

**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 11

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)	<p>(a) Amount and kinds of stock authorized.</p> <p>(b) Amount and kinds of stock issued and outstanding.</p> <p>(c) Terms of preference of preferred stock whether cumulative or participating, or on dividends or assets or otherwise.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(i) Detailed income statement and balance sheet.</p>	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. Sailors
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. Sailors
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. Sailors
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. Sailors
11	57	807 KAR 5:001 Section 16(8)(n)	Typical bill comparison under present and proposed rates for all customer classes.	Bruce L. Sailors
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)	<p>(1) Public postings.</p> <p>(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.</p> <p>(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:</p> <ol style="list-style-type: none"> 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. <p>(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.</p>	Amy B. Spiller
11	60	807 KAR 5:001 Section 17(2)	<p>(2) Customer Notice.</p> <p>(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.</p> <p>(b) If a utility has more than twenty (20) customers, it shall provide notice by:</p> <ol style="list-style-type: none"> 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. <p>(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.</p>	Amy B. Spiller

11	61	807 KAR 5:001 Section 17(3)	<p>(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:</p> <p>(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;</p> <p>(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</p> <p>(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.</p>	Amy B. Spiller
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11	62	807 KAR 5:001 Section 17(4)	<p>(4) Notice Content. Each notice issued in accordance with this section shall contain:</p> <p>(a) The proposed effective date and the date the proposed rates are expected to be filed with the commission;</p> <p>(b) The present rates and proposed rates for each customer classification to which the proposed rates will apply;</p> <p>(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;</p> <p>(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;</p> <p>(e) A statement that a person may examine this application at the offices of (utility name) located at (utility address);</p> <p>(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;</p> <p>(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;</p> <p>(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;</p> <p>(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</p> <p>(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.</p>	Bruce L. Sailors
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-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
 For the quarterly period ended June 30, 2018
 OR

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

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

Commission file number	Registrant, State of Incorporation or Organization, Address of Principal Executive Offices, Telephone Number and IRS Employer Identification Number	Commission file number	Registrant, State of Incorporation or Organization, Address of Principal Executive Offices, Telephone Number and IRS Employer Identification Number
1-4928	DUKE ENERGY CAROLINAS, LLC (a North Carolina limited liability company) 526 South Church Street Charlotte, North Carolina 28202-1803 704-382-3853 56-0205520	1-3274	DUKE ENERGY FLORIDA, LLC (a Florida limited liability company) 299 First Avenue North St. Petersburg, Florida 33701 704-382-3853 59-0247770
1-15929	PROGRESS ENERGY, INC. (a North Carolina corporation) 410 South Wilmington Street Raleigh, North Carolina 27601-1748 704-382-3853 56-2155481	1-1232	DUKE ENERGY OHIO, INC. (an Ohio corporation) 139 East Fourth Street Cincinnati, Ohio 45202 704-382-3853 31-0240030
1-3382	DUKE ENERGY PROGRESS, LLC (a North Carolina limited liability company) 410 South Wilmington Street Raleigh, North Carolina 27601-1748 704-382-3853 56-0165465	1-3543	DUKE ENERGY INDIANA, LLC (an Indiana limited liability company) 1000 East Main Street Plainfield, Indiana 46168 704-382-3853 35-0594457
1-6196	PIEDMONT NATURAL GAS COMPANY, INC. (a North Carolina corporation) 4720 Piedmont Row Drive Charlotte, North Carolina 28210 704-364-3120 56-0556998		

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

Duke Energy Corporation (Duke Energy)	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	Duke Energy Florida, LLC (Duke Energy Florida)	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Duke Energy Carolinas, LLC (Duke Energy Carolinas)	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	Duke Energy Ohio, Inc. (Duke Energy Ohio)	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Progress Energy, Inc. (Progress Energy)	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	Duke Energy Indiana, LLC (Duke Energy Indiana)	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Duke Energy Progress, LLC (Duke Energy Progress)	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	Piedmont Natural Gas Company, Inc. (Piedmont)	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>

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

Duke Energy	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	Duke Energy Florida	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Duke Energy Carolinas	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	Duke Energy Ohio	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Progress Energy	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	Duke Energy Indiana	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Duke Energy Progress	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	Piedmont	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>

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

Duke Energy	Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>	Emerging Growth Company <input type="checkbox"/>
Duke Energy Carolinas	Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>	Emerging Growth Company <input type="checkbox"/>
Progress Energy	Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>	Emerging Growth Company <input type="checkbox"/>
Duke Energy Progress	Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>	Emerging Growth Company <input type="checkbox"/>
Duke Energy Florida	Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>	Emerging Growth Company <input type="checkbox"/>
Duke Energy Ohio	Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>	Emerging Growth Company <input type="checkbox"/>
Duke Energy Indiana	Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>	Emerging Growth Company <input type="checkbox"/>
Piedmont	Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>	Emerging Growth Company <input type="checkbox"/>

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

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

Duke Energy	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	Duke Energy Florida	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Duke Energy Carolinas	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	Duke Energy Ohio	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Progress Energy	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	Duke Energy Indiana	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Duke Energy Progress	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	Piedmont	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

Number of shares of Common stock outstanding at July 31, 2018:

Registrant	Description	Shares
Duke Energy	Common stock, \$0.001 par value	712,354,724

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

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

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Cautionary Statement Regarding Forward-Looking Information

PART I. FINANCIAL INFORMATION

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This document includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are based on management's beliefs and assumptions and can often be identified by terms and phrases that include "anticipate," "believe," "intend," "estimate," "expect," "continue," "should," "could," "may," "plan," "project," "predict," "will," "potential," "forecast," "target," "guidance," "outlook" or other similar terminology. Various factors may cause actual results to be materially different than the suggested outcomes within forward-looking statements; accordingly, there is no assurance that such results will be realized. These factors include, but are not limited to:

- State, federal and foreign legislative and regulatory initiatives, including costs of compliance with existing and future environmental requirements, 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;
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- 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; 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 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.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

DUKE ENERGY CORPORATION
Condensed Consolidated Statements of Operations
(Unaudited)

(in millions, except per-share amounts)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Operating Revenues				
Regulated electric	\$ 5,178	\$ 5,118	\$ 10,462	\$ 10,031
Regulated natural gas	291	275	991	921
Nonregulated electric and other	174	162	325	332
Total operating revenues	5,643	5,555	11,778	11,284
Operating Expenses				
Fuel used in electric generation and purchased power	1,574	1,541	3,250	2,990
Cost of natural gas	89	76	402	334
Operation, maintenance and other	1,544	1,441	3,008	2,909
Depreciation and amortization	973	835	1,940	1,694
Property and other taxes	315	307	631	611
Impairment charges	172	9	215	9
Total operating expenses	4,667	4,209	9,446	8,547
Gains (Losses) on Sales of Other Assets and Other, net	3	7	(97)	18
Operating Income	979	1,353	2,235	2,755
Other Income and Expenses				
Equity in earnings of unconsolidated affiliates	36	36	12	65
Other income and expenses, net	110	115	196	236
Total other income and expenses	146	151	208	301
Interest Expense	518	486	1,033	977
Income From Continuing Operations Before Income Taxes	607	1,018	1,410	2,079
Income Tax Expense From Continuing Operations	100	327	281	671
Income From Continuing Operations	507	691	1,129	1,408
Loss From Discontinued Operations, net of tax	(5)	(2)	(5)	(2)
Net Income	502	689	1,124	1,406
Less: Net Income Attributable to Noncontrolling Interests	2	3	4	4
Net Income Attributable to Duke Energy Corporation	\$ 500	\$ 686	\$ 1,120	\$ 1,402
Earnings Per Share – Basic and Diluted				
Income from continuing operations attributable to Duke Energy Corporation common stockholders				
Basic	\$ 0.72	\$ 0.98	\$ 1.60	\$ 2.00
Diluted	\$ 0.72	\$ 0.98	\$ 1.60	\$ 2.00
Loss from discontinued operations attributable to Duke Energy Corporation common stockholders				
Basic	\$ (0.01)	\$ —	\$ (0.01)	\$ —
Diluted	\$ (0.01)	\$ —	\$ (0.01)	\$ —
Net income attributable to Duke Energy Corporation common stockholders				
Basic	\$ 0.71	\$ 0.98	\$ 1.59	\$ 2.00
Diluted	\$ 0.71	\$ 0.98	\$ 1.59	\$ 2.00
Weighted average shares outstanding				
Basic	703	700	702	700
Diluted	704	700	702	700

See Notes to Condensed Consolidated Financial Statements

PART I

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

(in millions)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Net Income	\$ 502	\$ 689	\$ 1,124	\$ 1,406
Other Comprehensive (Loss) Income, net of tax				
Pension and OPEB adjustments	1	1	2	2
Net unrealized gains (losses) on cash flow hedges	1	(6)	13	(4)
Reclassification into earnings from cash flow hedges	(2)	4	(1)	5
Unrealized (losses) gains on available-for-sale securities	(2)	4	(5)	8
Other Comprehensive (Loss) Income, net of tax	(2)	3	9	11
Comprehensive Income	500	692	1,133	1,417
Less: Comprehensive Income Attributable to Noncontrolling Interests	2	3	4	4
Comprehensive Income Attributable to Duke Energy Corporation	\$ 498	\$ 689	\$ 1,129	\$ 1,413

See Notes to Condensed Consolidated Financial Statements

PART I

DUKE ENERGY CORPORATION
Condensed Consolidated Balance Sheets
(Unaudited)

(in millions)	June 30, 2018	December 31, 2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 304	\$ 358
Receivables (net of allowance for doubtful accounts of \$18 at 2018 and \$14 at 2017)	612	779
Receivables of VIEs (net of allowance for doubtful accounts of \$56 at 2018 and \$54 at 2017)	2,205	1,995
Inventory	3,177	3,250
Regulatory assets (includes \$51 at 2018 and 2017 related to VIEs)	1,741	1,437
Other	437	634
Total current assets	8,476	8,453
Property, Plant and Equipment		
Cost	130,616	127,507
Accumulated depreciation and amortization	(42,499)	(41,537)
Generation facilities to be retired, net	378	421
Net property, plant and equipment	88,495	86,391
Other Noncurrent Assets		
Goodwill	19,396	19,396
Regulatory assets (includes \$1,071 at 2018 and \$1,091 at 2017 related to VIEs)	12,505	12,442
Nuclear decommissioning trust funds	7,132	7,097
Investments in equity method unconsolidated affiliates	1,168	1,175
Other	3,087	2,960
Total other noncurrent assets	43,288	43,070
Total Assets	\$ 140,259	\$ 137,914
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 2,686	\$ 3,043
Notes payable and commercial paper	3,329	2,163
Taxes accrued	494	551
Interest accrued	530	525
Current maturities of long-term debt (includes \$229 at 2018 and \$225 at 2017 related to VIEs)	2,852	3,244
Asset retirement obligations	716	689
Regulatory liabilities	485	402
Other	1,699	1,865
Total current liabilities	12,791	12,482
Long-Term Debt (includes \$4,179 at 2018 and \$4,306 at 2017 related to VIEs)	49,863	49,035
Other Noncurrent Liabilities		
Deferred income taxes	6,977	6,621
Asset retirement obligations	9,753	9,486
Regulatory liabilities	15,355	15,330
Accrued pension and other post-retirement benefit costs	1,014	1,103
Investment tax credits	534	539
Other	1,457	1,581
Total other noncurrent liabilities	35,090	34,660
Commitments and Contingencies		
Equity		
Common stock, \$0.001 par value, 2 billion shares authorized; 712 million shares outstanding at 2018 and 700 million shares outstanding at 2017	1	1
Additional paid-in capital	39,682	38,792
Retained earnings	2,894	3,013
Accumulated other comprehensive loss	(70)	(67)
Total Duke Energy Corporation stockholders' equity	42,507	41,739
Noncontrolling interests	8	(2)
Total equity	42,515	41,737

Total Liabilities and Equity	\$	140,259	\$	137,914
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See Notes to Condensed Consolidated Financial Statements
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PART I

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

(in millions)	Six Months Ended	
	June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,124	\$ 1,406
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion (including amortization of nuclear fuel)	2,250	1,953
Equity component of AFUDC	(106)	(125)
Losses (gains) on sales of other assets	97	(20)
Impairment charges	215	9
Deferred income taxes	289	669
Equity in earnings of unconsolidated affiliates	(12)	(65)
Accrued pension and other post-retirement benefit costs	31	13
Contributions to qualified pension plans	(141)	—
Payments for asset retirement obligations	(245)	(272)
Payment for disposal of other assets	(105)	—
Other rate case adjustments	37	—
Provision for rate refunds	281	—
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	7	(12)
Receivables	(27)	293
Inventory	70	153
Other current assets	21	(168)
Increase (decrease) in		
Accounts payable	(142)	(505)
Taxes accrued	(58)	41
Other current liabilities	(214)	(531)
Other assets	(112)	(37)
Other liabilities	42	(2)
Net cash provided by operating activities	3,302	2,800
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(4,375)	(3,931)
Contributions to equity method investments	(140)	(287)
Purchases of debt and equity securities	(1,908)	(2,412)
Proceeds from sales and maturities of debt and equity securities	1,866	2,439
Other	(88)	(153)
Net cash used in investing activities	(4,645)	(4,344)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the:		
Issuance of long-term debt	2,727	2,734
Issuance of common stock	820	—
Payments for the redemption of long-term debt	(2,190)	(1,009)
Proceeds from the issuance of short-term debt with original maturities greater than 90 days	201	230
Payments for the redemption of short-term debt with original maturities greater than 90 days	(160)	(32)
Notes payable and commercial paper	1,090	783
Dividends paid	(1,199)	(1,200)
Other	(24)	(32)
Net cash provided by financing activities	1,265	1,474
Net decrease in cash, cash equivalents and restricted cash	(78)	(70)
Cash, cash equivalents and restricted cash at beginning of period	505	541
Cash, cash equivalents and restricted cash at end of period	\$ 427	\$ 471
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	\$ 978	\$ 589

Non-cash dividends

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See Notes to Condensed Consolidated Financial Statements

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PART I

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

(in millions)	Accumulated Other Comprehensive Income (Loss)										Total Equity
	Common Stock Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Cash Flow Hedges	Net 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, 2016	700	\$ 1	\$ 38,741	\$ 2,384	\$ (20)	\$ (1)	\$ (72)	\$ 41,033	\$ 8	\$ 41,041	
Net income	—	—	—	1,402	—	—	—	1,402	4	1,406	
Other comprehensive income	—	—	—	—	1	8	2	11	—	11	
Common stock issuances, including dividend reinvestment and employee benefits	—	—	17	—	—	—	—	17	—	17	
Common stock dividends	—	—	—	(1,200)	—	—	—	(1,200)	—	(1,200)	
Distributions to noncontrolling interest in subsidiaries	—	—	—	—	—	—	—	—	(2)	(2)	
Other ^(a)	—	—	—	21	—	—	—	21	—	21	
Balance at June 30, 2017	700	\$ 1	\$ 38,758	\$ 2,607	\$ (19)	\$ 7	\$ (70)	\$ 41,284	\$ 10	\$ 41,294	
Balance at December 31, 2017	700	\$ 1	\$ 38,792	\$ 3,013	\$ (10)	\$ 12	\$ (69)	\$ 41,739	\$ (2)	\$ 41,737	
Net income	—	—	—	1,120	—	—	—	1,120	4	1,124	
Other comprehensive income (loss)	—	—	—	—	12	(5)	2	9	—	9	
Common stock issuances, including dividend reinvestment and employee benefits	12	—	890	—	—	—	—	890	—	890	
Common stock dividends	—	—	—	(1,251)	—	—	—	(1,251)	—	(1,251)	
Distributions to noncontrolling interest in subsidiaries	—	—	—	—	—	—	—	—	(1)	(1)	
Other ^(b)	—	—	—	12	—	(12)	—	—	7	7	
Balance at June 30, 2018	712	\$ 1	\$ 39,682	\$ 2,894	\$ 2	\$ (5)	\$ (67)	\$ 42,507	\$ 8	\$ 42,515	

(a) Cumulative-effect adjustment due to implementation of a new accounting standard related to stock-based compensation and the associated income taxes.
(b) Amounts in Retained Earnings and Accumulated Other Comprehensive Loss represent a cumulative-effect adjustment due to implementation of a new accounting standard related to Financial Instruments Classification and Measurement. See Note 1 for more information.

PART I

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

(in millions)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Operating Revenues	\$ 1,672	\$ 1,729	\$ 3,435	\$ 3,445
Operating Expenses				
Fuel used in electric generation and purchased power	407	435	880	863
Operation, maintenance and other	499	483	950	978
Depreciation and amortization	289	269	561	523
Property and other taxes	75	71	147	139
Impairment charges	177	—	190	—
Total operating expenses	1,447	1,258	2,728	2,503
Losses on Sales of Other Assets and Other, net	(1)	—	(1)	—
Operating Income	224	471	706	942
Other Income and Expenses, net	35	50	74	100
Interest Expense	110	103	217	206
Income Before Income Taxes	149	418	563	836
Income Tax Expense	32	145	123	293
Net Income	\$ 117	\$ 273	\$ 440	\$ 543
Other Comprehensive Income, net of tax				
Reclassification into earnings from cash flow hedges	—	1	1	1
Comprehensive Income	\$ 117	\$ 274	\$ 441	\$ 544

See Notes to Condensed Consolidated Financial Statements

PART I

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

(in millions)	June 30, 2018	December 31, 2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 16	\$ 16
Receivables (net of allowance for doubtful accounts of \$2 at 2018 and 2017)	172	200
Receivables of VIEs (net of allowance for doubtful accounts of \$7 at 2018 and 2017)	704	640
Receivables from affiliated companies	117	95
Inventory	984	971
Regulatory assets	420	299
Other	21	19
Total current assets	2,434	2,240
Property, Plant and Equipment		
Cost	43,429	42,939
Accumulated depreciation and amortization	(15,248)	(15,063)
Net property, plant and equipment	28,181	27,876
Other Noncurrent Assets		
Regulatory assets	3,234	2,853
Nuclear decommissioning trust funds	3,790	3,772
Other	1,036	979
Total other noncurrent assets	8,060	7,604
Total Assets	\$ 38,675	\$ 37,720
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 809	\$ 842
Accounts payable to affiliated companies	158	209
Notes payable to affiliated companies	740	104
Taxes accrued	158	234
Interest accrued	109	108
Current maturities of long-term debt	505	1,205
Asset retirement obligations	227	337
Regulatory liabilities	131	126
Other	412	486
Total current liabilities	3,249	3,651
Long-Term Debt		
Total Long-Term Debt	9,589	8,598
Long-Term Debt Payable to Affiliated Companies		
Total Long-Term Debt Payable to Affiliated Companies	300	300
Other Noncurrent Liabilities		
Deferred income taxes	3,507	3,413
Asset retirement obligations	3,592	3,273
Regulatory liabilities	6,292	6,231
Accrued pension and other post-retirement benefit costs	99	95
Investment tax credits	230	232
Other	515	566
Total other noncurrent liabilities	14,235	13,810
Commitments and Contingencies		
Equity		
Member's equity	11,308	11,368
Accumulated other comprehensive loss	(6)	(7)
Total equity	11,302	11,361
Total Liabilities and Equity	\$ 38,675	\$ 37,720

See Notes to Condensed Consolidated Financial Statements

PART I

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

(in millions)	Six Months Ended June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 440	\$ 543
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including amortization of nuclear fuel)	707	688
Equity component of AFUDC	(39)	(59)
Losses on sales of other assets	1	—
Impairment charges	190	—
Deferred income taxes	90	283
Accrued pension and other post-retirement benefit costs	2	—
Contributions to qualified pension plans	(46)	—
Payments for asset retirement obligations	(114)	(123)
Provision for rate refunds	121	—
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	8	24
Receivables	(33)	36
Receivables from affiliated companies	(22)	78
Inventory	(16)	(14)
Other current assets	(33)	(21)
Increase (decrease) in		
Accounts payable	(59)	(125)
Accounts payable to affiliated companies	(51)	(120)
Taxes accrued	(78)	19
Other current liabilities	(123)	(140)
Other assets	(6)	(44)
Other liabilities	(29)	(15)
Net cash provided by operating activities	910	1,010
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,270)	(1,092)
Purchases of debt and equity securities	(976)	(1,225)
Proceeds from sales and maturities of debt and equity securities	976	1,228
Notes receivable from affiliated companies	—	66
Other	(64)	(29)
Net cash used in investing activities	(1,334)	(1,052)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	991	—
Payments for the redemption of long-term debt	(702)	(114)
Notes payable to affiliated companies	636	534
Distributions to parent	(500)	(375)
Other	(1)	(1)
Net cash provided by financing activities	424	44
Net increase in cash and cash equivalents	—	2
Cash and cash equivalents at beginning of period	16	14
Cash and cash equivalents at end of period	\$ 16	\$ 16
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	\$ 343	\$ 200

See Notes to Condensed Consolidated Financial Statements

PART I

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

(in millions)	Member's Equity	Accumulated Other Comprehensive Loss		Total Equity
		Net Losses on Cash Flow Hedges		
Balance at December 31, 2016	\$ 10,781	\$	(9)	\$ 10,772
Net income	543		—	543
Other comprehensive income	—		1	1
Distributions to parent	(375)		—	(375)
Other	(2)		—	(2)
Balance at June 30, 2017	\$ 10,947	\$	(8)	\$ 10,939
Balance at December 31, 2017	\$ 11,368	\$	(7)	\$ 11,361
Net income	440		—	440
Other comprehensive income	—		1	1
Distributions to parent	(500)		—	(500)
Balance at June 30, 2018	\$ 11,308	\$	(6)	\$ 11,302

See Notes to Condensed Consolidated Financial Statements

PART I

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

(in millions)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Operating Revenues	\$ 2,498	\$ 2,392	\$ 5,074	\$ 4,571
Operating Expenses				
Fuel used in electric generation and purchased power	895	831	1,871	1,557
Operation, maintenance and other	610	549	1,233	1,109
Depreciation and amortization	380	311	764	624
Property and other taxes	131	129	254	246
Impairment charges	4	2	33	2
Total operating expenses	2,020	1,822	4,155	3,538
Gains on Sales of Other Assets and Other, net	6	6	12	14
Operating Income	484	576	931	1,047
Other Income and Expenses, net	42	36	77	76
Interest Expense	203	196	412	402
Income Before Income Taxes	323	416	596	721
Income Tax Expense	56	139	92	243
Net Income	267	277	504	478
Less: Net Income Attributable to Noncontrolling Interests	2	3	4	5
Net Income Attributable to Parent	\$ 265	\$ 274	\$ 500	\$ 473
Net Income	\$ 267	\$ 277	\$ 504	\$ 478
Other Comprehensive Income, net of tax				
Pension and OPEB adjustments	2	1	2	2
Net unrealized gains on cash flow hedges	1	5	3	6
Unrealized (losses) gains on available-for-sale securities	(1)	1	(1)	2
Other Comprehensive Income, net of tax	2	7	4	10
Comprehensive Income	269	284	508	488
Less: Comprehensive Income Attributable to Noncontrolling Interests	2	3	4	5
Comprehensive Income Attributable to Parent	\$ 267	\$ 281	\$ 504	\$ 483

See Notes to Condensed Consolidated Financial Statements

PART I

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

(in millions)	June 30, 2018	December 31, 2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 37	\$ 40
Receivables (net of allowance for doubtful accounts of \$5 at 2018 and \$4 at 2017)	130	123
Receivables of VIEs (net of allowance for doubtful accounts of \$7 at 2018 and 2017)	969	780
Receivables from affiliated companies	3	31
Notes receivable from affiliated companies	309	240
Inventory	1,521	1,592
Regulatory assets (includes \$51 at 2018 and 2017 related to VIEs)	970	741
Other	356	334
Total current assets	4,295	3,881
Property, Plant and Equipment		
Cost	48,896	47,323
Accumulated depreciation and amortization	(16,380)	(15,857)
Generation facilities to be retired, net	378	421
Net property, plant and equipment	32,894	31,887
Other Noncurrent Assets		
Goodwill	3,655	3,655
Regulatory assets (includes \$1,071 at 2018 and \$1,091 at 2017 related to VIEs)	5,736	6,010
Nuclear decommissioning trust funds	3,342	3,324
Other	992	931
Total other noncurrent assets	13,725	13,920
Total Assets	\$ 50,914	\$ 49,688
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 816	\$ 1,006
Accounts payable to affiliated companies	232	251
Notes payable to affiliated companies	1,152	805
Taxes accrued	181	101
Interest accrued	211	212
Current maturities of long-term debt (includes \$53 at 2018 and 2017 related to VIEs)	1,321	771
Asset retirement obligations	386	295
Regulatory liabilities	233	213
Other	711	729
Total current liabilities	5,243	4,383
Long-Term Debt (includes \$1,660 at 2018 and \$1,689 at 2017 related to VIEs)	16,723	16,916
Long-Term Debt Payable to Affiliated Companies	150	150
Other Noncurrent Liabilities		
Deferred income taxes	3,806	3,502
Asset retirement obligations	5,052	5,119
Regulatory liabilities	5,193	5,306
Accrued pension and other post-retirement benefit costs	519	545
Other	256	302
Total other noncurrent liabilities	14,826	14,774
Commitments and Contingencies		
Equity		
Common stock, \$0.01 par value, 100 shares authorized and outstanding at 2018 and 2017	—	—
Additional paid-in capital	9,143	9,143
Retained earnings	4,855	4,350
Accumulated other comprehensive loss	(26)	(25)
Total Progress Energy, Inc. stockholders' equity	13,972	13,468
Noncontrolling interests	—	(3)

Total equity		13,972		13,465
Total Liabilities and Equity	\$	50,914	\$	49,688

See Notes to Condensed Consolidated Financial Statements
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PART I

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

(in millions)	Six Months Ended	
	June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 504	\$ 478
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion (including amortization of nuclear fuel)	945	733
Equity component of AFUDC	(52)	(48)
Gains on sales of other assets	(12)	(15)
Impairment charges	33	2
Deferred income taxes	240	412
Accrued pension and other post-retirement benefit costs	12	(5)
Contributions to qualified pension plans	(45)	—
Payments for asset retirement obligations	(108)	(128)
Other rate case adjustments	37	—
Provision for rate refunds	65	—
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	14	—
Receivables	(196)	(64)
Receivables from affiliated companies	28	99
Inventory	71	95
Other current assets	(214)	(220)
Increase (decrease) in		
Accounts payable	15	(211)
Accounts payable to affiliated companies	(19)	(140)
Taxes accrued	80	81
Other current liabilities	(58)	(148)
Other assets	(186)	(69)
Other liabilities	4	(18)
Net cash provided by operating activities	1,158	834
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,727)	(1,733)
Purchases of debt and equity securities	(812)	(1,108)
Proceeds from sales and maturities of debt and equity securities	820	1,123
Notes receivable from affiliated companies	(69)	(60)
Other	(81)	(22)
Net cash used in investing activities	(1,869)	(1,800)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	989	923
Payments for the redemption of long-term debt	(635)	(326)
Notes payable to affiliated companies	347	341
Other	(3)	(3)
Net cash provided by financing activities	698	935
Net decrease in cash, cash equivalents and restricted cash	(13)	(31)
Cash, cash equivalents and restricted cash at beginning of period	87	110
Cash, cash equivalents and restricted cash at end of period	\$ 74	\$ 79
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	\$ 366	\$ 174

See Notes to Condensed Consolidated Financial Statements

PART I

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

(in millions)	Accumulated Other Comprehensive Income (Loss)								Total Equity
	Additional Paid-in Capital	Retained Earnings	Net Unrealized			Pension and OPEB Adjustments	Total Progress Energy, Inc. Stockholders' Equity	Noncontrolling Interests	
			Net Losses on Cash Flow Hedges	Gains (losses) on Available-for- Sale Securities					
Balance at December 31, 2016	\$ 8,094	\$ 3,764	\$ (23)	\$ 1	\$ (16)	\$ 11,820	\$ (13)	\$11,807	
Net income	—	473	—	—	—	473	5	478	
Other comprehensive income	—	—	6	2	2	10	—	10	
Other	2	—	—	—	—	2	—	2	
Balance at June 30, 2017	\$ 8,096	\$ 4,237	\$ (17)	\$ 3	\$ (14)	\$ 12,305	\$ (8)	\$12,297	
Balance at December 31, 2017	\$ 9,143	\$ 4,350	\$ (18)	\$ 5	\$ (12)	\$ 13,468	\$ (3)	\$13,465	
Net income	—	500	—	—	—	500	4	504	
Other comprehensive income (loss)	—	—	3	(1)	2	4	—	4	
Distributions to noncontrolling interests	—	—	—	—	—	—	(1)	(1)	
Other ^(a)	—	5	—	(5)	—	—	—	—	
Balance at June 30, 2018	\$ 9,143	\$ 4,855	\$ (15)	\$ (1)	\$ (10)	\$ 13,972	\$ —	\$13,972	

(a) Amounts in Retained Earnings and Accumulated Other Comprehensive Loss represent a cumulative-effect adjustment due to implementation of a new accounting standard related to Financial Instruments Classification and Measurement. See Note 1 for more information.

See Notes to Condensed Consolidated Financial Statements

PART I

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

(in millions)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Operating Revenues	\$ 1,291	\$ 1,199	\$ 2,751	\$ 2,418
Operating Expenses				
Fuel used in electric generation and purchased power	408	375	917	739
Operation, maintenance and other	375	342	756	704
Depreciation and amortization	235	173	470	354
Property and other taxes	40	40	75	80
Impairment charges	1	—	33	—
Total operating expenses	1,059	930	2,251	1,877
Gains on Sales of Other Assets and Other, net	1	1	2	3
Operating Income	233	270	502	544
Other Income and Expenses, net	19	26	37	57
Interest Expense	78	70	159	152
Income Before Income Taxes	174	226	380	449
Income Tax Expense	35	72	64	148
Net Income and Comprehensive Income	\$ 139	\$ 154	\$ 316	\$ 301

See Notes to Condensed Consolidated Financial Statements

PART I

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

(in millions)	June 30, 2018	December 31, 2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 18	\$ 20
Receivables (net of allowance for doubtful accounts of \$2 at 2018 and \$1 at 2017)	50	56
Receivables of VIEs (net of allowance for doubtful accounts of \$5 at 2018 and 2017)	568	459
Receivables from affiliated companies	1	3
Inventory	976	1,017
Regulatory assets	532	352
Other	33	97
Total current assets	2,178	2,004
Property, Plant and Equipment		
Cost	30,535	29,583
Accumulated depreciation and amortization	(11,296)	(10,903)
Generation facilities to be retired, net	378	421
Net property, plant and equipment	19,617	19,101
Other Noncurrent Assets		
Regulatory assets	3,573	3,507
Nuclear decommissioning trust funds	2,627	2,588
Other	635	599
Total other noncurrent assets	6,835	6,694
Total Assets	\$ 28,630	\$ 27,799
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 375	\$ 402
Accounts payable to affiliated companies	175	179
Notes payable to affiliated companies	540	240
Taxes accrued	90	64
Interest accrued	103	102
Current maturities of long-term debt	603	3
Asset retirement obligations	381	295
Regulatory liabilities	157	139
Other	344	376
Total current liabilities	2,768	1,800
Long-Term Debt		
Long-Term Debt Payable to Affiliated Companies	150	150
Other Noncurrent Liabilities		
Deferred income taxes	1,957	1,883
Asset retirement obligations	4,454	4,378
Regulatory liabilities	3,998	3,999
Accrued pension and other post-retirement benefit costs	243	248
Investment tax credits	142	143
Other	48	45
Total other noncurrent liabilities	10,842	10,696
Commitments and Contingencies		
Equity		
Member's Equity	8,265	7,949
Total Liabilities and Equity	\$ 28,630	\$ 27,799

See Notes to Condensed Consolidated Financial Statements

PART I

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

(in millions)	Six Months Ended	
	June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 316	\$ 301
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including amortization of nuclear fuel)	565	453
Equity component of AFUDC	(26)	(26)
Gains on sales of other assets	(2)	(4)
Impairment charges	33	—
Deferred income taxes	53	224
Accrued pension and other post-retirement benefit costs	7	(10)
Contributions to qualified pension plans	(25)	—
Payments for asset retirement obligations	(89)	(101)
Other rate case adjustments	37	—
Provision for rate refunds	65	—
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	6	(3)
Receivables	(104)	3
Receivables from affiliated companies	2	—
Inventory	41	23
Other current assets	(111)	(50)
Increase (decrease) in		
Accounts payable	(17)	(218)
Accounts payable to affiliated companies	(4)	(58)
Taxes accrued	26	(43)
Other current liabilities	(38)	(111)
Other assets	10	(37)
Other liabilities	13	(9)
Net cash provided by operating activities	758	334
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(996)	(840)
Purchases of debt and equity securities	(573)	(819)
Proceeds from sales and maturities of debt and equity securities	556	805
Notes receivable from affiliated companies	—	165
Other	(45)	(22)
Net cash used in investing activities	(1,058)	(711)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	—	15
Payments for the redemption of long-term debt	—	(269)
Notes payable to affiliated companies	300	633
Other	(2)	(1)
Net cash provided by financing activities	298	378
Net (decrease) increase in cash and cash equivalents	(2)	1
Cash and cash equivalents at beginning of period	20	11
Cash and cash equivalents at end of period	\$ 18	\$ 12
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	\$ 172	\$ 52

PART I

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

(in millions)	Member's Equity
Balance at December 31, 2016	\$ 7,358
Net income	301
Balance at June 30, 2017	\$ 7,659
Balance at December 31, 2017	\$ 7,949
Net income	316
Balance at June 30, 2018	\$ 8,265

See Notes to Condensed Consolidated Financial Statements
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PART I

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

(in millions)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Operating Revenues	\$ 1,203	\$ 1,191	\$ 2,318	\$ 2,150
Operating Expenses				
Fuel used in electric generation and purchased power	486	455	953	817
Operation, maintenance and other	237	208	474	403
Depreciation and amortization	144	137	294	269
Property and other taxes	91	89	179	166
Impairment charges	—	1	—	2
Total operating expenses	958	890	1,900	1,657
Operating Income	245	301	418	493
Other Income and Expenses, net	26	19	47	39
Interest Expense	66	70	137	140
Income Before Income Taxes	205	250	328	392
Income Tax Expense	37	92	57	144
Net Income	\$ 168	\$ 158	\$ 271	\$ 248
Other Comprehensive (Loss) Income, net of tax				
Unrealized (losses) gains on available-for-sale securities	(1)	1	(1)	2
Comprehensive Income	\$ 167	\$ 159	\$ 270	\$ 250

See Notes to Condensed Consolidated Financial Statements

PART I

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

(in millions)	June 30, 2018	December 31, 2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 14	\$ 13
Receivables (net of allowance for doubtful accounts of \$3 at 2018 and 2017)	78	65
Receivables of VIEs (net of allowance for doubtful accounts of \$2 at 2018 and 2017)	400	321
Receivables from affiliated companies	6	2
Notes receivable from affiliated companies	423	313
Inventory	546	574
Regulatory assets (includes \$51 at 2018 and 2017 related to VIEs)	439	389
Other (includes \$31 at 2018 and \$40 at 2017 related to VIEs)	183	86
Total current assets	2,089	1,763
Property, Plant and Equipment		
Cost	18,353	17,730
Accumulated depreciation and amortization	(5,079)	(4,947)
Net property, plant and equipment	13,274	12,783
Other Noncurrent Assets		
Regulatory assets (includes \$1,071 at 2018 and \$1,091 at 2017 related to VIEs)	2,163	2,503
Nuclear decommissioning trust funds	715	736
Other	307	284
Total other noncurrent assets	3,185	3,523
Total Assets	\$ 18,548	\$ 18,069
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 440	\$ 602
Accounts payable to affiliated companies	63	74
Taxes accrued	115	34
Interest accrued	53	56
Current maturities of long-term debt (includes \$53 at 2018 and 2017 related to VIEs)	269	768
Asset retirement obligations	5	—
Regulatory liabilities	76	74
Other	357	334
Total current liabilities	1,378	1,942
Long-Term Debt (includes \$1,361 at 2018 and \$1,389 at 2017 related to VIEs)	7,183	6,327
Other Noncurrent Liabilities		
Deferred income taxes	2,007	1,761
Asset retirement obligations	597	742
Regulatory liabilities	1,194	1,307
Accrued pension and other post-retirement benefit costs	243	264
Other	58	108
Total other noncurrent liabilities	4,099	4,182
Commitments and Contingencies		
Equity		
Member's equity	5,890	5,614
Accumulated other comprehensive (loss) income	(2)	4
Total equity	5,888	5,618
Total Liabilities and Equity	\$ 18,548	\$ 18,069

See Notes to Condensed Consolidated Financial Statements

PART I

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

(in millions)	Six Months Ended	
	June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 271	\$ 248
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	374	274
Equity component of AFUDC	(26)	(22)
Impairment charges	—	2
Deferred income taxes	206	186
Accrued pension and other post-retirement benefit costs	3	2
Contributions to qualified pension plans	(20)	—
Payments for asset retirement obligations	(19)	(27)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	6	2
Receivables	(92)	(65)
Receivables from affiliated companies	(4)	—
Inventory	28	72
Other current assets	(114)	(67)
Increase (decrease) in		
Accounts payable	34	7
Accounts payable to affiliated companies	(11)	(83)
Taxes accrued	81	78
Other current liabilities	(21)	(57)
Other assets	(196)	(32)
Other liabilities	(10)	(5)
Net cash provided by operating activities	490	513
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(731)	(893)
Purchases of debt and equity securities	(239)	(289)
Proceeds from sales and maturities of debt and equity securities	264	318
Notes receivable from affiliated companies	(110)	(230)
Other	(35)	—
Net cash used in investing activities	(851)	(1,094)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	989	908
Payments for the redemption of long-term debt	(635)	(57)
Notes payable to affiliated companies	—	(297)
Other	(1)	(1)
Net cash provided by financing activities	353	553
Net decrease in cash, cash equivalents and restricted cash	(8)	(28)
Cash, cash equivalents and restricted cash at beginning of period	53	69
Cash, cash equivalents and restricted cash at end of period	\$ 45	\$ 41
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	\$ 194	\$ 122

See Notes to Condensed Consolidated Financial Statements

PART I

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

(in millions)	Accumulated Other Comprehensive Income (Loss)		Net Unrealized Gains (Losses) on Available-for-Sale Securities	Total Equity
	Member's Equity			
Balance at December 31, 2016	\$ 4,899	\$ 1	\$	\$ 4,900
Net income	248	—		248
Other comprehensive income	—	2		2
Other	2	—		2
Balance at June 30, 2017	\$ 5,149	\$ 3	\$	\$ 5,152
Balance at December 31, 2017	\$ 5,614	\$ 4	\$	\$ 5,618
Net income	271	—		271
Other comprehensive loss	—	(1)		(1)
Other ^(a)	5	(5)		—
Balance at June 30, 2018	\$ 5,890	\$ (2)	\$	\$ 5,888

(a) Amounts in Member's Equity and Accumulated Other Comprehensive Income (Loss) represent a cumulative-effect adjustment due to implementation of a new accounting standard related to Financial Instruments Classification and Measurement. See Note 1 for more information.

PART I

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

(in millions)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Operating Revenues				
Regulated electric	\$ 346	\$ 328	\$ 682	\$ 665
Regulated natural gas	103	100	277	270
Nonregulated electric and other	10	9	24	20
Total operating revenues	459	437	983	955
Operating Expenses				
Fuel used in electric generation and purchased power – regulated	93	86	185	183
Fuel used in electric generation and purchased power – nonregulated	14	14	29	29
Cost of natural gas	15	10	69	64
Operation, maintenance and other	130	132	261	263
Depreciation and amortization	62	63	132	130
Property and other taxes	68	67	145	139
Impairment charges	—	1	—	1
Total operating expenses	382	373	821	809
Loss on Sales of Other Assets and Other, net	—	—	(106)	—
Operating Income	77	64	56	146
Other Income and Expenses, net	8	5	14	10
Interest Expense	23	23	45	45
Income Before Income Taxes	62	46	25	111
Income Tax Expense	16	16	4	39
Net Income and Comprehensive Income	\$ 46	\$ 30	\$ 21	\$ 72

See Notes to Condensed Consolidated Financial Statements
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PART I

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

(in millions)	June 30, 2018	December 31, 2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 7	\$ 12
Receivables (net of allowance for doubtful accounts of \$3 at 2018 and 2017)	87	68
Receivables from affiliated companies	71	133
Notes receivable from affiliated companies	—	14
Inventory	124	133
Regulatory assets	46	49
Other	30	39
Total current assets	365	448
Property, Plant and Equipment		
Cost	9,024	8,732
Accumulated depreciation and amortization	(2,696)	(2,691)
Net property, plant and equipment	6,328	6,041
Other Noncurrent Assets		
Goodwill	920	920
Regulatory assets	425	445
Other	63	21
Total other noncurrent assets	1,408	1,386
Total Assets	\$ 8,101	\$ 7,875
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 267	\$ 313
Accounts payable to affiliated companies	47	62
Notes payable to affiliated companies	219	29
Taxes accrued	127	190
Interest accrued	21	21
Current maturities of long-term debt	452	3
Asset retirement obligations	5	3
Regulatory liabilities	51	36
Other	71	71
Total current liabilities	1,260	728
Long-Term Debt	1,589	2,039
Long-Term Debt Payable to Affiliated Companies	25	25
Other Noncurrent Liabilities		
Deferred income taxes	778	781
Asset retirement obligations	84	81
Regulatory liabilities	896	891
Accrued pension and other post-retirement benefit costs	83	59
Other	96	108
Total other noncurrent liabilities	1,937	1,920
Commitments and Contingencies		
Equity		
Common stock, \$8.50 par value, 120 million shares authorized; 90 million shares outstanding at 2018 and 2017	762	762
Additional paid-in capital	2,776	2,670
Accumulated deficit	(248)	(269)
Total equity	3,290	3,163
Total Liabilities and Equity	\$ 8,101	\$ 7,875

See Notes to Condensed Consolidated Financial Statements

PART I

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

(in millions)	Six Months Ended	
	June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 21	\$ 72
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	134	132
Equity component of AFUDC	(8)	(5)
Losses on sales of other assets	106	—
Impairment charges	—	1
Deferred income taxes	(2)	64
Accrued pension and other post-retirement benefit costs	2	2
Payments for asset retirement obligations	(2)	(3)
Provision for rate refunds	19	—
(Increase) decrease in		
Receivables	(7)	11
Receivables from affiliated companies	62	55
Inventory	9	6
Other current assets	24	(11)
Increase (decrease) in		
Accounts payable	(34)	(4)
Accounts payable to affiliated companies	(15)	(16)
Taxes accrued	(63)	(79)
Other current liabilities	8	(15)
Other assets	(7)	(12)
Other liabilities	(18)	(8)
Net cash provided by operating activities	229	190
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(392)	(286)
Cost of removal, net of salvage	(43)	(13)
Notes receivable from affiliated companies	14	31
Net cash used in investing activities	(421)	(268)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	—	93
Payments for the redemption of long-term debt	(3)	(1)
Notes payable to affiliated companies	190	8
Dividends to parent	—	(25)
Other	—	(1)
Net cash provided by financing activities	187	74
Net decrease in cash and cash equivalents	(5)	(4)
Cash and cash equivalents at beginning of period	12	13
Cash and cash equivalents at end of period	\$ 7	\$ 9
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	\$ 70	\$ 59
Non-cash equity contribution from parent	106	—

PART I

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

(in millions)	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total Equity
Balance at December 31, 2016	\$ 762	\$ 2,695	\$ (461)	\$ 2,996
Net income	—	—	72	72
Dividends to parent	—	(25)	—	(25)
Balance at June 30, 2017	\$ 762	\$ 2,670	\$ (389)	\$ 3,043
Balance at December 31, 2017	\$ 762	\$ 2,670	\$ (269)	\$ 3,163
Net income	—	—	21	21
Contribution from parent ^(a)	—	106	—	106
Balance at June 30, 2018	\$ 762	\$ 2,776	\$ (248)	\$ 3,290

(a) Represents a non-cash settlement through equity of an intercompany payable from Duke Energy Ohio to its parent.

PART I

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

(in millions)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Operating Revenues	\$ 738	\$ 742	\$ 1,469	\$ 1,500
Operating Expenses				
Fuel used in electric generation and purchased power	226	234	458	485
Operation, maintenance and other	197	194	378	369
Depreciation and amortization	126	91	256	216
Property and other taxes	20	15	40	37
Total operating expenses	569	534	1,132	1,107
Operating Income	169	208	337	393
Other Income and Expenses, net	6	11	13	20
Interest Expense	43	44	83	88
Income Before Income Taxes	132	175	267	325
Income Tax Expense	34	69	69	128
Net Income and Comprehensive Income	\$ 98	\$ 106	\$ 198	\$ 197

See Notes to Condensed Consolidated Financial Statements
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PART I

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

(in millions)	June 30, 2018	December 31, 2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 24	\$ 9
Receivables (net of allowance for doubtful accounts of \$2 at 2018 and 2017)	54	57
Receivables from affiliated companies	89	125
Inventory	470	450
Regulatory assets	191	165
Other	52	30
Total current assets	880	836
Property, Plant and Equipment		
Cost	15,213	14,948
Accumulated depreciation and amortization	(4,767)	(4,662)
Net property, plant and equipment	10,446	10,286
Other Noncurrent Assets		
Regulatory assets	1,021	978
Other	224	189
Total other noncurrent assets	1,245	1,167
Total Assets	\$ 12,571	\$ 12,289
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 171	\$ 196
Accounts payable to affiliated companies	58	78
Notes payable to affiliated companies	221	161
Taxes accrued	54	95
Interest accrued	59	57
Current maturities of long-term debt	62	3
Asset retirement obligations	98	54
Regulatory liabilities	19	24
Other	123	104
Total current liabilities	865	772
Long-Term Debt	3,570	3,630
Long-Term Debt Payable to Affiliated Companies	150	150
Other Noncurrent Liabilities		
Deferred income taxes	957	925
Asset retirement obligations	758	727
Regulatory liabilities	1,755	1,723
Accrued pension and other post-retirement benefit costs	111	76
Investment tax credits	147	147
Other	14	18
Total other noncurrent liabilities	3,742	3,616
Commitments and Contingencies		
Equity		
Member's Equity	4,244	4,121
Total Liabilities and Equity	\$ 12,571	\$ 12,289

See Notes to Condensed Consolidated Financial Statements

PART I

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

(in millions)	Six Months Ended June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 198	\$ 197
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	258	218
Equity component of AFUDC	(7)	(12)
Deferred income taxes	36	131
Accrued pension and other post-retirement benefit costs	3	3
Contributions to qualified pension plans	(8)	—
Payments for asset retirement obligations	(21)	(17)
Provision for rate refunds	49	—
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	—	1
Receivables	2	73
Receivables from affiliated companies	36	27
Inventory	(20)	34
Other current assets	(35)	(15)
Increase (decrease) in		
Accounts payable	33	(68)
Accounts payable to affiliated companies	(19)	(24)
Taxes accrued	(41)	(3)
Other current liabilities	3	(11)
Other assets	20	(13)
Other liabilities	(21)	(9)
Net cash provided by operating activities	466	512
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(416)	(397)
Purchases of debt and equity securities	(34)	(10)
Proceeds from sales and maturities of debt and equity securities	13	4
Notes receivable from affiliated companies	—	67
Other	2	(23)
Net cash used in investing activities	(435)	(359)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for the redemption of long-term debt	—	(2)
Notes payable to affiliated companies	60	—
Distributions to parent	(75)	(150)
Other	(1)	(1)
Net cash used in financing activities	(16)	(153)
Net increase in cash and cash equivalents	15	—
Cash and cash equivalents at beginning of period	9	17
Cash and cash equivalents at end of period	\$ 24	\$ 17
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	\$ 62	\$ 81

See Notes to Condensed Consolidated Financial Statements

PART I

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

(in millions)	Member's Equity
Balance at December 31, 2016	\$ 4,067
Net income	197
Distributions to parent	(150)
Balance at June 30, 2017	\$ 4,114
Balance at December 31, 2017	\$ 4,121
Net income	198
Distributions to parent	(75)
Balance at June 30, 2018	\$ 4,244

See Notes to Condensed Consolidated Financial Statements

PART I

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Operating Revenues	\$ 215	\$ 201	\$ 768	\$ 701
Operating Expenses				
Cost of natural gas	74	65	333	270
Operation, maintenance and other	85	76	167	153
Depreciation and amortization	39	36	78	71
Property and other taxes	12	12	24	25
Impairment charges	—	7	—	7
Total operating expenses	210	196	602	526
Operating Income	5	5	166	175
Other Income and Expenses				
Equity in earnings of unconsolidated affiliates	1	2	3	5
Other income and expenses, net	3	(1)	6	(1)
Total other income and expenses	4	1	9	4
Interest Expense	20	19	41	39
(Loss) Income Before Income Taxes	(11)	(13)	134	140
Income Tax (Benefit) Expense	(3)	(5)	32	53
Net (Loss) Income and Comprehensive (Loss) Income	\$ (8)	\$ (8)	\$ 102	\$ 87

See Notes to Condensed Consolidated Financial Statements

PART I

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

(in millions)	June 30, 2018	December 31, 2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 8	\$ 19
Receivables (net of allowance for doubtful accounts of \$3 at 2018 and \$2 at 2017)	109	275
Receivables from affiliated companies	11	7
Notes receivable from affiliated companies	77	—
Inventory	38	66
Regulatory assets	35	95
Other	36	52
Total current assets	314	514
Property, Plant and Equipment		
Cost	7,089	6,725
Accumulated depreciation and amortization	(1,533)	(1,479)
Net property, plant and equipment	5,556	5,246
Other Noncurrent Assets		
Goodwill	49	49
Regulatory assets	297	283
Investments in equity method unconsolidated affiliates	62	61
Other	65	65
Total other noncurrent assets	473	458
Total Assets	\$ 6,343	\$ 6,218
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 133	\$ 125
Accounts payable to affiliated companies	1	13
Notes payable to affiliated companies	—	364
Taxes accrued	23	19
Interest accrued	31	31
Current maturities of long-term debt	250	250
Regulatory liabilities	51	3
Other	53	69
Total current liabilities	542	874
Long-Term Debt	1,787	1,787
Other Noncurrent Liabilities		
Deferred income taxes	569	564
Asset retirement obligations	15	15
Regulatory liabilities	1,183	1,141
Accrued pension and other post-retirement benefit costs	3	5
Other	180	170
Total other noncurrent liabilities	1,950	1,895
Commitments and Contingencies		
Equity		
Common stock, no par value: 100 shares authorized and outstanding at 2018 and 2017	1,160	860
Retained earnings	904	802
Total equity	2,064	1,662
Total Liabilities and Equity	\$ 6,343	\$ 6,218

See Notes to Condensed Consolidated Financial Statements

PART I

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

(In millions)	Six Months Ended	
	June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 102	\$ 87
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	79	74
Impairment charges	—	7
Deferred income taxes	4	100
Equity in earnings from unconsolidated affiliates	(3)	(5)
Accrued pension and other post-retirement benefit costs	(2)	6
Provision for rate refunds	27	—
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	—	(39)
Receivables	166	155
Receivables from affiliated companies	(4)	(1)
Inventory	28	28
Other current assets	74	(64)
Increase (decrease) in		
Accounts payable	(32)	(44)
Accounts payable to affiliated companies	(12)	42
Taxes accrued	4	(46)
Other current liabilities	28	(23)
Other assets	2	28
Other liabilities	(2)	(6)
Net cash provided by operating activities	459	299
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(327)	(260)
Contributions to equity method investments	—	(12)
Notes receivable from affiliated companies	(77)	—
Other	(2)	1
Net cash used in investing activities	(406)	(271)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	—	125
Notes payable and commercial paper	—	(330)
Notes payable to affiliated companies	(364)	167
Capital contributions from parent	300	—
Other	—	(1)
Net cash used in financing activities	(64)	(39)
Net decrease in cash and cash equivalents	(11)	(11)
Cash and cash equivalents at beginning of period	19	25
Cash and cash equivalents at end of period	\$ 8	\$ 14
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	\$ 73	\$ 45
Transfer of ownership interest of certain equity method investees to parent	—	149

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PART I

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

(in millions)	Common Stock	Retained Earnings	Total Equity
Balance at December 31, 2016	\$ 860	\$ 812	\$ 1,672
Net income	—	87	87
Transfer of ownership interest of certain equity method investees to parent	—	(149)	(149)
Balance at June 30, 2017	\$ 860	\$ 750	\$ 1,610
Balance at December 31, 2017	\$ 860	\$ 802	\$ 1,662
Net income	—	102	102
Contribution from parent	300	—	300
Balance at June 30, 2018	\$ 1,160	\$ 904	\$ 2,064

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PART I

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

Index to Combined Notes to Condensed Consolidated Financial Statements

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

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

Tables within the notes may not sum across due to (i) Progress Energy’s consolidation of Duke Energy Progress, Duke Energy Florida and other subsidiaries that are not registrants and (ii) subsidiaries that are not registrants but included in the consolidated Duke Energy balances.

1. ORGANIZATION AND BASIS OF PRESENTATION

NATURE OF OPERATIONS AND BASIS OF CONSOLIDATION

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

These Condensed Consolidated Financial Statements include, after eliminating intercompany transactions and balances, the accounts of the Duke Energy Registrants and subsidiaries where the respective Duke Energy Registrants have control. These Condensed Consolidated Financial Statements also reflect the Duke Energy Registrants’ proportionate share of certain jointly owned generation and transmission facilities. Substantially all of the Subsidiary Registrants’ operations qualify for regulatory accounting.

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

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

Duke Energy Progress is a regulated public utility primarily engaged in the generation, transmission, distribution and sale of electricity in portions of North Carolina and South Carolina. Duke Energy Progress is subject to the regulatory provisions of the NCUC, PSCSC, NRC and FERC.

Duke Energy Florida is a regulated public utility primarily engaged in the generation, transmission, distribution and sale of electricity in portions of Florida. Duke Energy Florida is subject to the regulatory provisions of the Florida Public Service Commission (FPSC), NRC and FERC.

Duke Energy Ohio is a regulated public utility primarily engaged in the transmission and distribution of electricity in portions of Ohio and Kentucky, the generation and sale of electricity in portions of Kentucky and the transportation and sale of natural gas in portions of Ohio and Kentucky. Duke Energy Ohio conducts competitive auctions for retail electricity supply in Ohio whereby the energy price is recovered from retail customers and recorded in Operating Revenues on the Condensed Consolidated Statements of Operations and Comprehensive Income. Operations in Kentucky are conducted through its wholly owned subsidiary, Duke Energy Kentucky, Inc. (Duke Energy Kentucky). References herein to Duke Energy Ohio collectively include Duke Energy Ohio and its subsidiaries, unless otherwise noted. Duke Energy Ohio is subject to the regulatory provisions of the Public Utilities Commission of Ohio (PUCO), Kentucky Public Service Commission (KPSC) and FERC.

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

Piedmont is a regulated public utility primarily engaged in the distribution of natural gas in portions of North Carolina, South Carolina and Tennessee. Piedmont is subject to the regulatory provisions of the NCUC, PSCSC, Tennessee Public Utility Commission (TPUC) and FERC.

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COMPANY, INC.
Combined Notes to Condensed Consolidated Financial Statements – (Unaudited) – (Continued)

BASIS OF PRESENTATION

These Condensed Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles (GAAP) in the U.S. for interim financial information and with the instructions to Form 10-Q and Regulation S-X. Accordingly, these Condensed Consolidated Financial Statements do not include all information and notes required by GAAP in the U.S. for annual financial statements. Since the interim Condensed Consolidated Financial Statements and Notes do not include all information and notes required by GAAP in the U.S. for annual financial statements, the Condensed Consolidated Financial Statements and other information included in this quarterly report should be read in conjunction with the Consolidated Financial Statements and Notes in the Duke Energy Registrants' combined Annual Report on Form 10-K/A for the year ended December 31, 2017.

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

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

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

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

REVENUE

Duke Energy recognizes revenue as customers obtain control of promised goods and services in an amount that reflects consideration expected in exchange for those goods or services. Generally, the delivery of electricity and natural gas results in the transfer of control to customers at the time the commodity is delivered and the amount of revenue recognized is equal to the amount billed to each customer, including estimated volumes delivered when billings have not yet occurred. See Note 13 for further information.

CASH, CASH EQUIVALENTS AND RESTRICTED CASH

Duke Energy, Progress Energy and Duke Energy Florida have restricted cash balances related primarily to collateral assets, escrow deposits and variable interest entities (VIEs). See Note 12 for additional information. Restricted cash amounts are included in Other within Current Assets and Other Noncurrent Assets. The following table presents the components of cash, cash equivalents and restricted cash included in the Condensed Consolidated Balance Sheets.

	June 30, 2018			December 31, 2017		
	Duke Energy	Progress Energy	Duke Energy Florida	Duke Energy	Progress Energy	Duke Energy Florida
Current Assets						
Cash and cash equivalents	\$ 304	\$ 37	\$ 14	\$ 358	\$ 40	\$ 13
Other	115	31	31	138	40	40
Other Noncurrent Assets						
Other	8	6	—	9	7	—
Total cash, cash equivalents and restricted cash	\$ 427	\$ 74	\$ 45	\$ 505	\$ 87	\$ 53

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

INVENTORY

Inventory is used for operations and is recorded primarily using the average cost method. Inventory related to regulated operations is valued at historical cost. Inventory related to nonregulated operations is valued at the lower of cost or market. Materials and supplies are recorded as inventory when purchased and subsequently charged to expense or capitalized to property, plant and equipment when installed. Inventory, including excess or obsolete inventory, is written-down to the lower of cost or market value. Once inventory has been written-down, it creates a new cost basis for the inventory that is not subsequently written-up. Provisions for inventory write-offs were not material at June 30, 2018, and December 31, 2017. The components of inventory are presented in the tables below.

(in millions)	June 30, 2018							
	Duke	Duke	Progress	Duke	Duke	Duke	Duke	Piedmont
	Energy	Energy Carolinas	Energy	Energy Progress	Energy Florida	Energy Ohio	Energy Indiana	
Materials and supplies	\$ 2,293	\$ 769	\$ 1,085	\$ 757	\$ 328	\$ 84	\$ 313	\$ 2
Coal	562	173	218	109	109	15	155	—
Natural gas, oil and other fuel	322	42	218	110	109	25	2	36
Total inventory	\$ 3,177	\$ 984	\$ 1,521	\$ 976	\$ 546	\$ 124	\$ 470	\$ 38

(in millions)	December 31, 2017							
	Duke	Duke	Progress	Duke	Duke	Duke	Duke	Piedmont
	Energy	Energy Carolinas	Energy	Energy Progress	Energy Florida	Energy Ohio	Energy Indiana	
Materials and supplies	\$ 2,293	\$ 744	\$ 1,118	\$ 774	\$ 343	\$ 82	\$ 309	\$ 2
Coal	603	192	255	139	116	17	139	—
Natural gas, oil and other fuel	354	35	219	104	115	34	2	64
Total inventory	\$ 3,250	\$ 971	\$ 1,592	\$ 1,017	\$ 574	\$ 133	\$ 450	\$ 66

EXCISE TAXES

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

Excise taxes accounted for on a gross basis within both Operating revenues and Property and other taxes on the Condensed Consolidated Statements of Operations were as follows.

(in millions)	Three Months Ended June 30,				Six Months Ended June 30,			
	2018		2017		2018		2017	
Duke Energy	\$	95	\$	91	\$	194	\$	182
Duke Energy Carolinas		9		9		17		18
Progress Energy		56		55		110		101
Duke Energy Progress		5		4		10		9
Duke Energy Florida		51		51		100		92
Duke Energy Ohio		25		23		55		51
Duke Energy Indiana		5		3		11		10
Piedmont		—		1		1		2

NEW ACCOUNTING STANDARDS

The new accounting standards adopted for 2018 and 2017 had no material impact on the presentation or results of operations, cash flows or financial position of the Duke Energy Registrants. While immaterial, adoption of the following accounting standards had the most significant impact on the Duke Energy results of operations, cash flows and financial position for the six months ended June 30, 2018.

Revenue from Contracts with Customers. In May 2014, the Financial Accounting Standards Board (FASB) issued revised accounting guidance for revenue recognition from contracts with customers. The core principle of this guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration expected in exchange for those goods or services. The amendments also required disclosure of sufficient information to allow users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The majority of Duke Energy's revenue is in scope of the new guidance. Other revenue arrangements, such as alternative revenue programs and certain purchase power agreements (PPAs) and lighting tariffs accounted for as leases, are excluded from the scope of this guidance and, therefore, are accounted for and evaluated for separate presentation and disclosure under other relevant accounting guidance.

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Combined Notes to Condensed Consolidated Financial Statements – (Unaudited) – (Continued)

Duke Energy elected the modified retrospective method of adoption effective January 1, 2018. Under the modified retrospective method of adoption, prior year reported results are not restated. Adoption of this standard did not result in a material change in the timing or pattern of revenue recognition and a cumulative-effect adjustment was not recorded at January 1, 2018. Duke Energy utilized certain practical expedients including applying this guidance to open contracts at the date of adoption, expensing costs to obtain a contract where the amortization period of the asset would have been one year or less, ignoring the effects of a significant financing when the period between transfer of the good or service and payment is one year or less and recognizing revenues for certain contracts under the invoice practical expedient, which allows revenue recognition to be consistent with invoiced amounts (including estimated billings) provided certain criteria are met, including consideration of whether the invoiced amounts reasonably represent the value provided to customers.

In preparation for adoption, Duke Energy identified material revenue streams and reviewed representative contracts and tariffs, including those associated with certain long-term customer contracts such as wholesale contracts, PPAs and other customer arrangements. Duke Energy also monitored the activities of the power and utilities industry revenue recognition task force and has reviewed published positions on specific industry issues to evaluate the impact, if any, on Duke Energy's specific contracts and conclusions.

Duke Energy applied the available practical expedient to portfolios of tariffs and contracts with similar characteristics. The vast majority of sales, including energy provided to retail customers, are from tariff offerings that provide natural gas or electricity without a defined contractual term ("at-will"). In most circumstances, revenue from contracts with customers is equivalent to the electricity or natural gas supplied and billed in that period (including estimated billings). As such, adoption of the new rules did not result in a shift in the timing or pattern of revenue recognition for such sales. While there have been changes to the captions and descriptions of revenues in Duke Energy's financial statements, the most significant impact as a result of adopting the standard are additional disclosures around the nature, amount, timing and uncertainty of revenues and cash flows arising from contracts with customers. See Note 13 for further information.

Financial Instruments Classification and Measurement. In January 2018, Duke Energy adopted FASB guidance, which revised the classification and measurement of certain financial instruments. The adopted guidance changes the presentation of realized and unrealized gains and losses in certain equity securities that were previously recorded in accumulated other comprehensive income (AOCI). These gains and losses are now recorded in net income. An entity's equity investments that are accounted for under the equity method of accounting are not included within the scope of the new guidance. This guidance had a minimal impact on the Duke Energy Registrant's Condensed Consolidated Statements of Operations and Comprehensive Income as changes in the fair value of most of the Duke Energy Registrants' equity securities are deferred as regulatory assets or liabilities pursuant to accounting guidance for regulated operations. The resulting adjustment of unrealized gains and losses in AOCI to retained earnings was immaterial. The primary impact to Duke Energy as a result of implementing this guidance is adding disclosure requirements to present separately the financial assets and financial liabilities by measurement category and form of financial asset. See Notes 10 and 11 for further information.

Statement of Cash Flows. In November 2016, the FASB issued revised accounting guidance to reduce diversity in practice for the presentation and classification of restricted cash on the Condensed Consolidated Statements of Cash Flows. Under the updated guidance, restricted cash and restricted cash equivalents are included within beginning-of-period and end-of-period cash and cash equivalents on the Condensed Consolidated Statements of Cash Flows. Duke Energy adopted this guidance on January 1, 2018. The guidance has been applied using a retrospective transition method to each period presented. The adoption by Duke Energy of the revised guidance resulted in a change to the amount of Cash, cash equivalents and restricted cash explained when reconciling the beginning-of-period and end-of-period total amounts shown on the Condensed Consolidated Statements of Cash Flows. In addition, a reconciliation has been provided of Cash, cash equivalents and restricted cash reported within the Condensed Consolidated Balance Sheets that sums to the total of the same such amounts in the Condensed Consolidated Statements of Cash Flows. Prior to adoption, the Duke Energy Registrants reflected changes in noncurrent restricted cash within Cash Flows from Investing Activities and changes in current restricted cash within Cash Flows from Operating Activities on the Condensed Consolidated Statements of Cash Flows.

In August 2016, the FASB issued accounting guidance addressing diversity in practice for eight separate cash flow issues. The guidance requires entities to classify distributions received from equity method investees using either the cumulative earnings approach or the nature of the distribution approach. Duke Energy adopted this guidance on January 1, 2018, and elected the nature of distribution approach. This approach requires all distributions received to be categorized based on legal documentation describing the nature of the activities generating the distribution. Cash inflows resulting in a return on investment (surplus) will be reflected in Cash Flows from Operating Activities on the Condensed Consolidated Statements of Cash Flows, whereas cash inflows resulting in a return of investment (capital) will be reflected in Cash Flows from Investing Activities on the Condensed Consolidated Statements of Cash Flows. The guidance has been applied using the retrospective transition method to each period presented. There are no changes to the Condensed Consolidated Statements of Cash Flows for the periods presented as a result of this accounting change.

Retirement Benefits. In March 2017, the FASB issued revised accounting guidance for the presentation of net periodic costs related to benefit plans. Previous guidance required the aggregation of all the components of net periodic costs on the Condensed Consolidated Statement of Operations and did not require the disclosure of the location of net periodic costs on the Condensed Consolidated Statement of Operations. Under the amended guidance, the service cost component of net periodic costs is included within Operating Income within the same line as other compensation expenses. All other components of net periodic costs are outside of Operating Income. In addition, the updated guidance permits only the service cost component of net periodic costs to be capitalized to Inventory or Property, Plant and Equipment. This represents a change from previous guidance, which permitted all components of net periodic costs to be eligible for capitalization.

Duke Energy adopted this guidance on January 1, 2018. Under previous guidance, Duke Energy presented the total non-capitalized net periodic costs within Operation, maintenance and other on the Condensed Consolidated Statement of Operations. The adoption of this guidance resulted in a retrospective change to reclassify the presentation of the non-service cost (benefit) components of net periodic costs to Other income and expenses. Duke Energy utilized the practical expedient for retrospective presentation. The change in components of net periodic costs eligible for capitalization is applicable prospectively. Since Duke Energy's service cost component is greater than the total net periodic costs, the change results in increased capitalization of net periodic costs, higher Operation, maintenance and other and higher Other income and expenses. The resulting prospective impact to Duke Energy is an immaterial increase in Net Income. See Note 15 for further information.

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For Duke Energy, the retrospective change resulted in higher Operation, maintenance and other and higher Other income and expenses, net, of \$156 million, \$131 million and \$96 million for the years ended December 31, 2017, 2016 and 2015, respectively. There was no change to Net Income for these prior periods.

The following new Accounting Standards Updates (ASUs) have been issued, but have not yet been adopted by Duke Energy, as of June 30, 2018.

Leases. In February 2016, the FASB issued revised accounting guidance for leases. The core principle of this guidance is that a lessee should recognize the assets and liabilities that arise from leases on the balance sheet.

For Duke Energy, this guidance is effective for interim and annual periods beginning January 1, 2019. The guidance will be applied using a modified retrospective approach. Duke Energy expects to elect certain of the following practical expedients upon adoption:

Practical Expedient	Description
Package of transition practical expedients (for leases commenced prior to adoption date and must be adopted as a package)	Do not need to 1) reassess whether any expired or existing contracts are/or contain leases, 2) reassess the lease classification for any expired or existing leases and 3) reassess initial direct costs for any existing leases.
Short-term lease expedient (elect by class of underlying asset)	Elect as an accounting policy to not apply the recognition requirements to short-term leases by asset class.
Lease and non-lease components (elect by class of underlying asset)	Elect as an accounting policy to not separate non-lease components from lease components and instead account for each lease and associated non-lease component as a single lease component by asset class.
Hindsight expedient (when determining lease term)	Elect to use hindsight to determine the lease term.
Existing and expired land easements not previously accounted for as leases	Elect to not evaluate existing or expired easements under the new guidance and carry forward current accounting treatment.
Comparative reporting requirements for initial adoption	Elect to apply transition requirements at adoption date, recognize cumulative effect adjustment to retained earnings in period of adoption and not apply ASC 842 to comparative periods, including disclosures.
Lessor expedient (elect by class of underlying asset)	Elect as an accounting policy to aggregate non-lease components with the related lease component when specified conditions are met by asset class. Account for the combined component based on its predominant characteristic (revenue or operating lease).

Duke Energy is currently evaluating the financial statement impact of adopting this standard and is continuing to monitor industry implementation issues, including pipeline laterals and renewable energy PPAs. Duke Energy expects an increase in assets and liabilities on its balance sheet along with the addition of required disclosures of key lease information. However, the ultimate impact of the new standard has not yet been determined. System enhancements, including additional processes and controls, will be required to facilitate the identification, tracking and reporting of potential leases based upon requirements of the new lease standard. Duke Energy has begun the implementation of a third-party software tool to help with the adoption and ongoing accounting under the new standard.

2. BUSINESS SEGMENTS

Operating segments are determined based on information used by the chief operating decision-maker in deciding how to allocate resources and evaluate the performance of the business. Duke Energy evaluates segment performance based on segment income. Segment income is defined as income from continuing operations net of income attributable to noncontrolling interests. Segment income includes intercompany revenues and expenses that are eliminated on the Condensed Consolidated Financial Statements. Certain governance costs are allocated to each segment. In addition, direct interest expense and income taxes are included in segment income.

Duke Energy

Duke Energy's segment structure includes the following segments: Electric Utilities and Infrastructure, Gas Utilities and Infrastructure and Commercial Renewables.

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

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

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

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The remainder of Duke Energy's operations is presented as Other, which is primarily comprised of interest expense on holding company debt, unallocated corporate costs and Duke Energy's wholly owned captive insurance company, Bison Insurance Company Limited (Bison). Other also includes Duke Energy's 17.5 percent interest in National Methanol Company (NMC), a large regional producer of methyl tertiary butyl ether located in Saudi Arabia. The investment in NMC is accounted for under the equity method of accounting.

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

(in millions)	Three Months Ended June 30, 2018							Consolidated
	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Commercial Renewables	Total Reportable Segments	Other	Eliminations		
Unaffiliated revenues	\$ 5,215	\$ 294	\$ 119	\$ 5,628	\$ 15	\$ —	\$ 5,643	
Intersegment revenues	8	24	—	32	17	(49)	—	
Total revenues	\$ 5,223	\$ 318	\$ 119	\$ 5,660	\$ 32	\$ (49)	\$ 5,643	
Segment income (loss) ^{(a)(b)}	\$ 575	\$ 28	\$ 38	\$ 641	\$ (136)	\$ —	\$ 505	
Add back noncontrolling interests							2	
Loss from discontinued operations, net of tax							(5)	
Net income							\$ 502	
Segment assets	\$ 121,947	\$ 11,437	\$ 4,233	\$ 137,617	\$ 2,461	\$ 181	\$ 140,259	

(in millions)	Three Months Ended June 30, 2017							Consolidated
	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Commercial Renewables	Total Reportable Segments	Other	Eliminations		
Unaffiliated revenues	\$ 5,150	\$ 279	\$ 110	\$ 5,539	\$ 16	\$ —	\$ 5,555	
Intersegment revenues	8	22	—	30	19	(49)	—	
Total revenues	\$ 5,158	\$ 301	\$ 110	\$ 5,569	\$ 35	\$ (49)	\$ 5,555	
Segment income (loss) ^(b)	\$ 729	\$ 27	\$ 26	\$ 782	\$ (94)	\$ —	\$ 688	
Add back noncontrolling interests							3	
Loss from discontinued operations, net of tax							(2)	
Net income							\$ 689	

(in millions)	Six Months Ended June 30, 2018							Consolidated
	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Commercial Renewables	Total Reportable Segments	Other	Eliminations		
Unaffiliated revenues	\$ 10,530	\$ 997	\$ 220	\$ 11,747	\$ 31	\$ —	\$ 11,778	
Intersegment revenues	16	48	—	64	36	(100)	—	
Total revenues	\$ 10,546	\$ 1,045	\$ 220	\$ 11,811	\$ 67	\$ (100)	\$ 11,778	
Segment income (loss) ^{(a)(b)(c)(d)}	\$ 1,325	\$ 144	\$ 58	\$ 1,527	\$ (402)	\$ —	\$ 1,125	
Add back noncontrolling interests							4	
Loss from discontinued operations, net of tax							(5)	
Net income							\$ 1,124	

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Six Months Ended June 30, 2017							
(in millions)	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Commercial Renewables	Total Reportable Segments	Other	Eliminations	Consolidated
Unaffiliated revenues	\$ 10,090	\$ 927	\$ 238	\$ 11,255	\$ 29	\$ —	\$ 11,284
Intersegment revenues	15	44	—	59	39	(98)	—
Total revenues	\$ 10,105	\$ 971	\$ 238	\$ 11,314	\$ 68	\$ (98)	\$ 11,284
Segment income (loss) ^(b)	\$ 1,364	\$ 160	\$ 51	\$ 1,575	\$ (171)	\$ —	\$ 1,404
Add back noncontrolling interests							4
Loss from discontinued operations, net of tax							(2)
Net income							\$ 1,406

- (a) Electric Utilities and Infrastructure includes regulatory and legislative impairment charges related to rate case orders, settlements or other actions of regulators or legislative bodies. See Note 3 for additional information.
- (b) Other includes costs to achieve the Piedmont acquisition.
- (c) Gas Utilities and Infrastructure includes an impairment of the investment in Constitution Pipeline Company, LLC (Constitution). See Note 3 for additional information.
- (d) Other includes the loss on the sale of the retired Beckjord Generating Station (Beckjord) described below and a valuation allowance recorded against the alternative minimum tax credits subject to sequestration. See Note 17 for additional information on the valuation allowance.

In February 2018, Duke Energy sold Beckjord, a nonregulated facility retired during 2014, and recorded a pretax loss of \$106 million within Gains (Losses) on Sales of Other Assets and Other, net and \$1 million within Operation, maintenance and other on Duke Energy's Condensed Consolidated Statements of Operations for the six months ended June 30, 2018. The sale included the transfer of coal ash basins and other real property and indemnification from any and all potential future claims related to the property, whether arising under environmental laws or otherwise.

Duke Energy Ohio

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

Electric Utilities and Infrastructure transmits and distributes electricity in portions of Ohio and generates, distributes and sells electricity in portions of Northern Kentucky. Gas Utilities and Infrastructure transports and sells natural gas in portions of Ohio and Northern Kentucky. Both reportable operating segments conduct operations primarily through Duke Energy Ohio and its wholly owned subsidiary, Duke Energy Kentucky.

The remainder of Duke Energy Ohio's operations is presented as Other, which is primarily comprised of governance costs allocated by its parent, Duke Energy, and revenues and expenses related to Duke Energy Ohio's contractual arrangement to buy power from the Ohio Valley Electric Corporation's (OVEC) power plants. See Note 8 for additional information on related party transactions.

Three Months Ended June 30, 2018							
(in millions)	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Total Reportable Segments	Other	Eliminations	Consolidated	
Total revenues	\$ 346	\$ 103	\$ 449	\$ 10	\$ —	\$ 459	
Segment income (loss)/Net income	39	18	57	(11)	—	46	
Segment assets	\$ 5,336	\$ 2,727	\$ 8,063	\$ 40	\$ (2)	\$ 8,101	

Three Months Ended June 30, 2017							
(in millions)	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Total Reportable Segments	Other	Eliminations	Consolidated	
Total revenues	\$ 329	\$ 100	\$ 429	\$ 8	\$ —	\$ 437	
Segment income (loss)/Net income	22	17	39	(9)	—	30	

Six Months Ended June 30, 2018							
(in millions)	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Total Reportable Segments	Other	Eliminations	Consolidated	
Total revenues	\$ 682	\$ 277	\$ 959	\$ 24	\$ —	\$ 983	

Segment income (loss)/Net income ^(a)	72	52	124	(103)	21
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(in millions)	Six Months Ended June 30, 2017				
	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Total Reportable Segments	Other	Consolidated
Total revenues	\$ 665	\$ 270	\$ 935	\$ 20	\$ 955
Segment income (loss)/Net income	46	42	88	(16)	72

(a) Other includes the loss on the sale of Beckjord.

3. REGULATORY MATTERS

RATE-RELATED INFORMATION

The NCUC, PSCSC, FPSC, IURC, PUCO, TPUC and KPSC approve rates for retail electric and natural gas services within their states. The FERC approves rates for electric sales to wholesale customers served under cost-based rates (excluding Ohio and Indiana), as well as sales of transmission service. The FERC also regulates certification and siting of new interstate natural gas pipeline projects.

Duke Energy Carolinas and Duke Energy Progress

Ash Basin Closure Costs Deferral – North Carolina

On December 30, 2016, Duke Energy Carolinas and Duke Energy Progress filed a joint petition with the NCUC seeking an accounting order authorizing deferral of certain costs incurred in connection with federal and state environmental remediation requirements related to the permanent closure of ash basins and other ash storage units at coal-fired generating facilities that have provided or are providing generation to customers located in North Carolina. The NCUC has consolidated Duke Energy Carolinas' and Duke Energy Progress' coal ash deferral requests into their respective general rate case dockets for decision. See "2017 North Carolina Rate Case" sections below for additional discussion.

Power/Forward Deferral – South Carolina

On June 22, 2018, Duke Energy Carolinas and Duke Energy Progress filed a joint petition with the PSCSC seeking an accounting order authorizing deferral of certain costs incurred in connection with grid reliability, resiliency and modernization work that is being performed under the companies' Power/Forward initiative. On July 25, 2018, the PSCSC ordered that the matter be set for filed comments and oral argument upon request of the Office of Regulatory Staff. A procedural schedule has not yet been issued. Duke Energy Carolinas and Duke Energy Progress cannot predict the outcome of this matter.

Duke Energy Carolinas

2017 North Carolina Rate Case

On August 25, 2017, Duke Energy Carolinas filed an application with the NCUC for a rate increase for retail customers of approximately \$647 million, which represented an approximate 13.6 percent increase in annual base revenues. The rate increase was driven by capital investments subsequent to the previous base rate case, including the William States Lee Combined Cycle Facility discussed below, grid improvement projects, advanced metering infrastructure (AMI), investments in customer service technologies, costs of complying with coal combustion residuals (CCR) regulations and the North Carolina Coal Ash Management Act of 2014 (Coal Ash Act) and recovery of costs related to licensing and development of the William States Lee III Nuclear Station (Lee Nuclear Station) discussed below.

On February 28, 2018, Duke Energy Carolinas and the North Carolina Public Staff filed an Agreement and Stipulation of Partial Settlement resolving certain portions of the proceeding. Terms of the settlement included a return on equity of 9.9 percent and a capital structure of 52 percent equity and 48 percent debt. As a result of the settlement, Duke Energy Carolinas recorded a pretax charge of approximately \$4 million to Operation, maintenance and other on the Condensed Consolidated Statements of Operations.

On June 1, 2018, Duke Energy Carolinas and certain intervenors filed a Pilot Grid Rider Agreement and Stipulation (Grid Rider Stipulation) in which the parties agreed to the proposal Duke Energy Carolinas introduced in a post-hearing brief on April 27, 2018, along with additional commitments by Duke Energy Carolinas. Also on June 1, 2018, Duke Energy Carolinas and the Commercial Group filed a Partial Stipulation and Settlement Agreement to be considered in conjunction with the Stipulation.

Components of the Grid Rider Stipulation included:

- Duke Energy Carolinas would recover Power/Forward costs through a pilot, three-year Grid Rider except for costs related to targeted undergrounding of power lines, cable and conduit replacement, and power pole replacement;
- Excluded costs were to be deferred with a return until Duke Energy Carolinas' next base rate case proceeding; and
- Costs incurred during the three-year pilot, both rider recoverable and deferred, were subject to a 4.5 percent cumulative cap of total annual electric service revenue.

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On June 22, 2018, the NCUC issued an order approving the Stipulation of Partial Settlement and requiring a revenue reduction. The order also included the following material components not covered in the Stipulation:

- Recovery of \$554 million of deferred coal ash basin closure costs over a five-year period with a return at Duke Energy Carolinas' weighted average cost of capital (WACC);
- Assessment of a \$70 million management penalty ratably over a five-year period by reducing the annual recovery of the deferred coal ash costs;
- Denial of Duke Energy Carolinas' request for recovery of future estimated ongoing annual coal ash costs of \$201 million with approval to defer such costs with a return at Duke Energy Carolinas' WACC, to be considered for recovery in the next rate case;
- Inclusion in rates of costs related to the Lee Combined Cycle Facility, two new solar facilities, and AMI deployment as requested;
- Recovery of Lee Nuclear Station licensing and development cost of \$347 million over a 12-year period, but denial of a return on the deferred balance of costs;
- Reduction in revenue related to lower income tax expense resulting from the Federal Tax Cuts and Jobs Act (Tax Act), and a requirement to maintain all excess deferred income tax resulting from the Tax Act in a regulatory liability account pending flowback to customers as approved by the commission at the earlier of three years or Duke Energy Carolinas' next general rate case proceeding; and
- Denial of the proposed Grid Rider Stipulation related to Power/Forward costs and denial of deferral accounting treatment of the costs at this time. Duke Energy Carolinas may petition for deferral of grid modernization costs outside of a general rate case proceeding if it can show financial hardship or a stipulation that includes greater consensus among intervening parties on costs being classified as grid modernization.

As a result of the Order, Duke Energy Carolinas recorded a pretax charge of approximately \$150 million to Impairment charges and Operation, maintenance and other on the Condensed Consolidated Statements of Operations. The charge is primarily related to the denial of a return on the Lee Nuclear Project and for previously recognized return impacted by the coal ash management penalty described above. On July 27, 2018, NCUC approved Duke Energy Carolinas' compliance filing. As a result, revised customer rates will become effective on August 1, 2018.

On July 20, 2018, the North Carolina Attorney General filed a Notice of Appeal to the North Carolina Supreme Court from the June 22, 2018, Order Accepting Stipulation, Deciding Contested Issues and Requiring Revenue Reduction issued by the NCUC. The Attorney General contends the commission's order should be reversed and remanded, as it is in excess of the commission's statutory authority; affected by errors of law; unsupported by competent, material and substantial evidence in view of the entire record as submitted; and arbitrary or capricious. The Sierra Club, North Carolina Sustainable Energy Association, North Carolina Justice Center, North Carolina Housing Coalition, Natural Resource Defense Council and Southern Alliance for Clean Energy have also filed Notices of Appeal to the North Carolina Supreme Court from the June 22, 2018, Order Accepting Stipulation, Deciding Contested Issues and Requiring Revenue Reduction. Duke Energy Carolinas cannot predict the outcome of this matter.

FERC Formula Rate Matter

On July 31, 2017, Piedmont Municipal Power Agency (PMPA) filed a complaint with FERC against Duke Energy Carolinas alleging that Duke Energy Carolinas misapplied the formula rate under the PPA between the parties by including in its rates amortization expense associated with regulatory assets and recorded in a certain account without FERC approval. On February 15, 2018, FERC issued an order ruling in favor of PMPA and ordered Duke Energy Carolinas to refund to PMPA all amounts improperly collected under the PPA. Duke Energy Carolinas has issued to PMPA and similarly situated wholesale customers refunds of approximately \$25 million. FERC also set the matter for settlement and hearing. PMPA and other customers filed a protest to Duke Energy Carolinas' refund report claiming that the refunds are inadequate in that (1) Duke Energy Carolinas invoked the limitations periods in the contracts to limit the time period for which the refunds were paid and the customers disagree that this limitation applies, and (2) Duke Energy Carolinas refunded only amounts recovered through a certain account and the customers have asserted that the order applies to all regulatory assets. On July 3, 2018, FERC issued an order accepting Duke Energy Carolinas' refund report and ruling that these claims are outside the scope of FERC's February order. Duke Energy Carolinas cannot predict the outcome of this matter.

William States Lee Combined Cycle Facility

On April 9, 2014, the PSCSC granted Duke Energy Carolinas and North Carolina Electric Membership Corporation (NCEMC) a Certificate of Environmental Compatibility and Public Convenience and Necessity for the construction and operation of a 750-megawatt (MW) combined-cycle natural gas-fired generating plant at Duke Energy Carolinas' existing William States Lee Generating Station in Anderson, South Carolina. Duke Energy Carolinas began construction in July 2015 and its share of the cost to build the facility was approximately \$650 million, including allowance for funds used during construction (AFUDC). Approximately \$600 million is being recovered through base rate or deferral filings in North Carolina and South Carolina. The remaining amount will be included in future rate filings. The project commenced commercial operation on April 5, 2018. NCEMC will own approximately 13 percent of the project.

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Lee Nuclear Station

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

The Duke Energy Carolinas rate case filing discussed above included a request to cancel the development of the Lee Nuclear Station project, recover incurred licensing and development costs and maintain the license issued by the NRC as an option for potential future development. The cancellation request was due to the Westinghouse bankruptcy filing and other market activity. The NCUC Order issued on June 22, 2018, approved the cancellation of the Lee Nuclear Project, allowed Duke Energy Carolinas to continue to maintain the COLs, provided for recovery of the North Carolina retail allocation of project development costs, including AFUDC accrued through December 31, 2017, over 12 years and disallowed any return on the unamortized balance during the 12-year recovery period.

Given the recent repeal of certain sections of the Base Load Review Act in South Carolina combined with the cancellation of the project, Duke Energy Carolinas determined that it was no longer probable it would be allowed a return on its share of project development costs attributable to South Carolina. As a result, Duke Energy Carolinas recorded a pretax impairment of \$29 million within Impairment charges on the Condensed Consolidated Statements of Operations and Comprehensive Income.

South Carolina Petition

On June 22, 2018, Duke Energy Carolinas filed a petition with the PSCSC requesting an accounting order to defer certain costs incurred in connection with the addition of the William States Lee Combined Cycle Facility, the ongoing deployment of Duke Energy Carolinas new billing and Customer Information System and the addition of the Carolinas West Primary Distribution Control Center. This request totaling approximately \$33 million was approved on July 25, 2018.

Sale of Hydroelectric (Hydro) Plants

In May 2018, Duke Energy Carolinas entered an agreement for the sale of five hydro plants with a combined 18.7-MW generation capacity in the Western Carolinas region to Northbrook Energy. The completion of the transaction is subject to approval from FERC, as well as other state regulatory agencies and is contingent upon regulatory approval from the NCUC and PSCSC to defer the total estimated loss on the sale of approximately \$40 million. On July 5, 2018, Duke Energy Carolinas filed for approval of the sale of the five hydro plants to Northbrook, to transfer the Certificates of Public Convenience and Necessity for the four North Carolina hydro plants and to establish a regulatory asset for the North Carolina retail portion of the difference between sales proceeds and net book value. Duke Energy Carolinas will also file with PSCSC requesting recovery for the total estimated loss. If commission approval is not received, Duke Energy Carolinas can cancel the sales agreement and retain the hydro facilities. If commission approval is received, the closing is expected to occur during the first quarter of 2019. After closing, Duke Energy Carolinas will purchase all of the capacity and energy generated by these facilities at the avoided cost for five years through power purchase agreements. Duke Energy Carolinas cannot predict the outcome of this matter.

Duke Energy Progress

2017 North Carolina Rate Case

On June 1, 2017, Duke Energy Progress filed an application with the NCUC for a rate increase for retail customers of approximately \$477 million, which represented an approximate 14.9 percent increase in annual base revenues. Subsequent to the filing, Duke Energy Progress adjusted the requested amount to \$420 million, representing an approximate 13 percent increase. The rate increase is driven by capital investments subsequent to the previous base rate case, costs of complying with CCR regulations and the Coal Ash Act, costs relating to storm recovery, investments in customer service technologies and recovery of costs associated with renewable purchased power.

On December 16, 2016, Duke Energy Progress filed a petition with the NCUC requesting an accounting order to defer certain costs incurred in connection with response to Hurricane Matthew and other significant storms in 2016. The final estimate of incremental operation and maintenance and capital costs of \$116 million was filed with the NCUC in September 2017. On July 10, 2017, the NCUC consolidated Duke Energy Progress' storm deferral request into the Duke Energy Progress rate case docket for decision.

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. Terms of the settlement included a return on equity of 9.9 percent and a capital structure of 52 percent equity and 48 percent debt. As a result of the settlement, in 2017 Duke Energy Progress recorded pretax charges totaling approximately \$25 million to Impairment charges and Operation, maintenance and other on the Condensed Consolidated Statements of Operations, principally related to disallowances from rate base of certain projects at the Mayo and Sutton plants. On February 23, 2018, the NCUC issued an order approving the stipulation. The order also included the following material components not covered in the stipulation:

- Recovery of the remaining \$234 million of deferred coal ash basin closure costs over a five-year period with a return at Duke Energy Progress' WACC, excluding \$9.5 million of retail deferred coal ash basin costs related to ash hauling at Duke Energy Progress' Asheville Plant;
- Assessment of a \$30 million management penalty ratably over a five-year period by reducing the annual recovery of the deferred coal ash costs;
- Denial of Duke Energy Progress' request for recovery of future estimated ongoing annual coal ash costs of \$129 million with approval to defer such costs with a return at Duke Energy Progress' WACC, to be considered for recovery in the next rate case; and

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- Approval to recover \$51 million of the approximately \$80 million deferred storm costs over a five-year period with amortization beginning in October 2016. The order did not allow the deferral of the associated capital costs or a return on the deferred balance during the deferral period.

The order also impacted certain amounts that were similarly recorded on Duke Energy Carolinas' Condensed Consolidated Balance Sheets. As a result of the order, Duke Energy Progress and Duke Energy Carolinas recorded pretax charges of \$68 million and \$14 million, respectively, in the first quarter of 2018 to Impairment charges, Operation, maintenance and other and Interest Expense on the Condensed Consolidated Statements of Operations. These charges primarily related to the coal ash basin disallowance and previously recognized return impacted by the coal ash management penalty and deferred storm cost adjustments. Revised customer rates became effective on March 16, 2018.

On May 15, 2018, the Public Staff of the NCUC filed a Notice of Cross Appeal to the North Carolina Supreme Court from the February 23, 2018, Order Accepting Stipulation, Deciding Contested Issues and Granting Partial Rate Increase issued by the NCUC. The Public Staff contend the commission's order should be reversed and remanded, as it is affected by errors of law, and is unsupported by competent, material and substantial evidence in view of the entire record as submitted. Duke Energy Progress cannot predict the outcome of this matter. The North Carolina Attorney General and Sierra Club have also filed Notices of Appeal to the North Carolina Supreme Court from the February 23, 2018, Order Accepting Stipulation, Deciding Contested Issues and Granting partial Rate Increase.

South Carolina Rate Case

In December 2016, the PSCSC approved a rate case settlement agreement among the Office of Regulatory Staff, intervenors and Duke Energy Progress. Terms of the settlement agreement included an approximate \$56 million increase in revenues over a two-year period. 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. Other settlement terms included a rate of return on equity of 10.1 percent, recovery of coal ash costs incurred from January 1, 2015, through June 30, 2016, over a 15-year period and ongoing deferral of allocated ash basin closure costs from July 1, 2016, until the next base rate case. The settlement also provides that Duke Energy Progress will not seek an increase in rates in South Carolina to occur prior to 2019, with limited exceptions.

Western Carolinas Modernization Plan

On November 4, 2015, Duke Energy Progress announced a Western Carolinas Modernization Plan, which included retirement of the existing Asheville coal-fired plant, the construction of two 280-MW combined-cycle natural gas plants having dual-fuel capability, with the option to build a third natural gas simple cycle unit in 2023 based upon the outcome of initiatives to reduce the region's power demand. The plan also included upgrades to existing transmission lines and substations, installation of solar generation and a pilot battery storage project. These investments will be made within the next seven years. Duke Energy Progress is also working with the local natural gas distribution company to upgrade an existing natural gas pipeline to serve the natural gas plant.

On March 28, 2016, the NCUC issued an order approving a Certificate of Public Convenience and Necessity (CPCN) for the new combined-cycle natural gas plants, but denying the CPCN for the contingent simple cycle unit without prejudice to Duke Energy Progress to refile for approval in the future. On March 28, 2018, Duke Energy Progress filed an annual progress report for the construction of the combined-cycle plants with the NCUC, with an estimated cost of \$893 million. Site preparation activities for the combined-cycle plants are complete and construction of these plants began in 2017, with an expected in-service date in late 2019. Duke Energy Progress plans to file for future approvals related to the proposed solar generation and pilot battery storage project.

The carrying value of the 376-MW Asheville coal-fired plant, including associated ash basin closure costs, of \$344 million and \$385 million is included in Generation facilities to be retired, net on Duke Energy Progress' Condensed Consolidated Balance Sheets as of June 30, 2018, and December 31, 2017, respectively. Duke Energy Progress' request for a regulatory asset at the time of retirement with amortization over a 10-year period was approved by the NCUC on February 23, 2018.

Shearon Harris Nuclear Plant Expansion

In 2006, Duke Energy Progress selected a site at Harris to evaluate for possible future nuclear expansion. On February 19, 2008, Duke Energy Progress filed its COL application with the NRC for two Westinghouse AP1000 reactors at Harris, which the NRC docketed for review. On May 2, 2013, Duke Energy Progress filed a letter with the NRC requesting the NRC to suspend its review activities associated with the COL at the Harris site. The NCUC and PSCSC approved deferral of retail costs. Total deferred costs were approximately \$47 million as of December 31, 2017, and are recorded in Regulatory assets on Duke Energy Progress' Condensed Consolidated Balance Sheets. On November 17, 2016, the FERC approved Duke Energy Progress' rate recovery request filing for the wholesale ratepayers' share of the abandonment costs, including a debt only return to be recovered through revised formula rates and amortized over a 15-year period beginning May 1, 2014. As part of the settlement agreement for the 2017 North Carolina Rate Case discussed above, Duke Energy Progress will amortize the regulatory asset over an eight-year period. NCUC approved the settlement on February 23, 2018.

South Carolina Petitions

On June 22, 2018, Duke Energy Progress filed a petition with the PSCSC seeking an accounting order authorizing Duke Energy Progress to adopt new depreciation rates, effective March 16, 2018, that reflect the results of Duke Energy Progress' most recent depreciation study. Also on June 22, 2018, Duke Energy Progress filed a petition with the PSCSC requesting an accounting order to defer certain costs incurred in connection with the deployment of AMI, the ongoing deployment of Duke Energy Progress' new billing and Customer Information System, new depreciation rates and costs incurred in connection with the excess return of certain state taxes from North Carolina. These requests totaling approximately \$20 million were approved on July 25, 2018.

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FERC Form 1 Reporting Matter

On October 18, 2017, Fayetteville Public Works Commission (FPWC) filed with FERC a complaint against Duke Energy Progress. In the complaint, FPWC alleges that Duke Energy Progress' change in its method of reporting materials and supplies inventory on FERC Form 1 for 2015 constituted a change in accounting practice that Duke Energy Progress was not permitted to implement without first obtaining FERC approval. On April 23, 2018, FERC issued an order finding that Duke Energy Progress' new reporting methodology was not proper and required Duke Energy Progress to revise its FERC Form 1s beginning in 2014 and to issue refunds to formula rate customers. Duke Energy Progress estimates that these refunds will total approximately \$14 million. On May 23, 2018, Duke Energy Progress filed a request for rehearing alleging that FERC's order is incorrect. Duke Energy Progress revised its FERC Form 1 filings in June 2018. Duke Energy Progress cannot predict the outcome of this matter.

Duke Energy Florida

Storm Restoration Cost Recovery

In September 2017, Duke Energy Florida's service territory suffered significant damage from Hurricane Irma, resulting in approximately 1.3 million customers experiencing outages. In the fourth quarter of 2017, Duke Energy Florida also incurred preparation costs related to Hurricane Nate. On December 28, 2017, Duke Energy Florida filed a petition with the FPSC to recover incremental storm restoration costs for hurricanes Irma and Nate and to replenish the storm reserve. On February 6, 2018, the FPSC approved a stipulation that would apply tax savings resulting from the Tax Act toward storm costs effective January 2018 in lieu of implementing a storm surcharge. Storm costs are currently expected to be fully recovered by approximately mid-2021. On May 31, 2018, Duke Energy Florida filed a petition for approval of actual storm restoration costs and associated recovery process related to Hurricanes Irma and Nate. The petition is seeking the approval for the recovery in the amount of \$510 million in actual recoverable storm restoration costs, including the replenishment of Duke Energy Florida's storm reserve of \$132 million, and the process for recovering these recoverable storm costs. The evidentiary hearing in this matter is scheduled for the week of October 15, 2018. At June 30, 2018, Duke Energy Florida's Condensed Consolidated Balance Sheets included approximately \$295 million of recoverable costs under the FPSC's storm rule in Regulatory assets within Current Assets and Other Noncurrent Assets related to storm recovery. Duke Energy Florida cannot predict the outcome of this matter.

Tax Act

Pursuant to Duke Energy Florida's 2017 Revised and Restated Settlement Agreement, on May 31, 2018, Duke Energy Florida filed a petition related to the Tax Act, which included annual tax savings of \$84 million and annual amortization of excess deferred taxes of \$67 million for a total of \$151 million. The pretax revenue requirement impact is \$201 million, of which \$50 million will be offset with accelerated depreciation of Crystal River 4 and 5 coal units and \$151 million will be offset by Hurricane Irma storm cost recovery as explained in the Storm Restoration Cost Recovery section above. The petition is subject to review and approval by the FPSC. The hearing is scheduled to begin on January 8, 2019. Duke Energy Florida cannot predict the outcome of this matter.

Citrus County Combined Cycle Facility

On October 2, 2014, the FPSC granted Duke Energy Florida a Determination of Need for the construction of a 1,640-MW combined-cycle natural gas plant in Citrus County, Florida. On May 5, 2015, the Florida Department of Environmental Protection approved Duke Energy Florida's Site Certification Application. The project has received all required permits and approvals and construction began in October 2015. The facility is expected to be commercially available by the end of 2018 at an estimated cost of \$1.5 billion, including AFUDC. Actual costs in excess of the estimated amount may not be collected from customers absent a showing of extraordinary circumstances. On April 2, 2018, Duke Energy Florida filed a petition seeking approval to include in base rates the revenue requirements associated with the new facility. The annual retail revenue requirement is approximately \$200 million. On July 10, 2018, the FPSC voted to approve Duke Energy Florida's request to include the revenue requirements for the new Citrus County combined-cycle units in base rates. The rate increase for the first unit is expected to take place in November 2018 and the rate increase for the second unit is expected to take place in January 2019. The plant will receive natural gas from the Sabal Trail pipeline discussed below.

Duke Energy Ohio

2017 Electric Security Plan Filing

On June 1, 2017, Duke Energy Ohio filed with the PUCO a request for a standard service offer in the form of an electric security plan (ESP). If approved by the PUCO, the term of the ESP would be from June 1, 2018, to May 31, 2025. Terms of the ESP include continuation of market-based customer rates through competitive procurement processes for generation, continuation and expansion of existing rider mechanisms and proposed new rider mechanisms relating to regulatory mandates, costs incurred to enhance the customer experience and transform the grid and a service reliability rider for vegetation management. On February 15, 2018, the procedural schedule was suspended to facilitate ongoing settlement discussions. On April 13, 2018, Duke Energy Ohio filed a Motion to consolidate this proceeding with several other cases currently pending before the PUCO, including, but not limited to, its Electric Base Rate Case. Additionally, on April 13, 2018, Duke Energy Ohio, along with certain intervenors, filed a Stipulation and Recommendation (Stipulation) with the PUCO resolving certain issues in this proceeding. The Stipulation establishes a regulatory model for the next seven years via the approval of the ESP and continues the current model for procuring supply for non-shopping customers, including recovery mechanisms. The Stipulation is subject to the review and approval of PUCO. An evidentiary hearing to review the Stipulation and other issues in the cases will conclude on August 6, 2018. Duke Energy Ohio cannot predict the outcome of this matter.

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Electric Base Rate Case

Duke Energy Ohio filed with the PUCO an electric distribution base rate case application and supporting testimony in March 2017. Duke Energy Ohio has requested an estimated annual increase of approximately \$15 million and a return on equity of 10.4 percent. The application also includes requests to continue certain current riders and establish new riders. On September 26, 2017, the PUCO staff filed a report recommending a revenue decrease between approximately \$18 million and \$29 million and a return on equity between 9.22 percent and 10.24 percent. On February 15, 2018, the procedural schedule was suspended to facilitate ongoing settlement discussions. On April 13, 2018, Duke Energy Ohio filed a Motion to consolidate this proceeding with several other cases currently pending before the PUCO. On April 13, 2018, Duke Energy Ohio, along with certain intervenors, filed the Stipulation with the PUCO resolving certain issues in this proceeding. Major components of the Stipulation include a \$19 million annual base distribution rate decrease with a return on equity of 9.84 percent based upon a capital structure of 50.75 percent equity and 49.25 percent debt. Upon approval of new rates, Duke Energy Ohio's rider for recovering its initial SmartGrid implementation ends as the costs will be recovered through base rates. The Stipulation also renews 14 existing riders, some of which were included in the Company's ESP, and two new riders including the Enhanced Service Reliability Rider to recover vegetation management costs not included in base rates, up to \$10 million per year (operation and maintenance only) and the Power Forward Rider to recover costs incurred to enhance the customer experience and further transform the grid (operation and maintenance and capital). The Stipulation is subject to the review and approval of the PUCO. An evidentiary hearing to review the Stipulation and other issues in the cases will conclude on August 6, 2018. In addition to the changes in revenue attributable to the Stipulation, Duke Energy Ohio's capital-related riders, including the Distribution Capital Investments Rider, began to reflect the lower federal income tax rate associated with the Tax Act with updates to customers' bills beginning April 1, 2018. This change reduces electric revenue by approximately \$20 million on an annualized basis. Duke Energy Ohio cannot predict the outcome of this matter.

Ohio Valley Electric Corporation

On March 31, 2017, Duke Energy Ohio filed for approval to adjust its existing price stabilization rider (Rider PSR), which is currently set at zero dollars, to pass through net costs related to its contractual entitlement to capacity and energy from the generating assets owned by OVEC. Duke Energy Ohio is seeking deferral authority for net costs incurred from April 1, 2017, until the new rates under Rider PSR are put into effect. Various intervenors have filed motions to dismiss or stay the proceeding and Duke Energy Ohio has opposed these filings. On April 13, 2018, Duke Energy Ohio filed a Motion to consolidate this proceeding with several other cases currently pending before the PUCO. Also on April 13, 2018, Duke Energy Ohio, along with certain intervenors, filed a Stipulation with the PUCO resolving certain issues in this proceeding. The Stipulation, if approved, would activate Rider PSR for recovery of net costs incurred since January 1, 2018. The Stipulation is subject to the review and approval of PUCO. An evidentiary hearing to review the Stipulation and other issues in the cases will conclude on August 6, 2018. See Note 12 for additional discussion of Duke Energy Ohio's ownership interest in OVEC. Duke Energy Ohio cannot predict the outcome of this matter.

Tax Act

On July 25, 2018, Duke Energy Ohio filed an application to establish a new rider to implement the benefits of the Tax Act for electric distribution customers. Duke Energy Ohio requested commission approval to implement the rider effective October 1, 2018, as a credit to all distribution customers based upon a percent reduction to Duke Energy Ohio's distribution rates. The new rider will flow through to customers the benefit of the lower statutory federal tax rate from 35 to 21 percent since January 1, 2018, all future benefits of the lower tax rates and a full refund of deferred income taxes collected at the higher tax rates in prior years. Deferred income taxes subject to normalization rules will be refunded consistent with federal law and deferred income taxes not subject to normalization rules will be refunded over a 10-year period. An order is expected before the fourth quarter of 2018 but Duke Energy Ohio cannot predict the outcome of this matter.

Energy Efficiency Cost Recovery

On March 28, 2014, Duke Energy Ohio filed an application for recovery of program costs, lost distribution revenue and performance incentives related to its energy efficiency and peak demand reduction programs. These programs are undertaken to comply with environmental mandates set forth in Ohio law. The PUCO approved Duke Energy Ohio's application but found that Duke Energy Ohio was not permitted to use banked energy savings from previous years in order to calculate the amount of allowed incentive. This conclusion represented a change to the cost recovery mechanism that had been agreed upon by intervenors and approved by the PUCO in previous cases. The PUCO granted the applications for rehearing filed by Duke Energy Ohio and an intervenor. On January 6, 2016, Duke Energy Ohio and the PUCO Staff entered into a stipulation, pending the PUCO's approval, to resolve issues related to performance incentives and the PUCO Staff audit of 2013 costs, among other issues. In December 2015, based upon the stipulation, Duke Energy Ohio re-established approximately \$20 million of the revenues that had been previously reversed. On October 26, 2016, the PUCO issued an order approving the stipulation without modification. In December 2016, the PUCO granted the intervenors request for rehearing for the purpose of further review. Duke Energy Ohio cannot predict the outcome of this matter.

On June 15, 2016, Duke Energy Ohio filed an application for approval of a three-year energy efficiency and peak demand reduction portfolio of programs. A stipulation and modified stipulation were filed on December 22, 2016, and January 27, 2017, respectively. Under the terms of the stipulations, which included support for deferral authority of all costs and a cap on shared savings incentives, Duke Energy Ohio has offered its energy efficiency and peak demand reduction programs throughout 2017. On February 3, 2017, Duke Energy Ohio filed for deferral authority of its costs incurred in 2017 in respect of its proposed energy efficiency and peak demand reduction portfolio. On September 27, 2017, the PUCO issued an order approving a modified stipulation. The modifications impose an annual cap of approximately \$38 million on program costs and shared savings incentives combined, but allowed for Duke Energy Ohio to file for a waiver of costs in excess of the cap in 2017. The PUCO approved the waiver request up to a total cost of \$56 million. On November 21, 2017, the PUCO granted Duke Energy Ohio's and intervenor's applications for rehearing of the September 27, 2017, order. On January 10, 2018, the PUCO denied the Ohio Consumers' Counsel's application for rehearing of the PUCO order granting Duke Energy Ohio's waiver request. Duke Energy Ohio cannot predict the outcome of this matter.

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2014 Electric Security Plan

In April 2015, the PUCO modified and approved Duke Energy Ohio's proposed ESP, with a three-year term and an effective date of June 1, 2015. The PUCO approved a competitive procurement process for SSO load, a distribution capital investment rider and a tracking mechanism for incremental distribution expenses caused by major storms. The PUCO also approved a placeholder tariff for a price stabilization rider, but denied Duke Energy Ohio's specific request to include Duke Energy Ohio's entitlement to generation from OVEC in the rider at this time; however, the order allows Duke Energy Ohio to submit additional information to request recovery in the future. On May 4, 2015, Duke Energy Ohio filed an application for rehearing requesting the PUCO to modify or amend certain aspects of the order. On May 28, 2015, the PUCO granted all applications for rehearing filed in the case for future consideration. On March 21, 2018, the PUCO issued an order denying Duke Energy Ohio's issues on rehearing. On April 20, 2018, Duke Energy Ohio filed a second application for rehearing based upon the Commission's March 21, 2018, Order. On May 16, 2018, the commission issued its third Entry on Rehearing granting in part, and denying in part, Duke Energy Ohio's rehearing request. On May 21, 2018, the Ohio Manufacturing Association (OMA) filed a notice of appeal of PUCO's approval of Duke Energy Ohio's ESP, challenging PUCO's approval of Duke Energy Ohio's Price Stability Rider as a placeholder and its Distribution Capital Investment Rider (DCI) to recover incremental revenue requirement for distribution capital since Duke Energy Ohio's last base rate case. On July 16, 2018, the Office of Consumers' Counsel filed its own appeal of Duke Energy Ohio's ESP with the Ohio Supreme Court raising similar issues to that of the OMA. Duke Energy Ohio cannot predict the outcome of this matter.

Natural Gas Pipeline Extension

Duke Energy Ohio is proposing to install a new natural gas pipeline (the Central Corridor Project) in its Ohio service territory to increase system reliability and enable the retirement of older infrastructure. The pipeline is expected to cost approximately \$112 million, excluding AFUDC. On January 20, 2017, Duke Energy Ohio filed an amended application with the Ohio Power Siting Board (OPSB) for approval of one of two proposed routes. A public hearing was held on June 15, 2017, and an adjudicatory hearing was scheduled to begin September 11, 2017. On August 24, 2017, an administrative law judge (ALJ) granted a request made by Duke Energy Ohio to delay the procedural schedule while it works through various issues related to the pipeline route. In April 2018, Duke Energy Ohio filed a motion with OPSB to establish a procedural schedule and filed supplemental information supporting its application. If approved, construction of the pipeline extension is expected to be completed before the 2020/2021 winter season. Duke Energy Ohio cannot predict the outcome of this matter.

Duke Energy Kentucky Electric Rate Case

On September 1, 2017, Duke Energy Kentucky filed a rate case with the KPSC requesting an increase in electric base rates of approximately \$49 million, which represents an approximate 15 percent increase on the average customer bill. Subsequent to the filing, Duke Energy Kentucky adjusted the requested amount to \$30.1 million, in part to reflect the benefits of the Tax Act, representing an approximate 9 percent increase on the average customer bill. The rate increase is driven by increased investment in utility plant, increased operations and maintenance expenses, and recovery of regulatory assets. The application also includes requests to implement an Environmental Surcharge Mechanism to recover environmental costs not recovered in base rates, to establish a Distribution Capital Investment Rider to recover incremental costs of specific programs, to establish a FERC Transmission Cost Reconciliation Rider to recover escalating transmission costs and to modify existing Profit Sharing Mechanism to increase customers' share of proceeds from the benefits of owning generation and to mitigate shareholder risks associated with that generation. An evidentiary hearing concluded on March 8, 2018, and the KPSC issued an order on April 13, 2018. Major components of the Order include approval of an \$8.4 million increase in base rates with a return on equity at 9.725 percent based upon a capital structure of 49 percent equity on a total allocable capitalization of approximately \$650 million. The Order approved the Environmental Surcharge Mechanism Rider to begin recovery in June 2018 of capital-related environmental costs, including costs related to ash and ash disposal, and environmental operation and maintenance expenses formerly recovered in base rates, including expenses for environmental reagents and emission allowances. The incremental revenue from this rider will be approximately \$13 million on an annualized basis. The order settles all issues associated with the Tax Act as it relates to the electric business by lowering the income tax component of the revenue requirement and refunding protected excess deferred income taxes (EDIT) under allowable normalization rules and unprotected EDIT over 10 years. The Order denied requests to implement riders for certain transmission costs and distribution capital investments. Duke Energy Kentucky implemented new base rates on May 1, 2018. On May 3, 2018, Duke Energy Kentucky filed an application for rehearing on certain aspects of the order; on May 23, 2018, the KPSC granted a rehearing. Duke Energy Kentucky cannot predict the outcome of this matter.

Duke Energy Indiana

FERC Transmission Return on Equity Complaint

Customer groups have filed with the FERC complaints against MISO and its transmission-owning members, including Duke Energy Indiana, alleging, among other things, that the current base rate of return on equity earned by MISO transmission owners of 12.38 percent is unjust and unreasonable. The complaints claim, among other things, that the current base rate of return on equity earned by MISO transmission owners should be reduced to 8.67 percent. On January 5, 2015, the FERC issued an order accepting the MISO transmission owners' adder of 0.50 percent to the base rate of return on equity based on participation in an RTO subject to it being applied to a return on equity that is shown to be just and reasonable in the pending return on equity complaints. On December 22, 2015, the presiding FERC ALJ in the first complaint issued an Initial Decision in which the base rate of return on equity was set at 10.32 percent. On September 28, 2016, the Initial Decision in the first complaint was affirmed by FERC, but is subject to rehearing requests. On June 30, 2016, the presiding FERC ALJ in the second complaint issued an Initial Decision setting the base rate of return on equity at 9.70 percent. The Initial Decision in the second complaint is pending FERC review. On April 14, 2017, the U.S. Court of Appeals for the District of Columbia Circuit, in *Emera Maine v. FERC*, reversed and remanded certain aspects of the methodology employed by FERC to establish rates of return on equity. This decision may affect the outcome of the complaints against Duke Energy Indiana. Duke Energy Indiana currently believes these matters will not have a material impact on its results of operations, cash flows and financial position.

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Benton County Wind Farm Dispute

On December 16, 2013, Benton County Wind Farm LLC (BCWF) filed a lawsuit against Duke Energy Indiana seeking damages for past generation losses alleging Duke Energy Indiana violated its obligations under a 2006 PPA by refusing to offer electricity to the market at negative prices. Damage claims continue to increase during times that BCWF is not dispatched. Under 2013 revised MISO market rules, Duke Energy Indiana is required to make a price offer to MISO for the power it proposes to sell into MISO markets and MISO determines whether BCWF is dispatched. Because market prices would have been negative due to increased market participation, Duke Energy Indiana determined it would not bid at negative prices in order to balance customer needs against BCWF's need to run. BCWF contends Duke Energy Indiana must bid at the lowest negative price to ensure dispatch, while Duke Energy Indiana contends it is not obligated to bid at any particular price, that it cannot ensure dispatch with any bid and that it has reasonably balanced the parties' interests. On July 6, 2015, the U.S. District Court for the Southern District of Indiana entered judgment against BCWF on all claims. BCWF appealed the decision and on December 9, 2016, the appeals court ruled in favor of BCWF. Duke Energy Indiana recorded an obligation and a regulatory asset related to the settlement amount in fourth quarter 2016. On June 30, 2017, the parties finalized a settlement agreement. Terms of the settlement included Duke Energy Indiana paying \$29 million for back damages. Additionally, the parties agreed on the method by which the contract will be bid into the market in the future. The settlement amount was paid in June 2017. The IURC issued an order on September 27, 2017, approving recovery of the settlement amount through Duke Energy Indiana's fuel clause. The IURC order has been appealed to the Indiana Court of Appeals. On May 21, 2018, the Indiana Court of Appeals upheld the commission's decision. The appellants have requested rehearing at the Indiana Court of Appeals.

Tax Act

On June 27, 2018, Duke Energy Indiana, the Indiana Office of Utility Consumer Counselor, the Indiana Industrial Group and Nucor Steel – Indiana filed testimony consistent with their Stipulation and Settlement Agreement (Settlement Agreement) in the federal tax act proceeding with the IURC. The Settlement Agreement outlines how Duke Energy Indiana will implement the impacts of the Tax Act. Material components of the Settlement Agreement are as follows:

- Riders to reflect the change in the statutory federal tax rate from 35 percent to 21 percent as they are filed in 2018;
- Base rates to reflect the change in the statutory federal tax rate from 35 percent to 21 percent upon IURC approval, but no later than September 1, 2018;
- Duke Energy Indiana to continue to defer protected federal excess deferred income taxes (Federal EDIT) until January 1, 2020, at which time it will be returned to customers according to the Average Rate Assumption Method (ARAM) required by the Internal Revenue Service over approximately 26 years; and
- Duke Energy Indiana to begin returning unprotected Federal EDIT upon IURC approval, expected by September 1, 2018, over 10 years. In order to mitigate the negative impacts to cash flow and credit metrics, the Settlement Agreement allows Duke Energy Indiana to return \$7 million per year over the first five years, with a step up to \$35 million per year in the following five years.

The settlement is subject to the review and approval of the IURC. An evidentiary hearing was held on July 13, 2018. Duke Energy Indiana cannot predict the outcome of this matter.

Piedmont

South Carolina Rate Stabilization Adjustment Filing

In June 2018, Piedmont filed with the PSCSC under the South Carolina Rate Stabilization Act its quarterly monitoring report for the 12-month period ending March 31, 2018. The filing includes a revenue deficiency calculation and tariff rates in order to permit Piedmont the opportunity to earn the rate of return on common equity established in its last general rate case. The filing also incorporates the impacts of the Tax Act by lowering the income tax component of the revenue requirement, refunding protected EDIT under allowable normalization rules, unprotected EDIT and amounts over collected from the customers from January 1, 2018, through the end of the review period for this proceeding. This filing is currently under review and audit by the South Carolina Office of Regulatory Staff. Piedmont cannot predict the outcome of this matter.

North Carolina Integrity Management Rider Filing

In May 2018, Piedmont filed, and the NCUC approved, a petition under the Integrity Management Rider (IMR) mechanism to update rates, effective June 2018, based on the eligible capital investments closed to integrity and safety projects over the six-month period ending March 31, 2018, and the decrease in the corporate federal income tax rate effective January 1, 2018. The combined effect of the update was a reduction to annual revenues of approximately \$5.7 million.

Tennessee Integrity Management Rider Filing

In November 2017, Piedmont filed a petition with the TPUC under the IMR mechanism to collect an additional \$3.3 million in annual revenues, effective January 2018, based on the eligible capital investments for integrity and safety projects through October 31, 2017. In January 2018, Piedmont filed an amended computation under the IMR mechanism, revising the proposed increase in annual revenues to approximately \$0.4 million based on the decrease in the corporate federal income tax rate effective January 1, 2018. A hearing on this matter was held on April 9, 2018. In May 2018, the TPUC approved Piedmont's request as proposed for the IMR effective January 1, 2018.

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OTHER REGULATORY MATTERS

Progress Energy Merger FERC Mitigation

Since December 2014, the FERC Office of Enforcement has conducted an investigation of Duke Energy's market power filings in its application for approval of the Progress Energy merger submitted in 2012. On June 8, 2018, the FERC issued an order approving a settlement agreement under which Duke Energy paid a penalty of \$3.5 million. The FERC Office of Enforcement stated in its conclusion that Duke Energy violated FERC regulations by failing to fully and accurately describe certain specific matters in its market power filings. Duke neither admitted nor denied the alleged violations.

Atlantic Coast Pipeline, LLC

On September 2, 2014, Duke Energy, Dominion Resources (Dominion), Piedmont and Southern Company Gas announced the formation of Atlantic Coast Pipeline, LLC (ACP) to build and own the proposed Atlantic Coast Pipeline (ACP pipeline), an approximately 600-mile interstate natural gas pipeline running from West Virginia to North Carolina. The ACP pipeline is designed to meet, in part, the needs identified by Duke Energy Carolinas, Duke Energy Progress and Piedmont. Dominion will build and operate the ACP pipeline and holds a leading ownership percentage in ACP of 48 percent. Duke Energy owns a 47 percent interest, which is accounted for as an equity method investment through its Gas Utilities and Infrastructure segment. Southern Company Gas maintains a 5 percent interest. See Note 12 for additional information related to Duke Energy's ownership interest. Duke Energy Carolinas, Duke Energy Progress and Piedmont, among others, will be customers of the pipeline. Purchases will be made under several 20-year supply contracts, subject to state regulatory approval.

In 2018, the FERC issued a series of Notices to Proceed, which authorized the project to begin certain construction-related activities along the pipeline route, including supply header and compressors. On May 11, 2018, FERC issued a Notice to Proceed allowing full construction activities in specified areas of West Virginia, and on July 24, 2018, FERC issued a Notice to Proceed allowing full construction activities along the project route in North Carolina. A conditional 401 water quality certification has been issued by the Virginia Water Control Board, and ACP continues working with the Virginia Water Control Board's staff to fulfill the outstanding conditions. Until these conditions have been satisfied, full construction activity in Virginia is not permitted.

ACP is the subject of numerous challenges in state and federal courts and agencies, including, among others, challenges of the project's incidental take statement (ITS), crossings of the Blue Ridge Parkway, the Appalachian Trail, and the Monongahela and George Washington National Forests, the project's U.S. Army Corps of Engineers (USACE) 404 permit, the Virginia conditional 401 water quality certification, the FERC Environmental Impact Statement order and the FERC order approving the Certificate of Public Convenience and Necessity. Each of these challenges alleges non-compliance on the part of federal and state permitting authorities and adverse ecological consequences if the project is permitted to proceed. ACP is vigorously defending these challenges and coordinating with the federal and state authorities which are the direct parties to the challenges. On May 15, 2018, the Fourth U.S. Circuit Court of Appeals vacated the Fish and Wildlife Services' ITS for the project, stating that the ITS failed to meet the requirements of the Endangered Species Act; on May 22, 2018, ACP informed FERC that it would not proceed with construction in any areas covered by the ITS until the issue is resolved, even though construction elsewhere will continue as scheduled; on June 11, 2018, petitioners requested a rehearing of FERC's West Virginia Notice to Proceed; on July 5, 2018, petitioners filed a motion for injunction of all construction activity along the project route, and ACP and Fish and Wildlife Services filed responses on July 11, 2018. In response to challenges of the certification of ACP's reliance on USACE Nation Wide Permit 12 (which challenges allege that ACP cannot meet the requirements of the permit in respect of certain water crossings in West Virginia), on July 27, 2018, ACP voluntarily requested an administrative suspension of the USACE authorization in the Huntington District for water crossings in West Virginia to ensure adequate review by USACE of ACP's crossing methodology. This request for a stay followed a July 20, 2018, motion for injunction by certain project opponents.

ACP's project manager estimates the project's pipeline development costs will range from \$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, which could result in potential higher project costs and a potential delay in the targeted in-service date, which is late 2019.

Sabal Trail Transmission, LLC

On May 4, 2015, Duke Energy acquired a 7.5 percent ownership interest in Sabal Trail, which is accounted for as an equity method investment, from Spectra Energy Partners, LP, a master limited partnership, formed by Enbridge Inc. (formerly Spectra Energy Corp.). Spectra Energy Partners, LP holds a 50 percent ownership interest in Sabal Trail and NextEra Energy has a 42.5 percent ownership interest. Sabal Trail is a joint venture to construct a 515-mile natural gas pipeline (Sabal Trail pipeline) to transport natural gas to Florida. Total estimated project costs are approximately \$3.2 billion. The Sabal Trail pipeline traverses Alabama, Georgia and Florida. The primary customers of the Sabal Trail pipeline, Duke Energy Florida and Florida Power & Light Company (FP&L), have each contracted to buy pipeline capacity for 25-year initial terms. See Note 12 for additional information related to Duke Energy's ownership interest.

On February 3, 2016, the FERC issued an order granting the request for a CPCN to construct and operate the pipeline. The Sabal Trail pipeline received other required regulatory approvals and the Phase 1 mainline was placed in service in July 2017. On October 12, 2017, Sabal Trail filed a request with FERC to place in service a lateral line to Duke Energy Florida's Citrus County Combined Cycle Facility. This request is required to support commissioning and testing activities at the facility. On March 16, 2018, FERC approved the Citrus lateral and it was placed in service.

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On September 21, 2016, intervenors filed an appeal of FERC's CPCN orders to the U.S. Court of Appeals for the District of Columbia Circuit (D.C. Circuit Court of Appeals). On August 22, 2017, the appeals court ruled against FERC in the case for failing to include enough information on the impact of greenhouse-gas emissions carried by the pipeline, vacated the CPCN order and remanded the case to FERC. In response to the August 2017 court decision, the FERC issued a draft Supplemental Environmental Impact Statement (SEIS) on September 27, 2017. On October 6, 2017, FERC and a group of industry intervenors, including Sabal Trail and Duke Energy Florida, filed separate petitions with the D.C. Circuit Court of Appeals requesting rehearing regarding the court's decision to vacate the CPCN order. On January 31, 2018, the D.C. Circuit Court of Appeals denied the requests for rehearing. On February 2, 2018, Sabal Trail filed a request with FERC for expedited issuance of its order on remand and reissuance of the CPCN. In the alternative, the pipeline requested that FERC issue a temporary emergency CPCN to allow for continued operations. On February 5, 2018, FERC issued the final SEIS. On February 6, 2018, FERC and the intervenors in this case each filed motions for stay with the D.C. Circuit Court to stay the court's mandate. On March 7, 2018, the D.C. Circuit Court of Appeals granted FERC and Sabal Trail's stay request. On March 14, 2018, FERC issued its final order on remand, which recertified the project. Requests for rehearing of the FERC order on remand are still pending.

Constitution Pipeline Company, LLC

Duke Energy owns a 24 percent ownership interest in Constitution, which is accounted for as an equity method investment. Constitution is a natural gas pipeline project slated to transport natural gas supplies from the Marcellus supply region in northern Pennsylvania to major northeastern markets. The pipeline will be constructed and operated by Williams Partners L.P., which has a 41 percent ownership share. The remaining interest is held by Cabot Oil and Gas Corporation and WGL Holdings, Inc. Before the permitting delays discussed below, Duke Energy's total anticipated contributions were approximately \$229 million. As a result of the permitting delays and project uncertainty, total anticipated contributions by Duke Energy can no longer be reasonably estimated. Since April 2016, with the actions of the New York State Department of Environmental Conservation (NYSDEC), Constitution stopped construction and discontinued capitalization of future development costs until the project's uncertainty is resolved.

In December 2014, Constitution received approval from the FERC to construct and operate the proposed pipeline. However, on April 22, 2016, the NYSDEC denied Constitution's application for a necessary water quality certification for the New York portion of the Constitution pipeline. Constitution filed legal actions in the U.S. Court of Appeals for the Second Circuit (U.S. Court of Appeals) challenging the legality and appropriateness of the NYSDEC's decision and on August 18, 2017, the petition was denied in part and dismissed in part. In September 2017, Constitution filed a petition for a rehearing of portions of the decision unrelated to the water quality certification, which was denied by the U.S. Court of Appeals. In January 2018, Constitution petitioned the Supreme Court of the United States to review the U.S. Court of Appeals decision, and on April 30, 2018, the Supreme Court denied Constitution's petition. In October 2017, Constitution filed a petition for declaratory order requesting FERC to find that the NYSDEC waived its rights to issue a Section 401 water quality certification by not acting on Constitution's application within a reasonable period of time as required by statute. This petition was based on precedent established by another pipeline's successful petition with FERC following a District of Columbia Circuit Court ruling. On January 11, 2018, FERC denied Constitution's petition. In February 2018, Constitution filed a rehearing request with FERC of its finding that the NYSDEC did not waive the Section 401 certification requirement. On July 19, 2018, FERC denied Constitution's rehearing request. Constitution is currently unable to approximate an in-service date for the project due to the NYSDEC's denial of the water quality certification. The Constitution partners remain committed to the project and are evaluating next steps to move the project forward. On June 25, 2018, Constitution filed with FERC a Request for Extension of Time until December 2, 2020, for construction of the project. Duke Energy cannot predict the outcome of this matter.

During the six months ended June 30, 2018, Duke Energy recorded an other-than-temporary impairment (OTTI) of \$55 million within Equity in earnings of unconsolidated affiliates on Duke Energy's Condensed Consolidated Statements of Operations. The charge represents the excess carrying value over the estimated fair value of the project, which was based on a Level 3 Fair Value measurement that was determined from the income approach using discounted cash flows. The impairment was primarily due to the recent actions taken by the courts and regulators to uphold the NYSDEC's denial of the certification and uncertainty associated with the remaining legal and regulatory challenges.

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

Potential Coal Plant Retirements

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

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The table below contains the net carrying value of generating facilities planned for retirement or included in recent IRPs as evaluated for potential retirement due to a lack of requisite environmental control equipment. Dollar amounts in the table below are included in Net property, plant and equipment on the Condensed Consolidated Balance Sheets as of June 30, 2018, and exclude capitalized asset retirement costs.

	Capacity (in MW)	Remaining Net Book Value (in millions)
Duke Energy Carolinas		
Allen Steam Station Units 1-3 ^(a)	585	\$ 160
Progress Energy and Duke Energy Florida		
Crystal River Units 1 and 2 ^(b)	873	102
Duke Energy Indiana		
Gallagher Units 2 and 4 ^(c)	280	125
Total Duke Energy	1,738	\$ 387

- (a) Duke Energy Carolinas will retire Allen Steam Station Units 1 through 3 by December 31, 2024, as part of the resolution of a lawsuit involving alleged New Source Review violations.
- (b) Duke Energy Florida expects to retire these coal units by the end of 2018 to comply with environmental regulations.
- (c) Duke Energy Indiana committed to either retire or stop burning coal at Gallagher Units 2 and 4 by December 31, 2022, as part of the settlement of Edwardsport IGCC matters.

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

4. COMMITMENTS AND CONTINGENCIES

ENVIRONMENTAL

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

Remediation Activities

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

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

(in millions)	Six Months Ended June 30, 2018								
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont	
	Balance at beginning of period	\$ 81	\$ 10	\$ 15	\$ 3	\$ 12	\$ 47	\$ 5	\$ 2
Provisions/adjustments	1	2	2	2	(1)	(3)	1		
Cash reductions	(14)	(1)	(2)	(1)	(1)	(9)	(1)		
Balance at end of period	\$ 68	\$ 11	\$ 15	\$ 4	\$ 10	\$ 35	\$ 5	\$ 2	

(in millions)	Six Months Ended June 30, 2017								
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont	
	Balance at beginning of period	\$ 98	\$ 10	\$ 18	\$ 3	\$ 14	\$ 59	\$ 10	\$ 1
Provisions/adjustments	—	1	—	—	1	(2)	—		
Cash reductions	(8)	(1)	(2)	—	(2)	(4)	(1)		
Balance at end of period	\$ 90	\$ 10	\$ 16	\$ 3	\$ 13	\$ 53	\$ 9	\$ 1	

Additional losses in excess of recorded reserves that could be incurred for the stages of investigation, remediation and monitoring for environmental sites that have been evaluated at this time are not material except as presented in the table below.

(in millions)	
Duke Energy	\$ 55
Duke Energy Carolinas	16
Duke Energy Ohio	30
Piedmont	2

LITIGATION

Duke Energy Carolinas and Duke Energy Progress

Coal Ash Insurance Coverage Litigation

In March 2017, Duke Energy Carolinas and Duke Energy Progress filed a civil action in North Carolina Superior Court against various insurance providers. The lawsuit seeks payment for coal ash-related liabilities covered by third-party liability insurance policies. The insurance policies were issued between 1971 and 1986 and provide third-party liability insurance for property damage. The civil action seeks damages for breach of contract and indemnification for costs arising from the Coal Ash Act and the EPA CCR rule at 15 coal-fired plants in North Carolina and South Carolina. The parties are engaged in discovery. Duke Energy Carolinas and Duke Energy Progress cannot predict the outcome of this matter.

NCDEQ State Enforcement Actions

In the first quarter of 2013, the Southern Environmental Law Center (SELC) sent notices of intent to sue Duke Energy Carolinas and Duke Energy Progress related to alleged Clean Water Act (CWA) violations from coal ash basins at two of their coal-fired power plants in North Carolina. The NCDEQ filed enforcement actions against Duke Energy Carolinas and Duke Energy Progress alleging violations of water discharge permits and North Carolina groundwater standards. The cases have been consolidated and are being heard before a single judge in the North Carolina Superior Court.

On August 16, 2013, the NCDEQ filed an enforcement action against Duke Energy Carolinas and Duke Energy Progress related to their remaining plants in North Carolina, alleging violations of the CWA and violations of the North Carolina groundwater standards. Both of these cases have been assigned to the judge handling the enforcement actions discussed above. SELC is representing several environmental groups who have been permitted to intervene in these cases.

The court issued orders in 2016 granting Motions for Partial Summary Judgment for seven of the 14 North Carolina plants named in the enforcement actions. On February 13, 2017, the court issued an order denying motions for partial summary judgment brought by both the environmental groups and Duke Energy Carolinas and Duke Energy Progress for the remaining seven plants. On March 15, 2017, Duke Energy Carolinas and Duke Energy Progress filed a Notice of Appeal to challenge the trial court's order. The parties were unable to reach an agreement at mediation in April 2017. The parties submitted briefs to the court on remaining issues to be tried and a ruling is pending. On August 22, 2017, Duke Energy Carolinas and Duke Energy Progress filed a Petition for Discretionary Review, requesting the North Carolina Supreme Court to accept the appeal. On August 24, 2017, SELC filed a motion to dismiss the appeal. On August 1, 2018, the court dismissed the appeal.

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

Federal Citizens Suits

On June 13, 2016, the Roanoke River Basin Association (RRBA) filed a federal citizen suit in the Middle District of North Carolina alleging unpermitted discharges to surface water and groundwater violations at the Mayo Plant. On August 19, 2016, Duke Energy Progress filed a Motion to Dismiss. On April 26, 2017, the court entered an order dismissing four of the claims in the federal citizen suit. Two claims relating to alleged violations of National Pollutant Discharge Elimination System (NPDES) permit provisions survived the motion to dismiss, and Duke Energy Progress filed its response on May 10, 2017. Duke Energy Progress and RRBA each filed motions for summary judgment on March 23, 2018.

On May 16, 2017, RRBA filed a federal citizen suit in the U.S. District Court for the Middle District of North Carolina, which asserts two claims relating to alleged violations of NPDES permit provisions at the Roxboro plant and one claim relating to the use of nearby water bodies. Duke Energy Progress and RRBA each filed motions for summary judgment on April 17, 2018.

On May 8, 2018, on motion from Duke Energy Progress, the Court ordered trial in both of the above matters to be consolidated and has set a trial date for December 3, 2018.

On June 20, 2017, RRBA filed a federal citizen suit in the U.S. District Court for the Middle District of North Carolina challenging the closure plans at the Mayo Plant under the EPA CCR Rule. Duke Energy Progress filed a motion to dismiss, which was granted by the court on March 30, 2018. RRBA had until April 30, 2018, to file an appeal to the Fourth Circuit but did not do so.

On August 2, 2017, RRBA filed a federal citizen suit in the U.S. District Court for the Middle District of North Carolina challenging the closure plans at the Roxboro Plant under the EPA CCR Rule. Duke Energy Progress filed a motion to dismiss on October 2, 2017, which was granted by the court on May 29, 2018. RRBA had until June 28, 2018, to file an appeal to the Fourth Circuit but did not do so.

On December 6, 2017, various parties filed a federal citizen suit in the U.S. District Court for the Middle District of North Carolina for alleged violations at Duke Energy Carolinas' Belews Creek Steam Station (Belews Creek) under the CWA. Duke Energy Carolinas filed a motion to dismiss on February 5, 2018.

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

Groundwater Contamination Claims

Beginning in May 2015, a number of residents living in the vicinity of the North Carolina facilities with ash basins received letters from the NCDEQ advising them not to drink water from the private wells on their land tested by the NCDEQ as the samples were found to have certain substances at levels higher than the criteria set by the North Carolina Department of Health and Human Services (DHHS). Results of Comprehensive Site Assessments testing performed by Duke Energy under the Coal Ash Act have been consistent with historical data provided to state regulators over many years. The DHHS and NCDEQ sent follow-up letters on October 15, 2015, to residents near coal ash basins who had their wells tested, stating that private well samplings at a considerable distance from coal ash basins, as well as some municipal water supplies, contain similar levels of vanadium and hexavalent chromium, which led investigators to believe these constituents are naturally occurring. In March 2016, DHHS rescinded the advisories.

Duke Energy Carolinas and Duke Energy Progress have received formal demand letters from residents near Duke Energy Carolinas' and Duke Energy Progress' coal ash basins. The residents claim damages for nuisance and diminution in property value, among other things. The parties held three days of mediation discussions that ended at an impasse. On January 6, 2017, Duke Energy Carolinas and Duke Energy Progress received the plaintiffs' notice of their intent to file suits should the matter not settle. The NCDEQ preliminarily approved Duke Energy's permanent water solution plans on January 13, 2017, and as a result shortly thereafter, Duke Energy issued a press release, providing additional details regarding the homeowner compensation package. This package consists of three components: (i) a \$5,000 goodwill payment to each eligible well owner to support the transition to a new water supply, (ii) where a public water supply is available and selected by the eligible well owner, a stipend to cover 25 years of water bills and (iii) the Property Value Protection Plan. The Property Value Protection Plan is a program offered by Duke Energy designed to guarantee eligible plant neighbors the fair market value of their residential property should they decide to sell their property during the time that the plan is offered. Duke Energy Carolinas and Duke Energy Progress have recognized reserves of \$10 million and \$3 million, respectively.

On August 23, 2017, a class-action suit was filed in Wake County Superior Court, North Carolina, against Duke Energy Carolinas and Duke Energy Progress on behalf of certain property owners living near coal ash impoundments at Allen, Asheville, Belews Creek, Buck, Cliffside, Lee, Marshall, Mayo and Roxboro. The class is defined as those who are "well-eligible" under the Coal Ash Act or those to whom Duke Energy has promised a permanent replacement water supply and seeks declaratory and injunctive relief, along with compensatory damages. Plaintiffs allege that Duke Energy's improper maintenance of coal ash impoundments caused harm, particularly through groundwater contamination. Despite NCDEQ's preliminary approval, Plaintiffs contend that Duke Energy's proposed permanent water solutions plan fails to comply with the Coal Ash Act. On September 28, 2017, Duke Energy Carolinas and Duke Energy Progress filed a Motion to Dismiss and Motion to Strike the class designation. The parties entered into a Settlement Agreement on January 24, 2018, which resulted in the dismissal of the underlying class action on January 25, 2018.

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On September 14, 2017, a complaint was filed against Duke Energy Progress in New Hanover County Superior Court by a group of homeowners residing approximately 1 mile from Duke Energy Progress' Sutton Steam Plant (Sutton). The homeowners allege that coal ash constituents have been migrating from ash impoundments at Sutton into their groundwater for decades and that in 2015, Duke Energy Progress discovered these releases of coal ash, but failed to notify any officials or neighbors and failed to take remedial action. The homeowners claim unspecified physical and mental injuries as a result of consuming their well water and seek actual damages for personal injury, medical monitoring and punitive damages. On March 6, 2018, Plaintiffs' counsel voluntarily dismissed the action without prejudice.

It is not possible to estimate the maximum exposure of loss, if any, that may occur in connection with future claims that might be made by these residents.

Asbestos-related Injuries and Damages Claims

Duke Energy Carolinas has experienced numerous claims for indemnification and medical cost reimbursement related to asbestos exposure. These claims relate to damages for bodily injuries alleged to have arisen from exposure to or use of asbestos in connection with construction and maintenance activities conducted on its electric generation plants prior to 1985. As of June 30, 2018, there were 120 asserted claims for non-malignant cases with cumulative relief sought of up to \$29 million, and 47 asserted claims for malignant cases with cumulative relief sought of up to \$12 million. Based on Duke Energy Carolinas' experience, it is expected that the ultimate resolution of most of these claims likely will be less than the amount claimed.

Duke Energy Carolinas has recognized asbestos-related reserves of \$466 million at June 30, 2018, and \$489 million at December 31, 2017. These reserves are classified in Other within Other Noncurrent Liabilities and Other within Current Liabilities on the Condensed Consolidated Balance Sheets. These reserves are based upon the minimum amount of the range of loss for current and future asbestos claims through 2037, are recorded on an undiscounted basis and incorporate anticipated inflation. In light of the uncertainties inherent in a longer-term forecast, management does not believe they can reasonably estimate the indemnity and medical costs that might be incurred after 2037 related to such potential claims. It is possible Duke Energy Carolinas may incur asbestos liabilities in excess of the recorded reserves.

Duke Energy Carolinas has third-party insurance to cover certain losses related to asbestos-related injuries and damages above an aggregate self-insured retention. Duke Energy Carolinas' cumulative payments began to exceed the self-insurance retention in 2008. Future payments up to the policy limit will be reimbursed by the third-party insurance carrier. The insurance policy limit for potential future insurance recoveries indemnification and medical cost claim payments is \$797 million in excess of the self-insured retention. Receivables for insurance recoveries were \$585 million at June 30, 2018, and December 31, 2017. These amounts are classified in Other within Other Noncurrent Assets and Receivables within Current Assets on the Condensed Consolidated Balance Sheets. Duke Energy Carolinas is not aware of any uncertainties regarding the legal sufficiency of insurance claims. Duke Energy Carolinas believes the insurance recovery asset is probable of recovery as the insurance carrier continues to have a strong financial strength rating.

Duke Energy Progress and Duke Energy Florida

Spent Nuclear Fuel Matters

On October 16, 2014, Duke Energy Progress and Duke Energy Florida sued the U.S. in the U.S. Court of Federal Claims. The lawsuit claimed the Department of Energy breached a contract in failing to accept spent nuclear fuel under the Nuclear Waste Policy Act of 1982 and asserted damages for the cost of on-site storage. Duke Energy Progress and Duke Energy Florida asserted damages for the period January 1, 2011, through December 31, 2013, of \$48 million and \$25 million, respectively. On November 17, 2017, the Court awarded Duke Energy Progress and Duke Energy Florida \$48 million and \$21 million, respectively, subject to appeal. No appeals were filed and Duke Energy Progress and Duke Energy Florida recognized the recoveries in the first quarter of 2018. Claims for all periods through 2013 have been resolved. On June 22, 2018, Duke Energy Progress and Duke Energy Florida filed a complaint for damages incurred for 2014 through first quarter 2018.

Duke Energy Progress

Gypsum Supply Agreement Matter

On June 30, 2017, CertainTeed Gypsum NC, Inc. (CertainTeed) filed a declaratory judgment action against Duke Energy Progress in the North Carolina Business Court relating to a gypsum supply agreement. In its complaint, CertainTeed sought an order from the court declaring that the minimum amount of gypsum Duke Energy Progress must provide to CertainTeed under the supply agreement is 50,000 tons per month through 2029. On January 29, 2018, CertainTeed filed a request to amend its Complaint and seek a preliminary injunction requiring Duke Energy Progress to provide 50,000 tons of gypsum per month through the trial date. In advance of the hearing on the Motion for Preliminary Injunction, the parties reached an agreement under which Duke Energy Progress would deliver 50,000 tons of gypsum per month through August 2018. If the Court determines that Duke Energy Progress was not obligated to provide that amount per month, CertainTeed will reimburse Duke Energy Progress. Trial in this matter was completed on July 16, 2018, and Duke Energy Progress is awaiting a ruling. If Duke Energy Progress does not prevail, Duke Energy Progress will either have to purchase additional gypsum on the open market to fulfill its contractual obligation through 2029 or pay liquidated damages. Duke Energy Progress cannot predict the outcome of this matter.

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Duke Energy Florida

Class Action Lawsuit

On February 22, 2016, a lawsuit was filed in the U.S. District Court for the Southern District of Florida on behalf of a putative class of Duke Energy Florida and FP&L's customers in Florida. The suit alleges the state of Florida's nuclear power plant cost recovery statutes (NCRS) are unconstitutional and pre-empted by federal law. Plaintiffs claim they are entitled to repayment of all money paid by customers of Duke Energy Florida and FP&L as a result of the NCRS, as well as an injunction against any future charges under those statutes. The constitutionality of the NCRS has been challenged unsuccessfully in a number of prior cases on alternative grounds. Duke Energy Florida and FP&L filed motions to dismiss the complaint on May 5, 2016. On September 21, 2016, the Court granted the motions to dismiss with prejudice. Plaintiffs filed a motion for reconsideration, which was denied. On January 4, 2017, plaintiffs filed a notice of appeal to the Eleventh Circuit U.S. Court of Appeals (Eleventh Circuit). On July 11, 2018, the Eleventh Circuit affirmed the U.S. District Court's dismissal of the lawsuit. Plaintiffs have until October 9, 2018, to file a petition for certiorari with the U.S. Supreme Court.

Westinghouse Contract Litigation

On March 28, 2014, Duke Energy Florida filed a lawsuit against Westinghouse in the U.S. District Court for the Western District of North Carolina. The lawsuit seeks recovery of \$54 million in milestone payments in excess of work performed under an Engineering, Procurement and Construction agreement (EPC) for Levy as well as a determination by the court of the amounts due to Westinghouse as a result of the termination of an EPC contract. Duke Energy Florida recognized an exit obligation as a result of the termination of the EPC. On March 31, 2014, Westinghouse filed a separate lawsuit against Duke Energy Florida in U.S. District Court for the Western District of Pennsylvania alleging damages under the same EPC contract in excess of \$510 million for engineering and design work, costs to end supplier contracts and an alleged termination fee. On June 9, 2014, the judge in the North Carolina case ruled that the litigation would proceed in the Western District of North Carolina.

On July 11, 2016, Duke Energy Florida and Westinghouse filed separate Motions for Summary Judgment. On September 29, 2016, the court issued its ruling, granting Westinghouse a \$30 million termination fee claim and dismissing Duke Energy Florida's \$54 million refund claim. Westinghouse's claim for termination costs continued to trial. Following a trial on the matter, the court issued an order in December 2016 denying Westinghouse's claim for termination costs and reaffirming its earlier ruling in favor of Westinghouse on the \$30 million termination fee. Judgment was entered against Duke Energy Florida in the amount of approximately \$34 million, which includes prejudgment interest. Westinghouse appealed the trial court's order to the U.S. Court of Appeals for the Fourth Circuit (Fourth Circuit) and Duke Energy Florida cross-appealed.

On March 29, 2017, Westinghouse filed Chapter 11 bankruptcy in the Southern District of New York, which automatically stayed the appeal. On May 23, 2017, the bankruptcy court entered an order lifting the stay with respect to the appeal. Briefing of the appeal concluded on October 20, 2017. Westinghouse and Duke Energy Florida executed a settlement agreement resolving this matter on April 5, 2018. The bankruptcy court approved the settlement and Duke Energy Florida paid approximately \$34 million to Westinghouse in July 2018 pursuant to this agreement. At the request of the parties, the Fourth Circuit has dismissed the appeal.

MGP Cost Recovery Action

On December 30, 2011, Duke Energy Florida filed a lawsuit against FirstEnergy Corp. (FirstEnergy) to recover investigation and remediation costs incurred by Duke Energy Florida in connection with the restoration of two former MGP sites in Florida. Duke Energy Florida alleged that FirstEnergy, as the successor to Associated Gas & Electric Co., owes past and future contribution and response costs of up to \$43 million for the investigation and remediation of MGP sites. On December 6, 2016, the trial court entered judgment against Duke Energy Florida in the case. In January 2017, Duke Energy Florida appealed the decision to the U.S. Court of Appeals for the Sixth Circuit, which affirmed the trial court's ruling on April 10, 2018.

Other Litigation and Legal Proceedings

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

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

(in millions)	June 30, 2018	December 31, 2017
Reserves for Legal Matters		
Duke Energy	\$ 68	\$ 88
Duke Energy Carolinas	15	30
Progress Energy	52	55
Duke Energy Progress	11	13
Duke Energy Florida	25	24
Piedmont	2	2

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OTHER COMMITMENTS AND CONTINGENCIES

General

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

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

5. DEBT AND CREDIT FACILITIES

SUMMARY OF SIGNIFICANT DEBT ISSUANCES

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

Issuance Date	Maturity Date	Interest Rate	Six Months Ended June 30, 2018			
			Duke Energy	Duke Energy (Parent)	Duke Energy Carolinas	Duke Energy Florida
Unsecured Debt						
March 2018 ^(a)	April 2025	3.950%	\$ 250	\$ 250	\$ —	\$ —
May 2018 ^(b)	May 2021	2.830%	500	500	—	—
First Mortgage Bonds						
March 2018 ^(c)	March 2023	3.050%	500	—	500	—
March 2018 ^(c)	March 2048	3.950%	500	—	500	—
June 2018 ^(d)	July 2028	3.800%	600	—	—	600
June 2018 ^(d)	July 2048	4.200%	400	—	—	400
Total issuances			\$ 2,750	\$ 750	\$ 1,000	\$ 1,000

- (a) Debt issued to pay down short-term debt.
- (b) Debt issued to pay down short-term debt. Debt issuance has a floating interest rate.
- (c) Debt issued to repay at maturity a \$300 million first mortgage bond due April 2018, pay down intercompany short-term debt and for general corporate purposes.
- (d) Debt issued to repay a portion of intercompany short-term debt under money-pool borrowing arrangement and for general corporate purposes.

CURRENT MATURITIES OF LONG-TERM DEBT

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

(in millions)	Maturity Date	Interest Rate	June 30, 2018
Unsecured Debt			
Piedmont	December 2018	2.796% ^(b)	\$ 250
Progress Energy	March 2019	7.050%	450
First Mortgage Bonds			
Duke Energy Carolinas	November 2018	7.000%	500
Duke Energy Progress	January 2019	5.300%	600
Duke Energy Ohio	April 2019	5.450%	450
Other^(a)			602
Current maturities of long-term debt			\$ 2,852

- (a) Includes capital lease obligations, amortizing debt and small bullet maturities.
- (b) Debt issuance has a floating interest rate.

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AVAILABLE CREDIT FACILITIES

Master Credit Facility

In January 2018, Duke Energy extended the termination date of substantially all of its existing \$8 billion Master Credit Facility capacity from March 16, 2022, to March 16, 2023. In May 2018, Duke Energy completed the extension process with 100 percent of all commitments to the Master Credit Facility extending to March 16, 2023. The Duke Energy Registrants, excluding Progress Energy (Parent), have borrowing capacity under the Master Credit Facility up to a specified sublimit for each borrower. Duke Energy has the unilateral ability at any time to increase or decrease the borrowing sublimits of each borrower, subject to a maximum sublimit for each borrower. The amount available under the Master Credit Facility has been reduced to backstop issuances of commercial paper, certain letters of credit and variable-rate demand tax-exempt bonds that may be put to the Duke Energy Registrants at the option of the holder. Duke Energy Carolinas and Duke Energy Progress are also required to each maintain \$250 million of available capacity under the Master Credit Facility as security to meet obligations under plea agreements reached with the U.S. Department of Justice in 2015 related to violations at North Carolina facilities with ash basins. The table below includes the current borrowing sublimits and available capacity under the Master Credit Facility.

(in millions)	June 30, 2018							
	Duke Energy	Duke Energy (Parent)	Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Facility size ^(a)	\$ 8,000	\$ 2,650	\$ 1,750	\$ 1,250	\$ 800	\$ 450	\$ 600	\$ 500
Reduction to backstop issuances								
Commercial paper ^(b)	(3,004)	(1,087)	(856)	(556)	—	(189)	(316)	—
Outstanding letters of credit	(57)	(49)	(4)	(2)	—	—	—	(2)
Tax-exempt bonds	(81)	—	—	—	—	—	(81)	—
Coal ash set-aside	(500)	—	(250)	(250)	—	—	—	—
Available capacity under the Master Credit Facility	\$ 4,358	\$ 1,514	\$ 640	\$ 442	\$ 800	\$ 261	\$ 203	\$ 498

(a) Represents the sublimit of each borrower.

(b) Duke Energy issued \$625 million of commercial paper and loaned the proceeds through the money pool to Duke Energy Carolinas, Duke Energy Progress, Duke Energy Ohio and Duke Energy Indiana. The balances are classified as Long-Term Debt Payable to Affiliated Companies on the Condensed Consolidated Balance Sheets.

Three-Year Revolving Credit Facility

Duke Energy (Parent) has a \$1.0 billion revolving credit facility (the Three Year Revolver) through June 2020. As of June 30, 2018, \$500 million has been drawn under the Three Year Revolver. This balance is classified as Long-Term Debt on Duke Energy's Condensed Consolidated Balance Sheets. Any undrawn commitments can be drawn, and borrowings can be prepaid, at any time throughout the term of the facility. The terms and conditions of the Three Year Revolver are generally consistent with those governing Duke Energy's Master Credit Facility.

6. ASSET RETIREMENT OBLIGATIONS

The Duke Energy Registrants record AROs when there is a legal obligation to incur retirement costs associated with the retirement of a long-lived asset and the obligation can be reasonably estimated. The following table presents the AROs recorded on the Condensed Consolidated Balance Sheets.

(in millions)	June 30, 2018							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Decommissioning of Nuclear Power Facilities ^(a)	\$ 5,319	\$ 2,002	\$ 3,158	\$ 2,621	\$ 536	\$ —	\$ —	\$ —
Closure of Ash Impoundments	4,843	1,761	2,202	2,178	24	44	836	—
Other	307	56	78	36	42	45	20	15
Total ARO	\$ 10,469	\$ 3,819	\$ 5,438	\$ 4,835	\$ 602	\$ 89	\$ 856	\$ 15
Less: current portion	716	227	386	381	5	5	98	—
Total noncurrent ARO	\$ 9,753	\$ 3,592	\$ 5,052	\$ 4,454	\$ 597	\$ 84	\$ 758	\$ 15

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

ARO Liability Rollforward

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Actual closure costs incurred could be materially different from current estimates that form the basis of the recorded AROs. The following table presents the change in liability associated with AROs for the Duke Energy Registrants.

(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Balance at December 31, 2017 ^(a)	\$ 10,175	\$ 3,610	\$ 5,414	\$ 4,673	\$ 742	\$ 84	\$ 781	\$ 15
Accretion expense ^(b)	212	89	113	97	16	2	14	—
Liabilities settled ^(c)	(245)	(114)	(108)	(89)	(19)	(2)	(21)	—
Liabilities incurred in the current year	8	8	—	—	—	—	—	—
Revisions in estimates of cash flows ^(d)	319	226	19	154	(137)	5	82	—
Balance at June 30, 2018	\$ 10,469	\$ 3,819	\$ 5,438	\$ 4,835	\$ 602	\$ 89	\$ 856	\$ 15

- (a) Primarily relates to decommissioning nuclear power facilities, closure of ash impoundments, asbestos removal, closure of landfills at fossil generation facilities, retirement of natural gas mains and removal of renewable energy generation assets.
- (b) For the six months ended June 30, 2018, substantially all accretion expense relates to Duke Energy's regulated electric operations and has been deferred in accordance with regulatory accounting treatment.
- (c) Primarily relates to ash impoundment closures and nuclear decommissioning of Crystal River Unit 3.
- (d) Primarily relates to increases in groundwater monitoring estimates for closure of ash impoundments and a reduction for nuclear decommissioning at Crystal River Unit 3 compared to original estimates.

Asset retirement costs associated with the AROs for operating plants and retired plants are included in Net property, plant and equipment and Regulatory assets within Other Noncurrent Assets, respectively, on the Condensed Consolidated Balance Sheets.

7. GOODWILL

Duke Energy

The following table presents the goodwill by reportable operating segment included on Duke Energy's Condensed Consolidated Balance Sheets at June 30, 2018, and December 31, 2017.

(in millions)	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Commercial Renewables	Total
Goodwill balance	\$ 17,379	\$ 1,924	\$ 122	\$ 19,425
Accumulated impairment charges	—	—	(29)	(29)
Goodwill, adjusted for accumulated impairment charges	\$ 17,379	\$ 1,924	\$ 93	\$ 19,396

Duke Energy Ohio

Duke Energy Ohio's Goodwill balance of \$920 million, allocated \$596 million to Electric Utilities and Infrastructure and \$324 million to Gas Utilities and Infrastructure, is presented net of accumulated impairment charges of \$216 million on the Condensed Consolidated Balance Sheets at June 30, 2018, and December 31, 2017.

Progress Energy

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

Piedmont

Piedmont's Goodwill is included in the Gas Utilities and Infrastructure operating segment and there are no accumulated impairment charges.

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8. RELATED PARTY TRANSACTIONS

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

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Duke Energy Carolinas				
Corporate governance and shared service expenses ^(a)	\$ 213	\$ 218	\$ 433	\$ 439
Indemnification coverages ^(b)	5	6	11	12
JDA revenue ^(c)	19	17	53	33
JDA expense ^(c)	19	21	73	52
Intercompany natural gas purchases ^(d)	4	1	8	2
Progress Energy				
Corporate governance and shared service expenses ^(a)	\$ 206	\$ 178	\$ 397	\$ 348
Indemnification coverages ^(b)	9	9	17	19
JDA revenue ^(c)	19	21	73	52
JDA expense ^(c)	19	17	53	33
Intercompany natural gas purchases ^(d)	19	19	38	38
Duke Energy Progress				
Corporate governance and shared service expenses ^(a)	\$ 126	\$ 109	\$ 244	\$ 209
Indemnification coverages ^(b)	3	3	6	7
JDA revenue ^(c)	19	21	73	52
JDA expense ^(c)	19	17	53	33
Intercompany natural gas purchases ^(d)	19	19	38	38
Duke Energy Florida				
Corporate governance and shared service expenses ^(a)	\$ 80	\$ 69	\$ 153	\$ 139
Indemnification coverages ^(b)	6	6	11	12
Duke Energy Ohio				
Corporate governance and shared service expenses ^(a)	\$ 90	\$ 93	\$ 179	\$ 185
Indemnification coverages ^(b)	1	1	2	2
Duke Energy Indiana				
Corporate governance and shared service expenses ^(a)	\$ 96	\$ 92	\$ 197	\$ 187
Indemnification coverages ^(b)	2	2	4	4
Piedmont				
Corporate governance and shared service expenses ^(a)	\$ 40	\$ 9	\$ 76	\$ 14
Indemnification coverages ^(b)	—	—	1	1
Intercompany natural gas sales ^(d)	23	20	46	40

- (a) The Subsidiary Registrants are charged their proportionate share of corporate governance and other shared services costs, primarily related to human resources, employee benefits, information technology, legal and accounting fees, as well as other third-party costs. These amounts are primarily recorded in Operation, maintenance and other on the Condensed Consolidated Statements of Operations and Comprehensive Income.
- (b) The Subsidiary Registrants incur expenses related to certain indemnification coverages through Bison, Duke Energy's wholly owned captive insurance subsidiary. These expenses are recorded in Operation, maintenance and other on the Condensed Consolidated Statements of Operations and Comprehensive Income.
- (c) Duke Energy Carolinas and Duke Energy Progress participate in a Joint Dispatch Agreement (JDA), which allows the collective dispatch of power plants between the service territories to reduce customer rates. Revenues from the sale of power and expenses from the purchase of power pursuant to the JDA are recorded in Operating Revenues and Fuel used in electric generation and purchased power, respectively, on the Condensed Consolidated Statements of Operations and Comprehensive Income.
- (d) Piedmont provides long-term natural gas delivery service to certain Duke Energy Carolinas and Duke Energy Progress natural gas-fired generation facilities. Piedmont records the sales in Operating revenues, and Duke Energy Carolinas and Duke Energy Progress record the related purchases as a component of Fuel used in electric generation and purchased power on their respective Condensed Consolidated Statements of Operations and Comprehensive Income. These intercompany revenues and expenses are eliminated in consolidation.

In addition to the amounts presented above, the Subsidiary Registrants have other affiliate transactions, including rental of office space, participation in a money pool arrangement, other operational transactions and their proportionate share of certain charged expenses. These transactions of the Subsidiary Registrants were not material for the three and six months ended June 30, 2018, and 2017.

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As discussed in Note 12, certain trade receivables have been sold by Duke Energy Ohio and Duke Energy Indiana to Cinergy Receivables Company LLC (CRC), an indirect subsidiary of Duke Energy. The proceeds obtained from the sales of receivables are largely cash but also include a subordinated note from CRC for a portion of the purchase price.

Equity Method Investments

Piedmont has related party transactions as a customer of its equity method investments in natural gas storage and transportation facilities. The following table presents expenses for the three and six months ended June 30, 2018, and 2017, which are included in Cost of natural gas on Piedmont's Condensed Consolidated Statements of Operations and Comprehensive Income.

(in millions)	Type of expense	Three Months Ended June 30,		Six Months Ended June 30,	
		2018	2017	2018	2017
Cardinal	Transportation Costs	\$ 1	\$ 2	\$ 3	\$ 4
Pine Needle	Natural Gas Storage Costs	2	2	4	4
Hardy Storage	Natural Gas Storage Costs	3	3	5	5
Total		\$ 6	\$ 7	\$ 12	\$ 13

Piedmont had accounts payable to its equity method investments of \$2 million at June 30, 2018, and December 31, 2017, related to these transactions. These amounts are included in Accounts payable on the Condensed Consolidated Balance Sheets.

Intercompany Income Taxes

Duke Energy and the Subsidiary Registrants file a consolidated federal income tax return and other state and jurisdictional returns. The Subsidiary Registrants have a tax sharing agreement with Duke Energy for the allocation of consolidated tax liabilities and benefits. Income taxes recorded represent amounts the Subsidiary Registrants would incur as separate C-Corporations. The following table includes the balance of intercompany income tax receivables and payables for the Subsidiary Registrants.

(in millions)	Duke	Progress	Duke	Duke	Duke	Duke	Piedmont
	Energy Carolinas	Energy	Energy Progress	Energy Florida	Energy Ohio	Energy Indiana	
June 30, 2018							
Intercompany income tax receivable	\$ —	\$ 273	\$ —	\$ 140	\$ —	\$ —	12
Intercompany income tax payable	22	—	24	—	3	14	—
December 31, 2017							
Intercompany income tax receivable	\$ —	\$ 168	\$ —	\$ 44	\$ 22	\$ —	7
Intercompany income tax payable	44	—	21	—	—	35	—

9. DERIVATIVES AND HEDGING

The Duke Energy Registrants use commodity and interest rate contracts to manage commodity price risk and interest rate risk. The primary use of commodity derivatives is to hedge the generation portfolio against changes in the prices of electricity and natural gas. Piedmont enters into natural gas supply contracts to provide diversification, reliability and natural gas cost benefits to its customers. Interest rate swaps are used to manage interest rate risk associated with borrowings.

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

INTEREST RATE RISK

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

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Cash Flow Hedges

For a derivative designated as hedging the exposure to variable cash flows of a future transaction, referred to as a cash flow hedge, the effective portion of the derivative's gain or loss is initially reported as a component of other comprehensive income and subsequently reclassified into earnings once the future transaction impacts earnings. Amounts for interest rate contracts are reclassified to earnings as interest expense over the term of the related debt. Gains and losses reclassified out of AOCI for the three and six months ended June 30, 2018 and 2017 were not material. Duke Energy's interest rate derivatives designated as hedges include interest rate swaps used to hedge existing debt within the Commercial Renewables business.

Undesignated Contracts

Undesignated contracts primarily include contracts not designated as a hedge because they are accounted for under regulatory accounting or contracts that do not qualify for hedge accounting.

Duke Energy's interest rate swaps for its regulated operations employ regulatory accounting. With regulatory accounting, the mark-to-market gains or losses on the swaps are deferred as regulatory liabilities or regulatory assets, respectively. Regulatory assets and liabilities are amortized consistent with the treatment of the related costs in the ratemaking process. The accrual of interest on the swaps is recorded as Interest Expense on the Duke Energy Registrant's Condensed Consolidated Statements of Operations and Comprehensive Income.

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

		June 30, 2018					
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	
Cash flow hedges ^(a)	\$ 411	\$ —	\$ —	\$ —	\$ —	\$ —	
Undesignated contracts	1,527	400	900	650	250	27	
Total notional amount	\$ 1,938	\$ 400	\$ 900	\$ 650	\$ 250	\$ 27	

		December 31, 2017					
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	
Cash flow hedges ^(a)	\$ 660	\$ —	\$ —	\$ —	\$ —	\$ —	
Undesignated contracts	927	400	500	250	250	27	
Total notional amount	\$ 1,587	\$ 400	\$ 500	\$ 250	\$ 250	\$ 27	

(a) Duke Energy includes amounts related to consolidated VIEs of \$611 million as of June 30, 2018, and \$660 million as of December 31, 2017.

COMMODITY PRICE RISK

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

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Volumes

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

	June 30, 2018						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Indiana	Piedmont
Electricity (gigawatt-hours)	54	—	—	—	—	54	—
Natural gas (millions of dekatherms)	756	116	171	152	19	3	466

	December 31, 2017						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Indiana	Piedmont
Electricity (gigawatt-hours)	34	—	—	—	—	34	—
Natural gas (millions of dekatherms)	770	105	183	133	50	2	480

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

The following tables show the fair value and balance sheet location of derivative instruments. Although derivatives subject to master netting arrangements are netted on the Condensed Consolidated Balance Sheets, the fair values presented below are shown gross and cash collateral on the derivatives has not been netted against the fair values shown.

Derivative Assets		June 30, 2018														
		Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont							
(in millions)																
Commodity Contracts																
<i>Not Designated as Hedging Instruments</i>																
Current	\$	62	\$	3	\$	4	\$	3	\$	1	\$	9	\$	45	\$	2
Noncurrent		2		—		1		1		—		—		—		—
Total Derivative Assets – Commodity Contracts	\$	64	\$	3	\$	5	\$	4	\$	1	\$	9	\$	45	\$	2
Interest Rate Contracts																
<i>Designated as Hedging Instruments</i>																
Current	\$	1	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—
Noncurrent		5		—		—		—		—		—		—		—
<i>Not Designated as Hedging Instruments</i>																
Current		1		—		—		—		—		—		—		—
Noncurrent		16		—		—		—		—		—		—		—
Total Derivative Assets – Interest Rate Contracts	\$	23	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—
Total Derivative Assets	\$	87	\$	3	\$	5	\$	4	\$	1	\$	9	\$	45	\$	2
Derivative Liabilities		June 30, 2018														
		Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont							
(in millions)																
Commodity Contracts																
<i>Not Designated as Hedging Instruments</i>																
Current	\$	23	\$	8	\$	3	\$	3	\$	1	\$	—	\$	—	\$	10
Noncurrent		166		10		17		7		—		—		—		140
Total Derivative Liabilities – Commodity Contracts	\$	189	\$	18	\$	20	\$	10	\$	1	\$	—	\$	—	\$	150
Interest Rate Contracts																
<i>Designated as Hedging Instruments</i>																
Current	\$	3	\$	1	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—
Noncurrent		1		—		—		—		—		—		—		—
<i>Not Designated as Hedging Instruments</i>																
Current		6		—		5		2		3		—		—		—
Noncurrent		14		—		10		9		1		4		—		—
Total Derivative Liabilities – Interest Rate Contracts	\$	24	\$	1	\$	15	\$	11	\$	4	\$	4	\$	—	\$	—
Total Derivative Liabilities	\$	213	\$	19	\$	35	\$	21	\$	5	\$	4	\$	—	\$	150

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Derivative Assets		December 31, 2017							
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont	
Commodity Contracts									
<i>Not Designated as Hedging Instruments</i>									
Current	\$ 34	\$ 2	\$ 2	\$ 1	\$ 1	\$ 1	\$ 27	\$ 2	
Noncurrent	1	—	1	1	—	—	—	—	
Total Derivative Assets – Commodity Contracts	\$ 35	\$ 2	\$ 3	\$ 2	\$ 1	\$ 1	\$ 27	\$ 2	
Interest Rate Contracts									
<i>Designated as Hedging Instruments</i>									
Current	\$ 1	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Noncurrent	15	—	—	—	—	—	—	—	
Total Derivative Assets – Interest Rate Contracts	\$ 16	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Total Derivative Assets	\$ 51	\$ 2	\$ 3	\$ 2	\$ 1	\$ 1	\$ 27	\$ 2	
Derivative Liabilities		December 31, 2017							
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont	
Commodity Contracts									
<i>Not Designated as Hedging Instruments</i>									
Current	\$ 36	\$ 6	\$ 18	\$ 8	\$ 10	\$ —	\$ —	\$ 11	
Noncurrent	146	4	10	4	—	—	—	131	
Total Derivative Liabilities – Commodity Contracts	\$ 182	\$ 10	\$ 28	\$ 12	\$ 10	\$ —	\$ —	\$ 142	
Interest Rate Contracts									
<i>Designated as Hedging Instruments</i>									
Current	\$ 29	\$ 25	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Noncurrent	6	—	—	—	—	—	—	—	
<i>Not Designated as Hedging Instruments</i>									
Current	1	—	1	—	—	1	—	—	
Noncurrent	12	—	7	6	2	4	—	—	
Total Derivative Liabilities – Interest Rate Contracts	\$ 48	\$ 25	\$ 8	\$ 6	\$ 2	\$ 5	\$ —	\$ —	
Total Derivative Liabilities	\$ 230	\$ 35	\$ 36	\$ 18	\$ 12	\$ 5	\$ —	\$ 142	

OFFSETTING ASSETS AND LIABILITIES

The following tables present the line items on the Condensed Consolidated Balance Sheets where derivatives are reported. Substantially all of Duke Energy's outstanding derivative contracts are subject to enforceable master netting arrangements. The gross amounts offset in the tables below show the effect of these netting arrangements on financial position, and include collateral posted to offset the net position. The amounts shown are calculated by counterparty. Accounts receivable or accounts payable may also be available to offset exposures in the event of bankruptcy. These amounts are not included in the tables below.

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Derivative Assets		June 30, 2018							
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont	
Current									
Gross amounts recognized	\$ 64	\$ 3	\$ 4	\$ 3	\$ 1	\$ 9	\$ 45	\$ 2	
Gross amounts offset	(4)	(2)	(2)	(2)	—	—	—	—	
Net amounts presented in Current Assets: Other	\$ 60	\$ 1	\$ 2	\$ 1	\$ 1	\$ 9	\$ 45	\$ 2	
Noncurrent									
Gross amounts recognized	\$ 23	\$ —	\$ 1	\$ 1	\$ —	\$ —	\$ —	\$ —	
Gross amounts offset	(1)	—	(1)	(1)	—	—	—	—	
Net amounts presented in Other Noncurrent Assets: Other	\$ 22	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Derivative Liabilities		June 30, 2018							
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont	
Current									
Gross amounts recognized	\$ 32	\$ 9	\$ 8	\$ 5	\$ 4	\$ —	\$ —	\$ 10	
Gross amounts offset	(4)	(2)	(2)	(2)	—	—	—	—	
Net amounts presented in Current Liabilities: Other	\$ 28	\$ 7	\$ 6	\$ 3	\$ 4	\$ —	\$ —	\$ 10	
Noncurrent									
Gross amounts recognized	\$ 181	\$ 10	\$ 27	\$ 16	\$ 1	\$ 4	\$ —	\$ 140	
Gross amounts offset	(2)	(1)	(1)	(1)	—	—	—	—	
Net amounts presented in Other Noncurrent Liabilities: Other	\$ 179	\$ 9	\$ 26	\$ 15	\$ 1	\$ 4	\$ —	\$ 140	
Derivative Assets		December 31, 2017							
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont	
Current									
Gross amounts recognized	\$ 35	\$ 2	\$ 2	\$ 1	\$ 1	\$ 1	\$ 27	\$ 2	
Gross amounts offset	—	—	—	—	—	—	—	—	
Net amounts presented in Current Assets: Other	\$ 35	\$ 2	\$ 2	\$ 1	\$ 1	\$ 1	\$ 27	\$ 2	
Noncurrent									
Gross amounts recognized	\$ 16	\$ —	\$ 1	\$ 1	\$ —	\$ —	\$ —	\$ —	
Gross amounts offset	—	—	—	—	—	—	—	—	
Net amounts presented in Other Noncurrent Assets: Other	\$ 16	\$ —	\$ 1	\$ 1	\$ —	\$ —	\$ —	\$ —	

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Derivative Liabilities	December 31, 2017								
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont	
(in millions)									
Current									
Gross amounts recognized	\$ 66	\$ 31	\$ 19	\$ 8	\$ 10	\$ 1	\$ —	\$ —	\$ 11
Gross amounts offset	(3)	(2)	(2)	(2)	—	—	—	—	—
Net amounts presented in Current Liabilities: Other	\$ 63	\$ 29	\$ 17	\$ 6	\$ 10	\$ 1	\$ —	\$ —	\$ 11
Noncurrent									
Gross amounts recognized	\$ 164	\$ 4	\$ 17	\$ 10	\$ 2	\$ 4	\$ —	\$ —	\$ 131
Gross amounts offset	(1)	—	(1)	(1)	—	—	—	—	—
Net amounts presented in Other Noncurrent Liabilities: Other	\$ 163	\$ 4	\$ 16	\$ 9	\$ 2	\$ 4	\$ —	\$ —	\$ 131

OBJECTIVE CREDIT CONTINGENT FEATURES

Certain derivative contracts contain objective credit contingent features. These features include the requirement to post cash collateral or letters of credit if specific events occur, such as a credit rating downgrade below investment grade. The following tables show information with respect to derivative contracts that are in a net liability position and contain objective credit-risk-related payment provisions.

(in millions)	June 30, 2018				
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida
Aggregate fair value of derivatives in a net liability position	\$ 36	\$ 16	\$ 20	\$ 19	\$ 1
Fair value of collateral already posted	—	—	—	—	—
Additional cash collateral or letters of credit in the event credit-risk-related contingent features were triggered	36	16	20	19	1

(in millions)	December 31, 2017				
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida
Aggregate fair value of derivatives in a net liability position	\$ 59	\$ 35	\$ 25	\$ 15	\$ 10
Fair value of collateral already posted	—	—	—	—	—
Additional cash collateral or letters of credit in the event credit-risk-related contingent features were triggered	59	35	25	15	10

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

10. INVESTMENTS IN DEBT AND EQUITY SECURITIES

Duke Energy's investments in debt and equity securities are primarily comprised of investments held in (i) the nuclear decommissioning trust fund (NDTF) at Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida, (ii) grantor trusts at Duke Energy Progress, Duke Energy Florida and Duke Energy Indiana related to Other Post-Retirement Benefit Obligations (OPEB) plans and (iii) Bison. The Duke Energy Registrants classify investments in debt securities as available-for-sale (AFS) and investments in equity securities as fair value through net income (FV-NI).

For investments in debt securities classified as AFS, the unrealized gains and losses are included in other comprehensive income until realized, at which time, they are reported through net income. For investments in equity securities classified as FV-NI, both realized and unrealized gains and losses are reported through net income. Substantially all of Duke Energy's investments in debt and equity securities qualify for regulatory accounting, and accordingly, all associated realized and unrealized gains and losses on these investments are deferred as a regulatory asset or liability.

Duke Energy classifies the majority of investments in debt and equity securities as long term, unless otherwise noted.

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Investment Trusts

The investments within the NDTF investments and the Duke Energy Progress, Duke Energy Florida and Duke Energy Indiana grantor trusts (Investment Trusts) are managed by independent investment managers with discretion to buy, sell and invest pursuant to the objectives set forth by the trust agreements. The Duke Energy Registrants have limited oversight of the day-to-day management of these investments. As a result, the ability to hold investments in unrealized loss positions is outside the control of the Duke Energy Registrants. Accordingly, all unrealized losses associated with debt securities within the Investment Trusts are considered OTTI's and are recognized immediately and deferred to regulatory accounts where appropriate.

Other AFS Securities

Unrealized gains and losses on all other AFS securities are included in other comprehensive income until realized, unless it is determined the carrying value of an investment is other-than-temporarily impaired. The Duke Energy Registrants analyze all investment holdings each reporting period to determine whether a decline in fair value should be considered other-than-temporary. If an OTTI exists, the unrealized credit loss is included in earnings. There were no material credit losses as of June 30, 2018, and December 31, 2017.

Other Investments amounts are recorded in Other within Other Noncurrent Assets on the Condensed Consolidated Balance Sheets.

DUKE ENERGY

The following table presents the estimated fair value of investments in debt and equity securities; equity investments are classified as FV-NI and debt investments are classified as AFS.

(in millions)	June 30, 2018 ^(a)			December 31, 2017		
	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
	NDTF					
Cash and cash equivalents	\$ —	\$ —	\$ 116	\$ —	\$ —	\$ 115
Equity securities	2,837	40	4,988	2,805	27	4,914
Corporate debt securities	5	12	560	17	2	570
Municipal bonds	2	4	341	4	3	344
U.S. government bonds	7	20	991	11	7	1,027
Other debt securities	—	3	128	—	1	118
Total NDTF Investments	\$ 2,851	\$ 79	\$ 7,124	\$ 2,837	\$ 40	\$ 7,088
Other Investments						
Cash and cash equivalents	\$ —	\$ —	\$ 15	\$ —	\$ —	\$ 15
Equity securities	46	—	109	59	—	123
Corporate debt securities	—	1	68	1	—	57
Municipal bonds	1	1	87	2	1	83
U.S. government bonds	—	1	52	—	—	41
Other debt securities	—	1	45	—	1	44
Total Other Investments	\$ 47	\$ 4	\$ 376	\$ 62	\$ 2	\$ 363
Total Investments	\$ 2,898	\$ 83	\$ 7,500	\$ 2,899	\$ 42	\$ 7,451

(a) Where regulatory accounting is applied, realized and unrealized gains and losses are deferred as regulatory assets or liabilities, and there is no impact to net income or other comprehensive income until the gain or loss is amortized or collected.

The table below summarizes the maturity date for debt securities.

(in millions)	June 30, 2018
Due in one year or less	\$ 89
Due after one through five years	518
Due after five through 10 years	543
Due after 10 years	1,122
Total	\$ 2,272

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Realized gains and losses, which were determined on a specific identification basis, from sales of FV-NI and AFS securities for the three and six months ended June 30, 2018, and from sales of AFS securities for the three and six months ended June 30, 2017, were as follows.

(in millions)	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
FV-NI:		
Realized gains	\$ 47	\$ 66
Realized losses	31	44
AFS:		
Realized gains	5	10
Realized losses	12	25

(in millions)	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
Realized gains	\$ 40	\$ 133
Realized losses	37	99

DUKE ENERGY CAROLINAS

The following table presents the estimated fair value of investments in debt and equity securities; equity investments are classified as FV-NI and debt investments are classified as AFS.

(in millions)	June 30, 2018 ^(a)			December 31, 2017		
	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
NDTF						
Cash and cash equivalents	\$ —	\$ —	\$ 32	\$ —	\$ —	\$ 32
Equity securities	1,544	23	2,732	1,531	12	2,692
Corporate debt securities	2	8	347	9	2	359
Municipal bonds	1	1	72	—	1	60
U.S. government bonds	2	12	474	3	4	503
Other debt securities	—	3	124	—	1	112
Total NDTF Investments	\$ 1,549	\$ 47	\$ 3,781	\$ 1,543	\$ 20	\$ 3,758

(a) Where regulatory accounting is applied, realized and unrealized gains and losses are deferred as regulatory assets or liabilities, and there is no impact to net income or other comprehensive income until the gain or loss is amortized or collected.

The table below summarizes the maturity date for debt securities.

(in millions)	June 30, 2018
Due in one year or less	\$ 12
Due after one through five years	163
Due after five through 10 years	286
Due after 10 years	556
Total	\$ 1,017

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Realized gains and losses, which were determined on a specific identification basis, from sales of FV-NI and AFS securities for the three and six months ended June 30, 2018, and from sales of AFS securities for the three and six months ended June 30, 2017, were as follows.

(in millions)	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
FV-NI:		
Realized gains	\$ 26	\$ 36
Realized losses	17	22
AFS:		
Realized gains	4	9
Realized losses	8	18

(in millions)	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
Realized gains	\$ 24	\$ 90
Realized losses	23	63

PROGRESS ENERGY

The following table presents the estimated fair value of investments in debt and equity securities; equity investments are classified as FV-NI and debt investments are classified as AFS.

(in millions)	June 30, 2018 ^(a)			December 31, 2017		
	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
	NDTF					
Cash and cash equivalents	\$ —	\$ —	\$ 84	\$ —	\$ —	\$ 83
Equity securities	1,293	17	2,256	1,274	15	2,222
Corporate debt securities	3	4	213	8	—	211
Municipal bonds	1	3	269	4	2	284
U.S. government bonds	5	8	517	8	3	524
Other debt securities	—	—	4	—	—	6
Total NDTF Investments	\$ 1,302	\$ 32	\$ 3,343	\$ 1,294	\$ 20	\$ 3,330
Other Investments						
Cash and cash equivalents	\$ —	\$ —	\$ 11	\$ —	\$ —	\$ 12
Municipal bonds	1	—	47	2	—	47
Total Other Investments	\$ 1	\$ —	\$ 58	\$ 2	\$ —	\$ 59
Total Investments	\$ 1,303	\$ 32	\$ 3,401	\$ 1,296	\$ 20	\$ 3,389

(a) Where regulatory accounting is applied, realized and unrealized gains and losses are deferred as regulatory assets or liabilities, and there is no impact to net income or other comprehensive income until the gain or loss is amortized or collected.

The table below summarizes the maturity date for debt securities.

(in millions)	June 30, 2018
Due in one year or less	\$ 69
Due after one through five years	286
Due after five through 10 years	207
Due after 10 years	488
Total	\$ 1,050

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Realized gains and losses, which were determined on a specific identification basis, from sales of FV-NI and AFS securities for the three and six months ended June 30, 2018, and from sales of AFS securities for the three and six months ended June 30, 2017, were as follows.

(in millions)	Three Months Ended June 30, 2018		Six Months Ended June 30, 2018	
FV-NI:				
Realized gains	\$	21	\$	30
Realized losses		14		22
AFS:				
Realized gains		1		1
Realized losses		4		7

(in millions)	Three Months Ended June 30, 2017		Six Months Ended June 30, 2017	
Realized gains	\$	15	\$	42
Realized losses		14		35

DUKE ENERGY PROGRESS

The following table presents the estimated fair value of investments in debt and equity securities; equity investments are classified as FV-NI and debt investments are classified as AFS.

(in millions)	June 30, 2018 ^(a)			December 31, 2017		
	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
	NDTF					
Cash and cash equivalents	\$ —	\$ —	\$ 46	\$ —	\$ —	\$ 50
Equity securities	995	13	1,819	980	12	1,795
Corporate debt securities	2	3	153	6	—	149
Municipal bonds	1	3	268	4	2	283
U.S. government bonds	4	6	339	5	2	310
Other debt securities	—	—	2	—	—	4
Total NDTF Investments	\$ 1,002	\$ 25	\$ 2,627	\$ 995	\$ 16	\$ 2,591
Other Investments						
Cash and cash equivalents	\$ —	\$ —	\$ 1	\$ —	\$ —	\$ 1
Total Other Investments	\$ —	\$ —	\$ 1	\$ —	\$ —	\$ 1
Total Investments	\$ 1,002	\$ 25	\$ 2,628	\$ 995	\$ 16	\$ 2,592

(a) Where regulatory accounting is applied, realized and unrealized gains and losses are deferred as regulatory assets or liabilities, and there is no impact to net income or other comprehensive income until the gain or loss is amortized or collected.

The table below summarizes the maturity date for debt securities.

(in millions)	June 30, 2018
Due in one year or less	\$ 24
Due after one through five years	214
Due after five through 10 years	150
Due after 10 years	374
Total	\$ 762

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Realized gains and losses, which were determined on a specific identification basis, from sales of FV-NI and AFS securities for the three and six months ended June 30, 2018, and from sales of AFS securities for the three and six months ended June 30, 2017, were as follows.

(in millions)	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
FV-NI:		
Realized gains	\$ 17	\$ 25
Realized losses	12	20
AFS:		
Realized gains	1	1
Realized losses	3	5

(in millions)	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
Realized gains	\$ 11	\$ 35
Realized losses	11	30

DUKE ENERGY FLORIDA

The following table presents the estimated fair value of investments in debt and equity securities; equity investments are classified as FV-NI and debt investments are classified as AFS.

(in millions)	June 30, 2018 ^(a)			December 31, 2017		
	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
NDTF						
Cash and cash equivalents	\$ —	\$ —	\$ 38	\$ —	\$ —	\$ 33
Equity securities	298	4	437	294	3	427
Corporate debt securities	1	1	60	2	—	62
Municipal bonds	—	—	1	—	—	1
U.S. government bonds	1	2	178	3	1	214
Other debt securities	—	—	2	—	—	2
Total NDTF Investments^(b)	\$ 300	\$ 7	\$ 716	\$ 299	\$ 4	\$ 739
Other Investments						
Cash and cash equivalents	\$ —	\$ —	\$ 1	\$ —	\$ —	\$ 1
Municipal bonds	1	—	47	2	—	47
Total Other Investments	\$ 1	\$ —	\$ 48	\$ 2	\$ —	\$ 48
Total Investments	\$ 301	\$ 7	\$ 764	\$ 301	\$ 4	\$ 787

(a) Where regulatory accounting is applied, realized and unrealized gains and losses are deferred as regulatory assets or liabilities, and there is no impact to net income or other comprehensive income until the gain or loss is amortized or collected.

(b) During the six months ended June 30, 2018, Duke Energy Florida continued to receive reimbursements from the NDTF for costs related to ongoing decommissioning activity of the Crystal River Unit 3 nuclear plant.

The table below summarizes the maturity date for debt securities.

(in millions)	June 30, 2018
Due in one year or less	\$ 45
Due after one through five years	72
Due after five through 10 years	57
Due after 10 years	114
Total	\$ 288

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Realized gains and losses, which were determined on a specific identification basis, from sales of FV-NI and AFS securities for the three and six months ended June 30, 2018, and from sales of AFS securities for the three and six months ended June 30, 2017, were as follows.

(in millions)	Three Months Ended June 30, 2018		Six Months Ended June 30, 2018	
FV-NI:				
Realized gains	\$	4	\$	5
Realized losses		2		2
AFS:				
Realized gains		—		—
Realized losses		1		2

(in millions)	Three Months Ended June 30, 2017		Six Months Ended June 30, 2017	
Realized gains	\$	4	\$	7
Realized losses		3		5

DUKE ENERGY INDIANA

The following table presents the estimated fair value of investments in debt and equity securities; equity investments are measured at FV-NI and debt investments are classified as AFS.

(in millions)	June 30, 2018 ^(a)			December 31, 2017		
	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
	Investments					
Equity securities	\$ 36	\$ —	\$ 74	\$ 49	\$ —	\$ 97
Corporate debt securities	—	—	8	—	—	3
Municipal bonds	—	1	33	—	1	28
Total Investments	\$ 36	\$ 1	\$ 115	\$ 49	\$ 1	\$ 128

(a) Realized and unrealized gains and losses where regulatory accounting is applied are deferred as regulatory assets or liabilities, and there is no impact to net income or other comprehensive income until the gain or loss is amortized or collected.

The table below summarizes the maturity date for debt securities.

(in millions)	June 30, 2018
Due in one year or less	\$ 3
Due after one through five years	20
Due after five through 10 years	4
Due after 10 years	14
Total	\$ 41

Realized gains and losses, which were determined on a specific identification basis, from sales of FV-NI and AFS securities for the three and six months ended June 30, 2018, and from sales of AFS securities for the three and six months ended June 30, 2017, were insignificant.

11. FAIR VALUE MEASUREMENTS

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

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COMPANY, INC.

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

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

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

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

Not Categorized – Certain investments are not categorized within the Fair Value hierarchy. These investments are measured at fair value using the net asset value (NAV) per share practical expedient. The NAV is derived based on the investment cost, less any impairment, plus or minus changes resulting from observable price changes for an identical or similar investment of the same issuer.

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

Transfers between levels represent assets or liabilities that were previously (i) categorized at a higher level for which the inputs to the estimate became less observable or (ii) classified at a lower level for which the inputs became more observable during the period. The Duke Energy Registrant's policy is to recognize transfers between levels of the fair value hierarchy at the end of the period. There were no transfers between levels during the three and six months ended June 30, 2018, and 2017.

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

Investments in equity securities

The majority of investments in equity securities are valued using Level 1 measurements. Investments in equity securities are typically valued at the closing price in the principal active market as of the last business day of the quarter. Principal active markets for equity prices include published exchanges such as New York Stock Exchange and Nasdaq Stock Market. Foreign equity prices are translated from their trading currency using the currency exchange rate in effect at the close of the principal active market. There was no after-hours market activity that was required to be reflected in the reported fair value measurements.

Investments in debt securities

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

Commodity derivatives

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

Interest rate derivatives

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

Other fair value considerations

See Note 11 in Duke Energy's Annual Report on Form 10-K/A for the year ended December 31, 2017, for a discussion of the valuation of goodwill and intangible assets.

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DUKE ENERGY

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Condensed Consolidated Balance Sheets. Derivative amounts in the tables below for all Duke Energy Registrants exclude cash collateral, which is disclosed in Note 9. See Note 10 for additional information related to investments by major security type for the Duke Energy Registrants.

(in millions)	June 30, 2018				
	Total Fair Value	Level 1	Level 2	Level 3	Not Categorized
NDTF equity securities	\$ 4,988	\$ 4,918	\$ —	\$ —	\$ 70
NDTF debt securities	2,136	578	1,558	—	—
Other equity securities	109	109	—	—	—
Other debt securities	267	68	199	—	—
Derivative assets	87	3	31	53	—
Total assets	7,587	5,676	1,788	53	70
Derivative liabilities	(213)	(1)	(62)	(150)	—
Net assets (liabilities)	\$ 7,374	\$ 5,675	\$ 1,726	\$ (97)	\$ 70

(in millions)	December 31, 2017				
	Total Fair Value	Level 1	Level 2	Level 3	Not Categorized
NDTF equity securities	\$ 4,914	\$ 4,840	\$ —	\$ —	\$ 74
NDTF debt securities	2,174	635	1,539	—	—
Other equity securities	123	123	—	—	—
Other debt securities	241	57	184	—	—
Derivative assets	51	3	20	28	—
Total assets	7,503	5,658	1,743	28	74
Derivative liabilities	(230)	(2)	(86)	(142)	—
Net assets (liabilities)	\$ 7,273	\$ 5,656	\$ 1,657	\$ (114)	\$ 74

The following tables provide reconciliations of beginning and ending balances of assets and liabilities measured at fair value using Level 3 measurements. Amounts included in earnings for derivatives are primarily included in Cost of natural gas on the Duke Energy Registrants' Condensed Consolidated Statements of Operations and Comprehensive Income. Amounts included in changes of net assets on the Duke Energy Registrants' Condensed Consolidated Balance Sheets are included in regulatory assets or liabilities. All derivative assets and liabilities are presented on a net basis.

(in millions)	Three Months Ended June 30, 2018			Three Months Ended June 30, 2017		
	Investments	Derivatives (net)	Total	Investments	Derivatives (net)	Total
Balance at beginning of period	\$ —	\$ (124)	\$ (124)	\$ 5	\$ (135)	\$ (130)
Total pretax realized or unrealized gains included in comprehensive income	—	—	—	1	—	1
Purchases, sales, issuances and settlements:						
Purchases	—	56	56	—	55	55
Sales	—	—	—	(6)	—	(6)
Settlements	—	(15)	(15)	—	(9)	(9)
Total losses included on the Condensed Consolidated Balance Sheet	—	(14)	(14)	—	(2)	(2)
Balance at end of period	\$ —	\$ (97)	\$ (97)	\$ —	\$ (91)	\$ (91)

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(in millions)	Six Months Ended June 30, 2018			Six Months Ended June 30, 2017		
	Investments	Derivatives (net)	Total	Investments	Derivatives (net)	Total
Balance at beginning of period	\$ —	\$ (114)	\$ (114)	\$ 5	\$ (166)	\$ (161)
Total pretax realized or unrealized gains included in comprehensive income	—	—	—	1	—	1
Purchases, sales, issuances and settlements:						
Purchases	—	56	56	—	55	55
Sales	—	—	—	(6)	—	(6)
Settlements	—	(29)	(29)	—	(18)	(18)
Total (losses) gains included on the Condensed Consolidated Balance Sheet	—	(10)	(10)	—	38	38
Balance at end of period	\$ —	\$ (97)	\$ (97)	\$ —	\$ (91)	\$ (91)

DUKE ENERGY CAROLINAS

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Condensed Consolidated Balance Sheets.

(in millions)	June 30, 2018			
	Total Fair Value	Level 1	Level 2	Not Categorized
NDTF equity securities	\$ 2,732	\$ 2,662	\$ —	\$ 70
NDTF debt securities	1,049	164	885	—
Derivative assets	3	—	3	—
Total assets	3,784	2,826	888	70
Derivative liabilities	(19)	—	(19)	—
Net assets	\$ 3,765	\$ 2,826	\$ 869	\$ 70

(in millions)	December 31, 2017			
	Total Fair Value	Level 1	Level 2	Not Categorized
NDTF equity securities	\$ 2,692	\$ 2,618	\$ —	\$ 74
NDTF debt securities	1,066	204	862	—
Derivative assets	2	—	2	—
Total assets	3,760	2,822	864	74
Derivative liabilities	(35)	(1)	(34)	—
Net assets	\$ 3,725	\$ 2,821	\$ 830	\$ 74

The following table provides a reconciliation of beginning and ending balances of assets and liabilities measured at fair value using Level 3 measurements.

(in millions)	Investments			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Balance at beginning of period	\$ —	\$ 3	\$ —	\$ 3
Total pretax realized or unrealized gains included in comprehensive income	—	1	—	1
Purchases, sales, issuances and settlements:				
Sales	—	(4)	—	(4)
Balance at end of period	\$ —	\$ —	\$ —	\$ —

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PROGRESS ENERGY

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Condensed Consolidated Balance Sheets.

(in millions)	June 30, 2018		
	Total Fair Value	Level 1	Level 2
NDTF equity securities	\$ 2,256	\$ 2,256	\$ —
NDTF debt securities	1,087	414	673
Other debt securities	58	11	47
Derivative assets	5	—	5
Total assets	3,406	2,681	725
Derivative liabilities	(35)	—	(35)
Net assets	\$ 3,371	\$ 2,681	\$ 690

(in millions)	December 31, 2017		
	Total Fair Value	Level 1	Level 2
NDTF equity securities	\$ 2,222	\$ 2,222	\$ —
NDTF debt securities	1,108	431	677
Other debt securities	59	12	47
Derivative assets	3	1	2
Total assets	3,392	2,666	726
Derivative liabilities	(36)	(1)	(35)
Net assets	\$ 3,356	\$ 2,665	\$ 691

DUKE ENERGY PROGRESS

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Condensed Consolidated Balance Sheets.

(in millions)	June 30, 2018		
	Total Fair Value	Level 1	Level 2
NDTF equity securities	\$ 1,819	\$ 1,819	\$ —
NDTF debt securities	808	255	553
Other debt securities	1	1	—
Derivative assets	4	1	3
Total assets	2,632	2,076	556
Derivative liabilities	(21)	—	(21)
Net assets	\$ 2,611	\$ 2,076	\$ 535

(in millions)	December 31, 2017		
	Total Fair Value	Level 1	Level 2
NDTF equity securities	\$ 1,795	\$ 1,795	\$ —
NDTF debt securities	796	243	553
Other debt securities	1	1	—
Derivative assets	2	1	1
Total assets	2,594	2,040	554
Derivative liabilities	(18)	(1)	(17)
Net assets	\$ 2,576	\$ 2,039	\$ 537

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DUKE ENERGY FLORIDA

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Condensed Consolidated Balance Sheets.

(in millions)	June 30, 2018		
	Total Fair Value	Level 1	Level 2
NDTF equity securities	\$ 437	\$ 437	\$ —
NDTF debt securities	279	159	120
Other debt securities	48	1	47
Derivative assets	1	—	1
Total assets	765	597	168
Derivative liabilities	(5)	—	(5)
Net assets	\$ 760	\$ 597	\$ 163

(in millions)	December 31, 2017		
	Total Fair Value	Level 1	Level 2
NDTF equity securities	\$ 427	\$ 427	\$ —
NDTF debt securities	312	188	124
Other debt securities	48	1	47
Derivative assets	1	—	1
Total assets	788	616	172
Derivative liabilities	(12)	—	(12)
Net assets	\$ 776	\$ 616	\$ 160

DUKE ENERGY OHIO

The following table provides recorded balances for assets and liabilities measured at fair value on a recurring basis on the Condensed Consolidated Balance Sheets.

(in millions)	June 30, 2018			December 31, 2017		
	Total Fair Value	Level 2	Level 3	Total Fair Value	Level 2	Level 3
Derivative assets	\$ 9	\$ —	\$ 9	\$ 1	\$ —	\$ 1
Derivative liabilities	(4)	(4)	—	(5)	(5)	—
Net assets (liabilities)	\$ 5	\$ (4)	\$ 9	\$ (4)	\$ (5)	\$ 1

The following table provides a reconciliation of beginning and ending balances of assets and liabilities measured at fair value using Level 3 measurements.

(in millions)	Derivatives (net)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Balance at beginning of period	\$ 1	\$ 1	\$ 1	\$ 5
Purchases, sales, issuances and settlements:				
Purchases	7	3	7	3
Settlements	(1)	(1)	(1)	(2)
Total gains (losses) included on the Condensed Consolidated Balance Sheet	2	—	2	(3)
Balance at end of period	\$ 9	\$ 3	\$ 9	\$ 3

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DUKE ENERGY INDIANA

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Condensed Consolidated Balance Sheets.

(in millions)	June 30, 2018			
	Total Fair Value	Level 1	Level 2	Level 3
Other equity securities	\$ 74	\$ 74	\$ —	\$ —
Other debt securities	41	—	41	—
Derivative assets	45	1	—	44
Total assets	\$ 160	\$ 75	\$ 41	\$ 44

(in millions)	December 31, 2017			
	Total Fair Value	Level 1	Level 2	Level 3
Other equity securities	\$ 97	\$ 97	\$ —	\$ —
Other debt securities	31	—	31	—
Derivative assets	27	—	—	27
Total assets	\$ 155	\$ 97	\$ 31	\$ 27

The following table provides a reconciliation of beginning and ending balances of assets and liabilities measured at fair value using Level 3 measurements.

(in millions)	Derivatives (net)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Balance at beginning of period	\$ 7	\$ 9	\$ 27	\$ 16
Purchases, sales, issuances and settlements:				
Purchases	49	52	49	52
Settlements	(14)	(9)	(28)	(16)
Total gains (losses) included on the Condensed Consolidated Balance Sheet	2	(1)	(4)	(1)
Balance at end of period	\$ 44	\$ 51	\$ 44	\$ 51

PIEDMONT

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Condensed Consolidated Balance Sheets.

(in millions)	June 30, 2018		
	Total Fair Value	Level 1	Level 3
Derivative assets	\$ 2	\$ 2	\$ —
Derivative liabilities	(150)	—	(150)
Net (liabilities) assets	\$ (148)	\$ 2	\$ (150)

(in millions)	December 31, 2017		
	Total Fair Value	Level 1	Level 3
Other debt securities	\$ 1	\$ 1	\$ —
Derivative assets	2	2	—
Total assets	3	3	—
Derivative liabilities	(142)	—	(142)
Net (liabilities) assets	\$ (139)	\$ 3	\$ (142)

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The following table provides a reconciliation of beginning and ending balances of assets and liabilities measured at fair value using Level 3 measurements.

(in millions)	Derivatives (net)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Balance at beginning of period	\$ (132)	\$ (145)	\$ (142)	\$ (187)
Total (losses) gains and settlements	(18)	—	(8)	42
Balance at end of period	\$ (150)	\$ (145)	\$ (150)	\$ (145)

QUANTITATIVE INFORMATION ABOUT UNOBSERVABLE INPUTS

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

June 30, 2018				
Investment Type	Fair Value (in millions)	Valuation Technique	Unobservable Input	Range
Duke Energy Ohio				
Financial Transmission Rights (FTRs)	\$ 9	RTO auction pricing	FTR price – per megawatt-hour (MWh)	\$ 0.67 - \$ 3.32
Duke Energy Indiana				
FTRs	44	RTO auction pricing	FTR price – per MWh	(2.31) - 11.01
Piedmont				
Natural gas contracts	(150)	Discounted cash flow	Forward natural gas curves – price per million British thermal unit (MMBtu)	1.88 - 3.42
Duke Energy				
Total Level 3 derivatives	\$ (97)			

December 31, 2017				
Investment Type	Fair Value (in millions)	Valuation Technique	Unobservable Input	Range
Duke Energy Ohio				
FTRs	\$ 1	RTO auction pricing	FTR price – per MWh	\$ 0.07 - \$ 1.41
Duke Energy Indiana				
FTRs	27	RTO auction pricing	FTR price – per MWh	(0.77) - 7.44
Piedmont				
Natural gas contracts	(142)	Discounted cash flow	Forward natural gas curves – price per MMBtu	2.10 - 2.88
Duke Energy				
Total Level 3 derivatives	\$ (114)			

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OTHER FAIR VALUE DISCLOSURES

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

(in millions)	June 30, 2018		December 31, 2017	
	Book Value	Fair Value	Book Value	Fair Value
Duke Energy ^(a)	\$ 52,715	\$ 52,676	\$ 52,279	\$ 55,331
Duke Energy Carolinas	10,394	11,028	10,103	11,372
Progress Energy	18,194	19,357	17,837	20,000
Duke Energy Progress	7,358	7,527	7,357	7,992
Duke Energy Florida	7,452	7,945	7,095	7,953
Duke Energy Ohio	2,066	2,162	2,067	2,249
Duke Energy Indiana	3,782	4,223	3,783	4,464
Piedmont	2,037	2,087	2,037	2,209

(a) Book value of long-term debt includes \$1.7 billion as of June 30, 2018, and December 31, 2017, of unamortized debt discount and premium, net in purchase accounting adjustments related to the mergers with Progress Energy and Piedmont that are excluded from fair value of long-term debt.

At both June 30, 2018, and December 31, 2017, fair value of cash and cash equivalents, accounts and notes receivable, accounts payable, notes payable and commercial paper, and nonrecourse notes payable of VIEs are not materially different from their carrying amounts because of the short-term nature of these instruments and/or because the stated rates approximate market rates.

12. VARIABLE INTEREST ENTITIES

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

CONSOLIDATED VIEs

The obligations of the consolidated VIEs discussed in the following paragraphs are nonrecourse to the Duke Energy registrants. The registrants have no requirement to provide liquidity to, purchase assets of or guarantee performance of these VIEs unless noted in the following paragraphs.

No financial support was provided to any of the consolidated VIEs during the six months ended June 30, 2018, and the year ended December 31, 2017, or is expected to be provided in the future, that was not previously contractually required.

Receivables Financing – DERF / DEPR / DEFR

Duke Energy Receivables Finance Company, LLC (DERF), Duke Energy Progress Receivables, LLC (DEPR) and Duke Energy Florida Receivables, LLC (DEFR) are bankruptcy remote, special purpose subsidiaries of Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida, respectively. DERF, DEPR and DEFR are wholly owned limited liability companies with separate legal existence from their parent companies, and their assets are not generally available to creditors of their parent companies. On a revolving basis, DERF, DEPR and DEFR buy certain accounts receivable arising from the sale of electricity and related services from their parent companies.

DERF, DEPR and DEFR borrow amounts under credit facilities to buy these receivables. Borrowing availability from the credit facilities is limited to the amount of qualified receivables purchased. The sole source of funds to satisfy the related debt obligations is cash collections from the receivables. Amounts borrowed under the credit facilities are reflected on the Condensed Consolidated Balance Sheets as Long-Term Debt.

The most significant activity that impacts the economic performance of DERF, DEPR and DEFR are the decisions made to manage delinquent receivables. Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida consolidate DERF, DEPR and DEFR, respectively, as they make those decisions.

Receivables Financing – CRC

CRC is a bankruptcy remote, special purpose entity indirectly owned by Duke Energy. On a revolving basis, CRC buys certain accounts receivable arising from the sale of electricity, natural gas and related services from Duke Energy Ohio and Duke Energy Indiana. CRC borrows amounts under a credit facility to buy the receivables from Duke Energy Ohio and Duke Energy Indiana. Borrowing availability from the credit facility is limited to the amount of qualified receivables sold to CRC. The sole source of funds to satisfy the related debt obligation is cash collections from the receivables. Amounts borrowed under the credit facility are reflected on Duke Energy's Condensed Consolidated Balance Sheets as Long-Term Debt.

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The proceeds Duke Energy Ohio and Duke Energy Indiana receive from the sale of receivables to CRC are typically 75 percent cash and 25 percent in the form of a subordinated note from CRC. The subordinated note is a retained interest in the receivables sold. Depending on collection experience, additional equity infusions to CRC may be required by Duke Energy to maintain a minimum equity balance of \$3 million.

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

Receivables Financing – Credit Facilities

The following table summarizes the amounts and expiration dates of the credit facilities and associated restricted receivables described above.

(in millions)	Duke Energy			
	CRC	Duke Energy Carolinias	Duke Energy Progress	Duke Energy Florida
		DERF	DEPR	DEFR
Expiration date	December 2020	December 2020	February 2021	April 2021
Credit facility amount	\$ 325	\$ 450	\$ 300	\$ 225
Amounts borrowed at June 30, 2018	325	450	300	225
Amounts borrowed at December 31, 2017	325	450	300	225
Restricted Receivables at June 30, 2018	498	704	568	394
Restricted Receivables at December 31, 2017	545	640	459	317

Nuclear Asset-Recovery Bonds – DEFPF

Duke Energy Florida Project Finance, LLC (DEFPF) is a bankruptcy remote, wholly owned special purpose subsidiary of Duke Energy Florida. DEFPF was formed in 2016 for the sole purpose of issuing nuclear asset-recovery bonds to finance Duke Energy Florida's unrecovered regulatory asset related to Crystal River Unit 3.

In June 2016, DEFPF issued senior secured bonds and used the proceeds to acquire nuclear asset-recovery property from Duke Energy Florida. The nuclear asset-recovery property acquired includes the right to impose, bill, collect and adjust a non-bypassable nuclear asset-recovery charge from all Duke Energy Florida retail customers until the bonds are paid in full and all financing costs have been recovered. The nuclear asset-recovery bonds are secured by the nuclear asset-recovery property, and cash collections from the nuclear asset-recovery charges are the sole source of funds to satisfy the debt obligation. The bondholders have no recourse to Duke Energy Florida.

DEFPF is considered a VIE primarily because the equity capitalization is insufficient to support its operations. Duke Energy Florida has the power to direct the significant activities of the VIE as described above, and therefore Duke Energy Florida is considered the primary beneficiary and consolidates DEFPF.

The following table summarizes the impact of DEFPF on Duke Energy Florida's Condensed Consolidated Balance Sheets.

(in millions)	June 30, 2018	December 31, 2017
Receivables of VIEs	\$ 7	\$ 4
Regulatory Assets: Current	51	51
Current Assets: Other	31	40
Other Noncurrent Assets: Regulatory assets	1,071	1,091
Current Liabilities: Other	10	10
Current maturities of long-term debt	53	53
Long-Term Debt	1,136	1,164

Commercial Renewables

Certain of Duke Energy's renewable energy facilities are VIEs due to Duke Energy issuing guarantees for debt service and operations and maintenance reserves in support of debt financings. Assets are restricted and cannot be pledged as collateral or sold to third parties without prior approval of debt holders. The activities that most significantly impact the economic performance of these renewable energy facilities were decisions associated with siting, negotiating PPAs, engineering, procurement and construction and decisions associated with ongoing operations and maintenance-related activities. Duke Energy consolidates the entities as it is responsible for all of these decisions.

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The table below presents material balances reported on Duke Energy's Condensed Consolidated Balance Sheets related to renewables VIEs.

(in millions)	June 30, 2018	December 31, 2017
Current Assets: Other	\$ 168	\$ 174
Property, plant and equipment, cost	4,017	3,923
Accumulated depreciation and amortization	(661)	(591)
Other Noncurrent Assets: Other	256	50
Current maturities of long-term debt	175	170
Long-Term Debt	1,605	1,700
Other Noncurrent Liabilities: Deferred income taxes	—	(148)
Other Noncurrent Liabilities: Other	228	241

NON-CONSOLIDATED VIEs

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

(in millions)	June 30, 2018					
	Duke Energy				Duke Energy Ohio	Duke Energy Indiana
	Pipeline Investments ^(a)	Commercial Renewables	Other VIEs	Total		
Receivables from affiliated companies	\$ —	\$ —	\$ —	\$ —	\$ 58	\$ 87
Investments in equity method unconsolidated affiliates	566	192	45	803	—	—
Total assets	\$ 566	\$ 192	\$ 45	\$ 803	\$ 58	\$ 87
Taxes accrued	1	—	—	1	—	—
Other current liabilities	—	—	4	4	—	—
Deferred income taxes	10	—	—	10	—	—
Other noncurrent liabilities	—	—	11	11	—	—
Total liabilities	\$ 11	\$ —	\$ 15	\$ 26	\$ —	\$ —
Net assets	\$ 555	\$ 192	\$ 30	\$ 777	\$ 58	\$ 87

(a) See Pipeline Investments table below for further details regarding Investments in equity method unconsolidated affiliates.

(in millions)	December 31, 2017					
	Duke Energy				Duke Energy Ohio	Duke Energy Indiana
	Pipeline Investments	Commercial Renewables	Other VIEs	Total		
Receivables from affiliated companies	\$ —	\$ —	\$ —	\$ —	\$ 87	\$ 106
Investments in equity method unconsolidated affiliates	697	180	42	919	—	—
Other noncurrent assets	17	—	—	17	—	—
Total assets	\$ 714	\$ 180	\$ 42	\$ 936	\$ 87	\$ 106
Taxes accrued	(29)	—	—	(29)	—	—
Other current liabilities	—	—	4	4	—	—
Deferred income taxes	42	—	—	42	—	—
Other noncurrent liabilities	—	—	12	12	—	—
Total liabilities	\$ 13	\$ —	\$ 16	\$ 29	\$ —	\$ —
Net assets	\$ 701	\$ 180	\$ 26	\$ 907	\$ 87	\$ 106

The Duke Energy Registrants are not aware of any situations where the maximum exposure to loss significantly exceeds the carrying values shown above except for the power purchase agreement with OVEC, which is discussed below, and various guarantees, some of which are reflected in the table above as Other noncurrent liabilities. For more information on various guarantees, refer to Note 4.

Pipeline Investments

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

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The table below presents Duke Energy's ownership interest and investment balances in these joint ventures.

Entity Name	Ownership Interest	VIE Investment Amount (in millions)	
		June 30, 2018	December 31, 2017
ACP	47%	\$ 541	\$ 397
Sabal Trail ^(a)	7.5%	—	219
Constitution ^(b)	24%	25	81
Total		\$ 566	\$ 697

- (a) At December 31, 2017, Sabal Trail was considered a VIE due to having insufficient equity to finance their own activities without subordinated financial support. However, Sabal Trail is now a fully operational, well capitalized entity. As a result, Sabal Trail has sufficient equity to finance its own activities, and therefore, is no longer considered a VIE. Duke Energy's investment in Sabal Trail was \$110 million at June 30, 2018.
- (b) During the six months ended June 30, 2018, Duke Energy recorded an OTTI of \$55 million related to Constitution within Equity in (losses) earnings of unconsolidated affiliates on Duke Energy's Condensed Consolidated Statements of Income. See Note 3 for additional information.

In 2017, ACP executed a \$3.4 billion revolving credit facility with a stated maturity date of October 2021. Duke Energy entered into a guarantee agreement to support its share of the ACP revolving credit facility. Duke Energy's maximum exposure to loss under the terms of the guarantee is \$412 million, which represents 47 percent of the outstanding borrowings under the credit facility as of June 30, 2018.

Commercial Renewables

Duke Energy has investments in various renewable energy project entities. Some of these entities are VIEs due to Duke Energy issuing guarantees for debt service and operations and maintenance reserves in support of debt financings. Duke Energy does not consolidate these VIEs because power to direct and control key activities is shared jointly by Duke Energy and other owners.

Other VIEs

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

OVEC

Duke Energy Ohio's 9 percent ownership interest in OVEC is considered a non-consolidated VIE due to OVEC having insufficient equity to finance its activities without subordinated financial support. As a counterparty to an inter-company power agreement (ICPA), Duke Energy Ohio has a contractual arrangement to receive entitlements to capacity and energy from OVEC's power plants through June 2040 commensurate with its power participation ratio, which is equivalent to Duke Energy Ohio's ownership interest. Costs, including fuel, operating expenses, fixed costs, debt amortization and interest expense, are allocated to counterparties to the ICPA based on their power participation ratio. The value of the ICPA is subject to variability due to fluctuation in power prices and changes in OVEC's cost of business. On March 31, 2018, FirstEnergy Solutions (FES), a subsidiary of FirstEnergy and an ICPA counterparty with a power participation ratio of 4.85 percent, filed for Chapter 11 bankruptcy which could increase costs allocated to the counterparties. Duke Energy Ohio cannot predict the impact of the bankruptcy filing on its OVEC interests. In addition, certain proposed environmental rulemaking could result in future increased OVEC cost allocations.

CRC

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

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

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

	Duke Energy Ohio		Duke Energy Indiana	
	2018	2017	2018	2017
Anticipated credit loss ratio	0.5%	0.5%	0.3%	0.3%
Discount rate	2.8%	2.1%	2.8%	2.1%
Receivable turnover rate	13.6%	13.5%	10.8%	10.7%

The following table shows the gross and net receivables sold.

(in millions)	Duke Energy Ohio		Duke Energy Indiana	
	June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Receivables sold	\$ 227	\$ 273	\$ 312	\$ 312
Less: Retained interests	58	87	87	106
Net receivables sold	\$ 169	\$ 186	\$ 225	\$ 206

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

(in millions)	Duke Energy Ohio				Duke Energy Indiana			
	Three Months Ended		Six Months Ended		Three Months Ended		Six Months Ended	
	June 30,		June 30,		June 30,		June 30,	
	2018	2017	2018	2017	2018	2017	2018	2017
Sales								
Receivables sold	\$ 461	\$ 421	\$ 1,028	\$ 954	\$ 692	\$ 663	\$ 1,386	\$ 1,327
Loss recognized on sale	3	3	6	5	4	3	7	6
Cash flows								
Cash proceeds from receivables sold	\$ 465	\$ 428	\$ 1,050	\$ 987	\$ 686	\$ 658	\$ 1,397	\$ 1,351
Collection fees received	1	—	1	—	1	1	1	1
Return received on retained interests	1	1	3	2	2	1	4	3

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

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

13. REVENUE

As described in Note 1, Duke Energy adopted Revenue from Contracts with Customers effective January 1, 2018, using the modified retrospective method of adoption, which does not require restatement of prior year reported results. No cumulative effect adjustment was recorded as the vast majority of Duke Energy's revenues are at-will and without a defined contractual term. Additionally, comparative disclosures for 2018 operating results with the previous revenue recognition rules are not applicable as Duke Energy's revenue recognition has not materially changed as a result of the new standard.

Duke Energy recognizes revenue consistent with amounts billed under tariff offerings or at contractually agreed upon rates based on actual physical delivery of electric or natural gas service, including estimated volumes delivered when billings have not yet occurred. As such, the majority of Duke Energy's revenues have fixed pricing based on the contractual terms of the published tariffs, with variability in expected cash flows attributable to the customer's volumetric demand and ultimate quantities of energy or natural gas supplied and used during the billing period. The stand-alone selling price of related sales are designed to support recovery of prudently incurred costs and an appropriate return on invested assets and are primarily governed by published tariff rates or contractual agreements approved by relevant regulatory bodies. As described in Note 1, certain excise taxes and franchise fees levied by state or local governments are required to be paid even if not collected from the customer. These taxes are recognized on a gross basis as part of revenues. Duke Energy elects to account for all other taxes net of revenues.

Performance obligations are satisfied over time as energy or natural gas is delivered and consumed with billings generally occurring monthly and related payments due within 30 days, depending on regulatory requirements. In no event does the timing between payment and delivery of the goods and services exceed one year. Using this output method for revenue recognition provides a faithful depiction of the transfer of electric and natural gas service as customers obtain control of the commodity and benefit from its use at delivery. Additionally, Duke Energy has an enforceable right to consideration for energy or natural gas delivered at any discrete point in time, and will recognize revenue at an amount that reflects the consideration to which Duke Energy is entitled for the energy or natural gas delivered.

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As described above, the majority of Duke Energy's tariff revenues are at-will and, as such, related contracts with customers have an expected duration of one year or less and will not have future performance obligations for disclosure. Additionally, other long-term revenue streams, including wholesale contracts, generally provide services that are part of a single performance obligation, the delivery of electricity or natural gas. As such, other than material fixed consideration under long-term contracts, related disclosures for future performance obligations are also not applicable.

Duke Energy earns substantially all of its revenues through its reportable segments, Electric Utilities and Infrastructure, Gas Utilities and Infrastructure and Commercial Renewables.

Electric Utilities and Infrastructure

Electric Utilities and Infrastructure earns the majority of its revenues through retail and wholesale electric service through the generation, transmission, distribution and sale of electricity. Duke Energy generally provides retail and wholesale electric service customers with their full electric load requirements or with supplemental load requirements when the customer has other sources of electricity.

Retail electric service is generally marketed throughout Duke Energy's electric service territory through standard service offers. The standard service offers are through tariffs determined by regulators in Duke Energy's regulated service territory. Each tariff, which is assigned to customers based on customer class, has multiple components such as an energy charge, a demand charge, a basic facilities charge and applicable riders. Duke Energy considers each of these components to be aggregated into a single performance obligation for providing electric service, or in the case of distribution only customers in Duke Energy Ohio, for delivering electricity. Electricity is considered a single performance obligation satisfied over time consistent with the series guidance and is provided and consumed over the billing period (generally one month). Retail electric service is typically provided to at-will customers that can cancel service at any time, without a substantive penalty. Additionally, Duke Energy adheres to applicable regulatory requirements in each jurisdiction to ensure the collectability of amounts billed and appropriate mitigating procedures are followed when necessary. As such, revenue from contracts with customers for such contracts is equivalent to the electricity supplied and billed in that period (including unbilled estimates).

Wholesale electric service is generally provided under long-term contracts using cost-based pricing. FERC regulates costs that may be recovered from customers and the amount of return companies are permitted to earn. Wholesale contracts include both energy and demand charges. For full requirements contracts, Duke Energy considers both charges as a single performance obligation for providing integrated electric service. For contracts where energy and demand charges are considered separate performance obligations, energy and demand are each a distinct performance obligation under the series guidance and are satisfied as energy is delivered and stand-ready service is provided on a monthly basis. This service represents consumption over the billing period and revenue is recognized consistent with billings and unbilled estimates, which generally occur monthly. Contractual amounts owed are typically trued up annually based upon incurred costs in accordance with FERC published filings and the specific customer's actual peak demand. Estimates of variable consideration related to potential additional billings or refunds owed are updated quarterly.

The majority of wholesale revenues are full requirements contracts where the customers purchase the substantial majority of their energy needs and do not have a fixed quantity of contractually required energy or capacity. As such, related forecasted revenues are considered optional purchases. Supplemental requirements contracts that include contracted blocks of energy and capacity at contractually fixed prices have the following estimated remaining performance obligations:

(in millions)	Remaining Performance Obligations						Total
	2018	2019	2020	2021	2022	Thereafter	
Progress Energy	\$ 47	\$ 112	\$ 121	\$ 80	\$ 82	\$ 81	\$ 523
Duke Energy Progress	4	9	9	9	9	18	58
Duke Energy Florida	43	103	112	71	73	63	465
Duke Energy Indiana	4	9	10	5	—	—	28

Revenues for block sales are recognized monthly as energy is delivered and stand-ready service is provided, consistent with invoiced amounts and unbilled estimates.

Gas Utilities and Infrastructure

Gas Utilities and Infrastructure earns its revenue through retail and wholesale natural gas service through the transportation, distribution and sale of natural gas. Duke Energy generally provides retail and wholesale natural gas service customers with all natural gas load requirements. Additionally, while natural gas can be stored, substantially all natural gas provided by Duke Energy is consumed by customers simultaneously with receipt of delivery.

Retail natural gas service is marketed throughout Duke Energy's natural gas service territory using published tariff rates. The tariff rates are established by regulators in Duke Energy's service territories. Each tariff, which is assigned to customers based on customer class, have multiple components, such as a commodity charge, demand charge, customer or monthly charge and transportation costs. Duke Energy considers each of these components to be aggregated into a single performance obligation for providing natural gas service. For contracts where Duke Energy provides all of the customer's natural gas needs, the delivery of natural gas is considered a single performance obligation satisfied over time, and revenue is recognized monthly based on billings and unbilled estimates as service is provided and the commodity is consumed over the billing period. Additionally, natural gas service is typically at-will and customers can cancel service at any time, without a substantive penalty. Duke Energy also adheres to applicable regulatory requirements to ensure the collectability of amounts billed and receivable and appropriate mitigating procedures are followed when necessary.

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Certain long-term individually negotiated contracts exist to provide natural gas service. These contracts are regulated and approved by state commissions. The negotiated contracts have multiple components, including a natural gas and a demand charge, similar to retail natural gas contracts. Duke Energy considers each of these components to be a single performance obligation for providing natural gas service. This service represents consumption over the billing period, generally one month.

Fixed capacity payments under long-term contracts for the Gas segment include minimum margin contracts and supply arrangements with municipalities and power generation facilities. Revenues for related sales are recognized monthly as natural gas is delivered and stand-ready service is provided, consistent with invoiced amounts and unbilled estimates. Estimated remaining performance obligations are as follows:

(in millions)	Remaining Performance Obligations						
	2018	2019	2020	2021	2022	Thereafter	Total
Piedmont	\$ 36	\$ 71	\$ 69	\$ 65	\$ 64	\$ 462	\$ 767

Commercial Renewables

Commercial Renewables earns the majority of its revenues through long-term PPAs and generally sells all of its wind and solar facility output, electricity and Renewable Energy Credits (RECs) to customers. The majority of these PPAs have historically been accounted for as leases. For PPAs that are not accounted for as leases, the delivery of electricity and the delivery of RECs are considered separate performance obligations.

The delivery of electricity is a performance obligation satisfied over time and represents generation and consumption of the electricity over the billing period, generally one month. The delivery of RECs is a performance obligation satisfied at a point in time and represents delivery of each REC generated by the wind or solar facility. The majority of self-generated RECs are bundled with energy in Duke Energy's contracts and, as such, related revenues are recognized as energy is generated and delivered as that pattern is consistent with Duke Energy's performance. Commercial Renewables recognizes revenue based on the energy generated and billed for the period, generally one month, at contractual rates (including unbilled estimates) according to the invoice practical expedient. Amounts are typically due within 30 days of invoice.

Other

The remainder of Duke Energy's operations is presented as Other, which does not include material revenues from contracts with customers.

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Disaggregated Revenues

For the Electric and Gas segments, revenue by customer class is most meaningful to Duke Energy as each respective customer class collectively represents unique customer expectations of service, generally has different energy and demand requirements, and operates under tailored, regulatory approved pricing structures. Additionally, each customer class is impacted differently by weather and a variety of economic factors including the level of population growth, economic investment, employment levels, and regulatory activities in each of Duke Energy's jurisdictions. As such, analyzing revenues disaggregated by customer class allows Duke Energy to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. For the Commercial Renewables segment, the majority of revenues from contracts with customers are from selling all of the unit-contingent output at contractually defined pricing under long-term PPAs with consistent expectations regarding the timing and certainty of cash flows. Disaggregated revenues are presented as follows:

(in millions)	Three Months Ended June 30, 2018								
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont	
By market or type of customer									
<i>Electric Utilities and Infrastructure</i>									
Residential	\$ 2,185	\$ 659	\$ 1,099	\$ 452	\$ 648	\$ 181	\$ 245	\$ —	
General	1,481	501	678	300	377	110	188	—	
Industrial	736	286	224	159	66	33	192	—	
Wholesale	515	115	322	287	34	2	77	—	
Other revenues	194	85	96	47	50	23	20	—	
Total Electric Utilities and Infrastructure revenue from contracts with customers	\$ 5,111	\$ 1,646	\$ 2,419	\$ 1,245	\$ 1,175	\$ 349	\$ 722	\$ —	
<i>Gas Utilities and Infrastructure</i>									
Residential	\$ 153	\$ —	\$ —	\$ —	\$ —	\$ 66	\$ —	\$ 87	
Commercial	87	—	—	—	—	28	—	59	
Industrial	31	—	—	—	—	3	—	28	
Power Generation	—	—	—	—	—	—	—	14	
Other revenues	23	—	—	—	—	6	—	17	
Total Gas Utilities and Infrastructure revenue from contracts with customers	\$ 294	\$ —	\$ —	\$ —	\$ —	\$ 103	\$ —	\$ 205	
<i>Commercial Renewables</i>									
Revenue from contracts with customers	\$ 47	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
<i>Other</i>									
Revenue from contracts with customers	\$ 15	\$ —	\$ —	\$ —	\$ —	\$ 10	\$ —	\$ —	
Total revenue from contracts with customers	\$ 5,467	\$ 1,646	\$ 2,419	\$ 1,245	\$ 1,175	\$ 462	\$ 722	\$ 205	
Other revenue sources ^(a)	\$ 176	\$ 26	\$ 79	\$ 46	\$ 28	\$ (3)	\$ 16	\$ 10	
Total revenues	\$ 5,643	\$ 1,672	\$ 2,498	\$ 1,291	\$ 1,203	\$ 459	\$ 738	\$ 215	

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(in millions) By market or type of customer	Six Months Ended June 30, 2018							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
<i>Electric Utilities and Infrastructure</i>								
Residential	\$ 4,535	\$ 1,440	\$ 2,211	\$ 968	\$ 1,243	\$ 361	\$ 523	\$ —
General	2,856	973	1,309	599	710	206	366	—
Industrial	1,400	541	432	304	128	63	365	—
Wholesale	1,148	234	768	684	84	2	145	—
Other revenues	333	152	225	132	93	37	37	—
Total Electric Utilities and Infrastructure revenue from contracts with customers	\$ 10,272	\$ 3,340	\$ 4,945	\$ 2,687	\$ 2,258	\$ 669	\$ 1,436	\$ —
<i>Gas Utilities and Infrastructure</i>								
Residential	\$ 566	\$ —	\$ —	\$ —	\$ —	\$ 177	\$ —	\$ 389
Commercial	288	—	—	—	—	77	—	211
Industrial	79	—	—	—	—	10	—	69
Power Generation	—	—	—	—	—	—	—	27
Other revenues	78	—	—	—	—	12	—	66
Total Gas Utilities and Infrastructure revenue from contracts with customers	\$ 1,011	\$ —	\$ —	\$ —	\$ —	\$ 276	\$ —	\$ 762
<i>Commercial Renewables</i>								
Revenue from contracts with customers	\$ 80	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
<i>Other</i>								
Revenue from contracts with customers	\$ 31	\$ —	\$ —	\$ —	\$ —	\$ 24	\$ —	\$ —
Total Revenue from contracts with customers	\$ 11,394	\$ 3,340	\$ 4,945	\$ 2,687	\$ 2,258	\$ 969	\$ 1,436	\$ 762
Other revenue sources ^(a)	\$ 384	\$ 95	\$ 129	\$ 64	\$ 60	\$ 14	\$ 33	\$ 6
Total revenues	\$ 11,778	\$ 3,435	\$ 5,074	\$ 2,751	\$ 2,318	\$ 983	\$ 1,469	\$ 768

(a) Other revenue sources include revenues from leases, derivatives and alternative revenue programs that are not considered revenues from contracts with customers. Alternative revenue programs in certain jurisdictions include regulatory mechanisms that periodically adjust for over or under collection of related revenues.

IMPACT OF WEATHER AND THE TIMING OF BILLING PERIODS

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. 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.

The estimated impact of weather on earnings for Electric Utilities and Infrastructure 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.

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Gas Utilities and Infrastructure's costs and revenues are influenced by seasonal patterns due to peak natural gas sales occurring during the winter months as a result of space heating requirements. Residential customers are the most impacted by weather. There are certain regulatory mechanisms for the North Carolina, South Carolina, Tennessee and Ohio service territories that normalize the margins collected from certain customer classes during the winter. In North Carolina, rate design provides protection from both weather and other usage variations such as conservation, while South Carolina and Tennessee revenues are adjusted solely based on weather. Ohio primarily employs a fixed charge each month regardless of the season and usage.

UNBILLED REVENUE

Unbilled revenues are recognized by applying customer billing rates to the estimated volumes of energy or natural gas delivered but not yet billed. Unbilled revenues can vary significantly from period to period as a result of seasonality, weather, customer usage patterns, customer mix, average price in effect for customer classes, timing of rendering customer bills and meter reading schedules, and the impact of weather normalization or margin decoupling mechanisms.

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

(in millions)	June 30, 2018	December 31, 2017
Duke Energy	\$ 876	\$ 944
Duke Energy Carolinas	315	342
Progress Energy	298	228
Duke Energy Progress	190	143
Duke Energy Florida	107	85
Duke Energy Ohio	2	4
Duke Energy Indiana	30	21
Piedmont	5	86

Additionally, Duke Energy Ohio and Duke Energy Indiana sell, on a revolving basis, nearly all of their retail accounts receivable, including receivables for unbilled revenues, to an affiliate, CRC and accounts for the transfers of receivables as sales. Accordingly, the receivables sold are not reflected on the Condensed Consolidated Balance Sheets of Duke Energy Ohio and Duke Energy Indiana. See Note 12 for further information. These receivables for unbilled revenues are shown in the table below.

(in millions)	June 30, 2018	December 31, 2017
Duke Energy Ohio	\$ 73	\$ 104
Duke Energy Indiana	123	132

14. COMMON STOCK

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

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

(in millions, except per-share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Income from continuing operations attributable to Duke Energy common stockholders excluding impact of participating securities	\$ 504	\$ 687	\$ 1,123	\$ 1,402
Weighted average shares outstanding – basic	703	700	702	700
Equity Forwards	1	—	—	—
Weighted average shares outstanding – diluted	704	700	702	700
Earnings per share from continuing operations attributable to Duke Energy common stockholders				
Basic	\$ 0.72	\$ 0.98	\$ 1.60	\$ 2.00
Diluted	\$ 0.72	\$ 0.98	\$ 1.60	\$ 2.00
Potentially dilutive items excluded from the calculation ^(a)	2	2	2	2
Dividends declared per common share	\$ 0.89	\$ 0.855	\$ 1.78	\$ 1.71

(a) Performance stock awards were not included in the dilutive securities calculation because the performance measures related to the awards had not been met.

Equity Forwards

On February 20, 2018, Duke Energy filed a prospectus supplement and executed an Equity Distribution Agreement (the EDA) under which it may sell up to \$1 billion of its common stock through an at-the-market (ATM) offering program, including an equity forward sales component. The EDA was entered into with Wells Fargo Securities, LLC, Citigroup Global Markets Inc., and J.P. Morgan Securities LLC (the Agents). Under the terms of the EDA, Duke Energy may issue and sell, through any of the Agents, shares of common stock through September 23, 2019. In June 2018, Duke Energy marketed two separate tranches, each for 1.3 million shares, of common stock. The first tranche was marketed with Wells Fargo Bank at an initial forward price of \$72.02 per share and the second tranche was marketed with Citibank at an initial forward price of \$78.71 per share through equity forward transactions under the ATM program. The Equity Forwards require Duke Energy to either physically settle the transactions by issuing 2.6 million shares in exchange for net proceeds at the then-applicable forward sale price specified by the agreements or net settle in whole or in part through the delivery or receipt of cash or shares. The settlement alternative is at Duke Energy's election.

Separately, in March 2018, Duke Energy marketed an equity offering of 21.3 million shares of common stock through an Underwriting Agreement with Credit Suisse Securities (USA) LLC, J.P. Morgan Securities LLC, Barclays Capital Inc. and Goldman Sachs & Co. LLC, as representatives of several underwriters, Credit Suisse Capital LLC and J.P. Morgan Securities LLC as Forward Sellers, and Credit Suisse Capital LLC and JPMorgan Chase National Bank Associate, acting as forward purchasers. In connection with the offering, Duke Energy entered into equity forward sale agreements with Credit Suisse Securities (USA) LLC as Agent for Credit Suisse Capital LLC and J.P. Morgan Chase Bank, National Association. The sale price was \$75 per share less certain net adjustments for an initial forward price of \$74.07 per share. The Equity Forwards require Duke Energy to either physically settle the transactions by issuing 21.3 million shares in exchange for net proceeds at the then-applicable forward sale price specified by the agreements, or net settle in whole or in part through the delivery or receipt of cash or shares. The settlement alternative is at Duke Energy's election. In June 2018, Duke Energy physically settled one-half of the equity forwards by delivering approximately 10.6 million shares of common stock in exchange for net cash proceeds of approximately \$781 million.

For contracts that have not been settled, no amounts have or will be recorded in Duke Energy's Condensed Consolidated Financial Statements with respect to the equity or ATM offerings until settlements of the Equity Forwards occur, which is expected by December 31, 2018. If Duke Energy had elected to net share settle these contracts as of June 30, 2018, Duke Energy would have been required to deliver 0.9 million shares. The initial forward sale price will be subject to adjustment on a daily basis based on a floating interest rate factor and will decrease by other fixed amounts specified in the relevant forward sale agreement. Until settlement of the Equity Forwards, earnings per share dilution resulting from the agreements, if any, will be determined under the treasury stock method. Share dilution occurs when the average market price of Duke Energy's stock is higher than the average forward sales price.

15. STOCK-BASED COMPENSATION

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

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The following table presents information related to Duke Energy's stock-based compensation.

(in millions)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Restricted stock unit awards	\$ 12	\$ 12	\$ 22	\$ 20
Performance awards	7	6	14	13
Pretax stock-based compensation cost	\$ 19	\$ 18	\$ 36	\$ 33
Stock-based compensation cost capitalized	\$ 1	\$ —	\$ 2	\$ 1
Stock-based compensation expense	\$ 18	\$ 18	\$ 34	\$ 32
Tax benefit associated with stock-based compensation expense	\$ 4	\$ 7	\$ 8	\$ 12

16. EMPLOYEE BENEFIT PLANS

DEFINED BENEFIT RETIREMENT PLANS

Duke Energy maintains, and the Subsidiary Registrants participate in, qualified and non-qualified, non-contributory defined benefit retirement plans. Duke Energy's policy is to fund amounts on an actuarial basis to provide assets sufficient to meet benefit payments to be paid to plan participants. The following table presents contributions made by the Duke Energy Registrants to their qualified defined benefit pension plans during the six months ended June 30, 2018.

(in millions)	Duke Energy		Duke Energy Progress		Duke Energy Florida		Duke Energy Indiana	
	Duke Energy	Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Indiana	Duke Energy Indiana	Duke Energy Indiana
Contributions	\$ 141	\$ 46	\$ 45	\$ 25	\$ 20	\$ 8	\$ 8	\$ 8

Duke Energy did not make any contributions to its qualified defined benefit pension plans during the six months ended June 30, 2017.

Duke Energy uses a December 31 measurement date for its defined benefit retirement plan assets and obligations.

Components of Net Periodic Benefit Costs

The tables below present total net periodic benefit costs prior to capitalization of amounts reflected as Net property, plant and equipment on the Condensed Consolidated Balance Sheets. Only the service cost component of net periodic benefit costs is eligible to be capitalized. The remaining non-capitalized portions of net periodic benefit costs are classified as either: (1) service cost, which is recorded in Operations, maintenance and other on the Condensed Consolidated Statements of Operations; or as (2) components of non-service cost, which is recorded in Other income and expenses, net on the Condensed Consolidated Statements of Operations. See Note 1 for further information on impacts of the retirement benefits accounting standard adopted by Duke Energy on January 1, 2018.

Pension and other post-retirement benefit costs presented in the tables below for the Subsidiary Registrants are amounts allocated from Duke Energy for the employees of the respective Subsidiary Registrants. The Condensed Consolidated Statements of Operations of the Subsidiary Registrants also include allocated net periodic benefit costs for their proportionate share of pension and post-retirement benefit costs related to employees of the Duke Energy shared services affiliate. However, in the tables below these amounts are only presented in the Duke Energy column. For additional information on the corporate governance and shared service expenses allocated from the Duke Energy shared service affiliate, see Note 8.

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QUALIFIED PENSION PLANS

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

Three Months Ended June 30, 2018									
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont	
Service cost	\$ 45	\$ 15	\$ 13	\$ 8	\$ 6	\$ 1	\$ 3	\$ 2	
Interest cost on projected benefit obligation	75	18	22	10	12	4	6	3	
Expected return on plan assets	(140)	(37)	(43)	(21)	(23)	(7)	(11)	(6)	
Amortization of actuarial loss	33	7	11	5	6	1	2	3	
Amortization of prior service credit	(8)	(2)	(1)	(1)	(1)	—	—	(3)	
Net periodic pension costs	\$ 5	\$ 1	\$ 2	\$ 1	\$ —	\$ (1)	\$ —	\$ (1)	

Three Months Ended June 30, 2017									
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont	
Service cost	\$ 40	\$ 12	\$ 12	\$ 6	\$ 5	\$ 1	\$ 2	\$ 3	
Interest cost on projected benefit obligation	82	20	25	12	13	5	7	3	
Expected return on plan assets	(136)	(36)	(43)	(21)	(21)	(7)	(11)	(6)	
Amortization of actuarial loss	36	8	14	6	7	1	3	3	
Amortization of prior service credit	(6)	(2)	(1)	—	—	—	—	(1)	
Other	2	—	1	1	—	—	—	1	
Net periodic pension costs	\$ 18	\$ 2	\$ 8	\$ 4	\$ 4	\$ —	\$ 1	\$ 3	

Six Months Ended June 30, 2018									
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont	
Service cost	\$ 90	\$ 30	\$ 26	\$ 15	\$ 11	\$ 2	\$ 5	\$ 4	
Interest cost on projected benefit obligation	150	36	46	21	25	9	12	6	
Expected return on plan assets	(280)	(74)	(88)	(42)	(46)	(14)	(21)	(12)	
Amortization of actuarial loss	66	14	22	10	12	2	4	6	
Amortization of prior service credit	(16)	(4)	(2)	(1)	(1)	—	—	(6)	
Net periodic pension costs	\$ 10	\$ 2	\$ 4	\$ 3	\$ 1	\$ (1)	\$ —	\$ (2)	

Six Months Ended June 30, 2017									
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont	
Service cost	\$ 80	\$ 24	\$ 24	\$ 12	\$ 10	\$ 2	\$ 4	\$ 6	
Interest cost on projected benefit obligation	164	40	50	24	26	10	14	6	
Expected return on plan assets	(272)	(71)	(86)	(42)	(42)	(14)	(22)	(12)	
Amortization of actuarial loss	72	16	28	12	14	2	6	6	
Amortization of prior service credit	(12)	(4)	(2)	—	—	—	—	(2)	
Other	4	—	2	1	—	—	—	1	

Net periodic pension costs	\$	36	\$	5	\$	16	\$	7	\$	8	\$	—	\$	2	\$	5
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NON-QUALIFIED PENSION PLANS

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

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(in millions)	Three Months Ended June 30, 2018				
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida
Service cost	\$ 1	\$ 1	\$ —	\$ —	\$ —
Interest cost on projected benefit obligation	3	—	1	1	1
Amortization of actuarial loss	2	—	—	—	—
Amortization of prior service credit	(1)	—	—	—	—
Net periodic pension costs	\$ 5	\$ 1	\$ 1	\$ 1	\$ 1

(in millions)	Three Months Ended June 30, 2017				
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida
Interest cost on projected benefit obligation	\$ 3	\$ 1	\$ 1	\$ —	\$ —
Amortization of actuarial loss	2	—	1	—	—
Net periodic pension costs	\$ 5	\$ 1	\$ 2	\$ —	\$ —

(in millions)	Six Months Ended June 30, 2018				
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida
Service cost	\$ 1	\$ 1	\$ —	\$ —	\$ —
Interest cost on projected benefit obligation	6	—	2	1	1
Amortization of actuarial loss	4	—	—	—	—
Amortization of prior service (credit) cost	(1)	—	1	—	—
Net periodic pension costs	\$ 10	\$ 1	\$ 3	\$ 1	\$ 1

(in millions)	Six Months Ended June 30, 2017				
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida
Interest cost on projected benefit obligation	\$ 6	\$ 1	\$ 2	\$ 1	\$ 1
Amortization of actuarial loss	4	—	2	—	—
Net periodic pension costs	\$ 10	\$ 1	\$ 4	\$ 1	\$ 1

OTHER POST-RETIREMENT BENEFIT PLANS

Duke Energy provides, and the Subsidiary Registrants participate in, certain health care and life insurance benefits for retired employees on a contributory and non-contributory basis.

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

(in millions)	Three Months Ended June 30, 2018							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Service cost	\$ 2	\$ 1	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Interest cost on accumulated post-retirement benefit obligation	7	1	2	2	2	1	1	—
Expected return on plan assets	(4)	(2)	—	—	—	—	—	—
Amortization of actuarial loss	2	1	1	—	—	—	1	—
Amortization of prior service credit	(5)	(1)	(2)	—	(2)	—	—	(1)
Net periodic other post-retirement benefit costs	\$ 2	\$ —	\$ 1	\$ 2	\$ —	\$ 1	\$ 2	\$ (1)

(in millions)	Three Months Ended June 30, 2017							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Service cost	\$ 1	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Interest cost on accumulated post-retirement benefit obligation	9	2	3	2	2	—	—	—
Expected return on plan assets	(4)	(2)	—	—	—	—	—	—
Amortization of actuarial loss (gain)	2	(1)	5	3	2	(1)	—	—
Amortization of prior service credit	(29)	(2)	(21)	(13)	(7)	—	—	—
Net periodic other post-retirement benefit costs	\$ (21)	\$ (3)	\$ (13)	\$ (8)	\$ (3)	\$ (1)	\$ —	\$ —

(in millions)	Six Months Ended June 30, 2018							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Service cost	\$ 3	\$ 1	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Interest cost on accumulated post-retirement benefit obligation	14	3	6	3	3	1	2	—
Expected return on plan assets	(6)	(4)	—	—	—	—	—	—
Amortization of actuarial loss	3	1	1	—	—	—	2	—
Amortization of prior service credit	(10)	(2)	(4)	—	(3)	—	—	(1)
Net periodic other post-retirement benefit costs	\$ 4	\$ (1)	\$ 3	\$ 3	\$ —	\$ 1	\$ 4	\$ (1)

(in millions)	Six Months Ended June 30, 2017							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Service cost	\$ 2	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Interest cost on accumulated post-retirement benefit obligation	18	4	7	4	4	—	—	—
Expected return on plan assets	(7)	(4)	—	—	—	—	—	—
Amortization of actuarial loss (gain)	4	(2)	10	6	4	(1)	—	—
Amortization of prior service credit	(58)	(4)	(42)	(27)	(15)	—	—	—
Net periodic other post-retirement benefit costs	\$ (41)	\$ (6)	\$ (25)	\$ (17)	\$ (7)	\$ (1)	\$ —	\$ —

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EMPLOYEE SAVINGS PLAN

Duke Energy sponsors, and the Subsidiary Registrants participate in, an employee savings plan that covers substantially all employees. The following table includes employer contributions made by Duke Energy and expensed by the Subsidiary Registrants.

(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Three Months Ended June 30,								
2018	\$ 48	\$ 15	\$ 13	\$ 9	\$ 4	\$ 1	\$ 2	\$ 2
2017	39	13	12	8	4	1	2	1
Six Months Ended June 30,								
2018	\$ 118	\$ 38	\$ 32	\$ 22	\$ 10	\$ 2	\$ 5	\$ 6
2017	104	35	30	21	9	2	5	3

17. INCOME TAXES

Tax Act

On December 22, 2017, President Trump signed the Tax Act into law. Among other provisions, the Tax Act lowered the corporate federal income tax rate from 35 percent to 21 percent, limits interest deductions outside of regulated utility operations, requires the normalization of excess deferred taxes associated with property under the average rate assumption method as a prerequisite to qualifying for accelerated depreciation and repealed the federal manufacturing deduction. The Tax Act also repealed the corporate alternative minimum tax (AMT) and stipulates a refund of 50 percent of remaining AMT credit carryforwards (to the extent the credits exceed regular tax for the year) for tax years 2018, 2019 and 2020 with all remaining AMT credits to be refunded in tax year 2021.

At this time, AMT credits that are treated as refundable under the Tax Act are among the certain refundable tax credits that are subject to sequestration. In the first quarter of 2018, the company revised the December 31, 2017, estimate of the income tax effects of the Tax Act and recorded a \$76 million valuation allowance against these AMT credits based on additional interpretative guidance from the Internal Revenue Service related to the Tax Act. See Note 22 to the Consolidated Financial Statements in the Annual Report on Form 10-K/A for the year ended December 31, 2017, for information on the U.S. Securities and Exchange Commission staff's guidance on accounting for the Tax Act (Staff Accounting Bulletin No. 118 (SAB 118), Income Tax Accounting Implications of the Tax Cuts and Jobs Act).

No provisional adjustments to the estimate of the income tax effects of the Tax Act were recorded for the three months ended June 30, 2018 in accordance with SAB 118.

EFFECTIVE TAX RATES

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Duke Energy	16.5%	32.1%	19.9%	32.3%
Duke Energy Carolinas	21.5%	34.7%	21.8%	35.0%
Progress Energy	17.3%	33.4%	15.4%	33.7%
Duke Energy Progress	20.1%	31.9%	16.8%	33.0%
Duke Energy Florida	18.0%	36.8%	17.4%	36.7%
Duke Energy Ohio	25.8%	34.8%	16.0%	35.1%
Duke Energy Indiana	25.8%	39.4%	25.8%	39.4%
Piedmont	27.3%	38.5%	23.9%	37.9%

The decrease in the effective tax rate (ETR) for Duke Energy and the Subsidiary Registrants for the three months ended June 30, 2018, is primarily due to the lower statutory federal corporate tax rate under the Tax Act. The decrease in the ETR for Duke Energy and the Subsidiary Registrants for the six months ended June 30, 2018, is primarily due to the lower statutory federal corporate tax rate under the Tax Act and the amortization of federal and state excess deferred taxes, partially offset by a valuation allowance against AMT credits discussed above.

The decrease in the ETR for Duke Energy Carolinas for the three and six months ended June 30, 2018, is primarily due to the lower statutory federal corporate tax rate under the Tax Act and the amortization of state excess deferred taxes.

The decrease in the ETR for Progress Energy for the three and six months ended June 30, 2018, is primarily due to the lower statutory federal corporate tax rate under the Tax Act and the amortization of federal and state excess deferred taxes.

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The decrease in the ETR for Duke Energy Progress for the three months ended June 30, 2018, is primarily due to the lower statutory federal tax rate under the Tax Act. The decrease in the ETR for Duke Energy Progress for the six months ended June 30, 2018, is primarily due to the lower statutory federal tax rate under the Tax Act and the amortization of state excess deferred taxes.

The decrease in the ETR for Duke Energy Florida for the three and six months ended June 30, 2018, is primarily due to the lower statutory federal corporate tax rate under the Tax Act and the amortization of federal excess deferred taxes.

The decrease in the ETR for Duke Energy Ohio for the three months ended June 30, 2018, is primarily due to the lower statutory federal tax rate under the Tax Act. The decrease in the ETR for Duke Energy Ohio for the six months ended June 30, 2018, is primarily due to the lower statutory federal tax rate under the Tax Act and an increase in AFUDC equity.

The decrease in the ETR for Duke Energy Indiana for the three and six months ended June 30, 2018, is primarily due to the lower statutory federal corporate tax rate under the Tax Act.

The decrease in the ETR for Piedmont for the three and six months ended June 30, 2018, is primarily due to the lower statutory federal corporate tax rate under the Tax Act.

18. SUBSEQUENT EVENTS

For information on subsequent events related to regulatory matters and commitments and contingencies see Notes 3 and 4, respectively.

PART I

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

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

DUKE ENERGY

Duke Energy is an energy company headquartered in Charlotte, North Carolina. Duke Energy operates in the United States (U.S.) primarily through its wholly owned subsidiaries, Duke Energy Carolinas, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio, Duke Energy Indiana and Piedmont. When discussing Duke Energy's consolidated financial information, it necessarily includes the results of the Subsidiary Registrants, which, along with Duke Energy, are collectively referred to as the Duke Energy Registrants.

Management's Discussion and Analysis should be read in conjunction with the Condensed Consolidated Financial Statements and Notes for the six months ended June 30, 2018, and with Duke Energy's Annual Report on Form 10-K/A for the year ended December 31, 2017.

Executive Overview

Regulatory Activity

In 2018, Duke Energy advanced regulatory activity underway in multiple jurisdictions, as follows:

Duke Energy Carolinas received an order on its rate case from the North Carolina Utilities Commission (NCUC) on June 22, 2018. Major components of the order included: a return on equity of 9.9 percent, recovery of past coal ash remediation costs, recovery of Lee Nuclear Project development costs, and partial clarity on the treatment of federal taxes. On July 27, 2018, the NCUC approved Duke Energy Carolinas' compliance filing. As a result, revised customer rates will become effective on August 1, 2018.

Duke Energy Progress received an order on its rate case from the NCUC on February 23, 2018. Some of the major components of the order are: a return on equity of 9.9 percent; recovery of past coal ash remediation costs; recovery of deferred storm costs from 2016; and new rates in effect mid-March 2018.

Duke Energy Carolinas and Duke Energy Progress filed a joint petition with the Public Service Commission of South Carolina (PSCSC) seeking an order to defer certain costs associated with grid reliability, resiliency, and modernization work that is being performed under the Power/Forward initiative. Duke Energy Carolinas also petitioned the PSCSC seeking an order to defer certain costs associated with the William States Lee Combined Cycle Facility, the new billing and customer information system and the addition of the Carolinas West Primary Distribution Control Center. Duke Energy Progress also petitioned the PSCSC seeking an order to adopt the new depreciation rates and to defer certain costs associated with the deployment of advanced metering infrastructure, the new billing and customer information system and the costs incurred in connection with the excess return of certain state taxes from North Carolina. These petitions were approved on July 25, 2018.

Duke Energy Florida filed a petition with the Florida Public Service Commission (FPSC) on May 31, 2018, related to approximately \$200 million of customer savings associated with the Federal Tax Cuts and Jobs Act (Tax Act). The tax savings will offset accelerated depreciation of Crystal River Units 4 and 5 and Hurricane Irma storm cost recovery. The petition is subject to review and approval by the FPSC.

Duke Energy Ohio along with the Public Utilities Commission of Ohio (PUCO) Staff and certain intervenors filed a Stipulation and Recommendation (Stipulation) with PUCO on April 13, 2018, and the evidentiary hearing will conclude on August 6, 2018. The Stipulation, subject to approval by the PUCO, is in connection with Duke Energy Ohio's rate case and other regulatory matters.

On July 25, 2018, Duke Energy Ohio filed an application to establish a new rider to implement the benefits of the Tax Act for electric distribution customers. If approved, the new rider will flow through to customers the benefit of the lower statutory federal tax rate since January 1, 2018, all future benefits of the lower tax rates and a full refund of deferred income taxes collected at the higher tax rates in prior years. Deferred income taxes subject to normalization rules will be refunded consistent with federal law and deferred income taxes not subject to normalization rules will be refunded over a 10-year period. An order is expected before the end of the year.

Duke Energy Kentucky received an order on its rate case from the Kentucky Public Service Commission on April 13, 2018. The order granted an annual revenue increase of \$21 million, incorporating customer benefits from the Tax Act as well as rider recovery of environmental costs, including coal ash. Duke Energy Kentucky implemented new base rates on May 1, 2018.

On June 27, 2018, Duke Energy Indiana, the Indiana Office of Utility Consumers Counselor and others filed testimony consistent with their Stipulation and Settlement Agreement in the federal tax proceedings with the Indiana Utility Regulatory Commission (IURC). Major components include riders to reflect the lower federal tax rate as they are filed in 2018, base rates to reflect the lower federal tax rate upon approval, but no later than September 1, 2018, and a timeline for returning federal excess deferred income taxes to customers. The settlement is subject to review and approval by the IURC.

See Note 3 to the Condensed Consolidated Financial Statements, "Regulatory Matters" for additional information.

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Results of Operations

Non-GAAP Measures

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

Management evaluates financial performance in part based on non-GAAP financial measures, including adjusted earnings and adjusted diluted earnings per share (EPS). Adjusted earnings and adjusted diluted EPS represent income from continuing operations attributable to Duke Energy, adjusted for the dollar and per-share impact of special items. As discussed below, special items represent certain charges and credits, which management believes are not indicative of Duke Energy's ongoing performance.

Management believes the presentation of adjusted earnings and adjusted diluted EPS provides useful information to investors, as it provides them with an additional relevant comparison of Duke Energy's performance across periods. Management uses these non-GAAP financial measures for planning and forecasting and for reporting financial results to the Duke Energy Board of Directors, employees, stockholders, analysts and investors. Adjusted diluted EPS is also used as a basis for employee incentive bonuses. The most directly comparable GAAP measures for adjusted earnings and adjusted diluted EPS are Net Income Attributable to Duke Energy Corporation (GAAP Reported Earnings) and Diluted EPS Attributable to Duke Energy Corporation common stockholders (GAAP Reported EPS), respectively.

Special items included in the periods presented include the following items, which management believes do not reflect ongoing costs:

- Costs to Achieve Piedmont Merger represent charges that result from the Piedmont acquisition.
- Regulatory and Legislative Impacts represent charges related to rate case orders, settlements or other actions of regulators or legislative bodies.
- Sale of Retired Plant represents the loss associated with selling Beckjord Generating Station (Beckjord), a nonregulated generating facility in Ohio.
- Impairment of Equity Method Investment represents an other-than-temporary impairment (OTTI) of an investment in Constitution Pipeline Company, LLC (Constitution).
- Impacts of the Tax Act represents an alternative minimum tax (AMT) valuation allowance recognized related to the Tax Act.

Three Months Ended June 30, 2018, as compared to June 30, 2017

GAAP Reported EPS was \$0.71 for the second quarter of 2018 compared to \$0.98 for the second quarter of 2017. The decrease in GAAP Reported EPS was primarily due to regulatory and legislative charges related to the Duke Energy Carolinas North Carolina rate case order and the repeal of the South Carolina Base Load Review Act, increased operations and maintenance expense primarily from higher storm costs, higher depreciation and amortization expense from growth in rate base, and increased interest expense due to higher outstanding debt and lower tax shield on holding company interest as a result of the Tax Act. These drivers were partially offset by favorable weather and positive net margin contributions from the Duke Energy Progress North Carolina rate case order.

As discussed above, management also evaluates financial performance based on adjusted diluted EPS. Duke Energy's second quarter 2018 adjusted diluted EPS was \$0.93 compared to \$1.01 for the second quarter of 2017. The decrease in adjusted earnings was primarily due to increased operations and maintenance expense primarily from higher storm costs, higher depreciation and amortization expense from growth in rate base, and increased interest expense due to higher outstanding debt and lower tax shield on holding company interest as a result of the Tax Act. These drivers were partially offset by favorable weather and positive net margin contributions from the Duke Energy Progress North Carolina rate case order.

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

(in millions, except per-share amounts)	Three Months Ended June 30,			
	2018		2017	
	Earnings	EPS	Earnings	EPS
GAAP Reported Earnings/GAAP Reported EPS	\$ 500	\$ 0.71	\$ 686	\$ 0.98
Adjustments:				
Regulatory and Legislative Impacts ^(a)	136	0.19	—	—
Costs to Achieve Piedmont Merger ^(b)	15	0.02	19	0.03
Discontinued Operations	5	0.01	2	—
Adjusted Earnings/Adjusted Diluted EPS	\$ 656	\$ 0.93	\$ 707	\$ 1.01

- (a) Net of \$43 million tax benefit.
(b) Net of \$5 million tax benefit in 2018 and \$11 million tax benefit in 2017.

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Six Months Ended June 30, 2018, as compared to June 30, 2017

Duke Energy's GAAP Reported EPS was \$1.59 for the six months ended June 30, 2018, compared to \$2.00 for the six months ended June 30, 2017. The decrease in GAAP Reported EPS was driven by regulatory and legislative charges related to the Duke Energy Carolinas North Carolina rate case order and the repeal of the South Carolina Base Load Review Act, higher depreciation and amortization expense from growth in rate base, and increased interest expense due to higher outstanding debt and lower tax shield on holding company interest as a result of the Tax Act. These drivers were partially offset by favorable weather and positive net margin contributions from the Duke Energy Progress North Carolina rate case order.

As discussed above, management also evaluates financial performance based on adjusted diluted EPS. Duke Energy's adjusted diluted EPS for the six months ended June 30, 2018, was \$2.22 compared to \$2.05 for the six months ended June 30, 2017. The increase in adjusted earnings for the six months ended June 30, 2018, compared to the same period in 2017, was primarily due to favorable weather at Electric Utilities and Infrastructure.

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

(in millions, except per-share amounts)	Six Months Ended June 30,			
	2018		2017	
	Earnings	EPS	Earnings	EPS
GAAP Reported Earnings/GAAP Reported EPS	\$ 1,120	\$ 1.59	\$ 1,402	\$ 2.00
Adjustments:				
Regulatory and Legislative Impacts ^(a)	202	0.29	—	—
Sale of Retired Plant ^(b)	82	0.12	—	—
Impacts of the Tax Act (AMT valuation allowance)	76	0.11	—	—
Impairment of Equity Method Investment ^(c)	42	0.06	—	—
Costs to Achieve Piedmont Merger ^(d)	28	0.04	29	0.05
Discontinued Operations	5	0.01	2	—
Adjusted Earnings/Adjusted Diluted EPS	\$ 1,555	\$ 2.22	\$ 1,433	\$ 2.05

(a) Net of \$63 million tax benefit.

(b) Net of \$25 million tax benefit.

(c) Net of \$13 million tax benefit.

(d) Net of \$9 million tax benefit in 2018 and \$17 million tax benefit in 2017.

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 Condensed 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 2 to the Condensed Consolidated Financial Statements, "Business Segments," for additional information on Duke Energy's segment structure.

Tax Act

On December 22, 2017, President Trump signed the Tax Act into law. Among other provisions, the Tax Act lowered the corporate federal income tax rate from 35 percent to 21 percent, limits interest deductions outside of regulated utility operations, requires the normalization of excess deferred taxes associated with property under the average rate assumption method as a prerequisite to qualifying for accelerated depreciation and repealed the federal manufacturing deduction. The Tax Act also repealed the corporate AMT and stipulates a refund of 50 percent of remaining AMT credit carryforwards (to the extent the credits exceed regular tax for the year) for tax years 2018, 2019 and 2020 with all remaining AMT credits to be refunded in tax year 2021. The Tax Act also could be amended or subject to technical correction, which could change the financial impacts that were recorded since December 31, 2017, or are expected to be recorded in future periods. The Federal Energy Regulatory Commission (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 addressing the rate treatment of the Tax Act by each state utility commission in which the Subsidiary Registrants operate. In January 2018, the Subsidiary Registrants began deferring the estimated ongoing impacts of the Tax Act that are expected to be returned to customers. See Note 17 to the Condensed Consolidated Financial Statements, "Income Taxes," for additional information on the Tax Act.

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Electric Utilities and Infrastructure

(in millions)	Three Months Ended June 30,			Six Months Ended June 30,		
	2018	2017	Variance	2018	2017	Variance
Operating Revenues	\$ 5,223	\$ 5,158	\$ 65	\$ 10,546	\$ 10,105	\$ 441
Operating Expenses						
Fuel used in electric generation and purchased power	1,582	1,549	33	3,267	3,003	264
Operation, maintenance and other	1,395	1,299	96	2,720	2,603	117
Depreciation and amortization	838	714	124	1,673	1,451	222
Property and other taxes	279	270	9	553	531	22
Impairment charges	172	2	170	215	2	213
Total operating expenses	4,266	3,834	432	8,428	7,590	838
Gains on Sales of Other Assets and Other, net	—	1	(1)	1	4	(3)
Operating Income	957	1,325	(368)	2,119	2,519	(400)
Other Income and Expenses	91	110	(19)	179	222	(43)
Interest Expense	316	305	11	633	620	13
Income Before Income Taxes	732	1,130	(398)	1,665	2,121	(456)
Income Tax Expense	157	401	(244)	340	757	(417)
Segment Income	\$ 575	\$ 729	\$ (154)	\$ 1,325	\$ 1,364	\$ (39)
Duke Energy Carolinas gigawatt-hours (GWh) sales	22,272	21,243	1,029	44,899	42,024	2,875
Duke Energy Progress GWh sales	15,896	15,562	334	33,122	31,199	1,923
Duke Energy Florida GWh sales	10,304	10,740	(436)	19,423	19,045	378
Duke Energy Ohio GWh sales	6,147	5,901	246	12,219	11,960	259
Duke Energy Indiana GWh sales	8,301	7,972	329	16,786	16,180	606
Total Electric Utilities and Infrastructure GWh sales	62,920	61,418	1,502	126,449	120,408	6,041
Net proportional megawatt (MW) capacity in operation				49,297	48,877	420

Three Months Ended June 30, 2018, as Compared to June 30, 2017

Electric Utilities and Infrastructure's results were impacted by charges related to the Duke Energy Carolinas North Carolina rate case order, higher operation and maintenance expenses and increased depreciation and amortization, partially offset by favorable weather compared to the prior year and a positive net contribution from the Duke Energy Progress North Carolina rate case. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by:

- an \$82 million increase in fuel related revenues due to higher sales volumes and increases in fuel rates billed to customers;
- an \$81 million increase in retail sales, net of fuel revenues, due to favorable weather in the current year; and
- a \$43 million increase in retail pricing primarily due to the Duke Energy Progress North Carolina rate case.

Partially offset by:

- a \$127 million decrease due to revenues subject to refund to customers associated with the lower statutory federal corporate tax rate under the Tax Act; and
- a \$5 million decrease in weather-normal retail sales volumes.

Operating Expenses. The variance was driven primarily by:

- a \$170 million increase in impairment charges primarily due to the impacts associated with the Duke Energy Carolinas North Carolina rate case;
- a \$124 million increase in depreciation and amortization expense primarily due to higher amortization of deferred coal ash costs, additional plant in service and new depreciation rates per the Duke Energy Progress North Carolina rate case;
- a \$96 million increase in operation, maintenance and other expense primarily due to higher operational costs that are recoverable in rates and higher storm costs and amortizations; and
- a \$33 million increase in fuel used in electric generation and purchased power primarily due to higher sales and higher deferred fuel expenses.

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Other Income and Expenses. The decrease was primarily due to lower allowance for funds used during construction (AFUDC) equity and a decrease in recognition of post-in-service equity returns for projects that had been completed prior to being reflected in customer rates at Duke Energy Carolinas and lower income from non-service components of employee benefit costs in the current year at Duke Energy Progress. For additional information on employee benefit costs, see Note 16 to the Condensed Consolidated Financial Statements, "Employee Benefit Plans."

Income Tax Expense. The variance was primarily due to the lower statutory federal corporate tax rate under the Tax Act and a decrease in pretax income. The effective tax rates (ETRs) for the three months ended June 30, 2018, and 2017 were 21.4 percent and 35.5 percent, respectively. The decrease in the ETR was primarily due to the lower statutory federal corporate tax rate under the Tax Act and the amortization of excess deferred taxes. For additional information, see Note 17 to the Condensed Consolidated Financial Statements, "Income Taxes."

Six Months Ended June 30, 2018, as Compared to June 30, 2017

Electric Utilities and Infrastructure's results were impacted by charges related to the Duke Energy Carolinas and Duke Energy Progress North Carolina rate case orders and higher depreciation and amortization, partially offset by favorable weather compared to the prior year and a positive net contribution from the Duke Energy Progress North Carolina rate case. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by:

- a \$307 million increase in fuel related revenues due to higher sales volumes and increases in fuel rates billed to customers;
- a \$255 million increase in retail sales, net of fuel revenues, due to favorable weather in the current year;
- a \$73 million increase in retail pricing primarily due to the Duke Energy Progress North Carolina rate case and Duke Energy Florida base rate adjustments for the Osprey acquisition and the completion of the Hines Energy Complex Chiller Uprate Project;
- a \$24 million increase in weather-normal retail sales volumes; and
- a \$23 million increase in wholesale power revenues, net of sharing and fuel, primarily due to recovery of coal ash costs at Duke Energy Carolinas and Duke Energy Progress, partially offset by customer refunds in the current year related to a FERC order on a complaint filed by the Piedmont Municipal Power Agency (PMPA) at Duke Energy Carolinas.

Partially offset by:

- a \$258 million decrease due to revenues subject to refund to customers associated with the lower statutory federal corporate tax rate under the Tax Act.

Operating Expenses. The variance was driven primarily by:

- a \$264 million increase in fuel used in electric generation and purchased power, due to higher sales and higher deferred fuel expenses;
- a \$222 million increase in depreciation and amortization expense primarily due to higher amortization of deferred coal ash costs, additional plant in service and new depreciation rates per the Duke Energy Progress North Carolina rate case;
- a \$213 million increase in impairment charges primarily due to the impacts associated with the Duke Energy Carolinas and Duke Energy Progress North Carolina rate cases; and
- a \$117 million increase in operation, maintenance and other expense primarily due to impacts associated with the Duke Energy Progress North Carolina rate case and higher storm cost amortization.

Other Income and Expenses. The decrease was primarily due to lower AFUDC equity and lower income from non-service components of employee benefit costs in the current year at Duke Energy Progress. For additional information on employee benefit costs, see Note 16 to the Condensed Consolidated Financial Statements, "Employee Benefit Plans."

Income Tax Expense. The variance was primarily due to the lower statutory federal corporate tax rate under the Tax Act and a decrease in pretax income. The ETRs for the six months ended June 30, 2018, and 2017 were 20.4 percent and 35.7 percent, respectively. The decrease in the ETR was primarily due to the lower statutory federal corporate tax rate under the Tax Act and the amortization of excess deferred taxes.

Matters Impacting Future Electric Utilities and Infrastructure Results

On May 18, 2016, the North Carolina Department of Environmental Quality (NCDEQ) issued proposed risk classifications for all coal ash surface impoundments in North Carolina. All ash impoundments not previously designated as high priority by the North Carolina Coal Ash Management Act of 2014 (Coal Ash Act) were designated as intermediate risk. Certain impoundments classified as intermediate risk, however, may be reassessed in the future as low risk pursuant to legislation 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 results of operations, financial position and cash flows.

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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. In addition, the orders issued in the Duke Energy Carolinas and Duke Energy Progress North Carolinas rate cases supporting recovery of past coal ash remediation costs have been appealed by various parties. The outcome of these appeals, lawsuits and potential fines and penalties could have an adverse impact on Electric Utilities and Infrastructure's results of operations, financial position and cash flows. See Notes 3 and 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters" and "Commitments and Contingencies," respectively, for additional information.

On June 22, 2018 Duke Energy Carolinas received an order from the NCUC, which denied the Grid Rider Stipulation and deferral treatment of Power/Forward costs. Duke Energy Carolinas may petition for deferral of grid modernization costs outside of a general rate case proceeding if it can show financial hardship or a stipulation that includes greater consensus among intervening parties on costs being classified as grid modernization. While Duke Energy Progress did not request recovery of these costs in its most recent case with the NCUC, Duke Energy Progress may request recovery of certain grid modernization costs in future regulatory proceedings. Electric Utilities and Infrastructure's results of operations, financial position and cash flows could be adversely impacted if grid modernization costs are not ultimately approved for recovery and/or deferral treatment. See Note 3 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

On June 30, 2017, CertainTeed Gypsum NC, Inc. (CertainTeed) filed a declaratory judgment action against Duke Energy Progress in the North Carolina Business Court relating to a gypsum supply agreement. In its complaint, CertainTeed sought an order from the court declaring that the minimum amount of gypsum Duke Energy Progress must provide to CertainTeed under the supply agreement is 50,000 tons per month through 2029. The trial for this matter concluded on July 16, 2018. If Duke Energy Progress does not prevail, it will have to either purchase additional gypsum on the open market to fulfill its contractual obligation through 2029 or pay some amount of liquidated damages that could have an adverse impact on Electric Utilities and Infrastructure's results of operations, financial position and cash flows. See Note 4 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

Duke Energy Florida is constructing the 1,640-MW combined-cycle natural gas plant in Citrus County, Florida, and expects it to be commercially available in 2018. Failure to complete the construction and achieve commercial operations by the end of 2018 or actual costs in excess of the estimated amount not collected from customers could materially impact Electric Utilities and Infrastructure's results of operations, financial position and cash flows. See Note 3 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

On February 6, 2018, the FPSC approved a stipulation that would apply tax savings resulting from the Tax Act toward storm costs effective January 2018 in lieu of implementing a storm surcharge. On May 31, 2018, Duke Energy Florida filed for recovery of the storm costs. Storm costs are currently expected to be fully recovered by approximately mid-2021. The evidentiary hearing in this storm cost matter is scheduled for the week of October 15, 2018. An order disallowing recovery of these costs could have an adverse impact on Electric Utilities and Infrastructure's results of operations, financial position and cash flows. See Note 3 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

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. On April 13, 2018, Duke Energy Ohio filed a Stipulation with the PUCO to resolve issues in the electric distribution base rate case and other regulatory matters. If approved by PUCO, the Stipulation would allow for Duke Energy Ohio to recover gains and losses incurred on and after January 1, 2018, related to OVEC, through the Price Stabilization Rider. Hearings will conclude on August 6, 2018. Electric Utilities and Infrastructure's results of operations, financial position and cash flows could be adversely impacted if the Stipulation is denied by the PUCO. See Note 3 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Duke Energy Registrants' Annual Reports on Form 10-K/A for the year ended December 31, 2017, for discussion of risks associated with the Tax Act.

PART I

Gas Utilities and Infrastructure

(in millions)	Three Months Ended June 30,			Six Months Ended June 30,		
	2018	2017	Variance	2018	2017	Variance
Operating Revenues	\$ 318	\$ 301	\$ 17	\$ 1,045	\$ 971	\$ 74
Operating Expenses						
Cost of natural gas	89	76	13	402	334	68
Operation, maintenance and other	103	94	9	211	199	12
Depreciation and amortization	60	57	3	121	114	7
Property and other taxes	26	26	—	57	56	1
Total operating expenses	278	253	25	791	703	88
Operating Income	40	48	(8)	254	268	(14)
Other Income and Expenses	22	21	1	(13)	39	(52)
Interest Expense	26	26	—	53	52	1
Income Before Income Taxes	36	43	(7)	188	255	(67)
Income Tax Expense	8	16	(8)	44	95	(51)
Segment Income	\$ 28	\$ 27	\$ 1	\$ 144	\$ 160	\$ (16)

Piedmont local distribution company (LDC) throughput (dekatherms)	116,839,962	94,013,754	22,826,208	271,741,341	227,290,541	44,450,800
Duke Energy Midwest LDC throughput (Mcf)	15,615,050	12,204,767	3,410,283	52,741,115	43,035,766	9,705,349

Three Months Ended June 30, 2018, as Compared to June 30, 2017

Gas Utilities and Infrastructure's results were primarily impacted by favorable weather and volumes, price adjustments and customer growth; offset by unfavorable operations, maintenance and other. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven by:

- a \$13 million increase due to higher natural gas costs passed through to customers from higher volumes sold and higher natural gas prices;
- a \$9 million increase primarily due to residential and commercial customer revenue, net of natural gas costs passed through to customers, due to customer growth and Integrity Management Rider (IMR) rate adjustments at Piedmont; and
- a \$3 million increase primarily due to favorable weather in the current year and higher volumes in the Midwest.

Partially offset by:

- a \$9 million decrease due to revenues subject to refund to customers associated with the lower statutory federal corporate tax rate under the Tax Act.

Operating Expenses. The variance was driven by:

- a \$13 million increase in cost of natural gas due to higher volumes sold and higher natural gas prices;
- a \$9 million increase in operations, maintenance and other primarily due to increased gas operations and regulated utilities expenses; and
- a \$3 million increase in depreciation and amortization due to additional plant-in-service.

Income Tax Expense. The variance was primarily due to the lower statutory federal corporate tax rate under the Tax Act. The ETRs for the three months ended June 30, 2018, and 2017 were 22.2 percent and 37.2 percent, respectively. The decrease in the ETR was primarily due to the lower statutory corporate tax rate under the Tax Act. For additional information, see Note 17 to the Condensed Consolidated Financial Statements, "Income Taxes."

Six Months Ended June 30, 2018, as Compared to June 30, 2017

Gas Utilities and Infrastructure's results were primarily impacted by the OTTI recorded on the Constitution investment. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven by:

- a \$68 million increase due to higher natural gas costs passed through to customers due to higher volumes sold and higher natural gas prices;
- a \$31 million increase primarily due to residential and commercial customer revenue, net of natural gas costs passed through to customers, due to customer growth, IMR rate adjustments and new power generation customers at Piedmont; and

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- a \$10 million increase primarily due to favorable weather in the current year and higher volumes sold in the Midwest.

Partially offset by:

- a \$38 million decrease due to revenues subject to refund to customers associated with the lower statutory federal corporate tax rate under the Tax Act.

Operating Expenses. The variance was driven by:

- a \$68 million increase in cost of natural gas primarily due to higher volumes sold and higher natural gas prices;
- a \$12 million increase in operations, maintenance and other primarily due to increased regulated utilities and gas operations expenses; and
- a \$7 million increase in depreciation and amortization due to additional plant-in-service.

Other Income and Expenses. The decrease was primarily due to the OTTI recorded for the investment in Constitution in the current year.

Income Tax Expense. The variance was primarily due to the lower statutory federal corporate tax rate under the Tax Act. The ETRs for the six months ended June 30, 2018, and 2017 were 23.4 percent and 37.3 percent, respectively. The decrease in the ETR was primarily due to the lower statutory federal corporate tax rate under the Tax Act. For additional information, see Note 17 to the Condensed Consolidated Financial Statements, "Income Taxes."

Matters Impacting Future Gas Utilities and Infrastructure Results

Gas Utilities and Infrastructure has a 47 percent ownership interest in Atlantic Coast Pipeline, LLC (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 will range from \$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, a potential delay in the targeted in-service date and potential impairment charges. See Note 3 to the Condensed 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 June 30, 2018.

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Duke Energy Registrants' Annual Reports on Form 10-K/A for the year ended December 31, 2017, for discussion of risks associated with the Tax Act.

PART I

Commercial Renewables

(in millions)	Three Months Ended June 30,			Six Months Ended June 30,		
	2018	2017	Variance	2018	2017	Variance
Operating Revenues	\$ 119	\$ 110	\$ 9	\$ 220	\$ 238	\$ (18)
Operating Expenses						
Operation, maintenance and other	69	58	11	124	136	(12)
Depreciation and amortization	38	38	—	76	77	(1)
Property and other taxes	6	8	(2)	13	17	(4)
Total operating expenses	113	104	9	213	230	(17)
Gains on Sales of Other Assets and Other, net	—	2	(2)	—	4	(4)
Operating Income	6	8	(2)	7	12	(5)
Other Income and Expenses	18	(1)	19	20	(1)	21
Interest Expense	23	23	—	45	42	3
Income (Loss) Before Income Taxes	1	(16)	17	(18)	(31)	13
Income Tax Benefit	(36)	(42)	6	(75)	(81)	6
Less: Loss Attributable to Noncontrolling Interests	(1)	—	(1)	(1)	(1)	—
Segment Income	\$ 38	\$ 26	\$ 12	\$ 58	\$ 51	\$ 7
Renewable plant production, GWh	2,471	2,231	240	4,651	4,516	135
Net proportional MW capacity in operation				2,951	2,908	43

Three Months Ended June 30, 2018, as Compared to June 30, 2017

Commercial Renewables' results were favorably impacted by the bankruptcy court approval of the North Allegheny Windfarm (NAW) and FirstEnergy Solutions (FES) settlement agreement. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The increase in revenues was primarily due to an increase in the number of engineering, procurement and construction (EPC) agreements at REC Solar, a California-based provider of solar installations owned by Duke Energy.

Operating Expenses. The increase in operation, maintenance and other was primarily due to an increase in the number of EPC agreements at REC Solar and higher solar development spending in the current year.

Other Income and Expenses. The increase in other income and expenses was primarily due to the bankruptcy court approved NAW and FES settlement agreement, which allowed retention of previously collected cash collateral under the purchase power agreements (PPAs) and mark-to-market gains on interest rate swaps.

Income Tax Benefit. The variance was primarily due to a decrease in pretax losses.

Six Months Ended June 30, 2018, as Compared to June 30, 2017

Commercial Renewables' results were favorably impacted by the bankruptcy court approval of the NAW and FES settlement agreement. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The decrease was primarily due to a reduction in the number of EPC agreements from REC Solar.

Operating Expenses. The decrease was primarily due to lower operations and maintenance expense from a reduction in the number of EPC agreements at REC Solar and lower property taxes due to non-recurring property tax payments made in the prior year, partially offset by higher solar development spending in the current year.

Other Income and Expenses. The increase in other income was primarily due to the bankruptcy court approved NAW and FES settlement agreement, which allowed retention of previously collected cash collateral under the PPAs and mark-to-market gains on interest rate swaps.

Interest Expense. The variance was primarily due to higher debt outstanding as a result of new project financings.

Income Tax Benefit. The variance was primarily due to a decrease in pretax losses.

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 June 30, 2018.

Persistently low market pricing for wind resources, primarily in the Electric Reliability Council of Texas West market and PJM Interconnection, LLC (PJM) west and the future expiration of tax incentives including investment tax credits and production tax credits could result in adverse impacts to the future results of operations, financial position and cash flows of Commercial Renewables.

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Deterioration in credit quality resulting in bankruptcy of an offtaker of power from contracted wind or solar assets could result in adverse impacts to the future results of operations, financial position and cash flows of Commercial Renewables. On March 31, 2018, FES, a subsidiary of FirstEnergy and counterparty to two PPAs with NAW, filed for Chapter 11 bankruptcy. On June 18, 2018, The United States Bankruptcy Court's Northern District of Ohio Eastern Division approved the Stipulation between FES and NAW. The Stipulation resulted in, among other items, the termination of the two PPAs between FES and NAW, as a result, NAW is subject to market pricing in the PJM west market.

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Duke Energy Registrants' Annual Reports on Form 10-K/A for the year ended December 31, 2017, for discussion of risks associated with the Tax Act.

Other

(In millions)	Three Months Ended June 30,			Six Months Ended June 30,		
	2018	2017	Variance	2018	2017	Variance
Operating Revenues	\$ 32	\$ 35	\$ (3)	\$ 67	\$ 68	\$ (1)
Operating Expenses						
Fuel used in electric generation and purchased power	15	14	1	29	29	—
Operation, maintenance and other	3	19	(16)	6	27	(21)
Depreciation and amortization	37	26	11	70	52	18
Property and other taxes	4	4	—	8	7	1
Impairment charges	—	7	(7)	—	7	(7)
Total operating expenses	59	70	(11)	113	122	(9)
Gains (Loss) on Sales of Other Assets and Other, net	2	6	(4)	(99)	11	(110)
Operating Loss	(25)	(29)	4	(145)	(43)	(102)
Other Income and Expenses, net	27	29	(2)	41	50	(9)
Interest Expense	164	139	25	321	273	48
Loss Before Income Taxes	(162)	(139)	(23)	(425)	(266)	(159)
Income Tax Benefit	(28)	(48)	20	(27)	(100)	73
Less: Income Attributable to Noncontrolling Interests	2	3	(1)	4	5	(1)
Net Loss	\$ (136)	\$ (94)	\$ (42)	\$ (402)	\$ (171)	\$ (231)

Three Months Ended June 30, 2018, as Compared to June 30, 2017

Other's higher net loss was driven by increased interest expense and lower income tax benefit. The following is a detailed discussion of the variance drivers by line item.

Interest Expense. The variance was primarily due to an increase in long-term debt as well as higher short-term interest rates.

Income Tax Benefit. The variance was primarily due to the lower statutory corporate federal income tax rate under the Tax Act, partially offset by an increase in pretax losses. For additional information, see Note 17 to the Condensed Consolidated Financial Statements, "Income Taxes."

Six Months Ended June 30, 2018, as Compared to June 30, 2017

Other's higher net loss was driven by the loss on sale of the retired Beckjord station, higher interest expense and lower income tax benefit. The following is a detailed discussion of the variance drivers by line item.

Gains (Loss) on Sales of Other Assets and Other, net. The variance was driven by the loss on sale of the retired Beckjord station, a nonregulated facility retired during 2014, including the transfer of coal ash basins and other real property and indemnification from any and all potential future claims related to the property, whether arising under environmental laws or otherwise.

Interest Expense. The variance was primarily due to an increase in long-term debt, as well as higher short-term interest rates.

Income Tax Benefit. The variance was primarily due to the valuation allowance against AMT credits and the lower statutory corporate federal income tax rate under the Tax Act, partially offset by an increase in pretax losses. For additional information, see Note 17 to the Condensed Consolidated Financial Statements, "Income Taxes."

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. On March 31, 2018, FES, a subsidiary of FirstEnergy and an ICPA counterparty with a power participation ratio of 4.85 percent, filed for Chapter 11 bankruptcy,

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which could increase costs allocated to the counterparties. Duke Energy cannot predict the impact of the bankruptcy filing on its OVEC interests. In addition, certain proposed environmental rulemaking costs could result in future increased OVEC 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. On April 13, 2018, Duke Energy Ohio filed a Stipulation with the PUCO to resolve issues in the electric distribution base rate case and other regulatory matters. If approved by PUCO, the Stipulation would allow for Duke Energy Ohio to recover gains and losses incurred on and after January 1, 2018, related to OVEC, through the Price Stabilization Rider and, as a result, Duke Energy Ohio may move its ownership interest to the Electric Utilities and Infrastructure segment. Hearings will conclude on August 6, 2018. See Note 3 to the Condensed Consolidated Financial Statements, "Regulatory Matters" for additional information.

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Duke Energy Registrants' Annual Reports on Form 10-K/A for the year ended December 31, 2017, for discussion of risks associated with the Tax Act.

DUKE ENERGY CAROLINAS

Management's Discussion and Analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes for the six months ended June 30, 2018, and 2017 and the Annual Report on Form 10-K/A for the year ended December 31, 2017.

Results of Operations

(in millions)	Six Months Ended June 30,		
	2018	2017	Variance
Operating Revenues	\$ 3,435	\$ 3,445	\$ (10)
Operating Expenses			
Fuel used in electric generation and purchased power	880	863	17
Operation, maintenance and other	950	978	(28)
Depreciation and amortization	561	523	38
Property and other taxes	147	139	8
Impairment charges	190	—	190
Total operating expenses	2,728	2,503	225
Losses on Sales of Other Assets and Other, net	(1)	—	(1)
Operating Income	706	942	(236)
Other Income and Expenses, net	74	100	(26)
Interest Expense	217	206	11
Income Before Income Taxes	563	836	(273)
Income Tax Expense	123	293	(170)
Net Income	\$ 440	\$ 543	\$ (103)

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

Increase (Decrease) over prior year	2018
Residential sales	14.9 %
General service sales	4.5 %
Industrial sales	(1.2)%
Wholesale power sales	14.7 %
Joint dispatch sales	3.9 %
Total sales	6.8 %
Average number of customers	1.5 %

Six Months Ended June 30, 2018, as Compared to June 30, 2017

Operating Revenues. The variance was driven primarily by:

- a \$122 million decrease in retail sales due to revenues subject to refund to customers associated with the lower statutory federal corporate tax rate under the Tax Act;
- a \$47 million decrease in rider revenues primarily related to energy efficiency programs; and
- an \$11 million decrease in wholesale power revenues, net of sharing and fuel, primarily due to wholesale customer refunds in the current year related to a FERC order on a complaint filed by the PMPA, partially offset by higher revenues related to recovery of coal ash costs.

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Partially offset by:

- a \$126 million increase in retail sales, net of fuel revenues, due to favorable weather in the current year;
- a \$29 million increase in fuel related revenues primarily due to higher sales; and
- a \$23 million increase in weather-normal retail sales volumes.

Operating Expenses. The variance was driven primarily by:

- a \$190 million increase in impairment charges, primarily due to the impacts of the North Carolina rate order and charges related to coal ash costs in South Carolina;
- a \$38 million increase in depreciation and amortization primarily due to additional plant in service and higher amortization of deferred coal ash costs, partially offset by lower amortization of certain regulatory assets; and
- a \$17 million increase in fuel used in electric generation and purchased power primarily due to higher sales.

Partially offset by:

- a \$28 million decrease in operation, maintenance and other expense primarily due to lower energy efficiency program costs.

Other Income and Expenses. The variance was primarily due to lower AFUDC equity and a decrease in recognition of post in-service equity returns for projects that were completed prior to being reflected in customer rates.

Interest Expense. The variance was primarily due to higher debt outstanding.

Income Tax Expense. The variance was primarily due to the lower statutory federal corporate tax rate under the Tax Act. The ETRs for the six months ended June 30, 2018, and 2017 were 21.8 percent and 35.0 percent, respectively. The decrease in the ETR was primarily due to the lower statutory federal corporate tax rate under the Tax Act and levelization for annual amortization of state excess deferred taxes. For additional information, see Note 17 to the Condensed Consolidated Financial Statements, "Income Taxes."

Matters Impacting Future Results

On May 18, 2016, the NCDEQ issued proposed risk classifications for all coal ash surface impoundments in North Carolina. All ash impoundments not previously designated as high priority by the Coal Ash Act were designated as intermediate risk. Certain impoundments classified as intermediate risk, however, may be reassessed in the future as low risk pursuant to legislation 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' results of operations, financial position and cash flows.

On June 22, 2018, Duke Energy Carolinas received an order from the NCUC, which denied the Grid Rider Stipulation and deferral treatment of Power/Forward costs. Duke Energy Carolinas may petition for deferral of grid modernization costs outside of a general rate case proceeding if it can show financial hardship or a stipulation that includes greater consensus among intervening parties on costs being classified as grid modernization. Duke Energy Carolinas' results of operations, financial position and cash flows could be adversely impacted if grid modernization costs are not ultimately approved for recovery and/or deferral treatment. See Note 3 to the Condensed Consolidated Financial Statements, "Regulatory Matters," 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. In addition, the order issued in the Duke Energy Carolinas North Carolinas rate cases supporting recovery of past coal ash remediation costs have been appealed by various parties. The outcome of these appeals, lawsuits, fines and penalties could have an adverse impact on Duke Energy Carolinas' results of operations, financial position and cash flows. See Notes 3 and 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters" and "Commitments and Contingencies," respectively, for additional information.

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Duke Energy Registrants' Annual Reports on Form 10-K/A for the year ended December 31, 2017, for discussion of risks associated with the Tax Act.

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PROGRESS ENERGY

Management's Discussion and Analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes for the six months ended June 30, 2018, and 2017 and the Annual Report on Form 10-K/A for the year ended December 31, 2017.

Results of Operations

(in millions)	Six Months Ended June 30,		
	2018	2017	Variance
Operating Revenues	\$ 5,074	\$ 4,571	\$ 503
Operating Expenses			
Fuel used in electric generation and purchased power	1,871	1,557	314
Operation, maintenance and other	1,233	1,109	124
Depreciation and amortization	764	624	140
Property and other taxes	254	246	8
Impairment charges	33	2	31
Total operating expenses	4,155	3,538	617
Gains on Sales of Other Assets and Other, net	12	14	(2)
Operating Income	931	1,047	(116)
Other Income and Expenses, net	77	76	1
Interest Expense	412	402	10
Income Before Income Taxes	596	721	(125)
Income Tax Expense	92	243	(151)
Net Income	504	478	26
Less: Net Income Attributable to Noncontrolling Interests	4	5	(1)
Net Income Attributable to Parent	\$ 500	\$ 473	\$ 27

Six Months Ended June 30, 2018, as Compared to June 30, 2017

Operating Revenues. The variance was driven primarily by:

- a \$335 million increase in fuel related revenues due to higher sales, increases in fuel and capacity rates billed to customers, and increased demand at Duke Energy Florida;
- an \$86 million increase in retail sales, net of fuel revenues, due to favorable weather in the current year;
- a \$54 million increase in retail pricing due to the impacts of the Duke Energy Progress North Carolina and South Carolina rate cases;
- a \$50 million increase in wholesale power revenues, net of fuel, primarily due to coal ash recovery in the current year at Duke Energy Progress; and
- a \$29 million increase in Joint Asset Agency Rider revenues primarily due to the implementation of new base rates.

Partially offset by:

- a \$65 million decrease in retail sales due to revenues subject to refund to customers associated with the lower statutory federal corporate tax rate under the Tax Act at Duke Energy Progress.

Operating Expenses. The variance was driven primarily by:

- a \$314 million increase in fuel used in electric generation and purchased power primarily due to higher sales, higher deferred fuel and capacity expenses, and increased purchased power, partially offset by lower generation costs at Duke Energy Florida;
- a \$140 million increase in depreciation and amortization primarily due to higher amortization of deferred coal ash costs and new depreciation rates per the North Carolina rate case at Duke Energy Progress, and accelerated depreciation of Crystal River Units 4 and 5 and additional plant in service at Duke Energy Florida;
- a \$124 million increase in operation, maintenance and other primarily due to storm cost amortization at Duke Energy Florida and impacts associated with the North Carolina rate case at Duke Energy Progress; and
- a \$31 million increase in impairment charges primarily due to the impacts associated with the North Carolina rate case at Duke Energy Progress.

Income Tax Expense. The variance was primarily due to the lower statutory federal corporate tax rate under the Tax Act. The ETRs for the six months ended June 30, 2018, and 2017 were 15.4 percent and 33.7 percent, respectively. The decrease in the ETR was primarily due to the lower statutory federal corporate tax rate under the Tax Act and levelization for annual amortization of federal and state excess deferred taxes. For additional information, see Note 17 to the Condensed Consolidated Financial Statements, "Income Taxes."

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Matters Impacting Future Results

On May 18, 2016, the NCDEC 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 results of operations, financial position and cash flows.

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. As noted above, the order issued in the Duke Energy Progress North Carolinas rate cases supporting recovery of past coal ash remediation costs have been appealed by various parties. The outcome of these appeals, lawsuits, fines and penalties could have an adverse impact on Progress Energy's results of operations, financial position and cash flows. See Notes 3 and 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters" and "Commitments and Contingencies," respectively, for additional information.

Duke Energy Carolinas received an order from the NCUC, which denied the Grid Rider Stipulation and deferral treatment of Power/Forward costs. The NCUC did allow Duke Energy Carolinas to petition for deferral of grid modernization costs outside of a general rate case proceeding if it can show financial hardship or a stipulation that includes greater consensus among intervening parties on costs being classified as grid modernization. While Duke Energy Progress did not request recovery of these costs in its most recent case with the NCUC, Duke Energy Progress may request recovery of certain grid modernization costs in future regulatory proceedings. If the NCUC were to rule similarly, Progress Energy's results of operations, financial position and cash flows could be adversely impacted if grid modernization costs are not ultimately approved for recovery and/or deferral treatment. See Note 3 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

On June 30, 2017, CertainTeed filed a declaratory judgment action against Duke Energy Progress in the North Carolina Business Court relating to a gypsum supply agreement. In its complaint, CertainTeed sought an order from the court declaring that the minimum amount of gypsum Duke Energy Progress must provide to CertainTeed under the supply agreement is 50,000 tons per month through 2029. The trial for this matter concluded on July 16, 2018. If Duke Energy Progress does not prevail, it will have to either purchase additional gypsum on the open market to fulfill its contractual obligation through 2029 or pay some amount of liquidated damages that could have an adverse impact on Progress Energy's results of operations, financial position and cash flows. See Note 4 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

Duke Energy Florida is constructing the 1,640-MW combined-cycle natural gas plant in Citrus County, Florida, and expects it to be commercially available in 2018. Failure to complete the construction and achieve commercial operations by the end of 2018 or actual costs in excess of the estimated amount not collected from customers could materially impact Progress Energy's results of operations, financial position and cash flows. See Note 3 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

On February 6, 2018, the FPSC approved a stipulation that would apply tax savings resulting from the Tax Act toward storm costs effective January 2018 in lieu of implementing a storm surcharge. On May 31, 2018, Duke Energy Florida filed for recovery of the storm costs. Storm costs are currently expected to be fully recovered by approximately mid-2021. The evidentiary hearing in this storm cost matter is scheduled for the week of October 15, 2018. An order disallowing recovery of these costs could have an adverse impact on Progress Energy's results of operations, financial position and cash flows. See Note 3 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Duke Energy Registrants' Annual Reports on Form 10-K/A for the year ended December 31, 2017, for discussion of risks associated with the Tax Act.

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DUKE ENERGY PROGRESS

Management's Discussion and Analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes for the six months ended June 30, 2018, and 2017 and the Annual Report on Form 10-K/A for the year ended December 31, 2017.

Results of Operations

(in millions)	Six Months Ended June 30,		
	2018	2017	Variance
Operating Revenues	\$ 2,751	\$ 2,418	\$ 333
Operating Expenses			
Fuel used in electric generation and purchased power	917	739	178
Operation, maintenance and other	756	704	52
Depreciation and amortization	470	354	116
Property and other taxes	75	80	(5)
Impairment charges	33	—	33
Total operating expenses	2,251	1,877	374
Gains on Sales of Other Assets and Other, net	2	3	(1)
Operating Income	502	544	(42)
Other Income and Expenses, net	37	57	(20)
Interest Expense	159	152	7
Income Before Income Taxes	380	449	(69)
Income Tax Expense	64	148	(84)
Net Income	\$ 316	\$ 301	\$ 15

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

Increase (Decrease) over prior period	2018
Residential sales	14.3 %
General service sales	3.2 %
Industrial sales	(0.3)%
Wholesale power sales	10.9 %
Joint dispatch sales	(9.1)%
Total sales	6.2 %
Average number of customers	1.5 %

Six Months Ended June 30, 2018, as Compared to June 30, 2017

Operating Revenues. The variance was driven primarily by:

- a \$199 million increase in fuel related revenues due to higher retail sales and increases in fuel rates billed to customers;
- a \$62 million increase in retail sales, net of fuel revenues, due to favorable weather in the current year;
- a \$54 million increase in retail pricing due to the impacts of the North Carolina and South Carolina rate cases;
- a \$50 million increase in wholesale power revenues, net of fuel, primarily due to recovery of coal ash costs; and
- a \$29 million increase in Joint Asset Agency Rider revenues primarily due to the implementation of new base rates.

Partially offset by:

- a \$65 million decrease due to revenues subject to refund to customers associated with the lower statutory federal corporate tax rate under the Tax Act.

Operating Expenses. The variance was driven primarily by:

- a \$178 million increase in fuel used in electric generation and purchased power primarily due to higher sales and higher deferred fuel expenses;
- a \$116 million increase in depreciation and amortization primarily due to higher amortization of deferred coal ash costs and new depreciation rates per the North Carolina rate case;
- a \$52 million increase in operation, maintenance and other expense primarily due to higher operational costs that are recoverable in rates and impacts associated with the North Carolina rate case; and

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- a \$33 million increase in impairment charges due to the impacts associated with the North Carolina rate case.

Other Income and Expenses. The variance was primarily driven by lower income from non-service components of employment benefit costs. For additional information on employee benefit costs, see Note 16 to the Condensed Consolidated Financial Statements, "Employee Benefit Plans."

Income Tax Expense. The variance was primarily due to the lower statutory federal corporate tax rate under the Tax Act. The ETRs for the six months ended June 30, 2018, and 2017 were 16.8 percent and 33.0 percent, respectively. The decrease in the ETR was primarily due to the lower statutory federal corporate tax rate under the Tax Act and levelization for annual amortization of state excess deferred taxes. For additional information, see Note 17 to the Condensed Consolidated Financial Statements, "Income Taxes."

Matters Impacting Future Results

On May 18, 2016, the NCDEQ issued proposed risk classifications for all coal ash surface impoundments in North Carolina. All ash impoundments not previously designated as high priority by the Coal Ash Act were designated as intermediate risk. Certain impoundments classified as intermediate risk, however, may be reassessed in the future as low risk pursuant to legislation 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' results of operations, financial position and cash flows.

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. As noted above, the order issued in the Duke Energy Progress North Carolinas rate cases supporting recovery of past coal ash remediation costs have been appealed by various parties. The outcome of these appeals, lawsuits, fines and penalties could have an adverse impact on Duke Energy Progress' results of operations, financial position and cash flows. See Notes 3 and 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters" and "Commitments and Contingencies," respectively, for additional information.

Duke Energy Carolinas received an order from the NCUC, which denied the Grid Rider Stipulation and deferral treatment of Power/Forward costs. The NCUC did allow Duke Energy Carolinas to petition for deferral of grid modernization costs outside of a general rate case proceeding if it can show financial hardship or a stipulation that includes greater consensus among intervening parties on costs being classified as grid modernization. While Duke Energy Progress did not request recovery of these costs in its most recent case with the NCUC, Duke Energy Progress may request recovery of certain grid modernization costs in future regulatory proceedings. If the NCUC were to rule similarly, Duke Energy Progress' results of operations, financial position and cash flows could be adversely impacted if grid modernization costs are not ultimately approved for recovery and/or deferral treatment. See Note 3 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

On June 30, 2017, CertainTeed filed a declaratory judgment action against Duke Energy Progress in the North Carolina Business Court relating to a gypsum supply agreement. In its complaint, CertainTeed sought an order from the court declaring that the minimum amount of gypsum Duke Energy Progress must provide to CertainTeed under the supply agreement is 50,000 tons per month through 2029. The trial for this matter concluded on July 16, 2018. If Duke Energy Progress does not prevail, it will have to either purchase additional gypsum on the open market to fulfill its contractual obligation through 2029 or pay some amount of liquidated damages that could have an adverse impact on its results of operations, financial position and cash flows. See Note 4 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Duke Energy Registrants' Annual Reports on Form 10-K/A for the year ended December 31, 2017, for discussion of risks associated with the Tax Act.

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DUKE ENERGY FLORIDA

Management's Discussion and Analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes for the six months ended June 30, 2018, and 2017 and the Annual Report on Form 10-K/A for the year ended December 31, 2017.

Results of Operations

(in millions)	Six Months Ended June 30,		
	2018	2017	Variance
Operating Revenues	\$ 2,318	\$ 2,150	\$ 168
Operating Expenses			
Fuel used in electric generation and purchased power	953	817	136
Operation, maintenance and other	474	403	71
Depreciation and amortization	294	269	25
Property and other taxes	179	166	13
Impairment charges	—	2	(2)
Total operating expenses	1,900	1,657	243
Operating Income	418	493	(75)
Other Income and Expenses, net	47	39	8
Interest Expense	137	140	(3)
Income Before Income Taxes	328	392	(64)
Income Tax Expense	57	144	(87)
Net Income	\$ 271	\$ 248	\$ 23

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

Increase (Decrease) over prior period	2018
Residential sales	4.8 %
General service sales	1.2 %
Industrial sales	(0.2)%
Wholesale and other	13.9 %
Total sales	2.0 %
Average number of customers	1.5 %

Six Months Ended June 30, 2018, as Compared to June 30, 2017

Operating Revenues. The variance was driven primarily by:

- a \$136 million increase in fuel and capacity revenues primarily due to an increase in fuel and capacity rates billed to retail customers, as well as increased demand; and
- a \$24 million increase in retail sales, net of fuel revenues, due to favorable weather in the current year.

Operating Expenses. The variance was driven primarily by:

- a \$136 million increase in fuel used in electric generation and purchased power primarily due to higher deferred fuel and capacity expenses, increased purchased power and increased demand, partially offset by lower generation costs;
- a \$71 million increase in operation, maintenance and other expense primarily due to storm cost amortization;
- a \$25 million increase in depreciation and amortization primarily due to accelerated depreciation of Crystal River Units 4 and 5 and additional plant in service, partially offset by decreased ARO depreciation due to the updated Crystal River Unit 3 nuclear decommissioning cost study; and
- a \$13 million increase in property and other taxes primarily due to higher revenue related taxes.

Income Tax Expense. The variance was primarily due to the lower statutory federal corporate tax rate under the Tax Act. The ETRs for the six months ended June 30, 2018, and 2017 were 17.4 percent and 36.7 percent, respectively. The decrease in the ETR was primarily due to the lower statutory federal corporate tax rate under the Tax Act and levelization for annual amortization of federal excess deferred taxes. For additional information, see Note 17 to the Condensed Consolidated Financial Statements, "Income Taxes."

Matters Impacting Future Results

Duke Energy Florida is constructing the 1,640-MW combined-cycle natural gas plant in Citrus County, Florida, and expects it to be commercially available in 2018. Failure to complete the construction and achieve commercial operations by the end of 2018 or actual costs in excess of the estimated amount not collected from customers could materially impact Duke Energy Florida's results of operations, financial position and cash flows. See Note 3 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

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On February 6, 2018, the FPSC approved a stipulation that would apply tax savings resulting from the Tax Act toward storm costs effective January 2018 in lieu of implementing a storm surcharge. On May 31, 2018, Duke Energy Florida filed for recovery of the storm costs. Storm costs are currently expected to be fully recovered by approximately mid-2021. The evidentiary hearing in this storm cost matter is scheduled for the week of October 15, 2018. An order disallowing recovery of these costs could have an adverse impact on Duke Energy Florida's results of operations, financial position and cash flows. See Note 3 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Duke Energy Registrants' Annual Reports on Form 10-K/A for the year ended December 31, 2017, for discussion of risks associated with the Tax Act.

DUKE ENERGY OHIO

Management's Discussion and Analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes for the six months ended June 30, 2018, and 2017 and the Annual Report on Form 10-K/A for the year ended December 31, 2017.

Results of Operations

(in millions)	Six Months Ended June 30,		
	2018	2017	Variance
Operating Revenues			
Regulated electric	\$ 682	\$ 665	\$ 17
Regulated natural gas	277	270	7
Nonregulated electric and other	24	20	4
Total operating revenues	983	955	28
Operating Expenses			
Fuel used in electric generation and purchased power – regulated	185	183	2
Fuel used in electric generation and purchased power – nonregulated	29	29	—
Cost of natural gas	69	64	5
Operation, maintenance and other	261	263	(2)
Depreciation and amortization	132	130	2
Property and other taxes	145	139	6
Impairment charges	—	1	(1)
Total operating expenses	821	809	12
Loss on Sales of Other Assets and Other, net	(106)	—	(106)
Operating Income	56	146	(90)
Other Income and Expenses, net	14	10	4
Interest Expense	45	45	—
Income Before Income Taxes	25	111	(86)
Income Tax Expense	4	39	(35)
Net Income	\$ 21	\$ 72	\$ (51)

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

	Electric	Natural Gas
	2018	2018
Increase (Decrease) over prior year		
Residential sales	14.5 %	32.0%
General service sales	3.0 %	29.2%
Industrial sales	(1.6)%	15.3%
Wholesale electric power sales	(70.9)%	n/a
Other natural gas sales	n/a	2.7%
Total sales	2.2 %	22.6%
Average number of customers	0.9 %	0.9%

Six Months Ended June 30, 2018, as Compared to June 30, 2017

Operating Revenues. The variance was driven primarily by:

- a \$28 million increase in electric and natural gas retail sales, net of fuel revenues, due to favorable weather in the current year; and
- a \$13 million increase in financial transmission rights revenues.

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Partially offset by:

- a \$19 million decrease in regulated revenues due to revenues subject to refund to customers associated with the lower statutory federal corporate tax rate under the Tax Act; and
- a \$5 million decrease in bulk power marketing sales.

Operating Expenses. The variance was driven primarily by:

- a \$7 million increase in fuel costs due to higher electric fuel prices and natural gas sales volumes; and
- a \$6 million increase in property and other taxes primarily due to higher property taxes due to higher plant balances.

Other Income and Expenses. The variance was driven primarily by an increase in AFUDC equity due to higher base spending for transmission and fossil plants and an increase due to the impairment of meters in 2017.

Loss on Sales of Other Assets and Other, net. The decrease was driven by the loss on the sale of Beckjord, a nonregulated facility retired during 2014, including the transfer of coal ash basins and other real property and indemnification from any and all potential future claims related to the property, whether arising under environmental laws or otherwise.

Income Tax Expense. The variance was primarily due to a decrease in pretax income and the lower statutory federal corporate tax rate under the Tax Act. The ETRs for the six months ended June 30, 2018, and 2017 were 16.0 percent and 35.1 percent, respectively. The decrease in the ETR was primarily due to the lower statutory federal corporate tax rate under the Tax Act and an increase in AFUDC equity. For additional information, see Note 17 to the Condensed Consolidated Financial Statements, "Income Taxes."

Matters Impacting Future Results

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. On March 31, 2018, FES, a subsidiary of FirstEnergy and an ICPA counterparty with a power participation ratio of 4.85 percent, filed for Chapter 11 bankruptcy, which could increase costs allocated to the counterparties. Duke Energy Ohio cannot predict the impact of the bankruptcy filing on its OVEC interests. In addition, certain proposed environmental rulemaking costs could result in future increased OVEC 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. On April 13, 2018, Duke Energy Ohio filed a Stipulation with the PUCO to resolve issues in the electric distribution base rate case and other regulatory matters. If approved by PUCO, the Stipulation would allow for Duke Energy Ohio to recover gains and losses incurred on and after January 1, 2018, related to OVEC, through the Price Stabilization Rider. Hearings will conclude on August 6, 2018. Duke Energy Ohio's results of operations, financial position and cash flows could be adversely impacted if the Stipulation is denied by the PUCO. See Note 3 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Duke Energy Registrants' Annual Reports on Form 10-K/A for the year ended December 31, 2017, for discussion of risks associated with the Tax Act.

DUKE ENERGY INDIANA

Management's Discussion and Analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes for the six months ended June 30, 2018, and 2017 and the Annual Report on Form 10-K/A for the year ended December 31, 2017.

Results of Operations

(in millions)	Six Months Ended June 30,		
	2018	2017	Variance
Operating Revenues	\$ 1,469	\$ 1,500	\$ (31)
Operating Expenses			
Fuel used in electric generation and purchased power	458	485	(27)
Operation, maintenance and other	378	369	9
Depreciation and amortization	256	216	40
Property and other taxes	40	37	3
Total operating expenses	1,132	1,107	25
Operating Income	337	393	(56)
Other Income and Expenses, net	13	20	(7)
Interest Expense	83	88	(5)
Income Before Income Taxes	267	325	(58)
Income Tax Expense	69	128	(59)
Net Income	\$ 198	\$ 197	\$ 1

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

Increase (Decrease) over prior year	2018
Residential sales	15.8 %
General service sales	2.2 %
Industrial sales	(0.6)%
Wholesale power sales	(1.0)%
Total sales	3.7 %
Average number of customers	1.1 %

Six Months Ended June 30, 2018, as Compared to June 30, 2017

Operating Revenues. The variance was driven primarily by:

- a \$56 million decrease due to revenues subject to refund to customers associated with the lower statutory federal corporate tax rate under the Tax Act;
- a \$15 million decrease in wholesale power revenues, net of fuel, primarily due to contracts that expired in the prior year; and
- a \$12 million decrease in fuel revenues primarily due to lower purchased power costs passed through to customers and lower financial transmission rights revenues.

Partially offset by:

- a \$32 million increase in rate rider revenues primarily related to the Edwardsport Integrated Gasification Combined Cycle (IGCC) plant and the Transmission, Distribution and Storage System Improvement Charge rider; and
- a \$22 million increase in electric sales to retail customers due to favorable weather in the current year.

Operating Expenses. The variance was driven primarily by:

- a \$40 million increase in depreciation and amortization primarily due to additional plant in service and the deferral of certain asset retirement obligations in the prior year; and
- a \$9 million increase in operation, maintenance and other expense primarily due to higher transmission costs, grid improvement and customer related costs.

Partially offset by:

- a \$27 million decrease in fuel used in electric generation and purchased power primarily due to lower purchased power and fuel prices, partially offset by an increase in internal generation.

Other Income and Expenses. The variance was driven primarily by lower AFUDC equity in the current year.

Income Tax Expense. The variance was primarily due to the lower statutory federal corporate tax rate under the Tax Act. The ETRs for the six months ended June 30, 2018, and 2017 were 25.8 percent and 39.4 percent, respectively. The decrease in the ETR was primarily due to the lower statutory federal corporate tax rate under the Tax Act. For additional information, see Note 17 to the Condensed Consolidated Financial Statements, "Income Taxes."

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 results of operations, financial position and cash flows. See Note 3 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

Duke Energy Indiana's costs for the Edwardsport IGCC plant are recovered from retail electric customers via a rider. Duke Energy Indiana files cost updates periodically with IURC. Duke Energy Indiana's results of operations, financial position and cash flows could be adversely impacted by actions of the IURC related to IGCC costs.

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Duke Energy Registrants' Annual Reports on Form 10-K/A for the year ended December 31, 2017, for discussion of risks associated with the Tax Act.

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Management's Discussion and Analysis should be read in conjunction with the Condensed Consolidated Financial Statements and Notes for the six months ended June 30, 2018 and 2017 and the Annual Report on Form 10-K/A for the year ended December 31, 2017.

Results of Operations

(in millions)	Six Months Ended June 30,		
	2018	2017	Variance
Operating Revenues	\$ 768	\$ 701	\$ 67
Operating Expenses			
Cost of natural gas	333	270	63
Operation, maintenance and other	167	153	14
Depreciation and amortization	78	71	7
Property and other taxes	24	25	(1)
Impairment charges	—	7	(7)
Total operating expenses	602	526	76
Operating Income	166	175	(9)
Other Income and Expenses			
Equity in earnings of unconsolidated affiliates	3	5	(2)
Other income and expenses, net	6	(1)	7
Total other income and expenses	9	4	5
Interest Expense	41	39	2
Income Before Income Taxes	134	140	(6)
Income Tax Expense	32	53	(21)
Net Income	\$ 102	\$ 87	\$ 15

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	2018
Residential deliveries	40.2 %
Commercial deliveries	31.0 %
Industrial deliveries	4.3 %
Power generation deliveries	18.8 %
For resale	26.0 %
Total throughput deliveries	19.6 %
Secondary market volumes	(10.2)%
Average number of customers	1.8 %

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 precise recovery of approved margin during periods when winter weather is significantly warmer or colder than normal.

Six Months Ended June 30, 2018, as Compared to June 30, 2017

Operating Revenues. The variance was driven primarily by:

- a \$63 million increase due to higher natural gas costs passed through to customers due to higher volumes sold and higher natural gas prices; and
- a \$31 million increase primarily due to residential and commercial customer revenue, net of natural gas costs passed through to customers, customer growth, IMR rate adjustments and new power generation customers.

Partially offset by:

- a \$27 million decrease due to revenues subject to refund to customers associated with the lower statutory federal corporate tax rate under the Tax Act.

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Operating Expenses. The variance was driven by:

- a \$63 million increase in cost of natural gas due to higher volumes sold and higher natural gas prices;
- a \$14 million increase in operation, maintenance and other primarily due to increased natural gas operations, shared services, corporate governance and costs to achieve merger expenses; and
- a \$7 million increase in depreciation and amortization due to additional plant in service.

Partially offset by:

- a \$7 million decrease due to an impairment of software recorded in the prior year.

Income Tax Expense. The variance was primarily due to the lower statutory federal corporate tax rate under the Tax Act. The ETRs for the six months ended June 30, 2018, and 2017 were 23.9 percent and 37.9 percent, respectively. The decrease in the ETR was primarily due to the lower statutory federal corporate tax rate under the Tax Act. For additional information, see Note 17 to the Condensed Consolidated Financial Statements, "Income Taxes."

Matters Impacting Future Results

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Duke Energy Registrants' Annual Reports on Form 10-K/A for the year ended December 31, 2017, for discussion of risks associated with the Tax Act.

LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Cash

Duke Energy relies primarily upon cash flows from operations, debt issuances and its existing cash and cash equivalents to fund its liquidity and capital requirements. Duke Energy's capital requirements arise primarily from capital and investment expenditures, repaying long-term debt and paying dividends to shareholders. See Duke Energy's Annual Report on Form 10-K/A for the year ended December 31, 2017, for a summary and detailed discussion of projected primary sources and uses of cash for 2018 to 2020.

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

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

Equity Issuance

Refer to Note 14 to the Condensed Consolidated Financial Statements, "Common Stock," for further information regarding Duke Energy's equity issuance.

CREDIT FACILITIES AND REGISTRATION STATEMENTS

Refer to Note 5 to the Condensed Consolidated Financial Statements, "Debt and Credit Facilities," for further information regarding Duke Energy's available credit facilities, including the Master Credit Facility.

Shelf Registration

In September 2016, Duke Energy filed a registration statement (Form S-3) with the U.S. Securities and Exchange Commission. Under this Form S-3, which is uncapped, the Duke Energy Registrants, excluding Progress Energy (Parent), may issue debt and other securities in the future at amounts, prices and with terms to be determined at the time of future offerings. The registration statement also allows for the issuance of common stock by Duke Energy.

In January 2017, Duke Energy amended its Form S-3 to add Piedmont as a registrant and included in the amendment a prospectus for Piedmont under which it may issue debt securities in the same manner as other Duke Energy Registrants.

DEBT MATURITIES

Refer to Note 5 to the Condensed Consolidated Financial Statements, "Debt and Credit Facilities," for further information regarding significant components of Current Maturities of Long-Term Debt on the Condensed Consolidated Balance Sheets.

CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operations of Electric Utilities and Infrastructure and Gas Utilities and Infrastructure are primarily driven by sales of electricity and natural gas, respectively, and costs of operations. These cash flows from operations are relatively stable and comprise a substantial portion of Duke Energy's operating cash flows. Weather conditions, working capital and commodity price fluctuations, and unanticipated expenses including unplanned plant outages, storms, legal costs and related settlements, and regulatory orders can affect the timing and level of cash flows from operations.

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Duke Energy believes it has sufficient liquidity resources through the commercial paper markets, and ultimately the Master Credit and Revolving Facilities, to support these operations. Cash flows from operations are subject to a number of other factors, including but not limited to regulatory constraints, economic trends and market volatility (see "Item 1A. Risk Factors," in the Duke Energy Registrants' Annual Reports on Form 10-K/A for the year ended December 31, 2017, for additional information).

Restrictive Debt Covenants

The Duke Energy Registrants' debt and credit agreements contain various financial and other covenants. The Master Credit Facility contains a covenant requiring the debt-to-total capitalization ratio not to exceed 65 percent for all borrowers except Piedmont, 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 June 30, 2018, 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

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

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

On August 1, 2018, Moody's revised its ratings outlook for Duke Energy Corporation and Piedmont from negative to stable and for Duke Energy Ohio from positive to stable. Moody's also revised its ratings as follows: Progress Energy is upgraded from Baa2 to Baa1; Piedmont is downgraded from A2 to A3.

Cash Flow Information

The following table summarizes Duke Energy's cash flows.

(in millions)	Six Months Ended June 30,	
	2018	2017
Cash flows provided by (used in):		
Operating activities	\$ 3,302	\$ 2,800
Investing activities	(4,645)	(4,344)
Financing activities	1,265	1,474
Net decrease in cash, cash equivalents and restricted cash	(78)	(70)
Cash, cash equivalents and restricted cash at beginning of period	505	541
Cash, cash equivalents and restricted cash at end of period	\$ 427	\$ 471

OPERATING CASH FLOWS

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

(in millions)	Six Months Ended June 30,	
	2018	2017
Net income	\$ 1,124	\$ 1,406
Non-cash adjustments to net income	3,082	2,434
Contributions to qualified pension plans	(141)	—
Payments for asset retirement obligations	(245)	(272)
Payment for disposal of other assets	(105)	—
Working capital	(413)	(768)
Net cash provided by operating activities	\$ 3,302	\$ 2,800

The variance was primarily due to:

- a \$366 million increase in net income after adjustment for non-cash items primarily due to favorable weather in the current period compared to the prior period and increased pricing; and
- a \$355 million decrease in cash outflows from working capital due primarily to timing of payment of accruals and tax refunds related to federal net operation loss carrybacks.

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Partially offset by:

- a \$141 million increase in contributions to qualified pension plans; and
- a \$105 million payment for disposal of Beckjord.

INVESTING CASH FLOWS

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

(in millions)	Six Months Ended June 30,	
	2018	2017
Capital, investment and acquisition expenditures	\$ (4,515)	\$ (4,218)
Other investing items	(130)	(126)
Net cash used in investing activities	\$ (4,645)	\$ (4,344)

The variance relates primarily to a \$297 million increase in capital expenditures due to higher overall investments in regulated generation, natural gas and commercial renewables.

FINANCING CASH FLOWS

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

(in millions)	Six Months Ended June 30,	
	2018	2017
Issuances of long-term debt, net	\$ 537	\$ 1,725
Issuances of common stock	820	—
Notes payable and commercial paper	1,131	981
Dividends paid	(1,199)	(1,200)
Other financing items	(24)	(32)
Net cash provided by financing activities	\$ 1,265	\$ 1,474

The variance was primarily due to:

- a \$1,188 million decrease in proceeds from net issuances of long-term debt primarily due to a prior year financing of \$577 million in the Commercial Renewables segment and the timing of issuances and redemptions of long-term debt.

Partially offset by:

- an \$820 million increase in proceeds from the issuance of common stock.

Summary of Significant Debt Issuances

Refer to Note 5 to the Condensed Consolidated Financial Statements, "Debt and Credit Facilities," for further information regarding significant debt issuances.

OTHER MATTERS

Environmental Regulations

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

The following sections outline various proposed and recently enacted regulations that may impact the Duke Energy Registrants. Refer to Note 3 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for further information regarding potential plant retirements and regulatory filings related to the Duke Energy Registrants.

PART I

Coal Combustion Residuals

In April 2015, the EPA published a rule to regulate the disposal of CCR from electric utilities as solid waste. The federal regulation classifies CCR as nonhazardous waste and allows for beneficial use of CCR with some restrictions. The regulation applies to all new and existing landfills, new and existing surface impoundments receiving CCR and existing surface impoundments that are no longer receiving CCR but contain liquid located at stations currently generating electricity (regardless of fuel source). The rule establishes requirements regarding landfill design, structural integrity design and assessment criteria for surface impoundments, groundwater monitoring, protection and remedial procedures and other operational and reporting procedures to ensure the safe disposal and management of CCR. Various industry and environmental parties have appealed the EPA's CCR rule in the U.S. Court of Appeals for the District of Columbia (D.C. Circuit Court). On April 18, 2016, the EPA filed a motion with the federal court to settle five issues raised in litigation. On June 14, 2016, the court approved the motion with respect to all of those issues. 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.

On March 15, 2018, EPA published proposed amendments to the federal CCR rule, including revisions that were required as part of a CCR litigation settlement, as well as changes that the agency considers warranted due to the passage of the Water Infrastructure Improvements for the Nation Act, which provides statutory authority for state and federal permit programs. On July 17, 2018, EPA issued a rule finalizing certain, but not all, elements included in the agency's March 15, 2018, proposal. The final rule revises certain closure deadlines and groundwater protection standards in the CCR rule. It does not change the primary requirements for groundwater monitoring, corrective action, inspections and maintenance, and closure, and thus does not materially affect Duke Energy's coal ash basin closure plans or compliance obligations 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, "Asset Retirement Obligations," in Duke Energy's Annual Report on Form 10-K/A for the year ended December 31, 2017.

Coal Ash Management Act of 2014

Asset retirement obligations recorded on the Duke Energy Carolinas and Duke Energy Progress Condensed Consolidated Balance Sheets at June 30, 2018, and December 31, 2017, 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 more information, see Note 9, "Asset Retirement Obligations," in Duke Energy's Annual Report on Form 10-K/A for the year ended December 31, 2017.

Clean Water Act 316(b)

The EPA published the final 316(b) cooling water intake structure rule on August 15, 2014, with an effective date of October 14, 2014. The rule applies to 26 of the electric generating facilities the Duke Energy Registrants own and operate. The rule allows for several options to demonstrate compliance and provides flexibility to the state environmental permitting agencies to make determinations on controls, if any, that will be required for cooling water intake structures. Any required intake structure modifications and/or retrofits are expected to be installed in the 2019 to 2023 time frame. Petitions challenging the rule have been filed by several groups. Oral argument was held on September 14, 2017. On July 23, 2018, the U.S. Court of Appeals for the Second Circuit announced their decision to uphold the 316(b) rule. Duke Energy continues to work with the state environmental permitting agency to implement the rule.

PART I

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. Duke Energy Indiana's federal court challenge to EPA's Effluent Limitations Guidelines and Standards for the Steam Electric Power Generating Point Source Category remains in abeyance. After a long delay, EPA issued a variance for discharges at Edwardsport of wastewater associated with the gasification process. The variance will be incorporated by the state agency into a new wastewater discharge permit. Once the permit has issued and the time limit for a third-party challenge expires, Duke Energy Indiana will voluntarily dismiss the federal court challenge. The litigation will continue as to claims related to other waste streams.

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 conduct a new rulemaking to review the effluent limitation guidelines for bottom ash transport water and flue gas desulfurization wastewater. EPA projects that a new rule on these two issues will be finalized by late 2020.

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 Condensed Consolidated Balance Sheets. For more information related to AROs, see Note 9, "Asset Retirement Obligations" in Duke Energy's Annual Report on Form 10-K/A for the year ended December 31, 2017.

(in millions)	Estimated Cost
Duke Energy	\$ 910
Duke Energy Carolinas	420
Progress Energy	360
Duke Energy Progress	260
Duke Energy Florida	100
Duke Energy Ohio	70
Duke Energy Indiana	60

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

Cross-State Air Pollution Rule

On September 7, 2016, EPA finalized a revision to the Cross-State Air Pollution Rule (CSAPR); the revised rule is known as the CSAPR Update Rule. The CSAPR Update Rule reduces the CSAPR Phase 2 state ozone season NOx emission budgets for 22 eastern states, including Ohio, Kentucky and Indiana. In the final CSAPR Update Rule, the EPA removed Florida, South Carolina and North Carolina from the ozone season NOx program. Beginning in 2017, Duke Energy Registrants in these states will not be subject to any CSAPR ozone season NOx emission limitations. For the states that remain in the program, the reduced state ozone season NOx emission budgets took effect on May 1, 2017. In Kentucky and Indiana, where Duke Energy Registrants own and operate coal-fired electric generating units (EGUs) subject to the final rule requirements, 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 the EPA correct errors it made in calculating the Indiana budget and increase the budget accordingly. EPA has yet to act on the petition. Numerous parties have filed petitions with the D.C. Circuit Court challenging various aspects of the CSAPR Update Rule. Final briefs in the case were due April 9, 2018. Oral argument is scheduled for October 3, 2018. The Duke Energy Registrants cannot predict the outcome of these matters.

PART I

Carbon Pollution Standards for New, Modified and Reconstructed Power Plants

On October 23, 2015, the EPA published a final rule in the Federal Register establishing carbon dioxide (CO₂) emissions limits for new, modified and reconstructed power plants. The requirements for new plants apply to plants that commenced construction after January 8, 2014. The EPA set an emissions standard for coal units of 1,400 pounds of CO₂ per gross MWh, which would require the application of partial carbon capture and storage (CCS) technology for a coal unit to be able to meet the limit. Utility-scale CCS is not currently a demonstrated and commercially available technology for coal-fired EGUs, and therefore the final standard effectively prevents the development of new coal-fired generation. The EPA set a final standard of 1,000 pounds of CO₂ 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. On July 24, 2018, EPA reported to the court that it plans to send a proposed revised rule to the Office of Management and Budget (OMB) for review in August. The Duke Energy Registrants cannot predict the outcome of these matters but do not expect the impacts of the current final standards will be material to Duke Energy's financial position, results of operations or cash flows.

Clean Power Plan

On October 23, 2015, the EPA published in the Federal Register the final Clean Power Plan (CPP) rule to regulate CO₂ emissions from existing fossil fuel-fired EGUs. The CPP established CO₂ emission rates and mass cap goals that apply to existing fossil fuel-fired EGUs. Petitions challenging the rule were filed by numerous 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 the 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 on which the CPP was based. The comment period on EPA's NPR ended April 26, 2018. On December 28, 2017, EPA issued an Advance Notice of Proposed Rulemaking (ANPRM) in which it sought public comment on various aspects of a potential CPP replacement rule. The comment period on the ANPRM ended February 26, 2018. On July 9, 2018, EPA sent a proposed CPP replacement rule to the OMB for review; after that review is completed, EPA will issue its 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.

Section 126 Petitions

On November 16, 2016, the state of Maryland filed a petition with EPA under Section 126 of the Clean Air Act alleging that 19 power plants, including two that Duke Energy Registrants own and operate, contribute to violations of EPA's National Ambient Air Quality Standards (NAAQS) for ozone in the state of Maryland. On March 12, 2018, the state of New York filed a petition with EPA, also under Section 126 of the Clean Air Act alleging that over 60 power plants, including four that Duke Energy Registrants own and operate, contribute to violations of EPA's ozone NAAQS in the state of New York. Both Maryland and New York seek EPA orders requiring the states in which the named power plants operate impose more stringent nitrogen oxide (NO_x) emission limitations on the plants. On June 8, 2018, EPA proposed to deny the Maryland petition. EPA is under court order to take final action on the Maryland petition by September 15, 2018. The impact of these petitions could be more stringent requirements for the operation of NO_x emission controls at these plants. The Duke Energy Registrants cannot predict the outcome of these matters.

Global Climate Change

For other information on global climate change and the potential impacts on Duke Energy, see "Other Matters" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Duke Energy's Annual Report on Form 10-K/A for the year ended December 31, 2017.

North Carolina Legislation

For other information on North Carolina legislation and the potential impacts on Duke Energy, see "Other Matters" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Duke Energy's Annual Report on Form 10-K/A for the year ended December 31, 2017.

Liquefied Natural Gas Facility

Piedmont Natural Gas plans to build a liquefied natural gas facility in Robeson County, North Carolina. The project is expected to be completed in the summer of 2021 at a cost of \$250 million. Construction will begin in the summer of 2019.

Nuclear Matters

For other information on nuclear matters and the potential impacts on Duke Energy, see "Other Matters" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Duke Energy's Annual Report on Form 10-K/A for the year ended December 31, 2017.

PART I

New Accounting Standards

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

Off-Balance Sheet Arrangements

During the three and six months ended June 30, 2018, there were no material changes to Duke Energy's off-balance sheet arrangements. See Note 12 to the Condensed Consolidated Financial Statements, "Variable Interest Entities," for a discussion of off-balance sheet arrangements regarding ACP. For additional information on Duke Energy's off-balance sheet arrangements, see "Off-Balance Sheet Arrangements" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Duke Energy's Annual Report on Form 10-K/A for the year ended December 31, 2017.

Contractual Obligations

Duke Energy enters into contracts that require payment of cash at certain specified periods, based on certain specified minimum quantities and prices. During the three and six months ended June 30, 2018, there were no material changes in Duke Energy's contractual obligations. For an in-depth discussion of Duke Energy's contractual obligations, see "Contractual Obligations" and "Quantitative and Qualitative Disclosures about Market Risk" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Duke Energy's Annual Report on Form 10-K/A for the year ended December 31, 2017.

Subsequent Events

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

During the three and six months ended June 30, 2018, there were no material changes to the Duke Energy Registrants' disclosures about market risk. For an in-depth discussion of the Duke Energy Registrants' market risks, see "Quantitative and Qualitative Disclosures about Market Risk" in Item 7 of the Annual Report on Form 10-K/A for the Duke Energy Registrants.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

Disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that information required to be disclosed by the Duke Energy Registrants in the reports they file or submit under the Exchange Act are accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, the Duke Energy Registrants have evaluated the effectiveness of their disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of June 30, 2018, and, based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are effective in providing reasonable assurance of compliance.

Changes in Internal Control over Financial Reporting

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, the Duke Energy Registrants have evaluated changes in internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the fiscal quarter ended June 30, 2018, and have concluded no change has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For information regarding material legal proceedings, including regulatory and environmental matters, see Note 3, "Regulatory Matters," and Note 4, "Commitments and Contingencies," to the Condensed Consolidated Financial Statements.

Methyl tertiary butyl ether (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 and dismissed in January 2018.

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. Duke Energy cannot predict the outcome of this matter.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, careful consideration should be given to the factors discussed in Part I, "Item 1A. Risk Factors" in the Duke Energy Registrants' Annual Report on Form 10-K/A, which could materially affect the Duke Energy Registrants' financial condition or future results.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

PART II

ITEM 6. EXHIBITS

Exhibits filed herein are designated by an asterisk (*). All exhibits not so designated are incorporated by reference to a prior filing, as indicated. Items constituting management contracts or compensatory plans or arrangements are designated by a double asterisk (**). The Company agrees to furnish upon request to the Commission a copy of any omitted schedules or exhibits upon request on all items designated by a triple asterisk (***)

Exhibit Number	Description	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Duke Energy Piedmont
*4.1	Nineteenth Supplemental Indenture, dated as of May 16, 2018.	X							
4.2	Fifty-Fifth Supplemental Indenture, dated as of June 1, 2018, (incorporated by reference to Exhibit 4.1 to Registrant's Current Report on Form 8-K filed on June 21, 2018, File No. 1-3274).					X			
*12	Computation of Ratio of Earnings to Fixed Charges – DUKE ENERGY CORPORATION.	X							
*31.1.1	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X							
*31.1.2	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.		X						
*31.1.3	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			X					
*31.1.4	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X				
*31.1.5	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X			
*31.1.6	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.						X		
*31.1.7	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.							X	
*31.1.8	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.								X
*31.2.1	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X							
*31.2.2	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.		X						
*31.2.3	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			X					
*31.2.4	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X				
*31.2.5	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X			
*31.2.6	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.						X		
*31.2.7	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.							X	
*31.2.8	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.								X

PART II

*32.1.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X							
*32.1.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.		X						
*32.1.3	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			X					
*32.1.4	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X				
*32.1.5	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X			
*32.1.6	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.						X		
*32.1.7	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.							X	
*32.1.8	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.								X
*32.2.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X							
*32.2.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.		X						
*32.2.3	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			X					
*32.2.4	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X				
*32.2.5	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X			
*32.2.6	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.						X		
*32.2.7	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.							X	
*32.2.8	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.								X
*101.INS	XBRL Instance Document.	X	X	X	X	X	X	X	X
*101.SCH	XBRL Taxonomy Extension Schema Document.	X	X	X	X	X	X	X	X
*101.CAL	XBRL Taxonomy Calculation Linkbase Document.	X	X	X	X	X	X	X	X
*101.LAB	XBRL Taxonomy Label Linkbase Document.	X	X	X	X	X	X	X	X
*101.PRE	XBRL Taxonomy Presentation Linkbase Document.	X	X	X	X	X	X	X	X

PART II

*101.DEF	XBRL Taxonomy Definition Linkbase Document.	X	X	X	X	X	X	X	X
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The total amount of securities of the registrant or its subsidiaries authorized under any instrument with respect to long-term debt not filed as an exhibit does not exceed 10 percent of the total assets of the registrant and its subsidiaries on a consolidated basis. The registrant agrees, upon request of the SEC, to furnish copies of any or all of such instruments to it.

PART II

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized.

DUKE ENERGY CORPORATION
DUKE ENERGY CAROLINAS, LLC
PROGRESS ENERGY, INC.
DUKE ENERGY PROGRESS, LLC
DUKE ENERGY FLORIDA, LLC
DUKE ENERGY OHIO, INC.
DUKE ENERGY INDIANA, LLC
PIEDMONT NATURAL GAS COMPANY, INC.

Date: August 2, 2018

/s/ STEVEN K. YOUNG

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

Date: August 2, 2018

/s/ DWIGHT L. JACOBS

Dwight L. Jacobs
Senior Vice President, Chief Accounting Officer
and Controller
(Principal Accounting Officer)

EXHIBIT 4.1

DUKE ENERGY CORPORATION

TO

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

Trustee and Calculation Agent

Nineteenth Supplemental Indenture Dated as of May 16, 2018

\$500,000,000 FLOATING RATE SENIOR NOTES DUE 2021

EXHIBIT 4.1

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Calculation agent for the 2021 Notes

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Exhibit A - Form of Floating Rate Senior Note Due 2021
Exhibit B - Certificate of Authentication

¹ This Table of Contents does not constitute part of the Indenture or have any bearing upon the interpretation of any of its terms and provisions.

EXHIBIT 4.1

Exhibit C - Certificate of Transfer

Exhibit D - Schedule of Increases or Decreases in Global Security

EXHIBIT 4.1

THIS NINETEENTH SUPPLEMENTAL INDENTURE is made as of the 16th day of May, 2018, by and among **DUKE ENERGY CORPORATION**, a Delaware corporation, having its principal office at 550 South Tryon Street, Charlotte, North Carolina 28202-1803 (the “Corporation”), and **The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.)**, a national banking association, as Trustee (herein called the “Trustee”) and Calculation Agent.

WITNESSETH:

WHEREAS, the Corporation has heretofore entered into an Indenture, dated as of June 3, 2008 (the “Original Indenture”), with The Bank of New York Mellon Trust Company, N.A., as Trustee;

WHEREAS, the Original Indenture is incorporated herein by this reference and the Original Indenture, as it may be amended and supplemented to the date hereof, including by this Nineteenth Supplemental Indenture, is herein called the “Indenture”;

WHEREAS, under the Indenture, a new series of Securities may at any time be established in accordance with the provisions of the Indenture and the terms of such series may be described by a supplemental indenture executed by the Corporation and the Trustee;

WHEREAS, the Corporation hereby proposes to create under the Indenture one additional series of Securities;

WHEREAS, additional Securities of other series hereafter established, except as may be limited in the Indenture as at the time supplemented and modified, may be issued from time to time pursuant to the Indenture as at the time supplemented and modified; and

WHEREAS, all conditions necessary to authorize the execution and delivery of this Nineteenth Supplemental Indenture and to make it a valid and binding obligation of the Corporation have been done or performed.

NOW, THEREFORE, in consideration of the agreements and obligations set forth herein and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE I

FLOATING RATE SENIOR NOTES DUE 2021

Section 1.01. Establishment. There is hereby established a new series of Securities to be issued under the Indenture, to be designated as the Corporation’s Floating Rate Senior Notes due 2021 (the “2021 Notes”).

There are to be authenticated and delivered initially \$500,000,000 principal amount of the 2021 Notes, and no further 2021 Notes shall be authenticated and delivered except as provided by Section 304, 305, 306, 906 or 1106 of the Original Indenture and the last paragraph of Section 301 thereof. The 2021 Notes shall be issued in fully registered form without coupons.

The 2021 Notes shall be in substantially the form set out in Exhibit A hereto, and the form of the Trustee’s Certificate of Authentication for the 2021 Notes shall be in substantially the form set forth in Exhibit B hereto.

EXHIBIT 4.1

Each 2021 Note shall be dated the date of authentication thereof and shall bear interest from the date of original issuance thereof or from the most recent Interest Payment Date to which interest has been paid or duly provided for.

Section 1.02. Definitions. The following defined terms used in this Article I shall, unless the context otherwise requires, have the meanings specified below for purposes of the 2021 Notes. Capitalized terms used herein for which no definition is provided herein shall have the meanings set forth in the Original Indenture.

“BBAM” means the display that appears on Bloomberg L.P.’s page “BBAM” or any page as may replace such page on such service (or any successor service) for the purpose of displaying the London Interbank Offered rate for U.S. dollar deposits.

“Business Day” means any day other than a Saturday or Sunday that is neither a Legal Holiday nor a day on which banking institutions in New York, New York are authorized or required by law, regulation or executive order to close, or a day on which the Corporate Trust Office is closed for business.

“Calculation Agent” means The Bank of New York Mellon Trust Company, N.A., as appointed pursuant to Section 2.01 of this Nineteenth Supplemental Indenture, or its successor appointed by the Corporation pursuant to Article Two hereof, acting as calculation agent.

“Interest Determination Date” means the second London Business Day immediately preceding the first day of the relevant Interest Period.

“Interest Payment Date” means each February 14, May 14, August 14 and November 14 of each year, commencing on August 14, 2018.

“Interest Period” means the period commencing on an Interest Payment Date or the 2021 Notes (or, with respect to the initial Interest Period only, commencing on the Original Issue Date for the 2021 Notes) and ending on the day before the next succeeding Interest Payment Date for the 2021 Notes.

“Legal Holiday” means any day that is a legal holiday in New York, New York.

“LIBOR” means, with respect to any Interest Period, the rate (expressed as a percentage per annum) for deposits in U.S. dollars for a three-month period commencing on the first day of that Interest Period and ending on the next Interest Payment Date for the 2021 Notes that appears on Bloomberg L.P.’s page “BBAM” and, if such page is not available, from the Reuters LIBOR01 Page as of 11:00 a.m. (London time) on the Interest Determination Date for that Interest Period. If such rate does not appear on BBAM or the Reuters LIBOR01 Page as of 11:00 a.m. (London time) on the Interest Determination Date for that Interest Period, LIBOR will be determined on the basis of the rates at which deposits in U.S. dollars for the Interest Period and in a principal amount of not less than \$1,000,000 are offered to prime banks in the London interbank market by four major banks in the London interbank market, which may include affiliates of one or more initial purchasers of the 2021 Notes, selected by the Corporation, at approximately 11:00 a.m., London time, on the Interest Determination Date for that Interest Period. The Corporation will request the principal London office of each such bank to provide a quotation of its rate to the Calculation Agent. If at least two such quotations are provided, LIBOR with respect to that Interest Period will be the arithmetic mean of such quotations. If fewer than two quotations are provided, LIBOR with respect to that Interest Period will be the arithmetic mean of the rates quoted by three major banks in New York City, which may include affiliates of one or more initial purchasers of the 2021 Notes, selected by the Corporation, at approximately 11:00 a.m., New York City time, on the Interest Determination Date for that Interest Period for loans in U.S. dollars to leading European banks for that Interest Period and in a

EXHIBIT 4.1

principal amount of not less than \$1,000,000. However, if fewer than three banks selected by the Corporation to provide quotations are quoting as described above, LIBOR for that Interest Period will be the same as LIBOR as determined for the previous Interest Period.

“London Business Day” means a day that is a Business Day and a day on which dealings in deposits in U.S. dollars are transacted, or with respect to any future date are expected to be transacted, in the London interbank market.

“Original Issue Date” means May 16, 2018.

“Regular Record Date” means, with respect to each Interest Payment Date, the close of business on the 15th calendar day prior to such Interest Payment Date (whether or not a Business Day).

“Reuters LIBOR01 Page” means the display designated as Reuters LIBOR01 on the Reuters 3000 Xtra (or such other page as may replace the Reuters LIBOR01 Page on that service, or such other service as may be nominated for the purpose of displaying rates or prices comparable to the London Interbank Offered rate for U.S. dollar deposits by ICE Benchmark Administration Limited (“IBA”) or its successor or such other entity assuming the responsibility of IBA or its successor in calculating the London Interbank Offered rate in the event IBA or its successor no longer does so).

“Stated Maturity” means May 14, 2021.

Section 1.03. Payment of Principal and Interest. The principal of the 2021 Notes shall be due at Stated Maturity. The 2021 Notes shall bear interest from the Original Issue Date or from the most recent Interest Payment Date to which interest has been paid or provided for at the rates set quarterly pursuant to this Section 1.03, payable quarterly in arrears on each Interest Payment Date to the Person or Persons in whose name each 2021 Note is registered on the Regular Record Date for such Interest Payment Date; *provided* that interest payable at the Stated Maturity as provided herein shall be paid to the Person to whom principal is payable. Any such interest that is not so punctually paid or duly provided for shall forthwith cease to be payable to the Holders on such Regular Record Date and may either be paid to the Person or Persons in whose name each 2021 Note is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee (“Special Record Date”), notice whereof shall be given to Holders of each 2021 Note not less than ten (10) days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange, if any, on which the 2021 Notes may be listed, and upon such notice as may be required by any such exchange, all as more fully provided in the Original Indenture.

Interest on the 2021 Notes shall be computed on the basis of the actual number of days elapsed over a 360-day year. In the event that any Interest Payment Date for the 2021 Notes (other than the Interest Payment Date that is the Stated Maturity) would otherwise be a day that is not a Business Day, such Interest Payment Date will be postponed to the next succeeding Business Day. In the event that the Stated Maturity of the 2021 Notes falls on a day that is not a Business Day, then the payment of principal and interest due on such date shall be made on the next succeeding day that is a Business Day (and without any interest or payment in respect of any such delay) with the same force and effect as if made on the date the payment was originally payable.

The 2021 Notes will bear interest for each quarterly Interest Period at a per annum rate determined by the Calculation Agent. The interest rate applicable during each quarterly Interest Period will be equal to LIBOR on the Interest Determination Date for such Interest Period plus 50 basis points. Promptly upon such determination, the Calculation Agent will notify the Corporation and the Trustee, if the Trustee is not then serving as the Calculation Agent, of the interest rate for the new Interest Period.

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The interest rate determined by the Calculation Agent, absent manifest error, shall be binding and conclusive upon the beneficial owners and holders of the 2021 Notes, the Corporation and the Trustee.

Upon the request of a holder of the 2021 Notes, the Calculation Agent will provide to such holder the interest rate in effect on the date of such request and, if determined, the interest rate for the next Interest Period.

The accrued interest on the 2021 Notes for any period is calculated by multiplying the principal amount of the 2021 Notes by an accrued interest factor. The accrued interest factor is computed by adding the interest factor calculated for each day in the period for which accrued interest is being calculated. The interest factor (expressed as a decimal rounded upwards if necessary) is computed by dividing the interest rate (expressed as a decimal rounded upwards if necessary) applicable to such date by 360.

All percentages resulting from any calculation of the interest rate on the 2021 Notes will be rounded, if necessary, to the nearest one-hundred thousandth of a percentage point, with five one-millionths of a percentage point rounded upwards (*e.g.*, 0.567845% (or .00567845) being rounded to 0.56785% (or .0056785) and 0.567844% (or .00567844) being rounded to 0.56784% (or .0056784)), and all dollar amounts used in or resulting from such calculation will be rounded to the nearest cent (with one-half cent being rounded upwards).

Payment of principal of and interest on the 2021 Notes shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. Payments of principal of and interest on 2021 Notes represented by a Global Security shall be made by wire transfer of immediately available funds to the Holder of such Global Security. If any of the 2021 Notes are no longer represented by a Global Security, (i) payments of principal and interest due at the Stated Maturity of such 2021 Notes shall be made at the office of the Paying Agent upon surrender of such 2021 Notes to the Paying Agent and (ii) payments of interest shall be made, at the option of the Corporation, subject to such surrender where applicable, by (A) check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register or (B) wire transfer at such place and to such account at a banking institution in the United States as may be designated in writing to the Trustee at least sixteen (16) days prior to the date for payment by the Person entitled thereto.

Section 1.04. Denominations. The 2021 Notes shall be issued in denominations of \$2,000 or any integral multiple of \$1,000 in excess thereof.

Section 1.05. Global Securities. The 2021 Notes shall initially be issued in the form of one or more Global Securities registered in the name of the Depository (which initially shall be The Depository Trust Company) or its nominee. The 2021 Notes will be initially issued pursuant to an exemption or exemptions from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"). Beneficial interests in the 2021 Notes offered and sold to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) in reliance upon Rule 144A under the Securities Act shall be represented by one or more separate Global Securities (each, a "Rule 144A Global Note"). Each Rule 144A Global Note shall bear the non-registration legend in substantially the form set forth in Exhibit A hereto (the "Rule 144A Legend"). Beneficial interests in the 2021 Notes offered and sold to purchasers outside of the United States pursuant to Regulation S under the Securities Act shall be represented by one or more separate Global Securities (each, a "Regulation S Global Note") and shall bear the Regulation S legend in substantially the form set forth in Exhibit A hereto (the "Regulation S Legend").

Except under the limited circumstances described below, 2021 Notes represented by such Global Security or Global Securities shall not be exchangeable for, and shall not otherwise be issuable as, 2021

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Notes in definitive form. The Global Securities described in this Article I may not be transferred except by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary or to a successor Depositary or its nominee. Nothing in the Indenture or the 2021 Notes shall be construed to require the Corporation to register any 2021 Note under the Securities Act, or to make any transfer of such 2021 Note in violation of applicable law.

A Global Security representing the 2021 Notes shall be exchangeable for 2021 Notes registered in the names of persons other than the Depositary or its nominee only if (i) the Depositary notifies the Corporation that it is unwilling or unable to continue as a Depositary for such Global Security and no successor Depositary shall have been appointed by the Corporation within 90 days of receipt by the Corporation of such notification, or if at any time the Depositary ceases to be a clearing agency registered under the Exchange Act at a time when the Depositary is required to be so registered to act as such Depositary and no successor Depositary shall have been appointed by the Corporation within 90 days after it becomes aware of such cessation, (ii) an Event of Default has occurred and is continuing with respect to the 2021 Notes and beneficial owners of a majority in aggregate principal amount of the 2021 Notes represented by Global Securities advise the Depositary to cease acting as Depositary, or (iii) the Corporation in its sole discretion, and subject to the procedures of the Depositary, determines that such Global Security shall be so exchangeable. Any Global Security that is exchangeable pursuant to the preceding sentence shall be exchangeable for 2021 Notes registered in such names as the Depositary shall direct.

A Rule 144A Global Note may not be transferred on the Security Register except in compliance with the restrictions on transfer contained in the Rule 144A Legend and upon receipt by the Security Registrar of a completed and executed Certificate of Transfer in the form contained in Exhibit C hereto. Prior to the expiration of 40 days beginning on and including the later of (i) the day on which the offering of the 2021 Notes commences and (ii) the Original Issue Date of the 2021 Notes, a Regulation S Global Note may not be transferred on the Security Register except in compliance with the restrictions on transfer contained in the Regulation S Legend and upon receipt by the Security Registrar of a completed and executed Certificate of Transfer in the form contained in Exhibit C hereto.

Any beneficial interest in one of the Global Securities that is transferred to a person who takes delivery in the form of an interest in another Global Security of that series will, upon transfer, cease to be an interest in the initial Global Security of that series and will become an interest in the other Global Security of that series and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interests in such other Global Security of that series for as long as it remains such an interest.

Neither the Trustee or the Security Registrar shall have any obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under the Indenture or under applicable law with respect to any transfer of any interest in any Global Security (including any transfers between or among Depositary participants, members or holders of any Global Security) other than, in connection with a registration of transfer of the 2021 Note on the Security Register, to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by, the terms of the Indenture, and to examine the same to determine substantial compliance as to form with the express requirements hereof. Transfers of beneficial interests between a Rule 144A Global Note and a Regulation S Global Note, and other transfers relating to beneficial interests in the Global Securities, shall be reflected by endorsements of the Trustee, as custodian for DTC, on the schedule attached to such Rule 144A Global Note and Regulation S Global Note. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of a Regulation S Global Note and a corresponding increase in the principal amount of a Rule 144A Global Note or vice versa, as applicable. Neither the Corporation nor

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the Trustee shall have any liability for acts or omissions of any Depository, for any Depository records of beneficial interest, for any transactions between the Depository, any participant member of the Depository and/or beneficial owner of any interest in any 2021 Notes, or in respect of any transfers effected by the Depository or by any participant member of the Depository or any beneficial owner of any interest in any 2021 Notes held through any such participant member of the Depository.

No service charge shall be made for any registration of transfer or exchange of the 2021 Notes, but the Corporation may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith.

Section 1.06. No Redemption. The 2021 Notes are not redeemable prior to maturity and shall not have a sinking fund.

Section 1.07. Paying Agent. The Trustee shall initially serve as Paying Agent with respect to the 2021 Notes, with the Place of Payment initially being the Corporate Trust Office.

Section 1.08. Legends. Each 2021 Note, whether in a global form or in a definitive form, shall bear the Rule 144A Legend, or the Regulation S Legend, as applicable, in substantially the form set forth in Exhibit A hereto.

ARTICLE II

CALCULATION AGENT FOR THE 2021 NOTES

Section 2.01. Appointment. Upon the terms and subject to the conditions contained herein, the Corporation hereby appoints The Bank of New York Mellon Trust Company, N.A. as the Corporation's calculation agent for the 2021 Notes (the "Calculation Agent") and The Bank of New York Mellon Trust Company, N.A. hereby accepts such appointment as the Corporation's agent for the purpose of calculating the applicable interest rates on the 2021 Notes in accordance with the provisions set forth herein..

Section 2.02. Duties and Obligations. The Calculation Agent shall: (a) calculate the applicable interest rates on the 2021 Notes in accordance with the provisions set forth herein, and (b) exercise due care to determine the interest rates on the 2021 Notes and shall communicate the same to the Corporation and the Trustee (if the Trustee is not then serving as the Calculation Agent) as soon as practicable after each determination.

The Calculation Agent will, upon the request of a holder of the 2021 Notes, provide to such Holder the interest rate in effect on the date of such request and, if determined, the interest rate for the next Interest Period (as defined in Section 1.02).

Section 2.03. Terms and Conditions. The Calculation Agent accepts its obligations set forth herein, upon the terms and subject to the conditions hereof, including the following, to all of which the Corporation agrees:

(a) The Calculation Agent shall be entitled to such compensation as may be agreed upon with the Corporation for all services rendered by the Calculation Agent, and the Corporation promises to pay such compensation and to reimburse the Calculation Agent for the reasonable out-of-pocket expenses (including attorneys' fees and expenses) incurred by it in connection with the services rendered by it hereunder upon receipt of such invoices as the Corporation shall reasonably require. The Corporation also agrees to indemnify the Calculation Agent for, and to hold it harmless against, any and all loss, liability,

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damage, claim or expense (including the costs and expenses of defending against any claim (regardless of who asserts such claim) of liability) incurred by the Calculation Agent that arises out of or in connection with its accepting appointment as, or acting as, Calculation Agent hereunder, except such as may result from the willful misconduct or gross negligence of the Calculation Agent or any of its agents or employees. Except as provided in the preceding sentence, the Calculation Agent shall incur no liability and shall be indemnified and held harmless by the Corporation for, or in respect of, any actions taken, omitted to be taken or suffered to be taken in good faith by the Calculation Agent in reliance upon (i) the opinion or advice of counsel or (ii) written instructions from the Corporation. The Calculation Agent shall not be liable for any error resulting from the use of or reliance on a source of information used in good faith and with due care to calculate any interest rate hereunder. The provisions of this clause (a) shall survive the payment in full of the 2021 Notes and the resignation or removal of the Calculation Agent.

(b) In acting under this Nineteenth Supplemental Indenture, the Calculation Agent is acting solely as agent of the Corporation and does not assume any obligations to or relationship of agency or trust for or with any of the beneficial owners or holders of the 2021 Notes.

(c) The Calculation Agent shall be protected and shall incur no liability for or in respect of any action taken or omitted to be taken or anything suffered by it in reliance upon the terms of the 2021 Notes or this Nineteenth Supplemental Indenture or any notice, direction, certificate, affidavit, statement or other paper, document or communication reasonably believed by it to be genuine and to have been approved or signed by the proper party or parties.

(d) The Calculation Agent, its officers, directors, employees and shareholders may become the owners or pledgee of, or acquire any interest in, any 2021 Notes, with the same rights that it or they would have if it were not the Calculation Agent, and may engage or be interested in any financial or other transaction with the Corporation as freely as if it were not the Calculation Agent.

(e) Neither the Calculation Agent nor its officers, directors, employees, agents or attorneys shall be liable to the Corporation for any act or omission hereunder, or for any error of judgment made in good faith by it or them, except in the case of its or their willful misconduct or gross negligence.

(f) The Calculation Agent may consult with counsel of its selection and the advice of such counsel or any opinion of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(g) The Calculation Agent shall be obligated to perform such duties and only such duties as are herein specifically set forth, and no implied duties or obligations shall be read into this Nineteenth Supplemental Indenture against the Calculation Agent.

(h) Unless herein otherwise specifically provided, any order, certificate, notice, request, direction or other communication from the Corporation made or given by it under any provision of this Nineteenth Supplemental Indenture shall be sufficient if signed by any officer of the Corporation.

(i) The Calculation Agent may perform any duties hereunder either directly or by or through its agents or attorneys, and the Calculation Agent shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

(j) The Corporation will not, without first obtaining the prior written consent of the Calculation Agent, make any change to this Nineteenth Supplemental Indenture or the 2021 Notes if such change would materially and adversely affect the Calculation Agent's duties and obligations hereunder or thereunder.

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(k) In no event shall the Calculation Agent be responsible or liable for special, indirect, or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether it has been advised of the likelihood of such loss or damage and regardless of the form of action.

(l) In no event shall the Calculation Agent be responsible or liable for any failure or delay in the performance of its obligations under this Nineteenth Supplemental Indenture arising out of or caused by, directly or indirectly, forces beyond its reasonable control, including without limitation strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software or hardware) services.

(m) Under certain circumstances, the Calculation Agent may be required to determine the interest rates on the 2021 Notes on the basis of quotations received from banks or other financial institutions (the "Reference Banks") selected by the Corporation for the purpose of quoting such rates. The Calculation Agent shall not be responsible to the Corporation or any third party for any failure of the Reference Banks to fulfill their duties or meet their obligations as Reference Banks or as a result of the Calculation Agent having acted (except in the event of gross negligence or willful misconduct) on any quotation or other information given by any Reference Bank which subsequently may be found to be incorrect..

Section 2.04. Qualifications. The Calculation Agent shall be authorized by law to perform all the duties imposed upon it by this Nineteenth Supplemental Indenture, and shall at all times have a capitalization of at least \$50,000,000. The Calculation Agent may not be an affiliate of the Corporation.

Section 2.05. Resignation and Removal. The Calculation Agent may at any time resign as Calculation Agent by giving written notice to the Corporation of such intention on its part, specifying the date on which its desired resignation shall become effective; provided, however, that such date shall never be earlier than 45 days after the receipt of such notice by the Corporation, unless the Corporation otherwise agrees in writing. The Calculation Agent may be removed at any time by the filing with it of any instrument in writing signed on behalf of the Corporation and specifying such removal and the date when it is intended to become effective. Such resignation or removal shall take effect upon the date of the appointment by the Corporation, as hereinafter provided, of a successor Calculation Agent. If within 30 days after notice of resignation or removal has been given, a successor Calculation Agent has not been appointed, the Calculation Agent may, at the expense of the Corporation, petition a court of competent jurisdiction to appoint a successor Calculation Agent. If at any time the Calculation Agent shall resign or be removed, or be dissolved, or if the property or affairs of the Calculation Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency or for any other reason, then a successor Calculation Agent shall as soon as practicable be appointed by the Corporation by an instrument in writing filed with the predecessor Calculation Agent, the successor Calculation Agent and the Trustee. Upon the appointment of a successor Calculation Agent and acceptance by it of such appointment, the Calculation Agent so succeeded shall cease to be such Calculation Agent hereunder. Upon its resignation or removal, the Calculation Agent shall be entitled to the payment by the Corporation of its compensation, if any is owed to it, for services rendered hereunder and to the reimbursement of all reasonable out-of-pocket expenses (including reasonable counsel fees) incurred in connection with the services rendered by it hereunder and to the payment of all other amounts owed to it hereunder.

Section 2.06. Successors. Any successor Calculation Agent appointed hereunder shall execute and deliver to its predecessor, the Corporation and the Trustee an instrument accepting such appointment hereunder, and thereupon such successor Calculation Agent, without any further act, deed or conveyance,

EXHIBIT 4.1

shall become vested with all the authority, rights, powers, trusts, immunities, duties and obligations of such predecessor with like effect as if originally named as such Calculation Agent hereunder, and such predecessor, upon payment of its charges and disbursements then unpaid, shall thereupon become obliged to transfer and deliver, and such successor Calculation Agent shall be entitled to receive, copies of any relevant records maintained by such predecessor Calculation Agent.

Section 2.07. Trustee Deemed Calculation Agent Upon Certain Circumstances. In the event that the Calculation Agent shall resign or be removed, or be dissolved, or if the property or affairs of the Calculation Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency or for any other reason, and the Corporation shall not have made a timely appointment of a successor Calculation Agent, the Trustee, notwithstanding the provisions of this Article Three, shall be deemed to be the Calculation Agent for all purposes of this Nineteenth Supplemental Indenture until the appointment by the Corporation of the successor Calculation Agent.

Section 2.08. Merger, Conversion, Consolidation, Sale or Transfer. Any corporation into which the Calculation Agent may be merged or converted, or any corporation with which the Calculation Agent may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Calculation Agent shall be a party or to which the Calculation Agent shall sell or otherwise transfer all or substantially all of its corporate trust assets or business shall, to the extent permitted by applicable law, be the successor Calculation Agent under this Nineteenth Supplemental Indenture without the execution or filing of any paper or any further act on the part of any of the parties hereto. Notice of any such merger, conversion or consolidation or sale shall forthwith be given to the Corporation and the Trustee (if the Trustee is not then serving as the Calculation Agent).

Section 2.09. Notice. Any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted hereby to be given or furnished to the Calculation Agent shall be delivered in person, sent by letter or fax or communicated by telephone (subject, in the case of communication by telephone, to confirmation dispatched within 24 hours by letter or by fax) as follows:

The Bank of New York Mellon Trust Company, N.A.
10161 Centurion Parkway N., 2nd Floor
Jacksonville, Florida 32256
Telephone:
Fax: (904) 645-1921

or to any other address of which the Calculation Agent shall have notified the Corporation and the Trustee (if the Trustee is not then serving as the Calculation Agent) in writing as herein provided.

The Calculation Agent agrees to accept and act upon instructions or directions pursuant to this Nineteenth Supplemental Indenture sent by unsecured e-mail, pdf, facsimile transmission or other similar unsecured electronic methods, provided, however, that the Calculation Agent shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the Corporation elects to give the Calculation Agent e-mail or facsimile instructions (or instructions by a similar electronic method) and the Calculation Agent in its discretion elects to act upon such instructions, the Calculation Agent's understanding of such instructions shall be deemed controlling. The Calculation Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Calculation Agent's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Corporation agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Calculation Agent including without

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limitation the risk of the Calculation Agent acting on unauthorized instructions, and the risk of interception and misuse by third parties.

Section 2.10. WAIVER OF JURY TRIAL. EACH OF THE CORPORATION, THE CALCULATION AGENT AND THE TRUSTEE HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS NINETEENTH SUPPLEMENTAL INDENTURE, THE BONDS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

Section 2.11. Patriot Act. In order to comply with laws, rules, regulations and executive orders in effect from time to time applicable to banking institutions, including those relating to the funding of terrorist activities and money laundering and the Customer Identification Program (“CIP”) requirements under the USA PATRIOT Act and its implementing regulations, pursuant to which the Calculation Agent must obtain, verify and record information that allows the Calculation Agent to identify customers (“Applicable Law”), the Calculation Agent is required to obtain, verify and record certain information relating to individuals and entities which maintain a business relationship with the Calculation Agent. Accordingly, the Corporation agrees to provide to the Calculation Agent upon its request from time to time such identifying information and documentation as may be available for such party in order to enable the Calculation Agent to comply with Applicable Law, including, but not limited to, information as to name, physical address, tax identification number and other information that will help the Calculation Agent to identify and verify such Corporation such as organizational documents, certificates of good standing, licenses to do business or other pertinent identifying information. The Corporation understands and agrees that the Calculation Agent cannot determine the interest rates on the 2021 Notes unless and until the Calculation Agent verifies the identities of the Corporation in accordance with its CIP.

Section 2.12. Calculation of Interest Rate for First Interest Period. The Calculation Agent, at the request of the Corporation, has determined, prior to the date of execution and delivery of this Nineteenth Supplemental Indenture, the interest rate for the initial Interest Period for the 2021 Notes. In connection with such determination, the Calculation Agent shall be entitled to the same rights, protections, exculpations and immunities otherwise available to it under this Nineteenth Supplemental Indenture.

Section 2.13. FATCA. The Corporation agrees (i) to provide the Trustee with such reasonable tax information as it has in its possession to enable the Trustee to determine whether any payments pursuant to this Supplemental Indenture are subject to the withholding requirements described in Section 1471(b) of the US Internal Revenue Code of 1986 (the “Code”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code and any regulations, or agreements thereunder or official interpretations thereof (“FATCA”) and (ii) that the Trustee shall be entitled to make any withholding or deduction from payments under this Supplemental Indenture to the extent necessary to comply with FATCA.

ARTICLE III

MISCELLANEOUS PROVISIONS

Section 3.01. Recitals by the Corporation. The recitals in this Nineteenth Supplemental Indenture are made by the Corporation only and not by the Trustee or the Calculation Agent, and all of the provisions contained in the Original Indenture in respect of the rights, privileges, immunities, powers and duties of the Trustee shall be applicable in respect of the 2021 Notes and this Nineteenth Supplemental Indenture as fully and with like effect as if set forth herein in full.

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Section 3.02 Ratification and Incorporation of Original Indenture. As supplemented hereby, the Original Indenture is in all respects ratified and confirmed, and the Original Indenture and this Nineteenth Supplemental Indenture shall be read, taken and construed as one and the same instrument.

Section 3.03. Executed in Counterparts. This Nineteenth Supplemental Indenture may be executed in several counterparts, each of which shall be deemed to be an original, and such counterparts shall together constitute but one and the same instrument.

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IN WITNESS WHEREOF, each party hereto has caused this instrument to be signed in its name and behalf by its duly authorized officer, all as of the day and year first above written.

Duke Energy Corporation

By: /s/ JOHN L. SULLIVAN, III

Name: John L. Sullivan, III

Title: Assistant Treasurer

The Bank of New York Mellon Trust Company,
N.A., as Trustee and Calculation Agent

By: /s/ R. TARNAS

Name: R. Tarnas

Title: Vice President

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EXHIBIT A

[DEPOSITARY LEGEND]

[UNLESS THIS SECURITY IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) TO THE Corporation OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT AND ANY SECURITY ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY TRUST COMPANY AND ANY PAYMENT HEREON IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY A PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.]

[RULE 144 A LEGEND]

[NEITHER THIS SECURITY NOR ANY BENEFICIAL INTEREST HEREIN HAS BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). EACH HOLDER HEREOF, AND EACH OWNER OF A BENEFICIAL INTEREST HEREIN, BY PURCHASING THIS SECURITY, AGREES FOR THE BENEFIT OF DUKE ENERGY CORPORATION (THE "CORPORATION") THAT THIS SECURITY MAY NOT BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED PRIOR TO THE DATE WHICH IS SIX MONTHS (IF ALL APPLICABLE CONDITIONS TO SUCH RESALE UNDER RULE 144 UNDER THE SECURITIES ACT ("Rule 144A") (OR ANY SUCCESSOR PROVISION THEREOF) ARE SATISFIED) AFTER THE LATER OF THE ORIGINAL ISSUANCE DATE THEREOF, THE ISSUANCE DATE OF ANY SUBSEQUENT ISSUANCE OF ADDITIONAL SECURITIES OF THE SAME SERIES AND THE LAST DATE ON WHICH THE CORPORATION OR ANY AFFILIATE THEREOF WAS THE OWNER OF THIS SECURITY OR THE EXPIRATION OF SUCH SHORTER PERIOD AS MAY BE PRESCRIBED BY SUCH RULE 144 (OR SUCH SUCCESSOR PROVISION) PERMITTING REALES OF THIS SECURITY WITHOUT ANY CONDITIONS (THE "RESALE RESTRICTION TERMINATION DATE") OTHER THAN (A)(1) TO THE CORPORATION, (2) IN A TRANSACTION ENTITLED TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT, (3) SO LONG AS THIS SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A (AS INDICATED BY THE BOX CHECKED BY THE TRANSFEROR ON THE CERTIFICATE OF TRANSFER ATTACHED TO THIS SECURITY), (4) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATIONS UNDER THE SECURITIES ACT (AS INDICATED BY THE BOX CHECKED BY THE TRANSFEROR ON THE CERTIFICATE OF TRANSFER ATTACHED TO THIS SECURITY), (5) IN ACCORDANCE WITH ANOTHER APPLICABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL ACCEPTABLE TO THE CORPORATION), OR (6) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND (B) IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE FOREGOING RESTRICTIONS ON RESALE WILL NOT APPLY SUBSEQUENT TO THE RESALE RESTRICTION TERMINATION DATE. THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, REPRESENTS AND AGREES FOR THE BENEFIT OF THE CORPORATION THAT IT IS (i) A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A

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OR (ii) A NON-U.S. PERSON OUTSIDE THE UNITED STATES WITHIN THE MEANING OF, OR AN ACCOUNT SATISFYING THE REQUIREMENTS OF, PARAGRAPH (k)(2) OF RULE 902 UNDER REGULATION S UNDER THE SECURITIES ACT. THE HOLDER OF THIS SECURITY ACKNOWLEDGES THAT THE CORPORATION RESERVES THE RIGHT PRIOR TO ANY OFFER, SALE OR OTHER TRANSFER (1) PURSUANT TO CLAUSE (A)(2) PRIOR TO THE RESALE RESTRICTION TERMINATION DATE TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS OR OTHER INFORMATION SATISFACTORY TO THE CORPORATION AND (2) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE AS TO COMPLIANCE WITH CERTAIN CONDITIONS TO TRANSFER IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE CORPORATION.]

[REGULATION S LEGEND]

[THE SECURITIES COVERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (I) AS PART OF THEIR DISTRIBUTION AT ANY TIME OR (II) OTHERWISE UNTIL 40 DAYS AFTER THE LATER OF THE DATE OF THE COMMENCEMENT OF THE OFFERING OF THE SECURITIES AND THE DATE OF ORIGINAL ISSUANCE OF THE SECURITIES, EXCEPT IN EITHER CASE IN ACCORDANCE WITH REGULATION S OR RULE 144A UNDER THE SECURITIES ACT OR ANY OTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S.]

FORM OF
FLOATING RATE SENIOR NOTE DUE 2021

No.

Rule 144A CUSIP No. 26441C BA2
Regulation S CUSIP No. U2648M AE2

DUKE ENERGY CORPORATION
FLOATING RATE SENIOR NOTE DUE 2021

Principal Amount: \$

Regular Record Date: Close of business on the 15th calendar day prior to the relevant Interest Payment Date (whether or not a Business Day)

Original Issue Date: May 16, 2018

Stated Maturity: May 14, 2021

Interest Payment Dates: Quarterly on February 14, May 14, August 14 and November 14 of each year, commencing on August 14, 2018

Interest Rate: Floating per annum rate reset quarterly based on LIBOR plus 50 basis points.

Authorized Denomination: \$2,000 or any integral multiple of \$1,000 in excess thereof

Duke Energy Corporation, a Delaware corporation (the "Corporation", which term includes any successor corporation under the Indenture referred to on the reverse hereof), for value received, hereby

EXHIBIT 4.1

promises to pay to _____, or registered assigns, the principal sum of _____ DOLLARS (\$ _____) on the Stated Maturity shown above and to pay interest thereon from the Original Issue Date shown above, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, quarterly in arrears on each Interest Payment Date as specified above, commencing on August 14, 2018 and on the Stated Maturity at the rate per annum described below until the principal hereof is paid or made available for payment and at such rate on any overdue principal and on any overdue installment of interest. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date (other than an Interest Payment Date that is the Stated Maturity) will, as provided in the Indenture, be paid to the Person in whose name this Floating Rate Senior Note due 2021 (this "Security") is registered on the Regular Record Date as specified above next preceding such Interest Payment Date; *provided* that any interest payable at Stated Maturity will be paid to the Person to whom principal is payable. Except as otherwise provided in the Indenture, any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange, if any, on which the Securities shall be listed, and upon such notice as may be required by any such exchange, all as more fully provided in the Indenture.

Interest on this Security shall be computed and paid on the actual number of days elapsed over a 360-day year and will accrue from May 16, 2018 or from the most recent Interest Payment Date to which interest has been paid or duly provided for. In the event that any Interest Payment Date (other than the Interest Payment Date that is the Stated Maturity) would otherwise be a day that is not a Business Day, such Interest Payment Date will be postponed to the next succeeding Business Day. In the event that the Stated Maturity falls on a day that is not a Business Day, then the payment of principal and interest due on such date will be made on the next succeeding day that is a Business Day (and without any interest or payment in respect of any such delay) with the same force and effect as if made on the date the payment was originally payable. "Business Day" means any day other than a Saturday or Sunday that is neither a Legal Holiday nor a day on which banking institutions in New York, New York are authorized or required by law, regulation or executive order to close, or a day on which the Corporate Trust Office is closed for business. "Legal Holiday" means any day that is a legal holiday in New York, New York.

This Security will bear interest for each quarterly Interest Period at a per annum rate determined by the Calculation Agent. The interest rate applicable during each quarterly Interest Period will be equal to LIBOR on the Interest Determination Date for such Interest Period plus 50 basis points. Promptly upon such determination, the Calculation Agent will notify the Corporation and the Trustee, if the Trustee is not then serving as the Calculation Agent, of the interest rate for the new Interest Period. The interest rate determined by the Calculation Agent, absent manifest error, shall be binding and conclusive upon the beneficial owners and holders of this Security, the Corporation and the Trustee.

Upon the request of a holder of this Security, the Calculation Agent will provide to such holder the interest rate in effect on the date of such request and, if determined, the interest rate for the next Interest Period.

The accrued interest on this Security for any period is calculated by multiplying the principal amount of this Security by an accrued interest factor. The accrued interest factor is computed by adding the interest factor calculated for each day in the period for which accrued interest is being calculated. The interest factor (expressed as a decimal rounded upwards if necessary) is computed by dividing the interest rate (expressed as a decimal rounded upwards if necessary) applicable to such date by 360.

EXHIBIT 4.1

All percentages resulting from any calculation of the interest rate on this Security will be rounded, if necessary, to the nearest one-hundred thousandth of a percentage point, with five one-millionths of a percentage point rounded upwards (e.g., 0.567845% (or .00567845) being rounded to 0.56785% (or .0056785) and 0.567844% (or .00567844) being rounded to 0.56784% (or .0056784)), and all dollar amounts used in or resulting from such calculation will be rounded to the nearest cent (with one-half cent being rounded upwards).

For purposes of this Security, except as otherwise expressly provided or unless the context otherwise requires:

“BBAM” means the display that appears on Bloomberg L.P.’s page “BBAM” or any page as may replace such page on such service (or any successor service) for the purpose of displaying the London Interbank Offered rate for U.S. dollar deposits.

“Calculation Agent” means The Bank of New York Mellon Trust Company, N.A., as appointed pursuant to Section 2.01 of the Nineteenth Supplemental Indenture, dated as of the date hereof, among the Corporation, the Trustee and the Calculation Agent, or such calculation agent’s successor appointed by the Corporation pursuant to Article Two of such supplemental indenture, acting as calculation agent.

“Interest Determination Date” means the second London Business Day immediately preceding the first day of the relevant Interest Period.

“Interest Period” means the period commencing on an Interest Payment Date for this Security (or, with respect to the initial Interest Period only, commencing on the Original Issue Date for this Security) and ending on the day before the next succeeding Interest Payment Date for this Security.

“LIBOR” means, with respect to any Interest Period, the rate (expressed as a percentage per annum) for deposits in U.S. dollars for a three-month period commencing on the first day of that Interest Period and ending on the next Interest Payment Date for this Security that appears on Bloomberg L.P.’s page “BBAM” and, if such page is not available, from the Reuters LIBOR01 Page as of 11:00 a.m. (London time) on the Interest Determination Date for that Interest Period. If such rate does not appear on BBAM or the Reuters LIBOR01 Page as of 11:00 a.m. (London time) on the Interest Determination Date for that Interest Period, LIBOR will be determined on the basis of the rates at which deposits in U.S. dollars for the Interest Period and in a principal amount of not less than \$1,000,000 are offered to prime banks in the London interbank market by four major banks in the London interbank market, which may include affiliates of one or more initial purchasers of this Security, selected by the Corporation, at approximately 11:00 a.m., London time, on the Interest Determination Date for that Interest Period. The Corporation will request the principal London office of each such bank to provide a quotation of its rate to the Calculation Agent. If at least two such quotations are provided, LIBOR with respect to that Interest Period will be the arithmetic mean of such quotations. If fewer than two quotations are provided, LIBOR with respect to that Interest Period will be the arithmetic mean of the rates quoted by three major banks in New York City, which may include affiliates of one or more initial purchasers of this Security, selected by the Corporation, at approximately 11:00 a.m., New York City time, on the Interest Determination Date for that Interest Period for loans in U.S. dollars to leading European banks for that Interest Period and in a principal amount of not less than \$1,000,000. However, if fewer than three banks selected by the Corporation to provide quotations are quoting as described above, LIBOR for that Interest Period will be the same as LIBOR as determined for the previous Interest Period.

“London Business Day” means a day that is a Business Day and a day on which dealings in deposits in U.S. dollars are transacted, or with respect to any future date are expected to be transacted, in the London interbank market.

EXHIBIT 4.1

“Reuters LIBOR01 Page” means the display designated as Reuters LIBOR01 on the Reuters 3000 Xtra (or such other page as may replace the Reuters LIBOR01 Page on that service, or such other service as may be nominated for the purpose of displaying rates or prices comparable to the London Interbank Offered rate for U.S. dollar deposits by ICE Benchmark Administration Limited (“IBA”) or its successor or such other entity assuming the responsibility of IBA or its successor in calculating the London Interbank Offered rate in the event IBA or its successor no longer does so).

Payment of principal of and interest on the Securities of this series shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. Payments of principal of and interest on the Securities of this series represented by a Global Security shall be made by wire transfer of immediately available funds to the Holder of such Global Security. If any of the Securities of this series are no longer represented by a Global Security, (i) payments of principal and interest due at the Stated Maturity of such Securities shall be made at the office of the Paying Agent upon surrender of such Securities to the Paying Agent, and (ii) payments of interest shall be made, at the option of the Corporation, subject to such surrender where applicable, by (A) check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register or (B) wire transfer at such place and to such account at a banking institution in the United States as may be designated in writing to the Trustee at least sixteen (16) days prior to the date for payment by the Person entitled thereto.

The Securities of this series are not redeemable prior to maturity.

The Securities of this series shall not have a sinking fund.

The Securities of this series shall constitute the direct unsecured and unsubordinated debt obligations of the Corporation and shall rank equally in priority with the Corporation’s existing and future unsecured and unsubordinated indebtedness.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS SECURITY SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

Unless the certificate of authentication hereon has been executed by the Trustee by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

EXHIBIT 4.1

IN WITNESS WHEREOF, the Corporation has caused this instrument to be duly executed as of May 16, 2018.

Duke Energy Corporation

By: _____
Name:
Title:

EXHIBIT 4.1

CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

Dated: May 16, 2018

The Bank of New York Mellon Trust Company,
N.A., as Trustee

By:

Authorized Signatory

EXHIBIT 4.1

(Reverse Side of Security)

This Floating Rate Senior Note due 2021 is one of a duly authorized issue of Securities of the Corporation (the "Securities"), issued and issuable in one or more series under an Indenture, dated as of June 3, 2008, as supplemented (the "Indenture"), between the Corporation and The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.), as Trustee (the "Trustee," which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitation of rights, duties and immunities thereunder of the Corporation, the Trustee and the Holders of the Securities issued thereunder and of the terms upon which said Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof as Floating Rate Senior Notes due 2021 initially in the aggregate principal amount of \$500,000,000. Capitalized terms used herein for which no definition is provided herein shall have the meanings set forth in the Indenture.

If an Event of Default with respect to the Securities of this series shall occur and be continuing, the principal of the Securities of this series may be declared due and payable in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Corporation and the rights of the Holders of the Securities of all series affected under the Indenture at any time by the Corporation and the Trustee with the consent of the Holders of not less than a majority in principal amount of the Outstanding Securities of all series affected thereby (voting as one class). The Indenture contains provisions permitting the Holders of not less than a majority in principal amount of the Outstanding Securities of all series with respect to which a default under the Indenture shall have occurred and be continuing (voting as one class), on behalf of the Holders of the Securities of all such series, to waive, with certain exceptions, such default under the Indenture and its consequences. The Indenture also permits the Holders of not less than a majority in principal amount of the Securities of each series at the time Outstanding, on behalf of the Holders of all Securities of such series, to waive compliance by the Corporation with certain provisions of the Indenture affecting such series. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Corporation, which is absolute and unconditional, to pay the principal of and interest on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Corporation for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Corporation and the Security Registrar and duly executed by, the Holder hereof or his attorney duly authorized in writing, together with the completed and executed Certificate of Transfer attached hereto, and thereupon one or more new Securities of this series, of authorized denominations and of like tenor and for the same aggregate principal amount, will be issued to the designated transferee or transferees. No service charge shall be made for any such registration of transfer or exchange, but the Corporation may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

EXHIBIT 4.1

The Indenture contains provisions for defeasance at any time of the entire indebtedness of the Securities of this series and for covenant defeasance at any time of certain covenants in the Indenture upon compliance with certain conditions set forth in the Indenture.

Prior to due presentment of this Security for registration of transfer, the Corporation, the Trustee and any agent of the Corporation or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Corporation, the Trustee nor any such agent shall be affected by notice to the contrary.

The Securities of this series are issuable only in registered form without coupons in denominations of \$2,000 or any integral multiple of \$1,000 in excess thereof. As provided in the Indenture and subject to the limitations therein set forth, Securities of this series are exchangeable for a like aggregate principal amount of Securities of this series of a different authorized denomination, as requested by the Holder surrendering the same upon surrender of the Security or Securities to be exchanged at the office or agency of the Corporation.

This Security shall be governed by, and construed in accordance with, the laws of the State of New York.

EXHIBIT 4.1

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this instrument, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM — as tenants in common	UNIF GIFT MIN ACT -	_____ Custodian	_____
		(Cust)	(Minor)
TEN ENT — as tenants by the entireties			
JT TEN — as joint tenants with rights of survivorship and not as tenants in common		under Uniform Gifts to Minors Act	

		(State)	

Additional abbreviations may also be used though not on the above list.

FOR VALUE RECEIVED, the undersigned hereby sell(s) and transfer(s) unto (please insert Social Security or other identifying number of assignee)

PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING POSTAL ZIP CODE OF ASSIGNEE

the within Security and all rights thereunder, hereby irrevocably constituting and appointing agent to transfer said Security on the books of the Corporation, with full power of substitution in the premises.

Dated: _____

NOTICE: The signature to this assignment must correspond with the name written upon the face of the within instrument in every particular without alteration or enlargement, or any change whatever.

Signature
Guarantee: _____

EXHIBIT 4.1

SIGNATURE GUARANTEE

Signatures must be guaranteed by an “eligible guarantor institution” meeting the requirements of the Security Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program (“STAMP”) or such other “signature guarantee program” as may be determined by the Security Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

EXHIBIT 4.1

EXHIBIT B CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

Dated:

The Bank of New York Mellon Trust Company,
N.A., as Trustee

By:

Authorized Signatory

EXHIBIT 4.1

EXHIBIT C CERTIFICATE OF TRANSFER

Re: DUKE ENERGY CORPORATION FLOATING RATE SENIOR NOTE DUE 2021 (the "Securities")

This Certificate relates to \$__principal amount of the Securities held in *__book-entry or *__definitive form by____(the "Transferor").

The Transferor certifies that said beneficial interest in said Security is being resold, pledged or otherwise transferred as follows:*

1 to the Corporation; or

2 pursuant to an exemption from registration provided by Rule 144 under the Securities Act of 1933, as amended (the "Securities Act"); or

3 to a person whom the Transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the resale, pledge or other transfer is being made in reliance on Rule 144A under the Securities Act; or

4 pursuant to an offshore transaction in accordance with Rule 903 or 904 of Regulation S under the Securities Act; or

5 pursuant to another applicable exemption from the registration requirements of the Securities Act (and based upon an opinion of counsel acceptable to the Corporation); or

6 pursuant to an effective registration statement under the Securities Act.

Unless one of the boxes is checked, the Trustee may refuse to register any of the Securities evidenced by this certificate in the name of any person other than the registered holder thereof; provided, however, that if box (2) is checked, the Corporation or the Trustee, prior to registering any such transfer of the Securities, reserves the right to require the delivery of an opinion of counsel, certifications or other information satisfactory to the Corporation and the Trustee.

Dated: _____

NOTICE: The signature to this assignment must correspond with the name written upon the face of the within instrument in every particular without alteration or enlargement, or any change whatever.

Signature

Guarantee: _____

* Fill in blank or check appropriate box, as applicable.

EXHIBIT 4.1

SIGNATURE GUARANTEE

Signatures must be guaranteed by an “eligible guarantor institution” meeting the requirements of the Security Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program (“STAMP”) or such other “signature guarantee program” as may be determined by the Security Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

EXHIBIT 4.1

EXHIBIT D

SCHEDULE I TO GLOBAL SECURITY

The initial amount of the Global Securities evidenced by this certificate is \$___.

SCHEDULE OF INCREASES OR DECREASES IN GLOBAL SECURITY

The following increases or decreases in this Global Security have been made

<u>Date</u>	<u>Amount of increase in Principal Amount of this Global Security</u>	<u>Amount of decrease in Principal Amount of this Global Security</u>	<u>Principal Amount of this Global Security following each decrease or increase</u>	<u>Signature of authorized signatory of Trustee or Securities Registrar</u>
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EXHIBIT 12

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES - DUKE ENERGY CORPORATION

The ratio of earnings to fixed charges is calculated using the Securities and Exchange Commission guidelines.

(in millions)	Six Months Ended June 30,		Years Ended December 31,				
	2018	2017	2016	2015	2014	2013	
Earnings as defined for fixed charges calculation							
Add:							
Pretax income from continuing operations ^(a)	\$ 1,394	\$ 4,142	\$ 3,668	\$ 3,832	\$ 3,636	\$ 3,204	
Fixed charges	1,171	2,205	2,170	1,859	1,871	1,886	
Distributed income of equity investees	56	16	30	104	136	109	
Deduct:							
Interest capitalized	5	4	10	18	7	8	
Total earnings	\$ 2,616	\$ 6,359	\$ 5,858	\$ 5,777	\$ 5,636	\$ 5,191	
Fixed charges:							
Interest on debt, including capitalized portions	\$ 1,122	\$ 2,104	\$ 2,066	\$ 1,733	\$ 1,733	\$ 1,760	
Estimate of interest within rental expense	49	101	104	126	138	126	
Total fixed charges	\$ 1,171	\$ 2,205	\$ 2,170	\$ 1,859	\$ 1,871	\$ 1,886	
Ratio of earnings to fixed charges	2.2	2.9	2.7	3.1	3.0	2.8	

(a) Excludes amounts attributable to noncontrolling interests and income or loss from equity investees.

EXHIBIT 31.1.1

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Lynn J. Good, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Corporation;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2018

/s/ LYNN J. GOOD

Lynn J. Good
Chairman, President and
Chief Executive Officer

EXHIBIT 31.1.2

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Lynn J. Good, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Carolinas, LLC;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2018

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

EXHIBIT 31.1.3

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Lynn J. Good, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Progress Energy, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2018

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

EXHIBIT 31.1.4

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Lynn J. Good, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Progress, LLC;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2018

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

EXHIBIT 31.1.5

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Lynn J. Good, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Florida, LLC;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2018

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

EXHIBIT 31.1.6

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Lynn J. Good, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Ohio, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2018

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

EXHIBIT 31.1.7

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Lynn J. Good, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Indiana, LLC;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2018

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

EXHIBIT 31.1.8

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Lynn J. Good, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Piedmont Natural Gas Company, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2018

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

EXHIBIT 31.2.1

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Steven K. Young, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Corporation;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2018

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

EXHIBIT 31.2.2

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Steven K. Young, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Carolinas, LLC;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2018

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

EXHIBIT 31.2.3

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Steven K. Young, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Progress Energy, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2018

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

EXHIBIT 31.2.4

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Steven K. Young, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Progress, LLC;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2018

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

EXHIBIT 31.2.5

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Steven K. Young, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Florida, LLC;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2018

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

EXHIBIT 31.2.6

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Steven K. Young, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Ohio, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2018

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

EXHIBIT 31.2.7

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Steven K. Young, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Indiana, LLC;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2018

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

EXHIBIT 31.2.8

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Steven K. Young, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Piedmont Natural Gas Company, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2018

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

EXHIBIT 32.1.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Corporation ("Duke Energy") on Form 10-Q for the period ending June 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynn J. Good, Chairman, President and Chief Executive Officer of Duke Energy, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy.

/s/ LYNN J. GOOD

Lynn J. Good
Chairman, President and
Chief Executive Officer

August 2, 2018

EXHIBIT 32.1.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Carolinas, LLC ("Duke Energy Carolinas") on Form 10-Q for the period ending June 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynn J. Good, Chief Executive Officer of Duke Energy Carolinas, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Carolinas.

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

August 2, 2018

EXHIBIT 32.1.3

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Progress Energy, Inc. ("Progress Energy") on Form 10-Q for the period ending June 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynn J. Good, Chief Executive Officer of Progress Energy, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Progress Energy.

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

August 2, 2018

EXHIBIT 32.1.4

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Progress, LLC ("Duke Energy Progress") on Form 10-Q for the period ending June 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynn J. Good, Chief Executive Officer of Duke Energy Progress, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Progress.

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

August 2, 2018

EXHIBIT 32.1.5

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Florida, LLC ("Duke Energy Florida") on Form 10-Q for the period ending June 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynn J. Good, Chief Executive Officer of Duke Energy Florida, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Florida.

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

August 2, 2018

EXHIBIT 32.1.6

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Ohio, Inc. ("Duke Energy Ohio") on Form 10-Q for the period ending June 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynn J. Good, Chief Executive Officer of Duke Energy Ohio, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Ohio.

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

August 2, 2018

EXHIBIT 32.1.7

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Indiana, LLC ("Duke Energy Indiana") on Form 10-Q for the period ending June 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynn J. Good, Chief Executive Officer of Duke Energy Indiana, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Indiana.

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

August 2, 2018

EXHIBIT 32.1.8

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Piedmont Natural Gas Company, Inc. ("Piedmont") on Form 10-Q for the period ending June 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynn J. Good, Chief Executive Officer of Piedmont, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Piedmont.

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

August 2, 2018

EXHIBIT 32.2.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Corporation ("Duke Energy") on Form 10-Q for the period ending June 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven K. Young, Executive Vice President and Chief Financial Officer of Duke Energy, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy.

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

August 2, 2018

EXHIBIT 32.2.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Carolinas, LLC ("Duke Energy Carolinas") on Form 10-Q for the period ending June 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven K. Young, Executive Vice President and Chief Financial Officer of Duke Energy Carolinas, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Carolinas.

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

August 2, 2018

EXHIBIT 32.2.3

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Progress Energy, Inc. ("Progress Energy") on Form 10-Q for the period ending June 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven K. Young, Executive Vice President and Chief Financial Officer of Progress Energy, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Progress Energy.

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

August 2, 2018

EXHIBIT 32.2.4

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Progress, LLC ("Duke Energy Progress") on Form 10-Q for the period ending June 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven K. Young, Executive Vice President and Chief Financial Officer of Duke Energy Progress, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Progress.

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

August 2, 2018

EXHIBIT 32.2.5

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Florida, LLC ("Duke Energy Florida") on Form 10-Q for the period ending June 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven K. Young, Executive Vice President and Chief Financial Officer of Duke Energy Florida, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Florida.

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

August 2, 2018

EXHIBIT 32.2.6

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Ohio, Inc. ("Duke Energy Ohio") on Form 10-Q for the period ending June 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven K. Young, Executive Vice President and Chief Financial Officer of Duke Energy Ohio, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Ohio.

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

August 2, 2018

EXHIBIT 32.2.7

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Indiana, LLC ("Duke Energy Indiana") on Form 10-Q for the period ending June 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven K. Young, Executive Vice President and Chief Financial Officer of Duke Energy Indiana, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Indiana.

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

August 2, 2018

EXHIBIT 32.2.8

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Piedmont Natural Gas Company, Inc. ("Piedmont") on Form 10-Q for the period ending June 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven K. Young, Executive Vice President and Chief Financial Officer of Piedmont, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Piedmont.

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

August 2, 2018