues. The variance was driven primarily by:

- a $398 million increase in operating revenues due to the inclusion of Piedmont's operating revenues beginning in October 2016,

Partially offset by:

- a $38 million decrease in fuel revenues driven by lower natural gas prices and decreased sales volumes for Midwest operations.

Operating Expenses. The variance was driven primarily by:

- a $276 million increase in operating expenses due to the inclusion of Piedmont's operating expenses beginning in October 2016.

Partially offset by:

- a $38 million decrease in the cost of natural gas, primarily due to decreased volumes and lower natural gas prices for Midwest operations.

Other Income and Expenses. The increase was driven primarily by higher equity earnings from pipeline investments.

Interest Expense. The variance was primarily due to the inclusion of Piedmont's interest expenses beginning in October 2016.

Income Tax Expense. The variance was primarily due to an increase in pretax income. The effective tax rates for the years ended December 31, 2016, and 2015 were 37.2 percent and 37.6 percent, respectively.

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. As a result of the permitting delays and project uncertainty, total anticipated contributions by Duke Energy can no longer be reasonably estimated. 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 salvage value and any cash and working capital returned, may be recorded. Due to the FERC's January 2018 ruling and the resulting increase in uncertainty, Duke Energy is evaluating the potential to recognize a pretax impairment charge on its investment in Constitution during the first quarter of 2018 of up to the current carrying amount of the investment, net of salvage value and any cash and working capital returned. With the project on hold, funding of project costs has ceased until resolution of legal actions. At December 31, 2017, Duke Energy's investment in Constitution was $81 million. See Note 4 and Note 12 to the Consolidated Financial Statements, "Regulatory Matters," and "Investments in Unconsolidated Affiliates," respectively, for additional information.

Gas Utilities and Infrastructure has a 47 percent ownership interest in ACP, which is building an approximately 600-mile interstate natural gas pipeline intended to transport diverse natural gas supplies into southeastern markets. Affected states (West Virginia, Virginia and North Carolina) have issued certain necessary permits; the project remains subject to other pending federal and state approvals, which will allow full construction activities to begin. In early 2018, the FERC issued series of Partial Notices to Proceed which authorized the project to begin limited construction-related activities along the pipeline route. The project has a targeted in-service date of late 2019. Due to delays in obtaining the required permits to commence construction and the conditions imposed upon the project by the permits, ACP's project manager estimates the project pipeline development costs have increased from a range of $5.0 billion to $5.5 billion to a range of $6.0 billion to $6.5 billion, excluding financing costs. Project construction activities, schedule and final costs are still subject to uncertainty due to potential additional permitting delays, construction productivity and other conditions and risks that could result in potential higher project costs and a potential delay in the targeted in-service date. See Note 4 to the Consolidated Financial Statements, "Regulatory Matters," for additional information.

Rapidly rising interest rates without timely or adequate updates to the regulated allowed return on equity or failure to achieve the anticipated benefits of the Piedmont merger, including cost savings and growth targets, could significantly impact the estimated fair value of reporting units in Gas Utilities and Infrastructure. In the event of a significant decline in the estimated fair value of the reporting units, goodwill impairment charges could be recorded. The carrying value of goodwill within Gas Utilities and Infrastructure was approximately $1,924 million at December 31, 2017.

Within this Item 7, see the Tax Cuts and Jobs Act above as well as Liquidity and Capital Resources below for risks associated with the Tax Act.

PART II

Commercial Renewables

	Years Ended December 31,				
(in millions)	2017	2016	Variance 2017 vs. 2016	2015	Variance 2016 vs. 2015
Operating Revenues	$ 460	$ 484	$ (24)	$ 286	$ 198
Operating Expenses					
Operation, maintenance and other	267	337	(70)	197	140
Depreciation and amortization	155	130	25	104	26
Property and other taxes	33	25	8	18	7
Impairment charges	99	—	99	3	(3)
Total operating expenses	554	492	62	322	170
Gains on Sales of Other Assets and Other, net	1	5	(4)	1	4
Operating Loss	(93)	(3)	(90)	(35)	32
Other Income and Expenses	(12)	(83)	71	2	(85)
Interest Expense	87	53	34	44	9
Loss Before Income Taxes	(192)	(139)	(53)	(77)	(62)
Income Tax Benefit	(628)	(160)	(468)	(128)	(32)
Less: Loss Attributable to Noncontrolling Interests	(5)	(2)	(3)	(1)	(1)
Segment Income	$ 441	$ 23	$ 418	$ 52	$ (29)
Renewable plant production, GWh	8,260	7,446	814	5,577	1,869
Net proportional MW capacity in operation	2,907	2,892	15	1,943	949

Year Ended December 31, 2017, as Compared to 2016

Commercial Renewables' higher earnings were primarily due to the Tax Act, partially offset by pretax impairment charges. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The decrease was primarily due to lower engineering, procurement and construction revenues from REC Solar, a California-based provider of solar installations acquired by Duke Energy in 2015.

Operating Expenses. The increase was primarily due to $99 million in pretax impairment charges in the current year related to a wholly owned non-contracted wind project and other investments and higher expenses associated with new wind and solar projects, partially offset by lower operations and maintenance expense at REC Solar due to fewer projects under construction. See Notes 10 and 11 to the Consolidated Financial Statements, "Property, Plant and Equipment" and "Goodwill and Intangible Assets," respectively, for additional information.

Other Income and Expenses. The variance was primarily due to a $71 million pretax impairment charge in the prior year related to certain equity method investments. For additional information, see Note 12 to the Consolidated Financial Statements, "Investments in Unconsolidated Affiliates."

Interest Expense. The variance was primarily due to new project financings and less capitalized interest due to fewer projects under construction.

Income Tax Benefit. The variance was primarily due to the impact of the Tax Act and higher production tax credits (PTCs), partially offset by lower investment tax credits (ITCs). See the Tax Cuts and Jobs Act section above for additional information on the Tax Act and the impact on the effective tax rate.

Year Ended December 31, 2016, as Compared to 2015

Commercial Renewables' 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 variance drivers by line item.

Operating Revenues. The variance was primarily due to a $135 million increase due to growth of REC Solar and a $66 million increase from new wind and solar generation placed in service and improved wind production.

Operating Expenses. The variance was primarily due to a $130 million increase in operating expenses due to growth of REC Solar and a $36 million increase in operating expenses due to new wind and solar generation placed in service.

Other Income and Expenses. The variance was due to a $71 million pretax impairment charge related to certain equity method investments in wind projects. See Note 12 to the Consolidated Financial Statements, "Investments in Unconsolidated Affiliates," for additional information.

Income Tax Benefit. The variance was primarily due to a decrease in pretax income and the impact of PTCs for the renewables portfolio.

PART II

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 or other asset impairment charges could be recorded. The carrying value of goodwill within Commercial Renewables was approximately $93 million at December 31, 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.

Within this Item 7, see the Tax Cuts and Jobs Act above as well as Liquidity and Capital Resources below for risks associated with the Tax Act.

Other

	Years Ended December 31,				
			Variance		Variance
			2017 vs.		2016 vs.
(in millions)	2017	2016	2016	2015	2015
Operating Revenues	$ 138	$ 117	$ 21	$ 135	$ (18)
Operating Expenses					
Fuel used in electric generation and purchased power	58	51	7	48	3
Operation, maintenance and other	44	371	(327)	188	183
Depreciation and amortization	131	152	(21)	135	17
Property and other taxes	14	28	(14)	35	(7)
Impairment charges	7	2	5	3	(1)
Total operating expenses	254	604	(350)	409	195
Gains on Sales of Other Assets and Other, net	21	23	(2)	18	5
Operating Loss	(95)	(464)	369	(256)	(208)
Other Income and Expenses	127	75	52	98	(23)
Interest Expense	574	693	(119)	393	300
Loss Before Income Taxes	(542)	(1,082)	540	(551)	(531)
Income Tax Expense (Benefit)	353	(446)	799	(262)	(184)
Less: Income attributable to Noncontrolling Interests	10	9	1	10	(1)
Net Expense	$ (905)	$ (645)	$ (260)	$ (299)	$ (346)

Year Ended December 31, 2017, as Compared to 2016

Other's higher net expense was driven by the Tax Act, partially offset by prior year losses on forward-starting interest rate swaps and other costs related to the Piedmont acquisition, decreased severance expenses, prior year donations to the Duke Energy Foundation and insurance proceeds resulting from settlement of the shareholder litigation related to the Progress Energy merger. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The increase was primarily due to higher OVEC (Ohio Valley Electric Corporation) revenues and prior year customer credits related to Piedmont merger commitments. See Note 2 to the Consolidated Financial Statements, "Acquisitions and Dispositions," for additional information.

Operating Expenses. The decrease was primarily due to lower transaction and integration costs associated with the Piedmont acquisition, prior year severance expenses related to cost savings initiatives, donations to the Duke Energy Foundation in 2016 as well as prior year depreciation expense and other integration costs related to the Progress Energy merger. 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 insurance proceeds resulting from settlement of the shareholder litigation related to the Progress Energy merger, higher earnings from the equity method investment in NMC and increased returns on investments that fund certain employee benefit obligations.

Interest Expense. The decrease was primarily due to prior year losses on forward-starting interest rate swaps related to Piedmont pre-acquisition financing, partially offset by higher interest costs on $3.75 billion of debt issued in August 2016 to fund the acquisition. For additional information see Notes 2, 6 and 14 to the Consolidated Financial Statements, "Acquisitions and Dispositions," "Debt and Credit Facilities" and "Derivatives and Hedging," respectively.

Income Tax Benefit. The variance was primarily due to the impact of the Tax Act and a decrease in pretax loss. See the Tax Cuts and Jobs Act section above for additional information on the Tax Act and the impact on the effective tax rate.

PART II

Year Ended December 31, 2016, as Compared to 2015

Other's higher net expense was driven by costs related to the Piedmont acquisition, higher charitable donations and higher interest expense related to the Piedmont acquisition financing. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The decrease was primarily due to customer credits recorded related to Piedmont merger commitments. See Note 2 to the Consolidated Financial Statements, "Acquisitions and Dispositions," for additional information.

Operating Expenses. The increase was primarily due to transaction and integration costs associated with the Piedmont acquisition and increased donations to the Duke Energy Foundation, partially offset by a decrease in severance accruals.

Other Income and Expenses. The variance was primarily due to lower earnings from NMC, partially offset by 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 14 to the 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 years ended December 31, 2016, and 2015 were 41.2 percent and 47.5 percent, respectively. The decrease in the effective tax rate was primarily due to the benefit from legal entity restructuring recorded in 2015.

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. For information on Duke Energy's regulatory filings related to OVEC, see Note 4 to the Consolidated Financial Statements, "Regulatory Matters."

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.

Within this Item 7, see the Tax Cuts and Jobs Act above as well as Liquidity and Capital Resources below for risks associated with the Tax Act.

(LOSS) INCOME FROM DISCONTINUED OPERATIONS, NET OF TAX

	Years Ended December 31,				
			Variance 2017 vs.		Variance 2016 vs.
(in millions)	2017	2016	2016	2015	2015
(Loss) Income From Discontinued Operations, net of tax	$ (6)	$ (408)	$ 402	$ 177	$ (585)

Year Ended December 31, 2017, as Compared to 2016

The variance was primarily driven by the prior year loss on the disposal of Duke Energy's Latin American generation business and an impairment charge related to certain assets in Central America, partially offset by a tax benefit related to historic unremitted foreign earnings and immaterial out of period tax adjustments unrelated to the Disposal Groups. See Note 2 to the Consolidated Financial Statements, "Acquisitions and Dispositions," for additional information.

Year Ended December 31, 2016, as Compared to 2015

The variance was primarily driven by the 2016 loss on the disposal of Duke Energy's Latin American generation business and an impairment charge related to certain assets in Central America, partially offset by a tax benefit related to historic unremitted foreign earnings and immaterial out of period tax adjustments unrelated to the Disposal Groups. See Note 2 to the Consolidated Financial Statements, "Acquisitions and Dispositions," for additional information.

PART II

SUBSIDIARY REGISTRANTS

As a result of the Tax Act, the Subsidiary Registrants revalued their deferred tax assets and deferred tax liabilities, as of December 31, 2017, to account for the future impact of lower corporate tax rates on these deferred tax amounts. For the Subsidiary Registrants regulated operations, where the reduction is expected to be returned to customers in future rates, the remeasurement has been deferred as a regulatory liability. See Note 4 to the Consolidated Financial Statements, "Regulatory Matters" for additional information on the Tax Act's impact to the regulatory asset and liability accounts. The FERC and state utility commissions will determine the regulatory treatment of the impacts of the Tax Act for the Subsidiary Registrants. The Subsidiary Registrants' future results of operations, financial condition and cash flows could be adversely impacted by the Tax Act, subsequent amendments or corrections, or the actions of the FERC, state utility commissions or credit rating agencies related to the Tax Act. The change in each Subsidiary Registrant's effective tax rate for the year ended December 31, 2017, was primarily due to the impact of the Tax Act, unless noted below. The following table shows the expense (benefit) recorded on the Subsidiary Registrant's Consolidated Statement of Operations and Comprehensive Income for the year ended December 31, 2017, and the effective tax rate for each Subsidiary Registrant.

		Effective Tax Rate	
	Impacts of	Years Ended December 31,	
(in millions)	the Tax Act[a][b]	2017	2016
Duke Energy Carolinas	$ 15	34.9%	35.2%
Progress Energy	(246) [c]	17.2%	33.7%
Duke Energy Progress	(40) [d]	29.0% [h]	33.4%
Duke Energy Florida	(226) [c]	6.1%	36.9%
Duke Energy Ohio	(23) [e]	23.4%	28.9%
Duke Energy Indiana	55 [f]	46.0%	37.1%
Piedmont	(2) [d][g]	30.8%	38.3%

(a) Except where noted below, amounts are included within Income Tax Expense From Continuing Operations or Income Tax Expense on the Consolidated Statement of Operations and Comprehensive Income.
(b) See Notes 4 and 22 to the Consolidated Financial Statements, "Regulatory Matters" and "Income Taxes," for information about the Tax Act's impact on Duke Energy's Consolidated Balance Sheets.
(c) Amount primarily relates to the remeasurement of deferred tax liabilities that are excluded for ratemaking purposes related to abandoned assets and certain wholesale fixed rate contracts.
(d) Amount primarily relates to the remeasurement of deferred tax liabilities of certain wholesale fixed rate contracts.
(e) Amount primarily relates to the remeasurement of deferred tax assets that are excluded for ratemaking purposes related to a prior transfer of certain electric generating assets.
(f) Amount primarily relates to the remeasurement of deferred tax liabilities that are excluded for ratemaking purposes related to impaired assets.
(g) Includes a $16 million expense recorded within Equity in earnings (losses) of unconsolidated affiliates on the Consolidated Statement of Operations and Comprehensive Income.
(h) The decrease in the effective tax rate was primarily due to the impact of the Tax Act and lower North Carolina corporate tax rates.

PART II

DUKE ENERGY CAROLINAS

Introduction

Management's Discussion and Analysis should be read in conjunction with the accompanying Consolidated Financial Statements and Notes for the years ended December 31, 2017, 2016 and 2015.

Basis of Presentation

The results of operations and variance discussion for Duke Energy Carolinas is presented in a reduced disclosure format in accordance with General Instruction (I)(2)(a) of Form 10-K.

Results of Operations

	Years Ended December 31,		
(in millions)	**2017**	**2016**	**Variance**
Operating Revenues	**$ 7,302**	$ 7,322	$ (20)
Operating Expenses			
Fuel used in electric generation and purchased power	**1,822**	1,797	25
Operation, maintenance and other	**1,961**	2,106	(145)
Depreciation and amortization	**1,090**	1,075	15
Property and other taxes	**281**	276	5
Impairment charges	**—**	1	(1)
Total operating expenses	**5,154**	5,255	(101)
Gain (Loss) on Sales of Other Assets and Other, net	**1**	(5)	6
Operating Income	**2,149**	2,062	87
Other Income and Expenses, net	**139**	162	(23)
Interest Expense	**422**	424	(2)
Income Before Income Taxes	**1,866**	1,800	66
Income Tax Expense	**652**	634	18
Net Income	**$ 1,214**	$ 1,166	$ 48

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

Increase (Decrease) over prior year	**2017**	**2016**
Residential sales	**(4.8)%**	0.1 %
General service sales	**(1.8)%**	0.7 %
Industrial sales	**(0.8)%**	(0.9)%
Wholesale power sales	**6.3 %**	9.8 %
Joint dispatch sales	**18.2 %**	(2.3)%
Total sales	**(1.4)%**	1.8 %
Average number of customers	**1.5 %**	1.4 %

Year Ended December 31, 2017, as Compared to 2016

Operating Revenues. The variance was driven primarily by:

- a $179 million decrease in retail sales, net of fuel revenues, due to less favorable weather in the current year.

Partially offset by:

- a $74 million increase in rider revenues and retail pricing primarily related to energy efficiency programs;
- a $41 million increase in weather-normal sales volumes to retail customers, net of fuel revenues;
- a $30 million increase in fuel revenues primarily due to changes in generation mix partially offset by lower retail sales; and
- a $7 million increase in wholesale power revenues, net of sharing and fuel, primarily due to additional volumes for customers served under long-term contracts.

PART II

Operating Expenses. The variance was driven primarily by:

- a $145 million decrease in operations, maintenance and other expense primarily due to lower expenses at generating plants, lower costs associated with merger commitments related to the Piedmont acquisition in 2016, lower severance expenses, and lower employee benefit costs, partially offset by higher energy efficiency program costs.

Partially offset by:

- a $25 million increase in fuel expense (including purchased power) primarily due to changes in generation mix, partially offset by lower retail sales; and
- a $15 million increase in depreciation and amortization expense primarily due to additional plant in service, partially offset by lower amortization of certain regulatory assets.

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 the impact of the Tax Act, offset by the impact of research credits and the manufacturing deduction. See the Subsidiary Registrants section above for additional information on the Tax Act and the impact on the effective tax rate.

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 Notes 4 and 9 to the Consolidated Financial Statements, "Regulatory Matters" and "Asset Retirement Obligations," respectively, 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 enacted 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 to the 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 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 Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

Duke Energy Carolinas filed a general rate case on 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.

Within this Item 7, see the Tax Cuts and Jobs Act above as well as Liquidity and Capital Resources below for risks associated with the Tax Act.

PART II

PROGRESS ENERGY

Introduction

Management's Discussion and Analysis should be read in conjunction with the accompanying Consolidated Financial Statements and Notes for the years ended December 31, 2017, 2016 and 2015.

Basis of Presentation

The results of operations and variance discussion for Progress Energy is presented in a reduced disclosure format in accordance with General Instruction (I)(2)(a) of Form 10-K.

Results of Operations

	Years Ended December 31,		
(in millions)	**2017**	**2016**	**Variance**
Operating Revenues	**$ 9,783**	$ 9,853	$ (70)
Operating Expenses			
Fuel used in electric generation and purchased power	**3,417**	3,644	(227)
Operation, maintenance and other	**2,220**	2,386	(166)
Depreciation and amortization	**1,285**	1,213	72
Property and other taxes	**503**	487	16
Impairment charges	**156**	7	149
Total operating expenses	**7,581**	7,737	(156)
Gains on Sales of Other Assets and Other, net	**26**	25	1
Operating Income	**2,228**	2,141	87
Other Income and Expenses, net	**128**	114	14
Interest Expense	**824**	689	135
Income From Continuing Operations Before Income Taxes	**1,532**	1,566	(34)
Income Tax Expense From Continuing Operations	**264**	527	(263)
Income from Continuing Operations	**1,268**	1,039	229
Income from Discontinued Operations, net of tax	**—**	2	(2)
Net Income	**1,268**	1,041	227
Less: Net Income Attributable to Noncontrolling Interests	**10**	10	—
Net Income Attributable to Parent	**$ 1,258**	$ 1,031	$ 227

Year Ended December 31, 2017, as Compared to 2016

Operating Revenues. The variance was driven primarily by:

- a $231 million decrease in fuel revenues primarily due to lower retail sales and changes in generation mix at Duke Energy Progress; and
- an $87 million decrease in retail sales, net of fuel revenues, due to less favorable weather in the current year.

Partially offset by:

- a $108 million increase in retail pricing primarily due to Duke Energy Florida's 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;
- a $76 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 $51 million increase in weather-normal sales volumes to retail customers.

Operating Expenses. The variance was driven primarily by:

- a $227 million decrease in fuel expense and purchased power primarily due to lower retail sales and changes in generation mix at Duke Energy Progress; and
- a $166 million decrease in operations, maintenance and other expense primarily due to lower plant outage, storm restoration and labor costs.

Partially offset by:

- a $149 million increase in impairment charges primarily due to the write-off of remaining unrecovered Levy Nuclear Project costs in the current year at Duke Energy Florida and the disallowance from rate base of certain projects at the Mayo and Sutton plants in the current year at Duke Energy Progress related to the partial settlement in the North Carolina rate case; and
- a $72 million increase in depreciation and amortization expense primarily due to additional plant in service, as well as nuclear regulatory asset amortization at Duke Energy Florida.

Interest Expense. The variance was due to higher debt outstanding, as well as interest charges on North Carolina fuel over collections at Duke Energy Progress and lower debt returns driven by the CR3 regulatory asset debt return ending in June 2016 upon securitization at Duke Energy Florida.

Income Tax Expense. The variance was primarily due to the impact of the Tax Act. See the Subsidiary Registrants section above for additional information on the Tax Act and the impact on the effective tax rate.

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 Notes 4 and 9 to the Consolidated Financial Statements, "Regulatory Matters" and "Asset Retirement Obligations," respectively, 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 enacted 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 to the 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 Progress Energy's financial position, results of operations and cash flows. See Note 5 to the 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. 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 Consolidated Financial Statements, "Regulatory Matters," for additional information.

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.

On August 29, 2017, Duke Energy Florida filed the 2017 Settlement with the FPSC. On November 20, 2017, the FPSC issued an order to approve the 2017 Settlement. See Note 4 to the Consolidated Financial Statements, "Regulatory Matters," for additional information about the 2017 Settlement. In accordance with the 2017 Settlement, Duke Energy Florida will not seek recovery of any costs associated with the ongoing Westinghouse contract litigation, which is currently being appealed. See Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies" for additional information about the litigation. An unfavorable appeals ruling on that matter could have an adverse impact on Electric Utilities and Infrastructure's financial position, results of operations and cash flows.

Within this Item 7, see the Tax Cuts and Jobs Act above as well as Liquidity and Capital Resources below for risks associated with the Tax Act.

PART II

DUKE ENERGY PROGRESS

Introduction

Management's Discussion and Analysis should be read in conjunction with the accompanying Consolidated Financial Statements and Notes for the years ended December 31, 2017, 2016 and 2015.

Basis of Presentation

The results of operations and variance discussion for Duke Energy Progress is presented in a reduced disclosure format in accordance with General Instruction (I)(2)(a) of Form 10-K.

Results of Operations

	Years Ended December 31,		
(in millions)	**2017**	**2016**	**Variance**
Operating Revenues	$ 5,129	$ 5,277	$ (148)
Operating Expenses			
Fuel used in electric generation and purchased power	**1,609**	1,830	(221)
Operation, maintenance and other	**1,389**	1,504	(115)
Depreciation and amortization	**725**	703	22
Property and other taxes	**156**	156	—
Impairment charges	**19**	1	18
Total operating expenses	**3,898**	4,194	(296)
Gains on Sales of Other Asset and Other, net	**4**	3	1
Operating Income	**1,235**	1,086	149
Other Income and Expenses, net	**65**	71	(6)
Interest Expense	**293**	257	36
Income Before Income Taxes	**1,007**	900	107
Income Tax Expense	**292**	301	(9)
Net Income	$ 715	$ 599	$ 116

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

Increase (Decrease) over prior year	**2017**	**2016**
Residential sales	**(2.6)%**	(1.5)%
General service sales	**(1.3)%**	0.2 %
Industrial sales	**1.1 %**	(0.1)%
Wholesale power sales	**(2.9)%**	18.4 %
Joint dispatch sales	**(17.1)%**	17.7 %
Total sales	**(3.2)%**	6.4 %
Average number of customers	**1.4 %**	1.3 %

Year Ended December 31, 2017, as Compared to 2016

Operating Revenues. The variance was driven primarily by:

- a $238 million decrease in fuel revenues due to lower retail sales and changes in generation mix; and
- a $37 million decrease in retail sales, net of fuel revenues, due to less favorable weather in the current year, partially offset by lower lost revenues related to hurricanes in the current year.

Partially offset by:

- a $40 million increase in rider revenues primarily due to energy efficiency programs;
- a $38 million increase in retail sales due to the South Carolina rate case; and
- a $31 million increase in wholesale power revenues, net of fuel, primarily due to higher peak demand.

Operating Expenses. The variance was driven primarily by:

- a $221 million decrease in fuel used in electric generation and purchased power primarily due to lower retail sales and changes in generation mix; and

- a $115 million decrease in operation, maintenance and other expense primarily due to lower nuclear outage costs and lower storm restoration costs.

Partially offset by:

- a $22 million increase in depreciation and amortization expense primarily due to additional plant in service; and
- an $18 million increase in impairment charges primarily due to the disallowance from rate base of certain projects at the Mayo and Sutton plants in the current year related to the partial settlement in the North Carolina rate case.

Interest Expense. The variance was due to higher debt outstanding, as well as interest charges on North Carolina fuel overcollections.

Income Tax Expense. The variance was primarily due to the impact of the Tax Act and lower North Carolina corporate tax rates, partially offset by an increase in pretax net income. See the Subsidiary Registrants section above for additional information on the Tax Act and the impact on the effective tax rate.

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 Notes 4 and 9 to the Consolidated Financial Statements, "Regulatory Matters" and "Asset Retirement Obligations," respectively, 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 enacted 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 to the 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 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. 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 Consolidated Financial Statements, "Regulatory Matters," for additional information.

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. See Note 4 to the Consolidated Financial Statements, "Regulatory Matters," for additional information.

Within this Item 7, see the Tax Cuts and Jobs Act above as well as Liquidity and Capital Resources below for risks associated with the Tax Act.

PART II

DUKE ENERGY FLORIDA

Introduction

Management's Discussion and Analysis should be read in conjunction with the accompanying Consolidated Financial Statements and Notes for the years ended December 31, 2017, 2016 and 2015.

Basis of Presentation

The results of operations and variance discussion for Duke Energy Florida is presented in a reduced disclosure format in accordance with General Instruction (I)(2)(a) of Form 10-K.

Results of Operations

	Years Ended December 31,		
(in millions)	**2017**	**2016**	**Variance**
Operating Revenues	**$ 4,646**	$ 4,568	$ 78
Operating Expenses			
Fuel used in electric generation and purchased power	**1,808**	1,814	(6)
Operation, maintenance and other	**818**	865	(47)
Depreciation and amortization	**560**	509	51
Property and other taxes	**347**	333	14
Impairment charges	**138**	6	132
Total operating expenses	**3,671**	3,527	144
Gains on Sales of Other Asset and Other, net	**1**	—	1
Operating Income	**976**	1,041	(65)
Other Income and Expenses, net	**61**	44	17
Interest Expense	**279**	212	67
Income Before Income Taxes	**758**	873	(115)
Income Tax Expense	**46**	322	(276)
Net Income	**$ 712**	$ 551	$ 161

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

Increase (Decrease) over prior year	**2017**	**2016**
Residential sales	**(2.3)%**	1.7 %
General service sales	**(1.3)%**	(0.1)%
Industrial sales	**(2.4)%**	(2.9)%
Wholesale power sales	**20.1 %**	35.2 %
Total sales	**0.5 %**	0.9 %
Average number of customers	**1.6 %**	1.5 %

Year Ended December 31, 2017, as Compared to 2016

Operating Revenues. The variance was driven primarily by:

- a $70 million increase in retail pricing primarily due to the base rate adjustment for the Osprey acquisition and the completion of the Hines Energy Complex Chiller Uprate Project;
- a $45 million increase in weather-normal sales volumes to retail customers in the current year; and
- a $36 million increase in rider revenues primarily due to nuclear asset securitization beginning in July 2016 and extended power uprate project revenues beginning in 2017.

Partially offset by:

- a $50 million decrease in retail sales, net of fuel revenues, due to less favorable weather in the current year, including lost revenues related to Hurricane Irma; and
- a $34 million decrease in wholesale power revenues primarily due to contracts that expired in the prior year.

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Operating Expenses. The variance was driven primarily by:

- a $132 million increase in impairment charges primarily due to the write-off of remaining unrecovered Levy Nuclear Project costs in the current year; and
- a $51 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 $47 million decrease in operations and maintenance expense primarily due to lower planned outage costs, lower severance expenses and lower employee benefit costs, partially offset by higher storm restoration costs in the current year.

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

Interest Expense. The variance was primarily due to higher debt outstanding and lower debt returns driven by the Crystal River Unit 3 regulatory asset debt return ending in June 2016 upon securitization.

Income Tax Expense. The variance was primarily due to the impact of the Tax Act and lower pretax earnings. See the Subsidiary Registrants section above for additional information on the Tax Act and the impact on the effective tax rate.

Matters Impacting Future Results

On August 29, 2017, Duke Energy Florida filed the 2017 Settlement with the FPSC. On November 20, 2017, the FPSC issued an order to approve the 2017 Settlement. See Note 4 to the Consolidated Financial Statements, "Regulatory Matters," for additional information about the 2017 Settlement. In accordance with the 2017 Settlement, Duke Energy Florida will not seek recovery of any costs associated with the ongoing Westinghouse contract litigation, which is currently being appealed. See Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies" for additional information about the litigation. An unfavorable appeals ruling on that matter could have an adverse impact on Electric Utilities and Infrastructure's financial position, results of operations and cash flows.

Within this Item 7, see the Tax Cuts and Jobs Act above as well as Liquidity and Capital Resources below for risks associated with the Tax Act.

PART II

DUKE ENERGY OHIO

Introduction

Management's Discussion and Analysis should be read in conjunction with the accompanying Consolidated Financial Statements and Notes for the years ended December 31, 2017, 2016 and 2015.

Basis of Presentation

The results of operations and variance discussion for Duke Energy Ohio is presented in a reduced disclosure format in accordance with General Instruction (I)(2)(a) of Form 10-K.

Results of Operations

	Years Ended December 31,		
(in millions)	**2017**	**2016**	**Variance**
Operating Revenues			
Regulated electric	$ 1,373	$ 1,410	$ (37)
Nonregulated electric and other	42	31	11
Regulated natural gas	508	503	5
Total operating revenues	1,923	1,944	(21)
Operating Expenses			
Fuel used in electric generation and purchased power – regulated	369	442	(73)
Fuel used in electric generation and purchased power – nonregulated	58	51	7
Cost of natural gas	107	103	4
Operation, maintenance and other	524	512	12
Depreciation and amortization	261	233	28
Property and other taxes	278	258	20
Impairment charges	1	—	1
Total operating expenses	1,598	1,599	(1)
Gains on Sales of Other Assets and Other, net	1	2	(1)
Operating Income	326	347	(21)
Other Income and Expenses, net	17	9	8
Interest Expense	91	86	5
Income from Continuing Operations Before Income Taxes	252	270	(18)
Income Tax Expense from Continuing Operations	59	78	(19)
Income from Continuing Operations	193	192	1
(Loss) Income from Discontinued Operations, net of tax	(1)	36	(37)
Net Income	$ 192	$ 228	$ (36)

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

	Electric		Natural Gas	
Increase (Decrease) over prior year	**2017**	**2016**	**2017**	**2016**
Residential sales	**(4.0)%**	0.7 %	**(2.6)%**	(7.8)%
General service sales	**(3.1)%**	1.3 %	**0.7 %**	(3.6)%
Industrial sales	**(2.7)%**	(0.7)%	**(2.8)%**	(5.1)%
Wholesale electric power sales	**65.7 %**	(53.9)%	**n/a**	n/a
Other natural gas sales	**n/a**	n/a	**(0.3)%**	6.2 %
Total sales	**(2.1)%**	(1.1)%	**(1.1)%**	(3.1)%
Average number of customers	**0.8 %**	0.8 %	**0.7 %**	0.5 %

Year Ended December 31, 2017, as Compared to 2016

Operating Revenues. The variance was driven primarily by:

- a $69 million decrease in fuel revenues primarily due to lower electric fuel costs and a decrease in electric and natural gas sales volumes; and
- a $16 million decrease in electric retail sales, net of fuel revenues, due to less favorable weather in the current year.

Partially offset by:

- a $38 million increase in rider revenues primarily due to growth in 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 $9 million increase in other revenues related to OVEC; and
- a $6 million increase in non-native sales for resale.

Operating Expenses. The variance was driven by:

- a $66 million decrease in fuel expense, primarily due to lower sales volumes and lower electric fuel costs.

Partially offset by:

- a $28 million increase in depreciation and amortization expense due to additional plant in service and a true-up related to SmartGrid assets in the prior year;
- a $20 million increase in property and other taxes due to higher property taxes; and
- a $12 million increase in operations, maintenance and other expense primarily due to higher energy efficiency program costs and higher transmission and distribution operations costs; partially offset by lower fossil/hydro operations costs due to timing of outage schedules.

Income Tax Expense. The variance was primarily due to the impact of the Tax Act. See the Subsidiary Registrants section above for additional information on the Tax Act and the impact on the effective tax rate.

Income from Discontinued Operations, Net of Tax. The variance was primarily driven by a prior year income tax benefit resulting from immaterial out of period deferred tax liability adjustments related to the Midwest Generation Disposal Group. See Note 2 to the 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 and 9 to the Consolidated Financial Statements, "Regulatory Matters" and "Asset Retirement Obligations," respectively, 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 Consolidated Financial Statements, "Regulatory Matters," for additional information.

On September 1, 2017, Duke Energy Kentucky filed a base rate case with the KPSC 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. The application also includes request to establish new riders. Duke Energy Kentucky's earnings could be adversely impacted if the rate increase is delayed or denied by the KPSC.

Within this Item 7, see the Tax Cuts and Jobs Act above as well as Liquidity and Capital Resources below for risks associated with the Tax Act.

PART II

DUKE ENERGY INDIANA

Introduction

Management's Discussion and Analysis should be read in conjunction with the accompanying Consolidated Financial Statements and Notes for the years ended December 31, 2017, 2016 and 2015.

Basis of Presentation

The results of operations and variance discussion for Duke Energy Indiana is presented in a reduced disclosure format in accordance with General Instruction (I)(2)(a) of Form 10-K.

Results of Operations

	Years Ended December 31,		
(in millions)	**2017**	**2016**	**Variance**
Operating Revenues	**$ 3,047**	$ 2,958	$ 89
Operating Expenses			
Fuel used in electric generation and purchased power	**966**	909	57
Operation, maintenance and other	**733**	723	10
Depreciation and amortization	**458**	496	(38)
Property and other taxes	**76**	58	18
Impairment charges	**18**	8	10
Total operating expenses	**2,251**	2,194	57
Gains on Sales of Other Assets and Other, net	**—**	1	(1)
Operating Income	**796**	765	31
Other Income and Expenses, net	**37**	22	15
Interest Expense	**178**	181	(3)
Income Before Income Taxes	**655**	606	49
Income Tax Expense	**301**	225	76
Net Income	**$ 354**	$ 381	$ (27)

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

Increase (Decrease) over prior year	**2017**	**2016**
Residential sales	**(3.8)%**	(0.4)%
General service sales	**(2.4)%**	0.7 %
Industrial sales	**0.3 %**	0.4 %
Wholesale power sales	**(10.5)%**	10.8 %
Total sales	**(3.6)%**	2.5 %
Average number of customers	**0.8 %**	1.1 %

Year Ended December 31, 2017, as Compared to 2016

Operating Revenues. The variance was driven primarily by:

- a $67 million increase in rate rider revenues primarily related to the Edwardsport IGCC plant, the Transmission, Distribution and Storage System Improvement Charge (TDSIC) and energy efficiency programs; and
- a $48 million increase in fuel revenues primarily due to higher purchased power costs passed through to customers and higher financial transmission rights (FTR) revenues.

Partially offset by:

- a $13 million decrease in retail sales due to less favorable weather in the current year; and
- a $13 million decrease in wholesale power revenues, net of fuel, primarily due to a decrease in demand rates and contracts that expired in the current year.

Operating Expenses. The variance was driven primarily by:

- a $57 million increase in fuel used in electric generation and purchased power expenses, primarily due to higher purchased power volumes, partially offset by favorable fuel prices;
- an $18 million increase in property and other taxes primarily due to higher franchise taxes;

- a $10 million increase in operations, maintenance and other expense primarily due to growth in energy efficiency programs and higher transmission costs; and
- a $10 million increase in impairments and other charges primarily due to the impairment of certain metering equipment not recoverable in customer rates.

Partially offset by:

- a $38 million decrease in depreciation and amortization primarily due to the recognition of certain asset retirement obligations in 2016 that were subsequently deferred in 2017, partially offset by new IGCC rates that result in a lower deferral amount and higher depreciation due to additional plant in service.

Other Income and Expense. The variance was driven primarily by higher AFUDC equity.

Income Tax Expense. The variance was primarily due to the impact of the Tax Act and an increase in pretax income. See the Subsidiary Registrants section above for additional information on the Tax Act and the impact on the effective tax rate.

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 Consolidated Financial Statements, "Regulatory Matters," for additional information.

In August 2016, 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 future operating costs may result in unfavorable orders that could have an adverse impact on Duke Energy Indiana's financial position, results of operations and cash flows.

Within this Item 7, see the Tax Cuts and Jobs Act above as well as Liquidity and Capital Resources below for risks associated with the Tax Act.

PART II

PIEDMONT

Introduction

Management's Discussion and Analysis should be read in conjunction with the accompanying Consolidated Financial Statements and Notes for the year ended December 31, 2017, Piedmont's Annual Report on Form 10-K for the year ended October 31, 2016, and the Form 10-QT as of December 31, 2016, for the transition period from November 1, 2016 to December 31, 2016. The unaudited results of operations for the year ended December 31, 2016, was derived from data previously reported in the reports noted above.

Basis of Presentation

The results of operations and variance discussion for Piedmont is presented in a reduced disclosure format in accordance with General Instruction (I)(2)(a) of Form 10-K.

Results of Operations

	Years Ended December 31,		
(in millions)	**2017**	**2016**	**Variance**
Operating Revenues			
Regulated natural gas	$ **1,319**	$ 1,201	$ 118
Nonregulated natural gas and other	**9**	10	(1)
Total operating revenues	**1,328**	1,211	117
Operating Expenses			
Cost of natural gas	**524**	451	73
Operation, maintenance and other	**315**	353	(38)
Depreciation and amortization	**148**	138	10
Property and other taxes	**48**	43	5
Impairment charges	**7**	—	7
Total operating expenses	**1,042**	985	57
Operating Income	**286**	226	60
Equity in (losses) earnings of unconsolidated affiliates	**(6)**	26	(32)
Gain on sale of unconsolidated affiliates	**—**	132	(132)
Other income and expenses, net	**—**	1	(1)
Total other income and expenses	**(6)**	159	(165)
Interest Expense	**79**	69	10
Income Before Income Taxes	**201**	316	(115)
Income Tax Expense	**62**	121	(59)
Net Income	$ **139**	$ 195	$ (56)

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**	**2016**
Residential deliveries	(8.1)%	(0.8)%
Commercial deliveries	(4.3)%	1.6 %
Industrial deliveries	(2.2)%	0.5 %
Power generation deliveries	(5.8)%	10.7 %
For resale	(20.9)%	1.3 %
Total throughput deliveries	(5.4)%	6.3 %
Secondary market volumes	(4.2)%	120.6 %
Average number of customers	1.7 %	1.6 %

Piedmont's throughput was 468,259,777 dekatherms and 495,122,794 dekatherms for the years ended December 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.

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Year Ended December 31, 2017, as Compared to 2016

Operating Revenues. The variance was driven primarily by:

- a $74 million increase due to higher natural gas costs passed through to customers primarily due to higher natural gas prices;
- a $34 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 and customer growth. Increase is also due to new power generation customers, and is partially offset by wholesale marketing revenue; and
- a $10 million increase in revenues due to merger-related bill credits applied to customer bills in 2016.

Operating Expenses. The variance was driven by:

- a $73 million increase in costs of natural gas primarily due to higher natural gas costs passed through to customers due to the higher price per dekatherm of natural gas;
- a $15 million increase in depreciation expense and property and franchise taxes due to additional plant in service; and
- a $7 million increase due to an impairment of software resulting from planned accounting system and process integration in 2018.

Partially offset by:

- a $38 million decrease in operations, maintenance and other related to acquisition and integration expenses recorded in the prior year from costs paid to outside parties, primarily financial and legal advisory, severance expenses, retention costs and acceleration of incentive plans, and an accrual for our commitment of charitable contributions and community support.

Other Income and Expense. The variance was driven by:

- a $132 million decrease in gain on sale of unconsolidated affiliates recorded in the prior year due to Piedmont's sale of its 15 percent ownership interest in SouthStar Energy Services, LLC (SouthStar) on October 3, 2016; and
- a $32 million decrease in equity in (losses) earnings of unconsolidated affiliates primarily due to equity earnings from the investment in SouthStar in the prior year and the impacts of the Tax Act in the current year.

Income Tax Expense. The variance was primarily due to a decrease in pretax income and the impact of the Tax Act. See the Subsidiary Registrants section above for additional information on the Tax Act and the impact on the effective tax rate.

Matters Impacting Future Results

Within this Item 7, see the Tax Cuts and Jobs Act above as well as Liquidity and Capital Resources below for risks associated with the Tax Act.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Preparation of financial statements requires the application of accounting policies, judgments, assumptions and estimates that can significantly affect the reported results of operations, cash flows or the amounts of assets and liabilities recognized in the financial statements. Judgments made include the likelihood of success of particular projects, possible legal and regulatory challenges, earnings assumptions on pension and other benefit fund investments and anticipated recovery of costs, especially through regulated operations.

Management discusses these policies, estimates and assumptions with senior members of management on a regular basis and provides periodic updates on management decisions to the Audit Committee of the Board of Directors. Management believes the areas described below require significant judgment in the application of accounting policy or in making estimates and assumptions that are inherently uncertain and that may change in subsequent periods.

For further information, see Note 1 to the Consolidated Financial Statements, "Summary of Significant Accounting Policies."

Regulated Operations Accounting

Substantially all of Duke Energy's regulated operations meet the criteria for application of regulated operations accounting treatment. As a result, Duke Energy is required to record assets and liabilities that would not be recorded for nonregulated entities. Regulatory assets generally represent incurred costs that have been deferred because such costs are probable of future recovery in customer rates. Regulatory liabilities are recorded when it is probable that a regulator will require Duke Energy to make refunds to customers or reduce rates to customers for previous collections or deferred revenue for costs that have yet to be incurred.

Management continually assesses whether recorded regulatory assets are probable of future recovery by considering factors such as applicable regulatory environment changes, historical regulatory treatment for similar costs in Duke Energy's jurisdictions, litigation of rate orders, recent rate orders to other regulated entities, levels of actual return on equity compared to approved rates of return on equity and the status of any pending or potential deregulation legislation. If future recovery of costs ceases to be probable, asset write-offs would be recognized in operating income. Additionally, regulatory agencies can provide flexibility in the manner and timing of the depreciation of property, plant and equipment, recognition of asset retirement costs and amortization of regulatory assets, or may disallow recovery of all or a portion of certain assets. For further information on regulatory assets and liabilities, see Note 4 to the Consolidated Financial Statements, "Regulatory Matters."

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As required by regulated operations accounting rules, significant judgment can be required to determine if an otherwise recognizable incurred cost, such as closure costs for ash impoundments, qualifies to be deferred for future recovery as a regulatory asset. Significant judgment can also be required to determine if revenues previously recognized are for entity specific costs that are no longer expected to be incurred or have not yet been incurred and are therefore a regulatory liability. See Note 4 to the Consolidated Financial Statements, "Regulatory Matters," for a more in-depth discussion of Regulatory Assets and Liabilities.

Regulated operations accounting rules also require recognition of a disallowance (also called "impairment") loss if it becomes probable that part of the cost of a plant under construction (or a recently completed or an abandoned plant) will be disallowed for ratemaking purposes and a reasonable estimate of the amount of the disallowance can be made. For example, if a cost cap is set for a plant still under construction, the amount of the disallowance is a result of a judgment as to the ultimate cost of the plant. Other disallowances can require judgments on allowed future rate recovery. See Note 4 to the Consolidated Financial Statements, "Regulatory Matters," for a discussion of disallowances recorded.

When it becomes probable that regulated assets will be abandoned, the cost of the asset is removed from plant in service. The value that may be retained as a regulatory asset on the balance sheet for the abandoned property is dependent upon amounts that may be recovered through regulated rates, including any return. As such, an impairment charge, if any, could be partially or fully offset by the establishment of a regulatory asset if rate recovery is probable. The impairment for a disallowance of costs for regulated plants under construction, recently completed or abandoned is based on discounted cash flows.

For further information, see Note 4 to the Consolidated Financial Statements, "Regulatory Matters."

Goodwill Impairment Assessments

Duke Energy allocates goodwill to reporting units, which are either the Business Segments listed in Note 3 to the Consolidated Financial Statements or one level below based on how the Business Segment is managed. Duke Energy is required to test goodwill for impairment at least annually and more frequently if it is more likely than not that the fair value is less than the carrying value. Duke Energy performs its annual impairment test as of August 31.

Application of the goodwill impairment test requires management's judgment, including determining the fair value of the reporting unit, which management estimates using a weighted combination of the income approach, which estimates fair value based on discounted cash flows, and the market approach, which estimates fair value based on market comparables within the utility and energy industries. Significant assumptions used in these fair value analyses include discount and growth rates, future rates of return expected to result from ongoing rate regulation, utility sector market performance and transactions, forecasted earnings base, projected operating and capital cash flows for Duke Energy's business and the fair value of debt.

Estimated future cash flows under the income approach are based to a large extent on Duke Energy's internal business plan, and adjusted as appropriate for Duke Energy's views of market participant assumptions. Duke Energy's internal business plan reflects management's assumptions related to customer usage and attrition based on internal data and economic data obtained from third-party sources, projected commodity pricing data and potential changes in environmental regulations. The business plan assumes the occurrence of certain events in the future, such as the outcome of future rate filings, future approved rates of returns on equity, anticipated earnings/returns related to significant future capital investments, continued recovery of cost of service, the renewal of certain contracts and the future of renewable tax credits. Management also makes assumptions regarding operation, maintenance and general and administrative costs based on the expected outcome of the aforementioned events. In estimating cash flows, Duke Energy incorporates expected growth rates, regulatory and economic stability, the ability to renew contracts and other factors, into its revenue and expense forecasts.

One of the most significant assumptions that Duke Energy utilizes in determining the fair value of its reporting units under the income approach is the discount rate applied to the estimated future cash flows. Management determines the appropriate discount rate for each of its reporting units based on the weighted average cost of capital (WACC) for each individual reporting unit. The WACC takes into account both the after-tax cost of debt and cost of equity. A major component of the cost of equity is the current risk-free rate on 20-year U.S. Treasury bonds. In the 2017 impairment tests, Duke Energy considered implied WACCs for certain peer companies in determining the appropriate WACC rates to use in its analysis. As each reporting unit has a different risk profile based on the nature of its operations, including factors such as regulation, the WACC for each reporting unit may differ. Accordingly, the WACCs were adjusted, as appropriate, to account for company specific risk premiums. The discount rates used for calculating the fair values as of August 31, 2017, for each of Duke Energy's reporting units ranged from 5.3 percent to 6.7 percent. The underlying assumptions and estimates are made as of a point in time. Subsequent changes, particularly changes in the discount rates, authorized regulated rates of return or growth rates inherent in management's estimates of future cash flows, could result in future impairment charges.

One of the most significant assumptions utilized in determining the fair value of reporting units under the market approach is implied market multiples for certain peer companies. Management selects comparable peers based on each peer's primary business mix, operations, and market capitalization compared to the applicable reporting unit and calculates implied market multiples based on available projected earnings guidance and peer company market values as of August 31.

In December 2016, Duke Energy disposed of its International operations and no longer has goodwill associated with the International operations. For further information, see Note 2 to the Consolidated Financial Statements, "Acquisitions and Dispositions."

Duke Energy primarily operates in environments that are rate-regulated. In such environments, revenue requirements are adjusted periodically by regulators based on factors including levels of costs, sales volumes and costs of capital. Accordingly, Duke Energy's regulated utilities operate to some degree with a buffer from the direct effects, positive or negative, of significant swings in market or economic conditions. However, significant changes in discount rates over a prolonged period may have a material impact on the fair value of equity.

As of August 31, 2017, all of the reporting units' estimated fair value of equity substantially exceeded the carrying value of equity, except for the Commercial Renewables reporting units. The goodwill at the Energy Management Solutions reporting unit of Commercial Renewables was evaluated for recoverability in 2017, and Duke Energy recorded impairment charges of $29 million.

The Commercial Renewables reporting units are impacted by a multitude of factors including, legislative actions related to tax credit extensions, long-term growth rate assumptions and discount rates. As of August 31, 2017, the Renewables reporting unit's estimated fair value of equity exceeded the carrying value of equity by less than 10 percent. Management continues to monitor these assumptions for any indicators that the fair value of the reporting unit could be below the carrying value and will assess goodwill for impairment as appropriate.

For further information, see Note 11 to the Consolidated Financial Statements, "Goodwill and Intangible Assets."

Asset Retirement Obligations

AROs are recognized for legal obligations associated with the retirement of property, plant and equipment. Substantially all AROs are related to regulated operations. When recording an ARO, the present value of the projected liability is recognized in the period in which it is incurred, if a reasonable estimate of fair value can be made. The liability is accreted over time. For operating plants, the present value of the liability is added to the cost of the associated asset and depreciated over the remaining life of the asset. For retired plants, the present value of the liability is recorded as a regulatory asset unless determined not to be recoverable.

The present value of the initial obligation and subsequent updates are based on discounted cash flows, which include estimates regarding timing of future cash flows, selection of discount rates and cost escalation rates, among other factors. These estimates are subject to change. Depreciation expense is adjusted prospectively for any changes to the carrying amount of the associated asset. The Duke Energy Registrants receive amounts to fund the cost of the ARO for regulated operations through a combination of regulated revenues and earnings on the nuclear decommissioning trust fund (NDTF). As a result, accretion expense and depreciation of the associated ARO asset are netted and deferred as a regulatory asset or liability.

Obligations for nuclear decommissioning are based on site-specific cost studies. Duke Energy Carolinas and Duke Energy Progress assume prompt dismantlement of the nuclear facilities after operations are ceased. Duke Energy Florida assumes Crystal River Unit 3 will be placed into a safe storage configuration until eventual dismantlement is completed by 2074. Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida also assume that spent fuel will be stored on-site until such time that it can be transferred to a yet to be built U.S. Department of Energy (DOE) facility.

Obligations for closure of ash basins are based upon discounted cash flows of estimated costs for site-specific plans, if known, or probability weightings of the potential closure methods if the closure plans are under development and multiple closure options are being considered and evaluated on a site-by-site basis.

For further information, see Note 9 to the Consolidated Financial Statements, "Asset Retirement Obligations."

Long-Lived Asset Impairment Assessments, Excluding Regulated Operations, and Equity Method Investments

Property, plant and equipment, excluding plant held for sale, is stated at the lower of carrying value (historical cost less accumulated depreciation and previously recorded impairments) or fair value, if impaired. Duke Energy evaluates property, plant and equipment for impairment when events or changes in circumstances (such as a significant change in cash flow projections or the determination that it is more likely than not that an asset or asset group will be sold) indicate the carrying value of such assets may not be recoverable. The determination of whether an impairment has occurred is based on an estimate of undiscounted future cash flows attributable to the assets, as compared with their carrying value.

Performing an impairment evaluation involves a significant degree of estimation and judgment in areas such as identifying circumstances that indicate an impairment may exist, identifying and grouping affected assets and developing the undiscounted future cash flows. If an impairment has occurred, the amount of the impairment recognized is determined by estimating the fair value and recording a loss if the carrying value is greater than the fair value. Additionally, determining fair value requires probability weighting future cash flows to reflect expectations about possible variations in their amounts or timing and the selection of an appropriate discount rate. Although cash flow estimates are based on relevant information available at the time the estimates are made, estimates of future cash flows are, by nature, highly uncertain and may vary significantly from actual results.

When determining whether an asset or asset group has been impaired, management groups assets at the lowest level that has discrete cash flows.

Investments in affiliates that are not controlled by Duke Energy, but over which it has significant influence, are accounted for using the equity method. Equity method investments are assessed for impairment when conditions exist that indicate that the fair value of the investment is less than book value. It the decline in value is considered to be other than temporary, the investment is written down to its estimated fair value, which establishes a new cost basis in the investment.

For further information, see Notes 10 and 12 to the Consolidated Financial Statements, "Property, Plant and Equipment" and "Investments in Unconsolidated Affiliates," respectively.

Revenue Recognition

Revenues on sales of electricity and natural gas are recognized when service is provided or the product is delivered. As retail meters are read, invoices are prepared and the invoice amount is generally recognized as "billed" revenue. Operating revenues also include "unbilled" electric and natural gas revenues for the amount of service provided or product delivered after the last meter reading prior to the end of the accounting period. Unbilled retail revenues are estimated by applying an average revenue per kilowatt-hour (kWh), per thousand cubic feet (Mcf) or per dekatherm (dth) for all customer classes to the number of estimated kWh, Mcf or dth delivered but not yet billed.

For wholesale customers, the invoice amount is generally recognized as "billed" revenue. Although meters are read as of the end of the month, invoices have typically not been prepared. An estimate of the wholesale invoice is included in the reported amount of "unbilled" revenue.

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The amount of unbilled revenues can vary significantly from period to period as a result of numerous factors that impact the change in the unbilled revenue receivable balance, including seasonality, weather, customer usage patterns, customer mix, timing of rendering customer bills, meter readings schedules and the average price in effect for customer classes.

Pension and Other Post-Retirement Benefits

The calculation of pension expense, other post-retirement benefit expense and net pension and other post-retirement assets or liabilities require the use of assumptions and election of permissible accounting alternatives. Changes in assumptions can result in different expense and reported asset or liability amounts and future actual experience can differ from the assumptions. Duke Energy believes the most critical assumptions for pension and other post-retirement benefits are the expected long-term rate of return on plan assets and the assumed discount rate applied to future projected benefit payments. Additionally, the health care cost trend rate assumption is critical to Duke Energy's estimate of other post-retirement benefits.

Duke Energy elects to amortize net actuarial gain or loss amounts that are in excess of 10 percent of the greater of the market-related value of plan assets or the plan's projected benefit obligation, into net pension or other post-retirement benefit expense over the average remaining service period of active participants expected to benefit under the plan. If all or almost all of a plan's participants are inactive, the average remaining life expectancy of the inactive participants is used instead of average remaining service period. Prior service cost or credit, which represents an increase or decrease in a plan's pension benefit obligation resulting from plan amendment, is amortized on a straight-line basis over the average expected remaining service period of active participants expected to benefit under the plan. If all or almost all of a plan's participants are inactive, the average remaining life expectancy of the inactive participants is used instead of average remaining service period.

Duke Energy maintains and the Subsidiary Registrants participate in, qualified, non-contributory defined benefit retirement plans. Most participants in the qualified plans earn benefits calculated using a cash balance formula. Under a cash balance formula, a plan participant accumulates a retirement benefit consisting of pay credits based upon a percentage, which varies with age and years of service, of current eligible earnings and current interest credits. Certain plan participants earn benefits that use a final average earnings formula. Certain executives are participants in non-qualified, non-contributory defined benefit retirement plans. These qualified and non-qualified, non-contributory defined benefit plans are closed to new participants.

Duke Energy provides some health care and life insurance benefits for retired employees on a contributory and non-contributory basis. Certain employees are eligible for these benefits if they have met age and service requirements at retirement, as defined in the plans.

Assets for Duke Energy's qualified pension and other post-retirement benefits (401(h) accounts) are maintained in the Duke Energy Master Retirement Trust (Master Trust). Duke Energy also invests other post-retirement assets in Voluntary Employees' Beneficiary Association trusts. The investment objective is to achieve sufficient returns, subject to a prudent level of portfolio risk, for the purpose of promoting the security of plan benefits for participants.

As of December 31, 2017, Duke Energy assumes pension and other post-retirement plan assets will generate a long-term rate of return of 6.50 percent. The expected long-term rate of return was developed using a weighted average calculation of expected returns based primarily on future expected returns across asset classes considering the use of active asset managers, where applicable. The asset allocation targets were set after considering the investment objective and the risk profile. Equity securities are held for their higher expected returns. Debt securities are primarily held to hedge the qualified pension liability. Hedge funds, real estate and other global securities are held for diversification. Investments within asset classes are diversified to achieve broad market participation and reduce the impact of individual managers on investments.

In 2013, Duke Energy adopted a de-risking investment strategy for the Master Trust. As the funded status of the pension plans increase, the targeted allocation to fixed-income assets may be increased to better manage Duke Energy's pension liability and reduce funded status volatility. The asset allocation for the Master Trust is 63 percent fixed-income assets and 37 percent return-seeking assets. Duke Energy regularly reviews its actual asset allocation and periodically rebalances its investments to the targeted allocations when considered appropriate.

Duke Energy discounted its future U.S. pension and other post-retirement obligations using a rate of 3.6 percent as of December 31, 2017. Discount rates used to measure benefit plan obligations for financial reporting purposes reflect rates at which pension benefits could be effectively settled. As of December 31, 2017, Duke Energy determined its discount rate for U.S. pension and other post-retirement obligations using a bond selection-settlement portfolio approach. This approach develops a discount rate by selecting a portfolio of high quality corporate bonds that generate sufficient cash flow to provide for projected benefit payments of the plan. The selected bond portfolio is derived from a universe of non-callable corporate bonds rated Aa quality or higher. After the bond portfolio is selected, a single interest rate is determined that equates the present value of the plan's projected benefit payments discounted at this rate with the market value of the bonds selected.

Future changes in plan asset returns, assumed discount rates and various other factors related to the participants in Duke Energy's pension and post-retirement plans will impact future pension expense and liabilities. Duke Energy cannot predict with certainty what these factors will be in the future. The following table presents the approximate effect on Duke Energy's 2017 pretax pension expense, pretax other post-retirement expense, pension obligation and other post-retirement benefit obligation if a 0.25 percent change in rates were to occur.

	Qualified and Non-Qualified Pension Plans		Other Post-Retirement Plans	
(in millions)	**0.25%**	**(0.25)%**	**0.25%**	**(0.25)%**
Effect on 2017 pretax pension and other post-retirement expense				
Expected long-term rate of return	$ (21)	$ 21	$ (1)	$ 1
Discount rate	(17)	19	(1)	1
Effect on pension and other post-retirement benefit obligation at December 31, 2017				
Discount rate	(223)	229	(17)	17

Duke Energy's other post-retirement plan uses a health care trend rate covering both pre- and post-age 65 retired plan participants, which is comprised of a medical care trend rate, which reflects the near- and long-term expectation of increases in medical costs, and a prescription drug trend rate, which reflects the near- and long-term expectation of increases in prescription drug costs. As of December 31, 2017, the health care trend rate was 7 percent, trending down to 4.75 percent by 2024. The following table presents the approximate effect on Duke Energy's 2017 pretax other post-retirement expense and other post-retirement benefit obligation if a 1 percentage point change in the health care trend rate were to occur. These plans are closed to new hires.

	Other Post-Retirement Plans	
(in millions)	1%	(1)%
Effect on 2017 other post-retirement expense	$ 5	$ (4)
Effect on other post-retirement benefit obligation at December 31, 2017	27	(24)

For further information, see Note 21 to the Consolidated Financial Statements, "Employee Benefit Plans."

Income Taxes

Duke Energy and its subsidiaries file a consolidated federal income tax return and other state returns. The Subsidiary Registrants entered into a tax-sharing agreement with Duke Energy. Income taxes recorded represent amounts the Subsidiary Registrants would incur as separate C-Corporations. Deferred income taxes have been provided for temporary differences between GAAP and tax bases of assets and liabilities because the differences create taxable or tax-deductible amounts for future periods. ITCs associated with regulated operations are deferred and amortized as a reduction of income tax expense over the estimated useful lives of the related properties.

Accumulated deferred income taxes are valued using the enacted tax rate expected to apply to taxable income in the periods in which the deferred tax asset or liability is expected to be settled or realized. In the event of a change in tax rates, deferred tax assets and liabilities are remeasured as of the enactment date of the new rate. To the extent that the change in the value of the deferred tax represents an obligation to customers, the impact of the remeasurement is deferred to a regulatory liability. Remaining impacts are recorded in income from continuing operations. Other impacts of the Tax Act have been recorded on a provisional basis, see Note 22, "Income Taxes," for additional information. If Duke Energy's estimate of the tax effect of reversing temporary differences is not reflective of actual outcomes, is modified to reflect new developments or interpretations of the tax law, revised to incorporate new accounting principles, or changes in the expected timing or manner of the reversal then Duke Energy's results of operations could be impacted.

LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Cash

Duke Energy relies primarily upon cash flows from operations, debt and equity 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. Duke Energy's projected primary sources and uses for the next three fiscal years are included in the table below.

(in millions)	2018	2019	2020
Uses:			
Capital expenditures	$ 10,950	$ 10,975	$ 9,050
Debt maturities and reduction in short-term debt[a]	3,135	3,500	2,850
Dividend payments[b]	2,575	2,750	2,875
Sources:			
Net cash flows from operations	$ 7,945	$ 9,150	$ 9,390
Debt issuances and increase in short-term debt[c]	6,000	7,100	3,050
Equity issuances[d]	2,000	350	350

(a) Excludes capital leases. Duke Energy projects a reduction in short-term debt in 2020.
(b) Subject to approval by the Board of Directors.
(c) Duke Energy projects an increase in short-term debt in 2018 and 2019.
(d) 2018 equity issuances to be achieved through a public offering and through issuances under the Equity Distribution Agreement and the Dividend Reinvestment Program (DRIP). See Note 18 to the Consolidated Financial Statements, "Common Stock" for additional information.

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Among other provisions, the Tax Act lowers the corporate federal income tax rate from 35 percent to 21 percent and eliminates bonus depreciation for regulated utilities. For Duke Energy's regulated operations, the reduction in federal income taxes is expected to result in lower regulated customer rates. However, due to its existing NOL (Net operating loss) position and other tax credits, Duke Energy does not expect to be a significant federal cash tax payer through at least 2022. As a result, any reduction in customer rates could cause a material reduction in consolidated cash flows from operations in the short-term. Over time, the reduction in deferred tax liabilities resulting from the Tax Act will increase Duke Energy's regulated rate base investments and customer rates. See the Credit Ratings section below for additional information on the impact of the Tax Act on the Duke Energy Registrants' credit ratings. Impacts of Tax Act to Duke Energy's cash flows and credit metrics are subject to the regulatory actions of its state commissions and the FERC, which are currently pending. See Note 4 to the Consolidated Financial Statements, "Regulatory Matters," for additional information.

In order to strengthen its balance sheet and credit metrics and bolster cash flows, Duke Energy plans to issue $2 billion of common stock equity during 2018, including its previous plan to issue $350 million annually through its DRIP beginning in 2018, as well as reduce its capital expenditures during 2018-2022 by approximately $1 billion.

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, 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. See Note 6 to the Consolidated Financial Statements, "Debt and Credit Facilities," for additional discussion of the money pool arrangement.

Duke Energy and the Subsidiary Registrants, excluding Progress Energy, 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 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 businesses.

Credit Facilities and Registration Statements

See Note 6 to the Consolidated Financial Statements, "Debt and Credit Facilities," for further information regarding credit facilities and shelf registration statements available to Duke Energy and the Duke Energy Registrants.

CAPITAL EXPENDITURES

Duke Energy continues to focus on reducing risk and positioning its business for future success and will invest principally in its strongest business sectors. Duke Energy's projected capital and investment expenditures for the next three fiscal years are included in the table below.

(in millions)	2018	2019	2020
New generation	$ 780	$ 260	$ 135
Regulated renewables	155	415	365
Environmental	610	35	30
Nuclear fuel	500	410	455
Major nuclear	390	335	230
Customer additions	490	485	515
Grid modernization and other transmission and distribution projects	2,585	3,515	3,415
Maintenance and other	2,665	2,445	2,230
Total Electric Utilities and Infrastructure	8,175	7,900	7,375
Gas Utilities and Infrastructure	2,350	2,275	950
Commercial Renewables and Other	425	800	725
Total projected capital and investment expenditures	$ 10,950	$ 10,975	$ 9,050

DEBT MATURITIES

See Note 6 to the Consolidated Financial Statements, "Debt and Credit Facilities," for further information regarding significant components of Current Maturities of Long-Term Debt on the Consolidated Balance Sheets.

DIVIDEND PAYMENTS

In 2017, Duke Energy paid quarterly cash dividends for the 91st consecutive year and expects to continue its policy of paying regular cash dividends in the future. There is no assurance as to the amount of future dividends because they depend on future earnings, capital requirements, financial condition and are subject to the discretion of the Board of Directors.

Duke Energy targets a dividend payout ratio of between 70 percent and 75 percent, based upon adjusted diluted EPS. In 2016 and 2017, Duke Energy increased the dividend by approximately 4 percent annually. Through 2022, the annual dividend growth rate is expected to be between approximately 4 to 6 percent.

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Dividend and Other Funding Restrictions of Duke Energy Subsidiaries

As discussed in Note 4 to the Consolidated Financial Statements, "Regulatory Matters," Duke Energy's wholly owned public utility operating companies have restrictions on the amount of funds that can be transferred to Duke Energy through dividends, advances or loans as a result of conditions imposed by various regulators in conjunction with merger transactions. Duke Energy Progress and Duke Energy Florida also have restrictions imposed by their first mortgage bond indentures and Articles of Incorporation, which, in certain circumstances, limit their ability to make cash dividends or distributions on common stock. Additionally, certain other Duke Energy subsidiaries have other restrictions, such as minimum working capital and tangible net worth requirements pursuant to debt and other agreements that limit the amount of funds that can be transferred to Duke Energy. At December 31, 2017, the amount of restricted net assets of wholly owned subsidiaries of Duke Energy that may not be distributed to Duke Energy in the form of a loan or dividend is less than 25 percent of Duke Energy's net assets. Duke Energy does not have any legal or other restrictions on paying common stock dividends to shareholders out of its consolidated equity accounts. Although these restrictions cap the amount of funding the various operating subsidiaries can provide to Duke Energy, management does not believe these restrictions will have a significant impact on Duke Energy's ability to access cash to meet its payment of dividends on common stock and other future funding obligations.

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," for additional information).

At December 31, 2017, Duke Energy had cash and cash equivalents and short-term investments of $358 million.

DEBT ISSUANCES

Depending on availability based on the issuing entity, the credit rating of the issuing entity, and market conditions, the Subsidiary Registrants prefer to issue first mortgage bonds and secured debt, followed by unsecured debt. This preference is the result of generally higher credit ratings for first mortgage bonds and secured debt, which typically result in lower interest costs. Duke Energy Corporation primarily issues unsecured debt.

See to Note 6 to the Consolidated Financial Statements, "Debt and Credit Facilities," for further information regarding significant debt issuances.

Duke Energy's capitalization is balanced between debt and equity as shown in the table below.

	Projected 2018	Actual 2017	Actual 2016
Equity	44%	**43%**	45%
Debt	56%	**57%**	55%

Duke Energy's fixed charges coverage ratio, calculated using Securities and Exchange Commission (SEC) guidelines, was 2.9 times for 2017, 2.7 times for 2016 and 3.1 times for 2015.

Restrictive Debt Covenants

Duke Energy's debt and credit agreements contain various financial and other covenants. Duke Energy's Master Credit Facility contains a covenant requiring the debt-to-total capitalization ratio to not exceed 65 percent for each borrower, excluding Piedmont, and 70 percent for Piedmont. Failure to meet those covenants beyond applicable grace periods could result in accelerated due dates and/or termination of the agreements or sublimits thereto. As of December 31, 2017, each of the Duke Energy Registrants was 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

Moody's Investors Service, Inc. (Moody's), Standard & Poor's Rating Services (S&P) and Fitch Ratings, Inc. provide credit ratings for various

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Duke Energy Registrants. The following table includes Duke Energy and certain subsidiaries' credit ratings and ratings outlook as of February 2018.

	Moody's	S&P	Fitch
Duke Energy Corporation	Negative [(a)]	Stable	Negative
Issuer Credit Rating	Baa1	A-	BBB+
Senior Unsecured Debt	Baa1	BBB+	BBB+
Commercial Paper	P-2	A-2	F-2
Duke Energy Carolinas	Stable	Stable	N/A
Senior Secured Debt	Aa2	A	N/A
Senior Unsecured Debt	A1	A-	N/A
Progress Energy	Stable	Stable	N/A
Senior Unsecured Debt	Baa2	BBB+	N/A
Duke Energy Progress	Stable	Stable	N/A
Senior Secured Debt	Aa3	A	N/A
Duke Energy Florida	Stable	Stable	N/A
Senior Secured Debt	A1	A	N/A
Senior Unsecured Debt	A3	A-	N/A
Duke Energy Ohio	Positive	Stable	N/A
Senior Secured Debt	A2	A	N/A
Senior Unsecured Debt	Baa1	A-	N/A
Duke Energy Indiana	Stable	Stable	N/A
Senior Secured Debt	Aa3	A	N/A
Senior Unsecured Debt	A2	A-	N/A
Duke Energy Kentucky	Stable	Stable	N/A
Senior Unsecured Debt	Baa1	A-	N/A
Piedmont Natural Gas	Negative [(a)]	Stable	N/A
Senior Unsecured	A2	A-	N/A

(a) In January 2018, Moody's revised the ratings outlook for Duke Energy Corporation and Piedmont from stable to negative, principally due to risk of deterioration in credit metrics resulting from the Tax Act. See the Tax Cuts and Jobs Act section above for additional information on the Tax Act.

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 deteriorates, credit ratings could be negatively impacted.

Cash Flow Information

The following table summarizes Duke Energy's cash flows for the three most recently completed fiscal years.

	Years Ended December 31,		
(in millions)	**2017**	**2016**	**2015**
Cash flows provided by (used in):			
Operating activities	**$ 6,634**	$ 6,817	$ 6,700
Investing activities	**(8,450)**	(11,533)	(5,277)
Financing activities	**1,782**	4,251	(2,602)
Changes in cash and cash equivalents included in assets held for sale	**—**	474	1,099
Net (decrease) increase in cash and cash equivalents	**(34)**	9	(80)
Cash and cash equivalents at beginning of period	**392**	383	463
Cash and cash equivalents at end of period	**$ 358**	$ 392	$ 383

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OPERATING CASH FLOWS

The following table summarizes key components of Duke Energy's operating cash flows for the three most recently completed fiscal years.

	Years Ended December 31,		
(in millions)	**2017**	**2016**	**2015**
Net income	**$ 3,064**	$ 2,170	$ 2,831
Non-cash adjustments to net income	**5,380**	5,305	4,800
Contributions to qualified pension plans	**(19)**	(155)	(302)
Payments for AROs	**(571)**	(608)	(346)
Working capital	**(1,220)**	105	(283)
Net cash provided by operating activities	**$ 6,634**	$ 6,817	$ 6,700

For the year ended December 31, 2017, compared to 2016, the variance was driven primarily by:

- a $1,325 million decrease in working capital due to weather, payment of merger transaction and integration related costs and increased property tax payments in 2017.

Offset by:

- a $969 million increase in net income after non-cash adjustments primarily due to the inclusion of Piedmont's earnings for a full year, favorable pricing and weather-normal retail volumes driven by the residential class in the Electric Utilities and Infrastructure Segment combined with continued strong cost control;
- a $136 million decrease in contributions to qualified pension plans; and
- a $37 million decrease in payments to AROs.

For the year ended December 31, 2016, compared to 2015, the variance was driven primarily by:

- a $388 million increase in cash flows from working capital primarily due to the sale of the International business; and
- a $147 million decrease in contributions to qualified pension plans.

Offset by:

- a $262 million increase in payments for AROs; and
- a $156 million decrease in net income after non-cash adjustments due to higher storm costs offset by favorable weather, increased rider revenues, higher wholesale margins and strong cost control.

INVESTING CASH FLOWS

The following table summarizes key components of Duke Energy's investing cash flows for the three most recently completed fiscal years.

	Years Ended December 31,		
(in millions)	**2017**	**2016**	**2015**
Capital, investment and acquisition expenditures	**$ (8,198)**	$ (13,215)	$ (8,363)
Available for sale securities, net	**27**	83	3
Net proceeds from the sales of discontinued operations and other assets, net of cash divested	**—**	1,418	2,968
Other investing items	**(279)**	181	115
Net cash used in investing activities	**$ (8,450)**	$ (11,533)	$ (5,277)

The primary use of cash related to investing activities is capital, investment and acquisition expenditures, detailed by reportable business segment in the following table.

	Years Ended December 31,		
(in millions)	**2017**	**2016**	**2015**
Electric Utilities and Infrastructure	**$ 7,024**	$ 6,649	$ 6,852
Gas Utilities and Infrastructure	**907**	5,519	234
Commercial Renewables	**92**	857	1,019
Other	**175**	190	258
Total capital, investment and acquisition expenditures	**$ 8,198**	$ 13,215	$ 8,363

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For the year ended December 31, 2017, compared to 2016, the variance was driven primarily by:

- a $5,017 million decrease in capital, investment and acquisition expenditures mainly due to the Piedmont acquisition in the prior year.

Partially offset by:

- a $1,418 million decrease in net proceeds from sales of discontinued operations due to the prior year sale of the International business.

For the year ended December 31, 2016, compared to 2015, the variance was driven primarily by:

- a $4,852 million increase in capital, investment and acquisition expenditures mainly due to the Piedmont acquisition; and
- a $1,550 million decrease in net proceeds from sales of discontinued operations mainly due to the variance in proceeds between the 2015 sale of the Midwest generation business and the 2016 sale of the International business.

FINANCING CASH FLOWS

The following table summarizes key components of Duke Energy's financing cash flows for the three most recently completed fiscal years.

	Years Ended December 31,		
(in millions)	**2017**	**2016**	**2015**
Issuance of common stock	$ —	$ 731	$ 17
Issuances (Repayments) of long-term debt, net	**4,593**	7,315	(74)
Notes payable and commercial paper	**(362)**	(1,447)	1,245
Dividends paid	**(2,450)**	(2,332)	(2,254)
Repurchase of common shares	**—**	—	(1,500)
Other financing items	**1**	(16)	(36)
Net cash provided by (used in) financing activities	**$ 1,782**	$ 4,251	$ (2,602)

For the year ended December 31, 2017, compared to 2016, the variance was driven primarily by:

- a $2,722 million net decrease in proceeds from issuances of long-term debt driven principally by the prior year $3,750 million of senior unsecured notes used to fund a portion of the Piedmont acquisition, offset primarily by $900 million of first mortgage bonds issued by Duke Energy Florida in the current year to fund capital expenditures for ongoing construction and capital maintenance and for general corporate purposes;
- a $731 million decrease in proceeds from stock issuances used to fund a portion of the Piedmont acquisition in 2016; and
- a $118 million current year increase in dividends paid.

Partially offset by:

- a $1,085 million decrease in net borrowings from notes payable and commercial paper primarily due to the use of proceeds from $1,294 million nuclear asset-recovery bonds issued at Duke Energy Florida in 2016 to pay down outstanding commercial paper.

For the year ended December 31, 2016, compared to 2015, the variance was driven primarily by:

- a $7,389 million increase in proceeds from net issuances of long-term debt mainly due to the issuances of $3,750 million of senior unsecured notes used to fund a portion of the Piedmont acquisition, $1,294 million of nuclear asset-recovery bonds and other issuances primarily used to fund capital expenditures, pay down outstanding commercial paper and repay debt maturities;
- a $1,500 million decrease in cash outflows due to the 2015 repurchase of 19.8 million common shares under the ASR; and
- a $714 million increase in proceeds resulting from the issuance of common stock to fund the acquisition of Piedmont.

Partially offset by:

- a $2,692 million increase in cash outflows for the net payments of notes payable and commercial paper primarily through the use of proceeds from $1,294 million nuclear asset-recovery bonds issued at Duke Energy Florida, further increased by the use of short-term debt in 2015 to repay long-term debt maturities at Duke Energy Florida in advance of the 2016 proceeds from the nuclear asset-recovery bonds.

Off-Balance Sheet Arrangements

Duke Energy and certain of its subsidiaries enter into guarantee arrangements in the normal course of business to facilitate commercial transactions with third parties. These arrangements include performance guarantees, stand-by letters of credit, debt guarantees, surety bonds and indemnifications.

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Most of the guarantee arrangements entered into by Duke Energy enhance the credit standing of certain subsidiaries, non-consolidated entities or less than wholly owned entities, enabling them to conduct business. As such, these guarantee arrangements involve elements of performance and credit risk, which are not always included on the Consolidated Balance Sheets. The possibility of Duke Energy, either on its own or on behalf of Spectra Energy Capital, LLC (Spectra Capital) through indemnification agreements entered into as part of the January 2, 2007, spin-off of Spectra Energy Corp, having to honor its contingencies is largely dependent upon the future operations of the subsidiaries, investees and other third parties, or the occurrence of certain future events.

Duke Energy performs ongoing assessments of its respective guarantee obligations to determine whether any liabilities have been incurred as a result of potential increased non-performance risk by third parties for which Duke Energy has issued guarantees.

See Note 7 to the Consolidated Financial Statements, "Guarantees and Indemnifications," for further details of the guarantee arrangements.

Issuance of these guarantee arrangements is not required for the majority of Duke Energy's operations. Thus, if Duke Energy discontinued issuing these guarantees, there would not be a material impact to the consolidated results of operations, cash flows or financial position.

Other than the guarantee arrangements discussed above, normal operating lease arrangements and off-balance sheet debt related to non-consolidated VIEs, Duke Energy does not have any material off-balance sheet financing entities or structures. For additional information, see Notes 5, 7 and 17 to the Consolidated Financial Statements, "Commitments and Contingencies," "Guarantees and Indemnifications" and "Variable Interest Entities," respectively.

Contractual Obligations

Duke Energy enters into contracts that require payment of cash at certain specified periods, based on certain specified minimum quantities and prices. The following table summarizes Duke Energy's contractual cash obligations as of December 31, 2017.

	Payments Due By Period				
(in millions)	Total	Less than 1 year (2018)	2-3 years (2019 & 2020)	4-5 years (2021 & 2022)	More than 5 years (2023 & beyond)
Long-term debt[a]	$ 49,962	$ 3,127	$ 7,062	$ 6,541	$ 33,232
Interest payments on long-term debt[b]	30,943	2,014	3,590	3,144	22,195
Capital leases[c]	1,601	168	343	345	745
Operating leases[c]	1,786	233	386	285	882
Purchase obligations:[d]					
Fuel and purchased power[e][f]	30,956	4,506	6,085	4,474	15,891
Other purchase obligations[g]	8,726	6,642	1,406	121	557
Nuclear decommissioning trust annual funding[h]	285	14	28	28	215
Total contractual cash obligations[i][k]	$ 124,259	$ 16,704	$ 18,900	$ 14,938	$ 73,717

(a) See Note 6 to the Consolidated Financial Statements, "Debt and Credit Facilities."
(b) Interest payments on variable rate debt instruments were calculated using December 31, 2017, interest rates and holding them constant for the life of the instruments.
(c) See Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies." Amounts in the table above include the interest component of capital leases based on the interest rates stated in the lease agreements and exclude certain related executory costs. Amounts exclude contingent lease obligations.
(d) Current liabilities, except for current maturities of long-term debt, and purchase obligations reflected on the Consolidated Balance Sheets have been excluded from the above table.
(e) Includes firm capacity payments that provide Duke Energy with uninterrupted firm access to electricity transmission capacity and natural gas transportation contracts, as well as undesignated contracts and contracts that qualify as normal purchase/normal sale (NPNS). For contracts where the price paid is based on an index, the amount is based on market prices at December 31, 2017, or the best projections of the index. For certain of these amounts, Duke Energy may settle on a net cash basis since Duke Energy has entered into payment netting arrangements with counterparties that permit Duke Energy to offset receivables and payables with such counterparties.
(f) Amounts exclude obligations under the OVEC purchase power agreement. See Note 17 to the Consolidated Financial Statements, "Variable Interest Entities," for additional information.
(g) Includes contracts for software, telephone, data and consulting or advisory services. Amount also includes contractual obligations for engineering, procurement and construction costs for new generation plants, wind and solar facilities, plant refurbishments, maintenance and day-to-day contract work and commitments to buy certain products. Amount excludes certain open purchase orders for services that are provided on demand, for which the timing of the purchase cannot be determined.
(h) Related to future annual funding obligations to NDTF through nuclear power stations' relicensing dates. See Note 9 to the Consolidated Financial Statements, "Asset Retirement Obligations."
(i) Unrecognized tax benefits of $25 million are not reflected in this table as Duke Energy cannot predict when open income tax years will close with completed examinations. See Note 22 to the Consolidated Financial Statements, "Income Taxes."

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(j) The table above excludes reserves for litigation, environmental remediation, asbestos-related injuries and damages claims and self-insurance claims (see Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies") because Duke Energy is uncertain as to the timing and amount of cash payments that will be required. Additionally, the table above excludes annual insurance premiums that are necessary to operate the business, including nuclear insurance (see Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies"), funding of pension and other post-retirement benefit plans (see Note 21 to the Consolidated Financial Statements, "Employee Benefit Plans"), AROs, including ash management expenditures (see Note 9 to the Consolidated Financial Statements, "Asset Retirement Obligations") and regulatory liabilities (see Note 4 to the Consolidated Financial Statements, "Regulatory Matters") because the amount and timing of the cash payments are uncertain. Also excluded are Deferred Income Taxes and ITCs recorded on the Consolidated Balance Sheets since cash payments for income taxes are determined based primarily on taxable income for each discrete fiscal year.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Risk Management Policies

The Enterprise Risk Management policy framework at Duke Energy includes strategy, operational, project execution and financial or transaction related risks. Enterprise Risk Management includes market risk as part of the financial and transaction related risks in its framework.

Duke Energy is exposed to market risks associated with commodity prices, interest rates and equity prices. Duke Energy has established comprehensive risk management policies to monitor and manage these market risks. Duke Energy's Chief Executive Officer and Chief Financial Officer are responsible for the overall approval of market risk management policies and the delegation of approval and authorization levels. The Finance and Risk Management Committee of the Board of Directors receives periodic updates from the Chief Risk Officer and other members of management on market risk positions, corporate exposures and overall risk management activities. The Chief Risk Officer is responsible for the overall governance of managing commodity price risk, including monitoring exposure limits.

The following disclosures about market risk contain forward-looking statements that involve estimates, projections, goals, forecasts, assumptions, risks and uncertainties that could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. Please review Item 1A, "Risk Factors," and "Cautionary Statement Regarding Forward-Looking Information" for a discussion of the factors that may impact any such forward-looking statements made herein.

Commodity Price Risk

Duke Energy is exposed to the impact of market fluctuations in the prices of electricity, coal, natural gas and other energy-related products marketed and purchased as a result of its ownership of energy-related assets. Duke Energy's exposure to these fluctuations is limited by the cost-based regulation of its regulated operations as these operations are typically allowed to recover substantially all of these costs through various cost-recovery clauses, including fuel clauses, formula based contracts, or other cost-sharing mechanisms. While there may be a delay in timing between when these costs are incurred and when they are recovered through rates, changes from year to year generally do not have a material impact on operating results of these regulated operations.

Price risk represents the potential risk of loss from adverse changes in the market price of electricity or other energy commodities. Duke Energy's exposure to commodity price risk is influenced by a number of factors, including contract size, length, market liquidity, location and unique or specific contract terms. Duke Energy employs established policies and procedures to manage risks associated with these market fluctuations, which may include using various commodity derivatives, such as swaps, futures, forwards and options. For additional information, see Note 14 to the Consolidated Financial Statements, "Derivatives and Hedging."

The inputs and methodologies used to determine the fair value of contracts are validated by an internal group separate from Duke Energy's deal origination function. While Duke Energy uses common industry practices to develop its valuation techniques, changes in its pricing methodologies or the underlying assumptions could result in significantly different fair values and income recognition.

Hedging Strategies

Duke Energy closely monitors risks associated with commodity price changes on its future operations and, where appropriate, uses various commodity instruments such as electricity, coal and natural gas forward contracts and options to mitigate the effect of such fluctuations on operations. Duke Energy's primary use of energy commodity derivatives is to hedge against exposure to the prices of power, fuel for generation and natural gas for customers.

The majority of instruments used to manage Duke Energy's commodity price exposure are either not designated as hedges or do not qualify for hedge accounting. These instruments are referred to as undesignated contracts. Mark-to-market changes for undesignated contracts entered into by regulated businesses are reflected as regulatory assets or liabilities on the Consolidated Balance Sheets. Undesignated contracts entered into by unregulated businesses are marked-to-market each period, with changes in the fair value of the derivative instruments reflected in earnings.

Duke Energy may also enter into other contracts that qualify for the NPNS exception. When a contract meets the criteria to qualify as NPNS, Duke Energy applies such exception. Income recognition and realization related to NPNS contracts generally coincide with the physical delivery of the commodity. For contracts qualifying for the NPNS exception, no recognition of the contract's fair value in the Consolidated Financial Statements is required until settlement of the contract as long as the transaction remains probable of occurring.

Generation Portfolio Risks

The Duke Energy Registrants optimize the value of their generation portfolios, which include generation assets, fuel and emission allowances. Modeled forecasts of future generation output and fuel requirements are based on forward power and fuel markets. The component pieces of the portfolio are bought and sold based on models and forecasts of generation in order to manage the economic value of the portfolio in accordance with the strategies of the business units.

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For the Electric Utilities segment, the generation portfolio not utilized to serve retail operations or committed load is subject to commodity price fluctuations. However, the impact on the Consolidated Statements of Operations is partially offset by mechanisms in these regulated jurisdictions that result in the sharing of net profits from these activities with retail customers.

Interest Rate Risk

Duke Energy is exposed to risk resulting from changes in interest rates as a result of its issuance of variable and fixed-rate debt and commercial paper. Duke Energy manages interest rate exposure by limiting variable-rate exposures to a percentage of total debt and by monitoring the effects of market changes in interest rates. Duke Energy also enters into financial derivative instruments, which may include instruments such as, but not limited to, interest rate swaps, swaptions and U.S. Treasury lock agreements to manage and mitigate interest rate risk exposure. See Notes 1, 6, 14 and 16 to the Consolidated Financial Statements, "Summary of Significant Accounting Policies," "Debt and Credit Facilities," "Derivatives and Hedging," and "Fair Value Measurements."

At December 31, 2017, Duke Energy had $687 million notional amount of floating-to-fixed swaps outstanding, $500 million notional amount of fixed-to-floating swaps outstanding and $400 million forward-starting swaps outstanding. Duke Energy had $6.1 billion of unhedged long- and short-term floating interest rate exposure at December 31, 2017. The impact of a 100 basis point change in interest rates on pretax income is approximately $61 million at December 31, 2017. This amount was estimated by considering the impact of the hypothetical interest rates on variable-rate securities outstanding, adjusted for interest rate hedges as of December 31, 2017.

See Note 14, "Derivatives and Hedging," to the Consolidated Financial Statements for additional information about the forward-starting interest rate swaps related to the Piedmont acquisition.

Credit Risk

Credit risk represents the loss that the Duke Energy Registrants would incur if a counterparty fails to perform under its contractual obligations. Where exposed to credit risk, the Duke Energy Registrants analyze the counterparty's financial condition prior to entering into an agreement and monitor exposure on an ongoing basis. The Duke Energy Registrants establish credit limits where appropriate in the context of contractual arrangements and monitor such limits.

To reduce credit exposure, the Duke Energy Registrants seek to include netting provisions with counterparties, which permit the offset of receivables and payables with such counterparties. The Duke Energy Registrants also frequently use master agreements with credit support annexes to further mitigate certain credit exposures. The master agreements provide for a counterparty to post cash or letters of credit to the exposed party for exposure in excess of an established threshold. The threshold amount represents a negotiated unsecured credit limit for each party to the agreement, determined in accordance with the Duke Energy Registrants' internal corporate credit practices and standards. Collateral agreements generally also provide that the inability to post collateral is sufficient cause to terminate contracts and liquidate all positions.

The Duke Energy Registrants also obtain cash or letters of credit from certain counterparties to provide credit support outside of collateral agreements, where appropriate, based on a financial analysis of the counterparty and the regulatory or contractual terms and conditions applicable to each transaction. See Note 14 to the Consolidated Financial Statements, "Derivatives and Hedging," for additional information regarding credit risk related to derivative instruments.

The Duke Energy Registrants' principal counterparties for its electric and natural gas businesses are regional transmission organizations, distribution companies, municipalities, electric cooperatives and utilities located throughout the U.S. The Duke Energy Registrants have concentrations of receivables from such entities throughout these regions. These concentrations of receivables may affect the Duke Energy Registrants' overall credit risk in that risk factors can negatively impact the credit quality of the entire sector.

The Duke Energy Registrants are also subject to credit risk from transactions with their suppliers that involve prepayments in conjunction with outsourcing arrangements, major construction projects and certain commodity purchases. The Duke Energy Registrants' credit exposure to such suppliers may take the form of increased costs or project delays in the event of non-performance. The Duke Energy Registrants' frequently require guarantees or letters of credit from suppliers to mitigate this credit risk.

Credit risk associated with the Duke Energy Registrants' service to residential, commercial and industrial customers is generally limited to outstanding accounts receivable. The Duke Energy Registrants mitigate this credit risk by requiring customers to provide a cash deposit, letter of credit or surety bond until a satisfactory payment history is established, subject to the rules and regulations in effect in each retail jurisdiction, at which time the deposit is typically refunded. Charge-offs for retail customers have historically been insignificant to the operations of the Duke Energy Registrants and are typically recovered through retail rates. Management continually monitors customer charge-offs and payment patterns to ensure the adequacy of bad debt reserves. Duke Energy Ohio and Duke Energy Indiana sell certain of their accounts receivable and related collections through Cinergy Receivables Company LLC (CRC), a Duke Energy consolidated variable interest entity. Losses on collection are first absorbed by the equity of CRC and next by the subordinated retained interests held by Duke Energy Ohio, Duke Energy Kentucky and Duke Energy Indiana. See Note 17 to the Consolidated Financial Statements, "Variable Interest Entities."

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 $797 million in excess of the self-insured retention. Receivables for insurance recoveries were $489 million and $587 million at December 31, 2017, and 2016, respectively. These amounts are classified in Other within Other Noncurrent Assets on the 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.

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The Duke Energy Registrants also have credit risk exposure through issuance of performance and financial guarantees, letters of credit and surety bonds on behalf of less than wholly owned entities and third parties. Where the Duke Energy Registrants have issued these guarantees, it is possible that they could be required to perform under these guarantee obligations in the event the obligor under the guarantee fails to perform. Where the Duke Energy Registrants have issued guarantees related to assets or operations that have been disposed of via sale, they attempt to secure indemnification from the buyer against all future performance obligations under the guarantees. See Note 7 to the Consolidated Financial Statements, "Guarantees and Indemnifications," for further information on guarantees issued by the Duke Energy Registrants.

Based on the Duke Energy Registrants' policies for managing credit risk, their exposures and their credit and other reserves, the Duke Energy Registrants do not currently anticipate a materially adverse effect on their consolidated financial position or results of operations as a result of non-performance by any counterparty.

Marketable Securities Price Risk

As described further in Note 15 to the Consolidated Financial Statements, "Investments in Debt and Equity Securities," Duke Energy invests in debt and equity securities as part of various investment portfolios to fund certain obligations. The vast majority of investments in equity securities are within the NDTF and assets of the various pension and other post-retirement benefit plans.

Pension Plan Assets

Duke Energy maintains investments to facilitate funding the costs of providing non-contributory defined benefit retirement and other post-retirement benefit plans. These investments are exposed to price fluctuations in equity markets and changes in interest rates. The equity securities held in these pension plans are diversified to achieve broad market participation and reduce the impact of any single investment, sector or geographic region. Duke Energy has established asset allocation targets for its pension plan holdings, which take into consideration the investment objectives and the risk profile with respect to the trust in which the assets are held. See Note 21 to the Consolidated Financial Statements, "Employee Benefit Plans," for additional information regarding investment strategy of pension plan assets.

A significant decline in the value of plan asset holdings could require Duke Energy to increase funding of its pension plans in future periods, which could adversely affect cash flows in those periods. Additionally, a decline in the fair value of plan assets, absent additional cash contributions to the plan, could increase the amount of pension cost required to be recorded in future periods, which could adversely affect Duke Energy's results of operations in those periods.

Nuclear Decommissioning Trust Funds

As required by the NRC, NCUC, PSCSC and FPSC, subsidiaries of Duke Energy maintain trust funds to fund the costs of nuclear decommissioning. As of December 31, 2017, these funds were invested primarily in domestic and international equity securities, debt securities, cash and cash equivalents and short-term investments. Per the NRC, Internal Revenue Code, NCUC, PSCSC and FPSC requirements, these funds may be used only for activities related to nuclear decommissioning. These investments are exposed to price fluctuations in equity markets and changes in interest rates. Duke Energy actively monitors its portfolios by benchmarking the performance of its investments against certain indices and by maintaining, and periodically reviewing, target allocation percentages for various asset classes.

Accounting for nuclear decommissioning recognizes that costs are recovered through retail and wholesale rates; therefore, fluctuations in investment prices do not materially affect the Consolidated Statements of Operations, as changes in the fair value of these investments are primarily deferred as regulatory assets or regulatory liabilities pursuant to Orders by the NCUC, PSCSC, FPSC and FERC. Earnings or losses of the fund will ultimately impact the amount of costs recovered through retail and wholesale rates. See Note 9 to the Consolidated Financial Statements, "Asset Retirement Obligations," for additional information regarding nuclear decommissioning costs. See Note 15 to the Consolidated Financial Statements, "Investments in Debt and Equity Securities," for additional information regarding NDTF assets.

OTHER MATTERS

Ratios of Earnings to Fixed Charges

The Duke Energy Registrants' ratios of earnings to fixed charges, as calculated using SEC guidelines, are included in the tables below.

	Years Ended December 31,		
	2017	2016	2015
Duke Energy	2.9	2.7	3.1
Duke Energy Carolinas	4.8	4.7	4.7
Progress Energy	2.7	3.0	2.9
Duke Energy Progress	4.1	4.0	3.7
Duke Energy Florida	3.3	4.3	4.3
Duke Energy Ohio	3.4	3.8	3.6
Duke Energy Indiana	4.4	4.1	3.6

	Year Ended	Two Months Ended	Years Ended October 31,	
	December 31, 2017	December 31, 2016	2016	2015
Piedmont	3.3	6.6	4.7	3.7

PART II

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 legislation and regulations that may impact the Duke Energy Registrants. Refer to Note 4 to the 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, 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. Various industry and environmental parties have appealed EPA's CCR rule in the U.S. Court of Appeals for the District of Columbia (D.C. Circuit Court). On April 18, 2016, EPA filed a motion with the federal court to settle five issues raised in litigation. On June 14, 2016, the court approved the motion with respect to all of those issues. Duke Energy does not expect a material impact from the settlement or that it will result in additional ARO adjustments. On September 13, 2017, EPA responded to a petition by the Utility Solid Waste Activities Group that the agency would reconsider certain provisions of the final rule, and asked the D.C. Circuit Court to suspend the litigation. The D.C. Circuit Court denied EPA's petition to suspend the litigation and oral argument was held on November 20, 2017. The court has not issued an order in the matter. Duke Energy cannot predict the outcome of the litigation.

In a November 15, 2017, status report filed with the D.C. Circuit Court, EPA listed the provisions it intends to reconsider, including provisions that warrant revision due to passage of the Water Infrastructure Improvements for the Nation Act, which allows for implementation of the CCR rule through state or federal permit programs. EPA has indicated it will issue a proposed rule in early 2018 that includes provisions from the June 2016 settlement with petitioners and additional provisions under reconsideration. The reconsideration would not repeal the CCR rule; rather, it would modify some requirements to align with the implementation of the rule through permit programs. At this time, Duke Energy does not expect a reconsideration rulemaking to have a material impact on its coal ash basin closure plans or compliance requirements under the CCR rule.

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

Coal Ash Management Act of 2014

AROs recorded on the Duke Energy Carolinas and Duke Energy Progress Consolidated Balance Sheets at December 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. The Coal Ash Act requires Duke Energy to undertake dam improvement projects and to provide access to a permanent alternative drinking water source to certain residents within a half-mile of coal ash basin compliance boundaries and to certain other potentially impacted residents. The legislation requires excavation of the Sutton, Riverbend and Dan River basins by August 1, 2019, and Asheville basins by August 1, 2022. Excavation at these sites may include a combination of transfer of coal ash to an engineered landfill or conversion for beneficial use. Basins at the H.F. Lee, Cape Fear and Weatherspoon sites are required to be closed through excavation no later than August 1, 2028. Excavation at these sites can include conversion of the basin to a lined industrial landfill, transfer of ash to an engineered landfill or conversion for beneficial use. The remaining basins are required to be closed no later than December 31, 2024, through conversion to a lined industrial landfill, transfer to an engineered landfill or conversion for beneficial use, unless certain dam improvement projects and alternative drinking water source projects are completed by October 15, 2018. Upon satisfactory completion of these projects, the closure deadline would be extended to December 31, 2029, and could include closure through the combination of a cap system and a groundwater monitoring system.

Additionally, the Coal Ash Act requires the installation and operation of three large-scale coal ash beneficiation projects to produce reprocessed ash for use in the concrete industry. Duke Energy selected the Buck, H.F. Lee and Cape Fear plants for these projects. Closure at these sites is required to be completed no later than December 31, 2029.

The Coal Ash Act includes a variance procedure for compliance deadlines and other issues surrounding the management of CCR and CCR surface impoundments and prohibits 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 further information on AROs, see Note 9 to the Consolidated Financial Statements, "Asset Retirement Obligations."

PART II

Clean Water Act 316(b)

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 2023 time frame. Petitions challenging the rule have been filed by several groups. Oral argument was held on September 14, 2017. 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. As originally written, affected facilities were required to comply between 2018 and 2023, depending on the timing of Clean Water Act (CWA) discharge permits. Most of the steam electric generating facilities the Duke Energy Registrants own are 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 rule focused on the limits imposed on IGCC facilities (gasification wastewater). All challenges to the rule were consolidated in the Fifth Circuit Court of Appeals. On August 22, 2017, the Fifth Circuit Court of Appeals granted EPA's Motion to Govern Further Proceedings, thereby severing and suspending the claims related to flue gas desulfurization wastewater, bottom ash transport water and gasification wastewater. Claims regarding gasification wastewater were stayed, pending the issuance of the variance to Duke Energy Indiana. The litigation will continue as to claims related to other waste streams.

On August 7, 2017, EPA issued a public notice regarding its proposed decision to grant a variance to Duke Energy Indiana for mercury and total dissolved solids for gasification wastewater at its Edwardsport facility. The public comment period has ended, but EPA has not finalized its decision. Separate from the litigation, EPA finalized a rule on September 18, 2017, postponing the earliest applicability date for bottom ash transport water and flue gas desulfurization wastewater from 2018 to 2020 and retaining the end applicability date of 2023. Also, as part of the rule, EPA reiterated its intent to review the limitation guidelines for bottom ash transport water and flue gas desulfurization wastewater and potentially to conduct a new rulemaking to revise those guidelines.

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, 2022. The table excludes ash basin closure costs recorded in Asset retirement obligations on the Consolidated Balance Sheets. For more information related to AROs, see Note 9 to the Consolidated Financial Statements.

(in millions)	Five-Year Estimated Costs
Duke Energy	**$ 920**
Duke Energy Carolinas	380
Progress Energy	360
Duke Energy Progress	230
Duke Energy Florida	130
Duke Energy Ohio	70
Duke Energy Indiana	110

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.

PART II

Cross-State Air Pollution Rule

On December 3, 2015, 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. EPA also proposed to eliminate the CSAPR Phase 2 ozone season state NOx budgets for Florida and South Carolina. On September 7, 2016, 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, 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, near-term responses 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 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. Final briefs in the case are due April 9, 2018. 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, 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. 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. 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. On August 10, 2017, the court ordered that the litigation be suspended indefinitely. 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, 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 were filed by several groups and on February 9, 2016, the Supreme Court issued a stay of the final CPP rule, halting implementation of the rule 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. On August 8, 2017, the court, on its own motion, extended the suspension of the litigation for an additional 60 days. On October 16, 2017, EPA issued a Notice of Proposed Rulemaking (NPR) to repeal the CPP based on a change to EPA's legal interpretation of the section of the Clean Air Act (CAA) on which the CPP was based. In the proposal, EPA indicates that it has not determined whether it will issue a rule to replace the CPP, and if it will do so, when and what form that rule will take. The comment period on EPA's NPR ends April 26, 2018. On December 28, 2017, EPA issued an Advance Notice of Proposed Rulemaking (ANPRM) in which it seeks public comment on various aspects of a potential CPP replacement rule. The comment period on the ANPRM ends February 26, 2018. If EPA decides to move forward with a CPP replacement rule, it will need to issue a formal proposal for public comment. Litigation of the CPP remains on hold in the D.C. Circuit Court and the February 2016 U.S. Supreme Court stay of the CPP remains in effect. The Duke Energy Registrants cannot predict the outcome of these matters.

Global Climate Change

The Duke Energy Registrants' greenhouse gas (GHG) emissions consist primarily of CO_2 and result primarily from operating a fleet of coal-fired and natural gas-fired power plants. In 2017, the Duke Energy Registrants' power plants emitted approximately 105 million tons of CO_2. Future levels of CO_2 emissions will be influenced by variables that include fuel prices, compliance with new or existing regulations, economic conditions that affect electricity demand and the technologies deployed to generate the electricity necessary to meet the customer demand.

The Duke Energy Registrants have taken actions that have resulted in a reduction of CO_2 emissions over time. Actions have included the retirement of 47 coal-fired EGUs with a combined generating capacity of 5,425 MW. Much of that capacity has been replaced with state-of-the-art highly efficient natural gas-fired generation that produces far fewer CO2 emissions per unit of electricity generated. Duke Energy also has made investments to expand its portfolio of wind and solar projects, increase energy efficiency offerings and invest in its zero-CO_2 emissions hydropower and nuclear plants. These efforts have diversified its system and significantly reduced CO_2 emissions. Between 2005 and 2017, the Duke Energy Registrants have collectively lowered the CO_2 emissions from their electricity generation by more than 31 percent, which lowers the exposure to any future mandatory CO_2 emission reduction requirements or carbon tax, whether as a result of federal legislation, EPA regulation, state regulation or other as yet unknown emission reduction requirement. Duke Energy will continue to explore the use of currently-available and commercially-demonstrated technology to reduce CO_2 emissions, including energy efficiency, wind, solar, storage, nuclear and carbon sequestration. Duke Energy will adjust to evolving and innovative technologies in a way that balances the reliability and affordability that customers expect. Under any future scenario involving mandatory CO_2 limitations, the Duke Energy Registrants would plan to seek recovery of their compliance costs through appropriate regulatory mechanisms.

The Duke Energy Registrants recognize certain groups associate severe weather events with increasing levels of GHGs in the atmosphere and forecast the possibility these weather events could have a material impact on future results of operations should they occur more frequently and with greater severity. However, the uncertain nature of potential changes in extreme weather events (such as increased frequency, duration and severity), the long period of time over which any potential changes might take place and the inability to predict potential changes with any degree of accuracy, make estimating any potential future financial risk to the Duke Energy Registrants' operations impossible. The Duke Energy Registrants have historically planned and prepared for extreme weather events, such as ice storms, tornadoes, hurricanes, severe thunderstorms, high winds and droughts they occasionally experience.

The Duke Energy Registrants annually, biannually or triennially prepare lengthy, forward-looking "integrated resource plans" (IRPs). These detailed, highly technical plans are based on the company's thorough analysis of numerous factors that can impact the cost of producing and delivering electricity that influence long-term resource planning decisions. The IRP process helps to evaluate a range of options, taking into account forecasts of future electricity demand, fuel prices, transmission improvements, new generating capacity, integration of renewables, energy storage, energy efficiency and demand response initiatives. The IRP process also helps evaluate potential environmental and regulatory scenarios to better mitigate policy and economic risks. The IRPs we file with regulators look out 10 to 20 years depending on the jurisdiction.

For a number of years, the Duke Energy Registrants have included a price on CO_2 emissions in their IRP planning process to account for the potential regulation of CO_2 emissions. Incorporating a price on CO_2 emissions in the IRP allows for the evaluation of existing and future resource needs against potential climate change policy risk in the absence of policy certainty. One of the challenges with using a CO_2 price, especially in the absence of a clear and certain policy, is determining the appropriate price to use. To address this uncertainty and ensure the company remains agile, the Duke Energy Registrants typically use a range of potential CO_2 prices to reflect a range of potential policy outcomes.

The Duke Energy Registrants routinely take steps to reduce the potential impact of severe weather events on their electric distribution systems. The Duke Energy Registrants' electric generating facilities are designed to withstand extreme weather events without significant damage. The Duke Energy Registrants maintain an inventory of coal and oil on-site to mitigate the effects of any potential short-term disruption in fuel supply so they can continue to provide customers with an uninterrupted supply of electricity.

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 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. The law stipulated certain deadlines for Duke Energy to file for NCUC approval of programs required under the law. Duke Energy has made some regulatory filings since the passage of the law and will continue to implement the requirements of House Bill 589.

Nuclear Matters

Following the events at the Fukushima Daiichi nuclear power station in Japan, in March 2011, the NRC formed a task force to conduct a comprehensive review of processes and regulations to determine whether the agency should make additional improvements to the nuclear regulatory system. Subsequently, the NRC targeted a set of improvements designed to enhance accident mitigation, strengthen emergency preparedness and improve efficiency of NRC programs. Pursuant to the findings of the task force, in March 2012, the NRC issued three regulatory orders requiring safety enhancements related to mitigation strategies to respond to extreme natural events resulting in the loss of power at a plant, ensuring reliable hardened containment vents and enhancing spent fuel pool instrumentation. Duke Energy is committed to compliance with all safety enhancements ordered by the NRC and has completed actions on two of the three NRC orders, as required. The remaining order is focused only on enhancements to boiling water reactor designs which, for Duke Energy, is unique to Brunswick Steam Electric Plant. Actions associated with this third order will be completed by March 2019. With the NRC's continuing review of this matter, Duke Energy cannot predict to what extent the NRC will impose additional licensing and safety-related requirements or the costs of complying with such requirements. Upon receipt of additional guidance from the NRC and a collaborative industry review, Duke Energy will be able to determine an implementation plan and associated costs. See Item 1A, "Risk Factors," for further discussion of applicable risk factors.

New Accounting Standards

See Note 1 to the Consolidated Financial Statements, "Summary of Significant Accounting Policies," for a discussion of the impact of new accounting standards.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

PART II

See "Management's Discussion and Analysis of Results of Operations and Financial Condition – Quantitative and Qualitative Disclosures About Market Risk."

PART II

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

PART II

Combined Notes to Consolidated Financial Statements

PART II

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Duke Energy Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Duke Energy Corporation and subsidiaries (the "Company") as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows, for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with the accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 23, 2018, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/Deloitte & Touche LLP

Charlotte, North Carolina

February 21, 2018

We have served as the Company's auditor since 1947.

PART II

DUKE ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions, except per share amounts)	Years Ended December 31, 2017	2016	2015
Operating Revenues			
Regulated electric	$ 21,177	$ 21,221	$ 21,379
Regulated natural gas	1,734	863	536
Nonregulated electric and other	654	659	456
Total operating revenues	23,565	22,743	22,371
Operating Expenses			
Fuel used in electric generation and purchased power	6,350	6,625	7,355
Cost of natural gas	632	265	141
Operation, maintenance and other	5,788	6,085	5,539
Depreciation and amortization	3,527	3,294	3,053
Property and other taxes	1,233	1,142	1,129
Impairment charges	282	18	106
Total operating expenses	17,812	17,429	17,323
Gains on Sales of Other Assets and Other, net	28	27	30
Operating Income	5,781	5,341	5,078
Other Income and Expenses			
Equity in earnings (losses) of unconsolidated affiliates	119	(15)	69
Other income and expenses, net	352	324	290
Total other income and expenses	471	309	359
Interest Expense	1,986	1,916	1,527
Income From Continuing Operations Before Income Taxes	4,266	3,734	3,910
Income Tax Expense From Continuing Operations	1,196	1,156	1,256
Income From Continuing Operations	3,070	2,578	2,654
(Loss) Income From Discontinued Operations, net of tax	(6)	(408)	177
Net Income	3,064	2,170	2,831
Less: Net Income Attributable to Noncontrolling Interests	5	18	15
Net Income Attributable to Duke Energy Corporation	$ 3,059	$ 2,152	$ 2,816
Earnings Per Share – Basic and Diluted			
Income from continuing operations attributable to Duke Energy Corporation common stockholders			
Basic	$ 4.37	$ 3.71	$ 3.80
Diluted	$ 4.37	$ 3.71	$ 3.80
(Loss) Income from discontinued operations attributable to Duke Energy Corporation common stockholders			
Basic	$ (0.01)	$ (0.60)	$ 0.25
Diluted	$ (0.01)	$ (0.60)	$ 0.25
Net income attributable to Duke Energy Corporation common stockholders			
Basic	$ 4.36	$ 3.11	$ 4.05
Diluted	$ 4.36	$ 3.11	$ 4.05
Weighted average shares outstanding			
Basic	700	691	694
Diluted	700	691	694

See Notes to Consolidated Financial Statements

PART II

DUKE ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31,		
(in millions)	**2017**	2016	2015
Net Income	**$ 3,064**	$ 2,170	$ 2,831
Other Comprehensive Income (Loss), net of tax			
Foreign currency translation adjustments	**—**	694	(264)
Pension and OPEB adjustments	**3**	(11)	(13)
Net unrealized gains on cash flow hedges	**2**	17	—
Reclassification into earnings from cash flow hedges	**8**	13	9
Unrealized gains (losses) on available-for-sale securities	**13**	2	(6)
Other Comprehensive Income (Loss), net of tax	**26**	715	(274)
Comprehensive Income	**3,090**	2,885	2,557
Less: Comprehensive Income Attributable to Noncontrolling Interests	**5**	20	4
Comprehensive Income Attributable to Duke Energy Corporation	**$ 3,085**	$ 2,865	$ 2,553

See Notes to Consolidated Financial Statements

PART II

DUKE ENERGY CORPORATION
CONSOLIDATED BALANCE SHEETS

(in millions)	December 31, 2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents	$ 358	$ 392
Receivables (net of allowance for doubtful accounts of $14 at 2017 and 2016)	779	751
Receivables of VIEs (net of allowance for doubtful accounts of $54 at 2017 and 2016)	1,995	1,893
Inventory	3,250	3,522
Regulatory assets (includes $51 at 2017 and $50 at 2016 related to VIEs)	1,437	1,023
Other	634	458
Total current assets	8,453	8,039
Property, Plant and Equipment		
Cost	127,507	121,397
Accumulated depreciation and amortization	(41,537)	(39,406)
Generation facilities to be retired, net	421	529
Net property, plant and equipment	86,391	82,520
Other Noncurrent Assets		
Goodwill	19,396	19,425
Regulatory assets (includes $1,091 at 2017 and $1,142 at 2016 related to VIEs)	12,442	12,878
Nuclear decommissioning trust funds	7,097	6,205
Investments in equity method unconsolidated affiliates	1,175	925
Other	2,960	2,769
Total other noncurrent assets	43,070	42,202
Total Assets	$ 137,914	$ 132,761
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$ 3,043	$ 2,994
Notes payable and commercial paper	2,163	2,487
Taxes accrued	551	384
Interest accrued	525	503
Current maturities of long-term debt (includes $225 at 2017 and $260 at 2016 related to VIEs)	3,244	2,319
Asset retirement obligations	689	411
Regulatory liabilities	402	409
Other	1,865	2,044
Total current liabilities	12,482	11,551
Long-Term Debt (includes $4,306 at 2017 and $3,587 at 2016 related to VIEs)	49,035	45,576
Other Noncurrent Liabilities		
Deferred income taxes	6,621	14,155
Asset retirement obligations	9,486	10,200
Regulatory liabilities	15,330	6,881
Accrued pension and other post-retirement benefit costs	1,103	1,111
Investment tax credits	539	493
Other	1,581	1,753
Total other noncurrent liabilities	34,660	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	38,792	38,741
Retained earnings	3,013	2,384
Accumulated other comprehensive loss	(67)	(93)
Total Duke Energy Corporation stockholders' equity	41,739	41,033
Noncontrolling interests	(2)	8
Total equity	41,737	41,041
Total Liabilities and Equity	$ 137,914	$ 132,761

See Notes to Consolidated Financial Statements

PART II

DUKE ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)	Years Ended December 31, 2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 3,064	$ 2,170	$ 2,831
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and accretion (including amortization of nuclear fuel)	4,046	3,880	3,613
Equity component of AFUDC	(237)	(200)	(164)
(Gains) Losses on sales of other assets	(33)	477	(48)
Impairment charges	282	212	153
Deferred income taxes	1,433	900	1,244
Equity in (earnings) losses of unconsolidated affiliates	(119)	15	(69)
Accrued pension and other post-retirement benefit costs	8	21	71
Contributions to qualified pension plans	(19)	(155)	(302)
Payments for asset retirement obligations	(571)	(608)	(346)
(Increase) decrease in			
Net realized and unrealized mark-to-market and hedging transactions	18	34	(29)
Receivables	(83)	(372)	383
Inventory	268	272	(237)
Other current assets	(388)	(220)	(65)
Increase (decrease) in			
Accounts payable	(204)	296	(6)
Taxes accrued	149	236	(38)
Other current liabilities	(482)	182	168
Other assets	(438)	(186)	(216)
Other liabilities	(60)	(137)	(243)
Net cash provided by operating activities	6,634	6,817	6,700
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(8,052)	(7,901)	(6,766)
Contributions to equity method investments	(414)	(307)	(263)
Acquisitions, net of cash acquired	(13)	(4,778)	(1,334)
Return of investment capital	281	1	3
Purchases of available-for-sale securities	(4,071)	(5,153)	(4,037)
Proceeds from sales and maturities of available-for-sale securities	4,098	5,236	4,040
Proceeds from the sales of discontinued operations and other assets, net of cash divested	—	1,418	2,968
Change in restricted cash	(10)	(4)	191
Other	(269)	(45)	(79)
Net cash used in investing activities	(8,450)	(11,533)	(5,277)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the:			
Issuance of long-term debt	6,909	9,238	2,955
Issuance of common stock	—	731	17
Payments for the redemption of long-term debt	(2,316)	(1,923)	(3,029)
Proceeds from the issuance of short-term debt with original maturities greater than 90 days	319	2,081	379
Payments for the redemption of short-term debt with original maturities greater than 90 days	(272)	(2,166)	(931)
Notes payable and commercial paper	(409)	(1,362)	1,797
Dividends paid	(2,450)	(2,332)	(2,254)
Repurchase of common shares	—	—	(1,500)
Other	1	(16)	(36)
Net cash provided by (used in) financing activities	1,782	4,251	(2,602)
Changes in cash and cash equivalents included in assets held for sale	—	474	1,099
Net (decrease) increase in cash and cash equivalents	(34)	9	(80)
Cash and cash equivalents at beginning of period	392	383	463
Cash and cash equivalents at end of period	$ 358	$ 392	$ 383
Supplemental Disclosures:			
Cash paid for interest, net of amount capitalized	$ 1,963	$ 1,794	$ 1,607

Cash paid for income taxes	4	229	170
Significant non-cash transactions:			
Accrued capital expenditures	1,032	1,000	771

See Notes to Consolidated Financial Statements

PART II

DUKE ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

					Duke Energy Corporation Stockholders' Accumulated Other Comprehensive Loss						
(in millions)	Common Stock Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Foreign Currency Translation Adjustments	Net Losses on Cash Flow Hedges	Net Unrealized Gains (Losses) on Available-for-Sale-Securities	Pension and OPEB Adjustments	Total Duke Energy Corporation Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2014	707	$ 1	$ 39,405	$ 2,012	$ (439)	$ (59)	$ 3	$ (48)	$ 40,875	$ 24	$ 40,899
Net income	—	—	—	2,816	—	—	—	—	2,816	15	2,831
Other comprehensive (loss) income	—	—	—	—	(253)	9	(6)	(13)	(263)	(11)	(274)
Common stock issuances, including dividend reinvestment and employee benefits	1	—	63	—	—	—	—	—	63	—	63
Stock repurchase	(20)	—	(1,500)	—	—	—	—	—	(1,500)	—	(1,500)
Common stock dividends	—	—	—	(2,254)	—	—	—	—	(2,254)	—	(2,254)
Distributions to noncontrolling interest in subsidiaries	—	—	—	—	—	—	—	—	—	(9)	(9)
Other[a]	—	—	—	(10)	—	—	—	—	(10)	25	15
Balance at December 31, 2015	688	$ 1	$ 37,968	$ 2,564	$ (692)	$ (50)	$ (3)	$ (61)	$ 39,727	$ 44	$ 39,771
Net income	—	—	—	2,152	—	—	—	—	2,152	18	2,170
Other comprehensive (loss) income[b]	—	—	—	—	692	30	2	(11)	713	2	715
Common stock issuances, including dividend reinvestment and employee benefits	12	—	773	—	—	—	—	—	773	—	773
Common stock dividends	—	—	—	(2,332)	—	—	—	—	(2,332)	—	(2,332)
Distributions to noncontrolling interest in subsidiaries	—	—	—	—	—	—	—	—	—	(6)	(6)
Other[c]	—	—	—	—	—	—	—	—	—	(50)	(50)
Balance at December 31, 2016	700	$ 1	$ 38,741	$ 2,384	$ —	$ (20)	$ (1)	$ (72)	$ 41,033	$ 8	$ 41,041
Net income	—	—	—	3,059	—	—	—	—	3,059	5	3,064
Other comprehensive income (loss)	—	—	—	—	—	10	13	3	26	—	26
Common stock issuances, including dividend reinvestment and employee benefits	—	—	51	—	—	—	—	—	51	—	51
Common stock dividends	—	—	—	(2,450)	—	—	—	—	(2,450)	—	(2,450)
Distributions to noncontrolling interests in subsidiaries	—	—	—	—	—	—	—	—	—	(2)	(2)
Other[d]	—	—	—	20	—	—	—	—	20	(13)	7
Balance at December 31, 2017	700	$ 1	$ 38,792	$ 3,013	$ —	$ (10)	$ 12	$ (69)	$ 41,739	$ (2)	$ 41,737

(a) Noncontrolling Interests amount is primarily related to the acquisitions of a majority interest in a provider of energy management systems and services for commercial customers and a solar company.
(b) Foreign Currency Translation Adjustments amount includes $620 million of cumulative adjustment realized as a result of the sale of the Latin American generation business. See Note 2 to the Consolidated Financial Statements.
(c) Noncontrolling Interests amount is primarily related to the sale of the Latin American generation business. See Note 2 to the Consolidated Financial Statements.
(d) Retained Earnings relates to 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 to the Consolidated Financial Statements for additional information. Noncontrolling Interests relates to the purchase of remaining interest in REC Solar.

See Notes to Consolidated Financial Statements