

**COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION**

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

**CASE NO. 2019-00271**

**FILING REQUIREMENTS**

**VOLUME 7**

**Duke Energy Kentucky, Inc.**  
**Case No. 2019-00271**  
**Forecasted Test Period Filing Requirements**  
**Table of Contents**

<b>Vol. #</b>	<b>Tab #</b>	<b>Filing Requirement</b>	<b>Description</b>	<b>Sponsoring Witness</b>
1	1	KRS 278.180	30 days' notice of rates to PSC.	Amy B. Spiller
1	2	807 KAR 5:001 Section 7(1)	The original and 10 copies of application plus copy for anyone named as interested party.	Amy B. Spiller
1	3	807 KAR 5:001 Section 12(2)	<p>(a) Amount and kinds of stock authorized.</p> <p>(b) Amount and kinds of stock issued and outstanding.</p> <p>(c) Terms of preference of preferred stock whether cumulative or participating, or on dividends or assets or otherwise.</p> <p>(d) Brief description of each mortgage on property of applicant, giving date of execution, name of mortgagor, name of mortgagee, or trustee, amount of indebtedness authorized to be secured thereby, and the amount of indebtedness actually secured, together with any sinking fund provisions.</p> <p>(e) Amount of bonds authorized, and amount issued, giving the name of the public utility which issued the same, describing each class separately, and giving date of issue, face value, rate of interest, date of maturity and how secured, together with amount of interest paid thereon during the last fiscal year.</p> <p>(f) Each note outstanding, giving date of issue, amount, date of maturity, rate of interest, in whose favor, together with amount of interest paid thereon during the last fiscal year.</p> <p>(g) Other indebtedness, giving same by classes and describing security, if any, with a brief statement of the devolution or assumption of any portion of such indebtedness upon or by person or corporation if the original liability has been transferred, together with amount of interest paid thereon during the last fiscal year.</p> <p>(h) Rate and amount of dividends paid during the five (5) previous fiscal years, and the amount of capital stock on which dividends were paid each year.</p> <p>(i) Detailed income statement and balance sheet.</p>	Christopher M. Jacobi Danielle L. Weatherston
1	4	807 KAR 5:001 Section 14(1)	Full name, mailing address, and electronic mail address of applicant and reference to the particular provision of law requiring PSC approval.	Amy B. Spiller
1	5	807 KAR 5:001 Section 14(2)	If a corporation, the applicant shall identify in the application the state in which it is incorporated and the date of its incorporation, attest that it is currently in good standing in the state in which it is incorporated, and, if it is not a Kentucky corporation, state if it is authorized to transact business in Kentucky.	Amy B. Spiller

1	6	807 KAR 5:001 Section 14(3)	If a limited liability company, the applicant shall identify in the application the state in which it is organized and the date on which it was organized, attest that it is in good standing in the state in which it is organized, and, if it is not a Kentucky limited liability company, state if it is authorized to transact business in Kentucky.	Amy B. Spiller
1	7	807 KAR 5:001 Section 14(4)	If the applicant is a limited partnership, a certified copy of its limited partnership agreement and all amendments, if any, shall be annexed to the application, or a written statement attesting that its partnership agreement and all amendments have been filed with the commission in a prior proceeding and referencing the case number of the prior proceeding.	Amy B. Spiller
1	8	807 KAR 5:001 Section 16 (1)(b)(1)	Reason adjustment is required.	Amy B. Spiller William Don Wathen, Jr.
1	9	807 KAR 5:001 Section 16 (1)(b)(2)	Certified copy of certificate of assumed name required by KRS 365.015 or statement that certificate not necessary.	Amy B. Spiller
1	10	807 KAR 5:001 Section 16 (1)(b)(3)	New or revised tariff sheets, if applicable in a format that complies with 807 KAR 5:011 with an effective date not less than thirty (30) days from the date the application is filed	Jeff L. Kern
1	11	807 KAR 5:001 Section 16 (1)(b)(4)	Proposed tariff changes shown by present and proposed tariffs in comparative form or by indicating additions in italics or by underscoring and striking over deletions in current tariff.	Jeff L. Kern
1	12	807 KAR 5:001 Section 16 (1)(b)(5)	A statement that notice has been given in compliance with Section 17 of this administrative regulation with a copy of the notice.	Amy B. Spiller
1	13	807 KAR 5:001 Section 16(2)	If gross annual revenues exceed \$5,000,000, written notice of intent filed at least 30 days, but not more than 60 days prior to application. Notice shall state whether application will be supported by historical or fully forecasted test period.	Amy B. Spiller
1	14	807 KAR 5:001 Section 16(3)	Notice given pursuant to Section 17 of this administrative regulation shall satisfy the requirements of 807 KAR 5:051, Section 2.	Amy B. Spiller
1	15	807 KAR 5:001 Section 16(6)(a)	The financial data for the forecasted period shall be presented in the form of pro forma adjustments to the base period.	Christopher M. Jacobi
1	16	807 KAR 5:001 Section 16(6)(b)	Forecasted adjustments shall be limited to the twelve (12) months immediately following the suspension period.	Sarah E. Lawler Melissa B. Abernathy Christopher M. Jacobi
1	17	807 KAR 5:001 Section 16(6)(c)	Capitalization and net investment rate base shall be based on a thirteen (13) month average for the forecasted period.	Sarah E. Lawler
1	18	807 KAR 5:001 Section 16(6)(d)	After an application based on a forecasted test period is filed, there shall be no revisions to the forecast, except for the correction of mathematical errors, unless the revisions reflect statutory or regulatory enactments that could not, with reasonable diligence, have been included in the forecast on the date it was filed. There shall be no revisions filed within thirty (30) days of a scheduled hearing on the rate application.	Christopher M. Jacobi

1	19	807 KAR 5:001 Section 16(6)(e)	The commission may require the utility to prepare an alternative forecast based on a reasonable number of changes in the variables, assumptions, and other factors used as the basis for the utility's forecast.	Christopher M. Jacobi
1	20	807 KAR 5:001 Section 16(6)(f)	The utility shall provide a reconciliation of the rate base and capital used to determine its revenue requirements.	Sarah E. Lawler
1	21	807 KAR 5:001 Section 16(7)(a)	Prepared testimony of each witness supporting its application including testimony from chief officer in charge of Kentucky operations on the existing programs to achieve improvements in efficiency and productivity, including an explanation of the purpose of the program.	All Witnesses
1	22	807 KAR 5:001 Section 16(7)(b)	Most recent capital construction budget containing at minimum 3 year forecast of construction expenditures.	Christopher M. Jacobi James Michael Mosley Ash M. Norton
1	23	807 KAR 5:001 Section 16(7)(c)	Complete description, which may be in prefiled testimony form, of all factors used to prepare forecast period. All econometric models, variables, assumptions, escalation factors, contingency provisions, and changes in activity levels shall be quantified, explained, and properly supported.	Christopher M. Jacobi
1	24	807 KAR 5:001 Section 16(7)(d)	Annual and monthly budget for the 12 months preceding filing date, base period and forecasted period.	Christopher M. Jacobi
1	25	807 KAR 5:001 Section 16(7)(e)	Attestation signed by utility's chief officer in charge of Kentucky operations providing: 1. That forecast is reasonable, reliable, made in good faith and that all basic assumptions used have been identified and justified; and 2. That forecast contains same assumptions and methodologies used in forecast prepared for use by management, or an identification and explanation for any differences; and 3. That productivity and efficiency gains are included in the forecast.	Amy B. Spiller
1	26	807 KAR 5:001 Section 16(7)(f)	For each major construction project constituting 5% or more of annual construction budget within 3 year forecast, following information shall be filed: 1. Date project began or estimated starting date; 2. Estimated completion date; 3. Total estimated cost of construction by year exclusive and inclusive of Allowance for Funds Used During construction ("AFUDC") or Interest During construction Credit; and 4. Most recent available total costs incurred exclusive and inclusive of AFUDC or Interest During Construction Credit.	Christopher M. Jacobi James Michael Mosley Ash M. Norton
1	27	807 KAR 5:001 Section 16(7)(g)	For all construction projects constituting less than 5% of annual construction budget within 3 year forecast, file aggregate of information requested in paragraph (f) 3 and 4 of this subsection.	Christopher M. Jacobi James Michael Mosley Ash M. Norton

1	28	807 KAR 5:001 Section 16(7)(h)	Financial forecast for each of 3 forecasted years included in capital construction budget supported by underlying assumptions made in projecting results of operations and including the following information: 1. Operating income statement (exclusive of dividends per share or earnings per share); 2. Balance sheet; 3. Statement of cash flows; 4. Revenue requirements necessary to support the forecasted rate of return; 5. Load forecast including energy and demand (electric); 6. Access line forecast (telephone); 7. Mix of generation (electric); 8. Mix of gas supply (gas); 9. Employee level; 10. Labor cost changes; 11. Capital structure requirements; 12. Rate base; 13. Gallons of water projected to be sold (water); 14. Customer forecast (gas, water); 15. MCF sales forecasts (gas); 16. Toll and access forecast of number of calls and number of minutes (telephone); and 17. A detailed explanation of any other information provided.	Christopher M. Jacobi John A. Verderame Benjamin W. B. Passty
1	29	807 KAR 5:001 Section 16(7)(i)	Most recent FERC or FCC audit reports.	Danielle L. Weatherston
1	30	807 KAR 5:001 Section 16(7)(j)	Prospectuses of most recent stock or bond offerings.	Christopher M. Jacobi
1	31	807 KAR 5:001 Section 16(7)(k)	Most recent FERC Form 1 (electric), FERC Form 2 (gas), or PSC Form T (telephone).	Danielle L. Weatherston
2	32	807 KAR 5:001 Section 16(7)(l)	Annual report to shareholders or members and statistical supplements for the most recent 2 years prior to application filing date.	Christopher M. Jacobi
3	33	807 KAR 5:001 Section 16(7)(m)	Current chart of accounts if more detailed than Uniform System of Accounts charts.	Danielle L. Weatherston
3	34	807 KAR 5:001 Section 16(7)(n)	Latest 12 months of the monthly managerial reports providing financial results of operations in comparison to forecast.	Danielle L. Weatherston
3	35	807 KAR 5:001 Section 16(7)(o)	Complete monthly budget variance reports, with narrative explanations, for the 12 months prior to base period, each month of base period, and subsequent months, as available.	Danielle L. Weatherston Christopher M. Jacobi
3-9	36	807 KAR 5:001 Section 16(7)(p)	SEC's annual report for most recent 2 years, Form 10-Ks and any Form 8-Ks issued during prior 2 years and any Form 10-Qs issued during past 6 quarters.	Danielle L. Weatherston
9	37	807 KAR 5:001 Section 16(7)(q)	Independent auditor's annual opinion report, with any written communication which indicates the existence of a material weakness in internal controls.	Danielle L. Weatherston
9	38	807 KAR 5:001 Section 16(7)(r)	Quarterly reports to the stockholders for the most recent 5 quarters.	Christopher M. Jacobi

10	39	807 KAR 5:001 Section 16(7)(s)	Summary of latest depreciation study with schedules itemized by major plant accounts, except that telecommunications utilities adopting PSC's average depreciation rates shall identify current and base period depreciation rates used by major plant accounts. If information has been filed in another PSC case, refer to that case's number and style.	John J. Spanos
10	40	807 KAR 5:001 Section 16(7)(t)	List all commercial or in-house computer software, programs, and models used to develop schedules and work papers associated with application. Include each software, program, or model; its use; identify the supplier of each; briefly describe software, program, or model; specifications for computer hardware and operating system required to run program	Sarah E. Lawler
10	41	807 KAR 5:001 Section 16(7)(u)	If utility had any amounts charged or allocated to it by affiliate or general or home office or paid any monies to affiliate or general or home office during the base period or during previous 3 calendar years, file: 1. Detailed description of method of calculation and amounts allocated or charged to utility by affiliate or general or home office for each allocation or payment; 2. method and amounts allocated during base period and method and estimated amounts to be allocated during forecasted test period; 3. Explain how allocator for both base and forecasted test period was determined; and 4. All facts relied upon, including other regulatory approval, to demonstrate that each amount charged, allocated or paid during base period is reasonable.	Jeffrey R. Setser
10	42	807 KAR 5:001 Section 16(7)(v)	If gas, electric or water utility with annual gross revenues greater than \$5,000,000, cost of service study based on methodology generally accepted in industry and based on current and reliable data from single time period.	James E. Ziolkowski
10	43	807 KAR 5:001 Section 16(7)(w)	Local exchange carriers with fewer than 50,000 access lines need not file cost of service studies, except as specifically directed by PSC. Local exchange carriers with more than 50,000 access lines shall file: 1. Jurisdictional separations study consistent with Part 36 of the FCC's rules and regulations; and 2. Service specific cost studies supporting pricing of services generating annual revenue greater than \$1,000,000 except local exchange access: a. Based on current and reliable data from single time period; and b. Using generally recognized fully allocated, embedded, or incremental cost principles.	N/A
10	44	807 KAR 5:001 Section 16(8)(a)	Jurisdictional financial summary for both base and forecasted periods detailing how utility derived amount of requested revenue increase.	Sarah E. Lawler

10	45	807 KAR 5:001 Section 16(8)(b)	Jurisdictional rate base summary for both base and forecasted periods with supporting schedules which include detailed analyses of each component of the rate base.	Sarah E. Lawler Melissa B. Abernathy Christopher M. Jacobi John R. Panizza James E. Ziolkowski Danielle L. Weatherston
10	46	807 KAR 5:001 Section 16(8)(c)	Jurisdictional operating income summary for both base and forecasted periods with supporting schedules which provide breakdowns by major account group and by individual account.	Sarah E. Lawler
10	47	807 KAR 5:001 Section 16(8)(d)	Summary of jurisdictional adjustments to operating income by major account with supporting schedules for individual adjustments and jurisdictional factors.	Sarah E. Lawler Melissa B. Abernathy Christopher M. Jacobi James E. Ziolkowski
10	48	807 KAR 5:001 Section 16(8)(e)	Jurisdictional federal and state income tax summary for both base and forecasted periods with all supporting schedules of the various components of jurisdictional income taxes.	John R. Panizza
10	49	807 KAR 5:001 Section 16(8)(f)	Summary schedules for both base and forecasted periods (utility may also provide summary segregating items it proposes to recover in rates) of organization membership dues; initiation fees; expenditures for country club; charitable contributions; marketing, sales, and advertising; professional services; civic and political activities; employee parties and outings; employee gifts; and rate cases.	Sarah E. Lawler
10	50	807 KAR 5:001 Section 16(8)(g)	Analyses of payroll costs including schedules for wages and salaries, employee benefits, payroll taxes, straight time and overtime hours, and executive compensation by title.	Sarah E. Lawler Renee H. Metzler
10	51	807 KAR 5:001 Section 16(8)(h)	Computation of gross revenue conversion factor for forecasted period.	Sarah E. Lawler
10	52	807 KAR 5:001 Section 16(8)(i)	Comparative income statements (exclusive of dividends per share or earnings per share), revenue statistics and sales statistics for 5 calendar years prior to application filing date, base period, forecasted period, and 2 calendar years beyond forecast period.	Danielle L. Weatherston Christopher M. Jacobi
10	53	807 KAR 5:001 Section 16(8)(j)	Cost of capital summary for both base and forecasted periods with supporting schedules providing details on each component of the capital structure.	Christopher M. Jacobi
10	54	807 KAR 5:001 Section 16(8)(k)	Comparative financial data and earnings measures for the 10 most recent calendar years, base period, and forecast period.	Melissa B. Abernathy Christopher M. Jacobi Danielle L. Weatherston
10	55	807 KAR 5:001 Section 16(8)(l)	Narrative description and explanation of all proposed tariff changes.	Jeff L. Kern
10	56	807 KAR 5:001 Section 16(8)(m)	Revenue summary for both base and forecasted periods with supporting schedules which provide detailed billing analyses for all customer classes.	Jeff L. Kern
10	57	807 KAR 5:001 Section 16(8)(n)	Typical bill comparison under present and proposed rates for all customer classes.	Jeff L. Kern
10	58	807 KAR 5:001 Section 16(9)	The commission shall notify the applicant of any deficiencies in the application within thirty (30) days of the application's submission. An application shall not be accepted for filing until the utility has cured all noted deficiencies.	William Don Wathen, Jr.

10	59	807 KAR 5:001 Section 16(10)	Request for waivers from the requirements of this section shall include the specific reasons for the request. The commission shall grant the request upon good cause shown by the utility.	Legal
10	60	807 KAR 5:001 Section (17)(1)	<p>(1) Public postings.</p> <p>(a) A utility shall post at its place of business a copy of the notice no later than the date the application is submitted to the commission.</p> <p>(b) A utility that maintains a Web site shall, within five (5) business days of the date the application is submitted to the commission, post on its Web sites:</p> <ol style="list-style-type: none"> <li>1. A copy of the public notice; and</li> <li>2. A hyperlink to the location on the commission's Web site where the case documents are available.</li> </ol> <p>(c) The information required in paragraphs (a) and (b) of this subsection shall not be removed until the commission issues a final decision on the application.</p>	Amy B. Spiller
10	61	807 KAR 5:001 Section 17(2)	<p>(2) Customer Notice.</p> <p>(a) If a utility has twenty (20) or fewer customers, the utility shall mail a written notice to each customer no later than the date on which the application is submitted to the commission.</p> <p>(b) If a utility has more than twenty (20) customers, it shall provide notice by:</p> <ol style="list-style-type: none"> <li>1. Including notice with customer bills mailed no later than the date the application is submitted to the commission;</li> <li>2. Mailing a written notice to each customer no later than the date the application is submitted to the commission;</li> <li>3. Publishing notice once a week for three (3) consecutive weeks in a prominent manner in a newspaper of general circulation in the utility's service area, the first publication to be made no later than the date the application is submitted to the commission; or</li> <li>4. Publishing notice in a trade publication or newsletter delivered to all customers no later than the date the application is submitted to the commission.</li> </ol> <p>(c) A utility that provides service in more than one (1) county may use a combination of the notice methods listed in paragraph (b) of this subsection.</p>	Amy B. Spiller



10	62	807 KAR 5:001 Section 17(3)	<p>(3) Proof of Notice. A utility shall file with the commission no later than forty-five (45) days from the date the application was initially submitted to the commission:</p> <p>(a) If notice is mailed to its customers, an affidavit from an authorized representative of the utility verifying the contents of the notice, that notice was mailed to all customers, and the date of the mailing;</p> <p>(b) If notice is published in a newspaper of general circulation in the utility's service area, an affidavit from the publisher verifying the contents of the notice, that the notice was published, and the dates of the notice's publication; or</p> <p>(c) If notice is published in a trade publication or newsletter delivered to all customers, an affidavit from an authorized representative of the utility verifying the contents of the notice, the mailing of the trade publication or newsletter, that notice was included in the publication or newsletter, and the date of mailing.</p>	Amy B. Spiller
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10	63	807 KAR 5:001 Section 17(4)	<p>(4) Notice Content. Each notice issued in accordance with this section shall contain:</p> <p>(a) The proposed effective date and the date the proposed rates are expected to be filed with the commission;</p> <p>(b) The present rates and proposed rates for each customer classification to which the proposed rates will apply;</p> <p>(c) The amount of the change requested in both dollar amounts and percentage change for each customer classification to which the proposed rates will apply;</p> <p>(d) The amount of the average usage and the effect upon the average bill for each customer classification to which the proposed rates will apply, except for local exchange companies, which shall include the effect upon the average bill for each customer classification for the proposed rate change in basic local service;</p> <p>(e) A statement that a person may examine this application at the offices of (utility name) located at (utility address);</p> <p>(f) A statement that a person may examine this application at the commission's offices located at 211 Sower Boulevard, Frankfort, Kentucky, Monday through Friday, 8:00 a.m. to 4:30 p.m., or through the commission's Web site at <a href="http://psc.ky.gov">http://psc.ky.gov</a>;</p> <p>(g) A statement that comments regarding the application may be submitted to the Public Service Commission through its Web site or by mail to Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602;</p> <p>(h) A statement that the rates contained in this notice are the rates proposed by (utility name) but that the Public Service Commission may order rates to be charged that differ from the proposed rates contained in this notice;</p> <p>(i) A statement that a person may submit a timely written request for intervention to the Public Service Commission, Post Office Box 615, Frankfort, Kentucky 40602, establishing the grounds for the request including the status and interest of the party; and</p> <p>(j) A statement that if the commission does not receive a written request for intervention within thirty (30) days of initial publication or mailing of the notice, the commission may take final action on the application.</p>	Jeff L. Kern
10	64	807 KAR 5:001 Section 17(5)	(5) Abbreviated form of notice. Upon written request, the commission may grant a utility permission to use an abbreviated form of published notice of the proposed rates, provided the notice includes a coupon that may be used to obtain all the required information.	N/A

11	-	807 KAR 5:001 Section 16(8)(a) through (k)	Schedule Book (Schedules A-K)	Various
12	-	807 KAR 5:001 Section 16(8)(l) through (n)	Schedule Book (Schedules L-N)	Jeff L. Kern
13	-	-	Work Papers	Various
14	-	807 KAR 5:001 Section 16(7)(a)	Testimony (Volume 1 of 4)	Various
15	-	807 KAR 5:001 Section 16(7)(a)	Testimony (Volume 2 of 4)	Various
16	-	807 KAR 5:001 Section 16(7)(a)	Testimony (Volume 3 of 4)	Various
17	-	807 KAR 5:001 Section 16(7)(a)	Testimony (Volume 4 of 4)	Various
18-19	-	KRS 278.2205(6)	Cost Allocation Manual	Legal

**TAB 36 CONTINUED**

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

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended September 30, 2017  
OR

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

Registrant, State of Incorporation or Organization,  
Address of Principal Executive Offices and Telephone Number

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Commission file number IRS Employer Identification No.



1-32853

**DUKE ENERGY CORPORATION**  
(a Delaware corporation)  
550 South Tryon Street  
Charlotte, North Carolina 28202-1803  
704-382-3853

20-2777218

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

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

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

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

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

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

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

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

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

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

Number of shares of Common stock outstanding at September 30, 2017:

Registrant	Description	Shares
Duke Energy	Common stock, \$0.001 par value	699,975,614

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

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

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## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

- State, federal and foreign legislative and regulatory initiatives, including costs of compliance with existing and future environmental requirements, including those related to climate change, as well as rulings that affect cost and investment recovery or have an impact on rate structures or market prices;
  - The extent and timing of costs and liabilities to comply with federal and state laws, regulations and legal requirements related to coal ash remediation, including amounts for required closure of certain ash impoundments, are uncertain and difficult to estimate;
  - The ability to recover eligible costs, including amounts associated with coal ash impoundment retirement obligations and costs related to significant weather events, and to earn an adequate return on investment through rate case proceedings and the regulatory process;
  - The costs of decommissioning Crystal River Unit 3 and other nuclear facilities could prove to be more extensive than amounts estimated and all costs may not be fully recoverable through the regulatory process;
  - Costs and effects of legal and administrative proceedings, settlements, investigations and claims;
  - Industrial, commercial and residential growth or decline in service territories or customer bases resulting from sustained downturns of the economy and the economic health of our service territories or variations in customer usage patterns, including energy efficiency efforts and use of alternative energy sources, such as self-generation and distributed generation technologies;
  - Federal and state regulations, laws and other efforts designed to promote and expand the use of energy efficiency measures and distributed generation technologies, such as private solar and battery storage, in Duke Energy service territories could result in customers leaving the electric distribution system, excess generation resources as well as stranded costs;
  - Advancements in technology;
  - Additional competition in electric and natural gas markets and continued industry consolidation;
  - The influence of weather and other natural phenomena on operations, including the economic, operational and other effects of severe storms, hurricanes, droughts, earthquakes and tornadoes, including extreme weather associated with climate change;
  - The ability to successfully operate electric generating facilities and deliver electricity to customers including direct or indirect effects to the company resulting from an incident that affects the U.S. electric grid or generating resources;
  - The ability to complete necessary or desirable pipeline expansion or infrastructure projects in our natural gas business;
  - Operational interruptions to our natural gas distribution and transmission activities;
  - The availability of adequate interstate pipeline transportation capacity and natural gas supply;
  - The impact on facilities and business from a terrorist attack, cybersecurity threats, data security breaches and other catastrophic events, such as fires, explosions, pandemic health events or other similar occurrences;
  - The inherent risks associated with the operation and potential construction of nuclear facilities, including environmental, health, safety, regulatory and financial risks, including the financial stability of third-party service providers;
  - The timing and extent of changes in commodity prices and interest rates and the ability to recover such costs through the regulatory process, where appropriate, and their impact on liquidity positions and the value of underlying assets;
  - The results of financing efforts, including the ability to obtain financing on favorable terms, which can be affected by various factors, including credit ratings, interest rate fluctuations and general economic conditions;
  - Credit ratings of the Duke Energy Registrants may be different from what is expected;
  - Declines in the market prices of equity and fixed-income securities and resultant cash funding requirements for defined benefit pension plans, other post-retirement benefit plans and nuclear decommissioning trust funds;
  - Construction and development risks associated with the completion of the Duke Energy Registrants' capital investment projects, including risks related to financing, obtaining and complying with terms of permits, meeting construction budgets and schedules and satisfying operating and environmental performance standards, as well as the ability to recover costs from customers in a timely manner, or at all;
  - Changes in rules for regional transmission organizations, including changes in rate designs and new and evolving capacity markets, and risks related to obligations created by the default of other participants;
  - The ability to control operation and maintenance costs;
  - The level of creditworthiness of counterparties to transactions;
  - Employee workforce factors, including the potential inability to attract and retain key personnel;
  - The ability of subsidiaries to pay dividends or distributions to Duke Energy Corporation holding company (the Parent);
  - The performance of projects undertaken by our nonregulated businesses and the success of efforts to invest in and develop new opportunities;
  - The effect of accounting pronouncements issued periodically by accounting standard-setting bodies;
-



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

Additional risks and uncertainties are identified and discussed in the Duke Energy Registrants' reports filed with the SEC and available at the SEC's website at [www.sec.gov](http://www.sec.gov). In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than described. Forward-looking statements speak only as of the date they are made and the Duke Energy Registrants expressly disclaim an obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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PART I. FINANCIAL INFORMATION

**ITEM 1. FINANCIAL STATEMENTS**

**DUKE ENERGY CORPORATION**  
**Condensed Consolidated Statements of Operations**  
**(Unaudited)**

(in millions, except per-share amounts)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
<b>Operating Revenues</b>				
Regulated electric	\$ 6,091	\$ 6,303	\$ 16,122	\$ 16,321
Regulated natural gas	247	89	1,168	355
Nonregulated electric and other	144	184	476	490
Total operating revenues	6,482	6,576	17,766	17,166
<b>Operating Expenses</b>				
Fuel used in electric generation and purchased power	1,863	2,031	4,853	5,140
Cost of natural gas	68	6	402	64
Operation, maintenance and other	1,442	1,460	4,282	4,227
Depreciation and amortization	900	819	2,594	2,402
Property and other taxes	313	302	924	887
Impairment charges	207	10	216	14
Total operating expenses	4,793	4,628	13,271	12,734
<b>Gains on Sales of Other Assets and Other, net</b>	<b>6</b>	<b>6</b>	<b>24</b>	<b>21</b>
<b>Operating Income</b>	<b>1,695</b>	<b>1,954</b>	<b>4,519</b>	<b>4,453</b>
<b>Other Income and Expenses</b>				
Equity in earnings (losses) of unconsolidated affiliates	36	(60)	101	(37)
Other income and expenses, net	88	86	255	237
Total other income and expenses	124	26	356	200
<b>Interest Expense</b>	<b>498</b>	<b>464</b>	<b>1,475</b>	<b>1,431</b>
<b>Income From Continuing Operations Before Income Taxes</b>	<b>1,321</b>	<b>1,516</b>	<b>3,400</b>	<b>3,222</b>
<b>Income Tax Expense from Continuing Operations</b>	<b>364</b>	<b>515</b>	<b>1,035</b>	<b>1,020</b>
<b>Income From Continuing Operations</b>	<b>957</b>	<b>1,001</b>	<b>2,365</b>	<b>2,202</b>
<b>(Loss) Income From Discontinued Operations, net of tax</b>	<b>(2)</b>	<b>180</b>	<b>(4)</b>	<b>190</b>
<b>Net Income</b>	<b>955</b>	<b>1,181</b>	<b>2,361</b>	<b>2,392</b>
<b>Less: Net Income Attributable to Noncontrolling Interests</b>	<b>1</b>	<b>5</b>	<b>5</b>	<b>13</b>
<b>Net Income Attributable to Duke Energy Corporation</b>	<b>\$ 954</b>	<b>\$ 1,176</b>	<b>\$ 2,356</b>	<b>\$ 2,379</b>
<b>Earnings Per Share – Basic and Diluted</b>				
Income from continuing operations attributable to Duke Energy Corporation common stockholders				
Basic	\$ 1.36	\$ 1.44	\$ 3.37	\$ 3.19
Diluted	\$ 1.36	\$ 1.44	\$ 3.37	\$ 3.18
Income (Loss) from discontinued operations attributable to Duke Energy Corporation common stockholders				
Basic	\$ —	\$ 0.26	\$ (0.01)	\$ 0.26
Diluted	\$ —	\$ 0.26	\$ (0.01)	\$ 0.26
Net income attributable to Duke Energy Corporation common stockholders				
Basic	\$ 1.36	\$ 1.70	\$ 3.36	\$ 3.45
Diluted	\$ 1.36	\$ 1.70	\$ 3.36	\$ 3.44
Weighted average shares outstanding				
Basic	700	689	700	689
Diluted	700	691	700	690

See Notes to Condensed Consolidated Financial Statements

PART I

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

(in millions)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
<b>Net Income</b>	<b>\$ 955</b>	<b>\$ 1,181</b>	<b>\$ 2,361</b>	<b>\$ 2,392</b>
<b>Other Comprehensive Income, net of tax</b>				
Foreign currency translation adjustments	—	(12)	—	95
Pension and OPEB adjustments	—	—	2	2
Net unrealized gains (losses) on cash flow hedges	2	6	(2)	(19)
Reclassification into earnings from cash flow hedges	(2)	1	3	3
Unrealized gains on available-for-sale securities	2	—	10	7
<b>Other Comprehensive Income (Loss), net of tax</b>	<b>2</b>	<b>(5)</b>	<b>13</b>	<b>88</b>
<b>Comprehensive Income</b>	<b>957</b>	<b>1,176</b>	<b>2,374</b>	<b>2,480</b>
<b>Less: Comprehensive Income Attributable to Noncontrolling Interests</b>	<b>1</b>	<b>4</b>	<b>5</b>	<b>16</b>
<b>Comprehensive Income Attributable to Duke Energy Corporation</b>	<b>\$ 956</b>	<b>\$ 1,172</b>	<b>\$ 2,369</b>	<b>\$ 2,464</b>

See Notes to Condensed Consolidated Financial Statements

PART I

DUKE ENERGY CORPORATION  
Condensed Consolidated Balance Sheets  
(Unaudited)

(in millions)	September 30, 2017	December 31, 2016
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 282	\$ 392
Receivables (net of allowance for doubtful accounts of \$13 at 2017 and \$14 at 2016)	528	751
Receivables of VIEs (net of allowance for doubtful accounts of \$54 at 2017 and 2016)	2,089	1,893
Inventory	3,265	3,522
Regulatory assets (includes \$51 at 2017 and \$50 at 2016 related to VIEs)	1,109	1,023
Other	433	458
Total current assets	7,706	8,039
<b>Property, Plant and Equipment</b>		
Cost	125,582	121,397
Accumulated depreciation and amortization	(41,161)	(39,406)
Generation facilities to be retired, net	441	529
Net property, plant and equipment	84,862	82,520
<b>Other Noncurrent Assets</b>		
Goodwill	19,418	19,425
Regulatory assets (includes \$1,101 at 2017 and \$1,142 at 2016 related to VIEs)	13,367	12,878
Nuclear decommissioning trust funds	6,814	6,205
Investments in equity method unconsolidated affiliates	1,366	925
Other	2,792	2,769
Total other noncurrent assets	43,757	42,202
<b>Total Assets</b>	<b>\$ 136,325</b>	<b>\$ 132,761</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 2,645	\$ 2,994
Notes payable and commercial paper	1,899	2,487
Taxes accrued	627	384
Interest accrued	538	503
Current maturities of long-term debt (includes \$215 at 2017 and \$260 at 2016 related to VIEs)	2,485	2,319
Asset retirement obligations	619	411
Regulatory liabilities	273	409
Other	1,734	2,044
Total current liabilities	10,820	11,551
<b>Long-Term Debt (includes \$4,219 at 2017 and \$3,587 at 2016 related to VIEs)</b>	<b>48,929</b>	<b>45,576</b>
<b>Other Noncurrent Liabilities</b>		
Deferred income taxes	15,058	14,155
Asset retirement obligations	9,586	10,200
Regulatory liabilities	7,027	6,881
Accrued pension and other post-retirement benefit costs	1,105	1,111
Investment tax credits	534	493
Other	1,624	1,753
Total other noncurrent liabilities	34,934	34,593
<b>Commitments and Contingencies</b>		
<b>Equity</b>		
Common stock, \$0.001 par value, 2 billion shares authorized; 700 million shares outstanding at 2017 and 2016	1	1
Additional paid-in capital	38,774	38,741
Retained earnings	2,936	2,384
Accumulated other comprehensive loss	(80)	(93)
Total Duke Energy Corporation stockholders' equity	41,631	41,033
Noncontrolling interests	11	8
Total equity	41,642	41,041
<b>Total Liabilities and Equity</b>	<b>\$ 136,325</b>	<b>\$ 132,761</b>

See Notes to Condensed Consolidated Financial Statements  
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PART I

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

(in millions)	Nine Months Ended September 30,	
	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 2,361	\$ 2,392
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion (including amortization of nuclear fuel)	2,990	2,847
Equity component of AFUDC	(175)	(140)
Gains on sales of other assets	(28)	(27)
Impairment charges	216	279
Deferred income taxes	1,016	648
Equity in earnings of unconsolidated affiliates	(101)	(34)
Accrued pension and other post-retirement benefit costs	19	12
Contributions to qualified pension plans	(8)	—
Payments for asset retirement obligations	(420)	(443)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	4	36
Receivables	80	(276)
Inventory	248	455
Other current assets	(176)	(163)
Increase (decrease) in		
Accounts payable	(554)	(207)
Taxes accrued	233	417
Other current liabilities	(532)	(157)
Other assets	(160)	(64)
Other liabilities	(2)	36
Net cash provided by operating activities	5,011	5,611
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(5,841)	(5,252)
Contributions to equity method investments	(370)	(198)
Purchases of available-for-sale securities	(3,170)	(4,048)
Proceeds from sales and maturities of available-for-sale securities	3,199	4,107
Change in restricted cash	(29)	(34)
Other	(149)	(130)
Net cash used in investing activities	(6,360)	(5,555)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from the:		
Issuance of long-term debt	5,710	8,647
Issuance of common stock related to employee benefit plans	—	7
Payments for the redemption of long-term debt	(2,035)	(988)
Proceeds from the issuance of short-term debt with original maturities greater than 90 days	265	1,424
Payments for the redemption of short-term debt with original maturities greater than 90 days	(237)	(492)
Notes payable and commercial paper	(647)	(1,579)
Dividends paid	(1,825)	(1,731)
Other	8	(22)
Net cash provided by financing activities	1,239	5,266
Changes in cash and cash equivalents associated with assets held for sale	—	11
Net (decrease) increase in cash and cash equivalents	(110)	5,333
<b>Cash and cash equivalents at beginning of period</b>	<b>392</b>	<b>383</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 282</b>	<b>\$ 5,716</b>
<b>Supplemental Disclosures:</b>		
Significant non-cash transactions:		
Accrued capital expenditures	\$ 740	\$ 631

See Notes to Condensed Consolidated Financial Statements

PART I

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

(in millions)	Accumulated Other Comprehensive Loss											Total Equity
	Common		Additional		Foreign		Net		Net		Total Duke Energy Corporation	
	Stock Shares	Common Stock	Paid-in Capital	Retained Earnings	Currency Translation Adjustments	Losses on Cash Flow Hedges	on Available- for-Sale- Securities	Pension and OPEB Adjustments	Unrealized (Losses) Gains	Stockholders' Equity		
<b>Balance at December 31, 2015</b>	688	\$ 1	\$ 37,968	\$ 2,564	\$ (692)	\$ (50)	\$ (3)	\$ (61)	\$ 39,727	\$ 44	\$ 39,771	
Net income	—	—	—	2,379	—	—	—	—	2,379	13	2,392	
Other comprehensive income (loss)	—	—	—	—	92	(16)	7	2	85	3	88	
Common stock issuances, including dividend reinvestment and employee benefits	1	—	29	—	—	—	—	—	29	—	29	
Common stock dividends	—	—	—	(1,731)	—	—	—	—	(1,731)	—	(1,731)	
Distributions to noncontrolling interest in subsidiaries	—	—	—	—	—	—	—	—	—	(3)	(3)	
<b>Balance at September 30, 2016</b>	689	\$ 1	\$ 37,997	\$ 3,212	\$ (600)	\$ (66)	\$ 4	\$ (59)	\$ 40,489	\$ 57	\$ 40,546	
<b>Balance at December 31, 2016</b>	700	\$ 1	\$ 38,741	\$ 2,384	\$ —	\$ (20)	\$ (1)	\$ (72)	\$ 41,033	\$ 8	\$ 41,041	
Net income	—	—	—	2,356	—	—	—	—	2,356	5	2,361	
Other comprehensive income	—	—	—	—	—	1	10	2	13	—	13	
Common stock issuances, including dividend reinvestment and employee benefits	—	—	33	—	—	—	—	—	33	—	33	
Common stock dividends	—	—	—	(1,825)	—	—	—	—	(1,825)	—	(1,825)	
Distributions to noncontrolling interest in subsidiaries	—	—	—	—	—	—	—	—	—	(2)	(2)	
Other <sup>(a)</sup>	—	—	—	21	—	—	—	—	21	—	21	
<b>Balance at September 30, 2017</b>	700	\$ 1	\$ 38,774	\$ 2,936	\$ —	\$ (19)	\$ 9	\$ (70)	\$ 41,631	\$ 11	\$ 41,642	

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



PART I

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

(in millions)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
<b>Operating Revenues</b>	\$ 2,136	\$ 2,226	\$ 5,581	\$ 5,641
<b>Operating Expenses</b>				
Fuel used in electric generation and purchased power	531	581	1,394	1,391
Operation, maintenance and other	480	493	1,431	1,481
Depreciation and amortization	281	268	804	802
Property and other taxes	67	68	206	206
Total operating expenses	1,359	1,410	3,835	3,880
<b>Loss on Sales of Other Assets and Other, net</b>	—	(1)	—	(1)
<b>Operating Income</b>	777	815	1,746	1,760
<b>Other Income and Expenses, net</b>	26	39	99	121
<b>Interest Expense</b>	108	102	314	316
<b>Income Before Income Taxes</b>	695	752	1,531	1,565
<b>Income Tax Expense</b>	229	258	522	539
<b>Net Income</b>	\$ 466	\$ 494	\$ 1,009	\$ 1,026
<b>Other Comprehensive Income, net of tax</b>				
Reclassification into earnings from cash flow hedges	—	—	1	1
<b>Comprehensive Income</b>	\$ 466	\$ 494	\$ 1,010	\$ 1,027

See Notes to Condensed Consolidated Financial Statements

PART I

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

(in millions)	September 30, 2017	December 31, 2016
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 18	\$ 14
Receivables (net of allowance for doubtful accounts of \$2 at 2017 and 2016)	180	160
Receivables of VIEs (net of allowance for doubtful accounts of \$7 at 2017 and 2016)	691	645
Receivables from affiliated companies	146	163
Notes receivable from affiliated companies	—	66
Inventory	1,000	1,055
Regulatory assets	237	238
Other	27	37
Total current assets	2,299	2,378
<b>Property, Plant and Equipment</b>		
Cost	42,321	41,127
Accumulated depreciation and amortization	(14,969)	(14,365)
Net property, plant and equipment	27,352	26,762
<b>Other Noncurrent Assets</b>		
Regulatory assets	3,077	3,159
Nuclear decommissioning trust funds	3,621	3,273
Other	910	943
Total other noncurrent assets	7,608	7,375
<b>Total Assets</b>	<b>\$ 37,259</b>	<b>\$ 36,515</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 726	\$ 833
Accounts payable to affiliated companies	159	247
Notes payable to affiliated companies	468	—
Taxes accrued	368	143
Interest accrued	135	102
Current maturities of long-term debt	705	116
Asset retirement obligations	304	222
Regulatory liabilities	105	161
Other	435	468
Total current liabilities	3,405	2,292
<b>Long-Term Debt</b>		
<b>Long-Term Debt Payable to Affiliated Companies</b>	<b>300</b>	<b>300</b>
<b>Other Noncurrent Liabilities</b>		
Deferred income taxes	6,796	6,544
Asset retirement obligations	3,297	3,673
Regulatory liabilities	2,884	2,840
Accrued pension and other post-retirement benefit costs	108	97
Investment tax credits	234	203
Other	559	607
Total other noncurrent liabilities	13,878	13,964
<b>Commitments and Contingencies</b>		
<b>Equity</b>		
Member's equity	11,164	10,781
Accumulated other comprehensive loss	(8)	(9)
Total equity	11,156	10,772
<b>Total Liabilities and Equity</b>	<b>\$ 37,259</b>	<b>\$ 36,515</b>

See Notes to Condensed Consolidated Financial Statements

PART I

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

(in millions)	Nine Months Ended September 30,	
	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 1,009	\$ 1,026
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including amortization of nuclear fuel)	1,051	1,020
Equity component of AFUDC	(79)	(75)
Losses on sales of other assets and other, net	—	1
Deferred income taxes	330	382
Accrued pension and other post-retirement benefit costs	—	3
Payments for asset retirement obligations	(201)	(204)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	1	4
Receivables	(40)	(191)
Receivables from affiliated companies	17	19
Inventory	50	217
Other current assets	8	81
Increase (decrease) in		
Accounts payable	(78)	(179)
Accounts payable to affiliated companies	(88)	(100)
Taxes accrued	225	248
Other current liabilities	(149)	51
Other assets	(18)	57
Other liabilities	(26)	(15)
Net cash provided by operating activities	2,012	2,345
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(1,747)	(1,531)
Purchases of available-for-sale securities	(1,660)	(2,070)
Proceeds from sales and maturities of available-for-sale securities	1,664	2,070
Notes receivable from affiliated companies	66	131
Other	(58)	(65)
Net cash used in investing activities	(1,735)	(1,465)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from the issuance of long-term debt	—	992
Payments for the redemption of long-term debt	(115)	(3)
Notes payable to affiliated companies	468	—
Distributions to parent	(625)	(1,800)
Other	(1)	—
Net cash used in financing activities	(273)	(811)
Net increase in cash and cash equivalents	4	69
<b>Cash and cash equivalents at beginning of period</b>	<b>14</b>	<b>13</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 18</b>	<b>\$ 82</b>
<b>Supplemental Disclosures:</b>		
Significant non-cash transactions:		
Accrued capital expenditures	\$ 292	\$ 228

See Notes to Condensed Consolidated Financial Statements

PART I

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

(in millions)	Member's Equity	Accumulated Other Comprehensive Loss		Total Equity
		Net Losses on Cash Flow Hedges		
<b>Balance at December 31, 2015</b>	\$ 11,617	\$	(11)	\$ 11,606
Net income	1,026		—	1,026
Other comprehensive income	—		1	1
Distributions to parent	(1,800)		—	(1,800)
Other	(3)		—	(3)
<b>Balance at September 30, 2016</b>	\$ 10,840	\$	(10)	\$ 10,830
<b>Balance at December 31, 2016</b>	\$ 10,781	\$	(9)	\$ 10,772
Net income	1,009		—	1,009
Other comprehensive income	—		1	1
Distributions to parent	(625)		—	(625)
Other	(1)		—	(1)
<b>Balance at September 30, 2017</b>	\$ 11,164	\$	(8)	\$ 11,156

See Notes to Condensed Consolidated Financial Statements

PART I

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

(in millions)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
<b>Operating Revenues</b>	\$ 2,864	\$ 2,965	\$ 7,435	\$ 7,645
<b>Operating Expenses</b>				
Fuel used in electric generation and purchased power	1,031	1,120	2,588	2,832
Operation, maintenance and other	572	582	1,650	1,699
Depreciation and amortization	334	318	958	904
Property and other taxes	140	136	386	375
Impairment charges	135	1	137	4
Total operating expenses	2,212	2,157	5,719	5,814
<b>Gains on Sales of Other Assets and Other, net</b>	5	6	19	18
<b>Operating Income</b>	657	814	1,735	1,849
<b>Other Income and Expenses, net</b>	20	31	65	79
<b>Interest Expense</b>	193	177	595	497
<b>Income Before Income Taxes</b>	484	668	1,205	1,431
<b>Income Tax Expense</b>	141	219	384	496
<b>Net Income</b>	343	449	821	935
<b>Less: Net Income Attributable to Noncontrolling Interests</b>	2	3	7	8
<b>Net Income Attributable to Parent</b>	\$ 341	\$ 446	\$ 814	\$ 927
<b>Net Income</b>	\$ 343	\$ 449	\$ 821	\$ 935
<b>Other Comprehensive Income, net of tax</b>				
Pension and OPEB adjustments	3	—	5	2
Net unrealized (loss) gain on cash flow hedges	(2)	—	4	—
Reclassification into earnings from cash flow hedges	—	1	—	4
Unrealized gains on available-for-sale securities	1	1	3	2
<b>Other Comprehensive Income, net of tax</b>	2	2	12	8
<b>Comprehensive Income</b>	345	451	833	943
<b>Less: Comprehensive Income Attributable to Noncontrolling Interests</b>	2	3	7	8
<b>Comprehensive Income Attributable to Parent</b>	\$ 343	\$ 448	\$ 826	\$ 935

See Notes to Condensed Consolidated Financial Statements

PART I

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

(in millions)	September 30, 2017	December 31, 2016
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 30	\$ 46
Receivables (net of allowance for doubtful accounts of \$4 at 2017 and \$6 at 2016)	93	114
Receivables of VIEs (net of allowance for doubtful accounts of \$7 at 2017 and 2016)	900	692
Receivables from affiliated companies	—	106
Notes receivable from affiliated companies	170	80
Inventory	1,584	1,717
Regulatory assets (includes \$51 at 2017 and \$50 at 2016 related to VIEs)	440	401
Other	243	148
Total current assets	3,460	3,304
<b>Property, Plant and Equipment</b>		
Cost	46,659	44,864
Accumulated depreciation and amortization	(15,760)	(15,212)
Generation facilities to be retired, net	441	529
Net property, plant and equipment	31,340	30,181
<b>Other Noncurrent Assets</b>		
Goodwill	3,655	3,655
Regulatory assets (includes \$1,101 at 2017 and \$1,142 at 2016 related to VIEs)	6,438	5,722
Nuclear decommissioning trust funds	3,194	2,932
Other	909	856
Total other noncurrent assets	14,196	13,165
<b>Total Assets</b>	<b>\$ 48,996</b>	<b>\$ 46,650</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 1,015	\$ 1,003
Accounts payable to affiliated companies	289	348
Notes payable to affiliated companies	576	729
Taxes accrued	227	83
Interest accrued	216	201
Current maturities of long-term debt (includes \$53 at 2017 and \$62 at 2016 related to VIEs)	770	778
Asset retirement obligations	250	189
Regulatory liabilities	121	189
Other	652	745
Total current liabilities	4,116	4,265
<b>Long-Term Debt (includes \$1,689 at 2017 and \$1,741 at 2016 related to VIEs)</b>	<b>16,717</b>	<b>15,590</b>
<b>Long-Term Debt Payable to Affiliated Companies</b>	<b>150</b>	<b>1,173</b>
<b>Other Noncurrent Liabilities</b>		
Deferred income taxes	6,463	5,246
Asset retirement obligations	5,189	5,286
Regulatory liabilities	2,511	2,395
Accrued pension and other post-retirement benefit costs	535	547
Other	298	341
Total other noncurrent liabilities	14,996	13,815
<b>Commitments and Contingencies</b>		
<b>Equity</b>		
Common stock, \$0.01 par value, 100 shares authorized and outstanding at 2017 and 2016	—	—
Additional paid-in capital	9,143	8,094
Retained earnings	3,906	3,764
Accumulated other comprehensive loss	(26)	(38)
Total Progress Energy, Inc. stockholders' equity	13,023	11,820
Noncontrolling interests	(6)	(13)

Total equity		13,017		11,807
<b>Total Liabilities and Equity</b>	<b>\$</b>	<b>48,996</b>	<b>\$</b>	<b>46,650</b>

See Notes to Condensed Consolidated Financial Statements  
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PART I

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

(in millions)	Nine Months Ended September 30,	
	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 821	\$ 935
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion (including amortization of nuclear fuel)	1,130	1,071
Equity component of AFUDC	(68)	(51)
Gains on sales of other assets	(20)	(23)
Impairment charges	137	4
Deferred income taxes	651	425
Accrued pension and other post-retirement benefit costs	(9)	(19)
Payments for asset retirement obligations	(190)	(203)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	1	33
Receivables	(182)	(155)
Receivables from affiliated companies	102	329
Inventory	126	99
Other current assets	(279)	(30)
Increase (decrease) in		
Accounts payable	(281)	(24)
Accounts payable to affiliated companies	(59)	(109)
Taxes accrued	143	159
Other current liabilities	(184)	(156)
Other assets	(100)	(90)
Other liabilities	(85)	(4)
Net cash provided by operating activities	1,654	2,191
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(2,419)	(2,286)
Purchases of available-for-sale securities	(1,393)	(1,849)
Proceeds from sales and maturities of available-for-sale securities	1,411	1,899
Proceeds from insurance	4	58
Notes receivable from affiliated companies	(90)	(43)
Change in restricted cash	5	(6)
Other	(40)	(17)
Net cash used in investing activities	(2,522)	(2,244)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from the issuance of long-term debt	1,720	2,375
Payments for the redemption of long-term debt	(611)	(327)
Notes payable to affiliated companies	(129)	(798)
Dividends to parent	(125)	(1,075)
Other	(3)	(1)
Net cash provided by financing activities	852	174
Net (decrease) increase in cash and cash equivalents	(16)	121
Cash and cash equivalents at beginning of period	46	44
Cash and cash equivalents at end of period	\$ 30	\$ 165
<b>Supplemental Disclosures:</b>		
Significant non-cash transactions:		
Accrued capital expenditures	\$ 174	\$ 228
Equitization of certain notes payable to affiliates	1,047	—
Dividend to parent related to a legal entity restructuring	547	—

See Notes to Condensed Consolidated Financial Statements



PART I

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

(in millions)	Accumulated Other Comprehensive Loss								Total
	Additional Paid-in Capital	Retained Earnings	Net Unrealized			Total Progress Energy, Inc. Stockholders' Equity	Noncontrolling Interests	Total Equity	
			Net Losses on Cash Flow Hedges	Gains on Available-for- Sale Securities	Pension and OPEB Adjustments				
<b>Balance at December 31, 2015</b>	\$ 8,092	\$ 4,831	\$ (31)	\$ —	\$ (17)	\$ 12,875	\$ (22)	\$ 12,853	
Net income	—	927	—	—	—	927	8	935	
Other comprehensive income	—	—	4	2	2	8	—	8	
Distributions to noncontrolling interests	—	—	—	—	—	—	(1)	(1)	
Dividends to parent	—	(1,075)	—	—	—	(1,075)	—	(1,075)	
Other	4	—	—	—	—	4	(1)	3	
<b>Balance at September 30, 2016</b>	\$ 8,096	\$ 4,683	\$ (27)	\$ 2	\$ (15)	\$ 12,739	\$ (16)	\$ 12,723	
<b>Balance at December 31, 2016</b>	\$ 8,094	\$ 3,764	\$ (23)	\$ 1	\$ (16)	\$ 11,820	\$ (13)	\$ 11,807	
Net income	—	814	—	—	—	814	7	821	
Other comprehensive income	—	—	4	3	5	12	—	12	
Dividends to parent <sup>(a)</sup>	—	(672)	—	—	—	(672)	—	(672)	
Equitization of certain notes payable to affiliates	1,047	—	—	—	—	1,047	—	1,047	
Other	2	—	—	—	—	2	—	2	
<b>Balance at September 30, 2017</b>	\$ 9,143	\$ 3,906	\$ (19)	\$ 4	\$ (11)	\$ 13,023	\$ (6)	\$ 13,017	

(a) Includes a \$547 million non-cash dividend related to a legal entity restructuring.

PART I

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

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
<b>Operating Revenues</b>	\$ 1,460	\$ 1,583	\$ 3,878	\$ 4,103
<b>Operating Expenses</b>				
Fuel used in electric generation and purchased power	475	569	1,214	1,441
Operation, maintenance and other	352	360	1,032	1,067
Depreciation and amortization	182	176	536	526
Property and other taxes	40	40	120	119
Impairment charges	—	1	—	1
Total operating expenses	1,049	1,146	2,902	3,154
<b>Gains on Sales of Other Assets and Other, net</b>	—	1	3	2
<b>Operating Income</b>	411	438	979	951
<b>Other Income and Expenses, net</b>	14	18	47	47
<b>Interest Expense</b>	65	61	217	188
<b>Income Before Income Taxes</b>	360	395	809	810
<b>Income Tax Expense</b>	114	124	262	271
<b>Net Income and Comprehensive Income</b>	\$ 246	\$ 271	\$ 547	\$ 539

See Notes to Condensed Consolidated Financial Statements

PART I

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

(in millions)	September 30, 2017	December 31, 2016
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 15	\$ 11
Receivables (net of allowance for doubtful accounts of \$1 at 2017 and \$4 at 2016)	29	51
Receivables of VIEs (net of allowance for doubtful accounts of \$5 at 2017 and 2016)	472	404
Receivables from affiliated companies	8	5
Notes receivable from affiliated companies	101	165
Inventory	1,018	1,076
Regulatory assets	230	188
Other	40	57
Total current assets	1,913	1,957
<b>Property, Plant and Equipment</b>		
Cost	29,104	28,419
Accumulated depreciation and amortization	(10,793)	(10,561)
Generation facilities to be retired, net	441	529
Net property, plant and equipment	18,752	18,387
<b>Other Noncurrent Assets</b>		
Regulatory assets	3,588	3,243
Nuclear decommissioning trust funds	2,463	2,217
Other	565	525
Total other noncurrent assets	6,616	5,985
<b>Total Assets</b>	<b>\$ 27,281</b>	<b>\$ 26,329</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 271	\$ 589
Accounts payable to affiliated companies	207	227
Taxes accrued	137	104
Interest accrued	91	102
Current maturities of long-term debt	203	452
Asset retirement obligations	250	189
Regulatory liabilities	107	158
Other	318	365
Total current liabilities	1,584	2,186
<b>Long-Term Debt</b>		
<b>Long-Term Debt Payable to Affiliated Companies</b>	<b>150</b>	<b>150</b>
<b>Other Noncurrent Liabilities</b>		
Deferred income taxes	3,606	3,323
Asset retirement obligations	4,426	4,508
Regulatory liabilities	2,097	1,946
Accrued pension and other post-retirement benefit costs	246	252
Investment tax credits	144	146
Other	44	51
Total other noncurrent liabilities	10,563	10,226
<b>Commitments and Contingencies</b>		
<b>Equity</b>		
<b>Member's Equity</b>	<b>7,780</b>	<b>7,358</b>
<b>Total Liabilities and Equity</b>	<b>\$ 27,281</b>	<b>\$ 26,329</b>

See Notes to Condensed Consolidated Financial Statements

PART I

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

(in millions)	Nine Months Ended September 30,	
	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 547	\$ 539
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including amortization of nuclear fuel)	691	679
Equity component of AFUDC	(35)	(34)
Gains on sales of other assets	(4)	(4)
Impairment charges	—	1
Deferred income taxes	287	325
Accrued pension and other post-retirement benefit costs	(15)	(24)
Payments for asset retirement obligations	(149)	(163)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	(2)	—
Receivables	(47)	(78)
Receivables from affiliated companies	(3)	11
Inventory	52	91
Other current assets	(34)	37
Increase (decrease) in		
Accounts payable	(286)	(44)
Accounts payable to affiliated companies	(20)	(47)
Taxes accrued	33	76
Other current liabilities	(139)	37
Other assets	(49)	(32)
Other liabilities	(9)	(10)
Net cash provided by operating activities	818	1,360
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(1,247)	(1,106)
Purchases of available-for-sale securities	(995)	(1,470)
Proceeds from sales and maturities of available-for-sale securities	974	1,448
Notes receivable from affiliated companies	64	(65)
Other	(26)	(27)
Net cash used in investing activities	(1,230)	(1,220)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from the issuance of long-term debt	812	505
Payments for the redemption of long-term debt	(270)	(15)
Notes payable to affiliated companies	—	(209)
Distributions to parent	(125)	(301)
Other	(1)	1
Net cash provided by (used in) financing activities	416	(19)
Net increase in cash and cash equivalents	4	121
Cash and cash equivalents at beginning of period	11	15
Cash and cash equivalents at end of period	\$ 15	\$ 136
<b>Supplemental Disclosures:</b>		
Significant non-cash transactions:		
Accrued capital expenditures	\$ 116	\$ 66

See Notes to Condensed Consolidated Financial Statements

PART I

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

(in millions)	Member's Equity
<b>Balance at December 31, 2015</b>	\$ 7,059
Net income	539
Distributions to parent	(301)
<b>Balance at September 30, 2016</b>	\$ 7,297
<b>Balance at December 31, 2016</b>	\$ 7,358
Net income	547
Distributions to parent	(125)
<b>Balance at September 30, 2017</b>	\$ 7,780

See Notes to Condensed Consolidated Financial Statements  
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PART I

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

(in millions)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
<b>Operating Revenues</b>	\$ 1,401	\$ 1,381	\$ 3,551	\$ 3,538
<b>Operating Expenses</b>				
Fuel used in electric generation and purchased power	557	550	1,374	1,391
Operation, maintenance and other	216	219	610	623
Depreciation and amortization	154	142	423	378
Property and other taxes	99	96	265	256
Impairment charges	135	1	137	4
Total operating expenses	1,161	1,008	2,809	2,652
<b>Operating Income</b>	240	373	742	886
<b>Other Income and Expenses, net</b>	15	11	45	30
<b>Interest Expense</b>	71	62	211	143
<b>Income Before Income Taxes</b>	184	322	576	773
<b>Income Tax Expense</b>	64	116	208	286
<b>Net Income</b>	\$ 120	\$ 206	\$ 368	\$ 487
<b>Other Comprehensive Income, net of tax</b>				
Unrealized gains on available-for-sale securities	1	1	3	2
<b>Comprehensive Income</b>	\$ 121	\$ 207	\$ 371	\$ 489

See Notes to Condensed Consolidated Financial Statements

PART I

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

(in millions)	September 30, 2017	December 31, 2016
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 8	\$ 16
Receivables (net of allowance for doubtful accounts of \$3 at 2017 and \$2 at 2016)	61	61
Receivables of VIEs (net of allowance for doubtful accounts of \$2 at 2017 and 2016)	428	288
Receivables from affiliated companies	—	5
Notes receivable from affiliated companies	70	—
Inventory	566	641
Regulatory assets (includes \$51 at 2017 and \$50 at 2016 related to VIEs)	211	213
Other (includes \$20 at 2017 and \$53 at 2016 related to VIEs)	154	125
Total current assets	1,498	1,349
<b>Property, Plant and Equipment</b>		
Cost	17,546	16,434
Accumulated depreciation and amortization	(4,960)	(4,644)
Net property, plant and equipment	12,586	11,790
<b>Other Noncurrent Assets</b>		
Regulatory assets (includes \$1,101 at 2017 and \$1,142 at 2016 related to VIEs)	2,850	2,480
Nuclear decommissioning trust funds	731	715
Other	293	278
Total other noncurrent assets	3,874	3,473
<b>Total Assets</b>	<b>\$ 17,958</b>	<b>\$ 16,612</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 744	\$ 413
Accounts payable to affiliated companies	90	125
Notes payable to affiliated companies	—	297
Taxes accrued	143	33
Interest accrued	71	49
Current maturities of long-term debt (includes \$53 at 2017 and \$62 at 2016 related to VIEs)	567	326
Regulatory liabilities	14	31
Other	310	352
Total current liabilities	1,939	1,626
<b>Long-Term Debt (includes \$1,389 at 2017 and \$1,442 at 2016 related to VIEs)</b>	<b>6,129</b>	<b>5,799</b>
<b>Other Noncurrent Liabilities</b>		
Deferred income taxes	3,076	2,694
Asset retirement obligations	763	778
Regulatory liabilities	414	448
Accrued pension and other post-retirement benefit costs	257	262
Other	106	105
Total other noncurrent liabilities	4,616	4,287
<b>Commitments and Contingencies</b>		
<b>Equity</b>		
Member's equity	5,270	4,899
Accumulated other comprehensive income	4	1
Total equity	5,274	4,900
<b>Total Liabilities and Equity</b>	<b>\$ 17,958</b>	<b>\$ 16,612</b>

See Notes to Condensed Consolidated Financial Statements

PART I

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

(in millions)	Nine Months Ended September 30,	
	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 368	\$ 487
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	431	383
Equity component of AFUDC	(33)	(16)
Impairment charges	137	4
Deferred income taxes	366	136
Accrued pension and other post-retirement benefit costs	3	2
Payments for asset retirement obligations	(41)	(41)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	3	34
Receivables	(140)	(78)
Receivables from affiliated companies	1	41
Inventory	74	8
Other current assets	(162)	(32)
Increase (decrease) in		
Accounts payable	6	20
Accounts payable to affiliated companies	(35)	(55)
Taxes accrued	109	61
Other current liabilities	(45)	(183)
Other assets	(35)	(56)
Other liabilities	(71)	1
Net cash provided by operating activities	936	716
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(1,172)	(1,179)
Purchases of available-for-sale securities	(398)	(379)
Proceeds from sales and maturities of available-for-sale securities	437	450
Proceeds from insurance	4	58
Notes receivable from affiliated companies	(70)	—
Change in restricted cash	—	(6)
Other	(14)	10
Net cash used in investing activities	(1,213)	(1,046)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from the issuance of long-term debt	908	1,870
Payments for the redemption of long-term debt	(341)	(12)
Notes payable to affiliated companies	(297)	(750)
Distributions to parent	—	(774)
Other	(1)	(2)
Net cash provided by financing activities	269	332
Net (decrease) increase in cash and cash equivalents	(8)	2
<b>Cash and cash equivalents at beginning of period</b>	<b>16</b>	<b>8</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 8</b>	<b>\$ 10</b>
<b>Supplemental Disclosures:</b>		
Significant non-cash transactions:		
Accrued capital expenditures	\$ 102	\$ 162

See Notes to Condensed Consolidated Financial Statements



PART I

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

(in millions)			Accumulated Other Comprehensive Income		Total Equity
	Member's Equity	Net Unrealized Gains on Available-for-Sale Securities			
<b>Balance at December 31, 2015</b>	\$ 5,121	\$ —	\$ —	\$ —	\$ 5,121
Net income	487	—	—	—	487
Other comprehensive income	—	2	—	—	2
Distributions to parent	(774)	—	—	—	(774)
Other	3	—	—	—	3
<b>Balance at September 30, 2016</b>	\$ 4,837	\$ 2	\$ 2	\$ —	\$ 4,839
<b>Balance at December 31, 2016</b>	\$ 4,899	\$ 1	\$ 1	\$ —	\$ 4,900
Net income	368	—	—	—	368
Other comprehensive income	—	3	—	—	3
Other	3	—	—	—	3
<b>Balance at September 30, 2017</b>	\$ 5,270	\$ 4	\$ 4	\$ —	\$ 5,274

See Notes to Condensed Consolidated Financial Statements  
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PART I

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

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
<b>Operating Revenues</b>				
Regulated electric	\$ 371	\$ 390	\$ 1,036	\$ 1,053
Regulated natural gas	90	89	360	358
Nonregulated electric and other	10	10	30	22
Total operating revenues	471	489	1,426	1,433
<b>Operating Expenses</b>				
Fuel used in electric generation and purchased power – regulated	100	129	283	340
Fuel used in electric generation and purchased power – nonregulated	13	14	42	37
Cost of natural gas	5	6	69	64
Operation, maintenance and other	124	126	385	367
Depreciation and amortization	63	50	193	175
Property and other taxes	65	59	204	195
Impairment charges	—	—	1	—
Total operating expenses	370	384	1,177	1,178
<b>Gains on Sales of Other Assets and Other, net</b>	1	1	1	2
<b>Operating Income</b>	102	106	250	257
<b>Other Income and Expenses, net</b>	4	3	12	6
<b>Interest Expense</b>	22	22	67	63
<b>Income From Continuing Operations Before Income Taxes</b>	84	87	195	200
<b>Income Tax Expense From Continuing Operations</b>	28	32	67	65
<b>Income From Continuing Operations</b>	56	55	128	135
<b>(Loss) Income From Discontinued Operations, net of tax</b>	(1)	34	(1)	36
<b>Net Income and Comprehensive Income</b>	\$ 55	\$ 89	\$ 127	\$ 171

See Notes to Condensed Consolidated Financial Statements  
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PART I

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

(in millions)	September 30, 2017	December 31, 2016
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 7	\$ 13
Receivables (net of allowance for doubtful accounts of \$2 at 2017 and 2016)	68	71
Receivables from affiliated companies	81	129
Notes receivable from affiliated companies	87	94
Inventory	139	137
Regulatory assets	57	37
Other	18	37
Total current assets	457	518
<b>Property, Plant and Equipment</b>		
Cost	8,509	8,126
Accumulated depreciation and amortization	(2,658)	(2,579)
Net property, plant and equipment	5,851	5,547
<b>Other Noncurrent Assets</b>		
Goodwill	920	920
Regulatory assets	510	520
Other	27	23
Total other noncurrent assets	1,457	1,463
<b>Total Assets</b>	<b>\$ 7,765</b>	<b>\$ 7,528</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 251	\$ 282
Accounts payable to affiliated companies	59	63
Notes payable to affiliated companies	—	16
Taxes accrued	157	178
Interest accrued	33	19
Current maturities of long-term debt	—	1
Asset retirement obligations	6	—
Regulatory liabilities	15	21
Other	74	91
Total current liabilities	595	671
<b>Long-Term Debt</b>	<b>2,042</b>	<b>1,858</b>
<b>Long-Term Debt Payable to Affiliated Companies</b>	<b>25</b>	<b>25</b>
<b>Other Noncurrent Liabilities</b>		
Deferred income taxes	1,512	1,443
Asset retirement obligations	75	77
Regulatory liabilities	232	236
Accrued pension and other post-retirement benefit costs	52	56
Other	134	166
Total other noncurrent liabilities	2,005	1,978
<b>Commitments and Contingencies</b>		
<b>Equity</b>		
Common stock, \$8.50 par value, 120 million shares authorized; 90 million shares outstanding at 2017 and 2016	762	762
Additional paid-in capital	2,670	2,695
Accumulated deficit	(334)	(461)
Total equity	3,098	2,996
<b>Total Liabilities and Equity</b>	<b>\$ 7,765</b>	<b>\$ 7,528</b>

See Notes to Condensed Consolidated Financial Statements

PART I

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

(in millions)	Nine Months Ended September 30,	
	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 127	\$ 171
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	196	178
Equity component of AFUDC	(8)	(4)
Gains on sales of other assets	(1)	(2)
Impairment charges	1	—
Deferred income taxes	70	36
Accrued pension and other post-retirement benefit costs	3	4
Contributions to qualified pension plans	(4)	—
Payments for asset retirement obligations	(4)	(4)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	1	—
Receivables	3	(1)
Receivables from affiliated companies	48	(3)
Inventory	1	(5)
Other current assets	(8)	50
Increase (decrease) in		
Accounts payable	(48)	13
Accounts payable to affiliated companies	(4)	(4)
Taxes accrued	(21)	(13)
Other current liabilities	(6)	(53)
Other assets	(13)	(8)
Other liabilities	(2)	(28)
Net cash provided by operating activities	331	327
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(457)	(334)
Notes receivable from affiliated companies	7	(47)
Other	(25)	(21)
Net cash used in investing activities	(475)	(402)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from the issuance of long-term debt	182	341
Payments for the redemption of long-term debt	(2)	(53)
Notes payable to affiliated companies	(16)	(103)
Dividends to parent	(25)	(25)
Other	(1)	—
Net cash provided by financing activities	138	160
Net (decrease) increase in cash and cash equivalents	(6)	85
<b>Cash and cash equivalents at beginning of period</b>	<b>13</b>	<b>14</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 7</b>	<b>\$ 99</b>
<b>Supplemental Disclosures:</b>		
Significant non-cash transactions:		
Accrued capital expenditures	\$ 65	\$ 56

See Notes to Condensed Consolidated Financial Statements

PART I

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

(in millions)	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total Equity
<b>Balance at December 31, 2015</b>	\$ 762	\$ 2,720	\$ (698)	\$ 2,784
Net income	—	—	171	171
Dividends to parent	—	(25)	—	(25)
Contribution from parent	—	—	9	9
<b>Balance at September 30, 2016</b>	\$ 762	\$ 2,695	\$ (518)	\$ 2,939
<b>Balance at December 31, 2016</b>	\$ 762	\$ 2,695	\$ (461)	\$ 2,996
Net income	—	—	127	127
Dividends to parent	—	(25)	—	(25)
<b>Balance at September 30, 2017</b>	\$ 762	\$ 2,670	\$ (334)	\$ 3,098

See Notes to Condensed Consolidated Financial Statements

PART I

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

(in millions)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
<b>Operating Revenues</b>	\$ 802	\$ 809	\$ 2,302	\$ 2,225
<b>Operating Expenses</b>				
Fuel used in electric generation and purchased power	259	242	744	690
Operation, maintenance and other	175	175	541	526
Depreciation and amortization	120	123	336	345
Property and other taxes	19	22	56	67
Impairment charges	—	8	—	8
Total operating expenses	573	570	1,677	1,636
<b>Gain on Sale of Other Assets and Other, net</b>	1	—	1	—
<b>Operating Income</b>	230	239	626	589
<b>Other Income and Expenses, net</b>	10	5	27	15
<b>Interest Expense</b>	44	45	132	136
<b>Income Before Income Taxes</b>	196	199	521	468
<b>Income Tax Expense</b>	75	70	203	159
<b>Net Income</b>	\$ 121	\$ 129	\$ 318	\$ 309
<b>Other Comprehensive Loss, net of tax</b>				
Reclassification into earnings from cash flow hedges	—	—	—	(1)
<b>Comprehensive Income</b>	\$ 121	\$ 129	\$ 318	\$ 308

See Notes to Condensed Consolidated Financial Statements  
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PART I

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

(in millions)	September 30, 2017	December 31, 2016
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 22	\$ 17
Receivables (net of allowance for doubtful accounts of \$1 at 2017 and 2016)	74	105
Receivables from affiliated companies	83	114
Notes receivable from affiliated companies	29	86
Inventory	450	504
Regulatory assets	158	149
Other	34	45
Total current assets	850	1,020
<b>Property, Plant and Equipment</b>		
Cost	14,716	14,241
Accumulated depreciation and amortization	(4,592)	(4,317)
Net property, plant and equipment	10,124	9,924
<b>Other Noncurrent Assets</b>		
Regulatory assets	1,123	1,073
Other	170	147
Total other noncurrent assets	1,293	1,220
<b>Total Assets</b>	<b>\$ 12,267</b>	<b>\$ 12,164</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 188	\$ 263
Accounts payable to affiliated companies	73	74
Taxes accrued	146	31
Interest accrued	54	61
Current maturities of long-term debt	3	3
Asset retirement obligations	58	—
Regulatory liabilities	28	40
Other	111	93
Total current liabilities	661	565
<b>Long-Term Debt</b>	<b>3,632</b>	<b>3,633</b>
<b>Long-Term Debt Payable to Affiliated Companies</b>	<b>150</b>	<b>150</b>
<b>Other Noncurrent Liabilities</b>		
Deferred income taxes	1,979	1,900
Asset retirement obligations	735	866
Regulatory liabilities	735	748
Accrued pension and other post-retirement benefit costs	78	71
Investment tax credits	147	137
Other	65	27
Total other noncurrent liabilities	3,739	3,749
<b>Commitments and Contingencies</b>		
<b>Equity</b>		
<b>Member's Equity</b>	<b>4,085</b>	<b>4,067</b>
<b>Total Liabilities and Equity</b>	<b>\$ 12,267</b>	<b>\$ 12,164</b>

See Notes to Condensed Consolidated Financial Statements

PART I

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

(in millions)	Nine Months Ended September 30,	
	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 318	\$ 309
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	339	347
Equity component of AFUDC	(20)	(11)
Gain on sale of other assets and other, net	(1)	—
Impairment charges	—	8
Deferred income taxes	101	122
Accrued pension and other post-retirement benefit costs	4	6
Payments for asset retirement obligations	(26)	(31)
(Increase) decrease in		
Receivables	53	16
Receivables from affiliated companies	31	(3)
Inventory	54	146
Other current assets	18	(105)
Increase (decrease) in		
Accounts payable	(71)	(14)
Accounts payable to affiliated companies	(1)	(1)
Taxes accrued	115	12
Other current liabilities	(18)	(85)
Other assets	(24)	(38)
Other liabilities	32	64
Net cash provided by operating activities	904	742
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(603)	(540)
Purchases of available-for-sale securities	(15)	(12)
Proceeds from sales and maturities of available-for-sale securities	6	9
Notes receivable from affiliated companies	57	45
Other	(40)	(28)
Net cash used in investing activities	(595)	(526)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from the issuance of long-term debt	—	495
Payments for the redemption of long-term debt	(3)	(476)
Distributions to parent	(300)	(149)
Other	(1)	(1)
Net cash used in financing activities	(304)	(131)
Net increase in cash and cash equivalents	5	85
Cash and cash equivalents at beginning of period	17	9
Cash and cash equivalents at end of period	\$ 22	\$ 94
<b>Supplemental Disclosures:</b>		
Significant non-cash transactions:		
Accrued capital expenditures	\$ 101	\$ 56

See Notes to Condensed Consolidated Financial Statements



PART I

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

(in millions)	Common Stock	Additional Paid-in Capital	Retained Earnings	Member's Equity	Accumulated Other Comprehensive Income		Total Equity
					Cash Flow Hedges	Net Gains on	
<b>Balance at December 31, 2015</b>	\$ 1	\$ 1,384	\$ 2,450	\$ —	\$ 1	\$ —	\$ 3,836
Net income	—	—	—	309	—	—	309
Other comprehensive loss	—	—	—	—	(1)	—	(1)
Distributions to parent	—	—	—	(149)	—	—	(149)
Transfer to Member's Equity	(1)	(1,384)	(2,450)	3,835	—	—	—
<b>Balance at September 30, 2016</b>	\$ —	\$ —	\$ —	\$ 3,995	\$ —	\$ —	\$ 3,995
<b>Balance at December 31, 2016</b>	\$ —	\$ —	\$ —	\$ 4,067	\$ —	\$ —	\$ 4,067
Net income	—	—	—	318	—	—	318
Distributions to parent	—	—	—	(300)	—	—	(300)
<b>Balance at September 30, 2017</b>	\$ —	\$ —	\$ —	\$ 4,085	\$ —	\$ —	\$ 4,085

See Notes to Condensed Consolidated Financial Statements  
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PART I

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
<b>Operating Revenues</b>				
Regulated natural gas	\$ 181	\$ 155	\$ 877	\$ 815
Nonregulated natural gas and other	2	3	7	8
<b>Total operating revenues</b>	<b>183</b>	<b>158</b>	<b>884</b>	<b>823</b>
<b>Operating Expenses</b>				
Cost of natural gas	63	42	333	289
Operation, maintenance and other	73	74	226	221
Depreciation and amortization	38	35	109	103
Property and other taxes	13	11	38	33
Impairment charges	—	—	7	—
<b>Total operating expenses</b>	<b>187</b>	<b>162</b>	<b>713</b>	<b>646</b>
<b>Operating (Loss) Income</b>	<b>(4)</b>	<b>(4)</b>	<b>171</b>	<b>177</b>
Equity in earnings of unconsolidated affiliates	3	2	8	25
Other income and expenses, net	—	(1)	(1)	(1)
<b>Total other income and expenses</b>	<b>3</b>	<b>1</b>	<b>7</b>	<b>24</b>
<b>Interest Expense</b>	<b>20</b>	<b>17</b>	<b>59</b>	<b>50</b>
<b>(Loss) Income Before Income Taxes</b>	<b>(21)</b>	<b>(20)</b>	<b>119</b>	<b>151</b>
<b>Income Tax (Benefit) Expense</b>	<b>(10)</b>	<b>(8)</b>	<b>43</b>	<b>57</b>
<b>Net (Loss) Income</b>	<b>\$ (11)</b>	<b>\$ (12)</b>	<b>\$ 76</b>	<b>\$ 94</b>
<b>Other Comprehensive Income, net of tax</b>				
Reclassification into earnings from hedging activities of equity method investments	—	1	—	1
<b>Comprehensive (Loss) Income</b>	<b>\$ (11)</b>	<b>\$ (11)</b>	<b>\$ 76</b>	<b>\$ 95</b>

See Notes to Condensed Consolidated Financial Statements

PART I

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

(in millions)	September 30, 2017	December 31, 2016
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 12	\$ 25
Receivables (net of allowance for doubtful accounts of \$2 at 2017 and \$3 at 2016)	77	232
Receivables from affiliated companies	8	7
Inventory	53	66
Regulatory assets	133	124
Income taxes receivable	99	9
Other	31	12
Total current assets	413	475
<b>Property, Plant and Equipment</b>		
Cost	6,579	6,174
Accumulated depreciation and amortization	(1,454)	(1,360)
Net property, plant and equipment	5,125	4,814
<b>Other Noncurrent Assets</b>		
Goodwill	49	49
Regulatory assets	322	373
Investments in equity method unconsolidated affiliates	76	212
Other	11	21
Total other noncurrent assets	458	655
<b>Total Assets</b>	<b>\$ 5,996</b>	<b>\$ 5,944</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 98	\$ 155
Accounts payable to affiliated companies	7	8
Notes payable and commercial paper	—	330
Notes payable to affiliated companies	284	—
Taxes accrued	30	67
Interest accrued	24	33
Current maturities of long-term debt	—	35
Regulatory liabilities	3	—
Other	72	102
Total current liabilities	518	730
<b>Long-Term Debt</b>		
Total long-term debt	2,036	1,786
<b>Other Noncurrent Liabilities</b>		
Deferred income taxes	1,046	931
Asset retirement obligations	15	14
Regulatory liabilities	627	608
Accrued pension and other post-retirement benefit costs	14	14
Other	141	189
Total other noncurrent liabilities	1,843	1,756
<b>Commitments and Contingencies</b>		
<b>Equity</b>		
Common stock, no par value: 100 shares authorized and outstanding at 2017 and 2016	860	860
Retained earnings	739	812
Total equity	1,599	1,672
<b>Total Liabilities and Equity</b>	<b>\$ 5,996</b>	<b>\$ 5,944</b>

See Notes to Condensed Consolidated Financial Statements

PART I

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

(in millions)	Nine Months Ended September 30,	
	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 76	\$ 94
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	112	111
Impairment charges	7	—
Deferred income taxes	127	50
Equity in earnings from unconsolidated affiliates	(8)	(25)
Accrued pension and other post-retirement benefit costs	9	2
Contributions to qualified pension plans	—	(1)
Payments for asset retirement obligations	—	(5)
(Increase) decrease in		
Receivables	157	88
Receivables from affiliated companies	(1)	—
Inventory	13	33
Other current assets	(129)	(50)
Increase (decrease) in		
Accounts payable	(52)	11
Accounts payable to affiliated companies	(1)	—
Taxes accrued	(37)	12
Other current liabilities	(21)	(11)
Other assets	(9)	55
Other liabilities	(7)	17
Net cash provided by operating activities	236	381
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(407)	(416)
Contributions to equity method investments	(12)	(40)
Other	2	(2)
Net cash used in investing activities	(417)	(458)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from the:		
Issuance of long-term debt	250	296
Issuance of common stock	—	121
Payments for the redemption of long-term debt	(35)	(40)
Notes payable and commercial paper	(330)	(210)
Notes payable to affiliated companies	284	—
Dividends paid	—	(82)
Other	(1)	—
Net cash provided by financing activities	168	85
Net (decrease) increase in cash and cash equivalents	(13)	8
Cash and cash equivalents at beginning of period	25	33
Cash and cash equivalents at end of period	\$ 12	\$ 41
<b>Supplemental Disclosures:</b>		
Significant non-cash transactions:		
Accrued capital expenditures	\$ 47	\$ 30
Transfer of ownership interest of certain equity method investees to parent	149	—

See Notes to Condensed Consolidated Financial Statements

PART I

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

(in millions)	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income <u>Net Loss on Hedging Activities of Unconsolidated Affiliates</u>	Total Equity
<b>Balance at December 31, 2015</b>	\$ 728	\$ 731	\$ (1)	\$ 1,458
Net income	—	94	—	94
Other comprehensive income	—	—	1	1
Common stock issuances, including dividend reinvestments and employee benefits	121	—	—	121
Common stock dividends	—	(87)	—	(87)
<b>Balance at September 30, 2016</b>	\$ 849	\$ 738	\$ —	\$ 1,587
<b>Balance at December 31, 2016</b>	\$ 860	\$ 812	\$ —	\$ 1,672
Net income	—	76	—	76
Transfer of ownership interest of certain equity method investees to parent	—	(149)	—	(149)
<b>Balance at September 30, 2017</b>	\$ 860	\$ 739	\$ —	\$ 1,599

See Notes to Condensed Consolidated Financial Statements

PART I

DUKE ENERGY CORPORATION – DUKE ENERGY CAROLINAS, LLC – PROGRESS ENERGY, INC. –  
DUKE ENERGY PROGRESS, LLC – DUKE ENERGY FLORIDA, LLC – DUKE ENERGY OHIO, INC. – DUKE ENERGY INDIANA, LLC – PIEDMONT NATURAL GAS  
COMPANY, INC.

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

**Index to Combined Notes to Condensed Consolidated Financial Statements**

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

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

Tables within the notes may not sum across due to (i) Progress Energy's consolidation of Duke Energy Progress, Duke Energy Florida and other subsidiaries that are not registrants, (ii) subsidiaries that are not registrants but included in the consolidated Duke Energy balances and (iii) the Piedmont registrant not included in the consolidated Duke Energy results for the three and nine months ended September 30, 2016, as Piedmont results were not consolidated by Duke Energy until after the acquisition date of October 3, 2016.

**1. ORGANIZATION AND BASIS OF PRESENTATION**

**NATURE OF OPERATIONS AND BASIS OF CONSOLIDATION**

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

On October 3, 2016, Duke Energy completed the acquisition of Piedmont. Piedmont's results of operations and cash flows are included in the accompanying condensed consolidated financial statements of Duke Energy for the three and nine months ended September 30, 2017, but not for the three and nine months ended September 30, 2016, as Piedmont's earnings and cash flows are only included in Duke Energy's consolidated results subsequent to the acquisition date. See Note 2 for additional information regarding the acquisition.

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

The results of operations of the International Disposal Group have been classified as Discontinued Operations on the Condensed Consolidated Statements of Operations. Duke Energy has elected to present cash flows of discontinued operations combined with cash flows of continuing operations. Unless otherwise noted, the notes to these Condensed Consolidated Financial Statements exclude amounts related to discontinued operations. See Note 2 for additional information.

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

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

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

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

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

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

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

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

**BASIS OF PRESENTATION**

These Condensed Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles (GAAP) in the U.S. for interim financial information and with the instructions to Form 10-Q and Regulation S-X. Accordingly, these Condensed Consolidated Financial Statements do not include all information and notes required by GAAP in the U.S. for annual financial statements. Since the interim Condensed Consolidated Financial Statements and Notes do not include all information and notes required by GAAP in the U.S. for annual financial statements, the Condensed Consolidated Financial Statements and other information included in this quarterly report should be read in conjunction with the Consolidated Financial Statements and Notes in the Duke Energy Registrants' combined Annual Report on Form 10-K for the year ended December 31, 2016, and the Consolidated Financial Statements and Notes in the Piedmont Annual Report on Form 10-K for the year ended October 31, 2016.

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

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

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

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

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

**UNBILLED REVENUE**

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

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

(in millions)	September 30, 2017	December 31, 2016
Duke Energy	\$ 771	\$ 831
Duke Energy Carolinas	307	313
Progress Energy	216	161
Duke Energy Progress	113	102
Duke Energy Florida	103	59
Duke Energy Ohio	2	2
Duke Energy Indiana	29	32
Piedmont	4	77

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

(in millions)	September 30, 2017	December 31, 2016
Duke Energy Ohio	\$ 70	\$ 97
Duke Energy Indiana	119	123

**AMOUNTS ATTRIBUTABLE TO CONTROLLING INTERESTS**

For the three and nine months ended September 30, 2017, the Loss from Discontinued Operations, net of tax on Duke Energy's Condensed Consolidated Statements of Operations is entirely attributable to controlling interests. The following table presents Net Income Attributable to Duke Energy Corporation for continuing operations and discontinued operations for the three and nine months ended September 30, 2016.

(in millions)	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2016
Income from Continuing Operations	\$ 1,001	\$ 2,202
Income from Continuing Operations Attributable to Noncontrolling Interests	2	5
Income from Continuing Operations Attributable to Duke Energy Corporation	\$ 999	\$ 2,197
Income from Discontinued Operations, net of tax	\$ 180	\$ 190
Income from Discontinued Operations Attributable to Noncontrolling Interests, net of tax	3	8
Income from Discontinued Operations Attributable to Duke Energy Corporation, net of tax	\$ 177	\$ 182
Net Income	\$ 1,181	\$ 2,392
Net Income Attributable to Noncontrolling Interests	5	13
Net Income Attributable to Duke Energy Corporation	\$ 1,176	\$ 2,379

**INVENTORY**

Inventory is used for operations and is recorded primarily using the average cost method. Inventory related to regulated operations is valued at historical cost. Inventory related to nonregulated operations is valued at the lower of cost or market. Materials and supplies are recorded as inventory when purchased and subsequently charged to expense or capitalized to property, plant and equipment when installed. Inventory, including excess or obsolete inventory, is written-down to the lower of cost or market value. Once inventory has been written-down, it creates a new cost basis for the inventory that is not subsequently written-up. Provisions for inventory write-offs were not material at September 30, 2017, and December 31, 2016. The components of inventory are presented in the tables below.

(in millions)	September 30, 2017							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Materials and supplies	\$ 2,335	\$ 767	\$ 1,132	\$ 780	\$ 351	\$ 83	\$ 312	\$ 2
Coal	581	197	231	130	101	17	136	—
Natural gas, oil and other fuel	349	36	221	108	114	39	2	51
Total inventory	\$ 3,265	\$ 1,000	\$ 1,584	\$ 1,018	\$ 566	\$ 139	\$ 450	\$ 53

(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
Materials and supplies	\$ 2,374	\$ 767	\$ 1,167	\$ 813	\$ 354	\$ 84	\$ 312	\$ 1
Coal	774	251	314	148	166	19	190	—
Natural gas, oil and other fuel	374	37	236	115	121	34	2	65
Total inventory	\$ 3,522	\$ 1,055	\$ 1,717	\$ 1,076	\$ 641	\$ 137	\$ 504	\$ 66

**EXCISE TAXES**

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



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

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Duke Energy	\$ 107	\$ 107	\$ 289	\$ 285
Duke Energy Carolinas	9	6	27	21
Progress Energy	67	65	168	161
Duke Energy Progress	5	4	14	13
Duke Energy Florida	62	61	154	148
Duke Energy Ohio	24	26	75	77
Duke Energy Indiana	6	10	16	26
Piedmont	1	1	3	2

**NEW ACCOUNTING STANDARDS**

The new accounting standards adopted for 2017 and 2016 had no material impact on the presentation or results of operations, cash flows or financial position of the Duke Energy Registrants. While immaterial, adoption of the following accounting standards had the most significant impact on the Duke Energy results of operations, cash flows and financial position for the nine months ended September 30, 2017.

**Stock-Based Compensation and Income Taxes.** In first quarter 2017, Duke Energy adopted Financial Accounting Standards Board (FASB) guidance, which revised the accounting for stock-based compensation and the associated income taxes. The adopted guidance changes certain aspects of accounting for stock-based payment awards to employees including the accounting for income taxes and classification on the Condensed Consolidated Statements of Cash Flows. The primary impact to Duke Energy as a result of implementing this guidance was a cumulative-effect adjustment to retained earnings for tax benefits not previously recognized and additional income tax expense for the nine months ended September 30, 2017. See the Duke Energy Condensed Consolidated Statements of Changes in Equity for further information.

**Goodwill Impairment.** In January 2017, the FASB issued revised guidance for the subsequent measurement of goodwill. Under the guidance, a company will recognize an impairment to goodwill for the amount by which a reporting unit's carrying value exceeds the reporting unit's fair value, not to exceed the amount of goodwill allocated to that reporting unit. Duke Energy early adopted this guidance for the 2017 annual goodwill impairment test.

The following new Accounting Standards Updates (ASUs) have been issued, but have not yet been adopted by Duke Energy, as of September 30, 2017.

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

For Duke Energy, this guidance is effective for interim and annual periods beginning January 1, 2018. Duke Energy currently presents the total non-capitalized net periodic costs within Operation, maintenance and other on the Condensed Consolidated Statement of Operations. The adoption of this guidance will result in a retrospective change to reclassify the presentation of the non-service cost (benefit) components of net periodic costs to Other income and expenses. Duke Energy intends to utilize the practical expedient for retrospective presentation. The change in net periodic costs eligible for capitalization is applicable prospectively. Since Duke Energy's service cost component is expected to be greater than the total net periodic costs, the change will result in increased capitalization of net periodic costs, higher Operation, maintenance and other and higher Other income and expenses. The resulting impact to Duke Energy is expected to be an immaterial increase in net income resulting from the limitation of eligible capitalization of net periodic costs to the service cost component, which is larger than the total net periodic costs.

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

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Duke Energy has identified material revenue streams, which served as the basis for accounting analysis and documentation of the impact of this guidance on revenue recognition. The accounting analysis included reviewing representative contracts and tariffs for each material revenue stream. Most of Duke Energy's revenue is expected to be in scope of the new guidance. The majority of our sales, including energy provided to residential customers, are from tariff offerings that provide natural gas or electricity without a defined contractual term ("at-will"). For such arrangements, Duke Energy expects that the revenue from contracts with customers will be equivalent to the electricity or natural gas supplied and billed in that period (including estimated billings). As such, Duke Energy does not expect that there will be a significant shift in the timing or pattern of revenue recognition for such sales.

Also included in the accounting analysis was the evaluation of certain long-term revenue streams including electric wholesale contracts and renewables power purchase agreements (PPAs) under this guidance. For such arrangements, Duke Energy does not expect material changes to the pattern of revenue recognition on the registrants. In addition, the power and utilities industry revenue recognition task force released several draft positions on specific industry issues in October 2017 for public comment. Duke Energy has been working closely with the industry task force and will be reviewing these updated positions to evaluate the impact, if any, on Duke Energy's specific contracts and preliminary conclusions to date. The evaluation of other revenue streams is ongoing along with consideration of potential revisions to processes, policies and controls, primarily related to evaluating supplemental disclosures required as a result of adopting this guidance. Some revenue arrangements, such as alternative revenue programs and certain PPAs accounted for as leases, are excluded from the scope of this guidance and, therefore, will be accounted for and evaluated for separate presentation and disclosure under other relevant accounting guidance.

Duke Energy continues to evaluate what information would be most useful for users of the financial statements, including information already provided in disclosures outside of the financial statement footnotes. These additional disclosures could include the disaggregation of revenues by geographic location, type of service, customer class or by duration of contract ("at-will" versus contracted revenue).

Duke Energy intends to use the modified retrospective method of adoption effective January 1, 2018. Under the modified retrospective method of adoption, prior year reported results are not restated and a cumulative-effect adjustment, if applicable, is recorded to retained earnings at January 1, 2018, as if the standard had always been in effect. In addition, disclosures, if applicable, include a comparison to what would have been reported for 2018 under the previous revenue recognition rules to assist financial statement users in understanding how revenue recognition has changed as a result of this standard and to facilitate comparability with prior year reported results, which are not restated under the modified retrospective approach as described above. Duke Energy also plans to utilize certain practical expedients including applying this guidance to open contracts at the date of adoption and recognizing revenues for certain contracts under the invoice practical expedient, which allows revenue recognition to be consistent with invoiced amounts (including estimated billings) provided certain criteria are met, including consideration of whether the invoiced amounts reasonably represent the value provided to customers. While the adoption of this guidance, including the cumulative-effect adjustment, is not expected to have a material impact on either the timing or amount of revenues recognized in Duke Energy's financial statements, Duke Energy anticipates additional disclosures around the nature, amount, timing and uncertainty of our revenues and cash flows arising from contracts with customers and will continue to evaluate the requirements, as well as any additional clarifying guidance that may be issued.

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

For Duke Energy, this guidance is effective for interim and annual periods beginning January 1, 2019, although it can be early adopted. The guidance is applied using a modified retrospective approach. Duke Energy is currently evaluating the financial statement impact of adopting this standard and is continuing to monitor industry implementation issues, including easements, pole attachments and renewable PPAs. Other than an expected increase in assets and liabilities, the ultimate impact of the new standard has not yet been determined. Significant system enhancements, including additional processes and controls, may be required to facilitate the identification, tracking and reporting of potential leases based upon requirements of the new lease standard.

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

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

**Financial Instruments Classification and Measurement.** In January 2016, the FASB issued revised accounting guidance for the classification and measurement of financial instruments. Changes in the fair value of all equity securities will be required to be recorded in net income. Current GAAP allows some changes in fair value for available-for-sale equity securities to be recorded in Accumulated other comprehensive income (AOCI). Additional disclosures will be required to present separately the financial assets and financial liabilities by measurement category and form of financial asset. An entity's equity investments that are accounted for under the equity method of accounting are not included within the scope of the new guidance.

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

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**2. ACQUISITIONS AND DISPOSITIONS**

**ACQUISITIONS**

The Duke Energy Registrants consolidate assets and liabilities from acquisitions as of the purchase date and include earnings from acquisitions in consolidated earnings after the purchase date.

**2016 Acquisition of Piedmont Natural Gas**

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

**Purchase Price Allocation**

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

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

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

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

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

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

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

**Other Acquisition-Related Matters**

Duke Energy recorded realized losses on forward-starting interest rate swaps related to the acquisition financing of \$22 million and \$190 million for the three and nine months ended September 30, 2016, respectively. See Note 10 for additional information.

During the nine months ended September 30, 2017, Piedmont recorded a \$7 million software impairment resulting from planned accounting system and process integration.

**Pro Forma Financial Information**

The following unaudited pro forma financial information reflects the combined results of operations of Duke Energy and Piedmont as if the merger had occurred as of January 1, 2016. The pro forma financial information excludes potential cost savings, intercompany revenues, Piedmont's earnings from the equity method investment in SouthStar Energy Services, LLC (SouthStar) sold immediately prior to the merger, and after-tax nonrecurring transaction and integration costs incurred by Duke Energy and Piedmont of \$41 million and \$161 million for the three and nine months ended September 30, 2016, respectively. See Note 3 for additional information on Piedmont's sale of SouthStar.

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

(in millions)	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2016
Operating Revenues	\$ 6,713	\$ 17,927
Net Income Attributable to Duke Energy Corporation	1,180	2,552

**DISPOSITIONS**

**2016 Sale of International Energy**

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

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

(in millions)	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2016
Operating Revenues	\$ 245	\$ 761
Fuel used in electric generation and purchased power	60	177
Cost of natural gas	11	34
Operation, maintenance and other	85	240
Depreciation and amortization	18	62
Property and other taxes	1	6
Impairment charges <sup>(a)</sup>	—	194
Loss on Sales of Other Assets and Other, net	(3)	(2)
Other Income and Expenses, net	14	35
Interest Expense	19	63
Income before income taxes	62	18
Income tax expense (benefit) <sup>(b)</sup>	4	(48)
Income from discontinued operations of the International Disposal Group	58	66
Income from discontinued operations of other businesses <sup>(c)</sup>	122	124
Income from Discontinued Operations, net of tax	\$ 180	\$ 190

- (a) In conjunction with the advancements of marketing efforts during 2016, Duke Energy performed recoverability tests of the long-lived asset groups of International Energy. As a result, Duke Energy determined the carrying value of certain assets in Central America was not fully recoverable and recorded a pretax impairment charge of \$194 million. The charge represents the excess carrying value over the estimated fair value of the assets, which was based on a Level 3 Fair Value measurement that was primarily determined from the income approach using discounted cash flows but also considered market information obtained in 2016.
- (b) Includes an income tax benefit of \$95 million for the nine months ended September 30, 2016, related to historical undistributed foreign earnings. See Note 17 for additional information.
- (c) Duke Energy recognized an income tax benefit of \$122 million resulting from immaterial out of period deferred tax liability adjustments for the three and nine months ended September 30, 2016. The amount includes \$34 million recorded at Duke Energy Ohio.

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

(in millions)	Nine Months Ended September 30, 2016
<b>Cash flows provided by (used in):</b>	
Operating activities	\$ 201
Investing activities	(35)

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**Other Sale-Related Matters**

During 2017, Duke Energy provided certain transition services to China Three Gorges and I Squared Capital. Cash flows related to providing the transition services were not material and as of September 30, 2017, all transition services related to the International Disposal Group ended. Additionally, Duke Energy will reimburse China Three Gorges and I Squared Capital for all tax obligations arising from the period preceding consummation on the transactions, totaling approximately \$78 million. Duke Energy has not recorded any other liabilities, contingent liabilities or indemnifications related to the International Disposal Group.

**3. BUSINESS SEGMENTS**

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

**Duke Energy**

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

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

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

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

The remainder of Duke Energy's operations is presented as Other, which is primarily comprised of corporate interest expense, unallocated corporate costs, contributions to the Duke Energy Foundation and the operations of Duke Energy's wholly owned captive insurance subsidiary, Bison Insurance Company Limited (Bison). Other also includes Duke Energy's 25 percent interest in NMC, a large regional producer of methyl tertiary butyl ether (MTBE) located in Saudi Arabia. In October 2017, Duke Energy's economic ownership interest in NMC decreased from 25 percent to 17.5 percent. The investment in NMC is accounted for under the equity method of accounting.

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

(in millions)	Three Months Ended September 30, 2017						
	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Commercial Renewables	Total Reportable Segments	Other	Eliminations	Consolidated
Unaffiliated revenues	\$ 6,122	\$ 249	\$ 95	\$ 6,466	\$ 16	\$ —	\$ 6,482
Intersegment revenues	7	23	—	30	19	(49)	—
Total revenues	\$ 6,129	\$ 272	\$ 95	\$ 6,496	\$ 35	\$ (49)	\$ 6,482
Segment income (loss) <sup>(a)(b)(c)</sup>	\$ 1,020	\$ 19	\$ (49)	\$ 990	\$ (34)	\$ —	\$ 956
Add back noncontrolling interests							1
Loss from discontinued operations, net of tax							(2)
Net income							\$ 955
Segment assets	\$ 118,323	\$ 11,361	\$ 4,216	\$ 133,900	\$ 2,240	\$ 185	\$ 136,325

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Three Months Ended September 30, 2016							
(in millions)	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Commercial Renewables	Total Reportable Segments	Other	Eliminations	Consolidated
Unaffiliated revenues	\$ 6,332	\$ 89	\$ 139	\$ 6,560	\$ 16	\$ —	\$ 6,576
Intersegment revenues	8	—	—	8	16	(24)	—
Total revenues	\$ 6,340	\$ 89	\$ 139	\$ 6,568	\$ 32	\$ (24)	\$ 6,576
Segment income (loss) <sup>(a)(c)</sup>	\$ 1,189	\$ 15	\$ (24)	\$ 1,180	\$ (181)	\$ —	\$ 999
Add back noncontrolling interests							2
Income from discontinued operations, net of tax <sup>(d)</sup>							180
Net income							\$ 1,181

Nine Months Ended September 30, 2017							
(in millions)	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Commercial Renewables	Total Reportable Segments	Other	Eliminations	Consolidated
Unaffiliated revenues	\$ 16,211	\$ 1,175	\$ 333	\$ 17,719	\$ 47	\$ —	\$ 17,766
Intersegment revenues	23	68	—	91	56	(147)	—
Total revenues	\$ 16,234	\$ 1,243	\$ 333	\$ 17,810	\$ 103	\$ (147)	\$ 17,766
Segment income (loss) <sup>(a)(b)(c)</sup>	\$ 2,384	\$ 179	\$ 2	\$ 2,565	\$ (205)	\$ —	\$ 2,360
Add back noncontrolling interests							5
Loss from discontinued operations, net of tax							(4)
Net income							\$ 2,361

Nine Months Ended September 30, 2016							
(in millions)	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Commercial Renewables	Total Reportable Segments	Other	Eliminations	Consolidated
Unaffiliated revenues	\$ 16,406	\$ 355	\$ 365	\$ 17,126	\$ 40	\$ —	\$ 17,166
Intersegment revenues	24	3	—	27	51	(78)	—
Total revenues	\$ 16,430	\$ 358	\$ 365	\$ 17,153	\$ 91	\$ (78)	\$ 17,166
Segment income (loss) <sup>(a)(c)</sup>	\$ 2,557	\$ 63	\$ 13	\$ 2,633	\$ (436)	\$ —	\$ 2,197
Add back noncontrolling interests							5
Income from discontinued operations, net of tax <sup>(d)</sup>							190
Net income							\$ 2,392

- (a) Other includes costs to achieve the Piedmont acquisition. See Notes 2 and 10 for additional information.  
(b) For the three and nine months ended September 30, 2017, Electric Utilities and Infrastructure includes an impairment charge related to the Florida settlement agreement. See Note 4 for additional information.  
(c) Commercial Renewables includes impairment charges related to certain wind projects. See discussion below.  
(d) For the three and nine months ended September 30, 2016, Income from Discontinued Operations includes an income tax benefit resulting from immaterial out of period deferred tax liability adjustments. See Note 2 for additional information.

During the three and nine months ended September 30, 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 Condensed Consolidated Statements of Operations. The charge represents the excess carrying value over the estimated fair value of the project, which was based on a Level 3 Fair Value measurement that was determined from the income approach using discounted cash flows. The impairment was primarily due to the non-contracted wind project being located in a market that has experienced 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.

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

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**Duke Energy Ohio**

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

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

The remainder of Duke Energy Ohio's operations is presented as Other, which is primarily comprised of governance costs allocated by its parent, Duke Energy, and revenues and expenses related to Duke Energy Ohio's contractual arrangement to buy power from the Ohio Valley Electric Corporation's (OVEC) power plants. See Note 9 for additional information on related party transactions.

(in millions)	Three Months Ended September 30, 2017				
	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Total Reportable Segments	Other	Consolidated
Total revenues	\$ 371	\$ 90	\$ 461	\$ 10	\$ 471
Segment income (loss)	50	14	64	(8)	56
Loss from discontinued operations, net of tax					(1)
Net income					55
Segment assets	\$ 5,006	\$ 2,708	\$ 7,714	\$ 51	\$ 7,765

(in millions)	Three Months Ended September 30, 2016				
	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Total Reportable Segments	Other	Consolidated
Total revenues	\$ 390	\$ 89	\$ 479	\$ 10	\$ 489
Segment income (loss)	52	12	64	(9)	55
Income from discontinued operations, net of tax <sup>(a)</sup>					34
Net income				\$	89

(in millions)	Nine Months Ended September 30, 2017				
	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Total Reportable Segments	Other	Consolidated
Total revenues	\$ 1,036	\$ 360	\$ 1,396	\$ 30	\$ 1,426
Segment income (loss)	96	56	152	(24)	128
Loss from discontinued operations, net of tax					(1)
Net income				\$	127

(in millions)	Nine Months Ended September 30, 2016				
	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Total Reportable Segments	Other	Consolidated
Total revenues	\$ 1,053	\$ 358	\$ 1,411	\$ 22	\$ 1,433
Segment income (loss)	107	57	164	(29)	135
Income from discontinued operations, net of tax <sup>(a)</sup>					36
Net income				\$	171

(a) For the three and nine months ended September 30, 2016, Income from Discontinued Operations includes an income tax benefit resulting from immaterial out of period deferred tax liability adjustments. See Note 2 for additional information.

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

Piedmont has one reportable segment, Gas Utilities and Infrastructure, which transports and sells natural gas. The remainder of Piedmont's operations is presented as Other, which is comprised of certain unallocated corporate costs, including acquisition-related expenses, and earnings from Piedmont's equity method investment in SouthStar prior to its sale. Piedmont sold its 15 percent membership interest in SouthStar on October 3, 2016. Piedmont's income, net of tax, from SouthStar for the three and nine months ended September 30, 2016, was \$2 million and \$12 million, respectively.

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The remaining Subsidiary Registrants each have one reportable operating segment, Electric Utilities and Infrastructure, which generates, transmits, distributes and sells electricity. The remainder of each company's operations is presented as Other, which is comprised of certain unallocated corporate costs. Other for Progress Energy also includes interest expense on corporate debt instruments of \$56 million and \$167 million for the three and nine months ended September 30, 2017, respectively, and \$55 million and \$166 million for the three and nine months ended September 30, 2016, respectively. The following table summarizes the net (loss) income of Other for each of these entities.

(in millions)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Duke Energy Carolinas	\$ (6)	\$ (16)	\$ (18)	\$ (50)
Progress Energy	(32)	(45)	(120)	(139)
Duke Energy Progress	(4)	(10)	(11)	(26)
Duke Energy Florida	(2)	(5)	(7)	(14)
Duke Energy Indiana	(2)	(3)	(5)	(10)
Piedmont	(5)	—	(18)	7

The assets at Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida and Duke Energy Indiana are substantially all included within the Electric Utilities and Infrastructure segment at September 30, 2017. The assets at Piedmont are substantially all included within the Gas Utilities and Infrastructure segment at September 30, 2017.

#### 4. REGULATORY MATTERS

##### RATE-RELATED INFORMATION

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

##### Duke Energy Carolinas and Duke Energy Progress

###### *Ash Basin Closure Costs Deferral*

On December 30, 2016, Duke Energy Carolinas and Duke Energy Progress filed a joint petition with the NCUC seeking an accounting order authorizing deferral of certain costs incurred in connection with federal and state environmental remediation requirements related to the permanent closure of ash basins and other ash storage units at coal-fired generating facilities that have provided or are providing generation to customers located in North Carolina. Initial comments were received in March 2017, and reply comments were filed on April 19, 2017. The NCUC has consolidated Duke Energy Carolinas' and Duke Energy Progress' coal ash deferral requests into their respective general rate case dockets for decision. See "2017 North Carolina Rate Case" sections below for additional discussion. Duke Energy Carolinas and Duke Energy Progress cannot predict the outcome of this matter.

##### Duke Energy Carolinas

###### *2017 North Carolina Rate Case*

On August 25, 2017, Duke Energy Carolinas filed an application with the NCUC for a rate increase for retail customers of approximately \$647 million, which represents an approximate 13.6 percent increase in annual base revenues. The rate increase is driven by capital investments subsequent to the previous base rate case, including grid improvement projects, investments in customer service technologies, costs of complying with coal combustion residuals (CCR) regulations and the North Carolina Coal Ash Management Act of 2014 (Coal Ash Act) and recovery of costs related to licensing and development of the William States Lee III Nuclear Station (Lee Nuclear Station) discussed below. An evidentiary hearing is scheduled to begin on February 19, 2018. Duke Energy Carolinas cannot predict the outcome of this matter.

###### *Lincoln County Combustion Turbine Addition*

On June 12, 2017, Duke Energy Carolinas filed an application with the NCUC for a Certificate of Public Convenience and Necessity (CPCN) to construct and operate a new 402-megawatt (MW) simple cycle advanced combustion turbine natural gas-fueled electric generating unit at its existing Lincoln County site. The request also included construction of related transmission and natural gas pipeline interconnection facilities. If approved, construction would begin in 2018 with an extended commissioning and validation period from 2020-2024 and an estimated commercial operation date in 2024. An evidentiary hearing was held in August 2017. Briefs and proposed orders were filed on October 9, 2017. A decision is expected by the end of 2017. Duke Energy Carolinas cannot predict the outcome of this matter.



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***William States Lee Combined Cycle Facility***

On April 9, 2014, the PSCSC granted Duke Energy Carolinas and North Carolina Electric Membership Corporation (NCEMC) a Certificate of Environmental Compatibility and Public Convenience and Necessity (CEPCPN) for the construction and operation of a 750-MW combined-cycle natural gas-fired generating plant at Duke Energy Carolinas' existing William States Lee Generating Station in Anderson, South Carolina. Duke Energy Carolinas began construction in July 2015 and estimates a cost to build of \$600 million for its share of the facility, including allowance for funds used during construction (AFUDC). The project is expected to be commercially available in late 2017. NCEMC will own approximately 13 percent of the project. On July 3, 2014, the South Carolina Coastal Conservation League (SCCL) and Southern Alliance for Clean Energy (SACE) jointly filed a Notice of Appeal with the Court of Appeals of South Carolina (S.C. Court of Appeals) seeking the court's review of the PSCSC's decision, claiming the PSCSC did not properly consider a request related to a proposed solar facility prior to granting approval of the CEPCPN. The S.C. Court of Appeals affirmed the PSCSC's decision on February 10, 2016, and on March 24, 2016, denied a request for rehearing filed by SCCL and SACE. On April 21, 2016, SCCL and SACE petitioned the South Carolina Supreme Court for review of the S.C. Court of Appeals decision. On March 24, 2017, the South Carolina Supreme Court denied the request for review, thus concluding the matter.

***Lee Nuclear Station***

In December 2007, Duke Energy Carolinas applied to the NRC for combined operating licenses (COLs) for two Westinghouse Electric Company (Westinghouse) AP1000 reactors for the proposed Lee Nuclear Station to be located at a site in Cherokee County, South Carolina. The NCUC and PSCSC concurred with the prudence of Duke Energy Carolinas decisions to incur certain project development and preconstruction costs through several separately issued orders through 2011, although full cost recovery is not guaranteed. In December 2016, the NRC issued a COL for each reactor. Duke Energy Carolinas is not required to build the nuclear reactors as a result of the COLs being issued.

On March 29, 2017, Westinghouse filed for voluntary Chapter 11 bankruptcy in the U.S. Bankruptcy Court for the Southern District of New York. On May 15, 2017, the NCUC issued an order requiring Duke Energy Carolinas to provide information regarding potential impacts of the Westinghouse bankruptcy on the Lee Nuclear Station, as well as Duke Energy Carolinas' plans for cost recovery and additional financial information regarding the project. As part of its 2017 North Carolina Rate Case discussed above, Duke Energy Carolinas is seeking NCUC approval to cancel the development of the Lee Nuclear Station project due to the Westinghouse bankruptcy filing and other market activity and is requesting recovery of incurred licensing and development costs. Duke Energy Carolinas will maintain the license issued by the NRC in December 2016. Duke Energy Carolinas cannot predict the outcome of this matter.

**Duke Energy Progress**

***2017 North Carolina Rate Case***

On June 1, 2017, Duke Energy Progress filed an application with the NCUC for a rate increase for retail customers of approximately \$477 million, which represents an approximate 14.9 percent increase in annual base revenues. The rate increase is driven by capital investments subsequent to the previous base rate case, costs of complying with CCR regulations and the Coal Ash Act, costs relating to storm recovery, investments in customer service technologies and recovery of costs associated with renewable purchased power. Intervenor testimony in the case filed in October 2017 and Duke Energy Progress' responses are due November 6, 2017. An evidentiary hearing is scheduled to begin November 20, 2017. Duke Energy Progress cannot predict the outcome of this matter.

***Storm Cost Deferral Filing***

On December 16, 2016, Duke Energy Progress filed a petition with the NCUC requesting an accounting order to defer certain costs incurred in connection with response to Hurricane Matthew and other significant storms in 2016. The final estimate of incremental operation and maintenance and capital costs of \$116 million was filed with the NCUC in September 2017. On March 15, 2017, the NCUC Public Staff filed comments supporting deferral of a portion of Duke Energy Progress' requested amount. Duke Energy Progress filed reply comments on April 12, 2017. On July 10, 2017, the NCUC consolidated Duke Energy Progress' storm deferral request into the Duke Energy Progress rate case docket for decision. See "2017 North Carolina Rate Case" for additional discussion. Duke Energy Progress cannot predict the outcome of this matter.

***Western Carolinas Modernization Plan***

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

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

The carrying value of the 376-MW Asheville coal-fired plant, including associated ash basin closure costs, of \$405 million and \$492 million is included in Generation facilities to be retired, net on Duke Energy Progress' Condensed Consolidated Balance Sheets as of September 30, 2017, and December 31, 2016, respectively.

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**Duke Energy Florida**

***Hurricane Irma Storm Damage***

In September 2017, all of Duke Energy Florida's service territory was impacted by Hurricane Irma, which caused significant damage, resulting in approximately 1.3 million customers experiencing outages. Total storm restoration costs, including capital, are currently estimated at approximately \$500 million. These estimates could change as Duke Energy Florida receives additional information on actual costs. After depleting any existing storm reserves, which were approximately \$60 million before Hurricane Irma, Duke Energy Florida is permitted to petition the FPSC for recovery of additional incremental operation and maintenance costs resulting from the storm and to replenish the storm reserve to approximately \$132 million for retail customers. Duke Energy Florida plans to make this petition by the end of 2017. At September 30, 2017, Duke Energy Florida's Condensed Consolidated Balance Sheets included approximately \$400 million of recoverable costs under the FPSC's storm rule in Regulatory assets within Other Noncurrent Assets related to deferred Hurricane Irma storm costs. This amount is in addition to the storm reserve replenishment discussed above as part of Duke Energy Florida's petition to the FPSC.

***2017 Second Revised and Restated Settlement Agreement***

On October 25, 2017, the FPSC approved a 2017 Second Revised and Restated Settlement Agreement (2017 Settlement) filed by Duke Energy Florida. The 2017 Settlement replaces and supplants the Revised and Restated Stipulation and Settlement Agreement approved in November 2013 (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 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 potential tax reform, an electric vehicle charging station pilot program, as well as 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 third quarter 2017 to write off all unrecovered Levy Nuclear Project costs, including the COL.

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. A final order is expected by the end of 2017.

***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 Condensed Consolidated Balance Sheets. Duke Energy Florida is allowed to recover reasonable and prudent EPC cancellation costs from its retail customers. On May 1, 2017, Duke Energy Florida filed a request with the FPSC to recover approximately \$82 million of Levy Nuclear Project costs from retail customers in 2018. 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.

***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.

**Duke Energy Ohio**

***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 recovered 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. The KPSC set filing deadlines of December 29, 2017, and February 14, 2018, for intervenor testimony and rebuttal testimony, respectively. An evidentiary hearing has not been scheduled. 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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***Electric Security Plan Filing***

On June 1, 2017, Duke Energy Ohio filed with the PUCO a request for a standard service offer in the form of an electric security plan (ESP). If approved by the PUCO, the term of the ESP would be from June 1, 2018, to May 31, 2024. Terms of the ESP 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. Public hearings were held in October 2017 and an evidentiary hearing scheduled to begin on November 13, 2017, has been continued to November 28, 2017. Duke Energy Ohio cannot predict the outcome of this matter.

***Woodsdale Station Fuel System Filing***

On June 9, 2015, the FERC ruled in favor of PJM Interconnection, LLC (PJM) on a revised Tariff and Reliability Assurance Agreement including implementation of a Capacity Performance (CP) proposal and to amend sections of the Operating Agreement related to generation non-performance. The CP proposal includes performance-based penalties for non-compliance. Duke Energy Kentucky is a Fixed Resource Requirement (FRR) entity, and therefore is subject to the compliance standards through its FRR plans. A partial CP obligation will apply to Duke Energy Kentucky in the delivery year beginning June 1, 2019, with full compliance beginning June 1, 2020. Duke Energy Kentucky has developed strategies for CP compliance investments. On May 31, 2017, Duke Energy Kentucky filed an application with the KPSC requesting authority to construct an ultra-low sulfur diesel backup fuel system for the Woodsdale Station. The back-up fuel system is projected to cost approximately \$55 million and, if approved, is anticipated to be in service prior to the CP compliance deadline of April 2019. Duke Energy Kentucky cannot predict the outcome of this matter.

***Ohio Valley Electric Corporation***

On March 31, 2017, Duke Energy Ohio filed for approval to adjust its existing price stabilization rider (Rider PSR), which is currently set at zero dollars, to pass through net costs related to its contractual entitlement to capacity and energy from the generating assets owned by OVEC. 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 U.S. Environmental Protection Agency (EPA) regulations. Duke Energy Kentucky estimated a total cost of approximately \$93 million in the filing and expects in-service date in the fourth quarter of 2018. On June 6, 2017, the KPSC approved the CPCN request.

***Base Rate Case***

Duke Energy Ohio filed with the PUCO an electric distribution base rate case application and supporting testimony in March 2017. Duke Energy Ohio has requested an estimated annual increase of approximately \$15 million and a return on equity of 10.4 percent. The application also includes requests to continue certain current riders and establish new riders related to LED Outdoor Lighting Service and regulatory mandates. 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. Objections to the staff report are due by November 9, 2017. Public hearings were held in late October and early November. An evidentiary hearing is scheduled to begin on December 11, 2017. Duke Energy Ohio cannot predict the outcome of this matter.

***Natural Gas Pipeline Extension***

Duke Energy Ohio is proposing to install a new natural gas pipeline in its Ohio service territory to increase system reliability and enable the retirement of older infrastructure. 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. Duke Energy Ohio has approximately \$7 million included in Regulatory assets on its Condensed Consolidated Balance Sheets at September 30, 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. Intervenor's requested a rehearing of the PUCO decision. In December 2016, the PUCO granted a rehearing for the purpose of further review. Duke Energy Ohio cannot predict the outcome of this matter.

On June 15, 2016, Duke Energy Ohio filed an application for approval of a three-year energy efficiency and peak demand reduction portfolio of programs. A stipulation and modified stipulation were filed on December 22, 2016, and January 27, 2017, respectively. Under the terms of the stipulations, which included support for deferral authority of all costs and a cap on shared savings incentives, Duke Energy Ohio has offered its energy efficiency and peak demand reduction programs throughout 2017. On February 3, 2017, Duke Energy Ohio filed for deferral authority of its costs incurred in 2017 in respect of its proposed energy efficiency and peak demand reduction portfolio. The PUCO staff and one intervenor have proposed a cap on both program costs and shared savings. 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. On October 12, 2017, Duke Energy Ohio filed a motion for a waiver for recovery of costs incurred in 2017 above the annual cap. Duke Energy Ohio cannot predict the outcome of this matter.

***2012 Natural Gas Rate Case/Manufactured Gas Plant Cost Recovery***

On November 13, 2013, the PUCO issued an order approving a settlement of Duke Energy Ohio's natural gas base rate case and authorizing the recovery of costs incurred between 2008 and 2012 for environmental investigation and remediation of two former manufactured gas plant (MGP) sites. The PUCO order also authorized Duke Energy Ohio to continue deferring MGP environmental investigation and remediation costs incurred subsequent to 2012 and to submit annual filings to adjust the MGP rider for future costs. 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 September 30, 2017, Duke Energy Ohio had approximately \$36 million included in Regulatory assets on the Condensed 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 Midcontinent Independent System Operator, Inc. (MISO) to PJM, effective December 31, 2011. The PUCO approved a settlement related to Duke Energy Ohio's recovery of certain costs of the Regional Transmission Organization (RTO) realignment via a non-bypassable rider. Duke Energy Ohio is allowed to recover all MISO Transmission Expansion Planning (MTEP) costs, including but not limited to Multi Value Project (MVP) costs, directly or indirectly charged to Ohio customers. Duke Energy Ohio also agreed to vigorously defend against any charges for MVP projects from MISO. The KPSC also approved a request to effect the RTO realignment, subject to a commitment not to seek double recovery in a future rate case of the transmission expansion fees that may be charged by MISO and PJM in the same period or overlapping periods.

Duke Energy Ohio had a recorded liability for its exit obligation and share of MTEP costs, excluding MVP, of \$90 million at September 30, 2017, and December 31, 2016, recorded within Other in Current liabilities and Other in Other Noncurrent Liabilities on the Condensed Consolidated Balance Sheets. The retail portions of MTEP costs billed by MISO are recovered by Duke Energy Ohio through a non-bypassable rider. As of September 30, 2017, and December 31, 2016, Duke Energy Ohio had \$71 million recorded in Regulatory assets on the Condensed Consolidated Balance Sheets.

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

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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 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.

**Duke Energy Indiana**

***Coal Combustion Residual Plan***

On March 17, 2016, Duke Energy Indiana filed with the IURC a request for approval of its first group of federally mandated CCR rule compliance projects (Phase I CCR Compliance Projects) to comply with the EPA's CCR rule. The projects in this Phase I filing are CCR compliance projects, including the conversion of Cayuga and Gibson stations to dry bottom ash handling and related water treatment. Duke Energy Indiana has requested timely recovery of approximately \$380 million in retail capital costs, including AFUDC, and recovery of incremental operating and maintenance costs under a federal mandate tracker that provides for timely recovery of 80 percent of such costs and deferral with carrying costs of 20 percent of such costs for recovery in a subsequent retail base rate case. On January 24, 2017, Duke Energy Indiana and various intervenors filed a settlement agreement with the IURC. Terms of the settlement include recovery of 60 percent of the estimated CCR compliance construction project capital costs through existing rider mechanisms and deferral of 40 percent of these costs until Duke Energy Indiana's next general retail rate case. The deferred costs will earn a return based on Duke Energy Indiana's long-term debt rate of 4.73 percent until costs are included in retail rates, at which time the deferred costs will earn a full return. Costs are to be capped at \$365 million, plus actual AFUDC. Costs above the cap would be considered for recovery in the next rate case. Terms of the settlement agreement also require Duke Energy Indiana to perform certain reporting and groundwater monitoring. An evidentiary hearing was held on February 23, 2017, and Duke Energy Indiana filed a proposed order with the IURC on March 30, 2017. On May 24, 2017, the IURC approved the settlement agreement.

***FERC Transmission Return on Equity Complaints***

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

***Grid Infrastructure Improvement Plan***

In June 2016, the IURC issued an order approving a settlement agreement among Duke Energy Indiana and certain parties related to a proposed grid infrastructure improvement plan. The settlement agreement included the removal of an AMI project and also 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 for the three and nine months ended September 30, 2016, based in part on the requirement to file a base rate case in 2022 under the approved plan. As of September 30, 2017, Duke Energy Indiana's remaining net book value of non-AMI meters is approximately \$43 million and will be depreciated through 2022. In the event that Duke Energy Indiana were to file a base rate case earlier than 2022, it would result in additional impairment charges.

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

***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 PSCSC 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.

***North Carolina Integrity Management Rider Filings***

In October 2017, Piedmont filed a petition 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. Piedmont cannot predict the outcome of this matter.

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.

**OTHER REGULATORY MATTERS**

***Atlantic Coast Pipeline, LLC***

On September 2, 2014, Duke Energy, Dominion Resources (Dominion), Piedmont and Southern Company Gas announced the formation of Atlantic Coast Pipeline, LLC (ACP) to build and own the proposed Atlantic Coast Pipeline (ACP pipeline), an approximately 600-mile interstate natural gas pipeline running from West Virginia to North Carolina. The ACP pipeline is designed to meet the needs identified by Duke Energy Carolinas, Duke Energy Progress and Piedmont. The ACP pipeline development costs are estimated between \$5.0 billion to \$5.5 billion, excluding financing costs. Dominion will build and operate the ACP pipeline and holds a leading ownership percentage in ACP of 48 percent. Duke Energy owns a 47 percent interest through its Gas Utilities and Infrastructure segment. Southern Company Gas maintains a 5 percent interest. See Note 13 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. Construction is projected to begin in the fourth quarter of 2017, with a targeted in-service date in late 2019. The project remains subject to other pending federal and state approvals.

***Sabal Trail Transmission, LLC***

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 Note 13 for additional information related to Duke Energy's ownership interest.

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On February 3, 2016, the FERC issued an order granting the request for a CPCN to construct and operate the pipeline. On September 7, 2016, FERC denied the intervenors' rehearing requests. On September 21, 2016, intervenors filed an appeal of FERC's CPCN orders to the U.S. Court of Appeals for the District of Columbia Circuit. 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 and vacated the CPCN order. In response to the August 2017 court decision, the FERC issued a draft Supplemental Environmental Impact Statement (SEIS) on September 27, 2017. Comments on the SEIS are due by November 20, 2017. On October 6, 2017, FERC filed a petition with the D.C. Circuit Court of Appeals requesting a rehearing regarding the court's decision to vacate the CPCN order. On October 6, 2017, Sabal Trail and other natural gas shippers, including Duke Energy Florida, also filed a rehearing request with the D.C. Circuit Court of Appeals regarding the decision to vacate the CPCN order. It is unclear how this matter will impact the project going forward. The Sabal Trail pipeline has 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.

**Constitution Pipeline Company, LLC**

Duke Energy has a 24 percent ownership interest in Constitution Pipeline Company, LLC (Constitution). Constitution is a natural gas pipeline project slated to transport natural gas supplies from the Marcellus supply region in northern Pennsylvania to major northeastern markets. The pipeline will be constructed and operated by Williams Partners L.P., which has a 41 percent ownership share. The remaining interest is held by Cabot Oil and Gas Corporation and WGL Holdings, Inc. Duke Energy's total anticipated contributions are approximately \$229 million.

On April 22, 2016, the New York State Department of Environmental Conservation (NYSDEC) denied Constitution's application for a necessary water quality certification for the New York portion of the Constitution pipeline. Constitution filed legal actions in the U.S. Court of Appeals for the Second Circuit (U.S. Court of Appeals) challenging the legality and appropriateness of the NYSDEC's decision and on August 18, 2017, the petition was denied in part and dismissed in part. On September 1, 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. On October 11, 2017, Constitution filed a petition for declaratory order with the FERC requesting FERC to issue an order finding the NYSDEC waived its rights to issue a water quality certification by not acting on Constitution's application within the time frame required by statute, which would allow the project to proceed. Constitution has revised the target in-service date to as early as the first half of 2019 due to the NYSDEC's denial of the water quality certification and the legal actions being taken to challenge the decision, assuming the timely receipt of a Notice to Proceed from the FERC. 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. To the extent the legal and regulatory proceedings have unfavorable outcomes, or if Constitution concludes that the project is not viable or does not go forward, an impairment charge of up to the recorded investment in the project, net of any cash and working capital returned, may be recorded.

See Note 13 for additional information related to ownership interest and carrying value of the investment.

**Potential Coal Plant Retirements**

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

The table below contains the net carrying value of generating facilities planned for retirement or included in recent IRPs as evaluated for potential retirement. Dollar amounts in the table below are included in Net property, plant and equipment on the Condensed Consolidated Balance Sheets as of September 30, 2017, and exclude capitalized asset retirement costs.

	Capacity (in MW)		Remaining Net Book Value (in millions)
<b>Duke Energy Carolinas</b>			
Allen Steam Station Units 1-3 <sup>(a)</sup>	585	\$	164
<b>Progress Energy and Duke Energy Florida</b>			
Crystal River Units 1 and 2 <sup>(b)</sup>	873		111
<b>Duke Energy Indiana</b>			
Gallagher Units 2 and 4 <sup>(c)</sup>	280		130
<b>Total Duke Energy</b>	<b>1,738</b>	<b>\$</b>	<b>405</b>

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

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

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**5. COMMITMENTS AND CONTINGENCIES**

**ENVIRONMENTAL**

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

**Remediation Activities**

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

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

Nine Months Ended September 30, 2017								
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Duke Energy Piedmont
Balance at beginning of period	\$ 98	\$ 10	\$ 18	\$ 3	\$ 14	\$ 59	\$ 10	\$ 1
Provisions/adjustments	(1)	2	1	—	1	(3)	(2)	1
Cash reductions	(13)	(2)	(3)	—	(3)	(7)	(1)	—
Balance at end of period	\$ 84	\$ 10	\$ 16	\$ 3	\$ 12	\$ 49	\$ 7	\$ 2

Nine Months Ended September 30, 2016								
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Duke Energy Piedmont
Balance at beginning of period	\$ 94	\$ 10	\$ 17	\$ 3	\$ 14	\$ 54	\$ 12	\$ 1
Provisions/adjustments	34	5	5	2	3	6	20	—
Cash reductions	(12)	(4)	(6)	(2)	(4)	(1)	(2)	—
Balance at end of period	\$ 116	\$ 11	\$ 16	\$ 3	\$ 13	\$ 59	\$ 30	\$ 1

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

(In millions)	
Duke Energy	\$ 58
Duke Energy Carolinas	20
Duke Energy Ohio	30
Duke Energy Indiana	3
Piedmont	2

**North Carolina and South Carolina Ash Basins**

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



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The North Carolina Department of Environmental Quality (NCDEQ) has historically assessed Duke Energy Carolinas and Duke Energy Progress with Notices of Violations (NOV) for violations that were most often resolved through satisfactory corrective actions and minor, if any, fines or penalties. Subsequent to the Dan River ash release, Duke Energy Carolinas and Duke Energy Progress have been served with a higher level of NOV's, 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 NOV's and if such penalties would be material. See "NCDEQ Notices of Violation" section below for additional discussion.

**LITIGATION**

**Duke Energy**

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

**Ash Basin Shareholder Derivative Litigation**

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

The Consolidated Complaint alleges the Duke Energy Defendants breached their fiduciary duties by failing to adequately oversee Duke Energy's ash basins and that these breaches of fiduciary duty may have contributed to the incident at Dan River and continued thereafter. The lawsuit also asserts claims against the Duke Energy Defendants for corporate waste (relating to the money Duke Energy has spent and will spend as a result of the fines, penalties and coal ash removal) and unjust enrichment (relating to the compensation and director remuneration that was received despite these alleged breaches of fiduciary duty). The lawsuit seeks both injunctive relief against Duke Energy and restitution from the Duke Energy Defendants. On April 22, 2016, plaintiffs filed an Amended Verified Consolidated Shareholder Derivative Complaint (Amended Complaint) making the same allegations as in the Consolidated Complaint. The Duke Energy Defendants filed a motion to dismiss the Amended Complaint on June 21, 2016. On December 14, 2016, the Delaware Chancery Court entered an order dismissing the Amended Complaint. Plaintiffs filed an appeal to the Delaware Supreme Court on January 9, 2017. Oral argument was held on September 27, 2017, and a decision is pending.

On October 30, 2015, shareholder Saul Bresalier filed a shareholder derivative complaint (Bresalier Complaint) in the U.S. District Court for the District of Delaware. The lawsuit alleges that several current and former Duke Energy officers and directors (Bresalier Defendants) breached their fiduciary duties in connection with coal ash environmental issues, the post-merger change in Chief Executive Officer (CEO) and oversight of political contributions. Duke Energy is named as a nominal defendant. The Bresalier Complaint contends that the appointed Demand Review Committee failed to appropriately consider the shareholder's earlier demand for litigation and improperly decided not to pursue claims against the Bresalier Defendants. On March 30, 2017, the court granted Defendants' Motion to Dismiss on the claims relating to coal ash environmental issues and political contributions. 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. Pursuant to a scheduling order issued by the Third Circuit Court, briefing will be complete on December 20, 2017.

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

**Progress Energy Merger Shareholder Litigation**

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

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

The Legacy Duke Energy Directors reached an agreement-in-principle to settle the Merger Chancery Litigation, conditioned on dismissal as well, of the *Tansey v. Rogers, et al* case and the merger-related claims in the Bresalier Complaint discussed above, 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 third quarter 2017.

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***Price Reporting Cases***

Duke Energy Trading and Marketing, LLC (DETM), a non-operating Duke Energy affiliate, was a defendant, along with numerous other energy companies, in four class-action lawsuits and a fifth single-plaintiff lawsuit in a consolidated federal court proceeding in Nevada. Each of these lawsuits contained similar claims that defendants allegedly manipulated natural gas markets by various means, including providing false information to natural gas trade publications and entering into unlawful arrangements and agreements in violation of the antitrust laws of the respective states. Plaintiffs sought damages in unspecified amounts. In February 2016, DETM reached agreements in principle to settle all of the pending lawsuits. Settlement of the single-plaintiff settlement was finalized and paid in March 2016. The proposed settlement of the class action lawsuits was approved by the Court and all settlement amounts, which are not material to Duke Energy, have been paid.

**Duke Energy Carolinas and Duke Energy Progress**

***Coal Ash Insurance Coverage Litigation***

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

***NCDEQ State Enforcement Actions***

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

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

The court issued orders in 2016 granting Motions for Partial Summary Judgment for seven of the 14 North Carolina plants named in the enforcement actions. The litigation is concluded for these seven plants. Litigation continues for the remaining seven plants. 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. 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.

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.

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 on August 21, 2017.

On August 2, 2017, RRBA filed a federal citizen suit in the U.S. District Court for the Middle District of North Carolina challenging the closure plans at the Roxboro Plant under the EPA CCR Rule. Duke Energy Progress filed a motion to dismiss on October 2, 2017.

On October 3, 2017, various parties served Duke Energy Carolinas with a Notice of Intent to Sue under the CWA for alleged violations at Duke Energy Carolinas' Belews Creek Steam Station (Belews Creek). A lawsuit may be filed sixty days after service of notice.

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 were dismissed or settled in 2016.

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**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 had their wells tested, stating that private well samplings at a considerable distance from coal ash basins, as well as some municipal water supplies, contain similar levels of vanadium and hexavalent chromium, which led investigators to believe these constituents are naturally occurring. In March 2016, DHHS rescinded the advisories.

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

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 one mile from Duke Energy Progress' Sutton Steam Plant (Sutton). The homeowners allege that coal ash constituents have been migrating from ash impoundments at Sutton into their groundwater for decades and that in 2015, Duke Energy Progress discovered these releases of coal ash, but failed to notify any officials or neighbors and failed to take remedial action. The homeowners claim unspecified physical and mental injuries as a result of consuming their well water and seek actual damages for personal injury, medical monitoring and punitive damages.

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

**Asbestos-related Injuries and Damages Claims**

Duke Energy Carolinas has experienced numerous claims for indemnification and medical cost reimbursement related to asbestos exposure. These claims relate to damages for bodily injuries alleged to have arisen from exposure to or use of asbestos in connection with construction and maintenance activities conducted on its electric generation plants prior to 1985. As of September 30, 2017, there were 120 asserted claims for non-malignant cases with cumulative relief sought of up to \$29 million, and 57 asserted claims for malignant cases with cumulative relief sought of up to \$16 million. Based on Duke Energy Carolinas' experience, it is expected that the ultimate resolution of most of these claims likely will be less than the amount claimed.

Duke Energy Carolinas has recognized asbestos-related reserves of \$486 million at September 30, 2017, and \$512 million at December 31, 2016. These reserves are classified in Other within Other Noncurrent Liabilities and Other within Current Liabilities on the Condensed Consolidated Balance Sheets. These reserves are based upon the minimum amount of the range of loss for current and future asbestos claims through 2036, are recorded on an undiscounted basis and incorporate anticipated inflation. In light of the uncertainties inherent in a longer-term forecast, management does not believe they can reasonably estimate the indemnity and medical costs that might be incurred after 2036 related to such potential claims. It is possible Duke Energy Carolinas may incur asbestos liabilities in excess of the recorded reserves.

Duke Energy Carolinas has third-party insurance to cover certain losses related to asbestos-related injuries and damages above an aggregate self-insured retention. Duke Energy Carolinas' cumulative payments began to exceed the self-insurance retention in 2008. Future payments up to the policy limit will be reimbursed by the third-party insurance carrier. The insurance policy limit for potential future insurance recoveries indemnification and medical cost claim payments is \$797 million in excess of the self-insured retention. Receivables for insurance recoveries were \$570 million at September 30, 2017, and \$587 million at December 31, 2016. These amounts are classified in Other within Other Noncurrent Assets and Receivables within Current Assets on the Condensed Consolidated Balance Sheets. Duke Energy Carolinas is not aware of any uncertainties regarding the legal sufficiency of insurance claims. Duke Energy Carolinas believes the insurance recovery asset is probable of recovery as the insurance carrier continues to have a strong financial strength rating.

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**Duke Energy Florida**

***Class Action Lawsuit***

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

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

On June 9, 2014, the judge in the North Carolina case ruled that the litigation will proceed in the Western District of North Carolina. On July 11, 2016, Duke Energy Florida and Westinghouse filed separate Motions for Summary Judgment. On September 29, 2016, the court issued its ruling on the parties' respective Motions for Summary Judgment, ruling in favor of Westinghouse on a \$30 million termination fee claim and dismissing Duke Energy Florida's \$54 million refund claim, but stating that Duke Energy Florida could use the refund claim to offset any damages for termination costs. Westinghouse's claim for termination costs was unaffected by this ruling and continued to trial. At trial, Westinghouse reduced its claim for termination costs from \$482 million to \$424 million. Following a trial on the matter, the court issued its final order in December 2016 denying Westinghouse's claim for termination costs and re-affirming its earlier ruling in favor of Westinghouse on the \$30 million termination fee and Duke Energy Florida's refund claim. Judgment was entered against Duke Energy Florida in the amount of approximately \$34 million, which includes prejudgment interest. Westinghouse has appealed the trial court's order to the U.S. Court of Appeals for the Fourth Circuit (Fourth Circuit Court) 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, and the parties await a decision from the Fourth Circuit Court on whether it will allow oral argument of the appeal.

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.

***MGP Cost Recovery Action***

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

***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.

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

(in millions)	September 30, 2017	December 31, 2016
<b>Reserves for Legal Matters</b>		
Duke Energy	\$ 83	\$ 98
Duke Energy Carolinas	23	23
Progress Energy	56	59
Duke Energy Progress	13	14
Duke Energy Florida	28	28
Duke Energy Ohio	—	4
Piedmont	2	2

**OTHER COMMITMENTS AND CONTINGENCIES**

**General**

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

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

**6. DEBT AND CREDIT FACILITIES**

**SUMMARY OF SIGNIFICANT DEBT ISSUANCES**

The following table summarizes significant debt issuances (in millions). Refer to the "Available Credit Facilities" section below regarding amounts issued under the Three Year Revolver and the Piedmont Term Loan facilities.

Issuance Date	Maturity Date	Interest Rate	Nine Months Ended September 30, 2017				
			Duke Energy	Duke Energy (Parent)	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio
<b>Unsecured Debt</b>							
April 2017 <sup>(a)</sup>	April 2025	3.364%	\$ 420	\$ 420	\$ —	\$ —	\$ —
June 2017 <sup>(b)</sup>	June 2020	2.100%	330	330	—	—	—
August 2017 <sup>(c)</sup>	August 2022	2.400%	500	500	—	—	—
August 2017 <sup>(c)</sup>	August 2027	3.150%	750	750	—	—	—
August 2017 <sup>(c)</sup>	August 2047	3.950%	500	500	—	—	—
<b>Secured Debt</b>							
February 2017 <sup>(d)</sup>	June 2034	4.120%	587	—	—	—	—
August 2017 <sup>(e)</sup>	December 2036	4.110%	233	—	—	—	—
<b>First Mortgage Bonds</b>							
January 2017 <sup>(f)</sup>	January 2020	1.850%	250	—	—	250	—
January 2017 <sup>(f)</sup>	January 2027	3.200%	650	—	—	650	—
March 2017 <sup>(g)</sup>	June 2046	3.700%	100	—	—	—	100
September 2017 <sup>(h)</sup>	September 2020	1.500% <sup>(i)</sup>	300	—	300	—	—
September 2017 <sup>(h)</sup>	September 2047	3.600%	500	—	500	—	—
Total issuances			\$ 5,120	\$ 2,500	\$ 800	\$ 900	\$ 100

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- (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) Portfolio financing of four Texas and Oklahoma wind facilities. Secured by substantially all of the assets of these wind facilities and nonrecourse to Duke Energy. Proceeds were used to reimburse Duke Energy for a portion of previously funded construction expenditures.
- (e) Portfolio financing of eight solar facilities located in California, Colorado and New Mexico. Secured by substantially all of the assets of these solar facilities and nonrecourse to Duke Energy. Proceeds were used to reimburse Duke Energy for a portion of previously funded construction expenditures.
- (f) 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.
- (g) Proceeds were used to fund capital expenditures for ongoing construction, capital maintenance and for general corporate purposes.
- (h) Debt issued to repay at maturity a \$200 million aggregate principal amount of bonds due November 2017, pay down intercompany short-term debt and for general corporate purposes, including capital expenditures.
- (i) Debt issuance has a floating interest rate.

**CURRENT MATURITIES OF LONG-TERM DEBT**

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

(in millions)	Maturity Date	Interest Rate	September 30, 2017
<b>Unsecured Debt</b>			
Duke Energy (Parent)	June 2018	6.250%	\$ 250
Duke Energy (Parent)	June 2018	2.100%	500
<b>First Mortgage Bonds</b>			
Duke Energy Progress	November 2017	1.516% <sup>(b)</sup>	200
Duke Energy Carolinas	January 2018	5.250%	400
Duke Energy Carolinas	April 2018	5.100%	300
Duke Energy Florida	June 2018	5.650%	500
<b>Other<sup>(a)</sup></b>			
Current maturities of long-term debt			\$ 2,485

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

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**AVAILABLE CREDIT FACILITIES**

**Master Credit Facility**

In March 2017, Duke Energy amended its Master Credit Facility to increase its capacity from \$7.5 billion to \$8 billion, and to extend the termination date of the facility from January 30, 2020, to March 16, 2022. The amendment also added Piedmont as a borrower within the Master Credit Facility. Piedmont's separate \$850 million credit facility was terminated in connection with the amendment. With the amendment, the Duke Energy Registrants, excluding Progress Energy (Parent), have borrowing capacity under the Master Credit Facility up to a specified sublimit for each borrower. Duke Energy has the unilateral ability at any time to increase or decrease the borrowing sublimits of each borrower, subject to a maximum sublimit for each borrower. The amount available under the Master Credit Facility has been reduced to backstop issuances of commercial paper, certain letters of credit and variable-rate demand tax-exempt bonds that may be put to the Duke Energy Registrants at the option of the holder. Duke Energy Carolinas and Duke Energy Progress are also required to each maintain \$250 million of available capacity under the Master Credit Facility as security to meet obligations under plea agreements reached with the U.S. Department of Justice in 2015 related to violations at North Carolina facilities with ash basins. The table below includes the current borrowing sublimits and available capacity under the Master Credit Facility.

	September 30, 2017							
	Duke Energy	Duke Energy (Parent)	Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	
(in millions)								
Facility size <sup>(a)</sup>	\$ 8,000	\$ 2,850	\$ 1,350	\$ 1,250	\$ 1,000	\$ 450	\$ 600	\$ 500
Reduction to backstop issuances								
Commercial paper <sup>(b)</sup>	(1,569)	(404)	(636)	(150)	—	(25)	(150)	(204)
Outstanding letters of credit	(60)	(51)	(4)	(2)	(1)	—	—	(2)
Tax-exempt bonds	(81)	—	—	—	—	—	(81)	—
Coal ash set-aside	(500)	—	(250)	(250)	—	—	—	—
Available capacity under the Master Credit Facility	\$ 5,790	\$ 2,395	\$ 460	\$ 848	\$ 999	\$ 425	\$ 369	\$ 294

(a) Represents the sublimit of each borrower.

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

**Three-Year Revolving Credit Facility**

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

As of September 30, 2017, \$270 million has been drawn under the Three Year Revolver. This balance is classified as Long-Term Debt on Duke Energy's Condensed Consolidated Balance Sheets. Any undrawn commitments can be drawn, and borrowings can be prepaid, at any time throughout the term of the facility. The terms and conditions of the Three Year Revolver are generally consistent with those governing Duke Energy's Master Credit Facility.

**Piedmont Term Loan Facility**

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

As of September 30, 2017, the entire \$250 million has been drawn under the Piedmont Term Loan. This balance is classified as Long-Term Debt on Piedmont's Condensed Consolidated Balance Sheets. The terms and conditions of the Piedmont Term Loan are generally consistent with those governing Duke Energy's Master Credit Facility.

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## 7. ASSET RETIREMENT OBLIGATIONS

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

(in millions)	September 30, 2017							
	Duke	Duke	Progress	Duke	Duke	Duke	Duke	Piedmont
	Energy	Energy Carolinas	Energy	Energy Progress	Energy Florida	Energy Ohio	Energy Indiana	
Decommissioning of Nuclear Power Facilities <sup>(a)</sup>	\$ 5,337	\$ 1,916	\$ 3,235	\$ 2,536	\$ 699	\$ —	\$ —	\$ —
Closure of Ash Impoundments	4,594	1,650	2,124	2,105	19	42	777	—
Other	274	35	80	35	45	39	16	15
<b>Total ARO</b>	<b>\$ 10,205</b>	<b>\$ 3,601</b>	<b>\$ 5,439</b>	<b>\$ 4,676</b>	<b>\$ 763</b>	<b>\$ 81</b>	<b>\$ 793</b>	<b>\$ 15</b>
Less: current portion	619	304	250	250	—	6	58	—
<b>Total noncurrent ARO</b>	<b>\$ 9,586</b>	<b>\$ 3,297</b>	<b>\$ 5,189</b>	<b>\$ 4,426</b>	<b>\$ 763</b>	<b>\$ 75</b>	<b>\$ 735</b>	<b>\$ 15</b>

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

### ARO Liability Rollforward

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

(in millions)	Duke	Duke	Progress	Duke	Duke	Duke	Duke	Piedmont
	Energy	Energy Carolinas	Energy	Energy Progress	Energy Florida	Energy Ohio	Energy Indiana	
<b>Balance at December 31, 2016<sup>(a)</sup></b>	<b>\$ 10,611</b>	<b>\$ 3,895</b>	<b>\$ 5,475</b>	<b>\$ 4,697</b>	<b>\$ 778</b>	<b>\$ 77</b>	<b>\$ 866</b>	<b>\$ 14</b>
Accretion expense <sup>(b)</sup>	329	140	172	147	25	3	25	1
Liabilities settled <sup>(c)</sup>	(430)	(201)	(193)	(152)	(41)	(4)	(26)	(7)
Liabilities incurred in the current year	48	5	—	—	—	7	27	7
Revisions in estimates of cash flows <sup>(d)</sup>	(353)	(238)	(15)	(16)	1	(2)	(99)	—
<b>Balance at September 30, 2017</b>	<b>\$ 10,205</b>	<b>\$ 3,601</b>	<b>\$ 5,439</b>	<b>\$ 4,676</b>	<b>\$ 763</b>	<b>\$ 81</b>	<b>\$ 793</b>	<b>\$ 15</b>

(a) Primarily relates to decommissioning nuclear power facilities, closure of ash impoundments, asbestos removal, closure of landfills at fossil generation facilities, retirement of natural gas mains and removal of renewable energy generation assets.

(b) For the nine months ended September 30, 2017, substantially all accretion expense relates to Duke Energy's regulated electric operations and has been deferred in accordance with regulatory accounting treatment.

(c) Primarily relates to ash impoundment closures and nuclear decommissioning of Crystal River Unit 3.

(d) Primarily relates to favorable contract prices for closure of ash impoundments compared to original estimates.

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

## 8. GOODWILL AND INTANGIBLE ASSETS

### GOODWILL

#### Duke Energy

The following table presents the goodwill by reportable operating segment included on Duke Energy's Condensed Consolidated Balance Sheets at September 30, 2017, and December 31, 2016.

(in millions)	Electric Utilities	Gas Utilities	Commercial	Total
	and Infrastructure	and Infrastructure	Renewables	
Goodwill Balance at December 31, 2016	\$ 17,379	\$ 1,924	\$ 122	\$ 19,425
Accumulated impairment charges <sup>(a)</sup>	—	—	(7)	(7)
<b>Goodwill Balance at September 30, 2017</b>	<b>\$ 17,379</b>	<b>\$ 1,924</b>	<b>\$ 115</b>	<b>\$ 19,418</b>

(a) Duke Energy evaluated the recoverability of goodwill in the third quarter of 2017 and recorded an impairment of \$7 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, which estimates fair value based on market comparables within the energy technologies industry.



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**Duke Energy Ohio**

Duke Energy Ohio's Goodwill balance of \$920 million, allocated \$596 million to Electric Utilities and Infrastructure and \$324 million to Gas Utilities and Infrastructure, is presented net of accumulated impairment charges of \$216 million on the Condensed Consolidated Balance Sheets at September 30, 2017, and December 31, 2016.

**Progress Energy**

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

**Piedmont**

Piedmont's Goodwill is included in the Gas Utilities and Infrastructure operating segment and there are no accumulated impairment charges. Effective November 1, 2016, Piedmont's fiscal year was changed from October 31 to December 31. Effective with this change, Piedmont changed the date of 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. As such, no other impairment charges were recorded in the third quarter of 2017.

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## 9. RELATED PARTY TRANSACTIONS

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

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
<b>Duke Energy Carolinas</b>				
Corporate governance and shared service expenses <sup>(a)</sup>	\$ 205	\$ 204	\$ 645	\$ 620
Indemnification coverages <sup>(b)</sup>	5	5	17	16
JDA revenue <sup>(c)</sup>	9	10	42	21
JDA expense <sup>(c)</sup>	39	36	91	127
Intercompany natural gas purchases <sup>(d)</sup>	3	—	5	—
<b>Progress Energy</b>				
Corporate governance and shared service expenses <sup>(a)</sup>	\$ 208	\$ 182	\$ 555	\$ 515
Indemnification coverages <sup>(b)</sup>	10	9	29	25
JDA revenue <sup>(c)</sup>	39	36	91	127
JDA expense <sup>(c)</sup>	9	10	42	21
Intercompany natural gas purchases <sup>(d)</sup>	19	—	57	—
<b>Duke Energy Progress</b>				
Corporate governance and shared service expenses <sup>(a)</sup>	\$ 114	\$ 103	\$ 321	\$ 292
Indemnification coverages <sup>(b)</sup>	4	4	11	10
JDA revenue <sup>(c)</sup>	39	36	91	127
JDA expense <sup>(c)</sup>	9	10	42	21
Intercompany natural gas purchases <sup>(d)</sup>	19	—	57	—
<b>Duke Energy Florida</b>				
Corporate governance and shared service expenses <sup>(a)</sup>	\$ 94	\$ 79	\$ 234	\$ 223
Indemnification coverages <sup>(b)</sup>	6	5	18	15
<b>Duke Energy Ohio</b>				
Corporate governance and shared service expenses <sup>(a)</sup>	\$ 90	\$ 89	\$ 275	\$ 261
Indemnification coverages <sup>(b)</sup>	1	1	3	4
<b>Duke Energy Indiana</b>				
Corporate governance and shared service expenses <sup>(a)</sup>	\$ 93	\$ 96	\$ 281	\$ 279
Indemnification coverages <sup>(b)</sup>	2	2	6	6
<b>Piedmont</b>				
Corporate governance and shared service expenses <sup>(a)</sup>	\$ 10	\$ —	\$ 25	\$ —
Indemnification coverages <sup>(b)</sup>	1	—	2	—
Intercompany natural gas sales <sup>(d)</sup>	22	—	62	—

- (a) The Subsidiary Registrants are charged their proportionate share of corporate governance and other shared services costs, primarily related to human resources, employee benefits, information technology, legal and accounting fees, as well as other third-party costs. These amounts are primarily recorded in Operation, maintenance and other on the Condensed Consolidated Statements of Operations and Comprehensive Income.
- (b) The Subsidiary Registrants incur expenses related to certain indemnification coverages through Bison, Duke Energy's wholly owned captive insurance subsidiary. These expenses are recorded in Operation, maintenance and other on the Condensed Consolidated Statements of Operations and Comprehensive Income.
- (c) Duke Energy Carolinas and Duke Energy Progress participate in a Joint Dispatch Agreement (JDA), which allows the collective dispatch of power plants between the service territories to reduce customer rates. Revenues from the sale of power and expenses from the purchase of power pursuant to the JDA are recorded in Operating Revenues and Fuel used in electric generation and purchased power, respectively, on the Condensed Consolidated Statements of Operations and Comprehensive Income.
- (d) Piedmont provides long-term natural gas delivery service to certain Duke Energy Carolinas and Duke Energy Progress natural gas-fired generation facilities. Piedmont records the sales in Regulated natural gas revenues, and Duke Energy Carolinas and Duke Energy Progress record the related purchases in Fuel used in electric generation and purchased power on their respective Condensed Consolidated Statements of Operations and Comprehensive Income. The amounts are not eliminated in accordance with rate-based accounting regulations. For the three and nine months ended September 30, 2016, which was prior to the Piedmont acquisition, Piedmont recorded \$19 million and \$57 million, respectively, of natural gas sales with Duke Energy Progress and \$1 million and \$3 million, respectively, with Duke Energy Carolinas.

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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 to the Consolidated Financial Statements in the Annual Report on Form 10-K for the year ended December 31, 2016, for more information regarding the money pool. These transactions of the Subsidiary Registrants were not material for the three and nine months ended September 30, 2017, and 2016.

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

**Equity Method Investments**

Piedmont has related party transactions as a customer of its equity method investments in natural gas storage and transportation facilities. The following table presents expenses for the three and nine months ended September 30, 2017, and 2016, which are included in Cost of natural gas on Piedmont's Condensed Consolidated Statements of Operations and Comprehensive Income.

(in millions)	Type of expense	Three Months Ended September 30,		Nine Months Ended September 30,	
		2017	2016	2017	2016
Cardinal	Transportation Costs	\$ 2	\$ 3	\$ 6	\$ 7
Pine Needle	Natural Gas Storage Costs	2	3	6	8
Hardy Storage	Natural Gas Storage Costs	2	2	7	7
Total		\$ 6	\$ 8	\$ 19	\$ 22

Piedmont had accounts payable to its equity method investments of \$2 million at September 30, 2017, and December 31, 2016, related to these transactions. These amounts are included in Accounts payable on the Condensed Consolidated Balance Sheets.

**Intercompany Income Taxes**

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

(in millions)	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
<b>September 30, 2017</b>							
Intercompany income tax receivable	\$ —	\$ 170	\$ —	\$ 120	\$ —	\$ —	\$ 89
Intercompany income tax payable	173	—	46	—	18	104	—
<b>December 31, 2016</b>							
Intercompany income tax receivable	\$ 1	\$ —	\$ —	\$ 37	\$ —	\$ —	\$ —
Intercompany income tax payable	—	37	90	—	1	3	38

**10. DERIVATIVES AND HEDGING**

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

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

**INTEREST RATE RISK**

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

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**Cash Flow Hedges**

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

**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. The swaps were considered undesignated as they did not qualify for hedge accounting. For the three and nine months ended September 30, 2016, losses on the swaps of \$22 million and \$190 million, respectively, were included within Interest Expense on Duke Energy's Condensed Consolidated Statements of Operations. See Note 2 for additional information related to the Piedmont acquisition.

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

(in millions)	September 30, 2017					
	Duke Energy	Duke Energy Carolinias	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio
Cash flow hedges <sup>(a)</sup>	\$ 703	\$ —	\$ —	\$ —	\$ —	\$ —
Undesignated contracts	927	400	500	250	250	27
<b>Total notional amount</b>	<b>\$ 1,630</b>	<b>\$ 400</b>	<b>\$ 500</b>	<b>\$ 250</b>	<b>\$ 250</b>	<b>\$ 27</b>

  

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

(a) Duke Energy includes amounts related to consolidated VIEs of \$703 million and \$750 million as of September 30, 2017, and December 31, 2016, respectively.

**COMMODITY PRICE RISK**

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

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**Volumes**

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

	September 30, 2017						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Indiana	Piedmont
Electricity (gigawatt-hours)	112	—	—	—	—	112	—
Natural gas (millions of dekatherms)	786	103	193	124	69	1	489

  

	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 ON THE CONDENSED CONSOLIDATED BALANCE SHEETS**

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

Derivative Assets		September 30, 2017							
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont	
<b>Commodity Contracts</b>									
<i>Not Designated as Hedging Instruments</i>									
Current	\$ 48	\$ 6	\$ 10	\$ 5	\$ 4	\$ 2	\$ 28	\$ 2	
Noncurrent	6	2	4	3	1	—	—	—	
<b>Total Derivative Assets – Commodity Contracts</b>	<b>\$ 54</b>	<b>\$ 8</b>	<b>\$ 14</b>	<b>\$ 8</b>	<b>\$ 5</b>	<b>\$ 2</b>	<b>\$ 28</b>	<b>\$ 2</b>	
<b>Interest Rate Contracts</b>									
<i>Designated as Hedging Instruments</i>									
Noncurrent	\$ 14	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
<i>Not Designated as Hedging Instruments</i>									
Current	1	—	1	—	1	—	—	—	
<b>Total Derivative Assets – Interest Rate Contracts</b>	<b>\$ 15</b>	<b>\$ —</b>	<b>\$ 1</b>	<b>\$ —</b>	<b>\$ 1</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	
<b>Total Derivative Assets</b>	<b>\$ 69</b>	<b>\$ 8</b>	<b>\$ 15</b>	<b>\$ 8</b>	<b>\$ 6</b>	<b>\$ 2</b>	<b>\$ 28</b>	<b>\$ 2</b>	

Derivative Liabilities		September 30, 2017							
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont	
<b>Commodity Contracts</b>									
<i>Not Designated as Hedging Instruments</i>									
Current	\$ 29	\$ 1	\$ 11	\$ 2	\$ 9	\$ —	\$ —	\$ 18	
Noncurrent	113	1	7	1	—	—	—	105	
<b>Total Derivative Liabilities – Commodity Contracts</b>	<b>\$ 142</b>	<b>\$ 2</b>	<b>\$ 18</b>	<b>\$ 3</b>	<b>\$ 9</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 123</b>	
<b>Interest Rate Contracts</b>									
<i>Designated as Hedging Instruments</i>									
Current	\$ 7	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Noncurrent	9	—	—	—	—	—	—	—	
<i>Not Designated as Hedging Instruments</i>									
Current	24	23	—	—	—	1	—	—	
Noncurrent	9	—	4	4	—	4	—	—	
<b>Total Derivative Liabilities – Interest Rate Contracts</b>	<b>\$ 49</b>	<b>\$ 23</b>	<b>\$ 4</b>	<b>\$ 4</b>	<b>\$ —</b>	<b>\$ 5</b>	<b>\$ —</b>	<b>\$ —</b>	
<b>Total Derivative Liabilities</b>	<b>\$ 191</b>	<b>\$ 25</b>	<b>\$ 22</b>	<b>\$ 7</b>	<b>\$ 9</b>	<b>\$ 5</b>	<b>\$ —</b>	<b>\$ 123</b>	

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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	
<b>Commodity Contracts</b>									
<i>Not Designated as Hedging Instruments</i>									
Current	\$ 108	\$ 23	\$ 61	\$ 35	\$ 26	\$ 4	\$ 16	\$ 3	
Noncurrent	32	10	21	10	11	1	—	—	
<b>Total Derivative Assets – Commodity Contracts</b>	<b>\$ 140</b>	<b>\$ 33</b>	<b>\$ 82</b>	<b>\$ 45</b>	<b>\$ 37</b>	<b>\$ 5</b>	<b>\$ 16</b>	<b>\$ 3</b>	
<b>Interest Rate Contracts</b>									
<i>Designated as Hedging Instruments</i>									
Noncurrent	\$ 19	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
<i>Not Designated as Hedging Instruments</i>									
Current	3	—	3	1	2	—	—	—	
<b>Total Derivative Assets – Interest Rate Contracts</b>	<b>\$ 22</b>	<b>\$ —</b>	<b>\$ 3</b>	<b>\$ 1</b>	<b>\$ 2</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Total Derivative Assets</b>	<b>\$ 162</b>	<b>\$ 33</b>	<b>\$ 85</b>	<b>\$ 46</b>	<b>\$ 39</b>	<b>\$ 5</b>	<b>\$ 16</b>	<b>\$ 3</b>	
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	
<b>Commodity Contracts</b>									
<i>Not Designated as Hedging Instruments</i>									
Current	\$ 43	\$ —	\$ 12	\$ —	\$ 12	\$ —	\$ 2	\$ 35	
Noncurrent	166	1	7	1	—	—	—	152	
<b>Total Derivative Liabilities – Commodity Contracts</b>	<b>\$ 209</b>	<b>\$ 1</b>	<b>\$ 19</b>	<b>\$ 1</b>	<b>\$ 12</b>	<b>\$ —</b>	<b>\$ 2</b>	<b>\$ 187</b>	
<b>Interest Rate Contracts</b>									
<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	—	—	
<b>Total Derivative Liabilities – Interest Rate Contracts</b>	<b>\$ 43</b>	<b>\$ 15</b>	<b>\$ 6</b>	<b>\$ 6</b>	<b>\$ —</b>	<b>\$ 6</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Total Derivative Liabilities</b>	<b>\$ 252</b>	<b>\$ 16</b>	<b>\$ 25</b>	<b>\$ 7</b>	<b>\$ 12</b>	<b>\$ 6</b>	<b>\$ 2</b>	<b>\$ 187</b>	

**OFFSETTING ASSETS AND LIABILITIES**

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

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Derivative Assets		September 30, 2017							
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont	
<b>Current</b>									
Gross amounts recognized	\$ 49	\$ 6	\$ 11	\$ 5	\$ 5	\$ 2	\$ 28	\$ 2	
Gross amounts offset	(3)	—	(3)	(1)	(2)	—	—	—	
Net amounts presented in Current Assets: Other	\$ 46	\$ 6	\$ 8	\$ 4	\$ 3	\$ 2	\$ 28	\$ 2	
<b>Noncurrent</b>									
Gross amounts recognized	\$ 20	\$ 2	\$ 4	\$ 3	\$ 1	\$ —	\$ —	\$ —	
Gross amounts offset	(2)	(1)	(1)	(1)	—	—	—	—	
Net amounts presented in Other Noncurrent Assets: Other	\$ 18	\$ 1	\$ 3	\$ 2	\$ 1	\$ —	\$ —	\$ —	

  

Derivative Liabilities		September 30, 2017							
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont	
<b>Current</b>									
Gross amounts recognized	\$ 60	\$ 24	\$ 11	\$ 2	\$ 9	\$ 1	\$ —	\$ 18	
Gross amounts offset	(4)	(1)	(3)	(1)	(2)	—	—	—	
Net amounts presented in Current Liabilities: Other	\$ 56	\$ 23	\$ 8	\$ 1	\$ 7	\$ 1	\$ —	\$ 18	
<b>Noncurrent</b>									
Gross amounts recognized	\$ 131	\$ 1	\$ 11	\$ 5	\$ —	\$ 4	\$ —	\$ 105	
Gross amounts offset	(2)	(1)	(1)	(1)	—	—	—	—	
Net amounts presented in Other Noncurrent Liabilities: Other	\$ 129	\$ —	\$ 10	\$ 4	\$ —	\$ 4	\$ —	\$ 105	

  

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	
<b>Current</b>									
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	
<b>Noncurrent</b>									
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	\$ —	\$ —	



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Derivative Liabilities  (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
<b>Current</b>								
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
<b>Noncurrent</b>								
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.

(in millions)	September 30, 2017				
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida
Aggregate fair value of derivatives in a net liability position	\$ 40	\$ 25	\$ 15	\$ 6	\$ 9
Fair value of collateral already posted	—	—	—	—	—
Additional cash collateral or letters of credit in the event credit-risk-related contingent features were triggered	40	25	15	6	9

(in millions)	December 31, 2016				
	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.

**11. INVESTMENTS IN DEBT AND EQUITY SECURITIES**

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

**TRADING SECURITIES**

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 September 30, 2017, and December 31, 2016, respectively.

**AVAILABLE-FOR-SALE (AFS) SECURITIES**

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

Duke Energy's available-for-sale securities are primarily comprised of investments held in (i) the nuclear decommissioning trust fund (NDTF) at Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida, (ii) grantor trusts at Duke Energy Progress, Duke Energy Florida and Duke Energy Indiana related to Other Post-Retirement Benefit Obligations (OPEB) plans and (iii) Bison.

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

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**Investment Trusts**

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

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

Substantially all amounts of the Duke Energy Registrants' gross unrealized holding losses as of September 30, 2017, and December 31, 2016, are considered OTTIs on investments within Investment Trusts that have been recognized immediately as a regulatory asset.

**Other AFS Securities**

Unrealized gains and losses on all other AFS securities are included in other comprehensive income until realized, unless it is determined the carrying value of an investment is other-than-temporarily impaired. The Duke Energy Registrants analyze all investment holdings each reporting period to determine whether a decline in fair value should be considered other-than-temporary. If an OTTI exists, the unrealized credit loss is included in earnings. There were no material credit losses as of September 30, 2017, and December 31, 2016.

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

**DUKE ENERGY**

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

	September 30, 2017			December 31, 2016		
	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
<b>(in millions)</b>						
<b>NDTF</b>						
Cash and cash equivalents	\$ —	\$ —	\$ 129	\$ —	\$ —	\$ 111
Equity securities	2,549	28	4,627	2,092	54	4,106
Corporate debt securities	16	2	600	10	8	528
Municipal bonds	5	2	334	3	10	331
U.S. government bonds	10	4	984	10	8	984
Other debt securities	—	1	120	—	3	124
<b>Total NDTF</b>	<b>\$ 2,580</b>	<b>\$ 37</b>	<b>\$ 6,794</b>	<b>\$ 2,115</b>	<b>\$ 83</b>	<b>\$ 6,184</b>
<b>Other Investments</b>						
Cash and cash equivalents	\$ —	\$ —	\$ 15	\$ —	\$ —	\$ 25
Equity securities	52	—	115	38	—	104
Corporate debt securities	1	—	64	1	1	66
Municipal bonds	3	1	83	2	1	82
U.S. government bonds	—	—	44	—	1	51
Other debt securities	—	—	37	—	2	42
<b>Total Other Investments</b>	<b>\$ 56</b>	<b>\$ 1</b>	<b>\$ 358</b>	<b>\$ 41</b>	<b>\$ 5</b>	<b>\$ 370</b>
<b>Total Investments</b>	<b>\$ 2,636</b>	<b>\$ 38</b>	<b>\$ 7,152</b>	<b>\$ 2,156</b>	<b>\$ 88</b>	<b>\$ 6,554</b>

The table below summarizes the maturity date for debt securities.

(in millions)	September 30, 2017
Due in one year or less	\$ 92
Due after one through five years	584
Due after five through 10 years	514
Due after 10 years	1,076
<b>Total</b>	<b>\$ 2,266</b>

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

(in millions)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Realized gains	\$ 37	\$ 82	\$ 170	\$ 200
Realized losses	25	42	124	134

**DUKE ENERGY CAROLINAS**

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

(in millions)	September 30, 2017			December 31, 2016		
	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
	<b>NDTF</b>					
Cash and cash equivalents	\$ —	\$ —	\$ 34	\$ —	\$ —	\$ 18
Equity securities	1,395	14	2,553	1,157	28	2,245
Corporate debt securities	9	2	395	5	6	354
Municipal bonds	1	—	52	1	2	67
U.S. government bonds	3	3	466	2	5	458
Other debt securities	—	1	113	—	3	116
<b>Total NDTF</b>	<b>\$ 1,408</b>	<b>\$ 20</b>	<b>\$ 3,613</b>	<b>\$ 1,165</b>	<b>\$ 44</b>	<b>\$ 3,258</b>
<b>Other Investments</b>						
Other debt securities	—	—	—	—	1	3
<b>Total Investments</b>	<b>\$ 1,408</b>	<b>\$ 20</b>	<b>\$ 3,613</b>	<b>\$ 1,165</b>	<b>\$ 45</b>	<b>\$ 3,261</b>

The table below summarizes the maturity date for debt securities.

(in millions)	September 30, 2017
Due in one year or less	\$ 5
Due after one through five years	218
Due after five through 10 years	264
Due after 10 years	539
<b>Total</b>	<b>\$ 1,026</b>

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

(in millions)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Realized gains	\$ 20	\$ 58	\$ 110	\$ 125
Realized losses	13	28	76	84

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**PROGRESS ENERGY**

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

(in millions)	September 30, 2017			December 31, 2016		
	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
<b>NDTF</b>						
Cash and cash equivalents	\$ —	\$ —	\$ 95	\$ —	\$ —	\$ 93
Equity securities	1,154	14	2,074	935	26	1,861
Corporate debt securities	7	—	205	5	2	174
Municipal bonds	4	2	282	2	8	264
U.S. government bonds	7	1	518	8	3	526
Other debt securities	—	—	7	—	—	8
<b>Total NDTF</b>	<b>\$ 1,172</b>	<b>\$ 17</b>	<b>\$ 3,181</b>	<b>\$ 950</b>	<b>\$ 39</b>	<b>\$ 2,926</b>
<b>Other Investments</b>						
Cash and cash equivalents	\$ —	\$ —	\$ 11	\$ —	\$ —	\$ 21
Municipal bonds	3	—	47	2	—	44
<b>Total Other Investments</b>	<b>\$ 3</b>	<b>\$ —</b>	<b>\$ 58</b>	<b>\$ 2</b>	<b>\$ —</b>	<b>\$ 65</b>
<b>Total Investments</b>	<b>\$ 1,175</b>	<b>\$ 17</b>	<b>\$ 3,239</b>	<b>\$ 952</b>	<b>\$ 39</b>	<b>\$ 2,991</b>

The table below summarizes the maturity date for debt securities.

(in millions)	September 30, 2017
Due in one year or less	\$ 74
Due after one through five years	309
Due after five through 10 years	194
Due after 10 years	482
<b>Total</b>	<b>\$ 1,059</b>

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

(in millions)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Realized gains	\$ 16	\$ 21	\$ 58	\$ 71
Realized losses	12	13	47	49

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**DUKE ENERGY PROGRESS**

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

(in millions)	September 30, 2017			December 31, 2016		
	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
	<b>NDTF</b>					
Cash and cash equivalents	\$ —	\$ —	\$ 46	\$ —	\$ —	\$ 45
Equity securities	882	11	1,683	704	21	1,505
Corporate debt securities	5	—	144	4	1	120
Municipal bonds	4	2	281	2	8	263
U.S. government bonds	5	1	303	5	2	275
Other debt securities	—	—	4	—	—	5
<b>Total NDTF</b>	<b>\$ 896</b>	<b>\$ 14</b>	<b>\$ 2,461</b>	<b>\$ 715</b>	<b>\$ 32</b>	<b>\$ 2,213</b>
<b>Other Investments</b>						
Cash and cash equivalents	\$ —	\$ —	\$ 1	\$ —	\$ —	\$ 1
<b>Total Investments</b>	<b>\$ 896</b>	<b>\$ 14</b>	<b>\$ 2,462</b>	<b>\$ 715</b>	<b>\$ 32</b>	<b>\$ 2,214</b>

The table below summarizes the maturity date for debt securities.

(in millions)	September 30, 2017
Due in one year or less	\$ 16
Due after one through five years	209
Due after five through 10 years	136
Due after 10 years	371
<b>Total</b>	<b>\$ 732</b>

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

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Realized gains	\$ 14	\$ 18	\$ 49	\$ 60
Realized losses	11	11	41	42

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**DUKE ENERGY FLORIDA**

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

	September 30, 2017			December 31, 2016		
	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
<b>(in millions)</b>						
<b>NDTF</b>						
Cash and cash equivalents	\$ —	\$ —	\$ 49	\$ —	\$ —	\$ 48
Equity securities	272	3	391	231	5	356
Corporate debt securities	2	—	61	1	1	54
Municipal bonds	—	—	1	—	—	1
U.S. government bonds	2	—	215	3	1	251
Other debt securities	—	—	3	—	—	3
<b>Total NDTF<sup>(a)</sup></b>	<b>\$ 276</b>	<b>\$ 3</b>	<b>\$ 720</b>	<b>\$ 235</b>	<b>\$ 7</b>	<b>\$ 713</b>
<b>Other Investments</b>						
Cash and cash equivalents	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 4
Municipal bonds	3	—	47	2	—	44
<b>Total Other Investments</b>	<b>\$ 3</b>	<b>\$ —</b>	<b>\$ 47</b>	<b>\$ 2</b>	<b>\$ —</b>	<b>\$ 48</b>
<b>Total Investments</b>	<b>\$ 279</b>	<b>\$ 3</b>	<b>\$ 767</b>	<b>\$ 237</b>	<b>\$ 7</b>	<b>\$ 761</b>

(a) During the nine months ended September 30, 2017, Duke Energy Florida continued to receive reimbursements from the NDTF for costs related to ongoing decommissioning activity of the Crystal River Unit 3 nuclear plant.

The table below summarizes the maturity date for debt securities.

<b>(in millions)</b>	<b>September 30, 2017</b>
Due in one year or less	\$ 58
Due after one through five years	100
Due after five through 10 years	58
Due after 10 years	111
<b>Total</b>	<b>\$ 327</b>

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

<b>(in millions)</b>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Realized gains	\$ 2	\$ 3	\$ 9	\$ 11
Realized losses	1	2	6	7

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**DUKE ENERGY INDIANA**

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

(in millions)	September 30, 2017			December 31, 2016		
	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
		\$	\$	\$	\$	\$
<b>Investments</b>						
Equity securities	44	—	91	33	—	79
Corporate debt securities	—	—	3	—	—	2
Municipal bonds	—	1	28	—	1	28
U.S. government bonds	—	—	—	—	—	1
<b>Total Investments</b>	<b>\$ 44</b>	<b>\$ 1</b>	<b>\$ 122</b>	<b>\$ 33</b>	<b>\$ 1</b>	<b>\$ 110</b>

The table below summarizes the maturity date for debt securities.

(in millions)	September 30, 2017
Due in one year or less	\$ 4
Due after one through five years	12
Due after five through 10 years	8
Due after 10 years	7
<b>Total</b>	<b>\$ 31</b>

Realized gains and losses, which were determined on a specific identification basis, from sales of AFS securities were insignificant for the three and nine months ended September 30, 2017, and 2016.

**12. FAIR VALUE MEASUREMENTS**

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

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

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

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

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

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

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

Transfers between levels represent assets or liabilities that were previously (i) categorized at a higher level for which the inputs to the estimate became less observable or (ii) classified at a lower level for which the inputs became more observable during the period. The Duke Energy Registrant's policy is to recognize transfers between levels of the fair value hierarchy at the end of the period. There were no transfers between levels during the three and nine months ended September 30, 2017, and 2016.



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

**Investments in equity securities**

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

**Investments in debt securities**

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

**Commodity derivatives**

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

**Interest rate derivatives**

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

**Other fair value considerations**

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

**DUKE ENERGY**

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

(in millions)	September 30, 2017				
	Total Fair Value	Level 1	Level 2	Level 3	Not Categorized
NDTF equity securities	\$ 4,627	\$ 4,549	\$ —	\$ —	78
NDTF debt securities	2,167	617	1,550	—	—
Other trading and AFS equity securities	116	116	—	—	—
Other AFS debt securities	243	59	184	—	—
Derivative assets	69	4	35	30	—
Total assets	7,222	5,345	1,769	30	78
Derivative liabilities	(191)	—	(68)	(123)	—
Net assets (liabilities)	\$ 7,031	\$ 5,345	\$ 1,701	\$ (93)	78

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(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 (liabilities)	\$ 6,464	\$ 4,843	\$ 1,705	\$ (161)	\$ 77

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

(in millions)	Three Months Ended September 30, 2017			Three Months Ended September 30, 2016		
	Investments	Derivatives (net)	Total	Investments	Derivatives (net)	Total
Balance at beginning of period	\$ —	\$ (91)	\$ (91)	\$ 4	\$ 34	\$ 38
Purchases, sales, issuances and settlements:						
Settlements	—	(12)	(12)	—	(9)	(9)
Total gains (losses) included on the Condensed Consolidated Balance Sheet	—	10	10	—	(2)	(2)
Balance at end of period	\$ —	\$ (93)	\$ (93)	\$ 4	\$ 23	\$ 27

(in millions)	Nine Months Ended September 30, 2017			Nine Months Ended September 30, 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	—	—	—
Purchases, sales, issuances and settlements:						
Purchases	—	55	55	—	34	34
Sales	(6)	—	(6)	(1)	—	(1)
Settlements	—	(30)	(30)	—	(22)	(22)
Total gains included on the Condensed Consolidated Balance Sheet	—	48	48	—	1	1
Balance at end of period	\$ —	\$ (93)	\$ (93)	\$ 4	\$ 23	\$ 27

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**DUKE ENERGY CAROLINAS**

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

(in millions)	September 30, 2017				
	Total Fair Value	Level 1	Level 2	Level 3	Not Categorized
NDTF equity securities	\$ 2,553	\$ 2,475	\$ —	\$ —	\$ 78
NDTF debt securities	1,060	178	882	—	—
Derivative assets	8	—	8	—	—
Total assets	3,621	2,653	890	—	78
Derivative liabilities	(25)	—	(25)	—	—
Net assets	\$ 3,596	\$ 2,653	\$ 865	\$ —	\$ 78

(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

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

(in millions)	Investments			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Balance at beginning of period	\$ —	\$ 3	\$ 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	\$ —	\$ 3

**PROGRESS ENERGY**

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

(in millions)	September 30, 2017			December 31, 2016		
	Total Fair Value	Level 1	Level 2	Total Fair Value	Level 1	Level 2
NDTF equity securities	\$ 2,074	\$ 2,074	\$ —	\$ 1,861	\$ 1,861	\$ —
NDTF debt securities	1,107	439	668	1,065	454	611
Other AFS debt securities	58	11	47	65	21	44
Derivative assets	15	1	14	85	—	85
Total assets	3,254	2,525	729	3,076	2,336	740
Derivative liabilities	(22)	—	(22)	(25)	—	(25)
Net assets	\$ 3,232	\$ 2,525	\$ 707	\$ 3,051	\$ 2,336	\$ 715

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**DUKE ENERGY PROGRESS**

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

(in millions)	September 30, 2017			December 31, 2016		
	Total Fair Value	Level 1	Level 2	Total Fair Value	Level 1	Level 2
NDTF equity securities	\$ 1,683	\$ 1,683	\$ —	\$ 1,505	\$ 1,505	\$ —
NDTF debt securities	778	231	547	708	207	501
Other AFS debt securities	1	1	—	1	1	—
Derivative assets	8	1	7	46	—	46
Total assets	2,470	1,916	554	2,260	1,713	547
Derivative liabilities	(7)	—	(7)	(7)	—	(7)
Net assets	\$ 2,463	\$ 1,916	\$ 547	\$ 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 Condensed Consolidated Balance Sheets.

(in millions)	September 30, 2017			December 31, 2016		
	Total Fair Value	Level 1	Level 2	Total Fair Value	Level 1	Level 2
NDTF equity securities	\$ 391	\$ 391	\$ —	\$ 356	\$ 356	\$ —
NDTF debt securities	329	208	121	357	247	110
Other AFS debt securities	47	—	47	48	4	44
Derivative assets	6	—	6	39	—	39
Total assets	773	599	174	800	607	193
Derivative liabilities	(9)	—	(9)	(12)	—	(12)
Net assets	\$ 764	\$ 599	\$ 165	\$ 788	\$ 607	\$ 181

**DUKE ENERGY OHIO**

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

(in millions)	September 30, 2017			December 31, 2016		
	Total Fair Value	Level 2	Level 3	Total Fair Value	Level 2	Level 3
Derivative assets	\$ 2	\$ —	\$ 2	\$ 5	\$ —	\$ 5
Derivative liabilities	(5)	(5)	—	(6)	(6)	—
Net (liabilities) assets	\$ (3)	\$ (5)	\$ 2	\$ (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)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Balance at beginning of period	\$ 3	\$ 5	\$ 5	\$ 3
Purchases, sales, issuances and settlements:				
Purchases	—	—	3	5
Settlements	(1)	(2)	(3)	(4)
Total losses included on the Condensed Consolidated Balance Sheet	—	—	(3)	(1)
Balance at end of period	\$ 2	\$ 3	\$ 2	\$ 3

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**DUKE ENERGY INDIANA**

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

(in millions)	September 30, 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	\$ 91	\$ 91	\$ —	\$ —	\$ 79	\$ 79	\$ —	\$ —
Other AFS debt securities	31	—	31	—	31	—	31	—
Derivative assets	28	—	—	28	16	—	—	16
Total assets	150	91	31	28	126	79	31	16
Derivative liabilities	—	—	—	—	(2)	(2)	—	—
Net assets	\$ 150	\$ 91	\$ 31	\$ 28	\$ 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)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Balance at beginning of period	\$ 51	\$ 29	\$ 16	\$ 7
Purchases, sales, issuances and settlements:				
Purchases	—	—	52	29
Settlements	(11)	(7)	(27)	(18)
Total (losses) gains included on the Condensed Consolidated Balance Sheet	(12)	(2)	(13)	2
Balance at end of period	\$ 28	\$ 20	\$ 28	\$ 20

**PIEDMONT**

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

(in millions)	September 30, 2017			December 31, 2016		
	Total Fair Value	Level 1	Level 3	Total Fair Value	Level 1	Level 3
Other trading equity securities	\$ 1	\$ 1	\$ —	\$ 4	\$ 4	\$ —
Other trading debt securities	—	—	—	1	1	—
Derivative assets	2	2	—	3	3	—
Total assets	3	3	—	8	8	—
Derivative liabilities	(123)	—	(123)	(187)	—	(187)
Net (liabilities) assets	\$ (120)	\$ 3	\$ (123)	\$ (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)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Balance at beginning of period	\$ (145)	\$ (190)	\$ (187)	\$ (149)
Total gains (losses) and settlements	22	(5)	64	(46)
Balance at end of period	\$ (123)	\$ (195)	\$ (123)	\$ (195)

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**QUANTITATIVE INFORMATION ABOUT UNOBSERVABLE INPUTS**

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

September 30, 2017				
Investment Type	Fair Value (in millions)	Valuation Technique	Unobservable Input	Range
<b>Duke Energy Ohio</b>				
Financial Transmission Rights (FTRs)	\$ 2	RTO auction pricing	FTR price – per megawatt-hour (MWh)	\$ — - \$ 1.08
<b>Duke Energy Indiana</b>				
FTRs	28	RTO auction pricing	FTR price – per MWh	(0.82) - 6.19
<b>Piedmont</b>				
Natural gas contracts	(123)	Discounted cash flow	Forward natural gas curves – price per million British thermal unit (MMBtu)	2.12 - 3.36
<b>Duke Energy</b>				
Total Level 3 derivatives	\$ (93)			

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

**OTHER FAIR VALUE DISCLOSURES**

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

(in millions)	September 30, 2017		December 31, 2016	
	Book Value	Fair Value	Book Value	Fair Value
Duke Energy	\$ 51,414	\$ 53,985	\$ 47,895	\$ 49,161
Duke Energy Carolinas	9,525	10,653	9,603	10,494
Progress Energy	17,637	19,615	17,541	19,107
Duke Energy Progress	7,557	8,075	7,011	7,357
Duke Energy Florida	6,696	7,475	6,125	6,728
Duke Energy Ohio	2,067	2,242	1,884	2,020
Duke Energy Indiana	3,785	4,407	3,786	4,260
Piedmont	2,036	2,193	1,821	1,933

At both September 30, 2017, and December 31, 2016, fair value of cash and cash equivalents, accounts and notes receivable, accounts payable, notes payable and commercial paper, and nonrecourse notes payable of VIEs are not materially different from their carrying amounts because of the short-term nature of these instruments and/or because the stated rates approximate market rates.

**13. VARIABLE INTEREST ENTITIES**

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

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**CONSOLIDATED VIEs**

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

No financial support was provided to any of the consolidated VIEs during the nine months ended September 30, 2017, and the year ended December 31, 2016, or is expected to be provided in the future, that was not previously contractually required.

**Receivables Financing – DERF / DEPR / DEFR**

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

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

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

**Receivables Financing – CRC**

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

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

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

**Receivables Financing – Credit Facilities**

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

(in millions)	Duke Energy			
	CRC	Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida
		DERF	DEPR	DEFR
Expiration date	December 2018	December 2018	February 2019	April 2019
Credit facility amount	\$ 325	\$ 425	\$ 300	\$ 225
Amounts borrowed at September 30, 2017	325	425	300	225
Amounts borrowed at December 31, 2016	325	425	300	225

**Nuclear Asset-Recovery Bonds – DEFPF**

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

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

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.

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

(in millions)	September 30, 2017	December 31, 2016
Receivables of VIEs	\$ 6	\$ 6
Current Assets: Regulatory assets	51	50
Current Assets: Other	20	53
Other Noncurrent Assets: Regulatory assets	1,101	1,142
Current Liabilities: Other	3	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 Condensed Consolidated Balance Sheets related to renewables VIEs.

(in millions)	September 30, 2017	December 31, 2016
Current Assets: Other	\$ 399	\$ 223
Property, plant and equipment, cost	3,923	3,419
Accumulated depreciation and amortization	(556)	(453)
Current maturities of long-term debt	162	198
Long-Term Debt	1,780	1,097
Deferred income taxes	223	275
Other Noncurrent Liabilities: Other	247	252

**NON-CONSOLIDATED VIEs**

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

(in millions)	September 30, 2017						
	Duke Energy				Duke Energy Ohio	Duke Energy Indiana	
	Pipeline Investments	Commercial Renewables	Other VIEs <sup>(a)</sup>	Total			
Receivables from affiliated companies	\$ —	\$ —	\$ —	\$ —	\$ 46	\$ 75	
Investments in equity method unconsolidated affiliates	895	172	39	1,106	—	—	
Other noncurrent assets	18	—	—	18	—	—	
<b>Total assets</b>	<b>\$ 913</b>	<b>\$ 172</b>	<b>\$ 39</b>	<b>\$ 1,124</b>	<b>\$ 46</b>	<b>\$ 75</b>	
Other current liabilities	—	—	3	3	—	—	
Deferred income taxes	29	—	—	29	—	—	
Other noncurrent liabilities	—	—	12	12	—	—	
<b>Total liabilities</b>	<b>\$ 29</b>	<b>\$ —</b>	<b>\$ 15</b>	<b>\$ 44</b>	<b>\$ —</b>	<b>\$ —</b>	
<b>Net assets</b>	<b>\$ 884</b>	<b>\$ 172</b>	<b>\$ 24</b>	<b>\$ 1,080</b>	<b>\$ 46</b>	<b>\$ 75</b>	

(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 has sufficient equity to finance its own activities as of September 30, 2017, and, therefore, is no longer considered a VIE. Duke Energy's investment in DATC was \$45 million at September 30, 2017.



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

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

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

**Pipeline Investments**

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

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

Entity Name	Ownership Interest	VIE Investment Amount (in millions)	
		September 30, 2017	December 31, 2016
		ACP	47%
Sabal Trail	7.5%	218	140
Constitution	24%	82	82
<b>Total</b>		<b>\$ 895</b>	<b>\$ 487</b>

At December 31, 2016, Piedmont had a 7 percent ownership interest in ACP and a 24 percent ownership interest in Constitution. In April 2017, Piedmont transferred its ownership interests in ACP and Constitution to a wholly owned subsidiary of Duke Energy at book value.

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. Through October 2017, ACP has borrowed \$570 million against the revolving credit facility.

**Commercial Renewables**

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

**Other VIEs**

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

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**OVEC**

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

**CRC**

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

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

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

	Duke Energy Ohio		Duke Energy Indiana	
	2017	2016	2017	2016
Anticipated credit loss ratio	0.5%	0.5%	0.3%	0.3%
Discount rate	2.0%	1.5%	2.0%	1.5%
Receivable turnover rate	13.4%	13.3%	10.7%	10.6%

The following table shows the gross and net receivables sold.

(in millions)	Duke Energy Ohio		Duke Energy Indiana	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Receivables sold	\$ 209	\$ 267	\$ 304	\$ 306
Less: Retained interests	46	82	75	101
Net receivables sold	\$ 163	\$ 185	\$ 229	\$ 205

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

(in millions)	Duke Energy Ohio				Duke Energy Indiana			
	Three Months Ended		Nine Months Ended		Three Months Ended		Nine Months Ended	
	September 30,	September 30,	September 30,	September 30,	September 30,	September 30,	September 30,	September 30,
	2017	2016	2017	2016	2017	2016	2017	2016
<b>Sales</b>								
Receivables sold	\$ 438	\$ 481	\$ 1,392	\$ 1,442	\$ 720	\$ 722	\$ 2,047	\$ 1,980
Loss recognized on sale	2	2	7	7	3	3	9	8
<b>Cash flows</b>								
Cash proceeds from receivables sold	\$ 434	\$ 468	\$ 1,421	\$ 1,432	\$ 713	\$ 703	\$ 2,064	\$ 1,958
Collection fees received	1	1	1	1	—	—	1	1
Return received on retained interests	—	1	2	2	2	2	5	4

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

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

**14. COMMON STOCK**

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

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

(in millions, except per-share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Income from continuing operations attributable to Duke Energy common stockholders excluding impact of participating securities	\$ 954	\$ 998	\$ 2,356	\$ 2,194
Weighted average shares outstanding – basic	700	689	700	689
Equity Forwards	—	2	—	1
Weighted average shares outstanding – diluted	700	691	700	690
Earnings per share from continuing operations attributable to Duke Energy common stockholders				
Basic	\$ 1.36	\$ 1.44	\$ 3.37	\$ 3.19
Diluted	\$ 1.36	\$ 1.44	\$ 3.37	\$ 3.18
Potentially dilutive items excluded from the calculation <sup>(a)</sup>	2	2	2	2
Dividends declared per common share	\$ 0.89	\$ 0.855	\$ 2.60	\$ 2.505

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

**Equity Forwards**

In March 2016, Duke Energy marketed an equity offering of 10.6 million shares of common stock. In lieu of issuing equity at the time of the offering, Duke Energy entered into equity forward sale agreements with Barclays (the Equity Forwards). The Equity Forwards required Duke Energy to either physically settle the transactions by issuing 10.6 million shares, or net settle in whole or in part through the delivery or receipt of cash or shares. As of September 30, 2016, share dilution resulting from the agreements was determined under the treasury stock method.

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

**15. STOCK-BASED COMPENSATION**

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

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

(in millions)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Restricted stock unit awards	\$ 10	\$ 8	\$ 30	\$ 25
Performance awards	7	4	20	14
Pretax stock-based compensation cost	\$ 17	\$ 12	\$ 50	\$ 39
Tax benefit associated with stock-based compensation expense	\$ 6	\$ 5	\$ 18	\$ 14
Stock-based compensation costs capitalized	1	—	2	2

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Prior to Duke Energy acquiring Piedmont, Piedmont had an incentive compensation plan for eligible officers and other participants. Piedmont's total pretax stock-based compensation costs were approximately \$2 million and \$5 million for the three and nine months ended September 30, 2016, respectively. The tax benefit associated with Piedmont's stock-based compensation expense for the three and nine months ended September 30, 2016, was immaterial.

**16. EMPLOYEE BENEFIT PLANS**

**DEFINED BENEFIT RETIREMENT PLANS**

Duke Energy maintains, and the Subsidiary Registrants participate in, qualified and non-qualified, non-contributory defined benefit retirement plans. Duke Energy's policy is to fund amounts on an actuarial basis to provide assets sufficient to meet benefit payments to be paid to plan participants. The following table includes information related to the Duke Energy Registrants' contributions to its U.S. qualified defined benefit pension plans.

(in millions)	Duke Energy	Duke Energy Ohio	Piedmont
Anticipated 2017 contributions	\$ 19	\$ 4	\$ 11
Contributions made during the nine months ended September 30, 2017	8	4	—
Remaining estimated contributions to be made in 2017	\$ 11	\$ —	\$ 11

Duke Energy did not make any contributions to its U.S. qualified defined benefit pension plans during the nine months ended September 30, 2016.

Net periodic benefit costs disclosed in the tables below represent the cost of the respective benefit plan for the periods presented. However, portions of the net periodic benefit costs disclosed in the tables below have been capitalized as a component of property, plant and equipment. Amounts presented in the tables below for the Subsidiary Registrants represent the amounts of pension and other post-retirement benefit costs allocated by Duke Energy for employees of the Subsidiary Registrants. Additionally, the Subsidiary Registrants are allocated their proportionate share of pension and post-retirement benefit costs for employees of Duke Energy's shared services affiliate that provides support to the Subsidiary Registrants. These allocated amounts are included in the governance and shared service costs discussed in Note 9. Duke Energy uses a December 31 measurement date for its defined benefit retirement plan assets and obligations.

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**QUALIFIED PENSION PLANS**

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

(in millions)	Three Months Ended September 30, 2017															
	Duke Energy		Duke Energy Carolinas		Progress Energy		Duke Energy Progress		Duke Energy Florida		Duke Energy Ohio		Duke Energy Indiana		Piedmont	
Service cost	\$	40	\$	12	\$	12	\$	6	\$	5	\$	1	\$	2	\$	3
Interest cost on projected benefit obligation		82		20		25		12		13		4		7		3
Expected return on plan assets		(136)		(35)		(43)		(21)		(21)		(7)		(11)		(6)
Amortization of actuarial loss		36		8		14		6		7		1		3		3
Amortization of prior service credit		(6)		(2)		(1)		—		—		—		—		(1)
Other		2		—		1		—		—		—		—		—
Net periodic pension costs	\$	18	\$	3	\$	8	\$	3	\$	4	\$	(1)	\$	1	\$	2

(in millions)	Three Months Ended September 30, 2016															
	Duke Energy		Duke Energy Carolinas		Progress Energy		Duke Energy Progress		Duke Energy Florida		Duke Energy Ohio		Duke Energy Indiana		Piedmont	
Service cost	\$	36	\$	12	\$	11	\$	6	\$	4	\$	1	\$	2	\$	3
Interest cost on projected benefit obligation		83		21		27		12		14		5		7		2
Expected return on plan assets		(128)		(35)		(42)		(21)		(21)		(6)		(10)		(6)
Amortization of actuarial loss		33		8		14		6		7		1		3		2
Amortization of prior service credit		(4)		(2)		(1)		—		(1)		—		—		(1)
Other		2		1		1		—		1		—		—		—
Net periodic pension costs	\$	22	\$	5	\$	10	\$	3	\$	4	\$	1	\$	2	\$	—

(in millions)	Nine Months Ended September 30, 2017															
	Duke Energy		Duke Energy Carolinas		Progress Energy		Duke Energy Progress		Duke Energy Florida		Duke Energy Ohio		Duke Energy Indiana		Piedmont	
Service cost	\$	120	\$	36	\$	36	\$	18	\$	15	\$	3	\$	6	\$	9
Interest cost on projected benefit obligation		246		60		75		36		39		14		21		9
Expected return on plan assets		(408)		(106)		(129)		(63)		(63)		(21)		(33)		(18)
Amortization of actuarial loss		108		24		42		18		21		3		9		9
Amortization of prior service credit		(18)		(6)		(3)		—		—		—		—		(3)
Other		6		—		3		1		—		—		—		1
Net periodic pension costs	\$	54	\$	8	\$	24	\$	10	\$	12	\$	(1)	\$	3	\$	7

(in millions)	Nine Months Ended September 30, 2016															
	Duke Energy		Duke Energy Carolinas		Progress Energy		Duke Energy Progress		Duke Energy Florida		Duke Energy Ohio		Duke Energy Indiana		Piedmont	
Service cost	\$	109	\$	36	\$	32	\$	18	\$	14	\$	3	\$	6	\$	8
Interest cost on projected benefit obligation		249		64		80		37		42		15		21		7
Expected return on plan assets		(386)		(106)		(126)		(62)		(63)		(20)		(31)		(18)
Amortization of actuarial loss		99		24		41		17		21		3		9		6
Amortization of prior service credit		(12)		(6)		(3)		(1)		(1)		—		—		(2)
Other		6		2		2		1		1		—		—		—

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Net periodic pension costs	\$	65	\$	14	\$	26	\$	10	\$	14	\$	1	\$	5	\$	1
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**NON-QUALIFIED PENSION PLANS**

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

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

  

(in millions)	Three Months Ended September 30, 2016				
	Duke	Duke	Progress	Duke	Duke
	Energy	Energy Carolinas	Energy	Energy Progress	Energy Florida
Service cost	\$ 1	\$ —	\$ —	\$ —	\$ —
Interest cost on projected benefit obligation	4	—	2	—	—
Amortization of actuarial loss	2	—	1	1	1
Amortization of prior service credit	(1)	—	—	—	—
Net periodic pension costs	\$ 6	\$ —	\$ 3	\$ 1	\$ 1

  

(in millions)	Nine Months Ended September 30, 2017				
	Duke	Duke	Progress	Duke	Duke
	Energy	Energy Carolinas	Energy	Energy Progress	Energy Florida
Service cost	\$ —	\$ —	\$ —	\$ —	\$ —
Interest cost on projected benefit obligation	10	1	3	2	2
Amortization of actuarial loss	6	—	3	—	—
Net periodic pension costs	\$ 16	\$ 1	\$ 6	\$ 2	\$ 2

  

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

**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.

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

(in millions)	Three Months Ended September 30, 2017							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Service cost	\$ 1	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Interest cost on accumulated post-retirement benefit obligation	9	2	4	2	2	—	1	—
Expected return on plan assets	(3)	(2)	—	—	—	—	—	—
Amortization of actuarial loss	2	—	5	3	2	—	—	—
Amortization of prior service credit	(29)	(2)	(21)	(14)	(8)	—	—	—
Net periodic other post-retirement benefit costs	\$ (20)	\$ (2)	\$ (12)	\$ (9)	\$ (4)	\$ —	\$ 1	\$ —

(in millions)	Three Months Ended September 30, 2016							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Service cost	\$ —	\$ —	\$ 1	\$ —	\$ —	\$ —	\$ —	\$ 1
Interest cost on accumulated post-retirement benefit obligation	9	2	4	2	3	—	1	—
Expected return on plan assets	(2)	(2)	(1)	—	—	—	—	—
Amortization of actuarial loss (gain)	2	—	5	3	2	(1)	—	—
Amortization of prior service credit	(35)	(4)	(26)	(16)	(8)	—	(1)	—
Net periodic other post-retirement benefit costs	\$ (26)	\$ (4)	\$ (17)	\$ (11)	\$ (3)	\$ (1)	\$ —	\$ 1

(in millions)	Nine Months Ended September 30, 2017							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Service cost	\$ 3	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Interest cost on accumulated post-retirement benefit obligation	27	6	11	6	6	—	1	—
Expected return on plan assets	(10)	(6)	—	—	—	—	—	—
Amortization of actuarial loss (gain)	6	(2)	15	9	6	(1)	—	—
Amortization of prior service credit	(87)	(6)	(63)	(41)	(23)	—	—	—
Net periodic other post-retirement benefit costs	\$ (61)	\$ (8)	\$ (37)	\$ (26)	\$ (11)	\$ (1)	\$ 1	\$ —

(in millions)	Nine Months Ended September 30, 2016							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Service cost	\$ 2	\$ —	\$ 1	\$ —	\$ —	\$ —	\$ —	\$ 1
Interest cost on accumulated post-retirement benefit obligation	26	6	11	6	6	1	3	1
Expected return on plan assets	(9)	(6)	(1)	—	—	—	(1)	(1)
Amortization of actuarial loss (gain)	5	(2)	16	9	7	(2)	(1)	—
Amortization of prior service credit	(106)	(10)	(77)	(50)	(26)	—	(1)	—
Net periodic other post-retirement benefit costs	\$ (82)	\$ (12)	\$ (50)	\$ (35)	\$ (13)	\$ (1)	\$ —	\$ 1



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**DEFINED CONTRIBUTION RETIREMENT PLANS**

**EMPLOYEE SAVINGS PLANS**

Duke Energy sponsors, and the Subsidiary Registrants participate in, employee savings plans that cover substantially all U.S. employees. The following table presents employer contributions made by Duke Energy and expensed by the Subsidiary Registrants.

(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Three Months Ended September 30,								
2017	\$ 43	\$ 14	\$ 12	\$ 9	\$ 4	\$ 1	\$ 2	\$ 2
2016	39	13	12	8	3	1	2	2
Nine Months Ended September 30,								
2017	\$ 147	\$ 49	\$ 42	\$ 30	\$ 13	\$ 3	\$ 7	\$ 5
2016	130	44	39	27	11	3	6	5

**MONEY PURCHASE PENSION PLAN**

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

**17. INCOME TAXES**

**EFFECTIVE TAX RATES**

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Duke Energy	27.6%	34.0%	30.4%	31.7%
Duke Energy Carolinas	32.9%	34.3%	34.1%	34.4%
Progress Energy	29.1%	32.8%	31.9%	34.7%
Duke Energy Progress	31.7%	31.4%	32.4%	33.5%
Duke Energy Florida	34.8%	36.0%	36.1%	37.0%
Duke Energy Ohio	33.3%	36.8%	34.4%	32.5%
Duke Energy Indiana	38.3%	35.2%	39.0%	34.0%
Piedmont <sup>(a)</sup>	47.6%	40.0%	36.1%	37.7%

(a) Piedmont is in a net loss position for the three months ended September 30, 2017, and 2016.

The decrease in the effective tax rate (ETR) for Duke Energy for the three months ended September 30, 2017, is primarily due to higher research credits, tax benefits of legal entity restructuring and prior year unfavorable impacts of finalizing federal tax audits. The decrease in the ETR for Duke Energy for the nine months ended September 30, 2017, is primarily due to higher research credits, tax benefits of legal entity restructuring and higher production tax credits related to wind projects placed in service; partially offset by lower investment tax credits due to lower solar investments.

The decrease in the ETR for Duke Energy Carolinas for the three months ended September 30, 2017, is primarily due to the favorable impact of research credits, provision to return true ups, and lower North Carolina corporate tax rates.

The decrease in the ETR for Progress Energy for the three and nine months ended September 30, 2017, is primarily due to the favorable impact of research credits and lower North Carolina corporate tax rates.

The decrease in the ETR for Duke Energy Progress for the nine months ended September 30, 2017, is primarily due to the favorable impact of research credits and lower North Carolina corporate tax rates.

The decrease in the ETR for Duke Energy Florida for the three months ended September 30, 2017, is primarily due to the favorable impact of research credits.

The decrease in the ETR for Duke Energy Ohio for the three months ended September 30, 2017, is primarily due to the favorable impact of research credits. The increase in the ETR for Duke Energy Ohio for the nine months ended September 30, 2017, is primarily due to an immaterial out of period adjustment in the prior year related to deferred tax balances associated with property, plant and equipment.

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DUKE ENERGY CORPORATION – DUKE ENERGY CAROLINAS, LLC – PROGRESS ENERGY, INC. –  
DUKE ENERGY PROGRESS, LLC – DUKE ENERGY FLORIDA, LLC – DUKE ENERGY OHIO, INC. – DUKE ENERGY INDIANA, LLC – PIEDMONT NATURAL GAS  
COMPANY, INC.

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

The increase in the ETR for Duke Energy Indiana for the three months ended September 30, 2017, is primarily due to state tax credits recorded in the prior year. The increase in the ETR for Duke Energy Indiana for the nine months ended September 30, 2017, is primarily due to an immaterial out of period adjustment in the prior year related to deferred tax balances associated with property, plant and equipment.

The increase in the ETR for Piedmont for the three months ended September 30, 2017, is primarily due to favorable tax return true ups and lower North Carolina corporate tax rates in relation to pretax losses. The decrease in the ETR for Piedmont for the nine months ended September 30, 2017, is primarily due to favorable tax return true ups and lower North Carolina corporate tax rates.

**TAXES ON FOREIGN EARNINGS**

As of December 31, 2015, Duke Energy's intention was to indefinitely reinvest any future undistributed foreign earnings earned after December 31, 2014. In February 2016, Duke Energy announced it had initiated a process to divest the International Disposal Group and, accordingly, no longer intended to indefinitely reinvest post-2014 undistributed foreign earnings. This change in the company's intent, combined with the extension of bonus depreciation by Congress in late 2015, allowed Duke Energy to more efficiently utilize foreign tax credits and reduce U.S. deferred tax liabilities associated with historical unremitted foreign earnings by approximately \$95 million for the nine months ended September 30, 2016. Due to the classification of the International Disposal Group as discontinued operations, income tax amounts related to the International Disposal Group's foreign earnings are presented within (Loss) Income from Discontinued Operations, net of tax on the Condensed Consolidated Statements of Operations. See Note 2 for additional information related to the sale of the International Disposal Group.

**18. SUBSEQUENT EVENTS**

For information on additional subsequent events related to business segments, regulatory matters, commitments and contingencies and VIEs, see Notes 3, 4, 5 and 13.

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

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

### DUKE ENERGY

Duke Energy is an energy company headquartered in Charlotte, North Carolina. Duke Energy operates in the United States (U.S.) primarily through its wholly owned subsidiaries, Duke Energy Carolinas, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio, Duke Energy Indiana and Piedmont. When discussing Duke Energy's consolidated financial information, it necessarily includes the results of the Subsidiary Registrants, which, along with Duke Energy, are collectively referred to as the Duke Energy Registrants. Piedmont's results of operations are included in Duke Energy's results for the three and nine months ended September 30, 2017, but not for the three and nine months ended September 30, 2016, as Piedmont's earnings are only included in Duke Energy's consolidated results subsequent to the acquisition date. See below for additional information regarding the acquisition.

Management's Discussion and Analysis should be read in conjunction with the Condensed Consolidated Financial Statements and Notes for the nine months ended September 30, 2017, and with Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2016, Piedmont's Annual Report on Form 10-K for the year ended October 31, 2016, and the transition report filed by Piedmont on Form 10-Q (Form 10-QT) as of December 31, 2016, for the transition period from November 1, 2016, to December 31, 2016.

### Executive Overview

#### *Hurricane Irma*

In September 2017, Hurricane Irma caused widespread damage across the Southeast region, at its peak leaving approximately 1.3 million Duke Energy Florida customers without power. Duke Energy's restoration efforts in response to this devastating storm utilized a team of over 12,000 line and service crews and hundreds of employee volunteers. Storm restoration costs (including capital) for the Duke Energy Florida service territory are currently estimated at approximately \$500 million. The vast majority of these costs have been deferred to the balance sheet for future recovery from customers in Florida, per existing state statute. Lost revenues associated with Hurricane Irma were approximately \$20 million in the third quarter of 2017. See Note 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters" for additional information.

#### *Regulatory Activity*

In the third quarter of 2017, Duke Energy advanced regulatory activity underway in multiple jurisdictions, achieving several key milestones.

In August 2017, Duke Energy Carolinas filed a base rate case with the North Carolina Utilities Commission. The rate request was driven by capital investments in new, highly efficient natural gas combined-cycle plants and other plant upgrades, coal ash basin closure activities and grid improvement projects. Hearings are scheduled to commence in February 2018.

In Florida, Duke Energy worked closely with stakeholders to build upon and extend the existing settlement agreement from 2013. In late August, Duke Energy Florida reached a favorable agreement with numerous parties in the state, including the consumer advocate, and that agreement was approved by the Florida Public Service Commission (FPSC) in late October. As outlined in the settlement, Duke Energy Florida agreed to no longer recover any remaining costs associated with the canceled Levy Nuclear Project and as a result incurred a pretax impairment charge of \$135 million during the third quarter.

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

#### *2016 Acquisition of Piedmont Natural Gas*

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

Duke Energy incurred pretax nonrecurring transaction and integration costs associated with the acquisition of \$23 million and \$69 million for the three and nine months ended September 30, 2017, respectively, and \$65 million and \$256 million for the three and nine months ended September 30, 2016, respectively. Acquisition-related costs in the prior year were principally due to losses on forward-starting interest rate swaps related to the acquisition financing of \$22 million and \$190 million for the three and nine months ended September 30, 2016, respectively. For additional information on the swaps see Note 10 to the Condensed Consolidated Financial Statements, "Derivatives and Hedging."

Duke Energy expects to incur system integration and other acquisition-related transition costs, primarily through 2018, that are necessary to achieve certain anticipated cost savings, efficiencies and other benefits. See Note 2 to the Condensed Consolidated Financial Statements, "Acquisitions and Dispositions," for additional information regarding the transaction.

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**2016 Sale of International Energy**

In December 2016, Duke Energy sold its Latin American generation businesses (International Disposal Group) in two separate transactions for a combined enterprise value of \$2.4 billion. The transactions generated cash proceeds of \$1.9 billion, excluding transaction costs, which were primarily used to reduce Duke Energy holding company debt. Due to the transactions, results of the International Disposal Group are classified as discontinued operations. See Note 2 to the Condensed Consolidated Financial Statements, "Acquisitions and Dispositions" for additional information.

**Results of Operations**

**Non-GAAP Measures**

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

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

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

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

- Costs to Achieve Mergers represent charges that result from strategic acquisitions.
- Cost Savings Initiatives represent severance charges related to companywide initiatives, excluding merger integration, to standardize processes and systems, leverage technology and workforce optimization.
- Commercial Renewables Impairments represents other-than-temporary and asset impairments.
- Florida Settlement represents an impairment charge related to the Levy nuclear project based on a settlement agreement approved by regulators.

Adjusted earnings also include operating results of the International Disposal Group, which have been classified as discontinued operations. Management believes inclusion of the operating results of the Disposal Group within adjusted earnings and adjusted diluted EPS results in a better reflection of Duke Energy's financial performance during the period.

**Three Months Ended September 30, 2017, as compared to September 30, 2016**

GAAP Reported EPS was \$1.36 for the third quarter of 2017 compared to \$1.70 for the third quarter of 2016. The decrease in GAAP Reported EPS was primarily due to less favorable weather, an impairment at Duke Energy Florida and prior year income from discontinued operations including International Energy which was sold in 2016; partially offset by a lower effective tax rate, lower costs associated with the Piedmont acquisition and growth from investments.

As discussed above, management also evaluates financial performance based on adjusted diluted EPS. Duke Energy's third quarter 2017 adjusted diluted EPS was \$1.59 compared to \$1.68 for the third quarter of 2016. The following table reconciles non-GAAP measures, including adjusted diluted EPS, to their most directly comparable GAAP measures.

(in millions, except per-share amounts)	Three Months Ended September 30,			
	2017		2016	
	Earnings	EPS	Earnings	EPS
GAAP Reported Earnings/GAAP Reported EPS	\$ 954	\$ 1.36	\$ 1,176	\$ 1.70
Adjustments:				
Costs to Achieve Mergers <sup>(a)</sup>	14	0.03	52	0.07
Cost Savings Initiatives <sup>(b)</sup>	—	—	12	0.02
Commercial Renewables Impairments <sup>(c)</sup>	56	0.08	45	0.07
Florida Settlement <sup>(d)</sup>	84	0.12	—	—
Discontinued Operations <sup>(e)</sup>	2	—	(122)	(0.18)
Adjusted Earnings/Adjusted Diluted EPS	\$ 1,110	\$ 1.59	\$ 1,163	\$ 1.68

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- (a) Net of \$9 million tax benefit in 2017 and \$32 million tax benefit in 2016.
- (b) Net of \$7 million tax benefit in 2016.
- (c) Net of \$28 million tax benefit in 2017 and \$26 million tax benefit in 2016.
- (d) Net of \$51 million tax benefit in 2017.
- (e) The 2016 amount represents tax adjustments related to previously sold businesses not related to the International Disposal Group.

The decrease in adjusted earnings for the three months ended September 30, 2017, compared to the same period in 2016 was primarily due to:

- Lower regulated electric revenues due to less favorable weather in the current year, including lost revenues related to Hurricane Irma;
- The prior year operating results of the International Disposal Group, which was sold in December 2016; and
- Higher financing costs, primarily due to the Piedmont acquisition.

Partially offset by:

- Higher regulated electric revenues from increased pricing and riders driven by new rates in Duke Energy Progress South Carolina, base rate adjustments in Florida, and energy efficiency rider revenues in North Carolina;
- Additional earnings from incremental investments in the Atlantic Coast Pipeline (ACP) natural gas pipeline; and
- Lower income taxes due to prior year unfavorable tax adjustments and benefits in the current year from legal entity restructuring.

**Nine Months Ended September 30, 2017, as compared to September 30, 2016**

Duke Energy's GAAP Reported EPS was \$3.36 for the nine months ended September 30, 2017, compared to \$3.44 for the nine months ended September 30, 2016. The decrease in GAAP Reported EPS was driven by less favorable weather compared to the prior year, an impairment at Duke Energy Florida and prior year income from discontinued operations including International Energy which was sold in 2016; partially offset by lower costs associated with the Piedmont acquisition, lower severance charges, effective cost control and growth from investments.

As discussed above, management also evaluates financial performance based on adjusted diluted EPS. Duke Energy's adjusted diluted EPS for the nine months ended September 30, 2017, was \$3.63 compared to \$3.88 for the nine months ended September 30, 2016. The following table reconciles non-GAAP measures, including adjusted diluted EPS, to their most directly comparable GAAP measures.

(in millions, except per-share amounts)	Nine Months Ended September 30,					
	2017		2016			
	Earnings	EPS	Earnings	EPS		
GAAP Reported Earnings/GAAP Reported EPS	\$ 2,356	\$ 3.36	\$ 2,379	\$ 3.44		
Adjustments:						
Costs to Achieve Mergers <sup>(a)</sup>	43	0.06	195	0.28		
Cost Savings Initiatives <sup>(b)</sup>	—	—	39	0.06		
Commercial Renewables Impairments <sup>(c)</sup>	56	0.08	45	0.07		
Florida Settlement <sup>(d)</sup>	84	0.12	—	—		
Discontinued Operations <sup>(e)</sup>	4	0.01	21	0.03		
Adjusted Earnings/Adjusted Diluted EPS	\$ 2,543	\$ 3.63	\$ 2,679	\$ 3.88		

- (a) Net of \$26 million tax benefit in 2017 and \$120 million tax benefit in 2016.
- (b) Net of \$24 million tax benefit in 2016.
- (c) Net of \$28 million tax benefit in 2017 and \$26 million tax benefit in 2016.
- (d) Net of \$51 million tax benefit in 2017.
- (e) The 2016 amount includes an impairment charge related to certain assets in Central America that were sold in 2016, partially offset by a tax benefit related to previously sold businesses not related to the International Disposal Group.

The decrease in adjusted earnings for the nine months ended September 30, 2017, compared to the same period in 2016 was primarily due to:

- Lower regulated electric revenues due to unfavorable weather compared to the prior year; and
- The prior year operating results of the International Disposal Group, which was sold in December 2016. The 2016 operating results included a benefit from the revaluation of deferred income taxes. See Note 17 to the Condensed Consolidated Financial Statements, "Income Taxes," for additional information.

Partially offset by:

- Higher regulated electric revenues from increased pricing and riders driven by new rates in Duke Energy Progress South Carolina, base rate adjustments in Florida and energy efficiency rider revenues in North Carolina, as well as growth in weather-normal retail volumes;
- Lower operations, maintenance and other expense, net of amounts recoverable in rates, at Electric Utilities and Infrastructure resulting from ongoing cost efficiency efforts and lower year-to-date storm costs than the prior year;
- Higher allowance for funds used during construction (AFUDC) equity due to capital investments at the electric utilities; and
- Additional earnings from incremental investments in the ACP and Sabal Trail natural gas pipelines.

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**SEGMENT RESULTS**

Management evaluates segment performance based on segment income. Segment income is defined as income from continuing operations net of income attributable to noncontrolling interests. Segment income includes intercompany revenues and expenses that are eliminated on the Condensed Consolidated Financial Statements.

Due to the Piedmont acquisition and the sale of International Energy in the fourth quarter of 2016, Duke Energy's segment structure was realigned to include the following segments: Electric Utilities and Infrastructure, Gas Utilities and Infrastructure and Commercial Renewables. The remainder of Duke Energy's operations is presented as Other. Prior period information has been recast to conform to the current segment structure. See Note 2 to the Condensed Consolidated Financial Statements, "Acquisitions and Dispositions," for further information on the Piedmont acquisition and International Energy sale and Note 3, "Business Segments," for additional information on Duke Energy's segments.

**Electric Utilities and Infrastructure**

(in millions)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2017	2016	Variance	2017	2016	Variance
<b>Operating Revenues</b>	\$ 6,129	\$ 6,340	\$ (211)	\$ 16,234	\$ 16,430	\$ (196)
<b>Operating Expenses</b>						
Fuel used in electric generation and purchased power	1,872	2,016	(144)	4,875	5,102	(227)
Operation, maintenance and other	1,297	1,291	6	3,833	3,819	14
Depreciation and amortization	777	729	48	2,228	2,139	89
Property and other taxes	277	274	3	808	799	9
Impairment charges	132	9	123	134	12	122
Total operating expenses	4,355	4,319	36	11,878	11,871	7
<b>Gains on Sales of Other Assets and Other, net</b>	—	1	(1)	4	3	1
<b>Operating Income</b>	1,774	2,022	(248)	4,360	4,562	(202)
<b>Other Income and Expenses</b>	67	75	(8)	222	215	7
<b>Interest Expense</b>	305	287	18	925	829	96
<b>Income Before Income Taxes</b>	1,536	1,810	(274)	3,657	3,948	(291)
<b>Income Tax Expense</b>	516	621	(105)	1,273	1,391	(118)
<b>Segment Income</b>	\$ 1,020	\$ 1,189	\$ (169)	\$ 2,384	\$ 2,557	\$ (173)
Duke Energy Carolinas gigawatt-hours (GWh) sales	24,135	25,508	(1,373)	66,159	67,890	(1,731)
Duke Energy Progress GWh sales	18,827	20,033	(1,206)	50,026	54,011	(3,985)
Duke Energy Florida GWh sales	12,132	12,440	(308)	31,177	31,542	(365)
Duke Energy Ohio GWh sales	6,672	7,214	(542)	18,632	19,117	(485)
Duke Energy Indiana GWh sales	8,795	9,073	(278)	24,975	26,624	(1,649)
Total Electric Utilities and Infrastructure GWh sales	70,561	74,268	(3,707)	190,969	199,184	(8,215)
Net proportional megawatt (MW) capacity in operation				48,909	49,411	(502)

**Three Months Ended September 30, 2017, as Compared to September 30, 2016**

Electric Utilities and Infrastructure's results were impacted by less favorable weather and an impairment at Duke Energy Florida, partially offset by growth from investments. The following is a detailed discussion of the variance drivers by line item.

**Operating Revenues.** The variance was driven primarily by:

- a \$163 million decrease in fuel revenues due to lower retail sales volumes; and
- a \$160 million decrease in retail sales, net of fuel revenues, due to less favorable weather in the current year, including lost revenues related to Hurricane Irma.

Partially offset by:

- a \$90 million increase in retail pricing due to Duke Energy Florida's base rate adjustments for the Osprey acquisition and Hines Chillers and the Duke Energy Progress South Carolina rate case, as well as increased rider revenues related to energy efficiency programs, Duke Energy Florida's nuclear asset securitization, and Midwest capital investments.

**Operating Expenses.** The variance was driven primarily by:

- a \$123 million increase in impairment charges primarily due to write-off of remaining unrecovered Levy Nuclear Project costs at Duke Energy Florida in the current year; and
- a \$48 million increase in depreciation and amortization expense primarily due to additional plant in service.

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Partially offset by:

- a \$144 million decrease in fuel expense, including purchased power, driven by lower retail sales.

**Interest Expense.** The increase was primarily due to higher debt outstanding in the current year to fund growth.

**Income Tax Expense.** The variance was primarily due to a decrease in pretax income and higher research credits, partially offset by the North Carolina corporate tax rate reduction in the prior year. The effective tax rates for the three months ended September 30, 2017, and 2016 were 33.6 percent and 34.3 percent, respectively.

**Nine Months Ended September 30, 2017, as Compared to September 30, 2016**

Electric Utilities and Infrastructure's results were impacted by less favorable weather compared to the prior year and an impairment at Duke Energy Florida, partially offset by growth from investments and higher weather-normal retail sales volumes. The following is a detailed discussion of the variance drivers by line item.

**Operating Revenues.** The variance was driven primarily by:

- a \$380 million decrease in retail sales, net of fuel revenues, due to unfavorable weather compared to the prior year, including lost revenues related to Hurricane Irma; and
- a \$256 million decrease in fuel revenues primarily due to lower retail sales volumes.

Partially offset by:

- a \$346 million increase in rider revenues related to energy efficiency programs, Duke Energy Florida's nuclear asset securitization, Midwest transmission and distribution capital investments, and Duke Energy Indiana's Edwardsport Integrated Gasification Combined Cycle (IGCC) plant, as well as an increase in retail pricing due to Duke Energy Florida's base rate adjustments for the Osprey acquisition and Hines Chillers and the Duke Energy Progress South Carolina rate case; and
- a \$59 million increase in weather-normal sales volumes to retail customers.

**Operating Expenses.** The variance was driven primarily by:

- a \$122 million increase in impairment charges primarily due to the write-off of remaining unrecovered Levy Nuclear Project costs in the current year at Duke Energy Florida; and
- an \$89 million increase in depreciation and amortization expense primarily due to additional plant in service;

Partially offset by:

- a \$227 million decrease in fuel expense, including purchased power, primarily due to lower retail sales and changes in generation mix.

**Interest Expense.** The increase was primarily due to higher debt outstanding in the current year and Duke Energy Florida's Crystal River 3 (CR3) regulatory asset debt return ending in June 2016 upon securitization.

**Income Tax Expense.** The variance was primarily due to a decrease in pretax income and higher research credits, partially offset by the North Carolina corporate tax rate reduction. The effective tax rates for the nine months ended September 30, 2017, and 2016 were 34.8 percent and 35.2 percent, respectively.

**Matters Impacting Future Electric Utilities and Infrastructure Results**

An order from regulatory authorities disallowing recovery of costs related to closure of ash impoundments could have an adverse impact on Electric Utilities and Infrastructure's financial position, results of operations and cash flows. See Note 4 and Note 7 to the Condensed Consolidated Financial Statements, "Regulatory Matters" and "Asset Retirement Obligations," respectively, for additional information.

On May 18, 2016, the North Carolina Department of Environmental Quality (NCDEQ) issued proposed risk classifications for all coal ash surface impoundments in North Carolina. All ash impoundments not previously designated as high priority by the North Carolina Coal Ash Management Act of 2014 (Coal Ash Act) were designated as intermediate risk. Certain impoundments classified as intermediate risk, however, may be reassessed in the future as low risk pursuant to legislation signed by the former North Carolina governor on July 14, 2016. Electric Utilities and Infrastructure's estimated asset retirement obligations (AROs) related to the closure of North Carolina ash impoundments are based upon the mandated closure method or a probability weighting of potential closure methods for the impoundments that may be reassessed to low risk. As the final risk ranking classifications in North Carolina are delineated, final closure plans and corrective action measures are developed and approved for each site, the closure work progresses and the closure method scope and remedial methods are determined, the complexity of work and the amount of coal combustion material could be different than originally estimated and, therefore, could materially impact Electric Utilities and Infrastructure's financial position. See Note 9 in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2016, "Asset Retirement Obligations," for additional information.

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

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In the fourth quarter of 2016, Hurricane Matthew caused historic flooding, extensive damage and widespread power outages within the Duke Energy Progress service territory. Duke Energy Progress filed a petition with the North Carolina Utilities Commission (NCUC) requesting an accounting order to defer incremental operation and maintenance and capital costs incurred in response to Hurricane Matthew and other significant 2016 storms. Current estimated incremental costs are approximately \$116 million. The NCUC will address this request in Duke Energy Progress' currently pending rate case. A final order from the NCUC that disallows the deferral and future recovery of all or a significant portion of the incremental storm restoration costs incurred could result in an adverse impact on Electric Utilities and Infrastructure's financial position, results of operations and cash flows. See Note 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

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

On August 29, 2017, Duke Energy Florida filed a 2017 Second Revised and Restated Settlement Agreement (2017 Settlement) with the FPSC. The 2017 Settlement was approved by the FPSC on October 25, 2017. See Note 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information about the 2017 Settlement. In accordance with the 2017 Settlement, Duke Energy Florida will not seek recovery of any costs associated with the ongoing Westinghouse contract litigation, which is currently being appealed. See Note 5 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies" for additional information about the litigation. An unfavorable appeals ruling on that matter could have an adverse impact on Electric Utilities and Infrastructure's financial position, results of operations and cash flows.

In September 2017, Hurricane Irma caused extensive damage and widespread power outages within the Duke Energy Florida service territory. Duke Energy Florida has not completed the final accumulation of storm restoration costs incurred. Total storm restoration costs, including capital, are currently estimated at approximately \$500 million. In accordance with a regulatory order with FPSC, certain incremental operation and maintenance storm restoration costs are classified as a regulatory asset recognizing the probable recoverability of these costs under FPSC's storm rule. The Company will make a petition by the end of 2017 to FPSC for recovery of costs. Duke Energy Florida's cash flows could be impacted by the timing of cost recovery. See Note 4, "Regulatory Matters," to the Condensed Consolidated Financial Statements for additional information.

**Gas Utilities and Infrastructure**

(in millions)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2017	2016	Variance	2017	2016	Variance
<b>Operating Revenues</b>	\$ 272	\$ 89	\$ 183	\$ 1,243	\$ 358	\$ 885
<b>Operating Expenses</b>						
Cost of natural gas	68	6	62	402	64	338
Operation, maintenance and other	93	30	63	291	90	201
Depreciation and amortization	57	19	38	171	59	112
Property and other taxes	25	12	13	81	44	37
Total operating expenses	243	67	176	945	257	688
<b>Operating Income</b>	29	22	7	298	101	197
<b>Other Income and Expenses</b>	22	7	15	60	13	47
<b>Interest Expense</b>	26	6	20	78	19	59
<b>Income Before Income Taxes</b>	25	23	2	280	95	185
<b>Income Tax Expense</b>	6	8	(2)	101	32	69
<b>Segment Income</b>	\$ 19	\$ 15	\$ 4	\$ 179	\$ 63	\$ 116
Piedmont LDC throughput (dekatherms) <sup>(a)</sup>	107,490,775	—	107,490,775	334,781,316	—	334,781,316
Duke Energy Midwest LDC throughput (Mcf)	9,904,644	9,568,340	336,304	52,940,410	57,023,986	(4,083,576)

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

**Three Months Ended September 30, 2017, as Compared to September 30, 2016**

Gas Utilities and Infrastructure's higher results were primarily due to increased investments in the ACP pipeline. Piedmont's losses included in Gas Utilities and Infrastructure's results were \$5 million for the three months ended September 30, 2017. All variances are related to the inclusion of Piedmont's results of operations as a result of Duke Energy's acquisition of Piedmont on October 3, 2016, except for the following:

**Other Income and Expenses.** The variance was driven primarily by increased investments in the ACP pipeline.



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**Nine Months Ended September 30, 2017, as Compared to September 30, 2016**

Gas Utilities and Infrastructure's higher results were due to the inclusion of Piedmont's earnings in the current year as a result of Duke Energy's acquisition of Piedmont on October 3, 2016, as well as growth from investments in ACP and Sabal Trail pipelines. Piedmont's earnings included in Gas Utilities and Infrastructure's results were \$95 million for the nine months ended September 30, 2017. All variances are related to the inclusion of Piedmont's results of operations, except for the following:

**Other Income and Expenses.** The variance was driven primarily by increased investments in the ACP and Sabal Trail pipelines.

**Matters Impacting Future Gas Utilities and Infrastructure Results**

Gas Utilities and Infrastructure has a 24 percent ownership interest in Constitution Pipeline Company, LLC (Constitution), a natural gas pipeline project slated to transport natural gas supplies to major northeastern markets. On April 22, 2016, the New York State Department of Environmental Conservation denied Constitution's application for a necessary water quality certification for the New York portion of the Constitution pipeline. Constitution has stopped construction and discontinued capitalization of future development costs until the project's uncertainty is resolved. To the extent the legal and regulatory proceedings have unfavorable outcomes, or if Constitution concludes that the project is not viable or does not go forward, an impairment charge of up to the recorded investment in the project, net of any cash and working capital returned, may be recorded. With the project on hold, funding of project costs has ceased until resolution of legal actions. At September 30, 2017, Duke Energy's investment in Constitution was \$82 million.

Rapidly rising interest rates without timely or adequate updates to the regulated allowed return on equity or failure to achieve the anticipated benefits of the Piedmont merger, including cost savings and growth targets, could significantly impact the estimated fair value of reporting units in Gas Utilities and Infrastructure. In the event of a significant decline in the estimated fair value of the reporting units, goodwill impairment charges could be recorded. The carrying value of goodwill within Gas Utilities and Infrastructure was approximately \$1,924 million at September 30, 2017.

**Commercial Renewables**

(in millions)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2017	2016	Variance	2017	2016	Variance
<b>Operating Revenues</b>	\$ 95	\$ 139	\$ (44)	\$ 333	\$ 365	\$ (32)
<b>Operating Expenses</b>						
Operation, maintenance and other	56	98	(42)	191	253	(62)
Depreciation and amortization	39	34	5	116	96	20
Property and other taxes	9	8	1	26	20	6
Impairment charges	76	—	76	76	—	76
Total operating expenses	180	140	40	409	369	40
<b>Gains on Sales of Other Assets and Other, net</b>	1	2	(1)	5	4	1
<b>Operating (Loss) Income</b>	(84)	1	(85)	(71)	—	(71)
<b>Other Income and Expenses</b>	(10)	(76)	66	(12)	(78)	66
<b>Interest Expense</b>	22	15	7	64	38	26
<b>Loss Before Income Taxes</b>	(116)	(90)	(26)	(147)	(116)	(31)
<b>Income Tax Benefit</b>	(65)	(65)	—	(146)	(127)	(19)
<b>Less: Loss Attributable to Noncontrolling Interests</b>	(2)	(1)	(1)	(3)	(2)	(1)
<b>Segment (Loss) Income</b>	\$ (49)	\$ (24)	\$ (25)	\$ 2	\$ 13	\$ (11)
Renewable plant production, GWh	1,760	1,801	(41)	6,276	5,619	657
Net proportional MW capacity in operation				2,908	2,725	183

**Three Months Ended September 30, 2017, as Compared to September 30, 2016**

Commercial Renewables' results were impacted by lower investment tax credits (ITCs), higher interest expense on new debt financings and higher losses from Duke Energy's REC Solar investment. The following is a detailed discussion of the variance drivers by line item.

**Operating Revenues.** The decrease was primarily due to lower engineering, procurement and construction revenues from REC Solar.

**Operating Expenses.** The increase was primarily due to a \$69 million pretax impairment charge in the current year related to a wholly owned non-contracted wind project, partially offset by lower operations and maintenance expense at REC Solar. For additional information see Note 3 to the Condensed Consolidated Financial Statements, "Business Segments."

**Other Income and Expenses.** The variance was primarily due to a \$71 million pretax impairment charge in the prior year related to certain equity method investments. For additional information see Note 3 to the Condensed Consolidated Financial Statements, "Business Segments."

**Interest Expense.** The increase was primarily due to new project financings.

**Income Tax Benefit.** Lower ITCs due to lower solar investments in the current year were offset by higher production tax credits (PTCs) related to wind projects placed in service.

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**Nine Months Ended September 30, 2017, as Compared to September 30, 2016**

Commercial Renewables' results were impacted by lower ITCs, higher interest expense on new debt financings and higher losses from REC Solar, partially offset by increased PTCs. The following is a detailed discussion of the variance drivers by line item.

**Operating Revenues.** The decrease was primarily due to lower engineering, procurement and construction revenues from REC Solar.

**Operating Expenses.** The increase was primarily due to a \$69 million pretax impairment charge in the current year related to a wholly owned non-contracted wind project and higher operating expenses related to new wind and solar projects placed in service, partially offset by lower operations and maintenance expense at REC Solar. For additional information see Note 3 to the Condensed Consolidated Financial Statements, "Business Segments."

**Other Income and Expenses.** The variance was primarily due to a \$71 million pretax impairment charge in the prior year related to certain equity method investments. For additional information see Note 3 to the Condensed Consolidated Financial Statements, "Business Segments."

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

**Income Tax Benefit.** The variance was primarily due to an increase in PTCs related to wind projects placed in service, partially offset by lower ITCs due to lower solar investments in the current year.

**Matters Impacting Future Commercial Renewables Results**

Changes or variability in assumptions used in calculating the fair value of the Commercial Renewables reporting units for goodwill testing purposes including but not limited to legislative actions related to tax credit extensions, long-term growth rates and discount rates could significantly impact the estimated fair value of the Commercial Renewables reporting units. In the event of a significant decline in the estimated fair value of the Commercial Renewables reporting units, goodwill or other asset impairment charges could be recorded. The carrying value of goodwill within Commercial Renewables was approximately \$115 million at September 30, 2017.

Persistently low market pricing for wind resources, primarily in the Electric Reliability Council of Texas West market, and the future expiration of tax incentives including ITCs and PTCs could result in adverse impacts to the future results of Commercial Renewables.

**Other**

(in millions)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2017	2016	Variance	2017	2016	Variance
<b>Operating Revenues</b>	\$ 35	\$ 32	\$ 3	\$ 103	\$ 91	\$ 12
<b>Operating Expenses</b>						
Fuel used in electric generation and purchased power	13	14	(1)	42	37	5
Operation, maintenance and other	21	70	(49)	47	145	(98)
Depreciation and amortization	27	37	(10)	79	108	(29)
Property and other taxes	3	8	(5)	10	25	(15)
Impairment charges	—	—	—	7	2	5
Total operating expenses	64	129	(65)	185	317	(132)
<b>Gains on Sales of Other Assets and Other, net</b>	4	3	1	15	14	1
<b>Operating Loss</b>	(25)	(94)	69	(67)	(212)	145
<b>Other Income and Expenses</b>	51	24	27	100	60	40
<b>Interest Expense</b>	150	157	(7)	423	553	(130)
<b>Loss Before Income Taxes</b>	(124)	(227)	103	(390)	(705)	315
<b>Income Tax Benefit</b>	(93)	(49)	(44)	(193)	(276)	83
<b>Less: Income Attributable to Noncontrolling Interests</b>	3	3	—	8	7	1
<b>Net Expense</b>	\$ (34)	\$ (181)	\$ 147	\$ (205)	\$ (436)	\$ 231

**Three Months Ended September 30, 2017, as Compared to September 30, 2016**

Other's lower net expense was driven by tax benefits, insurance proceeds resulting from settlement of the shareholder litigation related to the Progress Energy merger, prior year donations to the Duke Energy Foundation and lower severance expenses. The following is a detailed discussion of the variance drivers by line item.

**Operating Expenses.** The decrease was primarily due to prior year donations to the Duke Energy Foundation, less captive insurance losses for Bison Insurance Company Limited and prior year severance expense related to cost savings initiatives.

**Other Income and Expenses.** The increase was driven by insurance proceeds resulting from settlement of the shareholder litigation related to the Progress Energy merger and higher earnings from the equity method investment in National Methanol Company (NMC).

**Interest Expense.** The decrease was driven by prior year losses on forward-starting interest rate swaps related to Piedmont pre-acquisition financing, partially offset by additional long-term debt outstanding in the current year. For additional information see Notes 2 and 10 to the Condensed Consolidated Financial Statements, "Acquisitions and Dispositions" and "Derivatives and Hedging," respectively.

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**Income Tax Benefit.** The variance was primarily due to higher tax benefits resulting from legal entity restructuring, the 2016 North Carolina corporate tax rate reduction and prior year unfavorable impacts of finalizing federal tax audits, partially offset by lower pretax losses.

**Nine Months Ended September 30, 2017, as Compared to September 30, 2016**

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

**Operating Expenses.** The decrease was primarily due to prior year severance expenses related to cost savings initiatives, prior year donations to the Duke Energy Foundation and lower franchise taxes resulting from a North Carolina law change.

**Other Income and Expenses.** The increase was driven by insurance proceeds resulting from settlement of the shareholder litigation related to the Progress Energy merger and higher earnings from the equity method investment in NMC.

**Interest Expense.** The decrease was primarily by prior year losses on forward-starting interest rate swaps related to Piedmont pre-acquisition financing, partially offset by higher interest costs on \$3.75 billion of debt issued in August 2016 to fund the acquisition. For additional information see Notes 2 and 10 to the Condensed Consolidated Financial Statements, "Acquisitions and Dispositions" and "Derivatives and Hedging," respectively.

**Income Tax Benefit.** The variance was primarily due to a decrease in pretax losses, partially offset by tax benefits resulting from legal entity restructuring and the net impact of North Carolina corporate tax rate reductions in 2017 and 2016.

**Matters Impacting Future Other Results**

Included in Other is Duke Energy Ohio's 9 percent ownership interest in the Ohio Valley Electric Corporation (OVEC), which owns 2,256 MW of coal-fired generation capacity. As a counterparty to an inter-company power agreement (ICPA), Duke Energy Ohio has a contractual arrangement to receive entitlements to capacity and energy from OVEC's power plants through June 2040 commensurate with its power participation ratio, which is equivalent to Duke Energy Ohio's ownership interest. Costs, including fuel, operating expenses, fixed costs, debt amortization and interest expense, are allocated to counterparties to the ICPA, including Duke Energy Ohio, based on their power participation ratio. The value of the ICPA is subject to variability due to fluctuations in power prices and changes in OVEC's costs of business. Deterioration in the credit quality or bankruptcy of one or more parties to the ICPA could increase the costs of OVEC. In addition, certain proposed environmental rulemaking costs could result in future increased cost allocations. For information on Duke Energy's regulatory filings related to OVEC, see Note 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters."

The retired Beckjord generating station (Beckjord), a nonregulated facility retired during 2014, is not subject to the U.S. Environmental Protection Agency (EPA) rule related to the disposal of CCR from electric utilities. However, if costs are incurred as a result of environmental regulations or to mitigate risk associated with on-site storage of coal ash, the costs could have an adverse impact on Other's financial position, results of operations and cash flows.

Earnings from an equity method investment in NMC reflect sales of methanol and methyl tertiary butyl ether (MTBE), which generate margins that are directionally correlated with Brent crude oil prices. Weakness in the market price of Brent crude oil and related commodities may result in a decline in earnings. In October 2017, Duke Energy's economic ownership interest in NMC decreased from 25 percent to 17.5 percent.

On November 2, 2017, the U.S. House of Representatives issued its proposal for comprehensive tax reform. The U.S. Senate has not yet issued its related proposal. There is uncertainty as to whether any form of tax reform will become law and, if so, what provisions may be included in the final tax reform. Any substantial revision to the U.S. tax code, including a loss of the ability to deduct interest expense, could adversely impact Duke Energy's future earnings, cash flows or financial position.

**(LOSS) INCOME FROM DISCONTINUED OPERATIONS, NET OF TAX**

(in millions)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2017	2016	Variance	2017	2016	Variance
(Loss) Income From Discontinued Operations, net of tax	\$ (2)	\$ 180	\$ (182)	\$ (4)	\$ 190	\$ (194)

**Three Months Ended September 30, 2017, as Compared to September 30, 2016**

The variance was primarily driven by a \$122 million income tax benefit in the prior year resulting from immaterial out of period deferred tax liability adjustments, as well as earnings from the International Disposal Group, which was sold in December 2016. For additional information see Note 2 to the Condensed Consolidated Financial Statements, "Acquisitions and Dispositions."

**Nine Months Ended September 30, 2017, as Compared to September 30, 2016**

The variance was primarily driven by a \$122 million income tax benefit in the prior year resulting from immaterial out of period deferred tax liability adjustments, as well as operating earnings from the International Disposal Group, partially offset by an impairment charged related to certain assets in Central America that were sold in 2016. For additional information see Note 2 to the Condensed Consolidated Financial Statements, "Acquisitions and Dispositions."

PART I

**DUKE ENERGY CAROLINAS**

Management's Discussion and Analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes for the nine months ended September 30, 2017, and 2016 and the Annual Report on Form 10-K for the year ended December 31, 2016.

**Results of Operations**

(in millions)	Nine Months Ended September 30,		
	2017	2016	Variance
<b>Operating Revenues</b>	\$ 5,581	\$ 5,641	\$ (60)
<b>Operating Expenses</b>			
Fuel used in electric generation and purchased power	1,394	1,391	3
Operation, maintenance and other	1,431	1,481	(50)
Depreciation and amortization	804	802	2
Property and other taxes	206	206	—
Total operating expenses	3,835	3,880	(45)
<b>Losses on Sales of Other Assets and Other, net</b>	—	(1)	1
<b>Operating Income</b>	1,746	1,760	(14)
<b>Other Income and Expenses</b>	99	121	(22)
<b>Interest Expense</b>	314	316	(2)
<b>Income Before Income Taxes</b>	1,531	1,565	(34)
<b>Income Tax Expense</b>	522	539	(17)
<b>Net Income</b>	\$ 1,009	\$ 1,026	\$ (17)

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

Increase (Decrease) over prior year	2017
Residential sales	(6.7)%
General service sales	(2.1)%
Industrial sales	(0.5)%
Wholesale power sales	3.9 %
Joint dispatch sales	87.6 %
Total sales	(2.5)%
Average number of customers	1.5 %

**Nine Months Ended September 30, 2017, as Compared to September 30, 2016**

**Operating Revenues.** The variance was driven primarily by:

- a \$213 million decrease in retail sales, net of fuel revenues, due to less favorable weather in the current year.

Partially offset by:

- an \$89 million increase in rider revenues and retail pricing primarily related to energy efficiency programs;
- a \$30 million increase in weather-normal sales volumes to retail customers, net of fuel revenues;
- a \$15 million increase in wholesale power revenues, net of sharing and fuel revenues, primarily due to additional volumes for customers served under long-term contracts; and
- an \$8 million increase in fuel revenues primarily due to changes in generation mix.

**Operating Expenses.** The variance was primarily due to a \$50 million decrease in operation, maintenance and other expense primarily due to lower expenses at generating plants, lower storm restoration costs and lower severance expenses, partially offset by higher energy efficiency program costs and higher distribution maintenance expenses.

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

**Income Tax Expense.** The variance was primarily due to a decrease in pretax income and the favorable impact of research credits. The effective tax rates for the nine months ended September 30, 2017, and 2016 were 34.1 percent and 34.4 percent, respectively.

**Matters Impacting Future Results**

An order from regulatory authorities disallowing recovery of costs related to closure of ash impoundments could have an adverse impact on Duke Energy Carolinas' financial position, results of operations and cash flows. See Note 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters" and Note 9 in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2016, "Asset Retirement Obligations," for additional information.

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On May 18, 2016, the NCDEQ issued proposed risk classifications for all coal ash surface impoundments in North Carolina. All ash impoundments not previously designated as high priority by the Coal Ash Act were designated as intermediate risk. Certain impoundments classified as intermediate risk, however, may be reassessed in the future as low risk pursuant to legislation signed by the former North Carolina governor on July 14, 2016. Duke Energy Carolinas' estimated AROs related to the closure of North Carolina ash impoundments are based upon the mandated closure method or a probability weighting of potential closure methods for the impoundments that may be reassessed to low risk. As the final risk ranking classifications in North Carolina are delineated, final closure plans and corrective action measures are developed and approved for each site, the closure work progresses, and the closure method scope and remedial action methods are determined, the complexity of work and the amount of coal combustion material could be different than originally estimated and, therefore, could materially impact Duke Energy Carolinas' financial position. See Note 9 in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2016, "Asset Retirement Obligations," for additional information.

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

Duke Energy Carolinas filed a general rate case on August 25, 2017, to recover costs of complying with CCR regulations and the Coal Ash Act, as well as costs of capital investments in generation, transmission and distribution systems and any increase in expenditures subsequent to previous rate cases. Duke Energy Carolinas' earnings could be adversely impacted if the rate increase is delayed or denied by the NCUC.

PART I

**PROGRESS ENERGY**

Management's Discussion and Analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes for the nine months ended September 30, 2017, and 2016 and the Annual Report on Form 10-K for the year ended December 31, 2016.

**Results of Operations**

(in millions)	Nine Months Ended September 30,		
	2017	2016	Variance
<b>Operating Revenues</b>	\$ 7,435	\$ 7,645	\$ (210)
<b>Operating Expenses</b>			
Fuel used in electric generation and purchased power	2,588	2,832	(244)
Operation, maintenance and other	1,650	1,699	(49)
Depreciation and amortization	958	904	54
Property and other taxes	386	375	11
Impairment charges	137	4	133
Total operating expenses	5,719	5,814	(95)
<b>Gains on Sales of Other Assets and Other, net</b>	19	18	1
<b>Operating Income</b>	1,735	1,849	(114)
<b>Other Income and Expenses</b>	65	79	(14)
<b>Interest Expense</b>	595	497	98
<b>Income Before Income Taxes</b>	1,205	1,431	(226)
<b>Income Tax Expense</b>	384	496	(112)
<b>Net Income</b>	821	935	(114)
<b>Less: Net Income Attributable to Noncontrolling Interests</b>	7	8	(1)
<b>Net Income Attributable to Parent</b>	\$ 814	\$ 927	\$ (113)

**Nine Months Ended September 30, 2017, as Compared to September 30, 2016**

**Operating Revenues.** The variance was driven primarily by:

- a \$256 million decrease in fuel revenues due to lower retail sales and changes in generation mix at Duke Energy Progress, as well as decreased capacity rates to retail customers at Duke Energy Florida, partially offset by an increase in fuel rates to retail customers; and
- a \$132 million decrease in retail sales, net of fuel revenues, due to less favorable weather in the current year, including lost revenues related to Hurricane Irma at Duke Energy Florida.

Partially offset by:

- an \$81 million increase in retail pricing due to the base rate adjustment for the Osprey acquisition and the completion of the Hines Energy Complex Chiller Upgrade Project, as well as the Duke Energy Progress South Carolina rate case; and
- a \$79 million increase in rider revenues related to energy efficiency programs at Duke Energy Progress, as well as nuclear asset securitization beginning in July 2016 and extended upgrade project revenues beginning in 2017 at Duke Energy Florida.

**Operating Expenses.** The variance was driven primarily by:

- a \$244 million decrease in fuel expense primarily due to lower retail sales and changes in generation mix at Duke Energy Progress, as well as decreased purchased power and lower capacity costs, partially offset by higher generation and deferred fuel costs at Duke Energy Florida; and
- a \$49 million decrease in operation, maintenance and other expense due to lower storm restoration costs at Duke Energy Progress, lower planned outage costs and lower severance expenses, partially offset by higher storm restoration costs at Duke Energy Florida.

Partially offset by:

- a \$133 million increase in impairment charges primarily due to the write-off of remaining unrecovered Levy Nuclear Project costs in the current year at Duke Energy Florida; and
- a \$54 million increase in depreciation and amortization expense primarily due to nuclear regulatory asset amortization, as well as additional plant in service at Duke Energy Florida.

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

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**Income Tax Expense.** The variance was primarily due to a decrease in pretax income. The effective tax rates for the nine months ended September 30, 2017, and 2016 were 31.9 percent and 34.7 percent, respectively. The decrease in the effective tax rate was primarily due to the favorable impact of research credits and lower North Carolina corporate tax rates.

**Matters Impacting Future Results**

An order from regulatory authorities disallowing recovery of costs related to closure of ash impoundments could have an adverse impact on Progress Energy's financial position, results of operations and cash flows. See Note 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters" and Note 9 in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2016, "Asset Retirement Obligations," for additional information.

On May 18, 2016, the NCDEQ issued proposed risk classifications for all coal ash surface impoundments in North Carolina. All ash impoundments not previously designated as high priority by the Coal Ash Act were designated as intermediate risk. Certain impoundments classified as intermediate risk, however, may be reassessed in the future as low risk pursuant to legislation signed by the former North Carolina governor on July 14, 2016. Progress Energy's estimated AROs related to the closure of North Carolina ash impoundments are based upon the mandated closure method or a probability weighting of potential closure methods for the impoundments that may be reassessed to low risk. As the final risk ranking classifications in North Carolina are delineated, final closure plans and corrective action measures are developed and approved for each site, the closure work progresses, and the closure method scope and remedial action methods are determined, the complexity of work and the amount of coal combustion material could be different than originally estimated and, therefore, could materially impact Progress Energy's financial position. See Note 9 in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2016, "Asset Retirement Obligations," for additional information.

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

In the fourth quarter of 2016, Hurricane Matthew caused historic flooding, extensive damage and widespread power outages within the Duke Energy Progress service territory. Duke Energy Progress filed a petition with the NCUC requesting an accounting order to defer incremental operation and maintenance and capital costs incurred in response to Hurricane Matthew and other significant 2016 storms. Current estimated incremental costs are approximately \$116 million. The NCUC will address this request in Duke Energy Progress' currently pending rate case. A final order from the NCUC that disallows the deferral and future recovery of all or a significant portion of the incremental storm restoration costs incurred could result in an adverse impact on Progress Energy's financial position, results of operations and cash flows.

Duke Energy Progress filed a general rate case with the NCUC on June 1, 2017. Duke Energy Progress will seek to recover costs of complying with CCR regulations and the Coal Ash Act, as well as costs of capital investments in generation, transmission and distribution systems and any increase in expenditures subsequent to previous rate cases. Progress Energy's earnings could be adversely impacted if the rate increase is delayed or denied by the NCUC.

On August 29, 2017, Duke Energy Florida filed the 2017 Settlement with the FPSC. The 2017 Settlement was approved by the FPSC on October 25, 2017. See Note 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information about the 2017 Settlement. In accordance with the 2017 Settlement, Duke Energy Florida will not seek recovery of any costs associated with the ongoing Westinghouse contract litigation, which is currently being appealed. See Note 5 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies" for additional information about the litigation. An unfavorable appeals ruling on that matter could have an adverse impact on Duke Energy Florida's financial position, results of operations and cash flows.

In September 2017, Hurricane Irma caused extensive damage and widespread power outages within the Duke Energy Florida service territory. Duke Energy Florida has not completed the final accumulation of storm restoration costs incurred. Total storm restoration costs, including capital, are currently estimated at approximately \$500 million. In accordance with a regulatory order with FPSC, certain incremental operation and maintenance storm restoration costs are classified as a regulatory asset recognizing the probable recoverability of these costs under FPSC's storm rule. The Company will make a petition by the end of 2017 to FPSC for recovery of costs. Duke Energy Florida's cash flows could be impacted by the timing of cost recovery. See Note 4, "Regulatory Matters," to the Condensed Consolidated Financial Statements for additional information.

PART I

**DUKE ENERGY PROGRESS**

Management's Discussion and Analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes for the nine months ended September 30, 2017, and 2016 and the Annual Report on Form 10-K for the year ended December 31, 2016.

**Results of Operations**

(in millions)	Nine Months Ended September 30,		
	2017	2016	Variance
<b>Operating Revenues</b>	\$ 3,878	\$ 4,103	\$ (225)
<b>Operating Expenses</b>			
Fuel used in electric generation and purchased power	1,214	1,441	(227)
Operation, maintenance and other	1,032	1,067	(35)
Depreciation and amortization	536	526	10
Property and other taxes	120	119	1
Impairment charges	—	1	(1)
Total operating expenses	2,902	3,154	(252)
<b>Gains on Sales of Other Assets and Other, net</b>	3	2	1
<b>Operating Income</b>	979	951	28
<b>Other Income and Expenses</b>	47	47	—
<b>Interest Expense</b>	217	188	29
<b>Income Before Income Taxes</b>	809	810	(1)
<b>Income Tax Expense</b>	262	271	(9)
<b>Net Income</b>	\$ 547	\$ 539	\$ 8

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

Increase (Decrease) over prior period	2017
Residential sales	(4.6)%
General service sales	(2.0)%
Industrial sales	0.5 %
Wholesale power sales	(5.6)%
Joint dispatch sales	(35.3)%
Total sales	(7.4)%
Average number of customers	1.3 %

**Nine Months Ended September 30, 2017, as Compared to September 30, 2016**

**Operating Revenues.** The variance was driven primarily by:

- a \$242 million decrease in fuel revenues due to lower retail sales and changes in generation mix; and
- a \$73 million decrease in retail sales, net of fuel revenues, due to less favorable weather in the current year.

Partially offset by:

- a \$41 million increase in rider revenues primarily due to energy efficiency programs;
- a \$29 million increase in retail pricing due to the Duke Energy Progress South Carolina rate case;
- a \$21 million increase in wholesale power revenues, net of fuel, primarily due to higher peak demand.

**Operating Expenses.** The variance was driven primarily by:

- a \$227 million decrease in fuel expense primarily due to lower retail sales and changes in generation mix; and
- a \$35 million decrease in operation, maintenance and other expense primarily due to lower storm restoration costs.

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

**Income Tax Expense.** The variance was primarily due to the favorable impact of research credits and lower North Carolina corporate tax rates. The effective tax rates for the nine months ended September 30, 2017, and 2016 were 32.4 percent and 33.5 percent, respectively. The decrease in the effective tax rate was primarily due to the favorable impact of research credits and lower North Carolina corporate tax rates.



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**Matters Impacting Future Results**

An order from regulatory authorities disallowing recovery of costs related to closure of ash impoundments could have an adverse impact on Duke Energy Progress' financial position, results of operations and cash flows. See Note 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters" and Note 9 in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2016, "Asset Retirement Obligations," for additional information.

On May 18, 2016, the NCDEQ issued proposed risk classifications for all coal ash surface impoundments in North Carolina. All ash impoundments not previously designated as high priority by the Coal Ash Act were designated as intermediate risk. Certain impoundments classified as intermediate risk, however, may be reassessed in the future as low risk pursuant to legislation signed by the former North Carolina governor on July 14, 2016. Duke Energy Progress' estimated AROs related to the closure of North Carolina ash impoundments are based upon the mandated closure method or a probability weighting of potential closure methods for the impoundments that may be reassessed to low risk. As the final risk ranking classifications in North Carolina are delineated, final closure plans and corrective action measures are developed and approved for each site, the closure work progresses, and the closure method scope and remedial action methods are determined, the complexity of work and the amount of coal combustion material could be different than originally estimated and, therefore, could materially impact Duke Energy Progress' financial position. See Note 9 in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2016, "Asset Retirement Obligations," for additional information.

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

In the fourth quarter of 2016, Hurricane Matthew caused historic flooding, extensive damage and widespread power outages within the Duke Energy Progress service territory. Duke Energy Progress filed a petition with the NCUC requesting an accounting order to defer incremental operation and maintenance and capital costs incurred in response to Hurricane Matthew and other significant 2016 storms. Current estimated incremental costs are approximately \$116 million. The NCUC will address this request in Duke Energy Progress' currently pending rate case. A final order from the NCUC that disallows the deferral and future recovery of all or a significant portion of the incremental storm restoration costs incurred could result in an adverse impact on Duke Energy Progress' financial position, results of operations and cash flows.

Duke Energy Progress filed a general rate case with the NCUC on June 1, 2017. Duke Energy Progress will seek to recover costs of complying with CCR regulations and the Coal Ash Act, as well as costs of capital investments in generation, transmission and distribution systems and any increase in expenditures subsequent to previous rate cases. Duke Energy Progress' earnings could be adversely impacted if the rate increase is delayed or denied by the NCUC.

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**DUKE ENERGY FLORIDA**

Management's Discussion and Analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes for the nine months ended September 30, 2017, and 2016 and the Annual Report on Form 10-K for the year ended December 31, 2016.

**Results of Operations**

(in millions)	Nine Months Ended September 30,		
	2017	2016	Variance
<b>Operating Revenues</b>	\$ 3,551	\$ 3,538	\$ 13
<b>Operating Expenses</b>			
Fuel used in electric generation and purchased power	1,374	1,391	(17)
Operation, maintenance and other	610	623	(13)
Depreciation and amortization	423	378	45
Property and other taxes	265	256	9
Impairment charges	137	4	133
Total operating expenses	2,809	2,652	157
<b>Operating Income</b>	742	886	(144)
<b>Other Income and Expenses</b>	45	30	15
<b>Interest Expense</b>	211	143	68
<b>Income Before Income Taxes</b>	576	773	(197)
<b>Income Tax Expense</b>	208	286	(78)
<b>Net Income</b>	\$ 368	\$ 487	\$ (119)

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

Increase (Decrease) over prior period	2017
Residential sales	(3.6)%
General service sales	(1.3)%
Industrial sales	(1.4)%
Wholesale and other	18.5 %
Total sales	(1.2)%
Average number of customers	1.5 %

**Nine Months Ended September 30, 2017, as Compared to September 30, 2016**

**Operating Revenues.** The variance was driven primarily by:

- a \$52 million increase in retail pricing primarily due to the base rate adjustment for the Osprey acquisition and the completion of the Hines Energy Complex Chiller Uprate Project;
- a \$38 million increase in rider revenues primarily due to nuclear asset securitization beginning in July 2016 and extended power uprate project revenues beginning in 2017; and
- a \$30 million increase in weather-normal sales volumes to retail customers in the current year.

Partially offset by:

- a \$59 million decrease in retail sales, net of fuel revenues, due to less favorable weather in the current year, including lost revenues related to Hurricane Irma;
- a \$31 million decrease in wholesale power revenues primarily due to contracts that expired in the prior year; and
- a \$14 million decrease in fuel and capacity revenues primarily due to a decrease in capacity rates to retail customers, partially offset by an increase in fuel rates to retail customers.

**Operating Expenses.** The variance was driven primarily by:

- a \$133 million increase in impairment charges primarily due to the write-off of remaining unrecovered Levy Nuclear Project costs in the current year; and
- a \$45 million increase in depreciation and amortization expense primarily due to nuclear regulatory asset amortization, as well as additional plant in service.

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Partially offset by:

- a \$17 million decrease in fuel expense primarily due to decreased purchased power and lower capacity costs, partially offset by higher generation and deferred fuel costs; and
- a \$13 million decrease in operation, maintenance and other expense primarily due to lower planned outage costs and lower severance expenses, partially offset by higher storm restoration costs in the current year.

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

**Interest Expense.** The variance was primarily due to higher debt outstanding and lower debt returns driven by the CR3 regulatory asset debt return ending in June 2016 upon securitization.

**Income Tax Expense.** The variance was primarily due to a decrease in pretax income. The effective tax rates for the nine months ended September 30, 2017, and 2016 were 36.1 percent and 37.0 percent, respectively.

**Matters Impacting Future Results**

In September 2017, Hurricane Irma caused extensive damage and widespread power outages within the Duke Energy Florida service territory. Duke Energy Florida has not completed the final accumulation of storm restoration costs incurred. Total storm restoration costs, including capital, are currently estimated at approximately \$500 million. In accordance with a regulatory order with FPSC, certain incremental operation and maintenance storm restoration costs are classified as a regulatory asset recognizing the probable recoverability of these costs under FPSC's storm rule. The Company will make a petition by the end of 2017 to FPSC for recovery of costs. Duke Energy Florida's cash flows could be impacted by the timing of cost recovery. See Note 4, "Regulatory Matters," to the Condensed Consolidated Financial Statements for additional information.

On August 29, 2017, Duke Energy Florida filed the 2017 Settlement with the FPSC. The 2017 Settlement was approved by the FPSC on October 25, 2017. See Note 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information about the 2017 Settlement. In accordance with the 2017 Settlement, Duke Energy Florida will not seek recovery of any costs associated with the ongoing Westinghouse contract litigation, which is currently being appealed. See Note 5 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies" for additional information about the litigation. An unfavorable appeals ruling on that matter could have an adverse impact on Duke Energy Florida's financial position, results of operations and cash flows.

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**DUKE ENERGY OHIO**

Management's Discussion and Analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes for the nine months ended September 30, 2017, and 2016 and the Annual Report on Form 10-K for the year ended December 31, 2016.

**Results of Operations**

(in millions)	Nine Months Ended September 30,		
	2017	2016	Variance
<b>Operating Revenues</b>			
Regulated electric	\$ 1,036	\$ 1,053	\$ (17)
Regulated natural gas	360	358	2
Nonregulated electric and other	30	22	8
Total operating revenues	1,426	1,433	(7)
<b>Operating Expenses</b>			
Fuel used in electric generation and purchased power – regulated	283	340	(57)
Fuel used in electric generation and purchased power – nonregulated	42	37	5
Cost of natural gas	69	64	5
Operation, maintenance and other	385	367	18
Depreciation and amortization	193	175	18
Property and other taxes	204	195	9
Impairment charges	1	—	1
Total operating expenses	1,177	1,178	(1)
<b>Gains on Sales of Other Assets and Other, net</b>	<b>1</b>	<b>2</b>	<b>(1)</b>
<b>Operating Income</b>	<b>250</b>	<b>257</b>	<b>(7)</b>
<b>Other Income and Expenses</b>	<b>12</b>	<b>6</b>	<b>6</b>
<b>Interest Expense</b>	<b>67</b>	<b>63</b>	<b>4</b>
<b>Income from Continuing Operations Before Income Taxes</b>	<b>195</b>	<b>200</b>	<b>(5)</b>
<b>Income Tax Expense from Continuing Operations</b>	<b>67</b>	<b>65</b>	<b>2</b>
<b>Income from Continuing Operations</b>	<b>128</b>	<b>135</b>	<b>(7)</b>
<b>(Loss) Income from Discontinued Operations, net of tax</b>	<b>(1)</b>	<b>36</b>	<b>(37)</b>
<b>Net Income</b>	<b>\$ 127</b>	<b>\$ 171</b>	<b>\$ (44)</b>

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

Increase (Decrease) over prior year	2017
Residential sales	(5.8)%
General service sales	(3.2)%
Industrial sales	(1.3)%
Wholesale power sales	127.3 %
Total sales	(2.5)%
Average number of customers	0.8 %

**Nine Months Ended September 30, 2017, as Compared to September 30, 2016**

**Operating Revenues.** The variance was driven primarily by:

- a \$59 million decrease in fuel revenues primarily due to lower electric fuel prices and sales volumes, partially offset by higher costs passed through to natural gas customers due to higher natural gas prices; and
- a \$16 million decrease in electric retail sales, net of fuel revenues, due to less favorable weather in the current year.

Partially offset by:

- a \$40 million increase in rider revenues primarily due to energy efficiency programs and a rate increase for the distribution capital investment rider, partially offset by a decrease in the percentage of income payment plan rider due to a rate decrease;
- a \$17 million increase in PJM Interconnection, LLC (PJM) transmission revenues; and
- a \$9 million increase in other revenues related to OVEC.

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**Operating Expenses.** The variance was driven primarily by:

- an \$18 million increase in operation, maintenance and other expense due to higher energy efficiency program costs and higher transmission and distribution operations costs;
- an \$18 million increase in depreciation and amortization expense due to additional plant in service and a true up related to Smart Grid assets in the prior year;
- a \$9 million increase in property and other taxes primarily due to higher property taxes;
- a \$5 million increase in nonregulated fuel expenses related to OVEC; and
- a \$5 million increase in natural gas costs due to higher natural gas prices.

Partially offset by:

- a \$57 million decrease in fuel expense driven by lower sales volumes and lower electric fuel costs.

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

**Interest Expense.** The increase was primarily driven by interest related to new debt issued in June 2016.

**Discontinued Operations, Net of Tax.** The variance was driven by a prior year income tax benefit resulting from immaterial out of period deferred tax liability adjustments related to the Midwest Generation Disposal Group.

**Matters Impacting Future Results**

An order from regulatory authorities disallowing recovery of costs related to closure of ash basins could have an adverse impact on Duke Energy Ohio's financial position, results of operations and cash flows. See Note 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters" and Note 9 in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2016, "Asset Retirement Obligations," for additional information.

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

Duke Energy Ohio has a 9 percent ownership interest in OVEC, which owns 2,256 MW of coal-fired generation capacity. As a counterparty to an ICPA, Duke Energy Ohio has a contractual arrangement to receive entitlements to capacity and energy from OVEC's power plants through June 2040 commensurate with its power participation ratio, which is equivalent to Duke Energy Ohio's ownership interest. Costs, including fuel, operating expenses, fixed costs, debt amortization and interest expense, are allocated to counterparties to the ICPA, including Duke Energy Ohio, based on their power participation ratio. The value of the ICPA is subject to variability due to fluctuations in power prices and changes in OVEC's costs of business. Deterioration in the credit quality or bankruptcy of one or more parties to the ICPA could increase the costs of OVEC. In addition, certain proposed environmental rulemaking costs could result in future increased cost allocations.

On March 2, 2017, Duke Energy Ohio filed an electric distribution base rate application with the PUCO to address recovery of electric distribution system capital investments and any increase in expenditures subsequent to previous rate cases. The application also includes requests to continue certain current riders and establish new riders related to LED Outdoor Lighting Service and regulatory mandates. Duke Energy Ohio's earnings could be adversely impacted if the rate case and requested riders are delayed or denied by the PUCO. See Note 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

On September 1, 2017, Duke Energy Kentucky filed a base rate case with the KPSC to recover costs of capital investments in generation, transmission and distribution systems and to recover other incremental expenses since its last rate case filed in 2006. Duke Energy Kentucky's earnings could be adversely impacted if the rate increase is delayed or denied by the KPSC.

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**DUKE ENERGY INDIANA**

Management's Discussion and Analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes for the nine months ended September 30, 2017, and 2016 and the Annual Report on Form 10-K for the year ended December 31, 2016.

**Results of Operations**

(in millions)	Nine Months Ended September 30,		
	2017	2016	Variance
<b>Operating Revenues</b>	\$ 2,302	\$ 2,225	\$ 77
<b>Operating Expenses</b>			
Fuel used in electric generation and purchased power	744	690	54
Operation, maintenance and other	541	526	15
Depreciation and amortization	336	345	(9)
Property and other taxes	56	67	(11)
Impairment charges	—	8	(8)
Total operating expenses	1,677	1,636	41
<b>Gains on Sales of Other Assets and Other, net</b>	1	—	1
<b>Operating Income</b>	626	589	37
<b>Other Income and Expenses</b>	27	15	12
<b>Interest Expense</b>	132	136	(4)
<b>Income Before Income Taxes</b>	521	468	53
<b>Income Tax Expense</b>	203	159	44
<b>Net Income</b>	\$ 318	\$ 309	\$ 9

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

Increase (Decrease) over prior year	2017
Residential sales	(5.5)%
General service sales	(2.5)%
Industrial sales	0.1 %
Wholesale power sales	(19.8)%
Total sales	(6.2)%
Average number of customers	0.8 %

**Nine Months Ended September 30, 2017, as Compared to September 30, 2016**

**Operating Revenues.** The variance was driven primarily by:

- a \$64 million increase in rider revenues related to the Edwardsport IGCC plant and energy efficiency programs; and
- a \$47 million increase in fuel revenues primarily due to higher purchased power costs passed through to customers and higher financial transmission right (FTR) revenues.

Partially offset by:

- an \$18 million decrease in retail sales due to less favorable weather in the current year; and
- a \$15 million decrease in wholesale power revenues, net of fuel, primarily due to a decrease in demand rates and contracts that expired in the current year.

**Operating Expenses.** The variance was driven primarily by:

- a \$54 million increase in fuel and purchased power expense, primarily due to higher purchased power volumes and prices; and
- a \$15 million increase in operation, maintenance and other expense due to growth in energy efficiency programs and higher transmission costs.

Partially offset by:

- an \$11 million decrease in property and other taxes primarily due to utilization of ITCs;
- a \$9 million decrease in depreciation and amortization primarily due to the 2017 deferral of certain asset retirement obligations and the completion of the amortization of a regulated asset for costs associated with the termination of a gasification services agreement in 2000, partially offset by new IGCC rider rates that result in a lower deferral amount and higher depreciation due to additional plant in service; and

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- an \$8 million decrease in impairments and other charges primarily due to the early retirement of certain metering equipment in the prior year.

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

**Income Tax Expense.** The variance was primarily due to an increase in pretax income. The effective tax rates for the nine months ended September 30, 2017, and 2016 were 39.0 percent and 34.0 percent, respectively. The increase in the effective tax rate was primarily due to an immaterial out of period adjustment in the prior year related to deferred tax balances associated with property, plant and equipment.

**Matters Impacting Future Results**

On April 17, 2015, the EPA published in the Federal Register a rule to regulate the disposal of CCR from electric utilities as solid waste. Duke Energy Indiana has interpreted the rule to identify the coal ash basin sites impacted and has assessed the amounts of coal ash subject to the rule and a method of compliance. Duke Energy Indiana's interpretation of the requirements of the CCR rule is subject to potential legal challenges and further regulatory approvals, which could result in additional ash basin closure requirements, higher costs of compliance and greater AROs. Additionally, Duke Energy Indiana has retired facilities that are not subject to the CCR rule. Duke Energy Indiana may incur costs at these facilities to comply with environmental regulations or to mitigate risks associated with on-site storage of coal ash. An order from regulatory authorities disallowing recovery of costs related to closure of ash basins could have an adverse impact on Duke Energy Indiana's financial position, results of operations and cash flows. See Note 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

The Indiana Utility Regulatory Commission (IURC) approved a settlement agreement between Duke Energy Indiana and multiple parties that resolves all disputes, claims and issues from the IURC proceedings related to post-commercial operating performance and recovery of ongoing operating and capital costs at the Edwardsport IGCC generating facility. The settlement agreement imposed a cost cap for retail recoverable operations and maintenance costs through 2017. An inability to manage operating costs in accordance with caps imposed pursuant to the agreement could have an adverse impact on Duke Energy Indiana's financial position, results of operations and cash flows.

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**PIEDMONT**

Management's Discussion and Analysis should be read in conjunction with the Condensed Consolidated Financial Statements and Notes for the nine months ended September 30, 2017, Piedmont's Annual Report on Form 10-K for the year ended October 31, 2016, and the Form 10-QT as of December 31, 2016, for the transition period from November 1, 2016, to December 31, 2016.

**Results of Operations**

(in millions)	Nine Months Ended September 30,		
	2017	2016	Variance
<b>Operating Revenues</b>			
Regulated natural gas	\$ 877	\$ 815	\$ 62
Nonregulated natural gas and other	7	8	(1)
Total operating revenues	884	823	61
<b>Operating Expenses</b>			
Cost of natural gas	333	289	44
Operation, maintenance and other	226	221	5
Depreciation and amortization	109	103	6
Property and other taxes	38	33	5
Impairment charges	7	—	7
Total operating expenses	713	646	67
<b>Operating Income</b>	<b>171</b>	<b>177</b>	<b>(6)</b>
Equity in earnings of unconsolidated affiliates	8	25	(17)
Other income and expenses, net	(1)	(1)	—
<b>Total other income and expenses</b>	<b>7</b>	<b>24</b>	<b>(17)</b>
<b>Interest Expense</b>	<b>59</b>	<b>50</b>	<b>9</b>
<b>Income Before Income Taxes</b>	<b>119</b>	<b>151</b>	<b>(32)</b>
<b>Income Tax Expense</b>	<b>43</b>	<b>57</b>	<b>(14)</b>
<b>Net Income</b>	<b>\$ 76</b>	<b>\$ 94</b>	<b>\$ (18)</b>

The following table shows the percent changes in dekatherms delivered and average number of customers. The percentages for all throughput deliveries represent billed and unbilled sales. Amounts are not weather-normalized.

Increase (Decrease) over prior year	2017
Residential deliveries	(19.2)%
Commercial deliveries	(11.8)%
Industrial deliveries	(4.3)%
Power generation deliveries	(11.0)%
For resale	(6.9)%
Total throughput deliveries	(10.5)%
Secondary market volumes	6.2 %
Average number of customers	1.6 %

Piedmont's throughput was 334,781,316 dekatherms and 374,214,204 dekatherms for the nine months ended September 30, 2017, and 2016, respectively. Due to the margin decoupling mechanism in North Carolina and weather normalization adjustment (WNA) mechanisms in South Carolina and Tennessee, changes in throughput deliveries do not have a material impact on Piedmont's revenues or earnings. The margin decoupling mechanism adjusts for variations in residential and commercial use per customer, including those due to weather and conservation. The WNA mechanisms mostly offset the impact of weather on bills rendered, but do not ensure full recovery of approved margin during periods when winter weather is significantly warmer or colder than normal.

**Nine Months Ended September 30, 2017, as Compared to September 30, 2016**

**Operating Revenues.** The variance was driven primarily by:

- a \$44 million increase due to higher natural gas costs passed through to customers primarily due to higher natural gas prices; and
- a \$17 million increase in revenues to residential and commercial customers, net of natural gas costs passed through to customers, primarily due to Integrity Management Rider (IMR) rate adjustments and customer growth, partially offset by wholesale marketing revenue.



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**Operating Expenses.** The variance was driven by:

- a \$44 million increase in costs of natural gas primarily due to higher natural gas prices;
- an \$11 million increase in depreciation expense and property and franchise taxes due to additional plant in service; and
- a \$7 million increase due to an impairment of software resulting from planned accounting system and process integration in 2018.

**Equity in Earnings of Unconsolidated Affiliates.** The decrease was primarily due to equity earnings from the investment in SouthStar Energy Services, LLC (SouthStar) in the prior year. Piedmont sold its 15 percent membership interest in SouthStar on October 3, 2016.

**Income Tax Expense.** The variance was primarily due to a decrease in pretax income. The effective tax rates for the nine months ended September 30, 2017, and 2016 were 36.1 percent and 37.7 percent, respectively. The decrease in the effective tax rate was primarily due to favorable tax return true ups and lower North Carolina corporate tax rates.

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**LIQUIDITY AND CAPITAL RESOURCES**

**Sources and Uses of Cash**

Duke Energy relies primarily upon cash flows from operations, debt issuances and its existing cash and cash equivalents to fund its liquidity and capital requirements. Duke Energy's capital requirements arise primarily from capital and investment expenditures, repaying long-term debt and paying dividends to shareholders. See Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2016, for a summary and detailed discussion of projected primary sources and uses of cash for 2017 to 2019.

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

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

**CREDIT FACILITIES AND REGISTRATION STATEMENTS**

Refer to Note 6 to the Condensed Consolidated Financial Statements, "Debt and Credit Facilities," for further information regarding Duke Energy's available credit facilities, including the Master Credit Facility.

**Shelf Registration**

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

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

**DEBT MATURITIES**

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

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash flows from operations of Electric Utilities and Infrastructure and Gas Utilities and Infrastructure are primarily driven by sales of electricity and natural gas, respectively, and costs of operations. These cash flows from operations are relatively stable and comprise a substantial portion of Duke Energy's operating cash flows. Weather conditions, working capital and commodity price fluctuations, and unanticipated expenses including unplanned plant outages, storms, legal costs and related settlements can affect the timing and level of cash flows from operations. Duke Energy believes it has sufficient liquidity resources through the commercial paper markets, and ultimately the Master Credit and Revolving Facilities, to support these operations, including Hurricane Irma storm restoration costs. Cash flows from operations are subject to a number of other factors, including but not limited to regulatory constraints, economic trends and market volatility (see "Item 1A. Risk Factors," in the Duke Energy Registrants' Annual Reports on Form 10-K for additional information).

**Restrictive Debt Covenants**

The Duke Energy Registrants' debt and credit agreements contain various financial and other covenants. The Master Credit Facility contains a covenant requiring the debt-to-total capitalization ratio not to exceed 65 percent for all borrowers except Piedmont. The debt-to-total capitalization ratio for Piedmont is not to exceed 70 percent. Failure to meet those covenants beyond applicable grace periods could result in accelerated due dates and/or termination of the agreements. As of September 30, 2017, each of the Duke Energy Registrants was in compliance with all covenants related to their debt agreements. In addition, some credit agreements may allow for acceleration of payments or termination of the agreements due to nonpayment or acceleration of other significant indebtedness of the borrower or some of its subsidiaries. None of the debt or credit agreements contain material adverse change clauses.

**Credit Ratings**

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

The Duke Energy Registrants each hold credit ratings by Moody's Investors Service, Inc. (Moody's) and Standard & Poor's Rating Services (S&P). In April 2017, Fitch Ratings, Inc. (Fitch) withdrew credit ratings of the Subsidiary Registrants, with the exclusion of Piedmont, which was not previously rated by Fitch due to commercial reasons. Fitch will continue to provide credit ratings for Duke Energy Corporation.

In May 2017, Moody's changed its rating outlook for Duke Energy Corporation to stable from negative and affirmed Duke Energy Corporation's credit ratings. In August 2017, Moody's changed its rating outlook for Duke Energy Ohio to positive from stable and affirmed Duke Energy Ohio's credit ratings.

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**Cash Flow Information**

The following table summarizes Duke Energy's cash flows.

(in millions)	Nine Months Ended September 30,	
	2017	2016
Cash flows provided by (used in):		
Operating activities	\$ 5,011	\$ 5,611
Investing activities	(6,360)	(5,555)
Financing activities	1,239	5,266
Changes in cash and cash equivalents included in assets held for sale	—	11
Net (decrease) increase in cash and cash equivalents	(110)	5,333
Cash and cash equivalents at beginning of period	392	383
Cash and cash equivalents at end of period	\$ 282	\$ 5,716

**OPERATING CASH FLOWS**

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

(in millions)	Nine Months Ended September 30,	
	2017	2016
Net income	\$ 2,361	\$ 2,392
Non-cash adjustments to net income	3,937	3,585
Contributions to qualified pension plans	(8)	—
Payments for asset retirement obligations	(420)	(443)
Working capital	(859)	77
Net cash provided by operating activities	\$ 5,011	\$ 5,611

The variance was primarily due to:

- a \$936 million decrease in cash flows from working capital due to the timing of the payment of accruals, increased taxes accrued resulting from an increased effective tax rate, warmer winter weather and the absence of the International Disposal Group's operating cash flows.

Partially offset by:

- a \$321 million increase in net income after non-cash adjustments, primarily due to lower operation, maintenance and other expense and the additional Piedmont earnings contribution in the current year.

**INVESTING CASH FLOWS**

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

(in millions)	Nine Months Ended September 30,	
	2017	2016
Capital, investment and acquisition expenditures	\$ (6,211)	\$ (5,450)
Other investing items	(149)	(105)
Net cash used in investing activities	\$ (6,360)	\$ (5,555)

The variance was primarily due to:

- a \$761 million increase in capital, investment and acquisition expenditures due to growth in regulated generation investments and natural gas infrastructure, partially offset by a reduction in Commercial Renewables capital expenditures.

PART I

**FINANCING CASH FLOWS**

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

(in millions)	Nine Months Ended	
	September 30,	
	2017	2016
Issuances of long-term debt, net	\$ 3,675	\$ 7,659
Notes payable and commercial paper	(619)	(647)
Dividends paid	(1,825)	(1,731)
Other financing items	8	(15)
<b>Net cash provided by financing activities</b>	<b>\$ 1,239</b>	<b>\$ 5,266</b>

The variance was primarily due to:

- a \$3,984 million net decrease in issuances of long-term debt driven principally by the prior year \$3,750 million of senior unsecured notes used to fund a portion of the Piedmont acquisition, and prior year \$1,294 million nuclear asset-recovery bonds, offset by a \$1,047 million increase in current year redemptions; and
- a \$94 million current year increase in dividends paid.

**Summary of Significant Debt Issuances**

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

**OTHER MATTERS**

**Environmental Regulations**

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

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

**Coal Combustion Residuals**

In April 2015, the EPA published a rule to regulate the disposal of CCR from electric utilities as solid waste. The federal regulation classifies CCR as nonhazardous waste and allows for beneficial use of CCR with some restrictions. The regulation applies to all new and existing landfills, new and existing surface impoundments receiving CCR and existing surface impoundments that are no longer receiving CCR but contain liquid located at stations currently generating electricity (regardless of fuel source). The rule establishes requirements regarding landfill design, structural integrity design and assessment criteria for surface impoundments, groundwater monitoring, protection and remedial procedures and other operational and reporting procedures to ensure the safe disposal and management of CCR. As a result of the EPA rule, Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Ohio and Duke Energy Indiana recorded additional ARO amounts during 2015. Various industry and environmental parties have appealed the EPA's CCR rule in the U.S. Court of Appeals for the District of Columbia (D.C. Circuit Court). On April 18, 2016, the EPA filed a motion with the federal court to settle five issues raised in litigation. On June 14, 2016, the court approved the motion with respect to all of those issues. Duke Energy does not expect a material impact from the settlement or that it will result in additional ARO adjustments. The Utility Solid Waste Activities Group filed a petition with the EPA seeking to have EPA reconsider certain provisions of the final rule, extend remaining compliance deadlines and ask the D.C. Circuit Court to hold the litigation in abeyance. While EPA has confirmed that it will reconsider certain provisions of the final rule, the D.C. Circuit Court denied EPA's petition to hold the litigation in abeyance. Oral argument is scheduled for November 20, 2017.

In addition to the requirements of the federal CCR regulation, CCR landfills and surface impoundments will continue to be independently regulated by most states. Cost recovery for future expenditures will be pursued through the normal ratemaking process with federal and state utility commissions and via wholesale contracts, which permit recovery of necessary and prudently incurred costs associated with Duke Energy's regulated operations. For more information, see Note 9, "Asset Retirement Obligations," in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2016.

PART I

**Coal Ash Management Act of 2014**

Asset retirement obligations recorded on the Duke Energy Carolinas and Duke Energy Progress Condensed Consolidated Balance Sheets at September 30, 2017, and December 31, 2016, include the legal obligation for closure of coal ash basins and the disposal of related ash as a result of the Coal Ash Act, the EPA CCR rule and other agreements. On July 14, 2016, the Coal Ash Act was amended, requiring Duke Energy to undertake dam improvement projects and to provide access to a permanent alternative drinking water source to certain residents within a half-mile of coal ash basin compliance boundaries and to certain other potentially impacted residents. The legislation ranked basins at the H.F. Lee, Cape Fear and Weatherspoon stations as intermediate risk, consistent with Duke Energy's previously announced plans to excavate those basins. These specific intermediate-risk basins require closure through excavation including a combination of transferring ash to an appropriate engineered landfill or conversion of the ash for beneficial use. Closure of these specific intermediate-risk basins is required to be completed no later than August 1, 2028. Upon satisfactory completion of the dam improvement projects and installation of alternative drinking water sources by October 15, 2018, the legislation requires the NCDEQ to reclassify all remaining sites, excluding H.F. Lee, Cape Fear and Weatherspoon, as low risk. In January 2017, NCDEQ issued preliminary approval of Duke Energy's plans for the alternative water sources.

Additionally, the July 2016 legislation requires the installation and operation of three large-scale coal ash beneficiation projects, which are expected to produce reprocessed ash for use in the concrete industry. Closure of basins at sites with these beneficiation projects is required to be completed no later than December 31, 2029. On October 5, 2016, Duke Energy announced Buck Steam Station as a first location for one of the beneficiation projects. On December 13, 2016, Duke Energy announced H.F. Lee as the second location. On June 30, 2017, Duke Energy announced the Cape Fear Plant as the third beneficiation location.

Provisions of the Coal Ash Act prohibit cost recovery in customer rates for unlawful discharge of ash impoundment waters occurring after January 1, 2014. The Coal Ash Act leaves the decision on cost recovery determinations related to closure of ash impoundments to the normal ratemaking processes before utility regulatory commissions. Consistent with the requirements of the Coal Ash Act, Duke Energy has submitted comprehensive site assessments and groundwater corrective plans to NCDEQ and will submit to NCDEQ site-specific coal ash impoundment closure plans in advance of closure. These plans and all associated permits must be approved by NCDEQ before closure work can begin.

For more information, see Note 9, "Asset Retirement Obligations," in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2016.

**Clean Water Act 316(b)**

The EPA published the final 316(b) cooling water intake structure rule on August 15, 2014, with an effective date of October 14, 2014. The rule applies to 26 of the electric generating facilities the Duke Energy Registrants own and operate. The rule allows for several options to demonstrate compliance and provides flexibility to the state environmental permitting agencies to make determinations on controls, if any, that will be required for cooling water intake structures. Any required intake structure modifications and/or retrofits are expected to be installed in the 2019 to 2022 time frame. Petitions challenging the rule have been filed by several groups. Oral argument was held on September 14, 2017. It is unknown when the courts will rule on the petitions. The Duke Energy Registrants cannot predict the outcome of these matters.

**Steam Electric Effluent Limitations Guidelines**

On January 4, 2016, the final Steam Electric Effluent Limitations Guidelines (ELG) rule became effective. The rule establishes new requirements for wastewater streams associated with steam electric power generation and includes more stringent controls for any new coal plants that may be built in the future. As originally written, affected facilities were required to comply between 2018 and 2023, depending on timing of new Clean Water Act (CWA) permits and waste stream. Most of the steam electric generating facilities the Duke Energy Registrants own are affected sources. The Duke Energy Registrants are well-positioned to meet the majority of the requirements of the rule due to current efforts to convert to dry ash handling. Petitions challenging the rule have been filed by several groups. On March 16, 2015, Duke Energy Indiana filed its own legal challenge to the rule with the Seventh Circuit Court of Appeals specific to the ELG rule focused on the limits imposed on IGCC facilities (gasification wastewater). All challenges to the rule were consolidated in the Fifth Circuit Court of Appeals. The Fifth Circuit Court of Appeals granted EPA's request to stay the pending litigation on the ELG rule until August 12, 2017, and on August 22, 2017, the Fifth Circuit Court of Appeals granted EPA's Motion to Govern Further Proceedings, thereby severing and suspending the claims related to flue gas desulfurization wastewater, bottom ash transport water and gasification wastewater. Claims regarding gasification wastewater were stayed, pending the issuance of the variance to Duke Energy Indiana. The litigation will continue as to claims related to other waste streams.

On August 7, 2017, EPA issued a public notice regarding its proposed decision to grant a variance to Duke Energy Indiana for mercury and total suspended solids for gasification wastewater at its Edwardsport facility. The public comment period has ended, but EPA has not finalized its decision. Separate from the litigation, EPA finalized a rule on September 12, 2017, postponing the initial applicability date for bottom ash transport water and flue gas desulfurization wastewater from 2018 to 2020 and retaining the end applicability date of 2023. Also, as part of the rule, EPA reiterated its intent to conduct a new rulemaking to revise limitation guidelines for bottom ash transport water and flue gas desulfurization wastewater.

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

PART I

**Estimated Cost and Impacts of Rulemakings**

Duke Energy will incur capital expenditures to comply with the environmental regulations and rules discussed above. The following table provides five-year estimated costs, excluding AFUDC, of new control equipment that may need to be installed on existing power plants primarily to comply with the Coal Ash Act requirements for conversion to dry disposal of bottom ash and fly ash, CWA 316(b) and ELGs through December 31, 2021. The table excludes ash basin closure costs recorded in Asset retirement obligations on the Condensed Consolidated Balance Sheets. For more information related to AROs, see Note 9, "Asset Retirement Obligations" in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2016.

(in millions)	Estimated Cost
<b>Duke Energy</b>	<b>\$ 1,340</b>
Duke Energy Carolinas	580
Progress Energy	420
Duke Energy Progress	310
Duke Energy Florida	110
Duke Energy Ohio	90
Duke Energy Indiana	250

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

**Cross-State Air Pollution Rule**

On December 3, 2015, the EPA proposed a rule to lower the Cross-State Air Pollution Rule (CSAPR) Phase 2 state ozone season nitrogen oxide (NO<sub>x</sub>) emission budgets for 23 eastern states, including North Carolina, Ohio, Kentucky and Indiana. The EPA also proposed to eliminate the CSAPR Phase 2 ozone season state NO<sub>x</sub> budgets for Florida and South Carolina. On September 7, 2016, the EPA finalized the CSAPR Update Rule that reduces the CSAPR Phase 2 state ozone season NO<sub>x</sub> emission budgets for 22 eastern states, including Ohio, Kentucky and Indiana. In the final CSAPR Update Rule, the EPA removed Florida, South Carolina and North Carolina from the ozone season NO<sub>x</sub> program. Beginning in 2017, Duke Energy Registrants in these states will not be subject to any CSAPR ozone season NO<sub>x</sub> emission limitations. For the states that remain in the program, the reduced state ozone season NO<sub>x</sub> emission budgets took effect on May 1, 2017. In Kentucky and Indiana, where Duke Energy Registrants own and operate coal-fired electric generating units (EGUs) subject to the final rule requirements, near-term responses include changing unit dispatch to run certain generating units less frequently and/or purchasing NO<sub>x</sub> allowances from the trading market. Longer term, upgrading the performance of existing NO<sub>x</sub> controls is an option. The Indiana Utility Group and the Indiana Energy Association jointly filed a petition for reconsideration asking that the EPA correct errors it made in calculating the Indiana budget and increase the budget accordingly. EPA has yet to act on the petition. Numerous parties have filed petitions with the D.C. Circuit Court challenging various aspects of the CSAPR Update Rule. Briefing in the case began on August 21, 2017. The date for oral argument has not been established. The Duke Energy Registrants cannot predict the outcome of these matters.

**Carbon Pollution Standards for New, Modified and Reconstructed Power Plants**

On October 23, 2015, the EPA published a final rule in the Federal Register establishing carbon dioxide (CO<sub>2</sub>) emissions limits for new, modified and reconstructed power plants. The requirements for new plants apply to plants that commenced construction after January 8, 2014. The EPA set an emissions standard for coal units of 1,400 pounds of CO<sub>2</sub> per gross MWh, which would require the application of partial carbon capture and storage (CCS) technology for a coal unit to be able to meet the limit. Utility-scale CCS is not currently a demonstrated and commercially available technology for coal-fired EGUs, and therefore the final standard effectively prevents the development of new coal-fired generation. The EPA set a final standard of 1,000 pounds of CO<sub>2</sub> per gross MWh for new natural gas combined-cycle units.

On March 28, 2017, President Trump signed an executive order directing EPA to review the rule and determine whether to suspend, revise or rescind it. On the same day, the Department of Justice (DOJ) filed a motion with the D.C. Circuit Court requesting that the court stay the litigation of the rule while it is reviewed by EPA. Subsequent to the DOJ motion, the D.C. Circuit Court canceled oral argument in the case, which had been scheduled for April 17, 2017. On August 10, 2017, the court ordered that the litigation be suspended indefinitely. The rule remains in effect pending the outcome of litigation and EPA's review. EPA has not announced a schedule for completing its review. The Duke Energy Registrants cannot predict the outcome of these matters, but do not expect the impacts of the current final standards will be material to Duke Energy's financial position, results of operations or cash flows.

**Clean Power Plan**

On October 23, 2015, the EPA published in the Federal Register the final Clean Power Plan (CPP) rule to regulate CO<sub>2</sub> emissions from existing fossil fuel-fired EGUs. The CPP established CO<sub>2</sub> emission rates and mass cap goals that apply to existing fossil fuel-fired EGUs. Petitions challenging the rule have been filed by several groups and on February 9, 2016, the Supreme Court issued a stay of the final CPP rule, halting implementation of the CPP until legal challenges are resolved. States in which the Duke Energy Registrants operate have suspended work on the CPP in response to the stay. Oral arguments before 10 of the 11 judges on D.C. Circuit Court were heard on September 27, 2016. The court has not issued its opinion in the case.

PART I

On March 28, 2017, President Trump signed an executive order directing EPA to review the CPP and determine whether to suspend, revise or rescind the rule. On the same day, the DOJ filed a motion with the D.C. Circuit Court requesting that the court stay the litigation of the rule while it is reviewed by EPA. On April 28, 2017, the court issued an order to suspend the litigation for 60 days. On August 8, 2017, the court, on its own motion, extended the suspension of the litigation for an additional 60 days. On October 10, 2017, EPA issued a Notice of Proposed Rulemaking to repeal the CPP based on a change to EPA's legal interpretation of the section of the Clean Air Act (CAA) on which the CPP was based. In the proposal EPA indicates that it has not determined whether it will issue a rule to replace the CPP, and if it will do so, when and what form that rule will take. The comment period on EPA's proposal ends December 15, 2017. Litigation of the CPP remains on hold in the D.C. Circuit and the February 2016 U.S. Supreme Court stay of the CPP remains in effect. The Duke Energy Registrants cannot predict the outcome of these matters.

**Global Climate Change**

For other information on global climate change and the potential impacts on Duke Energy, see "Other Matters" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2016.

**North Carolina Legislation**

In July 2017, the North Carolina General Assembly passed House Bill 589 and it was subsequently enacted into law by the governor. The law includes, among other things, overall reform of the application of the Public Utility Regulatory Policies Act of 1978 (PURPA) for new solar projects in the state, a requirement for the utility to procure approximately 2,600 MW of renewable energy through a competitive bidding process and recovery of costs related to the competitive bidding process through the fuel clause and a competitive procurement rider. Duke Energy is evaluating the impact of this law.

**Nuclear Matters**

For other information on nuclear matters and the potential impacts on Duke Energy, see "Other Matters" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2016.

**New Accounting Standards**

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

**Off-Balance Sheet Arrangements**

During the three and nine months ended September 30, 2017, there were no material changes to Duke Energy's off-balance sheet arrangements. See Note 13 to the Condensed Consolidated Financial Statements, "Variable Interest Entities," for a discussion of off-balance sheet arrangements regarding Atlantic Coast Pipeline. For additional information on Duke Energy's off-balance sheet arrangements, see "Off-Balance Sheet Arrangements" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2016.

**Contractual Obligations**

Duke Energy enters into contracts that require payment of cash at certain specified periods, based on certain specified minimum quantities and prices. During the three and nine months ended September 30, 2017, there were no material changes in Duke Energy's contractual obligations. For an in-depth discussion of Duke Energy's contractual obligations, see "Contractual Obligations" and "Quantitative and Qualitative Disclosures about Market Risk" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2016.

**Subsequent Events**

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

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

During the three and nine months ended September 30, 2017, there were no material changes to the Duke Energy Registrants' disclosures about market risk. For an in-depth discussion of the Duke Energy Registrants' market risks, see "Quantitative and Qualitative Disclosures about Market Risk" in Item 7 of the Annual Report on Form 10-K for the Duke Energy Registrants.

**ITEM 4. CONTROLS AND PROCEDURES**

**Disclosure Controls and Procedures**

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

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

PART I

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, the Duke Energy Registrants have evaluated the effectiveness of their disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 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 September 30, 2017, and have concluded no change has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.



PART II. OTHER INFORMATION

**ITEM 1. LEGAL PROCEEDINGS**

For information regarding material legal proceedings, including regulatory and environmental matters, see Note 4, "Regulatory Matters," and Note 5, "Commitments and Contingencies," to the Condensed Consolidated Financial Statements. For additional information, see Item 3, "Legal Proceedings," in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2016.

**ITEM 1A. RISK FACTORS**

In addition to the other information set forth in this report, careful consideration should be given to the factors discussed in Part I, "Item 1A. Risk Factors" in the Duke Energy Registrants' Annual Report on Form 10-K, which could materially affect the Duke Energy Registrants' financial condition or future results.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

**ISSUER PURCHASES OF EQUITY SECURITIES**

There were no issuer purchases of equity securities during the third quarter of 2017.

PART II

**ITEM 6. EXHIBITS**

Exhibits filed herein are designated by an asterisk (\*). All exhibits not so designated are incorporated by reference to a prior filing, as indicated. Items constituting management contracts or compensatory plans or arrangements are designated by a double asterisk (\*\*). The Company agrees to furnish upon request to the Commission a copy of any omitted schedules or exhibits upon request on all items designated by a triple asterisk (\*\*\*).

Exhibit Number	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Duke Energy Piedmont
4.1	X							
4.2				X				
*10.1	X							
*12	X							
*31.1.1	X							
*31.1.2		X						
*31.1.3			X					
*31.1.4				X				
*31.1.5					X			
*31.1.6						X		
*31.1.7							X	
*31.1.8								X
*31.2.1	X							
*31.2.2		X						
*31.2.3			X					
*31.2.4				X				
*31.2.5					X			
*31.2.6						X		