

PART II

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

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' 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. The settlement is subject to NCUC approval. Duke Energy Progress cannot predict the outcome of this matter.

Duke Energy Florida

Regulatory Assets and Liabilities

The following tables present the regulatory assets and liabilities recorded on Duke Energy Florida's Consolidated Balance Sheets.

(in millions)	December 31,		Earns/Pays a Return	Recovery/Refund Period Ends
	2017	2016		
Regulatory Assets^(a)				
AROs - coal ash ^(c)	\$ 9	\$ 8	X	(b)
AROs - nuclear and other ^(c)	296	294	X	(b)
Accrued pension and OPEB ^(c)	476	458	X	(h)
Retired generation facilities ^(c)	216	257	X	(b)
Net regulatory asset related to income taxes ^(c)	—	224	X	(d)
Storm cost deferrals ^(c)	376	—	(f)	2021
Nuclear asset securitized balance, net	1,142	1,193		2036
Hedge costs deferrals	30	25		2018
DSM/EE ^(c)	17	15	X	2018
Deferred fuel and purchased power ^(c)	219	87	(g)	2019
Nuclear deferral	—	96		
AMI ^(c)	75	—	X	2032
Other	36	36		(b)
Total regulatory assets	2,892	2,693		
Less: current portion	389	213		
Total noncurrent regulatory assets	\$ 2,503	\$ 2,480		
Regulatory Liabilities^(a)				
Costs of removal ^(c)	\$ 415	\$ 358	(e)	(b)
Net regulatory liability related to income taxes ^(c)	948	—		(b)
Storm reserve ^(c)	—	60		
Deferred fuel and purchased power ^(c)	—	17	(g)	
Other	18	44		(b)
Total regulatory liabilities	1,381	479		
Less: current portion	74	31		
Total noncurrent regulatory liabilities	\$ 1,307	\$ 448		

- (a) Regulatory assets and liabilities are excluded from rate base unless otherwise noted.
(b) The expected recovery or refund period varies or has not been determined.
(c) Included in rate base.
(d) Recovery over the life of the associated assets.
(e) Certain costs earn a return.
(f) Earns a debt return/interest once collections begin.
(g) Earns commercial paper rate.
(h) Recovered primarily over the average remaining service periods or life expectancies of employees covered by the benefit plans. See Note 21 for additional detail.

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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. The estimated recovery amount is approximately \$513 million to be recovered over a three-year period beginning in March 2018, subject to true up, which includes reestablishment of a \$132 million storm reserve. At December 31, 2017, Duke Energy Florida's Consolidated Balance Sheets included approximately \$376 million of recoverable costs under the FPSC's storm rule in Regulatory assets within Other Noncurrent Assets related to storm recovery. On February 6, 2018, the FPSC approved Duke Energy Florida's motion to approve a stipulation that would apply tax savings resulting from the Tax Act toward storm costs in lieu of implementing a storm surcharge.

2017 Second Revised and Restated Settlement Agreement

On November 20, 2017, the FPSC issued an order to approve the 2017 Second Revised and Restated Settlement Agreement (2017 Settlement) filed by Duke Energy Florida. The 2017 Settlement replaces and supplants the 2013 Settlement. The 2017 Settlement extends the base rate case stay-out provision from the 2013 Settlement through the end of 2021 unless actual or projected return on equity falls below 9.5 percent; however, Duke Energy Florida is allowed a multiyear increase to its base rates of \$67 million per year in 2019, 2020 and 2021, as well as base rate increases for solar generation. In addition to carrying forward the provisions contained in the 2013 Settlement related to the Crystal River 1 and 2 coal units discussed below and future generation needs in Florida, the 2017 Settlement contains provisions related to future investments in solar and renewable energy technology, future investments in AMI technology as well as recovery of existing meters, impacts of the Tax Act, an electric vehicle charging station pilot program and the termination of the proposed Levy Nuclear Project discussed below. As part of the 2017 Settlement, Duke Energy Florida will not move forward with building the Levy nuclear plant and recorded a pretax impairment charge of approximately \$135 million in 2017 to write off all unrecovered Levy Nuclear Project costs, including the COL. As a result of the 2017 Settlement, Duke Energy Florida transferred \$75 million to a regulatory asset for the net book value of existing meter technology, which will be recovered over a 15-year period.

The 2017 Settlement includes provisions to recover 2017 under-recovered fuel costs of approximately \$196 million over a 24-month period beginning in January 2018. On September 1, 2017, Duke Energy Florida submitted Alternate 2018 Fuel and Capacity clause projection filings consistent with the terms of the 2017 Settlement. The updated capacity filing reflects the removal of all Levy costs. The FPSC approved Duke Energy Florida's 2018 Alternate projection filings on October 25, 2017.

Hines Chiller Uprate Project

On February 2, 2017, Duke Energy Florida filed a petition seeking approval to include in base rates the revenue requirement for a Chiller Uprate Project (Uprate Project) at the Hines Energy Complex. The Uprate Project was placed into service in March 2017 at a cost of approximately \$150 million. The annual retail revenue requirement is approximately \$19 million. On March 28, 2017, the FPSC issued an order approving the revenue requirement, which was included in base rates for the first billing cycle of April 2017.

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 in 2018 at an estimated cost of \$1.5 billion, including AFUDC. The plant will receive natural gas from the Sabal Trail Transmission, LLC (Sabal Trail) pipeline discussed below.

Purchase of Osprey Energy Center

Duke Energy Florida received a Civil Investigative Demand from the Department of Justice (DOJ) related to alleged violation of the waiting period for the Hart-Scott-Rodino Antitrust Improvements Act of 1976 related to the purchase of the Osprey Energy Center, LLC, which was completed in January 2017. The DOJ alleged Duke Energy Florida assumed operational control of the Osprey Plant before the waiting period expiration on February 27, 2015. On January 17, 2017, Duke Energy Florida entered into a stipulation agreement to settle with the DOJ for \$600,000 without admission of liability. On January 18, 2017, the DOJ filed a complaint and the stipulation in the U.S. District Court for the District of Columbia, which was approved by the court. A final order dismissing the case was entered in April 2017.

Crystal River Unit 3

In December 2014, the FPSC approved Duke Energy Florida's decision to construct an independent spent fuel storage installation (ISFSI) for the retired Crystal River Unit 3 nuclear plant and approved Duke Energy Florida's request to defer amortization of the ISFSI pending resolution of litigation against the federal government as a result of the Department of Energy's breach of its obligation to accept spent nuclear fuel. The return rate is based on the currently approved AFUDC rate with a return on equity of 7.35 percent, or 70 percent of the currently approved 10.5 percent. The return rate is subject to change if the return on equity changes in the future. In September 2016, the FPSC approved an amendment to the 2013 Settlement authorizing recovery of the ISFSI through the Capacity Cost Recovery Clause. Through December 31, 2017, Duke Energy Florida has deferred approximately \$113 million for recovery associated with building the ISFSI. See Note 5 for additional information on spent nuclear fuel litigation.

The regulatory asset associated with the original Crystal River Unit 3 power uprate project will continue to be recovered through the NCRC over an estimated seven-year period that began in 2013 with a remaining uncollected balance of \$87 million at December 31, 2017.

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Crystal River Unit 3 Regulatory Asset

On September 15, 2015, the FPSC approved Duke Energy Florida's motion for approval of a settlement agreement with intervenors to reduce the value of the projected Crystal River Unit 3 regulatory asset to be recovered to \$1.283 billion as of December 31, 2015. An impairment charge of \$15 million was recognized in 2015 to adjust the regulatory asset balance. In November 2015, the FPSC issued a financing order approving Duke Energy Florida's request to issue nuclear asset-recovery bonds to finance its unrecovered regulatory asset related to Crystal River Unit 3 through a wholly owned special purpose entity. Nuclear asset-recovery bonds replace the base rate recovery methodology authorized by the 2013 Settlement and result in a lower rate impact to customers with a recovery period of approximately 20 years.

Pursuant to provisions in Florida Statutes and the FPSC financing order, in 2016, Duke Energy Florida formed Duke Energy Florida Project Finance, LLC (DEFPPF), a wholly owned, bankruptcy remote special purpose subsidiary for the purpose of issuing nuclear asset-recovery bonds. In June 2016, DEFPPF issued \$1,294 million aggregate principal amount of senior secured bonds (nuclear asset-recovery bonds) to finance the recovery of Duke Energy Florida's Crystal River 3 regulatory asset.

In connection with this financing, net proceeds to DEFPPF of approximately \$1,287 million, after underwriting costs, were used to acquire nuclear asset-recovery property from Duke Energy Florida and to pay transaction related expenses. The nuclear asset-recovery property includes the right to impose, bill, collect and adjust a non-bypassable nuclear asset-recovery charge, to be collected on a per kilowatt-hour basis, from all Duke Energy Florida retail customers until the bonds are paid in full. Duke Energy Florida began collecting the nuclear asset-recovery charge on behalf of DEFPPF in customer rates in July 2016.

See Note 17 for additional information.

Levy Nuclear Project

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

On January 28, 2014, Duke Energy Florida terminated the Levy engineering, procurement and construction agreement (EPC). Duke Energy Florida may be required to pay for work performed under the EPC. Duke Energy Florida recorded an exit obligation in 2014 for the termination of the EPC. This liability was recorded within Other in Other Noncurrent Liabilities with an offset primarily to Regulatory assets on the Consolidated Balance Sheets. Duke Energy Florida is allowed to recover reasonable and prudent EPC cancellation costs from its retail customers. On May 1, 2017, Duke Energy Florida filed a request with the FPSC to recover approximately \$82 million of Levy Nuclear Project costs from retail customers in 2018. As part of the 2017 Settlement discussed above, Duke Energy Florida is no longer seeking recovery of costs related to the Levy Nuclear Project and the ongoing Westinghouse litigation discussed in Note 5. All remaining Levy Nuclear Project issues have been resolved.

Crystal River 1 and 2 Coal Units

Duke Energy Florida has evaluated Crystal River 1 and 2 coal units for retirement in order to comply with certain environmental regulations. Based on this evaluation, those units are expected to be retired by the end of 2018. Once those units are retired Duke Energy Florida will continue recovery of existing annual depreciation expense through the end of 2020. Beginning in 2021, Duke Energy Florida will be allowed to recover any remaining net book value of the assets from retail customers through the Capacity Cost Recovery Clause.

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Duke Energy Ohio

Regulatory Assets and Liabilities

The following tables present the regulatory assets and liabilities recorded on Duke Energy Ohio's Consolidated Balance Sheets.

(in millions)	December 31,		Earns/Pays a Return	Recovery/Refund Period Ends
	2017	2016		
Regulatory Assets^(a)				
AROs - coal ash	\$ 17	\$ 12	X	(b)
Accrued pension and OPEB	139	135		(g)
Net regulatory asset related to income taxes ^(c)	—	63		(d)
Storm cost deferrals	5	5		(b)
Hedge costs deferrals	6	7		(b)
DSM/EE	18	6	(f)	(e)
Grid modernization	39	65	X	(e)
Vacation accrual	5	4		2018
Deferred fuel and purchased power	—	5		
PISCC and deferred operating expenses ^(c)	19	20	X	2083
Transmission expansion obligation	50	71		(e)
MGP	91	99		(b)
AMI	6	—		(b)
East Bend deferrals	45	32	X	(b)
Deferred pipeline integrity costs	12	7	X	(b)
Other	42	26		(b)
Total regulatory assets	494	557		
Less: current portion	49	37		
Total noncurrent regulatory assets	\$ 445	\$ 520		
Regulatory Liabilities^(a)				
Costs of removal	\$ 189	\$ 212		(d)
Net regulatory liability related to income taxes	688	—		(b)
Accrued pension and OPEB	16	19		(g)
Deferred fuel and purchased power	—	6		
Other	34	20		(b)
Total regulatory liabilities	927	257		
Less: current portion	36	21		
Total noncurrent regulatory liabilities	\$ 891	\$ 236		

- (a) Regulatory assets and liabilities are excluded from rate base unless otherwise noted.
- (b) The expected recovery or refund period varies or has not been determined.
- (c) Included in rate base.
- (d) Recovery over the life of the associated assets.
- (e) Recovered via a rider mechanism.
- (f) Includes incentives on DSM/EE investments.
- (g) Recovered primarily over the average remaining service periods or life expectancies of employees covered by the benefit plans. See Note 21 for additional detail.

Duke Energy Kentucky 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. 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 implementation of the Environmental Surcharge Mechanism to recover environmental costs not included in base rates, requests to establish a Distribution Capital Investment Rider to recover incremental costs of specific programs, requests to establish a FERC Transmission Cost Reconciliation Rider to recover escalating transmission costs and modification to the 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 is scheduled to begin on March 6, 2018. Duke Energy Kentucky anticipates that rates will go into effect in mid-April 2018. Duke Energy Kentucky cannot predict the outcome of this matter.

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2017 Electric Security Plan

On June 1, 2017, Duke Energy Ohio filed with the PUCO a request for a standard service offer in the form of an electric security plan (ESP). If approved by the PUCO, the term of the ESP would be from June 1, 2018, to May 31, 2024. Terms of the ESP 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. Duke Energy Ohio cannot predict the outcome of this matter.

Woodsdale Station Fuel System Filing

On June 9, 2015, the FERC ruled in favor of PJM Interconnection, LLC (PJM) on a revised Tariff and Reliability Assurance Agreement including implementation of a Capacity Performance (CP) proposal and to amend sections of the Operating Agreement related to generation non-performance. The CP proposal includes performance-based penalties for non-compliance. Duke Energy Kentucky is a Fixed Resource Requirement (FRR) entity, and therefore is subject to the compliance standards through its FRR plans. A partial CP obligation will apply to Duke Energy Kentucky in the delivery year beginning June 1, 2019, with full compliance beginning June 1, 2020. Duke Energy Kentucky has developed strategies for CP compliance investments. On December 21, 2017, the KPSC issued an order approving Duke Energy Kentucky's request for a CPCN to construct an ultra-low sulfur diesel backup fuel system for the Woodsdale Station. The backup fuel system is projected to cost approximately \$55 million and is anticipated to be in service prior to the CP compliance deadline of April 2019.

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. The filing seeks to adjust Rider PSR for OVEC costs subsequent to April 1, 2017. Duke Energy Ohio is seeking deferral authority for net costs incurred from April 1, 2017, until the new rates under Rider PSR are put into effect. Various intervenors have filed motions to dismiss or stay the proceeding and Duke Energy Ohio has opposed these filings. See Note 13 for additional discussion of Duke Energy Ohio's ownership interest in OVEC. Duke Energy Ohio cannot predict the outcome of this matter.

East Bend Coal Ash Basin Filing

On December 2, 2016, Duke Energy Kentucky filed with the KPSC a request for a CPCN for construction projects necessary to close and repurpose an ash basin at the East Bend facility as a result of current and proposed EPA regulations. Duke Energy Kentucky estimated a total cost of approximately \$93 million in the filing and expects in-service date by the first quarter of 2021. On June 6, 2017, the KPSC approved the CPCN request.

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 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. Duke Energy Ohio expects rates will go into effect the second quarter of 2018. Duke Energy Ohio cannot predict the outcome of this matter.

Natural Gas Pipeline Extension

Duke Energy Ohio is proposing to install a new natural gas pipeline in its Ohio service territory to increase system reliability and enable the retirement of older infrastructure. On January 20, 2017, Duke Energy Ohio filed an amended application with the Ohio Power Siting Board for approval of one of two proposed routes. 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. If approved, construction of the pipeline extension is expected to be completed before the 2020/2021 winter season. The proposed project involves the installation of a natural gas line and is estimated to cost approximately \$110 million, excluding AFUDC.

Advanced Metering Infrastructure

On April 25, 2016, Duke Energy Kentucky filed with the KPSC an application for approval of a CPCN for the construction of advanced metering infrastructure. Duke Energy Kentucky estimates the \$49 million project will take two years to complete. Duke Energy Kentucky also requested approval to establish a regulatory asset for the remaining book value of existing meter equipment and inventory to be replaced. Duke Energy Kentucky and the Kentucky attorney general entered into a stipulation to settle matters related to the application. On May 25, 2017, the KPSC issued an order to approve the stipulation with certain modifications. On June 1, 2017, Duke Energy Kentucky filed its acceptance of the modifications. The deployment of AMI meters began in third quarter 2017 and is expected to be completed in early 2019. Duke Energy Ohio has approximately \$6 million included in Regulatory assets on its Consolidated Balance Sheets at December 31, 2017, for the book value of existing meter equipment.

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Accelerated Natural Gas Service Line Replacement Rider

On January 20, 2015, Duke Energy Ohio filed an application for approval of an accelerated natural gas service line replacement program (ASRP). Under the ASRP, Duke Energy Ohio proposed to replace certain natural gas service lines on an accelerated basis over a 10-year period. Duke Energy Ohio also proposed to complete preliminary survey and investigation work related to natural gas service lines that are customer owned and for which it does not have valid records and, further, to relocate interior natural gas meters to suitable exterior locations where such relocation can be accomplished. Duke Energy Ohio's projected total capital and operations and maintenance expenditures under the ASRP were approximately \$240 million. The filing also sought approval of a rider mechanism (Rider ASRP) to recover related expenditures. Duke Energy Ohio proposed to update Rider ASRP on an annual basis. Intervenor's opposed the ASRP, primarily because they believe the program is neither required nor necessary under federal pipeline regulation. On October 26, 2016, the PUCO issued an order denying the proposed ASRP. Duke Energy Ohio's application for rehearing of the PUCO decision was denied on May 17, 2017.

Energy Efficiency Cost Recovery

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

2014 Electric Security Plan

In April 2015, the PUCO modified and approved Duke Energy Ohio's proposed electric security plan (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. Duke Energy Ohio cannot predict the outcome of the appeals in this matter.

2012 Natural Gas Rate Case/MGP Cost Recovery

On November 13, 2013, the PUCO issued an order approving a settlement of Duke Energy Ohio's natural gas base rate case and authorizing the recovery of costs incurred between 2008 and 2012 for environmental investigation and remediation of two former MGP sites. The PUCO order also authorized Duke Energy Ohio to continue deferring MGP environmental investigation and remediation costs incurred subsequent to 2012 and to submit annual filings to adjust the MGP rider for future costs. Intervenor's appealed this decision to the Ohio Supreme Court and on June 29, 2017, the Ohio Supreme Court issued its decision affirming the PUCO order. Appellants filed a request for reconsideration, which was denied on September 27, 2017. This matter is now final.

The PUCO order also contained deadlines for completing the MGP environmental investigation and remediation costs at the MGP sites. For the property known as the East End site, the PUCO order established a deadline of December 31, 2016, which was subsequently extended to December 31, 2019. In January 2017, intervenor's filed for rehearing of the PUCO's decision. On February 8, 2017, the PUCO denied the rehearing request. As of December 31, 2017, Duke Energy Ohio had approximately, \$35 million included in Regulatory assets on the Consolidated Balance Sheets for future remediation costs expected to be incurred at the East End site.

Regional Transmission Organization Realignment

Duke Energy Ohio, including Duke Energy Kentucky, transferred control of its transmission assets from MISO to PJM Interconnection, LLC (PJM), effective December 31, 2011. The PUCO approved a settlement related to Duke Energy Ohio's recovery of certain costs of the Regional Transmission Organization (RTO) realignment via a non-bypassable rider. Duke Energy Ohio is allowed to recover all MISO Transmission Expansion Planning (MTEP) costs, including but not limited to Multi Value Project (MVP) costs, directly or indirectly charged to Ohio customers. Duke Energy Ohio also agreed to vigorously defend against any charges for MVP projects from MISO. The KPSC also approved a request to effect the RTO realignment, subject to a commitment not to seek double recovery in a future rate case of the transmission expansion fees that may be charged by MISO and PJM in the same period or overlapping periods.

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The following table provides a reconciliation of the beginning and ending balance of Duke Energy Ohio's recorded liability for its exit obligation and share of MTEP costs, excluding MVP, recorded within Other in Current liabilities and Other in Other Noncurrent Liabilities on the Consolidated Balance Sheets. The retail portions of MTEP costs billed by MISO are recovered by Duke Energy Ohio through a non-bypassable rider. As of December 31, 2017, and 2016, \$50 million and \$71 million are recorded in Regulatory assets on Duke Energy Ohio's Consolidated Balance Sheets, respectively.

(in millions)	December 31, 2016	Provisions/ Adjustments	Cash Reductions	December 31, 2017
Duke Energy Ohio	\$ 90	\$ (20)	\$ (4)	\$ 66

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

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

On October 29, 2015, the FERC issued an order reversing the ALJ's decision. The FERC ruled the cost allocation methodology is not consistent with the MISO tariff and that Duke Energy Ohio has no liability for MVP costs after its withdrawal from MISO. On May 19, 2016, the FERC denied the request for rehearing filed by MISO and the MISO Transmission Owners. On July 15, 2016, the MISO Transmission Owners filed a petition for review with the U.S. Court of Appeals for the Sixth Circuit. On June 21, 2017, a three-judge panel affirmed FERC's 2015 decision holding that Duke Energy Ohio has no liability for the cost of the MVP projects constructed after Duke Energy Ohio's withdrawal from MISO. MISO did not file further petitions for review and this matter is now final.

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Duke Energy Indiana

Regulatory Assets and Liabilities

The following tables present the regulatory assets and liabilities recorded on Duke Energy Indiana's Consolidated Balance Sheets.

(in millions)	December 31,		Earns/Pays a Return	Recovery/Refund Period Ends
	2017	2016		
Regulatory Assets^(a)				
AROs - coal ash	\$ 380	\$ 276		(b)
Accrued pension and OPEB	197	222		(g)
Retired generation facilities ^(c)	65	73	X	2025
Net regulatory asset related to income taxes	—	119		(d)
Hedge costs deferrals	25	26		(b)
DSM/EE	21	—	(e)	(e)
Vacation accrual	11	10		2018
Deferred fuel and purchased power	18	40		2018
PISCC and deferred operating expenses ^(c)	274	281	X	(b)
Gasification services agreement buyout ^(f)	—	8		
AMI ^(c)	21	46	X	(b)
Other	131	121		(b)
Total regulatory assets	1,143	1,222		
Less: current portion	165	149		
Total noncurrent regulatory assets	\$ 978	\$ 1,073		
Regulatory Liabilities^(a)				
Costs of removal	\$ 644	\$ 660		(d)
Net regulatory liability related to income taxes	998	—		(b)
Amounts to be refunded to customers	10	45		2018
Accrued pension and OPEB	64	72		(g)
Other	31	11		(b)
Total regulatory liabilities	1,747	788		
Less: current portion	24	40		
Total noncurrent regulatory liabilities	\$ 1,723	\$ 748		

- (a) Regulatory assets and liabilities are excluded from rate base unless otherwise noted.
- (b) The expected recovery or refund period varies or has not been determined.
- (c) Included in rate base.
- (d) Recovery over the life of the associated assets.
- (e) Includes incentives on DSM/EE investments and is recovered through a tracker mechanism over a two-year period.
- (f) The IURC authorized Duke Energy Indiana to recover costs incurred to buy out a gasification services agreement, including carrying costs through 2017.
- (g) Recovered primarily over the average remaining service periods or life expectancies of employees covered by the benefit plans. See Note 21 for additional detail.

Coal Combustion Residual Plan

On March 17, 2016, Duke Energy Indiana filed with the IURC a request for approval of its first group of federally mandated CCR rule compliance projects (Phase I CCR Compliance Projects) to comply with the EPA's CCR rule. The projects in this Phase I filing are CCR compliance projects, including the conversion of Cayuga and Gibson stations to dry bottom ash handling and related water treatment. Duke Energy Indiana requested timely recovery of approximately \$380 million in retail capital costs, including AFUDC, and recovery of incremental operating and maintenance costs under a federal mandate tracker that provides for timely recovery of 80 percent of such costs and deferral with carrying costs of 20 percent of such costs for recovery in a subsequent retail base rate case. On January 24, 2017, Duke Energy Indiana and various intervenors filed a settlement agreement with the IURC. Terms of the settlement include recovery of 60 percent of the estimated CCR compliance construction project capital costs through existing rider mechanisms and deferral of 40 percent of these costs until Duke Energy Indiana's next general retail rate case. The deferred costs will earn a return based on Duke Energy Indiana's long-term debt rate of 4.73 percent until costs are included in retail rates, at which time the deferred costs will earn a full return. Costs are to be capped at \$365 million, plus actual AFUDC. Costs above the cap would be considered for recovery in the next rate case. Terms of the settlement agreement also require Duke Energy Indiana to perform certain reporting and groundwater monitoring. On May 24, 2017, the IURC approved the settlement agreement.

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Edwardsport Integrated Gasification Combined Cycle Plant

Costs for the Edwardsport Integrated Gasification Combined Cycle (IGCC) Plant are recovered from retail electric customers via a tracking mechanism (IGCC rider) with updates filed by Duke Energy Indiana. The IGCC Plant was placed into commercial operation in June 2013.

On August 24, 2016, the IURC approved a settlement (IGCC Settlement) among Duke Energy Indiana and several intervenors to resolve disputes related to five IGCC riders (the 11th through 15th) and a subdocket to Duke Energy Indiana's fuel adjustment clause. The IGCC settlement resulted in customers not being billed for previously incurred plant operating costs of \$87.5 million and payments and commitments from Duke Energy Indiana of \$5.5 million for attorneys' fees and consumer programs funding. Duke Energy Indiana recognized pretax impairment and related charges of \$93 million in 2015. Additionally, under the IGCC settlement, the recovery of operating and maintenance expenses and ongoing maintenance capital at the plant were subject to certain caps during the years of 2016 and 2017. The IGCC settlement also included a commitment to either retire or stop burning coal by December 31, 2022, at the Gallagher Station. Pursuant to the IGCC settlement, the in-service date used for accounting and ratemaking will remain as June 2013. Remaining deferred costs will be recovered over eight years beginning in 2016 and not earn a carrying cost. As of December 31, 2017, deferred costs related to the project are approximately \$152 million and are included in Regulatory assets in Current Assets and Other Noncurrent Assets on Duke Energy Indiana's Consolidated Balance Sheets. Under the IGCC settlement, future IGCC riders will be filed annually with the next filing scheduled for first quarter 2018.

The ninth semi-annual IGCC rider order was appealed by various intervenors and the matter was remanded to the IURC for further proceedings and additional findings on a tax in-service issue. On February 2, 2017, the IURC issued an order upholding the original decision, finding that an estimate of impact on customer rates due to the federal income tax in-service determination was reasonable.

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.

Grid Infrastructure Improvement Plan

On December 7, 2015, Duke Energy Indiana filed a grid infrastructure improvement plan with an estimated cost of \$1.8 billion in response to guidance from IURC orders and the Indiana Court of Appeals decisions related to a new statute. The plan uses a combination of advanced technology and infrastructure upgrades to improve service to customers and provide them with better information about their energy use. It also provides for cost recovery through a transmission and distribution rider (T&D Rider). In March 2016, Duke Energy Indiana entered into a settlement with all parties to the proceeding except the Citizens Action Coalition of Indiana, Inc. The settlement agreement decreased the capital expenditures eligible for timely recovery of costs in the seven-year plan to approximately \$1.4 billion, including the removal of an AMI project. Under the settlement, the return on equity to be used in the T&D Rider is 10 percent. The IURC approved the settlement and issued a final order on June 29, 2016. The order was not appealed and the proceeding is concluded.

The settlement agreement provided for deferral accounting for depreciation and post-in-service carrying costs for AMI projects outside the plan. Duke Energy Indiana withdrew its request for a regulatory asset for current meters and will retain any savings associated with future AMI installation until the next retail base rate case, which is required to be filed prior to the end of the plan. During the third quarter of 2016, Duke Energy Indiana decided to implement the AMI project. This decision resulted in a pretax impairment charge related to existing or non-AMI meters of approximately \$8 million in 2016, based in part on the requirement to file a base rate case in 2022 under the approved plan. Duke Energy Indiana evaluates the need for rate cases as part of its business planning, based on the outlook of emerging costs, ongoing investment and impact related to the Tax Act enacted in late 2017 and expects to file a rate case prior to the 2022 requirement. As a result, in 2017, Duke Energy Indiana recorded an additional impairment charge of approximately \$22 million. As of December 31, 2017, Duke Energy Indiana's remaining net book value of non-AMI meters is approximately \$21 million and will be depreciated through July 2020.

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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. Duke Energy Indiana cannot predict the outcome of this matter.

Piedmont

Regulatory Assets and Liabilities

The following tables present the regulatory assets and liabilities recorded on Piedmont's Consolidated Balance Sheets.

(in millions)	December 31,		Earns/Pays a Return	Recovery/Refund Period Ends
	2017	2016		
Regulatory Assets^(a)				
AROs - other	\$ 15	\$ 14		(d)
Accrued pension and OPEB ^(c)	91	166		(f)
Derivatives - gas supply contracts	142	187		(e)
Vacation accrual ^(c)	10	13		2018
Deferred pipeline integrity costs ^(c)	42	36		2018
Amount due from customers	64	66	X	(b)
Other	14	15		(b)
Total regulatory assets	378	497		
Less: current portion	95	124		
Total noncurrent regulatory assets	\$ 283	\$ 373		
Regulatory Liabilities^(a)				
Costs of removal	\$ 544	528		(d)
Net regulatory liability related to income taxes	597	80		(b)
Other	3	—		(b)
Total regulatory liabilities	1,144	608		
Less: current portion	3	—		
Total noncurrent regulatory liabilities	\$ 1,141	\$ 608		

- (a) Regulatory assets and liabilities are excluded from rate base unless otherwise noted.
- (b) The expected recovery or refund period varies or has not been determined.
- (c) Included in rate base.
- (d) Recovery over the life of the associated assets.
- (e) Balance will fluctuate with changes in the market. Current contracts extend into 2031.
- (f) Recovered primarily over the average remaining service periods or life expectancies of employees covered by the benefit plans. See Note 21 for additional detail.

South Carolina Rate Stabilization Adjustment Filing

In June 2017, Piedmont filed with the PSCSC under the South Carolina Rate Stabilization Act its quarterly monitoring report for the 12-month period ending March 31, 2017. The filing included a revenue deficiency calculation and tariff rates in order to permit Piedmont the opportunity to earn the rate of return on equity of 12.6 percent established in its last general rate case. On October 4, 2017, the PSCSC approved a settlement agreement between Piedmont and the SC Office of Regulatory Staff. Terms of the settlement included implementation of rates for the 12-month period beginning November 2017 with a return on equity of 10.2 percent.

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North Carolina Integrity Management Rider Filings

In October 2017, Piedmont filed a petition with the NCUC under the Integrity Management Rider (IMR) mechanism to collect an additional \$8.9 million in annual revenues, effective December 2017, based on the eligible capital investments closed to integrity and safety projects over the six-month period ending September 30, 2017. On November 28, 2017, the NCUC approved the requested rate adjustment.

In May 2017, Piedmont filed, and the NCUC approved, a petition under the IMR mechanism to collect an additional \$11.6 million in annual revenues, effective June 2017, based on the eligible capital investments closed to integrity and safety projects over the six-month period ending March 31, 2017.

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 closed to integrity and safety projects over the 12-month period ending 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 is scheduled for March 2018.

OTHER REGULATORY MATTERS

Atlantic Coast Pipeline

On September 2, 2014, Duke Energy, Dominion Resources (Dominion), Piedmont and Southern Company Gas announced the formation of Atlantic Coast Pipeline, LLC (ACP) to build and own the proposed Atlantic Coast Pipeline (ACP pipeline), an approximately 600-mile interstate natural gas pipeline running from West Virginia to North Carolina. The ACP pipeline is designed to meet, 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 through its Gas Utilities and Infrastructure segment. Southern Company Gas maintains a 5 percent interest. See Notes 12 and 17 for additional information related to Duke Energy's ownership interest.

Duke Energy Carolinas, Duke Energy Progress and Piedmont, among others, will be customers of the pipeline. Purchases will be made under several 20-year supply contracts, subject to state regulatory approval. On September 18, 2015, ACP filed an application with the FERC requesting a CPCN authorizing ACP to construct the pipeline. ACP executed a construction agreement in September 2016. ACP also requested approval of an open access tariff and the precedent agreements it entered into with future pipeline customers. In December 2016, FERC issued a draft Environmental Impact Statement (EIS) indicating that the proposed pipeline would not cause significant harm to the environment or protected populations. The FERC issued the final EIS in July 2017. On October 13, 2017, FERC issued an order approving the CPCN, subject to conditions. On October 16, 2017, ACP accepted the FERC order subject to reserving its right to file a request for rehearing or clarification on a timely basis. On November 9, 2017, ACP filed a request for rehearing on several limited issues. On December 12, 2017, ACP filed an answer to intervenors' request for rehearing of the certificate order and for stay of the certificate order.

In December 2017, West Virginia issued a waiver of the state water quality permit in reliance on the U.S. Army Corps of Engineers national water quality permit and Virginia issued a conditional water quality permit subject to completion of additional studies and stormwater plans. In early 2018, the FERC issued a series of Partial Notices to Proceed which authorized the project to begin limited construction-related activities along the pipeline route. North Carolina issued the state water quality permit in January 2018. The project remains subject to other pending federal and state approvals, which will allow full construction activities to begin. The ACP pipeline 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's pipeline development costs have increased from a range of \$5.0 billion to \$5.5 billion to a range of \$6.0 billion and \$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.

Sabal Trail Transmission Pipeline

On May 4, 2015, Duke Energy acquired a 7.5 percent ownership interest in Sabal Trail Transmission, LLC (Sabal Trail) from Spectra Energy Partners, LP, a master limited partnership, formed by Enbridge Inc. (formerly Spectra Energy Corp.). Spectra Energy Partners, LP holds a 50 percent ownership interest in Sabal Trail and NextEra Energy has a 42.5 percent ownership interest. Sabal Trail is a joint venture to construct a 515-mile natural gas pipeline (Sabal Trail pipeline) to transport natural gas to Florida. Total estimated project costs are approximately \$3.2 billion. The Sabal Trail pipeline traverses Alabama, Georgia and Florida. The primary customers of the Sabal Trail pipeline, Duke Energy Florida and Florida Power & Light Company (FP&L), have each contracted to buy pipeline capacity for 25-year initial terms. See Notes 12 and 17 for additional information.

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 one 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, which remains pending. This request is required to support commissioning and testing activities at the facility.

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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 but did not issue the order on remand. 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. The February 6, 2018 motions automatically stay the issuance of the court's mandate until the later of seven days after the court denies the motions or the expiration of any stay granted by the court. Both motions are pending. Sabal Trail will continue to monitor the progress and the impact to the project going forward.

Constitution Pipeline

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

In December 2014, Constitution received approval from the FERC to construct and operate the proposed pipeline. However, on April 22, 2016, the New York State Department of Environmental Conservation (NYSDEC) denied Constitution's application for a necessary water quality certification for the New York portion of the Constitution pipeline. Constitution filed legal actions in the U.S. Court of Appeals for the Second Circuit (U.S. Court of Appeals) challenging the legality and appropriateness of the NYSDEC's decision 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. 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. 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. Duke Energy cannot predict the outcome of this matter.

Since April 2016, with the actions of the NYSDEC, Constitution stopped construction and discontinued capitalization of future development costs until the project's uncertainty is resolved.

See Notes 12 and 17 for additional information related to ownership interest and carrying value of the investment.

Progress Energy Merger FERC Mitigation

Following the closing of the Progress Energy merger, outside counsel reviewed Duke Energy's long-term FERC mitigation plan and discovered a technical error in the calculations. On December 6, 2013, Duke Energy submitted a filing to the FERC disclosing the error and arguing that no additional mitigation is necessary. The city of New Bern filed a protest and requested that FERC order additional mitigation. On October 29, 2014, the FERC ordered that the amount of the stub mitigation be increased from 25 MW to 129 MW. The stub mitigation is Duke Energy's commitment to set aside for third parties a certain quantity of firm transmission capacity from Duke Energy Carolinas to Duke Energy Progress during summer off-peak hours. The FERC also ordered that Duke Energy operate certain phase shifters to create additional import capability and that such operation be monitored by an independent monitor. The costs to comply with this order are not material. The FERC also referred Duke Energy's failure to expressly designate the phase shifter reactivation as a mitigation project in the original mitigation plan filing in March 2012 to the FERC Office of Enforcement for further inquiry. In response, and since December 2014, the FERC Office of Enforcement has been conducting a nonpublic investigation of Duke Energy's market power analyses included in the Progress merger filings submitted to FERC. Duke Energy cannot predict the outcome of this investigation.

Potential Coal Plant Retirements

The Subsidiary Registrants periodically file Integrated Resource Plans (IRP) with their state regulatory commissions. The IRPs provide a view of forecasted energy needs over a long term (10 to 20 years) and options being considered to meet those needs. Recent IRPs filed by the Subsidiary Registrants included planning assumptions to potentially retire certain coal-fired generating facilities in Florida and Indiana earlier than their current estimated useful lives 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 Consolidated Balance Sheets as of December 31, 2017, and exclude capitalized asset retirement costs.

	Capacity (in MW)	Remaining Net Book Value (in millions)
Duke Energy Carolinas		
Allen Steam Station Units 1-3 ^(a)	585	\$ 163
Progress Energy and Duke Energy Florida		
Crystal River Units 1 and 2 ^(b)	873	107
Duke Energy Indiana		
Gallagher Units 2 and 4 ^(c)	280	127
Total Duke Energy	1,738	\$ 397

- (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.

5. COMMITMENTS AND CONTINGENCIES

INSURANCE

General Insurance

The Duke Energy Registrants have insurance and reinsurance coverage either directly or through indemnification from Duke Energy's captive insurance company, Bison, and its affiliates, consistent with companies engaged in similar commercial operations with similar type properties. The Duke Energy Registrants' coverage includes (i) commercial general liability coverage for liabilities arising to third parties for bodily injury and property damage; (ii) workers' compensation; (iii) automobile liability coverage; and (iv) property coverage for all real and personal property damage. Real and personal property damage coverage excludes electric transmission and distribution lines, but includes damages arising from boiler and machinery breakdowns, earthquakes, flood damage and extra expense, but not outage or replacement power coverage. All coverage is subject to certain deductibles or retentions, sublimits, exclusions, terms and conditions common for companies with similar types of operations. The Duke Energy Registrants self-insure their electric transmission and distribution lines against loss due to storm damage and other natural disasters. As discussed further in Note 4, Duke Energy Florida maintains a storm damage reserve and has a regulatory mechanism to recover the cost of named storms on an expedited basis.

The cost of the Duke Energy Registrants' coverage can fluctuate from year to year reflecting claims history and conditions of the insurance and reinsurance markets.

In the event of a loss, terms and amounts of insurance and reinsurance available might not be adequate to cover claims and other expenses incurred. Uninsured losses and other expenses, to the extent not recovered by other sources, could have a material effect on the Duke Energy Registrants' results of operations, cash flows or financial position. Each company is responsible to the extent losses may be excluded or exceed limits of the coverage available.

Nuclear Insurance

Duke Energy Carolinas owns and operates the McGuire Nuclear Station (McGuire) and the Oconee Nuclear Station (Oconee) and operates and has a partial ownership interest in the Catawba Nuclear Station (Catawba). McGuire and Catawba each have two reactors. Oconee has three reactors. The other joint owners of Catawba reimburse Duke Energy Carolinas for certain expenses associated with nuclear insurance per the Catawba joint owner agreements.

Duke Energy Progress owns and operates the Robinson Nuclear Plant (Robinson), Brunswick and Harris. Robinson and Harris each have one reactor. Brunswick has two reactors.

Duke Energy Florida owns Crystal River Unit 3, which permanently ceased operation in 2013 and reached a SAFSTOR condition in January 2018 after the successful transfer of all used nuclear fuel assemblies to an onsite dry cask storage facility.

In the event of a loss, terms and amounts of insurance available might not be adequate to cover property damage and other expenses incurred. Uninsured losses and other expenses, to the extent not recovered by other sources, could have a material effect on Duke Energy Carolinas', Duke Energy Progress' and Duke Energy Florida's results of operations, cash flows or financial position. Each company is responsible to the extent losses may be excluded or exceed limits of the coverage available.

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Nuclear Liability Coverage

The Price-Anderson Act requires owners of nuclear reactors to provide for public nuclear liability protection per nuclear incident up to a maximum total financial protection liability. The maximum total financial protection liability, which is approximately \$13.4 billion, is subject to change every five years for inflation and for the number of licensed reactors. Total nuclear liability coverage consists of a combination of private primary nuclear liability insurance coverage and a mandatory industry risk-sharing program to provide for excess nuclear liability coverage above the maximum reasonably available private primary coverage. The U.S. Congress could impose revenue-raising measures on the nuclear industry to pay claims.

Primary Liability Insurance

Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida have purchased the maximum reasonably available private primary nuclear liability insurance as required by law, which is \$450 million per station.

Excess Liability Program

This program provides \$13 billion of coverage per incident through the Price-Anderson Act's mandatory industrywide excess secondary financial protection program of risk pooling. This amount is the product of potential cumulative retrospective premium assessments of \$127 million times the current 102 licensed commercial nuclear reactors in the U.S. Under this program, licensees could be assessed retrospective premiums to compensate for public nuclear liability damages in the event of a nuclear incident at any licensed facility in the U.S. Retrospective premiums may be assessed at a rate not to exceed \$19 million per year per licensed reactor for each incident. The assessment may be subject to state premium taxes.

Nuclear Property and Accidental Outage Coverage

Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida are members of Nuclear Electric Insurance Limited (NEIL), an industry mutual insurance company, which provides property damage, nuclear accident decontamination and premature decommissioning insurance for each station for losses resulting from damage to its nuclear plants, either due to accidents or acts of terrorism. Additionally, NEIL provides accidental outage coverage for each station for losses in the event of a major accidental outage at an insured nuclear station.

Pursuant to regulations of the NRC, each company's property damage insurance policies provide that all proceeds from such insurance be applied, first, to place the plant in a safe and stable condition after a qualifying accident and second, to decontaminate the plant before any proceeds can be used for decommissioning, plant repair or restoration.

Losses resulting from acts of terrorism are covered as common occurrences, such that if terrorist acts occur against one or more commercial nuclear power plants insured by NEIL within a 12-month period, they would be treated as one event and the owners of the plants where the act occurred would share one full limit of liability. The full limit of liability is currently \$3.2 billion. NEIL sublimits the total aggregate for all of their policies for non-nuclear terrorist events to approximately \$1.83 billion.

Each nuclear facility has accident property damage, decontamination and premature decommissioning liability insurance from NEIL with limits of \$1.5 billion, except for Crystal River Unit 3. Crystal River Unit 3's limit is \$50 million and is on an actual cash value basis. All nuclear facilities except for Catawba and Crystal River Unit 3 also share an additional \$1.25 billion nuclear accident insurance limit above their dedicated underlying limit. This shared additional excess limit is not subject to reinstatement in the event of a loss. Catawba has a dedicated \$1.25 billion of additional nuclear accident insurance limit above its dedicated underlying limit. Catawba and Oconee also have an additional \$750 million of non-nuclear accident property damage limit. All coverages are subject to sublimits and significant deductibles.

NEIL's Accidental Outage policy provides some coverage, such as business interruption, for losses in the event of a major accident property damage outage of a nuclear unit. Coverage is provided on a weekly limit basis after a significant waiting period deductible and at 100 percent of the available weekly limits for 52 weeks and 80 percent of the available weekly limits for the next 110 weeks. Coverage is provided until these available weekly periods are met where the accidental outage policy limit will not exceed \$490 million for McGuire and Catawba, \$462 million for Brunswick, \$448 million for Harris, \$434 million for Oconee and \$378 million for Robinson. NEIL sublimits the accidental outage recovery to the first 104 weeks of coverage not to exceed \$328 million from non-nuclear accidental property damage. Coverage amounts decrease in the event more than one unit at a station is out of service due to a common accident. All coverages are subject to sublimits and significant deductibles.

Potential Retroactive Premium Assessments

In the event of NEIL losses, NEIL's board of directors may assess member companies' retroactive premiums of amounts up to 10 times their annual premiums for up to six years after a loss. NEIL has never exercised this assessment. The maximum aggregate annual retrospective premium obligations for Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida are \$146 million, \$96 million and \$1 million, respectively. Duke Energy Carolinas' maximum assessment amount includes 100 percent of potential obligations to NEIL for jointly owned reactors. Duke Energy Carolinas would seek reimbursement from the joint owners for their portion of these assessment amounts.

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.

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Remediation Activities

In addition to the ARO recorded as a result of various environmental regulations, discussed in Note 9, the Duke Energy Registrants are responsible for environmental remediation at various sites. These include certain properties that are part of ongoing operations and sites formerly owned or used by Duke Energy entities. These sites are in various stages of investigation, remediation and monitoring. Managed in conjunction with relevant federal, state and local agencies, remediation activities vary based upon site conditions and location, remediation requirements, complexity and sharing of responsibility. If remediation activities involve joint and several liability provisions, strict liability, or cost recovery or contribution actions, the Duke Energy Registrants could potentially be held responsible for environmental impacts caused by other potentially responsible parties and may also benefit from insurance policies or contractual indemnities that cover some or all cleanup costs. Liabilities are recorded when losses become probable and are reasonably estimable. The total costs that may be incurred cannot be estimated because the extent of environmental impact, allocation among potentially responsible parties, remediation alternatives and/or regulatory decisions have not yet been determined at all sites. Additional costs associated with remediation activities are likely to be incurred in the future and could be significant. Costs are typically expensed as Operation, maintenance and other in the Consolidated Statements of Operations unless regulatory recovery of the costs is deemed probable.

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

(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Balance at December 31, 2014	\$ 92	\$ 10	\$ 17	\$ 5	\$ 12	\$ 54	\$ 10
Provisions/adjustments	11	1	4	—	4	1	5
Cash reductions	(9)	(1)	(4)	(2)	(2)	(1)	(3)
Balance at December 31, 2015	94	10	17	3	14	54	12
Provisions/adjustments	19	4	7	2	4	7	1
Cash reductions	(15)	(4)	(6)	(2)	(4)	(2)	(3)
Balance at December 31, 2016	98	10	18	3	14	59	10
Provisions/adjustments	8	3	3	2	2	3	(4)
Cash reductions	(25)	(3)	(6)	(2)	(4)	(15)	(1)
Balance at December 31, 2017	\$ 81	\$ 10	\$ 15	\$ 3	\$ 12	\$ 47	\$ 5

As of December 31, 2016, October 31, 2016, 2015 and 2014, Piedmont's environmental reserve was \$1 million. In 2017, a \$1 million provision was recorded, resulting in a reserve balance of \$2 million at December 31, 2017.

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	\$ 56
Duke Energy Carolinas	19
Duke Energy Ohio	30
Piedmont	2

North Carolina and South Carolina Ash Basins

In February 2014, a break in a stormwater pipe beneath an ash basin at Duke Energy Carolinas' retired Dan River Steam Station caused a release of ash basin water and ash into the Dan River. Duke Energy Carolinas estimates 30,000 to 39,000 tons of ash and 24 million to 27 million gallons of basin water were released into the river. In July 2014, Duke Energy completed remediation work identified by the EPA and continues to cooperate with the EPA's civil enforcement process. Future costs related to the Dan River release, including future state or federal civil enforcement proceedings, future regulatory directives, natural resources damages, future claims or litigation and long-term environmental impact costs, cannot be reasonably estimated at this time.

The North Carolina Department of Environmental Quality (NCDEQ) has historically assessed Duke Energy Carolinas and Duke Energy Progress with Notice of Violations (NOV) for violations that were most often resolved through satisfactory corrective actions and minor, if any, fines or penalties. Subsequent to the Dan River ash release, Duke Energy Carolinas and Duke Energy Progress have been served with a higher level of NOVs, including assessed penalties for violations at L.V. Sutton Combined Cycle Plant (Sutton) and Dan River Steam Station. Duke Energy Carolinas and Duke Energy Progress cannot predict whether the NCDEQ will assess future penalties related to existing unresolved NOVs and if such penalties would be material. See "NCDEQ Notices of Violation" section below for additional discussion.

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LITIGATION

Duke Energy

Duke Energy no longer has exposure to litigation matters related to the International Disposal Group as a result of the divestiture of the business in December 2016. See Note 2 for additional information related to the sale of International Energy.

Ash Basin Shareholder Derivative Litigation

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

The Consolidated Complaint alleges the Duke Energy Defendants breached their fiduciary duties by failing to adequately oversee Duke Energy's ash basins and that these breaches of fiduciary duty may have contributed to the incident at Dan River and continued thereafter. The lawsuit also asserts claims against the Duke Energy Defendants for corporate waste (relating to the money Duke Energy has spent and will spend as a result of the fines, penalties and coal ash removal) and unjust enrichment (relating to the compensation and director remuneration that was received despite these alleged breaches of fiduciary duty). The lawsuit seeks both injunctive relief against Duke Energy and restitution from the Duke Energy Defendants. On January 21, 2015, the Duke Energy Defendants filed a Motion to Stay, which the court granted. The stay was lifted on March 24, 2016, after which plaintiffs filed an Amended Verified Consolidated Shareholder Derivative Complaint (Amended Complaint) making the same allegations as in the Consolidated Complaint. The Duke Energy Defendants filed a motion to dismiss the Amended Complaint on June 21, 2016, which was granted by the Court on December 14, 2016. Plaintiffs filed an appeal to the Delaware Supreme Court on January 9, 2017. Oral argument was held on September 27, 2017. On December 15, 2017, the Delaware Supreme Court affirmed the Chancery Court's order of dismissal.

In addition to the above derivative complaints, in 2014, Duke Energy received two shareholder litigation demand letters. The letters alleged that the members of the Board of Directors and certain officers breached their fiduciary duties by allowing the company to illegally dispose of and store coal ash pollutants. One of the letters also alleged a breach of fiduciary duty in the decision-making relating to the leadership changes following the close of the Progress Energy merger in July 2012. By letter dated September 4, 2015, attorneys for the shareholders were informed that, on the recommendation of the Demand Review Committee formed to consider such matters, the Board of Directors concluded not to pursue potential claims against individuals. One of the shareholders, Mitchell Pinsky, sent a formal demand for records and Duke Energy has responded to this request. There was no follow-up after the records were provided; therefore, this matter has been resolved.

On October 30, 2015, shareholder Saul Bresalier filed a shareholder derivative complaint (Bresalier Complaint) in the U.S. District Court for the District of Delaware. The lawsuit alleges that several current and former Duke Energy officers and directors (Bresalier Defendants) breached their fiduciary duties in connection with coal ash environmental issues, the post-merger change in Chief Executive Officer (CEO) and oversight of political contributions. Duke Energy is named as a nominal defendant. The Bresalier Complaint contends that the Demand Review Committee failed to appropriately consider the shareholder's earlier demand for litigation and improperly decided not to pursue claims against the Bresalier Defendants. On March 30, 2017, the court granted Defendants' Motion to Dismiss on the claims relating to coal ash environmental issues and political contributions. As discussed below, a settlement agreement was approved for the merger-related claims in the Bresalier Complaint, and those claims were dismissed. On September 8, 2017, Bresalier filed a notice of appeal to the U.S. Court of Appeals for the Third Circuit (Third Circuit Court) challenging the dismissal of his coal ash and political contribution claims. On January 19 2018, Bresalier filed a stipulation of dismissal, closing this case.

Progress Energy Merger Shareholder Litigation

Duke Energy, the 11 members of the Board of Directors who were also members of the pre-merger Board of Directors (Legacy Duke Energy Directors) and certain Duke Energy officers were defendants in a purported securities class-action lawsuit (*Nieman v. Duke Energy Corporation, et al*). This lawsuit consolidated three lawsuits originally filed in July 2012. The plaintiffs alleged federal Securities Act of 1933 and Securities Exchange Act of 1934 (Exchange Act) claims based on allegations of materially false and misleading representations and omissions in the Registration Statement filed on July 7, 2011, and purportedly incorporated into other documents, all in connection with the post-merger change in CEO. On August 15, 2014, the parties reached an agreement in principle to settle the litigation. On March 10, 2015, the parties filed a Stipulation of Settlement and a Motion for Preliminary Approval of the Settlement. Under the terms of the agreement, Duke Energy agreed to pay \$146 million to settle the claim. On April 22, 2015, Duke Energy made a payment of \$25 million into the settlement escrow account. The remainder of \$121 million was paid by insurers into the settlement escrow account. The final order approving the settlement was issued on November 2, 2015, thus closing the matter.

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

Two shareholder Derivative Complaints, filed in 2012 in federal district court in Delaware, were consolidated as *Tansey v. Rogers, et al*. The case alleges claims against the Legacy Duke Energy Directors for breach of fiduciary duty and waste of corporate assets, as well as claims under Section 14(a) and 20(a) of the Exchange Act. Duke Energy is named as a nominal defendant. On December 21, 2015, Plaintiff filed a Consolidated Amended Complaint asserting the same claims contained in the original complaints.

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The Legacy Duke Energy Directors have reached an agreement-in-principle to settle the Merger Chancery Litigation, conditioned on dismissal as well, of the *Tansey v. Rogers, et al* case and the merger related claims in the Bresalier Complaint discussed above, which was approved by the Delaware Chancery Court on July 13, 2017. The entire settlement amount was funded by insurance. The settlement amount, less court-approved attorney fees, totaled \$20 million and was paid to Duke Energy in 2017.

Duke Energy Carolinas and Duke Energy Progress

Coal Ash Insurance Coverage Litigation

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

NCDEQ Notice of Violation

On February 8, 2016, the NCDEQ assessed a penalty of approximately \$6.8 million, including enforcement costs, against Duke Energy Carolinas related to stormwater pipes and associated discharges at the Dan River Steam Station. Duke Energy Carolinas recorded a charge in December 2015 for this penalty. In March 2016, Duke Energy Carolinas filed an appeal of this penalty. On September 23, 2016, Duke Energy Carolinas entered into a settlement agreement with the NCDEQ, without admission of liability, under which Duke Energy Carolinas agreed to a payment of \$6 million to resolve allegations underlying the asserted civil penalty related to the Dan River coal ash release and a March 4, 2016, NOV alleging unpermitted discharges at the facility.

NCDEQ State Enforcement Actions

In the first quarter of 2013, 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 with coal ash basins 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. Duke Energy Carolinas' and Duke Energy Progress' opening appellate briefs were filed on October 12, 2017, and briefing is now complete. Argument was held on February 8, 2018.

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. The parties are engaged in pre-trial discovery. Trial has been scheduled for July 9, 2018.

On March 16, 2017, RRBA served Duke Energy Progress with a Notice of Intent to Sue under the CWA for alleged violations of effluent standards and limitations at the Roxboro Plant. In anticipation of litigation, Duke Energy Progress filed a Complaint for Declaratory Relief in the U.S. District Court for the Western District of Virginia on May 11, 2017, which was subsequently dismissed. 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 and one claim relating to the use of nearby water bodies. The parties are engaged in pre-trial discovery. Trial has been scheduled for October 1, 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 argued on January 30, 2018.

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.

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.

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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.

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

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 (CSAs) 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 have had their wells tested, stating that private well samplings at a considerable distance from coal ash basins, as well as some municipal water supplies, contain similar levels of vanadium and hexavalent chromium, which 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 which ended at impasse. On January 6, 2017, Duke Energy Carolinas and Duke Energy Progress received the plaintiffs' notice of their intent to file suits should the matter not settle. The NCDEQ preliminarily approved Duke Energy's permanent water solution plans on January 13, 2017, and as a result shortly thereafter, Duke Energy issued a press release, providing additional details regarding the homeowner compensation package. This package consists of three components: (i) a \$5,000 goodwill payment to each eligible well owner to support the transition to a new water supply, (ii) where a public water supply is available and selected by the eligible well owner, a stipend to cover 25 years of water bills and (iii) the Property Value Protection Plan. The Property Value Protection Plan is a program offered by Duke Energy designed to guarantee eligible plant neighbors the fair market value of their residential property should they decide to sell their property during the time that the plan is offered. Duke Energy Carolinas and Duke Energy Progress recognized reserves of \$19 million and \$4 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.

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. 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. Duke Energy filed its Motion to Dismiss on October 27, 2017, and the hearing is scheduled for March 7, 2018.

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

Duke Energy Carolinas

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 December 31, 2017, there were 161 asserted claims for non-malignant cases with the cumulative relief sought of up to \$42 million and 54 asserted claims for malignant cases with the cumulative relief sought of up to \$16 million. Based on Duke Energy Carolinas' experience, it is expected that the ultimate resolution of most of these claims likely will be less than the amount claimed.

Duke Energy Carolinas has recognized asbestos-related reserves of \$489 million and \$512 million at December 31, 2017, and 2016, respectively. These reserves are classified in Other within Other Noncurrent Liabilities and Other within Current Liabilities on the 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.

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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 and \$587 million at December 31, 2017, and 2016, respectively. These amounts are classified in Other within Other Noncurrent Assets and Receivables within Current Assets on the Consolidated Balance Sheets. Duke Energy Carolinas is not aware of any uncertainties regarding the legal sufficiency of insurance claims. Duke Energy Carolinas believes the insurance recovery asset is probable of recovery as the insurance carrier continues to have a strong financial strength rating.

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 will recognize the recoveries in the first quarter of 2018. Claims for all periods through 2013 have been resolved. Additional claims will be filed in 2018.

Duke Energy Progress

Gypsum Supply Agreements 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 seeks 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 September 28, 2017, the Court denied CertainTeed's motion for summary judgment. Discovery in the case is underway and a trial date has not been set. In light of the volatility in future production of gypsum, Duke Energy Progress cannot predict the outcome of this matter.

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 U.S. Court of Appeals. The appeal, which has been fully briefed, was heard on August 22, 2017, and a decision is pending. Duke Energy Florida cannot predict the outcome of this appeal.

Westinghouse Contract Litigation

On March 28, 2014, Duke Energy Florida filed a lawsuit against Westinghouse in the U.S. District Court for the Western District of North Carolina. The lawsuit seeks recovery of \$54 million in milestone payments in excess of work performed under the terminated EPC for Levy as well as a determination by the court of the amounts due to Westinghouse as a result of the termination of the EPC. Duke Energy Florida recognized an exit obligation as a result of the termination of the EPC contract.

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

On June 9, 2014, the judge in the North Carolina case ruled that the litigation will proceed in the Western District of North Carolina. On July 11, 2016, Duke Energy Florida and Westinghouse filed separate Motions for Summary Judgment. On September 29, 2016, the court issued its ruling on the parties' respective Motions for Summary Judgment, ruling in favor of Westinghouse on a \$30 million termination fee claim and dismissing Duke Energy Florida's \$54 million refund claim, but stating that Duke Energy Florida could use the refund claim to offset any damages for termination costs. Westinghouse's claim for termination costs was unaffected by this ruling and continued to trial. At trial, Westinghouse reduced its claim for termination costs from \$482 million to \$424 million. Following a trial on the matter, the court issued its final order in December 2016 denying Westinghouse's claim for termination costs and re-affirming its earlier ruling in favor of Westinghouse on the \$30 million termination fee and Duke Energy Florida's refund claim. Judgment was entered against Duke Energy Florida in the amount of approximately \$34 million, which includes pre-judgment interest. Westinghouse has appealed the trial court's order and Duke Energy Florida has cross-appealed. Duke Energy Florida cannot predict the ultimate outcome of the appeal of the trial court's order.

On March 29, 2017, Westinghouse filed Chapter 11 bankruptcy in the Southern District of New York, which automatically stayed the appeal. On May 23, 2017, the bankruptcy court entered an order lifting the stay with respect to the appeal. Briefing of the appeal concluded on October 20, 2017. Oral argument in the appeal was originally set for March 2018 but has tentatively been rescheduled to May 2018, due to scheduling conflicts.

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Ultimate resolution of these matters could have a material effect on the results of operations, financial position or cash flows of Duke Energy Florida. See discussion of the 2017 Settlement and the Levy Nuclear Project in Note 4 for additional information regarding recovery of costs related to Westinghouse. The 2017 Settlement does not permit recovery of any amounts paid to resolve this contract litigation.

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 has been fully briefed and argued. Duke Energy Florida cannot predict the outcome of this appeal.

Duke Energy Ohio

Antitrust Lawsuit

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

During 2015, the parties received preliminary court approval of a settlement agreement. Duke Energy Ohio recorded a litigation settlement reserve of \$81 million classified in Other within Current Liabilities on the Consolidated Balance Sheet at December 31, 2015. Duke Energy Ohio also recognized a pretax charge of \$81 million in (Loss) Income From Discontinued Operations, net of tax in the Consolidated Statements of Operations and Comprehensive Income for the year ended December 31, 2015. The settlement agreement was approved at a federal court hearing on April 19, 2016. Distribution of the settlement checks was approved by the court in January 2017 and all settlement amounts have been paid. See Note 2 for further discussion on the Midwest Generation Exit.

Other Litigation and Legal Proceedings

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

The table below presents recorded reserves based on management's best estimate of probable loss for legal matters, excluding asbestos-related reserves and the exit obligation discussed above related to the termination of an EPC contract. Reserves are classified on the 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)	December 31,	
	2017	2016
Reserves for Legal Matters		
Duke Energy	\$ 88	\$ 98
Duke Energy Carolinas	30	23
Progress Energy	55	59
Duke Energy Progress	13	14
Duke Energy Florida	24	28
Duke Energy Ohio	—	4
Piedmont	2	2

OTHER COMMITMENTS AND CONTINGENCIES

General

As part of their normal business, the Duke Energy Registrants are party to various financial guarantees, performance guarantees and other contractual commitments to extend guarantees of credit and other assistance to various subsidiaries, investees and other third parties. These guarantees involve elements of performance and credit risk, which are not fully recognized on the 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.

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Purchase Obligations

Purchased Power

Duke Energy Progress, Duke Energy Florida and Duke Energy Ohio have ongoing purchased power contracts, including renewable energy contracts, with other utilities, wholesale marketers, co-generators and qualified facilities. These purchased power contracts generally provide for capacity and energy payments. In addition, Duke Energy Progress and Duke Energy Florida have various contracts to secure transmission rights.

The following table presents executory purchased power contracts with terms exceeding one year, excluding contracts classified as leases. Amounts at Duke Energy Ohio were immaterial.

(in millions)	Minimum Purchase Amount at December 31, 2017							
	Contract Expiration	2018	2019	2020	2021	2022	Thereafter	Total
Duke Energy Progress ^(a)	2019-2031	\$ 68	\$ 68	\$ 51	\$ 52	\$ 30	\$ 239	\$ 508
Duke Energy Florida ^(b)	2021-2043	357	374	394	378	376	770	2,649

(a) Contracts represent between 15 percent and 100 percent of net plant output.

(b) Contracts represent between 81 percent and 100 percent of net plant output.

Gas Supply and Capacity Contracts

Duke Energy Ohio and Piedmont routinely enter into long-term natural gas supply commodity and capacity commitments and other agreements that commit future cash flows to acquire services needed in their businesses. These commitments include pipeline and storage capacity contracts and natural gas supply contracts to provide service to customers. Costs arising from the natural gas supply commodity and capacity commitments, while significant, are pass-through costs to customers and are generally fully recoverable through the fuel adjustment or PGA procedures and prudence reviews in North Carolina and South Carolina and under the Tennessee Incentive Plan in Tennessee. In the Midwest, these costs are recovered via the Gas Cost Recovery Rate in Ohio or the Gas Cost Adjustment Clause in Kentucky. The time periods for fixed payments under pipeline and storage capacity contracts are up to 19 years. The time periods for fixed payments under natural gas supply contracts are up to three years. The time period for the natural gas supply purchase commitments is up to 15 years.

Certain storage and pipeline capacity contracts require the payment of demand charges that are based on rates approved by the FERC in order to maintain rights to access the natural gas storage or pipeline capacity on a firm basis during the contract term. The demand charges that are incurred in each period are recognized in the Consolidated Statements of Operations and Comprehensive Income as part of natural gas purchases and are included in Cost of natural gas.

The following table presents future unconditional purchase obligations under natural gas supply and capacity contracts as of December 31, 2017.

(in millions)	Duke Energy		Duke Energy Ohio		Piedmont	
2018	\$	314	\$	37	\$	277
2019		280		28		252
2020		252		25		227
2021		249		26		223
2022		226		11		215
Thereafter		1,121		3		1,118
Total	\$	2,442	\$	130	\$	2,312

Operating and Capital Lease Commitments

The Duke Energy Registrants lease office buildings, railcars, vehicles, computer equipment and other property and equipment with various terms and expiration dates. Additionally, Duke Energy Progress has a capital lease related to firm natural gas pipeline transportation capacity. Duke Energy Progress and Duke Energy Florida have entered into certain purchased power agreements, which are classified as leases. Consolidated capitalized lease obligations are classified as Long-Term Debt or Other within Current Liabilities on the Consolidated Balance Sheets. Amortization of assets recorded under capital leases is included in Depreciation and amortization and Fuel used in electric generation on the Consolidated Statements of Operations.

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The following tables present rental expense for operating leases. These amounts are included in Operation, maintenance and other on the Consolidated Statements of Operations.

(in millions)	Years Ended December 31,		
	2017	2016	2015
Duke Energy	\$ 241	\$ 242	\$ 313
Duke Energy Carolinas	44	45	41
Progress Energy	130	140	230
Duke Energy Progress	75	68	149
Duke Energy Florida	55	72	81
Duke Energy Ohio	15	16	13
Duke Energy Indiana	23	23	20

(in millions)	Year Ended	Two Months Ended	Years Ended October 31,	
	December 31, 2017	December 31, 2016	2016	2015
Piedmont	\$ 7	\$ 1	\$ 5	\$ 5

The following table presents future minimum lease payments under operating leases, which at inception had a non-cancelable term of more than one year.

(in millions)	December 31, 2017							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
2018	\$ 233	\$ 36	\$ 133	\$ 77	\$ 56	\$ 20	\$ 22	\$ 6
2019	203	29	126	72	54	12	14	5
2020	183	25	117	62	55	10	10	5
2021	150	19	97	48	49	7	8	6
2022	135	16	90	42	48	4	5	6
Thereafter	882	52	525	344	181	5	7	16
Total	\$ 1,786	\$ 177	\$ 1,088	\$ 645	\$ 443	\$ 58	\$ 66	\$ 44

The following table presents future minimum lease payments under capital leases.

(in millions)	December 31, 2017						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
2018	\$ 168	\$ 13	\$ 46	\$ 21	\$ 25	\$ 3	\$ 2
2019	169	13	45	20	25	1	1
2020	174	13	47	21	26	—	1
2021	176	8	45	22	25	—	1
2022	169	8	45	21	24	—	1
Thereafter	745	109	323	227	95	—	38
Minimum annual payments	1,601	164	551	332	220	4	44
Less: amount representing interest	(601)	(103)	(283)	(192)	(91)	—	(33)
Total	\$ 1,000	\$ 61	\$ 268	\$ 140	\$ 129	\$ 4	\$ 11

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6. DEBT AND CREDIT FACILITIES

Summary of Debt and Related Terms

The following tables summarize outstanding debt.

(in millions)	December 31, 2017								
	Weighted Average Interest Rate	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Duke Energy Piedmont
	Unsecured debt, maturing 2018-2073	4.17%	\$ 20,409	\$ 1,150	\$ 3,950	\$ —	\$ 550	\$ 900	\$ 411
Secured debt, maturing 2018-2037	3.15%	4,458	450	1,757	300	1,457	—	—	—
First mortgage bonds, maturing 2018-2047 ^(a)	4.51%	23,529	7,959	11,801	6,776	5,025	1,100	2,669	—
Capital leases, maturing 2018-2051 ^(b)	4.55%	1,000	61	269	139	129	5	11	—
Tax-exempt bonds, maturing 2019-2041 ^(c)	3.23%	941	243	48	48	—	77	572	—
Notes payable and commercial paper ^(d)	1.57%	2,788	—	—	—	—	—	—	—
Money pool/intercompany borrowings		—	404	955	390	—	54	311	364
Fair value hedge carrying value adjustment		6	6	—	—	—	—	—	—
Unamortized debt discount and premium, net ^(e)		1,582	(19)	(30)	(16)	(10)	(33)	(9)	(1)
Unamortized debt issuance costs ^(f)		(271)	(47)	(108)	(40)	(56)	(7)	(21)	(12)
Total debt	4.09%	\$ 54,442	\$ 10,207	\$ 18,642	\$ 7,597	\$ 7,095	\$ 2,096	\$ 3,944	\$ 2,401
Short-term notes payable and commercial paper		(2,163)	—	—	—	—	—	—	—
Short-term money pool/intercompany borrowings		—	(104)	(805)	(240)	—	(29)	(161)	(364)
Current maturities of long-term debt ^(g)		(3,244)	(1,205)	(771)	(3)	(768)	(3)	(3)	(250)
Total long-term debt^(g)		\$ 49,035	\$ 8,898	\$ 17,066	\$ 7,354	\$ 6,327	\$ 2,064	\$ 3,780	\$ 1,787

- (a) Substantially all electric utility property is mortgaged under mortgage bond indentures.
- (b) Duke Energy includes \$81 million and \$603 million of capital lease purchase accounting adjustments related to Duke Energy Progress and Duke Energy Florida, respectively, related to power purchase agreements that are not accounted for as capital leases in their respective financial statements because of grandfathering provisions in GAAP.
- (c) Substantially all tax-exempt bonds are secured by first mortgage bonds or letters of credit.
- (d) Includes \$625 million that was classified as Long-Term Debt on the Consolidated Balance Sheets due to the existence of long-term credit facilities that backstop these commercial paper balances, along with Duke Energy's ability and intent to refinance these balances on a long-term basis. The weighted average days to maturity for Duke Energy's commercial paper program was 14 days.
- (e) Duke Energy includes \$1,509 million and \$176 million in purchase accounting adjustments related to Progress Energy and Piedmont, respectively.
- (f) Duke Energy includes \$47 million in purchase accounting adjustments primarily related to the merger with Progress Energy.
- (g) Refer to Note 17 for additional information on amounts from consolidated VIEs.

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December 31, 2016										
(in millions)	Weighted Average Interest Rate	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont	
Unsecured debt, maturing 2017-2073	4.30%	\$ 17,812	\$ 1,150	\$ 3,551	\$ —	\$ 150	\$ 810	\$ 415	\$ 1,835	
Secured debt, maturing 2017-2037	2.60%	3,909	425	1,819	300	1,519	—	—	—	
First mortgage bonds, maturing 2017-2046 ^(a)	4.61%	21,879	7,410	10,800	6,425	4,375	1,000	2,669	—	
Capital leases, maturing 2018-2051 ^(b)	4.48%	1,100	22	285	142	143	7	11	—	
Tax-exempt bonds, maturing 2017-2041 ^(c)	2.84%	1,053	355	48	48	—	77	572	—	
Notes payable and commercial paper ^(d)	1.01%	3,112	—	—	—	—	—	—	—	
Money pool/intercompany borrowings ^(e)		—	300	1,902	150	297	41	150	—	
Fair value hedge carrying value adjustment		6	6	—	—	—	—	—	—	
Unamortized debt discount and premium, net ^(f)		1,753	(20)	(31)	(16)	(10)	(28)	(9)	(1)	
Unamortized debt issuance costs ^(g)		(242)	(45)	(104)	(38)	(52)	(7)	(22)	(13)	
Total debt	4.07%	\$ 50,382	\$ 9,603	\$ 18,270	\$ 7,011	\$ 6,422	\$ 1,900	\$ 3,786	\$ 1,821	
Short-term notes payable and commercial paper		(2,487)	—	—	—	—	—	—	—	
Short-term money pool/intercompany borrowings		—	—	(729)	—	(297)	(16)	—	—	
Current maturities of long-term debt ^(h)		(2,319)	(116)	(778)	(452)	(326)	(1)	(3)	(35)	
Total long-term debt^(h)		\$ 45,576	\$ 9,487	\$ 16,763	\$ 6,559	\$ 5,799	\$ 1,883	\$ 3,783	\$ 1,786	

- (a) Substantially all electric utility property is mortgaged under mortgage bond indentures.
- (b) Duke Energy includes \$98 million and \$670 million of capital lease purchase accounting adjustments related to Duke Energy Progress and Duke Energy Florida, respectively, related to power purchase agreements that are not accounted for as capital leases in their respective financial statements because of grandfathering provisions in GAAP.
- (c) Substantially all tax-exempt bonds are secured by first mortgage bonds or letters of credit.
- (d) Includes \$625 million that was classified as Long-Term Debt on the Consolidated Balance Sheets due to the existence of long-term credit facilities that backstop these commercial paper balances, along with Duke Energy's ability and intent to refinance these balances on a long-term basis. The weighted average days to maturity for Duke Energy and Piedmont's commercial paper programs were 14 days and eight days, respectively.
- (e) Progress Energy amount includes a \$1 billion intercompany loan related to the sale of the International Disposal Group. See Note 2 for further discussion of the sale.
- (f) Duke Energy includes \$1,653 million and \$197 million purchase accounting adjustments related to the mergers with Progress Energy and Piedmont, respectively.
- (g) Duke Energy includes \$53 million in purchase accounting adjustments primarily related to the merger with Progress Energy.
- (h) Refer to Note 17 for additional information on amounts from consolidated VIEs.

Current Maturities of Long-Term Debt

The following table shows the significant components of Current maturities of Long-Term Debt on the 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	December 31, 2017
Unsecured Debt			
Duke Energy (Parent)	June 2018	6.250%	\$ 250
Duke Energy (Parent)	June 2018	2.100%	500
Piedmont	December 2018	2.286% ^(b)	250
First Mortgage Bonds			
Duke Energy Carolinas	January 2018	5.250%	400
Duke Energy Carolinas	April 2018	5.100%	300
Duke Energy Florida	June 2018	5.650%	500
Duke Energy Carolinas	November 2018	7.000%	500
Other^(a)			
			544
Current maturities of long-term debt			\$ 3,244

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

Maturities and Call Options

The following table shows the annual maturities of long-term debt for the next five years and thereafter. Amounts presented exclude short-term notes payable and commercial paper and money pool borrowings for the Subsidiary Registrants.

(in millions)	December 31, 2017							
	Duke	Duke	Progress	Duke	Duke	Duke	Duke	Piedmont
	Energy ^(a)	Energy Carolinas	Energy	Energy Progress	Energy Florida	Energy Ohio	Energy Indiana	
2018	\$ 3,244	\$ 1,205	\$ 771	\$ 3	\$ 768	\$ 3	\$ 3	\$ 250
2019	3,563	6	2,191	903	490	548	61	—
2020	3,699	906	871	304	568	—	502	—
2021	3,760	502	1,472	602	371	48	69	159
2022	3,010	302	1,176	653	74	23	243	—
Thereafter	33,271	7,182	11,356	4,892	4,824	1,445	2,905	1,628
Total long-term debt, including current maturities	\$ 50,547	\$ 10,103	\$ 17,837	\$ 7,357	\$ 7,095	\$ 2,067	\$ 3,783	\$ 2,037

- (a) Excludes \$1,732 million in purchase accounting adjustments related to the Progress Energy merger and the Piedmont acquisition.

The Duke Energy Registrants have the ability under certain debt facilities to call and repay the obligation prior to its scheduled maturity. Therefore, the actual timing of future cash repayments could be materially different than as presented above.

Short-Term Obligations Classified as Long-Term Debt

Tax-exempt bonds that may be put to the Duke Energy Registrants at the option of the holder and certain commercial paper issuances and money pool borrowings are classified as Long-Term Debt on the Consolidated Balance Sheets. These tax-exempt bonds, commercial paper issuances and money pool borrowings, which are short-term obligations by nature, are classified as long term due to Duke Energy's intent and ability to utilize such borrowings as long-term financing. As Duke Energy's Master Credit Facility and other bilateral letter of credit agreements have non-cancelable terms in excess of one year as of the balance sheet date, Duke Energy has the ability to refinance these short-term obligations on a long-term basis. The following tables show short-term obligations classified as long-term debt.

(in millions)	December 31, 2017				
	Duke	Duke	Duke	Duke	Duke
	Energy	Energy Carolinas	Energy Progress	Energy Ohio	Energy Indiana
Tax-exempt bonds	\$ 312	\$ —	\$ —	\$ 27	\$ 285
Commercial paper ^(a)	625	300	150	25	150
Total	\$ 937	\$ 300	\$ 150	\$ 52	\$ 435

(in millions)	December 31, 2016				
	Duke	Duke	Duke	Duke	Duke
	Energy	Energy Carolinas	Energy Progress	Energy Ohio	Energy Indiana
Tax-exempt bonds	\$ 347	\$ 35	\$ —	\$ 27	\$ 285
Commercial paper ^(a)	625	300	150	25	150
Total	\$ 972	\$ 335	\$ 150	\$ 52	\$ 435

- (a) Progress Energy amounts are equal to Duke Energy Progress amounts.

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Summary of Significant Debt Issuances

The following tables summarize significant debt issuances (in millions).

Issuance Date	Maturity Date	Interest Rate	Year Ended December 31, 2017					
			Duke Energy	Duke Energy (Parent)	Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio
Unsecured Debt								
April 2017 ^(a)	April 2025	3.364%	\$ 420	\$ 420	\$ —	\$ —	\$ —	\$ —
June 2017 ^(b)	June 2020	2.100%	330	330	—	—	—	—
August 2017 ^(c)	August 2022	2.400%	500	500	—	—	—	—
August 2017 ^(c)	August 2027	3.150%	750	750	—	—	—	—
August 2017 ^(c)	August 2047	3.950%	500	500	—	—	—	—
December 2017 ^(d)	December 2019 ^(k)	2.100%	400	—	—	—	400	—
Secured Debt								
February 2017 ^(e)	June 2034	4.120%	587	—	—	—	—	—
August 2017 ^(f)	December 2036	4.110%	233	—	—	—	—	—
First Mortgage Bonds								
January 2017 ^(g)	January 2020	1.850%	250	—	—	—	250	—
January 2017 ^(g)	January 2027	3.200%	650	—	—	—	650	—
March 2017 ^(h)	June 2046	3.700%	100	—	—	—	—	100
September 2017 ⁽ⁱ⁾	September 2020	1.500% ^(l)	300	—	—	300	—	—
September 2017 ⁽ⁱ⁾	September 2047	3.600%	500	—	—	500	—	—
November 2017 ^(j)	December 2047	3.700%	550	—	550	—	—	—
Total issuances			\$ 6,070	\$ 2,500	\$ 550	\$ 800	\$ 1,300	\$ 100

- (a) Proceeds were used to refinance \$400 million of unsecured debt at maturity and to repay a portion of outstanding commercial paper.
- (b) Debt issued to repay a portion of outstanding commercial paper.
- (c) Debt issued to repay at maturity \$700 million of unsecured debt, to repay outstanding commercial paper and for general corporate purposes.
- (d) Debt issued to fund storm restoration costs related to Hurricane Irma and for general corporate purposes.
- (e) Portfolio financing of four Texas and Oklahoma wind facilities. Duke Energy pledged substantially all of the assets of these wind facilities and is nonrecourse to Duke Energy. Proceeds were used to reimburse Duke Energy for a portion of previously funded construction expenditures.
- (f) Portfolio financing of eight solar facilities located in California, Colorado and New Mexico. Duke Energy pledged substantially all of the assets of these solar facilities and is nonrecourse to Duke Energy. Proceeds were used to reimburse Duke Energy for a portion of previously funded construction expenditures.
- (g) Debt issued to fund capital expenditures for ongoing construction and capital maintenance, to repay a \$250 million aggregate principal amount of bonds at maturity and for general corporate purposes.
- (h) Proceeds were used to fund capital expenditures for ongoing construction, capital maintenance and for general corporate purposes.
- (i) Debt issued to repay at maturity a \$200 million aggregate principal amount of bonds at maturity, pay down intercompany short-term debt and for general corporate purposes, including capital expenditures.
- (j) Debt issued to refinance \$400 million aggregate principal amount of bonds due January 2018, pay down intercompany short-term debt and for general corporate purposes.
- (k) Principal balance will be repaid in equal quarterly installments beginning in March 2018.
- (l) Debt issuance has a floating interest rate.

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Issuance Date	Maturity Date	Interest Rate	Year Ended December 31, 2016						
			Duke Energy	Duke Energy (Parent)	Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Unsecured Debt									
April 2016 ^(a)	April 2023	2.875%	\$ 350	\$ 350	\$ —	\$ —	\$ —	\$ —	\$ —
August 2016 ^(b)	September 2021	1.800%	750	750	—	—	—	—	—
August 2016 ^(b)	September 2026	2.650%	1,500	1,500	—	—	—	—	—
August 2016 ^(b)	September 2046	3.750%	1,500	1,500	—	—	—	—	—
Secured Debt									
June 2016 ^(c)	March 2020	1.196%	183	—	—	—	183	—	—
June 2016 ^(c)	September 2022	1.731%	150	—	—	—	150	—	—
June 2016 ^(c)	September 2029	2.538%	436	—	—	—	436	—	—
June 2016 ^(c)	March 2033	2.858%	250	—	—	—	250	—	—
June 2016 ^(c)	September 2036	3.112%	275	—	—	—	275	—	—
August 2016 ^(d)	June 2034	2.747% ⁽ⁱ⁾	228	—	—	—	—	—	—
August 2016 ^(d)	June 2020	2.747% ⁽ⁱ⁾	105	—	—	—	—	—	—
First Mortgage Bonds									
March 2016 ^(e)	March 2023	2.500%	500	—	500	—	—	—	—
March 2016 ^(e)	March 2046	3.875%	500	—	500	—	—	—	—
May 2016 ^(f)	May 2046	3.750%	500	—	—	—	—	—	500
June 2016 ^(e)	June 2046	3.700%	250	—	—	—	—	250	—
September 2016 ^(g)	October 2046	3.400%	600	—	—	—	600	—	—
September 2016 ^(e)	October 2046	3.700%	450	—	—	450	—	—	—
November 2016 ^(h)	December 2046	2.950%	600	—	600	—	—	—	—
Total issuances			\$ 9,127	\$ 4,100	\$ 1,600	\$ 450	\$ 1,894	\$ 250	\$ 500

- (a) Proceeds were used to pay down outstanding commercial paper and for general corporate purposes.
- (b) Proceeds were used to finance a portion of the Piedmont acquisition. The \$4.9 billion Bridge Facility was terminated following the issuance of this debt. See Note 2 for additional information on the Piedmont acquisition.
- (c) DEFPP issued nuclear-asset recovery bonds and used the proceeds to acquire nuclear-asset recovery property from its parent, Duke Energy Florida. The nuclear-asset recovery bonds are payable only from and secured by the nuclear asset-recovery property. DEFPP is consolidated for financial reporting purposes; however, the nuclear asset-recovery bonds do not constitute a debt, liability or other legal obligation of, or interest in, Duke Energy Florida or any of its affiliates other than DEFPP. The assets of DEFPP, including the nuclear-asset recovery property, are not available to pay creditors of Duke Energy Florida or any of its affiliates. Duke Energy Florida used the proceeds from the sale to repay short-term borrowings under the intercompany money pool borrowing arrangement and make an equity distribution of \$649 million to the ultimate parent, Duke Energy (Parent), which repaid short-term borrowings. The nuclear-asset recovery bonds are sequential pay amortizing bonds. The maturity date above represents the scheduled final maturity date for the bonds. See Notes 4 and 17 for additional information.
- (d) Emerald State Solar, LLC, an indirect wholly owned subsidiary of Duke Energy entered into portfolio financing of approximately 22 North Carolina solar facilities. Tranche A of \$228 million is secured by substantially all of the assets of the solar facilities and is nonrecourse to Duke Energy. Tranche B of \$105 million is secured by an Equity Contribution Agreement with Duke Energy. Proceeds were used to reimburse Duke Energy for a portion of previously funded construction expenditures related to the Emerald State Solar, LLC portfolio. The initial interest rate on the loans was six months London Interbank Offered Rate (LIBOR) plus an applicable margin of 1.75 percent plus a 0.125 percent increase every three years thereafter. In connection with this debt issuance, Emerald State Solar, LLC entered into two interest rate swaps to convert the substantial majority of the loan interest payments from variable rates to fixed rates of approximately 1.81 percent for Tranche A and 1.38 percent for Tranche B, plus the applicable margin. See Note 14 for further information on the notional amounts of the interest rate swaps.
- (e) Proceeds were used to fund capital expenditures for ongoing construction, capital maintenance and for general corporate purposes.
- (f) Proceeds were used to repay \$325 million of unsecured debt due June 2016, \$150 million of first mortgage bonds due July 2016 and for general corporate purposes.
- (g) Proceeds were used to fund capital expenditures for ongoing construction, capital maintenance, to repay short-term borrowings under the intercompany money pool borrowing arrangement and for general corporate purposes.
- (h) Proceeds were used to repay at maturity \$350 million aggregate principal amount of certain bonds due December 2016, as well as to fund capital expenditures for ongoing construction and capital maintenance and for general corporate purposes.
- (i) Debt issuance has a floating interest rate.

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In July 2016, Piedmont issued \$300 million unsecured notes maturing in November 2046 with an interest rate of 3.64%. Piedmont has the option to redeem all or part of the notes before May 1, 2046, at a redemption price equal to the greater of a) 100% of the principal amount of the notes to be redeemed, and b) the sum of the present values of the remaining scheduled payments of principal and interest on the notes to be redeemed, discounted to the date of redemption on a semi-annual basis at the Treasury Rate as defined in the indenture, as supplemented, plus 25 basis points and any accrued and unpaid interest to the date of redemption. Piedmont has the option to redeem all or part of the notes on or after May 1, 2046, at 100% of the principal amounts plus any accrued and unpaid interest to the date of redemption. Piedmont used the proceeds to fund capital expenditures, to repay short-term borrowings under Piedmont's commercial paper program and for general corporate purposes.

Available Credit Facilities

In March 2017, Duke Energy amended its Master Credit Facility to increase its capacity from \$7.5 billion to \$8 billion, and to extend the termination date of the facility from January 30, 2020, to March 16, 2022. The amendment also added Piedmont as a borrower within the Master Credit Facility. Piedmont's separate \$850 million credit facility was terminated in connection with the amendment. With the amendment, the Duke Energy Registrants, excluding Progress Energy (Parent), have borrowing capacity under the Master Credit Facility up to specified sublimits 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.

In January 2018, Duke Energy further amended its Master Credit Facility with consenting lenders to extend \$7.65 billion of our existing \$8 billion Master Credit Facility by one year to March 16, 2023.

The table below includes the current borrowing sublimits and available capacity under these credit facilities.

	December 31, 2017							Piedmont
	Duke Energy	Duke Energy (Parent)	Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	
(in millions)								
Facility size ^(a)	\$ 8,000	\$ 2,850	\$ 1,350	\$ 1,250	\$ 800	\$ 450	\$ 600	\$ 700
Reduction to backstop issuances								
Commercial paper ^(b)	(1,799)	(561)	(371)	(314)	—	(45)	(260)	(248)
Outstanding letters of credit	(63)	(54)	(4)	(2)	(1)	—	—	(2)
Tax-exempt bonds	(81)	—	—	—	—	—	(81)	—
Coal ash set-aside	(500)	—	(250)	(250)	—	—	—	—
Available capacity	\$ 5,557	\$ 2,235	\$ 725	\$ 684	\$ 799	\$ 405	\$ 259	\$ 450

(a) Represents the sublimit of each borrower.

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

Three-Year Revolving Credit Facility

In June 2017, Duke Energy (Parent) entered into a three-year \$1.0 billion revolving credit facility (the Three Year Revolver). Borrowings under this facility will be used for general corporate purposes.

As of December 31, 2017, \$500 million has been drawn under the Three Year Revolver. This balance is classified as Long-Term Debt on Duke Energy's Consolidated Balance Sheets. Any undrawn commitments can be drawn, and borrowings can be prepaid, at any time throughout the term of the facility. The terms and conditions of the Three Year Revolver are generally consistent with those governing Duke Energy's Master Credit Facility.

Piedmont Term Loan Facility

In June 2017, Piedmont entered into an 18-month term loan facility with commitments totaling \$250 million (the Piedmont Term Loan). Borrowings under the facility will be used for general corporate purposes.

As of December 31, 2017, the entire \$250 million has been drawn under the Piedmont Term Loan. This balance is classified as Long-Term Debt on Piedmont's Consolidated Balance Sheets. The terms and conditions of the Piedmont Term Loan are generally consistent with those governing Duke Energy's Master Credit Facility.

Other Debt Matters

In September 2016, Duke Energy filed a Registration statement (Form S-3) with the SEC. Under this Form S-3, which is uncapped, the Duke Energy Registrants, excluding Progress Energy, may issue debt and other securities in the future at amounts, prices and with terms to be determined at the time of future offerings. The registration statement was filed to replace a similar prior filing upon expiration of its three-year term and also allows for the issuance of common stock by Duke Energy.

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Duke Energy has an effective Form S-3 with the SEC to sell up to \$3 billion of variable denomination floating-rate demand notes, called PremierNotes. The Form S-3 states that no more than \$1.5 billion of the notes will be outstanding at any particular time. The notes are offered on a continuous basis and bear interest at a floating rate per annum determined by the Duke Energy PremierNotes Committee, or its designee, on a weekly basis. The interest rate payable on notes held by an investor may vary based on the principal amount of the investment. The notes have no stated maturity date, are non-transferable and may be redeemed in whole or in part by Duke Energy or at the investor's option at any time. The balance as of December 31, 2017, and 2016 was \$986 million and \$1,090 million, respectively. The notes are short-term debt obligations of Duke Energy and are reflected as Notes payable and commercial paper on Duke Energy's Consolidated Balance Sheets.

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.

Duke Energy guaranteed debt issued by Duke Energy Carolinas of \$650 million and \$762 million, respectively, as of December 31, 2017, and 2016.

Money Pool

The Subsidiary Registrants, excluding Progress Energy, are eligible to receive support for their short-term borrowing needs through participation with Duke Energy and certain of its subsidiaries in a money pool arrangement. Under this arrangement, those companies with short-term funds may provide short-term loans to affiliates participating in this arrangement. The money pool is structured such that the Subsidiary Registrants, excluding Progress Energy, separately manage their cash needs and working capital requirements. Accordingly, there is no net settlement of receivables and payables between money pool participants. Duke Energy (Parent), may loan funds to its participating subsidiaries, but may not borrow funds through the money pool. Accordingly, as the money pool activity is between Duke Energy and its wholly owned subsidiaries, all money pool balances are eliminated within Duke Energy's Consolidated Balance Sheets.

Money pool receivable balances are reflected within Notes receivable from affiliated companies on the Subsidiary Registrants' Consolidated Balance Sheets. Money pool payable balances are reflected within either Notes payable to affiliated companies or Long-Term Debt Payable to Affiliated Companies on the Subsidiary Registrants' Consolidated Balance Sheets.

Restrictive Debt Covenants

The Duke Energy Registrants' debt and credit agreements contain various financial and other covenants. Duke Energy's Master Credit Facility contains a covenant requiring the debt-to-total capitalization ratio not to exceed 65 percent for each borrower, excluding Piedmont, and 70 percent for Piedmont. Failure to meet those covenants beyond applicable grace periods could result in accelerated due dates and/or termination of the agreements. As of December 31, 2017, each of the Duke Energy Registrants was in compliance with all covenants related to their debt agreements. In addition, some credit agreements may allow for acceleration of payments or termination of the agreements due to nonpayment, or acceleration of other significant indebtedness of the borrower or some of its subsidiaries. None of the debt or credit agreements contain material adverse change clauses.

Other Loans

As of December 31, 2017, and 2016, Duke Energy had loans outstanding of \$701 million, including \$38 million at Duke Energy Progress and \$661 million, including \$39 million at Duke Energy Progress, respectively, against the cash surrender value of life insurance policies it owns on the lives of its executives. The amounts outstanding were carried as a reduction of the related cash surrender value that is included in Other within Investments and Other Assets on the Consolidated Balance Sheets.

7. GUARANTEES AND INDEMNIFICATIONS

Duke Energy and Progress Energy have various financial and performance guarantees and indemnifications, which are issued in the normal course of business. As discussed below, these contracts include performance guarantees, stand-by letters of credit, debt guarantees, surety bonds and indemnifications. Duke Energy and Progress Energy enter into these arrangements to facilitate commercial transactions with third parties by enhancing the value of the transaction to the third party. At December 31, 2017, Duke Energy and Progress Energy do not believe conditions are likely for significant performance under these guarantees. To the extent liabilities are incurred as a result of the activities covered by the guarantees, such liabilities are included on the accompanying Consolidated Balance Sheets.

On January 2, 2007, Duke Energy completed the spin-off of its natural gas businesses to shareholders. Guarantees issued by Duke Energy or its affiliates, or assigned to Duke Energy prior to the spin-off, remained with Duke Energy subsequent to the spin-off. Guarantees issued by Spectra Energy Capital, LLC (Spectra Capital) or its affiliates prior to the spin-off remained with Spectra Capital subsequent to the spin-off, except for guarantees that were later assigned to Duke Energy. Duke Energy has indemnified Spectra Capital against any losses incurred under certain of the guarantee obligations that remain with Spectra Capital. At December 31, 2017, the maximum potential amount of future payments associated with these guarantees was \$205 million, the majority of which expires by 2028.

Duke Energy has issued performance guarantees to customers and other third parties that guarantee the payment and performance of other parties, including certain non-wholly owned entities, as well as guarantees of debt of certain non-consolidated entities and less than wholly owned consolidated entities. If such entities were to default on payments or performance, Duke Energy would be required under the guarantees to make payments on the obligations of the less than wholly owned entity. The maximum potential amount of future payments required under these guarantees as of December 31, 2017, was \$326 million. Of this amount, \$11 million relates to guarantees issued on behalf of less than wholly owned consolidated entities, with the remainder related to guarantees issued on behalf of third parties and unconsolidated affiliates of Duke Energy. Of the guarantees noted above, \$281 million of the guarantees expire between 2019 and 2030, with the remaining performance guarantees having no contractual expiration.

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In October 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 limited to 47 percent of the outstanding borrowings under the credit facility, which was \$312 million as of December 31, 2017.

Duke Energy has guaranteed certain issuers of surety bonds, obligating itself to make payment upon the failure of a wholly owned and former non-wholly owned entity to honor its obligations to a third party. Under these arrangements, Duke Energy has payment obligations that are triggered by a draw by the third party or customer due to the failure of the wholly owned or former non-wholly owned entity to perform according to the terms of its underlying contract. At December 31, 2017, Duke Energy had guaranteed \$81 million of outstanding surety bonds, most of which have no set expiration.

Duke Energy uses bank-issued stand-by letters of credit to secure the performance of wholly owned and non-wholly owned entities to a third party or customer. Under these arrangements, Duke Energy has payment obligations to the issuing bank that are triggered by a draw by the third party or customer due to the failure of the wholly owned or non-wholly owned entity to perform according to the terms of its underlying contract. At December 31, 2017, Duke Energy had issued a total of \$449 million in letters of credit, which expire between 2018 and 2022. The unused amount under these letters of credit was \$66 million.

Duke Energy and Progress Energy have issued indemnifications for certain asset performance, legal, tax and environmental matters to third parties, including indemnifications made in connection with sales of businesses. At December 31, 2017, the estimated maximum exposure for these indemnifications was \$89 million, most of which have no set expiration. For certain matters for which Progress Energy receives timely notice, indemnity obligations may extend beyond the notice period. Certain indemnifications related to discontinued operations have no limitations as to time or maximum potential future payments.

Duke Energy recognized \$21 million and \$13 million, as of December 31, 2017, and 2016, respectively, primarily in Other within Other Noncurrent Liabilities on the Consolidated Balance Sheets, for the guarantees discussed above. As current estimates change, additional losses related to guarantees and indemnifications to third parties, which could be material, may be recorded by the Duke Energy Registrants in the future.

8. JOINT OWNERSHIP OF GENERATING AND TRANSMISSION FACILITIES

The Duke Energy Registrants maintain ownership interests in certain jointly owned generating and transmission facilities. The Duke Energy Registrants are entitled to a share of the generating capacity and output of each unit equal to their respective ownership interests. The Duke Energy Registrants pay their ownership share of additional construction costs, fuel inventory purchases and operating expenses. The Duke Energy Registrants share of revenues and operating costs of the jointly owned facilities is included within the corresponding line in the Consolidated Statements of Operations. Each participant in the jointly owned facilities must provide its own financing.

The following table presents the Duke Energy Registrants' interest of jointly owned plant or facilities and amounts included on the Consolidated Balance Sheets. All facilities are operated by the Duke Energy Registrants and are included in the Electric Utilities and Infrastructure segment.

(in millions except for ownership interest)	December 31, 2017			
	Ownership Interest	Property, Plant and Equipment	Accumulated Depreciation	Construction Work in Progress
Duke Energy Carolinas				
Catawba Nuclear Station (units 1 and 2) ^(a)	19.25%	\$ 927	\$ 651	\$ 19
Lee Combined Combustion Station ^(b)	86.67%	—	—	552
Duke Energy Ohio				
Transmission facilities ^(c)	Various	89	63	1
Duke Energy Indiana				
Gibson Station (unit 5) ^(d)	50.05%	348	162	9
Vermillion Generating Station ^(e)	62.5%	155	120	—
Transmission and local facilities ^(d)	Various	4,672	1,739	—

(a) Jointly owned with North Carolina Municipal Power Agency Number 1, NCEMC and Piedmont Municipal Power Agency.

(b) Jointly owned with NCEMC.

(c) Jointly owned with America Electric Power Generation Resources and The Dayton Power and Light Company.

(d) Jointly owned with Wabash Valley Power Association, Inc. (WVPA) and Indiana Municipal Power Agency.

(e) Jointly owned with WVPA.

9. ASSET RETIREMENT OBLIGATIONS

Duke Energy records an ARO when it has a legal obligation to incur retirement costs associated with the retirement of a long-lived asset and the obligation can be reasonably estimated. Certain assets of the Duke Energy Registrants' have an indeterminate life, such as transmission and distribution facilities, and thus the fair value of the retirement obligation is not reasonably estimable. A liability for these AROs will be recorded when a fair value is determinable.

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The Duke Energy Registrants' regulated operations accrue costs of removal for property that does not have an associated legal retirement obligation based on regulatory orders from state commissions. These costs of removal are recorded as a regulatory liability in accordance with regulatory accounting treatment. The Duke Energy Registrants do not accrue the estimated cost of removal for any nonregulated assets. See Note 4 for the estimated cost of removal for assets without an associated legal retirement obligation, which are included in Regulatory liabilities on the Consolidated Balance Sheets.

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

(in millions)	December 31, 2017							
	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)	\$ 5,371	\$ 1,944	\$ 3,246	\$ 2,564	\$ 681	\$ —	\$ —	\$ —
Closure of ash impoundments	4,525	1,629	2,094	2,075	19	39	763	—
Other ^(b)	279	37	74	34	42	45	18	15
Total asset retirement obligation	\$ 10,175	\$ 3,610	\$ 5,414	\$ 4,673	\$ 742	\$ 84	\$ 781	\$ 15
Less: current portion	689	337	295	295	—	3	54	—
Total noncurrent asset retirement obligation	\$ 9,486	\$ 3,273	\$ 5,119	\$ 4,378	\$ 742	\$ 81	\$ 727	\$ 15

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

(b) Primarily includes obligations related to asbestos removal. Duke Energy Ohio and Piedmont also include AROs related to the retirement of natural gas mains and services. Duke Energy includes AROs related to the removal of renewable energy generation assets.

Nuclear Decommissioning Liability

ARO related to nuclear decommissioning are based on site-specific cost studies. The NCUC, PSCSC and FPSC require updated cost estimates for decommissioning nuclear plants every five years.

The following table summarizes information about the most recent site-specific nuclear decommissioning cost studies. Decommissioning costs in the table below are stated in 2013 or 2014 dollars, depending on the year of the cost study, and include costs to decommission plant components not subject to radioactive contamination.

(in millions)	Annual Funding	Decommissioning	
	Requirement ^(a)	Costs ^{(a)(b)}	Year of Cost Study
Duke Energy	\$ 14	\$ 8,150	2013 and 2014
Duke Energy Carolinas	—	3,420	2013
Duke Energy Progress	14	3,550	2014
Duke Energy Florida	—	1,180	2013

(a) Amounts for Progress Energy equal the sum of Duke Energy Progress and Duke Energy Florida.

(b) Amounts include the Subsidiary Registrant's ownership interest in jointly owned reactors. Other joint owners are responsible for decommissioning costs related to their interest in the reactors.

Nuclear Decommissioning Trust Funds

Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida each maintain NDTFs that are intended to pay for the decommissioning costs of their respective nuclear power plants. The NDTF investments are managed and invested in accordance with applicable requirements of various regulatory bodies including the NRC, FERC, NCUC, PSCSC, FPSC and the Internal Revenue Service (IRS).

Use of the NDTF investments is restricted to nuclear decommissioning activities including license termination, spent fuel and site restoration. The license termination and spent fuel obligations relate to contaminated decommissioning and are recorded as AROs. The site restoration obligation relates to non-contaminated decommissioning and is recorded to cost of removal within Regulatory liabilities on the Consolidated Balance Sheets.

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The following table presents the fair value of NDTF assets legally restricted for purposes of settling AROs associated with nuclear decommissioning. Duke Energy Florida is actively decommissioning Crystal River Unit 3 and was granted an exemption from the NRC which allows for use of the NDTF for all aspects of nuclear decommissioning. The entire balance of Duke Energy Florida's NDTF may be applied toward license termination, spent fuel and site restoration costs incurred to decommission Crystal River Unit 3. See Note 16 for additional information related to the fair value of the Duke Energy Registrants' NDTFs.

(In millions)	December 31,	
	2017	2016
Duke Energy	\$ 5,864	\$ 5,099
Duke Energy Carolinas	3,321	2,882
Duke Energy Progress	2,543	2,217

Nuclear Operating Licenses

Operating licenses for nuclear units are potentially subject to extension. The following table includes the current expiration of nuclear operating licenses.

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

Duke Energy Florida has requested the NRC terminate the operating license for Crystal River Unit 3 as it permanently ceased operation in February 2013. In January 2018, Crystal River Unit 3 reached a SAFSTOR status.

Closure of Ash Impoundments

The Duke Energy Registrants are subject to state and federal regulations covering the closure of coal ash impoundments, including the EPA CCR rule and the Coal Ash Act, and other agreements. AROs recorded on the Duke Energy Registrants' Consolidated Balance Sheets include the legal obligation for closure of coal ash basins and the disposal of related ash as a result of these regulations and agreements.

The Coal Ash Act, as amended, 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.

The Coal Ash Act also required 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. Closure plans and all associated permits must be approved by NCDEQ before any closure work can begin.

The EPA CCR rule establishes requirements regarding landfill design, structural integrity design and assessment criteria for surface impoundments, groundwater monitoring and protection procedures and other operational and reporting procedures to ensure the safe disposal and management of CCR. The EPA CCR rule has certain requirements which if not met could initiate impoundment closure and require closure completion within five years. The EPA CCR rule includes extension requirements, which if met could allow the extension of closure completion by up to 10 years.

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The ARO amount recorded on the Consolidated Balance Sheets is based upon estimated closure costs for impacted ash impoundments. The amount recorded represents the discounted cash flows for estimated closure costs based upon either specific closure plans or the probability weightings of the potential closure methods as evaluated on a site-by-site basis. Actual costs to be incurred will be dependent upon factors that vary from site to site. The most significant factors are the method and time frame of closure at the individual sites. Closure methods considered include removing the water from ash basins, consolidating material as necessary and capping the ash with a synthetic barrier, excavating and relocating the ash to a lined structural fill or lined landfill or recycling the ash for concrete or some other beneficial use. The ultimate method and timetable for closure will be in compliance with standards set by federal and state regulations and other agreements. The ARO amount will be adjusted as additional information is gained through the closure and post-closure process, including acceptance and approval of compliance approaches which may change management assumptions, and may result in a material change to the balance. See ARO Liability Rollforward section below for information on revisions made to the coal ash liability during 2017 and 2016.

Asset retirement costs associated with the AROs for operating plants and retired plants are included in Net property, plant and equipment and Regulatory assets, respectively, on the Consolidated Balance Sheets. See Note 4 for additional information on Regulatory assets related to AROs.

Cost recovery for future expenditures will be pursued through the normal ratemaking process with federal and state utility commissions, which permit recovery of necessary and prudently incurred costs associated with Duke Energy's regulated operations. See Note 4 for additional information on recovery of coal ash costs.

ARO Liability Rollforward

During 2017 and 2016, the Duke Energy Registrants updated coal ash ARO liability estimates based on additional site-specific information for the related costs, methods and timing of work to be performed. Actual closure costs incurred could be materially different from current estimates that form the basis of the recorded AROs.

The following tables present changes in the liability associated with AROs.

(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Balance at December 31, 2015	\$ 10,249	\$ 3,918	\$ 5,369	\$ 4,567	\$ 802	\$ 125	\$ 525
Acquisitions ^(a)	22	—	2	—	2	—	—
Accretion expense ^(b)	400	187	230	194	35	5	24
Liabilities settled ^(c)	(613)	(287)	(272)	(212)	(60)	(5)	(49)
Liabilities incurred in the current year	51	—	3	3	—	—	29
Revisions in estimates of cash flows	502	77	143	145	(1)	(48)	337
Balance at December 31, 2016	10,611	3,895	5,475	4,697	778	77	866
Accretion expense ^(b)	435	184	228	195	33	3	32
Liabilities settled ^(c)	(619)	(282)	(270)	(204)	(65)	(7)	(49)
Liabilities incurred in the current year ^(d)	51	5	—	—	—	7	29
Revisions in estimates of cash flows	(303)	(192)	(19)	(15)	(4)	4	(97)
Balance at December 31, 2017	\$ 10,175	\$ 3,610	\$ 5,414	\$ 4,673	\$ 742	\$ 84	\$ 781

- (a) Duke Energy amount relates to the Piedmont acquisition. See Note 2 for additional information.
(b) Substantially all accretion expense for the years ended December 31, 2017, and 2016 relates to Duke Energy's regulated electric operations and has been deferred in accordance with regulatory accounting treatment.
(c) Amounts primarily relate to ash impoundment closures and nuclear decommissioning of Crystal River Unit 3.
(d) Amounts primarily relate to AROs recorded as a result of state agency closure requirements at Duke Energy Indiana.

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(in millions)	Piedmont
Balance at October 31, 2015	\$ 20
Accretion expense	1
Liabilities settled	(7)
Liabilities incurred in the current year	6
Revisions in estimates of cash flows	(6)
Balance at October 31, 2016	14
Liabilities settled	(1)
Liabilities incurred in the current year	1
Balance at December 31, 2016	14
Accretion expense	1
Liabilities settled	(8)
Liabilities incurred in the current year	8
Balance at December 31, 2017	\$ 15

10. PROPERTY, PLANT AND EQUIPMENT

The following tables summarize the property, plant and equipment for Duke Energy and its subsidiary registrants.

(in millions)	December 31, 2017									
	Estimated	Duke		Duke		Duke		Duke		Piedmont
	Useful Life (Years)	Energy	Carolin- as	Progress Energy	Energy Progress	Energy Florida	Energy Ohio	Energy Indiana		
Land		\$ 1,559	\$ 467	\$ 767	\$ 424	\$ 343	\$ 134	\$ 111	\$ 41	
Plant – Regulated										
Electric generation, distribution and transmission	8-100	93,687	35,657	39,419	24,502	14,917	4,870	13,741	—	
Natural gas transmission and distribution	12-80	8,292	—	—	—	—	2,559	—	5,733	
Other buildings and improvements	15-100	1,936	647	652	316	336	243	240	154	
Plant – Nonregulated										
Electric generation, distribution and transmission ^(a)	5-30	4,273	—	—	—	—	—	—	—	
Other buildings and improvements	25-35	465	—	—	—	—	—	—	—	
Nuclear fuel		3,680	2,120	1,560	1,560	—	—	—	—	
Equipment	3-55	2,122	402	555	416	139	348	169	266	
Construction in process		6,995	2,614	3,059	1,434	1,625	350	416	231	
Other	3-40	4,498	1,032	1,311	931	370	228	271	300	
Total property, plant and equipment ^{(b)(e)}		127,507	42,939	47,323	29,583	17,730	8,732	14,948	6,725	
Total accumulated depreciation – regulated ^{(c)(d)(e)}		(39,742)	(15,063)	(15,857)	(10,903)	(4,947)	(2,691)	(4,662)	(1,479)	
Total accumulated depreciation – nonregulated ^{(d)(e)}		(1,795)	—	—	—	—	—	—	—	
Generation facilities to be retired, net		421	—	421	421	—	—	—	—	
Total net property, plant and equipment		\$ 86,391	\$ 27,876	\$ 31,887	\$ 19,101	\$ 12,783	\$ 6,041	\$ 10,286	\$ 5,246	

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- (a) Includes a pretax impairment charge of \$58 million on a wholly owned non-contracted wind project. See discussion below.
- (b) Includes capitalized leases of \$1,294 million, \$81 million, \$272 million, \$139 million, \$133 million, \$80 million and \$35 million at Duke Energy, Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio and Duke Energy Indiana, respectively, primarily within Plant – Regulated. The Progress Energy, Duke Energy Progress and Duke Energy Florida amounts are net of \$114 million, \$11 million and \$103 million, respectively, of accumulated amortization of capitalized leases.
- (c) Includes \$2,113 million, \$1,283 million, \$831 million and \$831 million of accumulated amortization of nuclear fuel at Duke Energy, Duke Energy Carolinas, Progress Energy and Duke Energy Progress, respectively.
- (d) Includes accumulated amortization of capitalized leases of \$57 million, \$11 million, \$21 million and \$9 million at Duke Energy, Duke Energy Carolinas, Duke Energy Ohio and Duke Energy Indiana, respectively.
- (e) Includes gross property, plant and equipment cost of consolidated VIEs of \$3,941 million and accumulated depreciation of consolidated VIEs of \$598 million at Duke Energy.

December 31, 2016									
(in millions)	Estimated Useful Life (Years)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Land		\$ 1,501	\$ 432	\$ 735	\$ 393	\$ 342	\$ 150	\$ 106	\$ 39
Plant – Regulated									
Electric generation, distribution and transmission	8-100	89,864	34,515	37,596	23,683	13,913	4,593	13,160	—
Natural gas transmission and distribution	12-67	7,738	—	—	—	—	2,456	—	5,282
Other buildings and improvements	15-100	1,692	502	634	293	341	211	197	148
Plant – Nonregulated									
Electric generation, distribution and transmission	5-30	4,298	—	—	—	—	—	—	—
Other buildings and improvements	25-35	421	—	—	—	—	—	—	—
Nuclear fuel		3,572	2,092	1,480	1,480	—	—	—	—
Equipment	3-38	1,941	358	505	378	127	338	156	260
Construction in process		6,186	2,324	2,708	1,329	1,379	206	396	210
Other	5-40	4,184	904	1,206	863	332	172	226	235
Total property, plant and equipment^{(a)(d)}		121,397	41,127	44,864	28,419	16,434	8,126	14,241	6,174
Total accumulated depreciation – regulated^{(b)(c)(d)}		(37,831)	(14,365)	(15,212)	(10,561)	(4,644)	(2,579)	(4,317)	(1,360)
Total accumulated depreciation – nonregulated^{(c)(d)}		(1,575)	—	—	—	—	—	—	—
Generation facilities to be retired, net		529	—	529	529	—	—	—	—
Total net property, plant and equipment		\$ 82,520	\$ 26,762	\$ 30,181	\$ 18,387	\$ 11,790	\$ 5,547	\$ 9,924	\$ 4,814

- (a) Includes capitalized leases of \$1,355 million, \$40 million, \$288 million, \$142 million, \$146 million, \$81 million and \$35 million at Duke Energy, Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio and Duke Energy Indiana, respectively, primarily within Plant – Regulated. The Progress Energy, Duke Energy Progress and Duke Energy Florida amounts are net of \$99 million, \$9 million and \$90 million, respectively, of accumulated amortization of capitalized leases.
- (b) Includes \$1,922 million, \$1,192 million, \$730 million and \$730 million of accumulated amortization of nuclear fuel at Duke Energy, Duke Energy Carolinas, Progress Energy and Duke Energy Progress, respectively.
- (c) Includes accumulated amortization of capitalized leases of \$50 million, \$9 million, \$19 million and \$8 million at Duke Energy, Duke Energy Carolinas, Duke Energy Ohio and Duke Energy Indiana, respectively.
- (d) Includes gross property, plant and equipment cost of consolidated VIEs of \$2,591 million and accumulated depreciation of consolidated VIEs of \$411 million at Duke Energy.

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During the year ended December 31, 2017, Duke Energy recorded a pretax impairment charge of \$69 million on a wholly owned non-contracted wind project. The impairment was recorded within Impairment charges on Duke Energy's Consolidated Statements of Operations. \$58 million of the impairment related to property, plant and equipment and \$11 million of the impairment related to a net intangible asset; see Note 11 for additional information. 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 non-contracted wind project being located in a market that has experienced continued declining market pricing during 2017 and declining long-term forecasted energy and capacity prices, driven by low natural gas prices, additional renewable generation placed in service and lack of significant load growth.

The following tables present capitalized interest, which includes the debt component of AFUDC.

(in millions)	Years Ended December 31,		
	2017	2016	2015
Duke Energy	\$ 128	\$ 100	\$ 98
Duke Energy Carolinas	45	38	38
Progress Energy	45	31	24
Duke Energy Progress	21	17	20
Duke Energy Florida	24	14	4
Duke Energy Ohio	10	8	10
Duke Energy Indiana	9	7	6

(in millions)	Year Ended	Two Months Ended	Years Ended October 31,	
	December 31, 2017	December 31, 2016	2016	2015
Piedmont	\$ 12	\$ 2	\$ 12	\$ 11

Operating Leases

Duke Energy's Commercial Renewables segment operates various renewable energy projects and sells the generated output to utilities, electric cooperatives, municipalities and commercial and industrial customers through long-term contracts. In certain situations, these long-term contracts and the associated renewable energy projects qualify as operating leases. Rental income from these leases is accounted for as Operating Revenues in the Consolidated Statements of Operations. There are no minimum lease payments as all payments are contingent based on actual electricity generated by the renewable energy projects. Contingent lease payments were \$262 million, \$216 million, and \$172 million for the years ended December 31, 2017, 2016 and 2015. As of December 31, 2017, renewable energy projects owned by Duke Energy and accounted for as operating leases had a cost basis of \$3,153 million and accumulated depreciation of \$459 million. These assets are principally classified as nonregulated electric generation and transmission assets.

11. GOODWILL AND INTANGIBLE ASSETS

Goodwill

Duke Energy

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

(in millions)	Electric Utilities and Infrastructure		Gas Utilities and Infrastructure		Commercial Renewables		Total
	\$	\$	\$	\$	\$	\$	
Goodwill Balance at December 31, 2016	\$ 17,379	\$ 1,924	\$ 122	\$ 19,425			
Accumulated impairment charges ^(a)	—	—	(29)	(29)			
Goodwill at December 31, 2017	\$ 17,379	\$ 1,924	\$ 93	\$ 19,396			

(a) Duke Energy evaluated the recoverability of goodwill during 2017 and recorded impairment charges of \$29 million related to the Energy Management Solutions reporting unit within the Commercial Renewables segment. The fair value of the reporting unit was determined based on the market approach.

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 Consolidated Balance Sheets at December 31, 2017, and 2016.

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Progress Energy

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

Piedmont

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

Impairment Testing

Duke Energy, Progress Energy, Duke Energy Ohio and Piedmont are required to perform an annual goodwill impairment test as of the same date each year and, accordingly, perform their annual impairment testing of goodwill as of August 31. Duke Energy, Progress Energy, Duke Energy Ohio and Piedmont update their test between annual tests if events or circumstances occur that would more likely than not reduce the fair value of a reporting unit below its carrying value. Except for the Energy Management Solutions reporting unit, the fair value of all other reporting units for Duke Energy, Progress Energy, Duke Energy Ohio and Piedmont exceeded their respective carrying values at the date of the annual impairment analysis.

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Intangible Assets

The following tables show the carrying amount and accumulated amortization of intangible assets included in Other within Other Noncurrent Assets on the Consolidated Balance Sheets of the Duke Energy Registrants at December 31, 2017 and 2016.

(in millions)	December 31, 2017							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Emission allowances	\$ 19	\$ 1	\$ 5	\$ 2	\$ 3	\$ —	\$ 13	\$ —
Renewable energy certificates	148	38	107	107	—	3	—	—
Natural gas, coal and power contracts	24	—	—	—	—	—	24	—
Renewable operating and development projects	79	—	—	—	—	—	—	—
Other	6	—	—	—	—	—	—	3
Total gross carrying amounts	276	39	112	109	3	3	37	3
Accumulated amortization – natural gas, coal and power contracts	(19)	—	—	—	—	—	(19)	—
Accumulated amortization – renewable operating and development projects	(22)	—	—	—	—	—	—	—
Accumulated amortization – other	(5)	—	—	—	—	—	—	(3)
Total accumulated amortization	(46)	—	—	—	—	—	(19)	(3)
Total intangible assets, net	\$ 230	\$ 39	\$ 112	\$ 109	\$ 3	\$ 3	\$ 18	\$ —

(in millions)	December 31, 2016							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Emission allowances	\$ 19	\$ 1	\$ 6	\$ 2	\$ 4	\$ —	\$ 13	\$ —
Renewable energy certificates	125	36	84	84	—	4	—	—
Natural gas, coal and power contracts	24	—	—	—	—	—	24	—
Renewable operating and development projects	97	—	—	—	—	—	—	—
Other	6	—	—	—	—	—	—	3
Total gross carrying amounts	271	37	90	86	4	4	37	3
Accumulated amortization – natural gas, coal and power contracts	(17)	—	—	—	—	—	(17)	—
Accumulated amortization – renewable operating and development projects	(23)	—	—	—	—	—	—	—
Accumulated amortization – other	(5)	—	—	—	—	—	—	(3)
Total accumulated amortization	(45)	—	—	—	—	—	(17)	(3)
Total intangible assets, net	\$ 226	\$ 37	\$ 90	\$ 86	\$ 4	\$ 4	\$ 20	\$ —

During the year ended December 31, 2017, Duke Energy recorded a pretax impairment charge of \$69 million on a wholly owned non-contracted wind project. The impairment was recorded within Impairment charges on Duke Energy's Consolidated Statements of Operations. \$58 million of the impairment related to property, plant and equipment and \$11 million of the impairment related to a net intangible asset that was recorded in 2007 when the project was acquired. Prior to the impairment, the gross amount of the intangible asset was \$18 million and the accumulated amortization was \$7 million. The intangible asset was fully impaired. See Note 10 for additional information.

Amortization Expense

The following table presents amortization expense for natural gas, coal and power contracts, renewable operating projects and other intangible assets.

(in millions)	December 31,		
	2017	2016	2015
Duke Energy	\$ 7	\$ 6	\$ 5
Duke Energy Indiana	1	1	1

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The table below shows the expected amortization expense for the next five years for intangible assets as of December 31, 2017. The expected amortization expense includes estimates of emission allowances consumption and estimates of consumption of commodities such as natural gas and coal under existing contracts, as well as estimated amortization related to renewable operating projects. The amortization amounts discussed below are estimates and actual amounts may differ from these estimates due to such factors as changes in consumption patterns, sales or impairments of emission allowances or other intangible assets, delays in the in-service dates of renewable assets, additional intangible acquisitions and other events.

(in millions)	2018	2019	2020	2021	2022
Duke Energy	\$ 3	\$ 2	\$ 2	\$ 2	\$ 2
Duke Energy Indiana	1	—	—	—	—

12. INVESTMENTS IN UNCONSOLIDATED AFFILIATES

EQUITY METHOD INVESTMENTS

Investments in domestic and international affiliates that are not controlled by Duke Energy, but over which it has significant influence, are accounted for using the equity method.

The following table presents Duke Energy's investments in unconsolidated affiliates accounted for under the equity method, as well as the respective equity in earnings, by segment.

(in millions)	Years Ended December 31,				
	2017		2016		2015
	Investments	Equity in earnings	Investments	Equity in earnings	Equity in earnings
Electric Utilities and Infrastructure	\$ 89	\$ 5	\$ 93	\$ 5	\$ (2)
Gas Utilities and Infrastructure	763	62	566	19	1
Commercial Renewables	190	(5)	185	(82)	(6)
Other	133	57	81	43	76
Total	\$ 1,175	\$ 119	\$ 925	\$ (15)	\$ 69

During the years ended December 31, 2017, 2016 and 2015, Duke Energy received distributions from equity investments of \$13 million, \$31 million and \$104 million, respectively, which are included in Other assets within Cash Flows from Operating Activities on the Consolidated Statements of Cash Flows. During the year ended December 31, 2017, Duke Energy received distributions from equity investments of \$281 million, which are included within Cash Flows from Investing Activities on the Consolidated Statements of Cash Flows.

During the year ended December 31, 2017, the two months ended December 31, 2016, and the years ended October 31, 2016, and 2015, Piedmont received distributions from equity investments of \$4 million, \$1 million, \$26 million and \$25 million, respectively, which are included in Other assets within Cash Flows from Operating Activities and \$2 million, \$1 million, \$18 million and \$2 million, respectively, which are included within Cash Flows from Investing Activities on the Consolidated Statements of Cash Flows.

Significant investments in affiliates accounted for under the equity method are discussed below.

Electric Utilities and Infrastructure

Duke Energy owns a 50 percent interest in Duke-American Transmission Co. (DATC) and in Pioneer Transmission, LLC (Pioneer), which build, own and operate electric transmission facilities in North America.

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Gas Utilities and Infrastructure

The table below outlines Duke Energy's ownership interests in natural gas pipeline companies and natural gas storage facilities.

Entity Name	Ownership Interest	Investment Amount (in millions)	
		December 31, 2017	December 31, 2016
Pipeline Investments			
Atlantic Coast Pipeline, LLC ^(a)	47%	\$ 397	\$ 265
Sabal Trail Transmission, LLC	7.5%	219	140
Constitution Pipeline, LLC ^(a)	24%	81	82
Cardinal Pipeline Company, LLC ^(b)	21.49%	11	16
Storage Facilities			
Pine Needle LNG Company, LLC ^(b)	45%	13	16
Hardy Storage Company, LLC ^(b)	50%	42	47
Total Investments^(c)		\$ 763	\$ 566

- (a) During the year ended December 31, 2017, Piedmont transferred its share of ownership interest in ACP and Constitution to a wholly owned subsidiary of Duke Energy at book value.
- (b) Piedmont owns the Cardinal, Pine Needle and Hardy Storage investments.
- (c) Duke Energy includes purchase accounting adjustments related to Piedmont.

In October 2017, Duke Energy entered into a guarantee agreement to support its share of the ACP revolving credit facility. See Note 7 for additional information. As a result of the financing, ACP returned capital of \$265 million to Duke Energy.

Piedmont sold its 15 percent membership interest in SouthStar on October 3, 2016, for \$160 million resulting in an after tax gain of \$81 million during the year ended October 31, 2016. Piedmont's Equity in Earnings in SouthStar was \$19 million for the years ended October 31, 2016, and 2015.

For regulatory matters and other information on the ACP, Sabal Trail and Constitution investments, see Notes 4 and 17.

Commercial Renewables

In 2016, Duke Energy sold its interest in three of the Catamount Sweetwater, LLC wind farm projects. Duke Energy has a 47 percent ownership interest in each of the two other Catamount Sweetwater, LLC wind farm projects and 50 percent interest in DS Cornerstone, LLC, which owns wind farm projects in the U.S.

Impairment of Equity Method Investments

Duke Energy evaluated its investment in Constitution for OTTI as of December 31, 2017. Our impairment assessment uses a discounted cash flow income approach, including consideration of the severity and duration of any decline in fair value of our investment in the project. Our key inputs involve significant management judgments and estimates, including projections of the project's cash flows, selection of a discount rate and probability weighting of potential outcomes of legal and regulatory proceedings. Based upon these estimates using information known as of December 31, 2017, the fair value of Duke Energy's investment in Constitution approximated its carrying value. As a result, Duke Energy did not recognize any impairment charge in the year ended December 31, 2017. However, due to the FERC's January 2018 ruling and the resulting increase in uncertainty, Duke Energy is evaluating the potential to recognize a pretax impairment charge on its investment in Constitution during the first quarter of 2018 of up to the current carrying amount of the investment, net of salvage value and any cash and working capital returned. For additional information on the Constitution investment, see Note 4.

During the year ended December 31, 2016, Duke Energy recorded an OTTI of certain wind project investments. The \$71 million pretax impairment was recorded within Equity in earnings (losses) of unconsolidated affiliates on Duke Energy's Consolidated Statements of Operations. The other-than-temporary decline in value of these investments was primarily attributable to a sustained decline in market pricing where the wind investments are located, projected net losses for the projects and a reduction in the projected cash distribution to the class of investment owned by Duke Energy.

Other

Duke Energy owns a 17.5 percent indirect interest in NMC, which owns and operates a methanol and MTBE business in Jubail, Saudi Arabia. Duke Energy's economic ownership interest decreased from 25 percent to 17.5 percent with the successful startup of NMC's polyacetal production facility in 2017. Duke Energy retains 25 percent of the board representation and voting rights of NMC. The investment in NMC is accounted for under the equity method of accounting.

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13. RELATED PARTY TRANSACTIONS

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

(in millions)	Years Ended December 31,		
	2017	2016	2015
Duke Energy Carolinas			
Corporate governance and shared service expenses ^(a)	\$ 858	\$ 831	\$ 914
Indemnification coverages ^(b)	23	22	24
JDA revenue ^(c)	49	38	51
JDA expense ^(c)	145	156	183
Intercompany natural gas purchases ^(d)	9	2	—
Progress Energy			
Corporate governance and shared service expenses ^(a)	\$ 736	\$ 710	\$ 712
Indemnification coverages ^(b)	38	35	38
JDA revenue ^(c)	145	156	183
JDA expense ^(c)	49	38	51
Intercompany natural gas purchases ^(d)	77	19	—
Duke Energy Progress			
Corporate governance and shared service expenses ^(a)	\$ 438	\$ 397	\$ 403
Indemnification coverages ^(b)	15	14	16
JDA revenue ^(c)	145	156	183
JDA expense ^(c)	49	38	51
Intercompany natural gas purchases ^(d)	77	19	—
Duke Energy Florida			
Corporate governance and shared service expenses ^(a)	\$ 298	\$ 313	\$ 309
Indemnification coverages ^(b)	23	21	22
Duke Energy Ohio			
Corporate governance and shared service expenses ^(a)	\$ 363	\$ 356	\$ 342
Indemnification coverages ^(b)	5	5	6
Duke Energy Indiana			
Corporate governance and shared service expenses ^(a)	\$ 370	\$ 366	\$ 349
Indemnification coverages ^(b)	8	8	9
Piedmont			
Corporate governance and shared service expenses ^(a)	\$ 50		
Indemnification coverages ^(b)		2	
Intercompany natural gas sales ^(d)	86		

- (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 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 Consolidated Statements of Operations and Comprehensive Income.
- (c) Duke Energy Carolinas and Duke Energy Progress participate in a JDA, which allows the collective dispatch of power plants between the service territories to reduce customer rates. Revenues from the sale of power 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 Consolidated Statements of Operations and Comprehensive Income.
- (d) Piedmont provides long-term natural gas delivery service to certain Duke Energy Carolinas and Duke Energy Progress natural gas-fired generation facilities. Piedmont records the sales in Regulated natural gas revenues, and Duke Energy Carolinas and Duke Energy Progress record the related purchases in Fuel used in electric generation and purchased power on their respective Consolidated Statements of Operations and Comprehensive Income. The amounts are not eliminated in accordance with rate-based accounting regulations. For the two months ended December 31, 2016, and for sales made subsequent to the acquisition for the year ended October 31, 2016, Piedmont recorded \$14 million and \$7 million, respectively, of natural gas sales with Duke Energy. For sales made prior to the acquisition for the year ended October 31, 2016, and for the year ended October 31, 2015, Piedmont recorded \$74 million and \$83 million, respectively of natural gas sales with Duke Energy.

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In addition to the amounts presented above, the Subsidiary Registrants have other affiliate transactions, including rental of office space, participation in a money pool arrangement, other operational transactions and their proportionate share of certain charged expenses. See Note 6 for more information regarding money pool. These transactions of the Subsidiary Registrants were not material for the years ended December 31, 2017, 2016 and 2015.

As discussed in Note 17, certain trade receivables have been sold by Duke Energy Ohio and Duke Energy Indiana to CRC, an affiliate formed by a subsidiary of Duke Energy. The proceeds obtained from the sales of receivables are largely cash but do include a subordinated note from CRC for a portion of the purchase price.

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

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 that are included in Cost of natural gas on Piedmont's Consolidated Statements of Operations and Comprehensive Income.

(in millions)	Type of expense	Year Ended December 31,		Two Months Ended December 31,		Years Ended October 31,	
		2017	2016	2016	2015	2016	2015
Cardinal	Transportation Costs	\$ 8	\$ 2	\$ 9	\$ 9	\$ 9	\$ 9
Pine Needle	Natural Gas Storage Costs	8	2	11	11		
Hardy Storage	Natural Gas Storage Costs	9	2	9	9		
Total		\$ 25	\$ 6	\$ 29	\$ 29		

Piedmont had accounts payable to its equity method investments of \$2 million at December 31, 2017, and 2016 related to these transactions. These amounts are included in Accounts payable on the Consolidated Balance Sheets.

Intercompany Income Taxes

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

(in millions)	Duke Energy Carolinas		Progress Energy		Duke Energy Florida		Duke Energy Ohio		Duke Energy Indiana		Piedmont
December 31, 2017											
Intercompany income tax receivable	\$ —	\$ 168	\$ —	\$ 44	\$ 22	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 7
Intercompany income tax payable	44	—	21	—	—	—	35	—	—	—	—
December 31, 2016											
Intercompany income tax receivable	\$ 1	\$ —	\$ —	\$ 37	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Intercompany income tax payable	—	37	90	—	1	—	3	—	—	—	38

14. 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 Consolidated Balance Sheets. Cash collateral related to derivative instruments executed under master netting arrangements is offset against the collateralized derivatives on the Consolidated Balance Sheets. The cash impacts of settled derivatives are recorded as operating activities on the Consolidated Statements of Cash Flows.

INTEREST RATE RISK

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

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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. See the Consolidated Statements of Changes in Equity for gains and losses reclassified out of AOCI for the years ended December 31, 2017, and 2016. Duke Energy's interest rate derivatives designated as hedges include interest rate swaps used to hedge existing debt within the Commercial Renewables business.

Undesignated Contracts

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

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

In August 2016, Duke Energy unwound \$1.4 billion of forward-starting interest rate swaps associated with the Piedmont acquisition financing described in Note 6. The swaps were considered undesignated as they did not qualify for hedge accounting. Losses on the swaps of \$190 million are included within Interest Expense on the Consolidated Statements of Operations for the year ended December 31, 2016. See Note 2 for additional information related to the Piedmont acquisition.

The following tables show notional amounts of outstanding derivatives related to interest rate risk.

(in millions)	December 31, 2017					
	Duke Energy	Duke Energy Carolinās	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

(in millions)	December 31, 2016					
	Duke Energy	Duke Energy Carolinās	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio
Cash flow hedges ^(a)	\$ 750	\$ —	\$ —	\$ —	\$ —	\$ —
Undesignated contracts	927	400	500	250	250	27
Total notional amount	\$ 1,677	\$ 400	\$ 500	\$ 250	\$ 250	\$ 27

- (a) Duke Energy includes amounts related to consolidated VIEs of \$660 million and \$750 million at December 31, 2017, and 2016, respectively. During 2016, Duke Energy entered into interest rate swaps related to solar financing with an outstanding notional amount of \$300 million, including \$81 million of four-year swaps and \$219 million of 18-year swaps, at December 31, 2016. See note 6 for additional information related to the solar facilities financing.

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 gas cost 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.

	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

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

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LOCATION AND FAIR VALUE OF DERIVATIVE ASSETS AND LIABILITIES RECOGNIZED IN THE 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 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		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

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Derivative Assets		December 31, 2016							
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont	
Commodity Contracts									
<i>Not Designated as Hedging Instruments</i>									
Current	\$ 108	\$ 23	\$ 61	\$ 35	\$ 26	\$ 4	\$ 16	\$ 3	
Noncurrent	32	10	21	10	11	1	—	—	
Total Derivative Assets – Commodity Contracts	\$ 140	\$ 33	\$ 82	\$ 45	\$ 37	\$ 5	\$ 16	\$ 3	
Interest Rate Contracts									
<i>Designated as Hedging Instruments</i>									
Noncurrent	\$ 19	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
<i>Not Designated as Hedging Instruments</i>									
Current	3	—	3	1	2	—	—	—	
Total Derivative Assets – Interest Rate Contracts	\$ 22	\$ —	\$ 3	\$ 1	\$ 2	\$ —	\$ —	\$ —	\$ —
Total Derivative Assets	\$ 162	\$ 33	\$ 85	\$ 46	\$ 39	\$ 5	\$ 16	\$ 3	
Derivative Liabilities		December 31, 2016							
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont	
Commodity Contracts									
<i>Not Designated as Hedging Instruments</i>									
Current	\$ 43	\$ —	\$ 12	\$ —	\$ 12	\$ —	\$ 2	\$ 35	
Noncurrent	166	1	7	1	—	—	—	152	
Total Derivative Liabilities – Commodity Contracts	\$ 209	\$ 1	\$ 19	\$ 1	\$ 12	\$ —	\$ 2	\$ 187	
Interest Rate Contracts									
<i>Designated as Hedging Instruments</i>									
Current	\$ 8	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Noncurrent	8	—	—	—	—	—	—	—	
<i>Not Designated as Hedging Instruments</i>									
Current	1	—	—	—	—	1	—	—	
Noncurrent	26	15	6	6	—	5	—	—	
Total Derivative Liabilities – Interest Rate Contracts	\$ 43	\$ 15	\$ 6	\$ 6	\$ —	\$ 6	\$ —	\$ —	\$ —
Total Derivative Liabilities	\$ 252	\$ 16	\$ 25	\$ 7	\$ 12	\$ 6	\$ 2	\$ 187	

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OFFSETTING ASSETS AND LIABILITIES

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

Derivative Assets		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	\$ —	\$ —	\$ —	\$ —	

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	
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	

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

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

OBJECTIVE CREDIT CONTINGENT FEATURES

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

		December 31, 2017				
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	
Aggregate fair value of derivatives in a net liability position	\$ 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	

		December 31, 2016				
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	
Aggregate fair value of derivatives in a net liability position	\$ 34	\$ 16	\$ 18	\$ 6	\$ 12	
Fair value of collateral already posted	—	—	—	—	—	
Additional cash collateral or letters of credit in the event credit-risk-related contingent features were triggered	34	16	18	6	12	

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

15. INVESTMENTS IN DEBT AND EQUITY SECURITIES

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

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TRADING SECURITIES

Piedmont's investments in debt and equity securities held in rabbi trusts associated with certain deferred compensation plans are classified as trading securities. The fair value of these investments was \$1 million and \$5 million as of December 31, 2017, and 2016, respectively.

AVAILABLE-FOR-SALE (AFS) SECURITIES

All other investments in debt and equity securities are classified as AFS.

Duke Energy's AFS securities are primarily comprised of investments held in (i) the nuclear decommissioning trust funds (NDTF) at Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida, (ii) grantor trusts at Duke Energy Progress, Duke Energy Florida and Duke Energy Indiana related to OPEB plans and (iii) Bison.

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

Investment Trusts

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

Investments within the Investment Trusts generally qualify for regulatory accounting and accordingly realized and unrealized gains and losses are generally deferred as a regulatory asset or liability.

Substantially all amounts of the Duke Energy Registrants' gross unrealized holding losses as of December 31, 2017, and 2016, are considered OTTIs on investments within Investment Trusts that have been recognized immediately as a regulatory asset.

Other AFS Securities

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

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

If the entity does not have an intent to sell a debt security and it is not more likely than not management will be required to sell the debt security before the recovery of its cost basis, the impairment write-down to fair value would be recorded as a component of other comprehensive income, except for when it is determined a credit loss exists. In determining whether a credit loss exists, management considers, among other things, (i) the length of time and the extent to which the fair value has been less than the amortized cost basis, (ii) changes in the financial condition of the issuer of the security, or in the case of an asset backed security, the financial condition of the underlying loan obligors, (iii) consideration of underlying collateral and guarantees of amounts by government entities, (iv) ability of the issuer of the security to make scheduled interest or principal payments and (v) any changes to the rating of the security by rating agencies. If a credit loss exists, the amount of impairment write-down to fair value is split between credit loss and other factors. The amount related to credit loss is recognized in earnings. The amount related to other factors is recognized in other comprehensive income. There were no material credit losses as of December 31, 2017, and 2016.

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

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DUKE ENERGY

The following table presents the estimated fair value of investments in AFS securities.

(in millions)	December 31, 2017			December 31, 2016		
	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses ^(a)	Estimated Fair Value
	NDTF					
Cash and cash equivalents	\$ —	\$ —	\$ 115	\$ —	\$ —	\$ 111
Equity securities	2,805	27	4,914	2,092	54	4,106
Corporate debt securities	17	2	570	10	8	528
Municipal bonds	4	3	344	3	10	331
U.S. government bonds	11	7	1,027	10	8	984
Other debt securities	—	1	118	—	3	124
Total NDTF	\$ 2,837	\$ 40	\$ 7,088	\$ 2,115	\$ 83	\$ 6,184
Other Investments						
Cash and cash equivalents	\$ —	\$ —	\$ 15	\$ —	\$ —	\$ 25
Equity securities	59	—	123	38	—	104
Corporate debt securities	1	—	57	1	1	66
Municipal bonds	2	1	83	2	1	82
U.S. government bonds	—	—	41	—	1	51
Other debt securities	—	1	44	—	2	42
Total Other Investments	\$ 62	\$ 2	\$ 363	\$ 41	\$ 5	\$ 370
Total Investments	\$ 2,899	\$ 42	\$ 7,451	\$ 2,156	\$ 88	\$ 6,554

The table below summarizes the maturity date for debt securities.

(in millions)	December 31, 2017
Due in one year or less	\$ 117
Due after one through five years	552
Due after five through 10 years	554
Due after 10 years	1,061
Total	\$ 2,284

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

(in millions)	Years Ended December 31,		
	2017	2016	2015
Realized gains	\$ 202	\$ 246	\$ 193
Realized losses	160	187	98

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DUKE ENERGY CAROLINAS

The following table presents the estimated fair value of investments in AFS securities.

(in millions)	December 31, 2017			December 31, 2016		
	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses ^(a)	Estimated Fair Value
	NDTF					
Cash and cash equivalents	\$ —	\$ —	\$ 32	\$ —	\$ —	\$ 18
Equity securities	1,531	12	2,692	1,157	28	2,245
Corporate debt securities	9	2	359	5	6	354
Municipal bonds	—	1	60	1	2	67
U.S. government bonds	3	4	503	2	5	458
Other debt securities	—	1	112	—	3	116
Total NDTF	\$ 1,543	\$ 20	\$ 3,758	\$ 1,165	\$ 44	\$ 3,258
Other Investments						
Other debt securities	\$ —	\$ —	\$ —	\$ —	\$ 1	\$ 3
Total Other Investments	\$ —	\$ —	\$ —	\$ —	\$ 1	\$ 3
Total Investments	\$ 1,543	\$ 20	\$ 3,758	\$ 1,165	\$ 45	\$ 3,261

The table below summarizes the maturity date for debt securities.

(in millions)	December 31, 2017
Due in one year or less	\$ 9
Due after one through five years	204
Due after five through 10 years	300
Due after 10 years	521
Total	\$ 1,034

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

(in millions)	Years Ended December 31,		
	2017	2016	2015
Realized gains	\$ 135	\$ 157	\$ 158
Realized losses	103	121	83

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PROGRESS ENERGY

The following table presents the estimated fair value of investments in AFS securities.

(in millions)	December 31, 2017			December 31, 2016		
	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses ^(a)	Estimated Fair Value
NDTF						
Cash and cash equivalents	\$ —	\$ —	\$ 83	\$ —	\$ —	\$ 93
Equity securities	1,274	15	2,222	935	26	1,861
Corporate debt securities	8	—	211	5	2	174
Municipal bonds	4	2	284	2	8	264
U.S. government bonds	8	3	524	8	3	526
Other debt securities	—	—	6	—	—	8
Total NDTF	\$ 1,294	\$ 20	\$ 3,330	\$ 950	\$ 39	\$ 2,926
Other Investments						
Cash and cash equivalents	\$ —	\$ —	\$ 12	\$ —	\$ —	\$ 21
Municipal bonds	2	—	47	2	—	44
Total Other Investments	\$ 2	\$ —	\$ 59	\$ 2	\$ —	\$ 65
Total Investments	\$ 1,296	\$ 20	\$ 3,389	\$ 952	\$ 39	\$ 2,991

The table below summarizes the maturity date for debt securities.

(in millions)	December 31, 2017
Due in one year or less	\$ 94
Due after one through five years	301
Due after five through 10 years	203
Due after 10 years	474
Total	\$ 1,072

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

(in millions)	Years Ended December 31,		
	2017	2016	2015
Realized gains	\$ 65	\$ 84	\$ 33
Realized losses	56	64	13

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Combined Notes To Consolidated Financial Statements – (Continued)

DUKE ENERGY PROGRESS

The following table presents the estimated fair value of investments in AFS securities.

(in millions)	December 31, 2017			December 31, 2016		
	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses ^(a)	Estimated Fair Value
	NDTF					
Cash and cash equivalents	\$ —	\$ —	\$ 50	\$ —	\$ —	\$ 45
Equity securities	980	12	1,795	704	21	1,505
Corporate debt securities	6		149	4	1	120
Municipal bonds	4	2	283	2	8	263
U.S. government bonds	5	2	310	5	2	275
Other debt securities	—	—	4	—	—	5
Total NDTF	\$ 995	\$ 16	\$ 2,591	\$ 715	\$ 32	\$ 2,213
Other Investments						
Cash and cash equivalents	\$ —	\$ —	\$ 1	\$ —	\$ —	\$ 1
Total Other Investments	\$ —	\$ —	\$ 1	\$ —	\$ —	\$ 1
Total Investments	\$ 995	\$ 16	\$ 2,592	\$ 715	\$ 32	\$ 2,214

The table below summarizes the maturity date for debt securities.

(in millions)	December 31, 2017
Due in one year or less	\$ 21
Due after one through five years	219
Due after five through 10 years	146
Due after 10 years	360
Total	\$ 746

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

(in millions)	Years Ended December 31,		
	2017	2016	2015
Realized gains	\$ 54	\$ 71	\$ 26
Realized losses	48	55	11

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DUKE ENERGY FLORIDA

The following table presents the estimated fair value of investments in AFS securities.

(in millions)	December 31, 2017			December 31, 2016		
	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses ^(a)	Estimated Fair Value
	NDTF					
Cash and cash equivalents	\$ —	\$ —	\$ 33	\$ —	\$ —	\$ 48
Equity securities	294	3	427	231	5	356
Corporate debt securities	2	—	62	1	1	54
Municipal bonds	—	—	1	—	—	1
U.S. government bonds	3	1	214	3	1	251
Other debt securities	—	—	2	—	—	3
Total NDTF^(a)	\$ 299	\$ 4	\$ 739	\$ 235	\$ 7	\$ 713
Other Investments						
Cash and cash equivalents	\$ —	\$ —	\$ 1	\$ —	\$ —	\$ 4
Municipal bonds	2	—	47	2	—	44
Total Other Investments	\$ 2	\$ —	\$ 48	\$ 2	\$ —	\$ 48
Total Investments	\$ 301	\$ 4	\$ 787	\$ 237	\$ 7	\$ 761

(a) During the year ended December 31, 2017, Duke Energy Florida continued to receive reimbursements from the NDTF for costs related to ongoing decommissioning activity of the Crystal River Unit 3 nuclear plant.

The table below summarizes the maturity date for debt securities.

(in millions)	December 31, 2017
Due in one year or less	\$ 73
Due after one through five years	82
Due after five through 10 years	57
Due after 10 years	114
Total	\$ 326

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

(in millions)	Years Ended December 31,		
	2017	2016	2015
Realized gains	\$ 11	\$ 13	\$ 7
Realized losses	8	9	2

DUKE ENERGY INDIANA

The following table presents the estimated fair value of investments in AFS securities.

(in millions)	December 31, 2017			December 31, 2016		
	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses ^(a)	Estimated Fair Value
	Other Investments					
Equity securities	\$ 49	\$ —	\$ 97	\$ 33	\$ —	\$ 79
Corporate debt securities	—	—	3	—	—	2
Municipal bonds	—	1	28	—	1	28
U.S. government bonds	—	—	—	—	—	1
Total Other Investments	\$ 49	\$ 1	\$ 128	\$ 33	\$ 1	\$ 110
Total Investments	\$ 49	\$ 1	\$ 128	\$ 33	\$ 1	\$ 110

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Combined Notes To Consolidated Financial Statements – (Continued)

The table below summarizes the maturity date for debt securities.

(in millions)	December 31, 2017	
Due in one year or less	\$	5
Due after one through five years		12
Due after five through 10 years		7
Due after 10 years		7
Total	\$	31

Realized gains and losses, which were determined on a specific identification basis, from sales of AFS securities were insignificant for the years ended December 31, 2017, 2016 and 2015.

16. FAIR VALUE MEASUREMENTS

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

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

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

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

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

Not Categorized – Certain investments are not categorized within the Fair Value hierarchy. These investments are measured based on the fair value of the underlying investments but may not be readily redeemable at that fair value.

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

Transfers between levels represent assets or liabilities that were previously (i) categorized at a higher level for which the inputs to the estimate became less observable or (ii) classified at a lower level for which the inputs became more observable during the period. The Duke Energy Registrant's policy is to recognize transfers between levels of the fair value hierarchy at the end of the period. There were no transfers between levels during the years ended December 31, 2017, 2016 and 2015. In addition, for Piedmont, there were no transfers between levels during the two months ended December 31, 2016, and the years ended October 31, 2016, and 2015.

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

Investments in equity securities

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

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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 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 for a discussion of the valuation of goodwill and intangible assets. See Note 2 related to the acquisition of Piedmont in 2016 and the purchase of NCEMPA's ownership interests in certain generating assets in 2015.

DUKE ENERGY

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Consolidated Balance Sheets. Derivative amounts in the table below for all Duke Energy Registrants exclude cash collateral, which is disclosed in Note 14. See Note 15 for additional information related to investments by major security type for the Duke Energy Registrants.

(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 AFS equity securities	123	123	—	—	—
Other trading and AFS 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

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

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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' Consolidated Statements of Operations and Comprehensive Income. Amounts included in changes of net assets on the Duke Energy Registrants' Consolidated Balance Sheets are included in regulatory assets or liabilities. All derivative assets and liabilities are presented on a net basis.

(in millions)	December 31, 2017			December 31, 2016		
	Investments	Derivatives (net)	Total	Investments	Derivatives (net)	Total
Balance at beginning of period	\$ 5	\$ (166)	\$ (161)	\$ 5	\$ 10	\$ 15
Total pretax realized or unrealized gains included in comprehensive income	1	—	1	—	—	—
Derivative liability resulting from the acquisition of Piedmont	—	—	—	—	(187)	(187)
Purchases, sales, issuances and settlements:						
Purchases	—	55	55	—	33	33
Sales	(6)	—	(6)	—	—	—
Settlements	—	(47)	(47)	—	(28)	(28)
Total gains included on the Consolidated Balance Sheet	—	44	44	—	6	6
Balance at end of period	\$ —	\$ (114)	\$ (114)	\$ 5	\$ (166)	\$ (161)

DUKE ENERGY CAROLINAS

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

(in millions)	December 31, 2017				
	Total Fair Value	Level 1	Level 2	Level 3	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

(in millions)	December 31, 2016				
	Total Fair Value	Level 1	Level 2	Level 3	Not Categorized
NDTF equity securities	\$ 2,245	\$ 2,168	\$ —	\$ —	\$ 77
NDTF debt securities	1,013	178	835	—	—
Other AFS debt securities	3	—	—	3	—
Derivative assets	33	—	33	—	—
Total assets	3,294	2,346	868	3	77
Derivative liabilities	(16)	—	(16)	—	—
Net assets	\$ 3,278	\$ 2,346	\$ 852	\$ 3	\$ 77

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

(in millions)	Investments	
	Years Ended December 31,	
	2017	2016
Balance at beginning of period	\$ 3	\$ 3
Total pretax realized or unrealized gains included in comprehensive income	1	—
Purchases, sales, issuances and settlements:		
Sales	(4)	—
Balance at end of period	\$ —	\$ 3

PROGRESS ENERGY

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

(in millions)	December 31, 2017			December 31, 2016		
	Total Fair Value	Level 1	Level 2	Total Fair Value	Level 1	Level 2
	NDTF equity securities	\$ 2,222	\$ 2,222	\$ —	\$ 1,861	\$ 1,861
NDTF debt securities	1,108	431	677	1,065	454	611
Other AFS debt securities	59	12	47	65	21	44
Derivative assets	3	1	2	85	—	85
Total assets	3,392	2,666	726	3,076	2,336	740
Derivative liabilities	(36)	(1)	(35)	(25)	—	(25)
Net assets	\$ 3,356	\$ 2,665	\$ 691	\$ 3,051	\$ 2,336	\$ 715

DUKE ENERGY PROGRESS

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

(in millions)	December 31, 2017			December 31, 2016		
	Total Fair Value	Level 1	Level 2	Total Fair Value	Level 1	Level 2
	NDTF equity securities	\$ 1,795	\$ 1,795	\$ —	\$ 1,505	\$ 1,505
NDTF debt securities	796	243	553	708	207	501
Other AFS debt securities	1	1	—	1	1	—
Derivative assets	2	1	1	46	—	46
Total assets	2,594	2,040	554	2,260	1,713	547
Derivative liabilities	(18)	(1)	(17)	(7)	—	(7)
Net assets	\$ 2,576	\$ 2,039	\$ 537	\$ 2,253	\$ 1,713	\$ 540

DUKE ENERGY FLORIDA

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

(in millions)	December 31, 2017			December 31, 2016		
	Total Fair Value	Level 1	Level 2	Total Fair Value	Level 1	Level 2
	NDTF equity securities	\$ 427	\$ 427	\$ —	\$ 356	\$ 356
NDTF debt securities	312	188	124	357	247	110
Other AFS debt securities	48	1	47	48	4	44
Derivative assets	1	—	1	39	—	39
Total assets	788	616	172	800	607	193
Derivative liabilities	(12)	—	(12)	(12)	—	(12)
Net assets	\$ 776	\$ 616	\$ 160	\$ 788	\$ 607	\$ 181

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DUKE ENERGY OHIO

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

(in millions)	December 31, 2017			December 31, 2016		
	Total Fair Value	Level 2	Level 3	Total Fair Value	Level 2	Level 3
Derivative assets	\$ 1	\$ —	\$ 1	\$ 5	\$ —	\$ 5
Derivative liabilities	(5)	(5)	—	(6)	(6)	—
Net (liabilities) assets	\$ (4)	\$ (5)	\$ 1	\$ (1)	\$ (6)	\$ 5

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

(in millions)	Derivatives (net)	
	Years Ended December 31,	
	2017	2016
Balance at beginning of period	\$ 5	\$ 3
Purchases, sales, issuances and settlements:		
Purchases	3	5
Settlements	(4)	(5)
Total gains included on the Consolidated Balance Sheet	(3)	2
Balance at end of period	\$ 1	\$ 5

DUKE ENERGY INDIANA

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

(in millions)	December 31, 2017				December 31, 2016			
	Total Fair Value	Level 1	Level 2	Level 3	Total Fair Value	Level 1	Level 2	Level 3
Other AFS equity securities	\$ 97	\$ 97	\$ —	\$ —	\$ 79	\$ 79	\$ —	\$ —
Other AFS debt securities	31	—	31	—	31	—	31	—
Derivative assets	27	—	—	27	16	—	—	16
Total assets	155	97	31	27	126	79	31	16
Derivative liabilities	—	—	—	—	(2)	(2)	—	—
Net assets	\$ 155	\$ 97	\$ 31	\$ 27	\$ 124	\$ 77	\$ 31	\$ 16

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

(in millions)	Derivatives (net)	
	Years Ended December 31,	
	2017	2016
Balance at beginning of period	\$ 16	\$ 7
Purchases, sales, issuances and settlements:		
Purchases	52	29
Settlements	(43)	(24)
Total gains included on the Consolidated Balance Sheet	2	4
Balance at end of period	\$ 27	\$ 16

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PIEDMONT

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

(in millions)	December 31, 2017			December 31, 2016		
	Total Fair Value	Level 1	Level 3	Total Fair Value	Level 1	Level 3
Other trading equity securities	\$ —	\$ —	\$ —	\$ 4	\$ 4	\$ —
Other trading debt securities	1	1	—	1	1	—
Derivative assets	2	2	—	3	3	—
Total assets	3	3	—	8	8	—
Derivative liabilities	(142)	—	(142)	(187)	—	(187)
Net assets	\$ (139)	\$ 3	\$ (142)	\$ (179)	\$ 8	\$ (187)

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

(in millions)	Derivatives (net)		
	Year Ended	Two Months Ended	Year Ended
	December 31, 2017	December 31, 2016	October 31, 2016
Balance at beginning of period	\$ (187)	\$ (188)	\$ —
Total gains (losses) and settlements	45	1	(188)
Balance at end of period	\$ (142)	\$ (187)	\$ (188)

QUANTITATIVE INFORMATION ABOUT UNOBSERVABLE INPUTS

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

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)			

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

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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)	December 31, 2017		December 31, 2016	
	Book Value	Fair Value	Book Value	Fair Value
Duke Energy	\$ 52,279	\$ 55,331	\$ 47,895	\$ 49,161
Duke Energy Carolinas	10,103	11,372	9,603	10,494
Progress Energy	17,837	20,000	17,541	19,107
Duke Energy Progress	7,357	7,992	7,011	7,357
Duke Energy Florida	7,095	7,953	6,125	6,728
Duke Energy Ohio	2,067	2,249	1,884	2,020
Duke Energy Indiana	3,783	4,464	3,786	4,260
Piedmont	2,037	2,209	1,821	1,933

At both December 31, 2017, and December 31, 2016, fair value of cash and cash equivalents, accounts and notes receivable, accounts payable, notes payable and commercial paper and nonrecourse notes payable of VIEs are not materially different from their carrying amounts because of the short-term nature of these instruments and/or because the stated rates approximate market rates.

17. VARIABLE INTEREST ENTITIES

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

CONSOLIDATED VIEs

The obligations of these 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 years ended December 31, 2017, 2016 and 2015, or is expected to be provided in the future, that was not previously contractually required.

Receivables Financing – DERF/DEPR/DEFR

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

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

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

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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 outlines amounts and expiration dates of the credit facilities described above.

	Duke Energy			
	CRC	Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida
		DERF	DEPR	DEFR
Expiration date	December 2020	December 2020	February 2019	April 2019
Credit facility amount (in millions)	\$ 325	\$ 450	\$ 300	\$ 225
Amounts borrowed at December 31, 2017	325	450	300	225
Amounts borrowed at December 31, 2016	325	425	300	225

Nuclear Asset-Recovery Bonds – DEFPF

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

In June 2016, DEFPF issued \$1,294 million of senior secured bonds and used the proceeds to acquire nuclear asset-recovery property from Duke Energy Florida. The nuclear asset-recovery property acquired includes the right to impose, bill, collect and adjust a non-bypassable nuclear asset-recovery charge from all Duke Energy Florida retail customers until the bonds are paid in full and all financing costs have been recovered. The nuclear asset-recovery bonds are secured by the nuclear asset-recovery property and cash collections from the nuclear asset-recovery charges are the sole source of funds to satisfy the debt obligation. The bondholders have no recourse to Duke Energy Florida. For additional information see Notes 4 and 6.

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

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

(in millions)	December 31, 2017	December 31, 2016
Receivables of VIEs	\$ 4	\$ 6
Regulatory Assets: Current	51	50
Current Assets: Other	40	53
Other Noncurrent Assets: Regulatory assets	1,091	1,142
Current Liabilities: Other	10	17
Current maturities of long-term debt	53	62
Long-Term Debt	1,164	1,217

Commercial Renewables

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

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

(in millions)	December 31, 2017	December 31, 2016
Current Assets: Other	\$ 174	\$ 223
Property, plant and equipment, cost	3,923	3,419
Accumulated depreciation and amortization	(591)	(453)
Current maturities of long-term debt	170	198
Long-Term Debt	1,700	1,097
Other Noncurrent Liabilities: Deferred income taxes	(148)	275
Other Noncurrent Liabilities: Other	241	252

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NON-CONSOLIDATED VIEs

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

(in millions)	December 31, 2017						
	Duke Energy				Duke Energy Ohio	Duke Energy Indiana	
	Pipeline Investments	Commercial Renewables	Other VIEs ^(a)	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	

- (a) Duke Energy holds a 50 percent equity interest in Duke-American Transmission Company, LLC (DATC). As of December 31, 2016, DATC was considered a VIE due to having insufficient equity to finance its own activities without subordinated financial support. However, DATC is no longer considered a VIE based on sufficient equity to finance its own activities, and, therefore, is no longer considered a VIE as of December 31, 2017. Duke Energy's investment in DATC was \$46 million at December 31, 2017.

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

- (a) In April 2017, Piedmont transferred its non-consolidated VIE investments to a wholly owned subsidiary of Duke Energy. See Note 12 and the "Pipeline Investments" section below for additional detail.

The Duke Energy Registrants are not aware of any situations where the maximum exposure to loss significantly exceeds the carrying values shown above except for the power purchase agreement with OVEC, which is discussed below, and various guarantees, some of which are reflected in the table above as Other noncurrent liabilities. For more information on various guarantees, refer to Note 7.

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 balance in in these joint ventures.

Entity Name	Ownership Interest	Investment Amount (in millions)	
		December 31, 2017	December 31, 2016
ACP	47%	\$ 397	\$ 265
Sabal Trail	7.5%	219	140
Constitution	24%	81	82
Total		\$ 697	\$ 487

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

OVEC

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

CRC

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

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

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

	Duke Energy Ohio		Duke Energy Indiana	
	2017	2016	2017	2016
Anticipated credit loss ratio	0.5%	0.5%	0.3%	0.3%
Discount rate	2.1%	1.5%	2.1%	1.5%
Receivable turnover rate	13.5%	13.3%	10.7%	10.6%

The following table shows the gross and net receivables sold.

(in millions)	Duke Energy Ohio		Duke Energy Indiana	
	2017	2016	2017	2016
Receivables sold	\$ 273	\$ 267	\$ 312	\$ 306
Less: Retained interests	87	82	106	101
Net receivables sold	\$ 186	\$ 185	\$ 206	\$ 205

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

(in millions)	Duke Energy Ohio			Duke Energy Indiana		
	Years Ended December 31,			Years Ended December 31,		
	2017	2016	2015	2017	2016	2015
Sales						
Receivables sold	\$ 1,879	\$ 1,926	\$ 1,963	\$ 2,711	\$ 2,635	\$ 2,627
Loss recognized on sale	10	9	9	12	11	11
Cash Flows						
Cash proceeds from receivables sold	1,865	1,882	1,995	2,694	2,583	2,670
Collection fees received	1	1	1	1	1	1
Return received on retained interests	3	2	3	7	5	5

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

18. 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 shares, such as stock options and equity forward sale agreements, were exercised or settled. Duke Energy's participating securities are restricted stock units that are entitled to dividends declared on Duke Energy common stock during the restricted stock unit's vesting periods.

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

(in millions, except per share amounts)	Years Ended December 31,		
	2017	2016	2015
Income from continuing operations attributable to Duke Energy common stockholders excluding impact of participating securities	\$ 3,059	\$ 2,567	\$ 2,640
Weighted average shares outstanding – basic	700	691	694
Weighted average shares outstanding – diluted	700	691	694
Earnings per share from continuing operations attributable to Duke Energy common stockholders			
Basic	\$ 4.37	\$ 3.71	\$ 3.80
Diluted	\$ 4.37	\$ 3.71	\$ 3.80
Potentially dilutive items excluded from the calculation ^(a)	2	2	2
Dividends declared per common share	\$ 3.49	\$ 3.36	\$ 3.24

(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 Distribution Agreement

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 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 either of the Agents, shares of common stock during the period ending September 23, 2019.

In addition to the issuance and sales of shares by Duke Energy through the Agents, Duke Energy may enter into Equity Forward Agreements with affiliates of the Agents as Forward Purchasers. There were no transactions under the EDA from the time of execution of the EDA to the filing of this document.

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Stock Issuance

In March 2016, Duke Energy marketed an equity offering of 10.6 million shares of common stock. In lieu of issuing equity at the time of the offering, Duke Energy entered into Equity Forwards with Barclays. The Equity Forwards required Duke Energy to either physically settle the transactions by issuing 10.6 million shares, or net settle in whole or in part through the delivery or receipt of cash or shares.

On October 5, 2016, following the close of the Piedmont acquisition, Duke Energy physically settled the Equity Forwards in full by delivering 10.6 million shares of common stock in exchange for net cash proceeds of approximately \$723 million. The net proceeds were used to finance a portion of the Piedmont acquisition. As a result of the acquisition, all of Piedmont's issued and outstanding stock became the issued and outstanding shares of a wholly owned subsidiary of Duke Energy. See Note 2 for additional information related to the Piedmont acquisition.

Accelerated Stock Repurchase Program

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

19. SEVERANCE

As part of its strategic planning processes, Duke Energy implemented targeted cost savings initiatives during 2016 and 2015 aimed at reducing operations and maintenance expense. The initiatives included efforts to reduce costs through the standardization of processes and systems, leveraging technology and workforce optimization throughout the company.

During 2016, Duke Energy and Piedmont announced severance plans covering certain eligible employees whose employment will be involuntarily terminated without cause as a result of Duke Energy's acquisition of Piedmont. These reductions continue to be implemented and are a part of the synergies expected to be realized with the acquisition. Refer to Note 2 for additional information on the Piedmont acquisition.

Severance benefit costs for initiatives and plans discussed above were accrued for a total of approximately 100 employees in 2017, 600 employees in 2016 and 900 employees in 2015. The following table presents the direct and allocated severance and related expenses recorded by the Duke Energy Registrants. Amounts are included within Operation, maintenance and other on the Consolidated Statements of Operations.

(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont ^(a)
Year Ended December 31, 2017	\$ 15	\$ 2	\$ 2	\$ 1	\$ 1	\$ —	\$ 1	\$ 9
Year Ended December 31, 2016	118	39	40	23	17	3	7	
Year Ended December 31, 2015	142	93	36	28	8	2	6	

(a) Piedmont severance benefit costs were \$3 million for the two months ended December 31, 2016, and \$19 million for the year ended October 31, 2016. Piedmont did not record any severance benefit costs for the year ended October 31, 2015.

The table below presents the severance liability for past and ongoing severance plans including the plans described above. Amounts for Duke Energy Indiana and Duke Energy Ohio are not material.

(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Piedmont
Balance at December 31, 2016	\$ 79	\$ 13	\$ 14	\$ 6	\$ 8	\$ 20
Provision/Adjustments	17	2	—	—	—	9
Cash Reductions	(77)	(10)	(12)	(5)	(8)	(24)
Balance at December 31, 2017	\$ 19	\$ 5	\$ 2	\$ 1	\$ —	\$ 5

20. STOCK-BASED COMPENSATION

The Duke Energy Corporation 2015 Long-Term Incentive Plan (the 2015 Plan) provides for the grant of stock-based compensation awards to employees and outside directors. The 2015 Plan reserves 10 million shares of common stock for issuance. Duke Energy has historically issued new shares upon exercising or vesting of share-based awards. However, Duke Energy may use a combination of new share issuances and open market repurchases for share-based awards that are exercised or vest in the future. Duke Energy has not determined with certainty the amount of such new share issuances or open market repurchases.

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The following table summarizes the total expense recognized by the Duke Energy Registrants, net of tax, for stock-based compensation.

(in millions)	Years Ended December 31,		
	2017	2016	2015
Duke Energy	\$ 43	\$ 35	\$ 38
Duke Energy Carolinas	15	12	14
Progress Energy	16	12	14
Duke Energy Progress	10	7	9
Duke Energy Florida	6	5	5
Duke Energy Ohio	3	2	2
Duke Energy Indiana	4	3	4
Piedmont ^(a)	3		

(a) See discussion below for information on Piedmont's pre-merger stock-based compensation plans.

Duke Energy's pretax stock-based compensation costs, the tax benefit associated with stock-based compensation expense and stock-based compensation costs capitalized are included in the following table.

(in millions)	Years Ended December 31,		
	2017	2016	2015
Restricted stock unit awards	\$ 41	\$ 36	\$ 38
Performance awards	27	19	23
Pretax stock-based compensation cost	\$ 68	\$ 55	\$ 61
Tax benefit associated with stock-based compensation expense	\$ 25	\$ 20	\$ 23
Stock-based compensation costs capitalized	4	2	3

RESTRICTED STOCK UNIT AWARDS

Restricted stock unit (RSU) awards generally vest over periods from immediate to three years. Fair value amounts are based on the market price of Duke Energy's common stock on the grant date. The following table includes information related to restricted stock unit awards.

	Years Ended December 31,		
	2017	2016	2015
Shares awarded (in thousands)	583	684	524
Fair value (in millions)	\$ 47	\$ 52	\$ 41

The following table summarizes information about restricted stock unit awards outstanding.

	Shares	Weighted Average
	(in thousands)	Grant Date Fair Value (per share)
Outstanding at December 31, 2016	1,139	\$ 76
Granted	583	80
Vested	(553)	76
Forfeited	(48)	78
Outstanding at December 31, 2017	1,121	78
Restricted stock unit awards expected to vest	1,094	78

The total grant date fair value of shares vested during the years ended December 31, 2017, 2016 and 2015 was \$42 million, \$38 million and \$41 million, respectively. At December 31, 2017, Duke Energy had \$29 million of unrecognized compensation cost, which is expected to be recognized over a weighted average period of twenty-three months.

PERFORMANCE AWARDS

Stock-based performance awards generally vest after three years if performance targets are met.

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Performance awards granted in 2017, 2016 and 2015 contain market conditions based on the total shareholder return (TSR) of Duke Energy stock relative to a predefined peer group (relative TSR). These awards are valued using a path-dependent model that incorporates expected relative TSR into the fair value determination of Duke Energy's performance-based share awards. The model uses three-year historical volatilities and correlations for all companies in the predefined peer group, including Duke Energy, to simulate Duke Energy's relative TSR as of the end of the performance period. For each simulation, Duke Energy's relative TSR associated with the simulated stock price at the end of the performance period plus expected dividends within the period results in a value per share for the award portfolio. The average of these simulations is the expected portfolio value per share. Actual life to date results of Duke Energy's relative TSR for each grant are incorporated within the model. For performance awards granted in 2017, the model used a risk-free interest rate of 1.5 percent, which reflects the yield on three-year Treasury bonds as of the grant date, and an expected volatility of 17.2 percent based on Duke Energy's historical volatility over three years using daily stock prices.

In addition to TSR, performance awards granted in 2017 and 2016 contain a performance condition based on Duke Energy's cumulative adjusted EPS. Performance awards granted in 2017 also contain a performance condition based on the total incident case rate, one of our key employee safety metrics. The actual number of shares issued will range from zero to 200 percent of target shares depending on the level of performance achieved.

The following table includes information related to stock-based performance awards.

	Years Ended December 31,		
	2017	2016	2015
Shares granted assuming target performance (in thousands)	461	338	321
Fair value (in millions)	\$ 37	\$ 25	\$ 26

The following table summarizes information about stock-based performance awards outstanding and assumes payout at the target level.

	Shares (in thousands)	Weighted Average Grant Date Fair Value (per share)
Outstanding at December 31, 2016	862	\$ 75
Granted	461	81
Forfeited	(258)	69
Outstanding at December 31, 2017	1,065	79
Stock-based performance awards expected to vest	1,034	79

No performance awards vested during the year ended December 31, 2017. The total grant date fair value of shares vested during the years ended December 31, 2016 and 2015 was \$25 million and \$26 million, respectively. At December 31, 2017, Duke Energy had \$34 million of unrecognized compensation cost, which is expected to be recognized over a weighted average period of twenty-three months.

STOCK OPTIONS

Stock options, when granted, have a maximum option term of 10 years and with an exercise price not less than the market price of Duke Energy's common stock on the grant date. There were no stock options granted or exercised during the year ended December 31, 2017. There were no stock options outstanding at December 31, 2017.

The following table summarizes additional information related to stock options exercised and granted.

(In millions)	Years Ended December 31,	
	2016	2015
Intrinsic value of options exercised	\$ 1	\$ 5
Tax benefit related to options exercised	—	2
Cash received from options exercised	7	17

PIEDMONT

Prior to Duke Energy's acquisition of Piedmont, Piedmont had an incentive compensation plan that had a series of three-year performance and RSU awards for eligible officers and other participants. The Agreement and Plan of Merger (Merger Agreement) between Duke Energy and Piedmont provided for the conversion of the 2014-2016 and 2015-2017 performance awards and the nonvested 2016 RSU award into the right to receive \$60 cash per share upon the close of the transaction. In December 2015, Piedmont's board of directors authorized the accelerated vesting, payment and taxation of the 2014-2016 and 2015-2017 performance awards, as well as the 2016 RSU award, at the election of the participant. Substantially all participants elected to accelerate the settlement of these awards. As a result of the settlement of these awards, 194 thousand shares of Piedmont shares were issued to participants, net of shares withheld for applicable federal and state income taxes, at a closing price of \$56.85 and a fair value of \$11 million. The 2016-2018 performance award cycle was approved subsequent to the Merger Agreement and was converted into a Duke Energy RSU award as discussed above at the consummation of the acquisition.

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Piedmont's stock-based compensation costs and the tax benefit associated with stock-based compensation expense are included in the following table. Piedmont's stock-based compensation costs were not material for the two months ended December 31, 2016.

(in millions)	Years Ended October 31,	
	2016	2015
Pretax stock-based compensation cost	\$ 16	\$ 14
Tax benefit associated with stock-based compensation expense	6	4
Net of tax stock-based compensation cost	\$ 10	\$ 10

21. EMPLOYEE BENEFIT PLANS

DEFINED BENEFIT RETIREMENT PLANS

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

Duke Energy approved plan amendments to restructure its qualified non-contributory defined benefit retirement plans, effective January 1, 2018. The restructuring involved (i) the spin-off of the majority of inactive participants from two plans into a separate inactive plan and (ii) the merger of the active participant portions of such plans, along with a pension plan acquired as part of the Piedmont transaction, into a single active plan. Benefits offered to the plan participants remain unchanged except that the Piedmont plan's final average earnings formula was frozen as of December 31, 2017, and affected participants were moved into the active plan's cash balance formula. Actuarial gains and losses associated with the Inactive Plan will be amortized over the remaining life expectancy of the inactive participants. The longer amortization period is expected to lower Duke Energy's 2018 pretax qualified pension plan expense by approximately \$33 million.

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

Net periodic benefit costs disclosed in the tables below represent the cost of the respective benefit plan for the periods presented. However, portions of the net periodic benefit costs disclosed in the tables below have been capitalized as a component of property, plant and equipment. Amounts presented in the tables below for the Subsidiary Registrants represent the amounts of pension and other post-retirement benefit cost allocated by Duke Energy for employees of the Subsidiary Registrants. Additionally, the Subsidiary Registrants are allocated their proportionate share of pension and post-retirement benefit cost for employees of Duke Energy's shared services affiliate that provide support to the Subsidiary Registrants. These allocated amounts are included in the governance and shared service costs discussed in Note 13.

Duke Energy's policy is to fund amounts on an actuarial basis to provide assets sufficient to meet benefit payments to be paid to plan participants. The following table includes information related to the Duke Energy Registrants' contributions to its qualified defined benefit pension plans.

(in millions)	Duke	Duke	Duke	Duke	Duke	Duke	Duke	Piedmont ^(a)
	Energy	Energy Carolinas	Progress Energy	Energy Progress	Energy Florida	Energy Ohio	Energy Indiana	
Anticipated Contributions:								
Total anticipated 2018 contributions	\$ 148	\$ 46	\$ 45	\$ 25	\$ 20	\$ —	\$ 8	\$ 7
Contributions made January 2, 2018	141	46	45	25	20	—	8	—
Contributions to be made in 2018	\$ 7	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 7
Contributions Made:								
2017	\$ 19	\$ —	\$ —	\$ —	\$ —	\$ 4	\$ —	\$ 11
2016	155	43	43	24	20	5	9	
2015	302	91	83	42	40	8	19	

(a) Piedmont contributed \$10 million to its U.S. qualified defined benefit pension plan during the two months ended December 31, 2016, and for each of the years ended October 31, 2016, and 2015, respectively.

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QUALIFIED PENSION PLANS

Components of Net Periodic Pension Costs

(in millions)	Year Ended December 31, 2017							
	Duke	Duke	Progress	Duke	Duke	Duke	Duke	Piedmont
	Energy	Energy	Energy	Energy	Energy	Energy	Energy	
Service cost	\$ 159	\$ 48	\$ 45	\$ 26	\$ 19	\$ 4	\$ 9	\$ 10
Interest cost on projected benefit obligation	328	79	100	47	53	18	26	14
Expected return on plan assets	(545)	(142)	(167)	(82)	(85)	(27)	(42)	(24)
Amortization of actuarial loss	146	31	52	23	29	5	12	11
Amortization of prior service credit	(24)	(8)	(3)	(2)	(1)	(1)	(2)	(2)
Settlement charge	12	—	—	—	—	—	—	12
Other	8	2	2	1	1	—	1	1
Net periodic pension costs ^{(a)(b)}	\$ 84	\$ 10	\$ 29	\$ 13	\$ 16	\$ (1)	\$ 4	\$ 22

(in millions)	Year Ended December 31, 2016							
	Duke	Duke	Progress	Duke	Duke	Duke	Duke	Duke
	Energy	Energy	Energy	Energy	Energy	Energy	Energy	
Service cost	\$ 147	\$ 48	\$ 42	\$ 24	\$ 19	\$ 4	\$ 9	\$ 9
Interest cost on projected benefit obligation	335	86	106	49	55	19	28	28
Expected return on plan assets	(519)	(142)	(168)	(82)	(84)	(27)	(42)	(42)
Amortization of actuarial loss	134	33	51	23	29	4	11	11
Amortization of prior service (credit)	(17)	(8)	(3)	(2)	(1)	—	(1)	(1)
Settlement charge	3	—	—	—	—	—	—	—
Other	8	2	3	1	1	1	1	1
Net periodic pension costs ^{(a)(b)}	\$ 91	\$ 19	\$ 31	\$ 13	\$ 19	\$ 1	\$ 6	\$ 6

(in millions)	Year Ended December 31, 2015							
	Duke	Duke	Progress	Duke	Duke	Duke	Duke	Duke
	Energy	Energy	Energy	Energy	Energy	Energy	Energy	
Service cost	\$ 159	\$ 50	\$ 44	\$ 23	\$ 20	\$ 4	\$ 10	\$ 10
Interest cost on projected benefit obligation	324	83	104	48	54	18	27	27
Expected return on plan assets	(516)	(139)	(171)	(79)	(87)	(26)	(42)	(42)
Amortization of actuarial loss	166	39	65	33	31	7	13	13
Amortization of prior service (credit) cost	(15)	(7)	(3)	(2)	(1)	—	1	1
Other	8	2	3	1	1	—	1	1
Net periodic pension costs ^{(a)(b)}	\$ 126	\$ 28	\$ 42	\$ 24	\$ 18	\$ 3	\$ 10	\$ 10

- (a) Duke Energy amounts exclude \$7 million, \$8 million and \$9 million for the years ended December 2017, 2016 and 2015, respectively, of regulatory asset amortization resulting from purchase accounting adjustments associated with Duke Energy's merger with Cinergy in April 2006.
- (b) Duke Energy Ohio amounts exclude \$3 million, \$4 million and \$4 million for the years ended December 2017, 2016 and 2015, respectively, of regulatory asset amortization resulting from purchase accounting adjustments associated with Duke Energy's merger with Cinergy in April 2006.

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Combined Notes To Consolidated Financial Statements – (Continued)

(in millions)	Piedmont		
	Two Months Ended	Years Ended October 31,	
	December 31, 2016	2016	2015
Service cost	\$ 2	\$ 11	\$ 11
Interest cost on projected benefit obligation	2	9	12
Expected return on plan assets	(4)	(24)	(24)
Amortization of actuarial loss	2	8	9
Amortization of prior service credit	(1)	(2)	(2)
Settlement charge	3	—	—
Net periodic pension costs	\$ 4	\$ 2	\$ 6

Amounts Recognized in Accumulated Other Comprehensive Income and Regulatory Assets

(in millions)	Year Ended December 31, 2017							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
	Regulatory assets, net (decrease) increase	\$ (212)	\$ (70)	\$ (49)	\$ (37)	\$ (11)	\$ 9	\$ (19)
Accumulated other comprehensive loss (income)								
Deferred income tax expense	\$ —	—	3	—	—	—	—	—
Prior year service cost arising during the year	1	—	—	—	—	—	—	—
Amortization of prior year actuarial losses	(7)	—	(7)	—	—	—	—	—
Net amount recognized in accumulated other comprehensive income	\$ (6)	\$ —	\$ (4)	\$ —	\$ —	\$ —	\$ —	\$ —

(in millions)	Year Ended December 31, 2016							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Duke Energy
	Regulatory assets, net increase	\$ 214	\$ 4	\$ 34	\$ 18	\$ 16	\$ 2	\$ 9
Accumulated other comprehensive (income) loss								
Deferred income tax expense	\$ 4	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Prior year service credit arising during the year	(2)	—	—	—	—	—	—	
Amortization of prior year actuarial losses	(7)	—	(1)	—	—	—	—	
Net amount recognized in accumulated other comprehensive income	\$ (5)	\$ —	\$ (1)	\$ —	\$ —	\$ —	\$ —	

Piedmont's regulatory asset net increase was \$34 million, \$35 million and \$20 million for the two months ended December 31, 2016, and for the years ended October 31, 2016, and 2015, respectively.

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Combined Notes To Consolidated Financial Statements – (Continued)

Reconciliation of Funded Status to Net Amount Recognized

(in millions)	Year Ended December 31, 2017							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Change in Projected Benefit Obligation								
Obligation at prior measurement date	\$ 8,131	\$ 1,952	\$ 2,512	\$ 1,158	\$ 1,323	\$ 447	\$ 658	\$ 344
Service cost	159	48	45	26	19	4	9	10
Interest cost	328	79	100	47	53	18	26	14
Actuarial loss	455	68	158	57	99	35	26	38
Transfers	—	27	(32)	(2)	(15)	12	—	—
Plan amendments	(61)	—	—	—	—	—	—	(61)
Benefits paid	(537)	(145)	(146)	(75)	(69)	(37)	(50)	(5)
Benefits paid - settlements	(27)	—	—	—	—	—	—	(27)
Obligation at measurement date	\$ 8,448	\$ 2,029	\$ 2,637	\$ 1,211	\$ 1,410	\$ 479	\$ 669	\$ 313
Accumulated Benefit Obligation at measurement date								
	\$ 8,369	\$ 2,029	\$ 2,601	\$ 1,211	\$ 1,375	\$ 468	\$ 652	\$ 313
Change in Fair Value of Plan Assets								
Plan assets at prior measurement date	\$ 8,531	\$ 2,225	\$ 2,675	\$ 1,290	\$ 1,352	\$ 428	\$ 657	\$ 346
Employer contributions	19	—	—	—	—	4	—	11
Actual return on plan assets	1,017	265	317	153	161	51	77	43
Benefits paid	(537)	(145)	(146)	(75)	(69)	(37)	(50)	(5)
Benefits paid - settlements	(27)	—	—	—	—	—	—	(27)
Transfers	—	27	(32)	(2)	(15)	12	—	—
Plan assets at measurement date	\$ 9,003	\$ 2,372	\$ 2,814	\$ 1,366	\$ 1,429	\$ 458	\$ 684	\$ 368
Funded status of plan	\$ 555	\$ 343	\$ 177	\$ 155	\$ 19	\$ (21)	\$ 15	\$ 55

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Combined Notes To Consolidated Financial Statements – (Continued)

(in millions)	Year Ended December 31, 2016						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Change in Projected Benefit Obligation							
Obligation at prior measurement date	\$ 7,727	\$ 1,995	\$ 2,451	\$ 1,143	\$ 1,276	\$ 453	\$ 649
Obligation assumed from acquisition	352	—	—	—	—	—	—
Service cost	147	48	42	24	19	4	9
Interest cost	335	86	106	49	55	19	28
Actuarial loss	307	46	111	52	57	13	41
Transfers	—	14	(3)	(3)	—	(3)	—
Plan amendments	(52)	(3)	—	—	—	(3)	(15)
Benefits paid	(679)	(234)	(195)	(107)	(84)	(36)	(54)
Impact of settlements	(6)	—	—	—	—	—	—
Obligation at measurement date	\$ 8,131	\$ 1,952	\$ 2,512	\$ 1,158	\$ 1,323	\$ 447	\$ 658
Accumulated Benefit Obligation at measurement date	\$ 8,006	\$ 1,952	\$ 2,479	\$ 1,158	\$ 1,290	\$ 436	\$ 649
Change in Fair Value of Plan Assets							
Plan assets at prior measurement date	\$ 8,136	\$ 2,243	\$ 2,640	\$ 1,284	\$ 1,321	\$ 433	\$ 655
Assets received from acquisition	343	—	—	—	—	—	—
Employer contributions	155	43	43	24	20	5	9
Actual return on plan assets	582	159	190	92	95	29	47
Benefits paid	(679)	(234)	(195)	(107)	(84)	(36)	(54)
Impact of settlements	(6)	—	—	—	—	—	—
Transfers	—	14	(3)	(3)	—	(3)	—
Plan assets at measurement date	\$ 8,531	\$ 2,225	\$ 2,675	\$ 1,290	\$ 1,352	\$ 428	\$ 657
Funded status of plan	\$ 400	\$ 273	\$ 163	\$ 132	\$ 29	\$ (19)	\$ (1)

(in millions)	Piedmont	
	Two Months Ended	Years Ended
	December 31, 2016	October 31, 2016
Change in Projected Benefit Obligation		
Obligation at prior measurement date	\$ 352	\$ 312
Service cost	2	11
Interest cost	2	9
Actuarial gain	(5)	34
Benefits paid	(1)	(14)
Impact of settlements	(6)	—
Obligation at measurement date	\$ 344	\$ 352
Accumulated Benefit Obligation at measurement date	\$ 289	\$ 296
Change in Fair Value of Plan Assets		
Plan assets at prior measurement date	\$ 343	\$ 329
Employer contributions	10	10
Actual return on plan assets	—	18
Benefits paid	(1)	(14)
Impact of settlements	(6)	—
Plan assets at measurement date	\$ 346	\$ 343
Funded status of plan	\$ 2	\$ (9)

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Combined Notes To Consolidated Financial Statements – (Continued)

Amounts Recognized in the Consolidated Balance Sheets

(in millions)	December 31, 2017							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
	Energy	Carolinas	Energy	Progress	Florida	Ohio	Indiana	Piedmont
Prefunded pension ^(a)	\$ 680	\$ 343	\$ 245	\$ 155	\$ 87	\$ 8	\$ 16	\$ 55
Noncurrent pension liability ^(b)	\$ 125	\$ —	\$ 68	\$ —	\$ 68	\$ 29	\$ 1	\$ —
Net asset (liability) recognized	\$ 555	\$ 343	\$ 177	\$ 155	\$ 19	\$ (21)	\$ 15	\$ 55
Regulatory assets	\$ 1,886	\$ 406	\$ 756	\$ 341	\$ 415	\$ 90	\$ 152	\$ 73
Accumulated other comprehensive (income) loss								
Deferred income tax benefit	\$ (41)	\$ —	\$ (3)	\$ —	\$ —	\$ —	\$ —	\$ —
Prior service credit	(5)	—	—	—	—	—	—	—
Net actuarial loss	116	—	9	—	—	—	—	—
Net amounts recognized in accumulated other comprehensive loss	\$ 70	\$ —	\$ 6	\$ —	\$ —	\$ —	\$ —	\$ —
Amounts to be recognized in net periodic pension costs in the next year								
Unrecognized net actuarial loss	\$ 132	\$ 29	\$ 44	\$ 21	\$ 23	\$ 5	\$ 7	\$ 11
Unrecognized prior service credit	(32)	(8)	(3)	(2)	(1)	—	(2)	(9)

(in millions)	December 31, 2016							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
	Energy	Carolinas	Energy	Progress	Florida	Ohio	Indiana	Piedmont
Prefunded pension ^(a)	\$ 518	\$ 273	\$ 225	\$ 132	\$ 91	\$ 6	\$ —	\$ 3
Noncurrent pension liability ^(b)	\$ 118	\$ —	\$ 62	\$ —	\$ 62	\$ 25	\$ 1	\$ —
Net asset recognized	\$ 400	\$ 273	\$ 163	\$ 132	\$ 29	\$ (19)	\$ (1)	\$ 3
Regulatory assets	\$ 2,098	\$ 476	\$ 805	\$ 378	\$ 426	\$ 81	\$ 171	\$ 137
Accumulated other comprehensive (income) loss								
Deferred income tax benefit	\$ (41)	\$ —	\$ (6)	\$ —	\$ —	\$ —	\$ —	\$ —
Prior service credit	(6)	—	—	—	—	—	—	—
Net actuarial loss	123	—	16	—	—	—	—	—
Net amounts recognized in accumulated other comprehensive loss	\$ 76	\$ —	\$ 10	\$ —	\$ —	\$ —	\$ —	\$ —
Amounts to be recognized in net periodic pension costs in the next year								
Unrecognized net actuarial loss	\$ 147	\$ 31	\$ 52	\$ 23	\$ 29	\$ 5	\$ 8	\$ 13
Unrecognized prior service credit	\$ (24)	\$ (8)	\$ (3)	\$ (2)	\$ (1)	\$ —	\$ (2)	\$ (2)

(a) Included in Other within Other Noncurrent Assets on the Consolidated Balance Sheets.
(b) Included in Accrued pension and other post-retirement benefit costs on the Consolidated Balance Sheets.

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Information for Plans with Accumulated Benefit Obligation in Excess of Plan Assets

(in millions)	December 31, 2017			
	Duke Energy	Progress Energy	Duke Energy Florida	Duke Energy Ohio
	Projected benefit obligation	\$ 1,386	\$ 718	\$ 718
Accumulated benefit obligation	1,326	683	683	326
Fair value of plan assets	1,260	650	650	308

(in millions)	December 31, 2016			
	Duke Energy	Progress Energy	Duke Energy Florida	Duke Energy Ohio
	Projected benefit obligation	\$ 1,299	\$ 665	\$ 665
Accumulated benefit obligation	1,239	633	633	299
Fair value of plan assets	1,182	604	604	286

Assumptions Used for Pension Benefits Accounting

The discount rate used to determine the current year pension obligation and following year's pension expense is based on a bond selection-settlement portfolio approach. This approach develops a discount rate by selecting a portfolio of high quality corporate bonds that generate sufficient cash flow to provide for projected benefit payments of the plan. The selected bond portfolio is derived from a universe of non-callable corporate bonds rated Aa quality or higher. After the bond portfolio is selected, a single interest rate is determined that equates the present value of the plan's projected benefit payments discounted at this rate with the market value of the bonds selected.

The average remaining service period of active covered employees is 13 years for Duke Energy and Duke Energy Progress, 12 years for Duke Energy Carolinas, Progress Energy, and Duke Energy Florida, 14 years for Duke Energy Ohio and Duke Energy Indiana, and nine years for Piedmont.

The following tables present the assumptions or range of assumptions used for pension benefit accounting.

	December 31,		
	2017	2016	2015
Benefit Obligations			
Discount rate	3.60%	4.10%	4.40%
Salary increase	3.50% – 4.00%	4.00% – 4.50%	4.00% – 4.40%
Net Periodic Benefit Cost			
Discount rate	4.10%	4.40%	4.10%
Salary increase	4.00% – 4.50%	4.00% – 4.40%	4.00% – 4.40%
Expected long-term rate of return on plan assets	6.50% – 6.75%	6.50% – 6.75%	6.50%

	Piedmont		
	Two Months Ended	Years Ended October 31,	
	December 31, 2016	2016	2015
Benefit Obligations			
Discount rate		4.10%	3.80%
Salary increase		4.50%	4.05%
Net Periodic Benefit Cost			
Discount rate		3.80%	4.34%
Salary increase		4.05%	4.07%
Expected long-term rate of return on plan assets		6.75%	7.25%

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Expected Benefit Payments

(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Years ending December 31,								
2018	\$ 642	\$ 185	\$ 161	\$ 85	\$ 75	\$ 36	\$ 47	\$ 29
2019	644	185	164	86	77	36	46	26
2020	661	195	172	90	80	36	44	24
2021	666	194	175	93	81	37	44	24
2022	672	197	176	92	83	36	44	23
2023-2027	3,099	865	888	449	435	166	210	103

NON-QUALIFIED PENSION PLANS

Components of Net Periodic Pension Costs

(in millions)	Year Ended December 31, 2017							
	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 projected benefit obligation	13	1	5	1	2	—	—	—
Amortization of actuarial loss	8	—	2	1	1	—	—	—
Amortization of prior service credit	(2)	—	—	—	—	—	—	—
Net periodic pension costs	\$ 21	\$ 2	\$ 7	\$ 2	\$ 3	\$ —	\$ —	\$ —

(in millions)	Year Ended December 31, 2016							
	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 projected benefit obligation	14	1	5	1	2	—	—	—
Amortization of actuarial loss	8	1	1	1	1	—	—	—
Amortization of prior service credit	(1)	—	—	—	—	—	—	—
Net periodic pension costs	\$ 23	\$ 2	\$ 6	\$ 2	\$ 3	\$ —	\$ —	\$ —

(in millions)	Year Ended December 31, 2015							
	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 projected benefit obligation	13	1	4	1	2	—	—	—
Amortization of actuarial loss	6	—	2	1	2	—	—	1
Amortization of prior service credit	(1)	—	(1)	—	—	—	—	—
Net periodic pension costs	\$ 21	\$ 1	\$ 6	\$ 2	\$ 4	\$ —	\$ —	\$ 1

(in millions)	Piedmont	
	Years Ended October 31,	
	2016	2015
Amortization of prior service cost	\$ —	\$ 1
Settlement charge	1	—
Net periodic pension costs	\$ 1	\$ 1

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Amounts Recognized in Accumulated Other Comprehensive Income and Regulatory Assets and Liabilities

(in millions)	Year Ended December 31, 2017							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Regulatory assets, net (decrease) increase	\$ 5	\$ (1)	\$ 3	\$ 1	\$ 2	\$ —	\$ —	\$ —
Accumulated other comprehensive (income) loss								
Deferred income tax benefit	\$ (1)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Actuarial loss arising during the year	2	—	—	—	—	—	—	—
Net amount recognized in accumulated other comprehensive loss (income)	\$ 1	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

(in millions)	Year Ended December 31, 2016							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Duke Energy
Regulatory assets, net (decrease) increase	\$ (3)	\$ (2)	\$ 2	\$ 1	\$ 1	\$ —	\$ —	\$ (1)
Accumulated other comprehensive (income) loss								
Prior service credit arising during the year	\$ (1)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Actuarial gains arising during the year	1	—	—	—	—	—	—	—
Net amount recognized in accumulated other comprehensive loss (income)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

Reconciliation of Funded Status to Net Amount Recognized

(in millions)	Year Ended December 31, 2017							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Change in Projected Benefit Obligation								
Obligation at prior measurement date	\$ 332	\$ 14	\$ 114	\$ 33	\$ 46	\$ 4	\$ 3	\$ 4
Service cost	2	1	—	—	—	—	—	—
Interest cost	13	1	5	1	2	—	—	—
Actuarial losses (gains)	15	—	5	4	2	—	—	—
Benefits paid	(31)	(2)	(8)	(3)	(3)	—	—	—
Obligation at measurement date	\$ 331	\$ 14	\$ 116	\$ 35	\$ 47	\$ 4	\$ 3	\$ 4
Accumulated Benefit Obligation at measurement date	\$ 331	\$ 14	\$ 116	\$ 35	\$ 47	\$ 4	\$ 3	\$ 4
Change in Fair Value of Plan Assets								
Benefits paid	\$ (31)	\$ (2)	\$ (8)	\$ (3)	\$ (3)	\$ —	\$ —	\$ —
Employer contributions	31	2	8	3	3	—	—	—
Plan assets at measurement date	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

PART II

DUKE ENERGY CORPORATION – DUKE ENERGY CAROLINAS, LLC – PROGRESS ENERGY, INC. –
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COMPANY, INC.

Combined Notes To Consolidated Financial Statements – (Continued)

(in millions)	Year Ended December 31, 2016						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
	Change in Projected Benefit Obligation						
Obligation at prior measurement date	\$ 341	\$ 16	\$ 112	\$ 33	\$ 46	\$ 4	\$ 5
Obligation assumed from acquisition	5	—	—	—	—	—	—
Service cost	2	—	—	—	—	—	—
Interest cost	14	1	5	1	2	—	—
Actuarial losses (gains)	4	(1)	5	2	1	—	(2)
Plan amendments	(2)	—	—	—	—	—	—
Benefits paid	(32)	(2)	(8)	(3)	(3)	—	—
Obligation at measurement date	\$ 332	\$ 14	\$ 114	\$ 33	\$ 46	\$ 4	\$ 3
Accumulated Benefit Obligation at measurement date							
Change in Fair Value of Plan Assets							
Benefits paid	\$ (32)	\$ (2)	\$ (8)	\$ (3)	\$ (3)	—	—
Employer contributions	32	2	8	3	3	—	—
Plan assets at measurement date	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

(in millions)	Piedmont	
	Two Months Ended	Years Ended
	December 31, 2016	October 31, 2016
Change in Projected Benefit Obligation		
Obligation at prior measurement date	\$ 5	\$ 6
Actuarial gain	(1)	—
Impact of settlements	—	(1)
Obligation at measurement date	\$ 4	\$ 5
Accumulated Benefit Obligation at measurement date		
Change in Fair Value of Plan Assets		
Plan assets at prior measurement date	\$ —	\$ 1
Impact of settlements	—	(1)
Plan assets at measurement date	\$ —	\$ —

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

Information for Plans with Accumulated Benefit Obligation in Excess of Plan Assets

(in millions)	December 31, 2017							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
	Projected benefit obligation	\$ 331	\$ 14	\$ 116	\$ 35	\$ 47	\$ 4	\$ 3
Accumulated benefit obligation	331	14	116	35	47	4	3	4

(in millions)	December 31, 2016							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
	Projected benefit obligation	\$ 332	\$ 14	\$ 114	\$ 33	\$ 46	\$ 4	\$ 3
Accumulated benefit obligation	332	14	114	33	46	4	3	4

Assumptions Used for Pension Benefits Accounting

The discount rate used to determine the current year pension obligation and following year's pension expense is based on a bond selection-settlement portfolio approach. This approach develops a discount rate by selecting a portfolio of high quality corporate bonds that generate sufficient cash flow to provide for projected benefit payments of the plan. The selected bond portfolio is derived from a universe of non-callable corporate bonds rated Aa quality or higher. After the bond portfolio is selected, a single interest rate is determined that equates the present value of the plan's projected benefit payments discounted at this rate with the market value of the bonds selected.

The average remaining service period of active covered employees is 11 years for Duke Energy and Duke Energy Progress, 14 years for Progress Energy, 15 years for Duke Energy Florida, eight years for Duke Energy Carolinas, Duke Energy Ohio, and Duke Energy Indiana, and nine years for Piedmont. The following tables present the assumptions used for pension benefit accounting.

	December 31,		
	2017	2016	2015
Benefit Obligations			
Discount rate		3.60%	4.10%
Salary increase	3.50%	4.00%	4.40%
Net Periodic Benefit Cost			
Discount rate		4.10%	4.40%
Salary increase		4.40%	4.40%

	Piedmont		
	Two Months Ended	Years Ended October	
	December 31, 2016	2016	2015
Benefit Obligations			
Discount rate		4.10%	3.80%
Net Periodic Benefit Cost			
Discount rate		3.80%	3.85%

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Combined Notes To Consolidated Financial Statements – (Continued)

Expected Benefit Payments

(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Years ending December 31,								
2018	\$ 23	\$ 2	\$ 8	\$ 3	\$ 3	\$ —	\$ —	\$ —
2019	21	1	8	2	3	—	—	—
2020	21	1	8	2	3	—	—	—
2021	22	1	8	2	3	—	—	—
2022	25	1	8	2	3	—	—	—
2023-2027	117	6	36	11	15	1	1	2

OTHER POST-RETIREMENT BENEFIT PLANS

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

Duke Energy did not make any pre-funding contributions to its other post-retirement benefit plans during the years ended December 31, 2017, 2016 or 2015.

Components of Net Periodic Other Post-Retirement Benefit Costs

(in millions)	Year Ended December 31, 2017							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Service cost	\$ 4	\$ 1	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1
Interest cost on accumulated post-retirement benefit obligation	34	8	13	7	6	1	3	1
Expected return on plan assets	(14)	(8)	—	—	—	—	(1)	(2)
Amortization of actuarial loss (gain)	10	(2)	21	12	9	(2)	(1)	1
Amortization of prior service credit	(115)	(10)	(84)	(54)	(30)	—	(1)	—
Curtailment credit ^(c)	\$ (30)	\$ (4)	\$ (16)	\$ —	\$ (16)	\$ (2)	\$ (2)	\$ —
Net periodic post-retirement benefit costs ^{(a)(b)}	\$ (111)	\$ (15)	\$ (66)	\$ (35)	\$ (31)	\$ (3)	\$ (2)	\$ 1

(in millions)	Year Ended December 31, 2016							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Duke Energy
Service cost	\$ 3	\$ 1	\$ 1	\$ —	\$ 1	\$ —	\$ —	\$ —
Interest cost on accumulated post-retirement benefit obligation	35	8	15	8	7	1	4	4
Expected return on plan assets	(12)	(8)	—	—	—	—	(1)	(1)
Amortization of actuarial loss (gain)	6	(3)	22	13	9	(2)	(1)	(1)
Amortization of prior service credit	(141)	(14)	(103)	(68)	(35)	—	(1)	(1)
Net periodic post-retirement benefit costs ^{(a)(b)}	\$ (109)	\$ (16)	\$ (65)	\$ (47)	\$ (18)	\$ (1)	\$ 1	\$ 1

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Combined Notes To Consolidated Financial Statements – (Continued)

(in millions)	Year Ended December 31, 2015						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
	Energy	Carolin	Energy	Progress	Florida	Ohio	Indiana
Service cost	\$ 6	\$ 1	\$ 1	\$ 1	\$ 1	\$ —	\$ 1
Interest cost on accumulated post-retirement benefit obligation	36	9	15	8	7	2	4
Expected return on plan assets	(13)	(8)	—	—	—	(1)	(1)
Amortization of actuarial loss (gain)	16	(2)	28	18	10	(2)	(2)
Amortization of prior service credit	(140)	(14)	(102)	(68)	(35)	—	—
Net periodic post-retirement benefit costs ^{(a)(b)}	\$ (95)	\$ (14)	\$ (58)	\$ (41)	\$ (17)	\$ (1)	\$ 2

- (a) Duke Energy amounts exclude \$7 million, \$8 million and \$10 million for the years ended December 2017, 2016 and 2015, respectively, of regulatory asset amortization resulting from purchase accounting adjustments associated with Duke Energy's merger with Cinergy in April 2006.
- (b) Duke Energy Ohio amounts exclude \$2 million, \$2 million and \$3 million for the years ended December 2017, 2016 and 2015, respectively, of regulatory asset amortization resulting from purchase accounting adjustments associated with Duke Energy's merger with Cinergy in April 2006.
- (c) Curtailment credit resulted from a reduction in average future service of plan participants due to a plan amendment.

(in millions)	Piedmont	
	Years Ended October 31,	
	2016	2015
Service cost	\$ 1	\$ 1
Interest cost on projected benefit obligation	1	2
Expected return on plan assets	(2)	(2)
Amortization of actuarial loss	1	—
Net periodic pension costs	\$ 1	\$ 1

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

Reconciliation of Funded Status to Accrued Other Post-Retirement Benefit Costs

(in millions)	Year Ended December 31, 2017							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Change in Projected Benefit Obligation								
Accumulated post-retirement benefit obligation at prior measurement date	\$ 868	\$ 201	\$ 357	\$ 191	\$ 164	\$ 32	\$ 83	\$ 39
Service cost	4	1	—	—	—	—	—	1
Interest cost	34	8	13	7	6	1	3	1
Plan participants' contributions	17	3	6	3	3	1	2	—
Actuarial (gains) losses	4	(3)	4	1	3	—	3	1
Transfers	—	2	(1)	—	(1)	1	—	—
Plan amendments	(28)	(5)	(3)	(1)	(2)	(2)	(2)	(9)
Benefits paid	(86)	(18)	(34)	(17)	(17)	(3)	(11)	(1)
Accumulated post-retirement benefit obligation at measurement date	\$ 813	\$ 189	\$ 342	\$ 184	\$ 156	\$ 30	\$ 78	\$ 32
Change in Fair Value of Plan Assets								
Plan assets at prior measurement date	\$ 244	\$ 137	\$ 1	\$ —	\$ —	\$ 7	\$ 22	\$ 29
Actual return on plan assets	25	15	1	—	—	2	1	3
Benefits paid	(86)	(18)	(34)	(17)	(17)	(3)	(11)	(1)
Employer contributions (reimbursements)	25	(4)	26	14	14	—	(3)	—
Plan participants' contributions	17	3	6	3	3	1	2	—
Plan assets at measurement date	\$ 225	\$ 133	\$ —	\$ —	\$ —	\$ 7	\$ 11	\$ 31

(in millions)	Year Ended December 31, 2016							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Duke Energy Indiana
Change in Projected Benefit Obligation								
Accumulated post-retirement benefit obligation at prior measurement date	\$ 828	\$ 200	\$ 354	\$ 188	\$ 164	\$ 35	\$ 87	\$ 87
Obligation assumed from acquisition	39	—	—	—	—	—	—	—
Service cost	3	1	1	—	1	—	—	—
Interest cost	35	8	15	8	7	1	4	4
Plan participants' contributions	19	3	7	4	3	1	2	2
Actuarial (gains) losses	33	5	16	8	8	—	3	3
Transfers	—	1	—	—	—	—	—	—
Plan amendments	(1)	—	—	—	—	(1)	—	—
Benefits paid	(88)	(17)	(36)	(17)	(19)	(4)	(13)	(13)
Accumulated post-retirement benefit obligation at measurement date	\$ 868	\$ 201	\$ 357	\$ 191	\$ 164	\$ 32	\$ 83	\$ 83
Change in Fair Value of Plan Assets								
Plan assets at prior measurement date	\$ 208	\$ 134	\$ —	\$ —	\$ 1	\$ 8	\$ 19	\$ 19
Assets received from acquisition	29	—	—	—	—	—	—	—
Actual return on plan assets	14	8	1	—	—	1	2	2
Benefits paid	(88)	(17)	(36)	(17)	(19)	(4)	(13)	(13)
Employer contributions	62	9	29	13	15	1	12	12
Plan participants' contributions	19	3	7	4	3	1	2	2
Plan assets at measurement date	\$ 244	\$ 137	\$ 1	\$ —	\$ —	\$ 7	\$ 22	\$ 22

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

(in millions)	Piedmont	
	Two Months Ended	Years Ended
	December 31, 2016	October 31, 2016
Change in Projected Benefit Obligation		
Accumulated post-retirement benefit obligation at prior measurement date	\$ 39	\$ 38
Service cost	—	1
Interest cost	—	1
Actuarial gain	—	2
Benefits paid	—	(3)
Accumulated post-retirement benefit obligation at measurement date	\$ 39	\$ 39
Change in Fair Value of Plan Assets		
Plan assets at prior measurement date	\$ 29	\$ 28
Employer contributions	—	3
Actual return on plan assets	—	1
Benefits paid	—	(3)
Plan assets at measurement date	\$ 29	\$ 29

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

Amounts Recognized in the Consolidated Balance Sheets

(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	
Current post-retirement liability ^(a)	\$ 36	\$ —	\$ 29	\$ 15	\$ 14	\$ 2	\$ —	\$ —
Noncurrent post-retirement liability ^(b)	552	56	313	169	142	21	67	1
Total accrued post-retirement liability	\$ 588	\$ 56	\$ 342	\$ 184	\$ 156	\$ 23	\$ 67	\$ 1
Regulatory assets	\$ 125	\$ —	\$ 129	\$ 80	\$ 49	\$ —	\$ 46	\$ (4)
Regulatory liabilities	\$ 147	\$ 44	\$ —	\$ —	\$ —	\$ 16	\$ 64	\$ —
Accumulated other comprehensive (income) loss								
Deferred income tax expense	\$ 4	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Prior service credit	(2)	—	—	—	—	—	—	—
Net actuarial gain	(10)	—	—	—	—	—	—	—
Net amounts recognized in accumulated other comprehensive income	\$ (8)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Amounts to be recognized in net periodic pension expense in the next year								
Unrecognized net actuarial loss	\$ 5	\$ 3	\$ 1	\$ —	\$ 1	\$ —	\$ —	\$ —
Unrecognized prior service credit	(19)	(5)	(7)	(1)	(6)	(1)	(1)	(2)

(in millions)	December 31, 2016							
	Duke	Duke	Progress	Duke	Duke	Duke	Duke	Piedmont
	Energy	Energy Carolinas	Energy	Energy Progress	Energy Florida	Energy Ohio	Energy Indiana	
Current post-retirement liability ^(a)	\$ 38	\$ —	\$ 31	\$ 17	\$ 15	\$ 2	\$ —	\$ —
Noncurrent post-retirement liability ^(b)	586	64	325	174	149	23	63	10
Total accrued post-retirement liability	\$ 624	\$ 64	\$ 356	\$ 191	\$ 164	\$ 25	\$ 63	\$ 10
Regulatory assets	\$ 54	\$ —	\$ 48	\$ 38	\$ 10	\$ —	\$ 51	\$ 7
Regulatory liabilities	\$ 174	\$ 46	\$ —	\$ —	\$ —	\$ 19	\$ 71	\$ —
Accumulated other comprehensive (income) loss								
Deferred income tax expense	\$ 5	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Prior service credit	(5)	—	—	—	—	—	—	—
Net actuarial gain	(10)	—	—	—	—	—	—	—
Net amounts recognized in accumulated other comprehensive income	\$ (10)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Amounts to be recognized in net periodic pension expense in the next year								
Unrecognized net actuarial loss (gain)	\$ 10	\$ (2)	\$ 21	\$ 12	\$ 9	\$ (2)	\$ (6)	\$ —
Unrecognized prior service credit	(115)	(10)	(85)	(55)	(30)	—	(1)	—

(a) Included in Other within Current Liabilities on the Consolidated Balance Sheets.
(b) Included in Accrued pension and other post-retirement benefit costs on the Consolidated Balance Sheets.

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

Assumptions Used for Other Post-Retirement Benefits Accounting

The discount rate used to determine the current year other post-retirement benefits obligation and following year's other post-retirement benefits expense is based on a bond selection-settlement portfolio approach. This approach develops a discount rate by selecting a portfolio of high quality corporate bonds that generate sufficient cash flow to provide for projected benefit payments of the plan. The selected bond portfolio is derived from a universe of non-callable corporate bonds rated Aa quality or higher. After the bond portfolio is selected, a single interest rate is determined that equates the present value of the plan's projected benefit payments discounted at this rate with the market value of the bonds selected. The average remaining service period of active covered employees is nine years for Duke Energy, eight years for Duke Energy Carolinas, seven years for Duke Energy Florida, Duke Energy Ohio, and Piedmont, and six years for Progress Energy, Duke Energy Progress, and Duke Energy Indiana.

The following tables present the assumptions used for other post-retirement benefits accounting.

	December 31,		
	2017	2016	2015
Benefit Obligations			
Discount rate	3.60%	4.10%	4.40%
Net Periodic Benefit Cost			
Discount rate	4.10%	4.40%	4.10%
Expected long-term rate of return on plan assets	6.50%	6.50%	6.50%
Assumed tax rate	35%	35%	35%

	Piedmont		
	Two Months Ended	Years Ended October	
	December 31, 2016	2016	2015
Benefit Obligations			
Discount rate	4.10%	3.80%	4.38%
Net Periodic Benefit Cost			
Discount rate	3.80%	4.38%	4.03%
Expected long-term rate of return on plan assets	6.75%	7.25%	7.50%

Assumed Health Care Cost Trend Rate

	December 31,	
	2017	2016
Health care cost trend rate assumed for next year	7.00%	7.00%
Rate to which the cost trend is assumed to decline (the ultimate trend rate)	4.75%	4.75%
Year that rate reaches ultimate trend	2024	2023

Sensitivity to Changes in Assumed Health Care Cost Trend Rates

	Year Ended 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)								
1-Percentage Point Increase								
Effect on total service and interest costs	\$ 1	\$ —	\$ 1	\$ 1	\$ —	\$ —	\$ —	\$ —
Effect on post-retirement benefit obligation	27	6	11	6	5	1	3	1
1-Percentage Point Decrease								
Effect on total service and interest costs	(1)	—	—	—	—	—	—	—
Effect on post-retirement benefit obligation	(24)	(6)	(10)	(5)	(5)	(1)	(2)	(1)

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Combined Notes To Consolidated Financial Statements – (Continued)

Expected Benefit Payments

(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Years ending December 31,								
2018	\$ 78	\$ 17	\$ 30	\$ 16	\$ 14	\$ 3	\$ 9	2
2019	76	17	29	15	14	3	9	2
2020	73	17	29	15	14	3	8	2
2021	71	17	28	15	13	3	7	3
2022	68	17	27	14	13	3	7	3
2023 – 2027	290	70	117	63	54	12	29	13

PLAN ASSETS

Description and Allocations

Duke Energy Master Retirement Trust

Assets for both the qualified pension and other post-retirement benefits are maintained in the Duke Energy Master Retirement Trust. Qualified pension and other post-retirement assets related to Piedmont were transferred into the Duke Energy Master Retirement Trust during 2017. Approximately 98 percent of the Duke Energy Master Retirement Trust assets were allocated to qualified pension plans and approximately 2 percent were allocated to other post-retirement plans (comprised of 401(h) accounts), as of December 31, 2017, and 2016. The investment objective of the Duke Energy Master Retirement Trust is to achieve reasonable returns, subject to a prudent level of portfolio risk, for the purpose of enhancing the security of benefits for plan participants.

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

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

The Duke Energy Master Retirement Trust is authorized to engage in the lending of certain plan assets. Securities lending is an investment management enhancement that utilizes certain existing securities of the Duke Energy Master Retirement Trust to earn additional income. Securities lending involves the loaning of securities to approved parties. In return for the loaned securities, the Duke Energy Master Retirement Trust receives collateral in the form of cash and securities as a safeguard against possible default of any borrower on the return of the loan under terms that permit the Duke Energy Master Retirement Trust to sell the securities. The Duke Energy Master Retirement Trust mitigates credit risk associated with securities lending arrangements by monitoring the fair value of the securities loaned, with additional collateral obtained or refunded as necessary. The fair value of securities on loan was approximately \$195 million and \$156 million at December 31, 2017, and 2016, respectively. Cash and securities obtained as collateral exceeded the fair value of the securities loaned at December 31, 2017, and 2016, respectively. Securities lending income earned by the Duke Energy Master Retirement Trust was immaterial for the years ended December 31, 2017, 2016 and 2015, respectively.

Qualified pension and other post-retirement benefits for the Subsidiary Registrants are derived from the Duke Energy Master Retirement Trust, as such, each are allocated their proportionate share of the assets discussed below.

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Combined Notes To Consolidated Financial Statements – (Continued)

The following table includes the target asset allocations by asset class at December 31, 2017, and the actual asset allocations for the Duke Energy Master Retirement Trust.

	Target Allocation	Actual Allocation at December 31,	
		2017	2016 ^(a)
U.S. equity securities	10%	11%	11%
Non-U.S. equity securities	8%	8%	8%
Global equity securities	10%	10%	10%
Global private equity securities	3%	2%	2%
Debt securities	63%	63%	63%
Hedge funds	2%	2%	2%
Real estate and cash	2%	2%	2%
Other global securities	2%	2%	2%
Total	100%	100%	100%

(a) Excludes Piedmont Pension Assets, which had a targeted asset allocation of 60 percent return-seeking and 40 percent liability hedging fixed-income. Actual asset allocations were 61 percent return-seeking and 39 percent liability hedging fixed-income at December 31, 2016.

Other post-retirement assets

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

The following table presents target and actual asset allocations for the VEBA trusts at December 31, 2017.

	Target Allocation	Actual Allocation at December 31,	
		2017	2016
U.S. equity securities	32%	41%	39%
Non-US equity securities	6%	8%	—%
Real estate	2%	2%	2%
Debt securities	45%	36%	37%
Cash	15%	13%	22%
Total	100%	100%	100%

Fair Value Measurements

Duke Energy classifies recurring and non-recurring fair value measurements based on the fair value hierarchy as discussed in Note 16.

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

Investments in equity securities

Investments in equity securities are typically valued at the closing price in the principal active market as of the last business day of the reporting period. Principal active markets for equity prices include published exchanges such as NASDAQ and NYSE. Foreign equity prices are translated from their trading currency using the currency exchange rate in effect at the close of the principal active market. Prices have not been adjusted to reflect after-hours market activity. The majority of investments in equity securities are valued using Level 1 measurements. When the price of an institutional commingled fund is unpublished, it is not categorized in the fair value hierarchy, even though the funds are readily available at the fair value.

Investments in corporate debt securities and U.S. government securities

Most debt investments are valued based on a calculation using 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. Most debt valuations are Level 2 measurements. If the market for a particular fixed-income security is relatively inactive or illiquid, the measurement is Level 3. U.S. Treasury debt is typically Level 2.

Investments in short-term investment funds

Investments in short-term investment funds are valued at the net asset value of units held at year end and are readily redeemable at the measurement date. Investments in short-term investment funds with published prices are valued as Level 1. Investments in short-term investment funds with unpublished prices are valued as Level 2.

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Investments in real estate limited partnerships

Investments in real estate limited partnerships are valued by the trustee at each valuation date (monthly). As part of the trustee's valuation process, properties are externally appraised generally on an annual basis, conducted by reputable, independent appraisal firms, and signed by appraisers that are members of the Appraisal Institute, with the professional designation MAI. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There are three valuation techniques that can be used to value investments in real estate assets: the market, income or cost approach. The appropriateness of each valuation technique depends on the type of asset or business being valued. In addition, the trustee may cause additional appraisals to be performed as warranted by specific asset or market conditions. Property valuations and the salient valuation-sensitive assumptions of each direct investment property are reviewed by the trustee quarterly and values are adjusted if there has been a significant change in circumstances related to the investment property since the last valuation. Value adjustments for interim capital expenditures are only recognized to the extent that the valuation process acknowledges a corresponding increase in fair value. An independent firm is hired to review and approve quarterly direct real estate valuations. Key inputs and assumptions used to determine fair value includes among others, rental revenue and expense amounts and related revenue and expense growth rates, terminal capitalization rates and discount rates. Development investments are valued using cost incurred to date as a primary input until substantive progress is achieved in terms of mitigating construction and leasing risk at which point a discounted cash flow approach is more heavily weighted. Key inputs and assumptions in addition to those noted above used to determine the fair value of development investments include construction costs and the status of construction completion and leasing. Investments in real estate limited partnerships are valued at net asset value of units held at year end and are not readily redeemable at the measurement date. Investments in real estate limited partnerships are not categorized within the fair value hierarchy.

Duke Energy Master Retirement Trust

The following tables provide the fair value measurement amounts for the Duke Energy Master Retirement Trust qualified pension and other post-retirement assets.

(in millions)	December 31, 2017					Not Categorized ^(b)
	Total Fair Value	Level 1	Level 2	Level 3		
Equity securities	\$ 2,823	\$ 1,976	\$ —	\$ —		847
Corporate debt securities	4,694	—	4,694	—		—
Short-term investment funds	246	192	54	—		—
Partnership interests	137	—	—	—		137
Hedge funds	226	—	—	—		226
Real estate limited partnerships	135	—	—	—		135
U.S. government securities	762	—	762	—		—
Guaranteed investment contracts	28	—	—	28		—
Governments bonds – foreign	38	—	38	—		—
Cash	6	6	—	—		—
Government and commercial mortgage backed securities	2	—	2	—		—
Net pending transactions and other investments	17	15	2	—		—
Total assets^(a)	\$ 9,114	\$ 2,189	\$ 5,552	\$ 28	\$	1,345

- (a) Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio, Duke Energy Indiana, and Piedmont were allocated approximately 27 percent, 30 percent, 15 percent, 15 percent, 5 percent, 8 percent, and 4 percent, respectively, of the Duke Energy Master Retirement Trust at December 31, 2017. Accordingly, all amounts included in the table above are allocable to the Subsidiary Registrants using these percentages.
- (b) Certain investments that are measured at fair value using the net asset value per share practical expedient have not been categorized in the fair value hierarchy.

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(in millions)	December 31, 2016					Not Categorized ^(b)
	Total Fair				Level 3	
	Value	Level 1	Level 2	Level 3		
Equity securities	\$ 2,472	\$ 1,677	\$ 27	\$ 9		759
Corporate debt securities	4,330	8	4,322	—		—
Short-term investment funds	476	211	265	—		—
Partnership interests	157	—	—	—		157
Hedge funds	232	—	—	—		232
Real estate limited partnerships	144	17	—	—		127
U.S. government securities	734	—	734	—		—
Guaranteed investment contracts	29	—	—	29		—
Governments bonds – foreign	32	—	32	—		—
Cash	17	15	2	—		—
Net pending transactions and other investments	32	1	6	—		25
Total assets^(a)	\$ 8,655	\$ 1,929	\$ 5,388	\$ 38	\$	1,300

- (a) Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio and Duke Energy Indiana were allocated approximately 27 percent, 30 percent, 15 percent, 15 percent, 5 percent and 8 percent, respectively, of the Duke Energy Master Retirement Trust and Piedmont's Pension assets at December 31, 2016. Accordingly, all amounts included in the table above are allocable to the Subsidiary Registrants using these percentages.
- (b) Certain investments that are measured at fair value using the net asset value per share practical expedient have not been categorized in the fair value hierarchy.

The following table provides a reconciliation of beginning and ending balances of Duke Energy Master Retirement Trust qualified pension and other post-retirement assets and Piedmont Pension Assets at fair value on a recurring basis where the determination of fair value includes significant unobservable inputs (Level 3).

(in millions)	2017	2016
Balance at January 1	\$ 38	\$ 31
Combination of Piedmont Pension Assets	—	9
Sales	(2)	(2)
Total gains (losses) and other, net	1	—
Transfer of Level 3 assets to other classifications	(9)	—
Balance at December 31	\$ 28	\$ 38

Other post-retirement assets

The following tables provide the fair value measurement amounts for VEBA trust assets.

(in millions)	December 31, 2017	
	Total Fair	
	Value	Level 2
Cash and cash equivalents	\$ 8	\$ 8
Real estate	1	1
Equity securities	28	28
Debt securities	21	21
Total assets	\$ 58	\$ 58

(in millions)	December 31, 2016	
	Total Fair	
	Value	Level 2
Cash and cash equivalents	\$ 14	\$ 14
Real estate	1	1
Equity securities	26	26
Debt securities	25	25
Total assets	\$ 66	\$ 66

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EMPLOYEE SAVINGS PLANS

Retirement Savings Plan

Duke Energy or its affiliates sponsor, and the Subsidiary Registrants participate in, employee savings plans that cover substantially all U.S. employees. Most employees participate in a matching contribution formula where Duke Energy provides a matching contribution generally equal to 100 percent of employee before-tax and Roth 401(k) contributions of up to 6 percent of eligible pay per pay period (5 percent for Piedmont employees). Dividends on Duke Energy shares held by the savings plans are charged to retained earnings when declared and shares held in the plans are considered outstanding in the calculation of basic and diluted EPS.

As of January 1, 2014, for new and rehired non-union and certain unionized employees (excludes Piedmont employees until 2018 plan year, discussed below) who are not eligible to participate in Duke Energy's defined benefit plans, an additional employer contribution of 4 percent of eligible pay per pay period, which is subject to a three-year vesting schedule, is provided to the employee's savings plan account.

The following table includes pretax employer matching 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 ^(a)
Years ended December 31,								
2017	\$ 179	\$ 61	\$ 53	\$ 37	\$ 16	\$ 3	\$ 9	\$ 7
2016	169	57	50	35	15	3	8	—
2015	159	54	48	34	13	3	7	—

(a) Piedmont's pretax employer matching contributions were \$1 million, \$7 million and \$7 million during the two months ended December 31, 2016 and for the years ended October 31, 2016 and 2015, respectively.

Money Purchase Pension Plan

Piedmont sponsors the MPP plan, which is a defined contribution pension plan that allows employees to direct investments and assume risk of investment returns. Under the MPP plan, Piedmont annually deposits a percentage of each participant's pay into an account of the MPP plan. This contribution equals 4 percent of the participant's eligible compensation plus an additional 4 percent of eligible compensation above the Social Security wage base up to the IRS compensation limit. The participant is vested in MPP plan after three years of service. No contributions were made to the MPP plan during the two months ended December 31, 2016. Piedmont contributed \$2 million to the MPP plan during each of the years ended December 31, 2017, October 31, 2016 and 2015. Effective December 31, 2017, the MPP Plan was merged into the Retirement Savings Plan and the money purchase plan formula was discontinued. Beginning with the 2018 plan year, the former MPP Plan participants are eligible to receive the additional employer contribution under the Retirement Savings Plan, discussed above.

22. INCOME TAXES

Tax Act

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

As a result of the Tax Act, Duke Energy revalued its existing deferred tax assets and deferred tax liabilities as of December 31, 2017, to account for the estimated future impact of lower corporate tax rates on these deferred tax amounts. For Duke Energy's regulated operations, where the reduction in the net accumulated deferred income tax (ADIT) liability is expected to be returned to customers in future rates, the net remeasurement has been deferred as a regulatory liability. The regulatory liability for income taxes includes the effect of the reduction of the net deferred tax liability including the tax gross-up of the excess accumulated deferred tax liabilities and the effect of the new tax rate on the previous regulatory asset for income taxes. Excess accumulated deferred income taxes are generally classified as either "protected" or "unprotected" under IRS rules. Protected excess ADIT, resulting from accumulated tax depreciation of public utility property, are required to utilize the average rate assumption method under the IRS normalization rules for determining the timing of the return to customers. The majority of the excess ADIT is related to protected amounts associated with public utility property. See Note 4 for additional information on the Tax Act's impact to the regulatory asset and liability accounts.

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On December 22, 2017, the SEC staff issued Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act (SAB 118), which provides guidance on accounting for the Tax Act's impact. SAB 118 provides a measurement period, which in no case should extend beyond one year from the Tax Act enactment date, during which a company acting in good faith may complete the accounting for the impacts of the Tax Act under ASC Topic 740. In accordance with SAB 118, a company must reflect the income tax effects of the Tax Act in the reporting period in which the accounting under ASC Topic 740 is complete. To the extent that a company's accounting for certain income tax effects of the Tax Act is incomplete, a company can determine a reasonable estimate for those effects and record a provisional estimate in the financial statements in the first reporting period in which a reasonable estimate can be determined.

Duke Energy recorded a provisional net tax benefit of \$112 million related to the Tax Act in the period ending December 31, 2017. This net benefit primarily consists of a net benefit of \$534 million due to the remeasurement of deferred tax accounts to reflect the corporate rate reduction impact to net deferred tax balances, a net expense for the establishment of a valuation allowance related to foreign tax credits of \$406 million and a transition tax on previously untaxed earnings and profits on foreign subsidiaries of \$10 million. The majority of Duke Energy's operations are regulated and it is expected that the Subsidiary Registrants will ultimately pass on the savings associated with the amount representing the remeasurement of deferred tax balances related to regulated operations to customers. Duke Energy recorded a regulatory liability of \$8,313 million, representing the revaluation of those deferred tax balances. The Subsidiary Registrants continue to respond to requests from regulators in various jurisdictions to determine the timing and magnitude of savings they will pass on to customers.

The net provisional charge from deferred tax remeasurement and assessment of valuation allowance is based on currently available information and interpretations which are continuing to evolve. Duke Energy continues to analyze additional information and guidance related to certain aspects of the Tax Act, such as limitations on the deductibility of interest and executive compensation, conformity or decoupling by state legislatures in response to the Tax Act, and the final determination of the net deferred tax liabilities subject to the remeasurement. The prospects of supplemental legislation or regulatory processes to address questions that arise because of the Tax Act, or evolving technical interpretations of the tax law, may also cause the final impact from the Tax Act to differ from the estimated amounts. Duke Energy continues to appropriately refine such amounts within the measurement period allowed by SAB 118, which will be completed no later than the fourth quarter of 2018.

Income Tax Expense

Components of Income Tax Expense

(in millions)	Year Ended December 31, 2017							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Current income taxes								
Federal	\$ (247)	\$ 221	\$ (436)	\$ (95)	\$ (188)	\$ (37)	\$ 128	\$ (90)
State	4	20	(5)	2	(11)	2	21	(3)
Foreign	3	—	—	—	—	—	—	—
Total current income taxes	(240)	241	(441)	(93)	(199)	(35)	149	(93)
Deferred income taxes								
Federal	1,344	381	664	378	194	99	138	147
State	102	35	44	10	51	(4)	14	8
Total deferred income taxes ^(a) ^(b)	1,446	416	708	388	245	95	152	155
Investment tax credit amortization	(10)	(5)	(3)	(3)	—	(1)	—	—
Income tax expense from continuing operations	1,196	652	264	292	46	59	301	62
Tax benefit from discontinued operations	(6)	—	—	—	—	—	—	—
Total income tax expense included in Consolidated Statements of Operations	\$ 1,190	\$ 652	\$ 264	\$ 292	\$ 46	\$ 59	\$ 301	\$ 62

- (a) Includes utilization of NOL (Net operating loss) carryforwards and tax credit carryforwards of \$428 million at Duke Energy, \$74 million at Progress Energy, \$36 million at Duke Energy Florida, \$17 million at Duke Energy Ohio, \$42 million at Duke Energy Indiana and \$79 million at Piedmont. In addition the total deferred income taxes includes benefits of NOL carryforwards and tax credit carryforwards of \$10 million at Duke Energy Carolinas and \$1 million at Duke Energy Progress.
- (b) As a result of the Tax Act, Duke Energy's deferred tax assets and liabilities were revalued as of December 31, 2017. See the Statutory Rate Reconciliation section below for additional information on the Tax Act's impact on income tax expense.

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(in millions)	Year Ended December 31, 2016						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Current income taxes							
Federal	\$ —	\$ 139	\$ 15	\$ (59)	\$ 76	\$ (7)	\$ 7
State	(15)	25	(19)	(25)	22	(13)	6
Foreign	2	—	—	—	—	—	—
Total current income taxes	(13)	164	(4)	(84)	98	(20)	13
Deferred income taxes							
Federal	1,064	430	486	350	199	88	202
State	117	45	50	40	25	11	11
Total deferred income taxes ^(a)	1,181	475	536	390	224	99	213
Investment tax credit amortization	(12)	(5)	(5)	(5)	—	(1)	(1)
Income tax expense from continuing operations	1,156	634	527	301	322	78	225
Tax (benefit) expense from discontinued operations	(30)	—	1	—	—	(36)	—
Total income tax expense included in Consolidated Statements of Operations	\$ 1,126	\$ 634	\$ 528	\$ 301	\$ 322	\$ 42	\$ 225

(a) Includes benefits of NOL carryforwards and utilization of NOL and tax credit carryforwards of \$648 million at Duke Energy, \$4 million at Duke Energy Carolinas, \$190 million at Progress Energy, \$60 million at Duke Energy Progress, \$49 million at Duke Energy Florida, \$26 million at Duke Energy Ohio and \$58 million at Duke Energy Indiana.

(in millions)	Year Ended December 31, 2015						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Current income taxes							
Federal	\$ —	\$ 216	\$ (193)	\$ (56)	\$ 1	\$ (18)	\$ (86)
State	(12)	14	1	(4)	(7)	(1)	(12)
Foreign	4	—	—	—	—	—	—
Total current income taxes	(8)	230	(192)	(60)	(6)	(19)	(98)
Deferred income taxes							
Federal	1,097	345	694	334	290	96	245
State	181	57	27	27	58	5	17
Total deferred income taxes ^(a)	1,278	402	721	361	348	101	262
Investment tax credit amortization	(14)	(5)	(7)	(7)	—	(1)	(1)
Income tax expense from continuing operations	1,256	627	522	294	342	81	163
Tax expense (benefit) from discontinued operations	89	—	(1)	—	—	22	—
Total income tax expense included in Consolidated Statements of Operations	\$ 1,345	\$ 627	\$ 521	\$ 294	\$ 342	\$ 103	\$ 163

(a) Includes utilization of NOL carryforwards and tax credit carryforwards of \$264 million at Duke Energy, \$15 million at Duke Energy Carolinas, \$119 million at Progress Energy, \$21 million at Duke Energy Progress, \$84 million at Duke Energy Florida, \$3 million at Duke Energy Ohio and \$45 million at Duke Energy Indiana.

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(in millions)	Piedmont			
	Two Months Ended		Years Ended October 31,	
	December 31, 2016		2016 2015	
Current income taxes				
Federal	\$	4	\$ 27	\$ (1)
State		(2)	12	1
Total current income taxes		2	39	—
Deferred income taxes				
Federal		24	79	78
State		6	6	12
Total deferred income taxes ^{(a)(b)}		30	85	90
Total income tax expense from continuing operations included in Consolidated Statements of Operations	\$	32	\$ 124	\$ 90

- (a) Includes benefits of NOL and tax carryforwards of \$17 million and \$91 million for the two months ended December 31, 2016, and the year ended October 31, 2016, respectively.
- (b) Includes benefits and utilization of NOL carryforwards of \$46 million for the year ended October 31, 2015.

Duke Energy Income from Continuing Operations before Income Taxes

(in millions)	Years Ended December 31,		
	2017	2016	2015
Domestic ^(a)	\$ 4,207	\$ 3,689	\$ 3,831
Foreign	59	45	79
Income from continuing operations before income taxes	\$ 4,266	\$ 3,734	\$ 3,910

- (a) Includes a \$16 million expense in 2017 related to the Tax Act impact on equity earnings included within Equity in earnings (losses) of unconsolidated affiliates on the Consolidated Statement of Operations.

Taxes on Foreign Earnings

In February 2016, Duke Energy announced it had initiated a process to divest the International Disposal Group and, accordingly, no longer intended to indefinitely reinvest post-2014 undistributed foreign earnings. This change in the company's intent, combined with the extension of bonus depreciation by Congress in late 2015, allowed Duke Energy to more efficiently utilize foreign tax credits and reduce U.S. deferred tax liabilities associated with the historical unremitted foreign earnings by approximately \$95 million during the year ended December 31, 2016.

Due to the classification of the International Disposal Group as discontinued operations beginning in the fourth quarter of 2016, income tax amounts related to the International Disposal Group's foreign earnings are presented within (Loss) Income From Discontinued Operations, net of tax on the Consolidated Statements of Operations. In December 2016, Duke Energy closed on the sale of the International Disposal Group in two separate transactions to execute the divestiture. See Note 2 for additional information on the sale.

Statutory Rate Reconciliation

The following tables present a reconciliation of income tax expense at the U.S. federal statutory tax rate to the actual tax expense from continuing operations.

(in millions)	Year Ended December 31, 2017							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Income tax expense, computed at the statutory rate of 35 percent	\$ 1,493	\$ 653	\$ 536	\$ 353	\$ 265	\$ 88	\$ 229	\$ 70
State income tax, net of federal income tax effect	69	36	25	8	26	(1)	23	3
AFUDC equity income	(81)	(37)	(32)	(17)	(16)	(4)	(8)	—
Renewable energy production tax credits	(132)	—	—	—	—	—	—	—
Tax Act ^(a)	(112)	15	(246)	(40)	(226)	(23)	55	(12)
Tax true-up	(52)	(24)	(19)	(13)	(7)	(5)	(6)	—
Other items, net	11	9	—	1	4	4	8	1
Income tax expense from continuing operations	\$ 1,196	\$ 652	\$ 264	\$ 292	\$ 46	\$ 59	\$ 301	\$ 62
Effective tax rate	28.0%	34.9%	17.2%	29.0%	6.1%	23.4%	46.0%	30.8%

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- (a) Amounts primarily include but are not limited to items that are excluded for ratemaking purposes related to abandoned or impaired assets, certain wholesale fixed rate contracts, remeasurement of nonregulated net deferred tax liabilities, Federal net operating losses, and valuation allowance on foreign tax credits.

(in millions)	Year Ended December 31, 2016						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
	Income tax expense, computed at the statutory rate of 35 percent	\$ 1,307	\$ 630	\$ 548	\$ 315	\$ 306	\$ 95
State income tax, net of federal income tax effect	64	46	20	10	30	(2)	11
AFUDC equity income	(70)	(36)	(26)	(17)	(9)	(2)	(6)
Renewable energy production tax credits	(97)	—	—	—	—	—	—
Audit adjustment	5	3	—	—	—	—	—
Tax true-up	(14)	(14)	(11)	(3)	(9)	(16)	2
Other items, net	(39)	5	(4)	(4)	4	3	6
Income tax expense from continuing operations	\$ 1,156	\$ 634	\$ 527	\$ 301	\$ 322	\$ 78	\$ 225
Effective tax rate	31.0%	35.2%	33.7%	33.4%	36.9%	28.9%	37.1%

(in millions)	Year Ended December 31, 2015						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
	Income tax expense, computed at the statutory rate of 35 percent	\$ 1,369	\$ 598	\$ 555	\$ 302	\$ 330	\$ 81
State income tax, net of federal income tax effect	109	46	18	15	33	2	2
AFUDC equity income	(58)	(34)	(19)	(17)	(3)	(1)	(4)
Renewable energy production tax credits	(72)	—	(1)	—	—	—	—
Audit adjustment	(22)	—	(23)	1	(24)	—	—
Tax true-up	2	2	(3)	(4)	2	(5)	(9)
Other items, net	(72)	15	(5)	(3)	4	4	6
Income tax expense from continuing operations	\$ 1,256	\$ 627	\$ 522	\$ 294	\$ 342	\$ 81	\$ 163
Effective tax rate	32.1%	36.7%	32.9%	34.2%	36.3%	35.2%	34.0%

(in millions)	Piedmont		
	Two Months Ended December 31, 2016	Years Ended October 31, 2016 2015	
	Income tax expense, computed at the statutory rate of 35 percent	\$ 30	\$ 111
State income tax, net of federal income tax effect	1	11	9
Other items, net	1	2	2
Income tax expense from continuing operations	\$ 32	\$ 124	\$ 90
Effective tax rate	37.2%	39.1%	39.7%

Valuation allowances have been established for certain state NOL carryforwards and state income tax credits that reduce deferred tax assets to an amount that will be realized on a more-likely-than-not basis. The net change in the total valuation allowance is included in the State income tax, net of federal income tax effect in the above tables.

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DEFERRED TAXES

Net Deferred Income Tax Liability Components

(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	Piedmont
Deferred credits and other liabilities	\$ 143	\$ 33	\$ 78	\$ 23	\$ 49	\$ 11	\$ 6	\$ (5)
Capital lease obligations	49	14	—	—	—	—	2	—
Pension, post-retirement and other employee benefits	295	(17)	111	44	60	14	18	(4)
Progress Energy merger purchase accounting adjustments ^(a)	536	—	—	—	—	—	—	—
Tax credits and NOL carryforwards	4,527	234	402	156	143	25	216	70
Regulatory liabilities and deferred credits	—	222	—	—	—	65	—	61
Investments and other assets	—	—	—	—	—	—	1	18
Other	73	10	1	4	—	—	—	—
Valuation allowance	(519)	—	(14)	—	—	—	—	—
Total deferred income tax assets	5,104	496	578	227	252	115	243	140
Investments and other assets	(1,419)	(849)	(470)	(289)	(187)	—	(14)	—
Accelerated depreciation rates	(9,216)	(3,060)	(2,803)	(1,583)	(1,257)	(896)	(966)	(697)
Regulatory assets and deferred debits, net	(1,090)	—	(807)	(238)	(569)	—	(188)	—
Other	—	—	—	—	—	—	—	(7)
Total deferred income tax liabilities	(11,725)	(3,909)	(4,080)	(2,110)	(2,013)	(896)	(1,168)	(704)
Net deferred income tax liabilities	\$ (6,621)	\$ (3,413)	\$ (3,502)	\$ (1,883)	\$ (1,761)	\$ (781)	\$ (925)	\$ (564)

(a) Primarily related to capital lease obligations and debt fair value adjustments.

As noted above, as a result of the Tax Act, Duke Energy revalued its existing deferred tax assets and liabilities as of December 31, 2017, to account for the estimated future impact of lower corporate tax rates on these deferred amounts. The following table shows the decrease reflected in the net deferred income tax liabilities balance above:

(in millions)	December 31, 2017	
Duke Energy	\$	8,982
Duke Energy Carolinas		3,454
Progress Energy		3,282
Duke Energy Progress		1,882
Duke Energy Florida		1,420
Duke Energy Ohio		771
Duke Energy Indiana		1,053
Piedmont		521

The following table presents the expiration of tax credits and NOL carryforwards.

(in millions)	December 31, 2017		
	Amount	Expiration Year	
Investment tax credits	\$ 1,406	2024	— 2037
Alternative minimum tax credits	1,147	Refundable by 2021	
Federal NOL carryforwards	393	2022	— 2036
State NOL carryforwards and credits ^(a)	296	2018	— 2037
Foreign NOL carryforwards ^(b)	13	2027	— 2036
Foreign Tax Credits ^(c)	1,272	2024	— 2027
Total tax credits and NOL carryforwards	4,527		

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Combined Notes To Consolidated Financial Statements – (Continued)

- (a) A valuation allowance of \$90 million has been recorded on the state NOL carryforwards, as presented in the Net Deferred Income Tax Liability Components table.
 (b) A valuation allowance of \$13 million has been recorded on the foreign NOL carryforwards, as presented in the Net Deferred Income Tax Liability Components table.
 (c) A valuation allowance of \$416 million has been recorded on the foreign tax credits, as presented in the Net Deferred Income Tax Liability Components table.

(in millions)	December 31, 2016							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
	Deferred credits and other liabilities	\$ 382	\$ 66	\$ 126	\$ 40	\$ 93	\$ 21	\$ 4
Capital lease obligations	60	8	—	—	—	—	1	—
Pension, post-retirement and other employee benefits	561	16	199	91	96	22	37	10
Progress Energy merger purchase accounting adjustments ^(a)	918	—	—	—	—	—	—	—
Tax credits and NOL carryforwards	4,682	192	1,165	222	232	49	278	192
Investments and other assets	—	—	—	—	—	3	—	—
Other	205	16	35	8	—	5	9	45
Valuation allowance	(96)	—	(12)	—	—	—	—	(1)
Total deferred income tax assets	6,712	298	1,513	361	421	100	329	317
Investments and other assets	(1,892)	(1,149)	(597)	(313)	(297)	—	(21)	(21)
Accelerated depreciation rates	(14,872)	(4,664)	(4,490)	(2,479)	(2,038)	(1,404)	(1,938)	(1,080)
Regulatory assets and deferred debits, net	(4,103)	(1,029)	(1,672)	(892)	(780)	(139)	(270)	(147)
Total deferred income tax liabilities	(20,867)	(6,842)	(6,759)	(3,684)	(3,115)	(1,543)	(2,229)	(1,248)
Net deferred income tax liabilities	\$ (14,155)	\$ (6,544)	\$ (5,246)	\$ (3,323)	\$ (2,694)	\$ (1,443)	\$ (1,900)	\$ (931)

- (a) Primarily related to capital lease obligations and debt fair value adjustments.

On August 6, 2015, pursuant to N.C. Gen. Stat. 105-130.3C, the North Carolina Department of Revenue announced the North Carolina corporate income tax rate would be reduced from a statutory rate of 5.0 percent to 4.0 percent beginning January 1, 2016. Duke Energy and Piedmont recorded net reductions of approximately \$95 million and \$18 million to their North Carolina deferred tax liabilities in the third quarter of 2015. The significant majority of these deferred tax liability reductions were offset by recording a regulatory liability pending NCUC determination of the disposition of amounts related to Duke Energy Carolinas, Duke Energy Progress and Piedmont. The impact did not have a significant impact on the financial position, results of operation, or cash flows of Duke Energy, Duke Energy Carolinas, Progress Energy or Duke Energy Progress.

On August 4, 2016, pursuant to N.C. Gen. Stat. 105-130.3C, the North Carolina Department of Revenue announced the North Carolina corporate income tax rate would be reduced from a statutory rate of 4.0 percent to 3.0 percent beginning January 1, 2017. Duke Energy and Piedmont recorded net reductions of approximately \$80 million and \$16 million to their North Carolina deferred tax liabilities in the third quarter of 2016. The significant majority of this deferred tax liability reduction was offset by recording a regulatory liability pending NCUC determination of the disposition of amounts related to Duke Energy Carolinas, Duke Energy Progress and Piedmont. The impact did not have a significant impact on the financial position, results of operation, or cash flows of Duke Energy, Duke Energy Carolinas, Progress Energy or Duke Energy Progress.

On June 28, 2017, the North Carolina General Assembly amended N.C. Gen. Stat. 105-130.3, reducing the North Carolina corporate income tax rate from a statutory rate of 3.0 percent to 2.5 percent beginning January 1, 2019. Duke Energy recorded a net reduction of approximately \$55 million to their North Carolina deferred tax liabilities in the second quarter of 2017. The significant majority of this deferred tax liability reduction was offset by recording a regulatory liability pending NCUC determination of the disposition of amounts related to Duke Energy Carolinas, Duke Energy Progress and Piedmont. The impact did not have a significant impact on the financial position, results of operation or cash flows of Duke Energy, Duke Energy Carolinas, Progress Energy or Duke Energy Progress.

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Combined Notes To Consolidated Financial Statements – (Continued)

UNRECOGNIZED TAX BENEFITS

The following tables present changes to unrecognized tax benefits.

(in millions)	Year Ended December 31, 2017							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Unrecognized tax benefits – January 1	\$ 17	\$ 1	\$ 2	\$ 2	\$ 4	\$ 4	\$ —	\$ —
Unrecognized tax benefits increases (decreases)								
Gross increases – tax positions in prior periods	12	4	3	3	1	1	1	3
Gross decreases – tax positions in prior periods	(4)	—	—	—	—	(4)	—	—
Total changes	8	4	3	3	1	(3)	1	3
Unrecognized tax benefits – December 31	\$ 25	\$ 5	\$ 5	\$ 5	\$ 5	\$ 1	\$ 1	\$ 3

(in millions)	Year Ended December 31, 2016							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Duke Energy Indiana
Unrecognized tax benefits – January 1	\$ 88	\$ 72	\$ 1	\$ 3	\$ —	\$ —	\$ —	\$ 1
Unrecognized tax benefits increases (decreases)								
Gross increases – tax positions in prior periods	—	—	—	—	4	4	—	—
Gross decreases – tax positions in prior periods	(4)	(4)	(1)	(1)	—	—	—	—
Decreases due to settlements	(68)	(67)	—	—	—	—	—	(1)
Reduction due to lapse of statute of limitations	1	—	2	—	—	—	—	—
Total changes	(71)	(71)	1	(1)	4	4	4	(1)
Unrecognized tax benefits – December 31	\$ 17	\$ 1	\$ 2	\$ 2	\$ 4	\$ 4	\$ 4	\$ —

(in millions)	Year Ended December 31, 2015						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Indiana	Duke Energy Indiana
Unrecognized tax benefits – January 1	\$ 213	\$ 160	\$ 32	\$ 23	\$ 8	\$ —	\$ 1
Unrecognized tax benefits increases (decreases)							
Gross increases – tax positions in prior periods	—	—	1	1	—	—	—
Gross decreases – tax positions in prior periods	(48)	(45)	—	—	—	—	—
Decreases due to settlements	(45)	(43)	—	—	—	—	—
Reduction due to lapse of statute of limitations	(32)	—	(32)	(21)	(8)	—	—
Total changes	(125)	(88)	(31)	(20)	(8)	—	—
Unrecognized tax benefits – December 31	\$ 88	\$ 72	\$ 1	\$ 3	\$ —	\$ —	\$ 1

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Combined Notes To Consolidated Financial Statements – (Continued)

The following table includes additional information regarding the Duke Energy Registrants' unrecognized tax benefits at December 31, 2017. During the first quarter of 2018, Duke Energy recognized an approximate \$8 million reduction and Duke Energy Carolinas recognized an approximate \$1 million reduction in unrecognized tax benefits. No additional material reductions are expected in the next 12 months.

(in millions)	December 31, 2017							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Amount that if recognized, would affect the effective tax rate or regulatory liability ^(a)	\$ 15	\$ 4	\$ 7	\$ 5	\$ 1	\$ 1	\$ 1	\$ 3
Amount that if recognized, would be recorded as a component of discontinued operations	7	—	—	—	—	2	—	—

(a) Duke Energy, Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Indiana and Piedmont are unable to estimate the specific amounts that would affect the effective tax rate versus the regulatory liability.

OTHER TAX MATTERS

The following tables include interest recognized in the Consolidated Statements of Operations and the Consolidated Balance Sheets.

(in millions)	Year Ended December 31, 2017				
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida
Net interest income recognized related to income taxes	\$ —	\$ —	\$ 1	\$ —	\$ 1
Net interest expense recognized related to income taxes	—	2	—	—	—
Interest payable related to income taxes	5	25	1	1	—

(in millions)	Year Ended December 31, 2016				
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida
Net interest income recognized related to income taxes	\$ —	\$ —	\$ 1	\$ —	\$ 2
Net interest expense recognized related to income taxes	—	7	—	—	—
Interest payable related to income taxes	4	23	1	1	—

(in millions)	Year Ended December 31, 2015					
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Indiana
Net interest income recognized related to income taxes	\$ 12	\$ —	\$ 2	\$ 2	\$ 1	\$ 1
Net interest expense recognized related to income taxes	—	1	—	—	—	—
Interest receivable related to income taxes	3	—	—	—	—	3
Interest payable related to income taxes	—	14	—	1	—	—

Piedmont recognized \$1 million in net interest income recognized related to income taxes in the Consolidated Statements of Operations for the year ended October 31, 2016.

Duke Energy and its subsidiaries are no longer subject to U.S. federal examination for years before 2015. With few exceptions, Duke Energy and its subsidiaries are no longer subject to state, local or non-U.S. income tax examinations by tax authorities for years before 2015.

23. OTHER INCOME AND EXPENSES, NET

The components of Other income and expenses, net on the Consolidated Statements of Operations are as follows. Amounts for Piedmont were not material.

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(in millions)	Year Ended December 31, 2017						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Interest income	\$ 13	\$ 2	\$ 6	\$ 2	\$ 5	\$ 6	\$ 8
AFUDC equity	237	106	92	47	45	11	28
Post in-service equity returns	40	28	12	12	—	—	—
Nonoperating income, other	62	3	18	4	11	—	1
Other income and expense, net	\$ 352	\$ 139	\$ 128	\$ 65	\$ 61	\$ 17	\$ 37

(in millions)	Year Ended December 31, 2016						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Interest income	\$ 21	\$ 4	\$ 4	\$ 3	\$ 2	\$ 5	\$ 6
AFUDC equity	200	102	76	50	26	6	16
Post in-service equity returns	67	55	12	12	—	—	—
Nonoperating income (expense), other	36	1	22	6	16	(2)	—
Other income and expense, net	\$ 324	\$ 162	\$ 114	\$ 71	\$ 44	\$ 9	\$ 22

(in millions)	Year Ended December 31, 2015						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Interest income	\$ 20	\$ 2	\$ 4	\$ 2	\$ 2	\$ 4	\$ 6
AFUDC equity	164	96	54	47	7	3	11
Post in-service equity returns	73	60	13	13	—	—	—
Nonoperating income (expense), other	33	2	26	9	15	(1)	(6)
Other income and expense, net	\$ 290	\$ 160	\$ 97	\$ 71	\$ 24	\$ 6	\$ 11

24. SUBSEQUENT EVENTS

For information on subsequent events related to regulatory matters, commitments and contingencies, debt and credit facilities, investments in unconsolidated affiliates, variable interest entities and common stock see Notes 4, 5, 6, 12, 17 and 18, respectively.

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Combined Notes To Consolidated Financial Statements – (Continued)

25. QUARTERLY FINANCIAL DATA (UNAUDITED)

DUKE ENERGY

Quarterly EPS amounts may not sum to the full-year total due to changes in the weighted average number of common shares outstanding and rounding.

(in millions, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2017					
Operating revenues	\$ 5,729	\$ 5,555	\$ 6,482	\$ 5,799	\$ 23,565
Operating income	1,437	1,387	1,695	1,262	5,781
Income from continuing operations	717	691	957	705	3,070
Loss from discontinued operations, net of tax	—	(2)	(2)	(2)	(6)
Net income	717	689	955	703	3,064
Net income attributable to Duke Energy Corporation	716	686	954	703	3,059
Earnings per share:					
Income from continuing operations attributable to Duke Energy Corporation common stockholders					
Basic	\$ 1.02	\$ 0.98	\$ 1.36	\$ 1.00	\$ 4.37
Diluted	\$ 1.02	\$ 0.98	\$ 1.36	\$ 1.00	\$ 4.37
Loss from discontinued operations attributable to Duke Energy Corporation common stockholders					
Basic	\$ —	\$ —	\$ —	\$ —	\$ (0.01)
Diluted	\$ —	\$ —	\$ —	\$ —	\$ (0.01)
Net income attributable to Duke Energy Corporation common stockholders					
Basic	\$ 1.02	\$ 0.98	\$ 1.36	\$ 1.00	\$ 4.36
Diluted	\$ 1.02	\$ 0.98	\$ 1.36	\$ 1.00	\$ 4.36
2016					
Operating revenues	\$ 5,377	\$ 5,213	\$ 6,576	\$ 5,577	\$ 22,743
Operating income	1,240	1,259	1,954	888	5,341
Income from continuing operations	577	624	1,001	376	2,578
Income (Loss) from discontinued operations, net of tax	122	(112)	180	(598)	(408)
Net income (loss)	699	512	1,181	(222)	2,170
Net income (loss) attributable to Duke Energy Corporation	694	509	1,176	(227)	2,152
Earnings per share:					
Income from continuing operations attributable to Duke Energy Corporation common stockholders					
Basic	\$ 0.83	\$ 0.90	\$ 1.44	\$ 0.53	\$ 3.71
Diluted	\$ 0.83	\$ 0.90	\$ 1.44	\$ 0.53	\$ 3.71
Income (Loss) from discontinued operations attributable to Duke Energy Corporation common stockholders					
Basic	\$ 0.18	\$ (0.16)	\$ 0.26	\$ (0.86)	\$ (0.60)
Diluted	\$ 0.18	\$ (0.16)	\$ 0.26	\$ (0.86)	\$ (0.60)
Net income (loss) attributable to Duke Energy Corporation common stockholders					
Basic	\$ 1.01	\$ 0.74	\$ 1.70	\$ (0.33)	\$ 3.11
Diluted	\$ 1.01	\$ 0.74	\$ 1.70	\$ (0.33)	\$ 3.11

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The following table includes unusual or infrequently occurring items in each quarter during the two most recently completed fiscal years. All amounts discussed below are pretax.

(in millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2017					
Costs to Achieve Piedmont Merger (see Note 2)	\$ (16)	\$ (30)	\$ (23)	\$ (34)	\$ (103)
Regulatory Settlements (see Note 4)	—	—	(135)	(23)	(158)
Commercial Renewables Impairments (see Notes 10 and 11)	—	—	(84)	(18)	(102)
Impacts of the Tax Act (see Note 22)	—	—	—	102	102
Total	\$ (16)	\$ (30)	\$ (242)	\$ 27	\$ (261)
2016					
Costs to Achieve Mergers (see Note 2)	\$ (120)	\$ (111)	\$ (84)	\$ (208)	\$ (523)
Commercial Renewables Impairment (see Note 12)	—	—	(71)	—	(71)
Loss on Sale of International Disposal Group (see Note 2)	—	—	—	(514)	(514)
Impairment of Assets in Central America (see Note 2)	—	(194)	—	—	(194)
Cost Savings Initiatives (see Note 19)	(20)	(24)	(19)	(29)	(92)
Total	\$ (140)	\$ (329)	\$ (174)	\$ (751)	\$ (1,394)

DUKE ENERGY CAROLINAS

(in millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2017					
Operating revenues	\$ 1,716	\$ 1,729	\$ 2,136	\$ 1,721	\$ 7,302
Operating income	484	485	777	403	2,149
Net income	270	273	466	205	1,214
2016					
Operating revenues	\$ 1,740	\$ 1,675	\$ 2,226	\$ 1,681	\$ 7,322
Operating income	481	464	815	302	2,062
Net income	271	261	494	140	1,166

The following table includes unusual or infrequently occurring items in each quarter during the two most recently completed fiscal years. All amounts discussed below are pretax.

(in millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2017					
Costs to Achieve Piedmont Merger (see Note 2)	\$ (4)	\$ (6)	\$ (5)	\$ (5)	\$ (20)
Impacts of the Tax Act (see Note 22)	—	—	—	(15)	(15)
Total	\$ (4)	\$ (6)	\$ (5)	\$ (20)	\$ (35)
2016					
Costs to Achieve Mergers	\$ (11)	\$ (12)	\$ (13)	\$ (68)	\$ (104)
Cost Savings Initiatives (see Note 19)	(10)	(10)	(8)	(11)	(39)
Total	\$ (21)	\$ (22)	\$ (21)	\$ (79)	\$ (143)

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PROGRESS ENERGY

(in millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2017					
Operating revenues	\$ 2,179	\$ 2,392	\$ 2,864	\$ 2,348	\$ 9,783
Operating income	487	591	657	493	2,228
Net income	201	277	343	447	1,268
Net income attributable to Parent	199	274	341	444	1,258
2016					
Operating revenues	\$ 2,332	\$ 2,348	\$ 2,965	\$ 2,208	\$ 9,853
Operating income	475	560	814	292	2,141
Income from continuing operations	212	274	449	104	1,039
Net income	212	274	449	106	1,041
Net income attributable to Parent	209	272	446	104	1,031

The following table includes unusual or infrequently occurring items in each quarter during the two most recently completed fiscal years. All amounts discussed below are pretax.

(in millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2017					
Costs to Achieve Piedmont Merger (see Note 2)	\$ (4)	\$ (7)	\$ (6)	\$ (6)	\$ (23)
Regulatory Settlements (see Note 4)	—	—	(135)	(23)	(158)
Impacts of the Tax Act (see Note 22)	—	—	—	246	246
Total	\$ (4)	\$ (7)	\$ (141)	\$ 217	\$ 65
2016					
Costs to Achieve Mergers	\$ (7)	\$ (8)	\$ (10)	\$ (44)	\$ (69)
Cost Savings Initiatives (see Note 19)	(8)	(8)	(10)	(14)	(40)
Total	\$ (15)	\$ (16)	\$ (20)	\$ (58)	\$ (109)

DUKE ENERGY PROGRESS

(in millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2017					
Operating revenues	\$ 1,219	\$ 1,199	\$ 1,460	\$ 1,251	\$ 5,129
Operating income	286	282	411	256	1,235
Net income	147	154	246	168	715
2016					
Operating revenues	\$ 1,307	\$ 1,213	\$ 1,583	\$ 1,174	\$ 5,277
Operating income	258	255	438	135	1,086
Net income	137	131	271	60	599

The following table includes unusual or infrequently occurring items in each quarter during the two most recently completed fiscal years. All amounts discussed below are pretax.

(in millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2017					
Costs to Achieve Piedmont Merger (see Note 2)	\$ (2)	\$ (4)	\$ (4)	\$ (4)	\$ (14)
Regulatory Settlements (see Note 4)	—	—	—	(23)	(23)
Impacts of the Tax Act (see Note 22)	—	—	—	40	40
Total	\$ (2)	\$ (4)	\$ (4)	\$ 13	\$ 3
2016					
Costs to Achieve Mergers	\$ (5)	\$ (5)	\$ (6)	\$ (40)	\$ (56)
Cost Savings Initiatives (see Note 19)	(5)	(5)	(7)	(6)	(23)
Total	\$ (10)	\$ (10)	\$ (13)	\$ (46)	\$ (79)

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DUKE ENERGY FLORIDA

(in millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2017					
Operating revenues	\$ 959	\$ 1,191	\$ 1,401	\$ 1,095	\$ 4,646
Operating income	196	306	240	234	976
Net income	90	158	120	344	712
2016					
Operating revenues	\$ 1,024	\$ 1,133	\$ 1,381	\$ 1,030	\$ 4,568
Operating income	213	300	373	155	1,041
Net income	110	171	206	64	551

The following table includes unusual or infrequently occurring items in each quarter during the two most recently completed fiscal years. All amounts discussed below are pretax.

(in millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2017					
Costs to Achieve Piedmont Merger (see Note 2)	\$ (2)	\$ (3)	\$ (2)	\$ (2)	\$ (9)
Regulatory Settlements (see Note 4)	—	—	(135)	—	(135)
Impacts of the Tax Act (see Note 22)	—	—	—	226	226
Total	\$ (2)	\$ (3)	\$ (137)	\$ 224	\$ 82
2016					
Costs to Achieve Mergers	\$ (2)	\$ (3)	\$ (4)	\$ (4)	\$ (13)
Cost Savings Initiatives (see Note 19)	(2)	(3)	(3)	(9)	(17)
Total	\$ (4)	\$ (6)	\$ (7)	\$ (13)	\$ (30)

DUKE ENERGY OHIO

(in millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2017					
Operating revenues	\$ 518	\$ 437	\$ 471	\$ 497	\$ 1,923
Operating income	83	65	102	76	326
Loss from discontinued operations, net of tax	—	—	(1)	—	(1)
Net income	42	30	55	65	192
2016					
Operating revenues	\$ 516	\$ 428	\$ 489	\$ 511	\$ 1,944
Operating income	96	55	106	90	347
Income from discontinued operations, net of tax	2	—	34	—	36
Net income	59	23	89	57	228

The following table includes unusual or infrequently occurring items in each quarter during the two most recently completed fiscal years. All amounts discussed below are pretax.

(in millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2017					
Costs to Achieve Piedmont Merger (see Note 2)	\$ (1)	\$ (1)	\$ (2)	\$ (2)	\$ (6)
Impacts of the Tax Act (see Note 22)	—	—	—	23	23
Total	\$ (1)	\$ (1)	\$ (2)	\$ 21	\$ 17
2016					
Costs to Achieve Mergers	\$ (1)	\$ (1)	\$ (2)	\$ (2)	\$ (6)
Cost Savings Initiatives (see Note 19)	(1)	(1)	—	(1)	(3)
Total	\$ (2)	\$ (2)	\$ (2)	\$ (3)	\$ (9)

PART II

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 Consolidated Financial Statements – (Continued)

DUKE ENERGY INDIANA

(in millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2017					
Operating revenues	\$ 758	\$ 742	\$ 802	\$ 745	\$ 3,047
Operating income	186	210	230	170	796
Net income	91	106	121	36	354
2016					
Operating revenues	\$ 714	\$ 702	\$ 809	\$ 733	\$ 2,958
Operating income	176	174	239	176	765
Net income	95	85	129	72	381

The following table includes unusual or infrequently occurring items in each quarter during the two most recently completed fiscal years. All amounts discussed below are pretax.

(in millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2017					
Costs to Achieve Piedmont Merger (see Note 2)	\$ (1)	\$ (2)	\$ (2)	\$ (1)	\$ (6)
Impacts of the Tax Act (see Note 22)	—	—	—	(55)	(55)
Total	\$ (1)	\$ (2)	\$ (2)	\$ (56)	\$ (61)
2016					
Costs to Achieve Mergers	\$ (1)	\$ (2)	\$ (3)	\$ (3)	\$ (9)
Cost Savings Initiatives (see Note 19)	(1)	(4)	(1)	(1)	(7)
Total	\$ (2)	\$ (6)	\$ (4)	\$ (4)	\$ (16)

PIEDMONT

The following tables include data for Piedmont's fiscal years ending December 31, 2017, and October 31, 2016.

(in millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2017					
Operating revenues	\$ 500	\$ 201	\$ 183	\$ 444	\$ 1,328
Operating income (loss)	170	5	(4)	115	286
Net income (loss)	95	(8)	(11)	63	139
2016					
Operating revenues	\$ 464	\$ 353	\$ 160	\$ 172	\$ 1,149
Operating income (loss)	171	104	—	(50)	225
Net income (loss)	98	63	(7)	39	193

For the two months ended December 31, 2016, Piedmont's operating revenues, operating income, and net income were \$322 million, \$96 million and \$54 million, respectively.

The following table includes unusual or infrequently occurring items in each quarter during the two most recently completed fiscal years. All amounts discussed below are pretax.

(in millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
2017					
Costs to Achieve Piedmont Merger (see Note 2)	\$ (6)	\$ (13)	\$ (8)	\$ (19)	\$ (46)
Impacts of the Tax Act (see Note 22)	—	—	—	2	2
Total	\$ (6)	\$ (13)	\$ (8)	\$ (17)	\$ (44)
2016					
Costs to Achieve Mergers	\$ (6)	\$ (2)	\$ (1)	\$ (53)	\$ (62)

For the two months ended December 31, 2016, Piedmont's costs to achieve merger were \$7 million.

PART II

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART II

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

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

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, the Duke Energy Registrants have evaluated the effectiveness of their disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2017, and, based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are effective in providing reasonable assurance of compliance.

Changes in Internal Control Over Financial Reporting

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, the Duke Energy Registrants have evaluated changes in internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the fiscal quarter ended December 31, 2017, and have concluded no change has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

Management's Annual Report On Internal Control Over Financial Reporting

The Duke Energy Registrants' management is responsible for establishing and maintaining an adequate system of internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). The Duke Energy Registrants' internal control system was designed 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 in the United States. Due to inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness of the internal control over financial reporting to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

The Duke Energy Registrants' management, including their Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of the effectiveness of their internal control over financial reporting as of December 31, 2017, based on the framework in the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, management concluded that its internal controls over financial reporting were effective as of December 31, 2017.

Deloitte & Touche LLP, Duke Energy's independent registered public accounting firm, has issued an attestation report on the effectiveness of Duke Energy's internal control over financial reporting. This attestation report is included in Part II, Item 8 of this Form 10-K. This report is not applicable to the Subsidiary Registrants as these companies are not accelerated or large accelerated filers.

PART II

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Duke Energy Corporation and subsidiaries (the "Company") as of December 31, 2017, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets as of December 31, 2017, the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows, for the period ended December 31, 2017, and the related notes of the Company and our report dated February 23, 2018, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Annual Report On Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/Deloitte & Touche LLP

Charlotte, North Carolina

February 21, 2018

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information regarding Duke Energy's Executive Officers is set forth in Part I, Item 1, "Business – Executive Officers of the Registrants," in this Annual Report on Form 10-K. Duke Energy will provide information that is responsive to the remainder of this Item 10 in its definitive proxy statement or in an amendment to this Annual Report not later than 120 days after the end of the fiscal year covered by this Annual Report. That information is incorporated in this Item 10 by reference.

ITEM 11. EXECUTIVE COMPENSATION

Duke Energy will provide information that is responsive to this Item 11 in its definitive proxy statement or in an amendment to this Annual Report not later than 120 days after the end of the fiscal year covered by this Annual Report. That information is incorporated in this Item 11 by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Equity Compensation Plan Information

The following table shows information as of December 31, 2017, about securities to be issued upon exercise of outstanding options, warrants and rights under Duke Energy's equity compensation plans, along with the weighted-average exercise price of the outstanding options, warrants and rights and the number of securities remaining available for future issuance under the plans.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b) ⁽¹⁾	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	3,566,563 ⁽²⁾	n/a	7,314,882 ⁽³⁾
Equity compensation plans not approved by security holders	191,394 ⁽⁴⁾	n/a	n/a ⁽⁵⁾
Total	3,757,957	n/a	7,314,882

- (1) As of December 31, 2017, no options were outstanding under equity compensation plans.
- (2) Includes restricted stock units and performance shares (assuming the maximum payout level) granted under the Duke Energy Corporation 2010 Long-Term Incentive Plan or the Duke Energy Corporation 2015 Long-Term Incentive Plan, as well as shares that could be payable with respect to certain compensation deferred under the Duke Energy Corporation Executive Savings Plan (Executive Savings Plan) or the Duke Energy Corporation Directors' Savings Plan (Directors' Savings Plan).
- (3) Includes shares remaining available for issuance pursuant to stock awards under the Duke Energy Corporation 2015 Long-Term Incentive Plan.
- (4) Includes shares that could be payable with respect to certain compensation deferred under the Executive Savings Plan or and the Directors' Savings Plan, each of which is a nonqualified deferred compensation plan described in more detail below. Upon the acquisition of Piedmont Natural Gas Company, Inc., performance shares granted prior to such acquisition under the Piedmont Natural Gas Company, Inc. Incentive Compensation Plan were converted into restricted stock units payable in shares of Duke Energy common stock. As of December 31, 2017, 45,173 such restricted stock units were outstanding. Following the acquisition, no further stock awards were permitted to be granted under the Piedmont Natural Gas Company, Inc. Incentive Compensation Plan. These converted awards are not listed in the table above.
- (5) The number of shares remaining available for future issuance under equity compensation plans not approved by security holders cannot be determined because it is based on the amount of future voluntary deferrals, if any, under the Executive Savings Plan and the Directors' Savings Plan.

Under the Executive Savings Plan, participants can elect to defer a portion of their base salary and short-term incentive compensation. Participants also receive a company matching contribution in excess of the contribution limits prescribed by the Internal Revenue Code under the Duke Energy Retirement Savings Plan, which is the 401(k) plan in which employees are generally eligible to participate. In general, payments are made following termination of employment or death in the form of a lump sum or installments, as selected by the participant. Participants may direct the deemed investment of base salary deferrals, short-term incentive compensation deferrals and matching contributions among investment options available under the Duke Energy Retirement Savings Plan, including the Duke Energy Common Stock Fund. Participants may change their investment elections on a daily basis. Deferrals of equity awards are credited with earnings and losses based on the performance of the Duke Energy Common Stock Fund. The benefits payable under the plan are unfunded and subject to the claims of Duke Energy's creditors.

Under the Directors' Savings Plan, outside directors may elect to defer all or a portion of their annual compensation, generally consisting of retainers. Deferred amounts are credited to an unfunded account, the balance of which is adjusted for the performance of phantom investment options, including the Duke Energy common stock fund, as elected by the director, and generally are paid when the director terminates his or her service from the Board of Directors.