

PART I

DEBT MATURITIES

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

CASH FLOWS FROM OPERATING ACTIVITIES

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

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 storm restoration costs from Hurricanes Florence and Michael. Cash flows from operations are subject to a number of other factors, including but not limited to regulatory constraints, economic trends and market volatility (see "Item 1A. Risk Factors," in the Duke Energy Registrants' Annual Reports on Form 10-K/A for the year ended December 31, 2017, for additional information).

Restrictive Debt Covenants

The Duke Energy Registrants' debt and credit agreements contain various financial and other covenants. The Master Credit Facility contains a covenant requiring the debt-to-total capitalization ratio not to exceed 65 percent for all borrowers except Piedmont, and 70 percent for Piedmont. Failure to meet those covenants beyond applicable grace periods could result in accelerated due dates and/or termination of the agreements or sublimits thereto. As of September 30, 2018, each of the Duke Energy Registrants was in compliance with all covenants related to their debt agreements. In addition, some credit agreements may allow for acceleration of payments or termination of the agreements due to nonpayment or acceleration of other significant indebtedness of the borrower or some of its subsidiaries. None of the debt or credit agreements contain material adverse change clauses.

Credit Ratings

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

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

On August 1, 2018, Moody's revised its ratings outlook for Duke Energy Corporation and Piedmont from negative to stable and for Duke Energy Ohio from positive to stable. Moody's also revised its ratings as follows: Progress Energy is upgraded from Baa2 to Baa1; Piedmont is downgraded from A2 to A3. On September 6, 2018, Fitch revised its ratings outlook for Duke Energy Corporation from negative to stable.

Cash Flow Information

The following table summarizes Duke Energy's cash flows.

(In millions)	Nine Months Ended	
	September 30,	
	2018	2017
Cash flows provided by (used in):		
Operating activities	\$ 5,667	\$ 4,978
Investing activities	(7,270)	(6,331)
Financing activities	1,547	1,239
Net decrease in cash, cash equivalents and restricted cash	(56)	(114)
Cash, cash equivalents and restricted cash at beginning of period	505	541
Cash, cash equivalents and restricted cash at end of period	\$ 449	\$ 427

PART I

OPERATING CASH FLOWS

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

(in millions)	Nine Months Ended September 30,		
	2018	2017	Variance
Net income	\$ 2,190	\$ 2,361	\$ (171)
Non-cash adjustments to net income	5,206	3,937	1,269
Contributions to qualified pension plans	(141)	(8)	(133)
Payments for asset retirement obligations	(389)	(420)	31
Payment for disposal of other assets	(105)	—	(105)
Working capital	(1,094)	(892)	(202)
Net cash provided by operating activities	\$ 5,667	\$ 4,978	\$ 689

The variance was primarily due to:

- a \$1,098 million increase in net income after adjustment for non-cash items primarily due to favorable weather and increased pricing and volumes in the current period.

Partially offset by:

- a \$133 million increase in contributions to qualified pension plans; and
- a \$105 million payment for disposal of Beckjord.

INVESTING CASH FLOWS

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

(in millions)	Nine Months Ended September 30,		
	2018	2017	Variance
Capital, investment and acquisition expenditures	\$ (7,050)	\$ (6,211)	\$ (839)
Other investing items	(220)	(120)	(100)
Net cash used in investing activities	\$ (7,270)	\$ (6,331)	\$ (939)

The variance relates primarily to an increase in capital expenditures due to higher overall investments in regulated generation, natural gas and commercial renewables.

FINANCING CASH FLOWS

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

(in millions)	Nine Months Ended September 30,		
	2018	2017	Variance
Issuances of long-term debt, net	\$ 1,832	\$ 3,675	\$ (1,843)
Issuances of common stock	834	—	834
Notes payable and commercial paper	674	(619)	1,293
Dividends paid	(1,835)	(1,825)	(10)
Other financing items	42	8	34
Net cash provided by financing activities	\$ 1,547	\$ 1,239	\$ 308

The variance was primarily due to:

- an \$834 million increase in proceeds from the issuance of common stock; and
- a \$1,293 million increase in net proceeds from issuances of notes payable and commercial paper primarily due to increased capital expenditures and the timing of debt and common stock issuances.

Partially offset by:

- a \$1,843 million decrease in proceeds from net issuances of long-term debt primarily due to prior year financings of \$820 million in the Commercial Renewables segment and the timing of issuances and redemptions of long-term debt.

PART I

Summary of Significant Debt Issuances

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

OTHER MATTERS

Environmental Regulations

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

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

Coal Combustion Residuals

In April 2015, the EPA published a rule to regulate the disposal of CCR from electric utilities as solid waste. The federal regulation classifies CCR as nonhazardous waste and allows for beneficial use of CCR with some restrictions. The regulation applies to all new and existing landfills, new and existing surface impoundments receiving CCR and existing surface impoundments that are no longer receiving CCR but contain liquid located at stations currently generating electricity (regardless of fuel source). The rule establishes requirements regarding landfill design, structural integrity design and assessment criteria for surface impoundments, groundwater monitoring, protection and remedial procedures and other operational and reporting procedures to ensure the safe disposal and management of CCR. Various industry and environmental parties have appealed the EPA's CCR rule in the U.S. Court of Appeals for the District of Columbia (D.C. Circuit Court). On April 18, 2016, the EPA filed a motion with the federal court to settle five issues raised in litigation. On June 14, 2016, the court approved the motion with respect to all of those issues. Duke Energy does not expect a material impact from the settlement or that it will result in additional ARO adjustments. On September 13, 2017, EPA responded to a petition by the Utility Solid Waste Activities Group that the agency would reconsider certain provisions of the final rule, and asked the D.C. Circuit Court to suspend the litigation. The D.C. Circuit Court denied EPA's petition to suspend the litigation and oral argument was held on November 20, 2017. On August 21, 2018, the D.C. Circuit issued its decision in the CCR rule litigation denying relief for industry petitioners' remaining claims and ruling in favor of environmental petitioners on a number of their challenges, including the regulation of inactive CCR surface impoundments at retired plants and the continued operation of unlined impoundments.

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

In addition to the requirements of the federal CCR regulation, CCR landfills and surface impoundments will continue to be independently regulated by most states. Cost recovery for future expenditures will be pursued through the normal ratemaking process with federal and state utility commissions and via wholesale contracts, which permit recovery of necessary and prudently incurred costs associated with Duke Energy's regulated operations. For more information, see Note 9, "Asset Retirement Obligations," in Duke Energy's Annual Report on Form 10-K/A for the year ended December 31, 2017.

Coal Ash Management Act of 2014

Asset retirement obligations recorded on the Duke Energy Carolinas and Duke Energy Progress Condensed Consolidated Balance Sheets at September 30, 2018, and December 31, 2017, include the legal obligation for closure of coal ash basins and the disposal of related ash as a result of the Coal Ash Act, the EPA CCR rule and other agreements. The Coal Ash Act requires Duke Energy to undertake dam improvement projects and to provide access to a permanent alternative drinking water source to certain residents within a half-mile of coal ash basin compliance boundaries and to certain other potentially impacted residents. The legislation requires excavation of the Sutton, Riverbend and Dan River basins by August 1, 2019, and Asheville basins by August 1, 2022. Excavation at these sites may include a combination of transfer of coal ash to an engineered landfill or conversion for beneficial use. Basins at the H.F. Lee, Cape Fear and Weatherspoon sites are required to be closed through excavation no later than August 1, 2028. Excavation at these sites can include conversion of the basin to a lined industrial landfill, transfer of ash to an engineered landfill or conversion for beneficial use. The remaining basins are required to be closed no later than December 31, 2024, through conversion to a lined industrial landfill, transfer to an engineered landfill or conversion for beneficial use, unless certain dam improvement projects and alternative drinking water source projects are completed by October 15, 2018. Upon satisfactory completion of these projects, the closure deadline would be extended to December 31, 2029, and could include closure through the combination of a cap system and a groundwater monitoring. On October 12, 2018, NCDEQ announced that Duke Energy had satisfied the permanent replacement water supply requirements by the October 15, 2018, deadline set out in the Coal Ash Management Act. NCDEQ has until November 14, 2018, to issue final basin classifications.

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

PART I

The Coal Ash Act includes a variance procedure for compliance deadlines and other issues surrounding the management of CCR and CCR surface impoundments and prohibits cost recovery in customer rates for unlawful discharge of ash impoundment waters occurring after January 1, 2014. The Coal Ash Act leaves the decision on cost recovery determinations related to closure of ash impoundments to the normal ratemaking processes before utility regulatory commissions. Consistent with the requirements of the Coal Ash Act, Duke Energy has submitted comprehensive site assessments and groundwater corrective plans to NCDEQ and will submit to NCDEQ site-specific coal ash impoundment closure plans in advance of closure. NCDEQ requested that Duke Energy submit options analyses, groundwater modeling and net environmental benefits analyses for six sites potentially eligible for closure by cap in place by November 15, 2018. These plans and all associated permits must be approved by NCDEQ before closure work can begin.

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

Clean Water Act 316(b)

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

Steam Electric Effluent Limitations Guidelines

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

Separate from the litigation, EPA finalized a rule on September 18, 2017, postponing the earliest applicability date for bottom ash transport water and flue gas desulfurization wastewater from 2018 to 2020 and retaining the end applicability date of 2023. Also, as part of the rule, EPA reiterated its intent to conduct a new rulemaking to review the effluent limitation guidelines for bottom ash transport water and flue gas desulfurization wastewater. EPA projects that a new rule on these two issues will be finalized by the end of 2019.

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

Estimated Cost and Impacts of Rulemakings

Duke Energy will incur capital expenditures to comply with the environmental regulations and rules discussed above. The following table provides five-year estimated costs, excluding AFUDC, of new control equipment that may need to be installed on existing power plants primarily to comply with the Coal Ash Act requirements for conversion to dry disposal of bottom ash and fly ash, CWA 316(b) and ELGs through December 31, 2022. The table excludes ash basin closure costs recorded in Asset retirement obligations on the Condensed Consolidated Balance Sheets. For more information related to AROs, see Note 9, "Asset Retirement Obligations" in Duke Energy's Annual Report on Form 10-K/A for the year ended December 31, 2017.

(in millions)	Estimated Cost
Duke Energy	\$ 950
Duke Energy Carolinas	440
Progress Energy	370
Duke Energy Progress	270
Duke Energy Florida	100
Duke Energy Ohio	90
Duke Energy Indiana	50

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

PART I

Cross-State Air Pollution Rule

On September 7, 2016, EPA finalized a revision to the Cross-State Air Pollution Rule (CSAPR); the revised rule is known as the CSAPR Update Rule. The CSAPR Update Rule reduces the CSAPR Phase 2 state ozone season NO_x 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_x program. Beginning in 2017, Duke Energy Registrants in these states will not be subject to any CSAPR ozone season NO_x emission limitations. For the states that remain in the program, the reduced state ozone season NO_x 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_x allowances from the trading market. Longer term, upgrading the performance of existing NO_x controls is an option. The Indiana Utility Group and the Indiana Energy Association jointly filed a petition for reconsideration asking that the EPA correct errors it made in calculating the Indiana budget and increase the budget accordingly. EPA has yet to act on the petition. Numerous parties have filed petitions with the D.C. Circuit Court challenging various aspects of the CSAPR Update Rule. Final briefs in the case were due April 9, 2018. Oral argument was heard on October 3, 2018. The Duke Energy Registrants cannot predict the outcome of these matters.

Carbon Pollution Standards for New, Modified and Reconstructed Power Plants

On October 23, 2015, EPA published a final rule in the Federal Register establishing carbon dioxide (CO₂) emissions limits for new, modified and reconstructed power plants. The requirements for new plants apply to plants that commenced construction after January 8, 2014. EPA set an emissions standard for coal units of 1,400 pounds of CO₂ per gross MWh, which would require the application of partial carbon capture and storage (CCS) technology for a coal unit to be able to meet the limit. Utility-scale CCS is not currently a demonstrated and commercially available technology for coal-fired EGUs, and therefore the final standard effectively prevents the development of new coal-fired generation. EPA set a final standard of 1,000 pounds of CO₂ per gross MWh for new natural gas combined-cycle units.

On March 28, 2017, President Trump signed an executive order directing EPA to review the rule and determine whether to suspend, revise or rescind it. On the same day, the Department of Justice (DOJ) filed a motion with the D.C. Circuit Court requesting that the court stay the litigation of the rule while it is reviewed by EPA. Subsequent to the DOJ motion, the D.C. Circuit Court canceled oral argument in the case. On August 10, 2017, the court ordered that the litigation be suspended indefinitely. The rule remains in effect pending the outcome of litigation and EPA's review. On July 24, 2018, EPA reported to the court that it plans to send a proposed revised rule to the Office of Management and Budget (OMB) for review. EPA has stated that it expects to release the proposed rule in November. The Duke Energy Registrants cannot predict the outcome of these matters but do not expect the impacts of the current final standards will be material to Duke Energy's financial position, results of operations or cash flows.

Clean Power Plan

On October 23, 2015, the EPA published in the Federal Register the final Clean Power Plan (CPP) rule to regulate CO₂ emissions from existing fossil fuel-fired EGUs. The CPP established CO₂ emission rates and mass cap goals that apply to existing fossil fuel-fired EGUs. Petitions challenging the rule were filed by numerous groups and on February 9, 2016, the Supreme Court issued a stay of the final CPP rule, halting implementation of the CPP until legal challenges are resolved. States in which the Duke Energy Registrants operate have suspended work on the CPP in response to the stay. Oral arguments before 10 of the 11 judges on the D.C. Circuit Court were heard on September 27, 2016. The court has not issued its opinion in the case.

On March 28, 2017, President Trump signed an executive order directing EPA to review the CPP and determine whether to suspend, revise or rescind the rule. On the same day, the DOJ filed a motion with the D.C. Circuit Court requesting that the court stay the litigation of the rule while it is reviewed by EPA. On April 28, 2017, the court issued an order to suspend the litigation for 60 days and required EPA to file status reports with the court every 30 days. The court has issued subsequent orders, most recently on June 26, 2018, maintaining the case in abeyance. On October 16, 2017, EPA issued a Notice of Proposed Rulemaking (NPRM) to repeal the CPP based on a change to EPA's legal interpretation of the section of the Clean Air Act on which the CPP was based. The comment period on EPA's NPRM ended April 26, 2018. On December 28, 2017, EPA issued an Advance Notice of Proposed Rulemaking (ANPRM) in which it sought public comment on various aspects of a potential CPP replacement rule. The comment period on the ANPRM ended February 26, 2018. On August 31, 2018, EPA published a proposed rule to replace the CPP, the Affordable Clean Energy (ACE) rule. The proposed ACE rule is based on an "inside the fence" approach under which states develop CO₂ reduction plans based on efficiency (heat rate) improvements at coal-fired power plants. The rule proposes a list of "candidate technologies" from which the states develop unit-specific emission standards. State compliance plans will be due three years after the rule is finalized. The proposal also revises EPA's New Source Review (NSR) permitting program to remove impediments to the kinds of efficiency improvements the ACE rule would require. The Duke Energy Registrants cannot predict the outcome of these matters.

Section 126 Petitions

On November 16, 2016, the state of Maryland filed a petition with EPA under Section 126 of the Clean Air Act alleging that 19 power plants, including two that Duke Energy Registrants own and operate, contribute to violations of EPA's National Ambient Air Quality Standards (NAAQS) for ozone in the state of Maryland. On March 12, 2018, the state of New York filed a petition with EPA, also under Section 126 of the Clean Air Act alleging that over 60 power plants, including four that Duke Energy Registrants own and operate, contribute to violations of EPA's ozone NAAQS in the state of New York. Both Maryland and New York seek EPA orders requiring the states in which the named power plants operate impose more stringent nitrogen oxide (NO_x) emission limitations on the plants. On October 5, 2018, EPA published a final rule denying the Maryland petition. That same day, Maryland appealed EPA's denial of their Section 126 petition. Duke Energy has three units named in the petition. Any other petition to challenge this final rule must be filed within 60 days from EPA's denial. The impact of these petitions could be more stringent requirements for the operation of NO_x emission controls at these plants. The Duke Energy Registrants cannot predict the outcome of these matters.

Global Climate Change

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

PART I

North Carolina Legislation

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

Liquefied Natural Gas Facility

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

Nuclear Matters

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

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

Contractual Obligations

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

Subsequent Events

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

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

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

Changes in Internal Control over Financial Reporting

On August 2, 2018, Duke Energy and Ernst and Young LLP (EY) announced a strategic tax relationship which resulted in approximately 45 tax team employees joining EY as part of an outsourced arrangement for managed tax services. In connection with this new strategic relationship, management will continue to enhance the design and documentation of our internal control processes to ensure suitable controls over financial reporting. During the three months ended September 30, 2018, except as noted above, there were no changes in Duke Energy's internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For information regarding material legal proceedings, including regulatory and environmental matters, see Note 3, "Regulatory Matters," and Note 4, "Commitments and Contingencies," to the Condensed Consolidated Financial Statements.

Methyl tertiary butyl ether (MTBE) Litigation

On June 19, 2014, the Commonwealth of Pennsylvania filed suit against, among others, Duke Energy Merchants, alleging contamination of waters of the state by MTBE from leaking gasoline storage tanks. MTBE is a gasoline additive intended to increase the oxygen level in gasoline and make it burn cleaner. The lawsuit was moved to federal court and consolidated into an existing multidistrict litigation docket of pending MTBE cases. This suit was settled for an immaterial amount in December 2017 and dismissed in January 2018.

In December 2017, the state of Maryland filed a lawsuit in Baltimore City Circuit Court against Duke Energy Merchants and other defendants alleging contamination of its water supplies from MTBE. The case was removed to the U.S. District Court in Baltimore. Duke Energy cannot predict the outcome of this matter.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, careful consideration should be given to the factors discussed in Part I, "Item 1A. Risk Factors" in the Duke Energy Registrants' Annual Report on Form 10-K/A, which could materially affect the Duke Energy Registrants' financial condition or future results.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

PART II

ITEM 6. EXHIBITS

Exhibits filed herein are designated by an asterisk (*). All exhibits not so designated are incorporated by reference to a prior filing, as indicated. Items constituting management contracts or compensatory plans or arrangements are designated by a double asterisk (**). The company agrees to furnish upon request to the commission a copy of any omitted schedules or exhibits upon request on all items designated by a triple asterisk (***).

Exhibit Number	Description	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
4.1	Twentieth Supplemental Indenture (incorporated by reference to Exhibit 4.2 to Registrant's Registration Statement on Form 8-A filed on September 17, 2018, File no. 001-32853).	X							
*10.1	Amendment No. 1 to the Term Loan Credit Agreement, dated as of September 13, 2018, among Piedmont Natural Gas Company, Inc., the lenders listed therein, U.S. Bank National Association, as Administrative Agent, and PNC Bank, National Association, Bank of New York Mellon and KeyBank, National Association, as Co-Documentation Agents.	X							
*12	Computation of Ratio of Earnings to Fixed Charges – DUKE ENERGY CORPORATION.	X							
*31.1.1	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X							
*31.1.2	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.		X						
*31.1.3	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			X					
*31.1.4	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X				
*31.1.5	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X			
*31.1.6	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.						X		
*31.1.7	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.							X	
*31.1.8	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.								X
*31.2.1	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X							
*31.2.2	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.		X						
*31.2.3	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			X					
*31.2.4	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X				
*31.2.5	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X			
*31.2.6	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.						X		

PART II

*31.2.7	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.								X
*31.2.8	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.								X
*32.1.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X							
*32.1.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.		X						
*32.1.3	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			X					
*32.1.4	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X				
*32.1.5	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X			
*32.1.6	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.						X		
*32.1.7	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.							X	
*32.1.8	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.								X
*32.2.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X							
*32.2.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.		X						
*32.2.3	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			X					
*32.2.4	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X				
*32.2.5	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X			
*32.2.6	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.						X		
*32.2.7	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.							X	
*32.2.8	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.								X
*101.INS	XBRL Instance Document.	X	X	X	X	X	X	X	X
*101.SCH	XBRL Taxonomy Extension Schema Document.	X	X	X	X	X	X	X	X

PART II

*101.CAL	XBRL Taxonomy Calculation Linkbase Document.	X	X	X	X	X	X	X	X
*101.LAB	XBRL Taxonomy Label Linkbase Document.	X	X	X	X	X	X	X	X
*101.PRE	XBRL Taxonomy Presentation Linkbase Document.	X	X	X	X	X	X	X	X
*101.DEF	XBRL Taxonomy Definition Linkbase Document.	X	X	X	X	X	X	X	X

The total amount of securities of the registrant or its subsidiaries authorized under any instrument with respect to long-term debt not filed as an exhibit does not exceed 10 percent of the total assets of the registrant and its subsidiaries on a consolidated basis. The registrant agrees, upon request of the SEC, to furnish copies of any or all of such instruments to it.

PART II

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized.

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

Date: November 2, 2018

/s/ STEVEN K. YOUNG
Steven K. Young
Executive Vice President and Chief Financial Officer (Principal
Financial Officer)

Date: November 2, 2018

/s/ DWIGHT L. JACOBS
Dwight L. Jacobs
Senior Vice President, Chief Accounting Officer
and Controller
(Principal Accounting Officer)

Exhibit 10.1

AMENDMENT NO. 1 TO THE TERM LOAN CREDIT AGREEMENT, dated as of September 13, 2018 (this "*Agreement*"), among, PIEDMONT NATURAL GAS COMPANY, INC. (the "*Borrower*"), the LENDERS party hereto (the "*Lenders*"), PNC BANK, NATIONAL ASSOCIATION, BANK OF NEW YORK MELLON and KEYBANK, NATIONAL ASSOCIATION as Co-Documentation Agents and U.S. BANK NATIONAL ASSOCIATION, as Administrative Agent.

A . Reference is made to the Term Loan Credit Agreement dated as of June 14, 2017, (the "*Existing Credit Agreement*"), among, the Borrower, the Lenders party thereto (the "*Existing Lenders*") and U.S. Bank National Association as administrative agent for the Lenders (in such capacity, the "*Administrative Agent*").

B . The Borrower has requested that certain amendments be made to the Existing Credit Agreement, as more fully set forth herein (the "*Amendments*").

C . The Lenders party hereto have agreed to the amendments of the Existing Credit Agreement as set forth herein and as amended hereby (the Existing Credit Agreement as so amended, the "*Amended Credit Agreement*").

Accordingly, in consideration of the mutual agreements herein contained in this Agreement and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. *Terms Generally.* (a) The rules of construction set forth in Article 1 of the Amended Credit Agreement shall apply *mutatis mutandis* to this Agreement. Capitalized terms used but not defined herein have the meanings assigned thereto in the Amended Credit Agreement.

(b) As used in this Agreement, the following terms have the meanings specified below:

"*Amendment Effective Date*" shall have the meaning assigned to such term in Section 5.

SECTION 2. *Amendments to Existing Credit Agreement.* Effective as of the Amendment Effective Date immediately after giving effect to the Assigned Interests in Section 3 of this Agreement, the Existing Credit Agreement is hereby amended to delete the stricken text (indicated textually in the same manner as the following example: ~~stricken text~~) and to add the bold and double-underlined text (indicated textually in the same manner as the following example: **double underlined text**) as set forth in the pages of the Amended Credit Agreement attached as Annex A hereto.

SECTION 3. *Confirmation of Commitments.* (a) Each Lender, by executing this Agreement confirms that on the Amendment Effective Date after giving effect to this Agreement (including this Section 3) the Commitment of such Lender under the Amended Credit Agreement shall be as set forth on such Lender's executed signature page to this Agreement.

(b) The Borrower agrees to execute and deliver a Note, if required by a Lender, payable to the order of such Lender reflecting the Commitments set forth on the Commitment Schedule to the Amended Credit Agreement pursuant to Sections 2.04(b) and 9.06(c) of the Amended Credit Agreement.

SECTION 4. **Representations and Warranties.** To induce the other parties hereto to enter into this Agreement, the Borrower party hereto represents and warrants to the Administrative Agent and each of the Lenders that:

(a) The execution, delivery and performance by the Borrower of this Agreement and the Notes are within the Borrower's powers, have been duly authorized by all necessary company action, require no action by or in respect of, or filing with, any Governmental Authority (except for consents, authorizations or filings which have been obtained or made, as the case may be, and are in full force and effect) and do not contravene, or constitute a default under, any provision of applicable law or regulation or of the articles of incorporation, by laws or certificate of formation of the Borrower or of any material agreement, judgment, injunction, order, decree or other instrument binding upon the Borrower or result in the creation or imposition of any Lien on any asset of the Borrower or any of its Material Subsidiaries.

(b) This Agreement constitutes a valid and binding agreement of the Borrower and each Note, if and when executed and delivered by it in accordance with this Agreement, will constitute a valid and binding obligation of the Borrower, in each case enforceable in accordance with its terms, except as the same may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and by general principles of equity.

(c) Each of the representations and warranties made by the Borrower in Article 4 of the Amended Credit Agreement is true and correct in all material respects on and as of the date hereof, except to the extent such representations and warranties expressly relate to an earlier date (in which case they shall be true and correct on and as of such earlier date); *provided* that any representation and warranty that is qualified by materiality or material adverse effect shall be true and correct in all respects on and as of the date hereof, except to the extent such representations and warranties expressly relate to an earlier date (in which case they shall be true and correct on and as of such earlier date).

(d) No Event of Default or Default has occurred and is continuing as of the date hereof.

SECTION 5. **Effectiveness.** This Agreement shall become effective as of the date (the "**Amendment Effective Date**") on which each of the following conditions precedent shall have been satisfied:

(a) The Administrative Agent shall have received duly executed counterparts of this Agreement from the Borrower and the Lenders with Commitments as shown on the Commitment Schedule to the Amended Credit Agreement attached as Annex A hereto consenting to this Agreement.

(b) The Administrative Agent shall have received an opinion of internal counsel of the Borrower covering such additional matters relating to the transactions contemplated hereby as the Administrative Agent may reasonably request;

(c) The Administrative Agent shall have received a certificate signed by a Vice President, the Treasurer, an Assistant Treasurer or the Controller of the Borrower, dated the Amendment Effective Date, to the effect set forth in clauses (c) and (d) of Section 4 above;

(d) The Administrative Agent shall have received all documents it may have reasonably requested prior to the Amendment Effective Date relating to the existence of the

Borrowers, the corporate authority for and the validity of this Agreement, and any other matters relevant hereto, all in form and substance satisfactory to the Administrative Agent;

(e) The Administrative Agent shall have received all Fees and other amounts due and payable on or prior to the Amendment Effective Date, fees and expenses required to be paid or delivered by the Company on the Amendment Effective Date pursuant to that certain fee letter dated as of the date hereof between the Administrative Agent and the Company, and to the extent invoiced, reimbursement or payment of all out of pocket expenses required to be reimbursed or paid by the Company hereunder;

(f) The Administrative Agent shall have received, at least three Domestic Business Days prior to the Amendment Effective Date, all documentation and other information about the Borrowers that shall have been reasonably requested by the Administrative Agent (on behalf of the Additional Lenders (as defined in Exhibit A hereto) in writing at least 10 Domestic Business Days prior to the Amendment Effective Date and that the Administrative Agent reasonably determines is required by United States regulatory authorities under applicable "know your customer" and anti-money laundering rules and regulations, including without limitation the Patriot Act.

SECTION 6. *Effect of Amendments.* Except as expressly set forth herein, this Agreement shall not by implication or otherwise limit, impair, constitute a waiver of, or otherwise affect the rights and remedies of the Administrative Agent or each of the Lenders under the Existing Credit Agreement and shall not alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Existing Credit Agreement, all of which are ratified and affirmed in all respects and shall continue in full force and effect. Nothing herein shall be deemed to entitle the Borrower to a consent to, or a waiver, amendment, modification or other change of, any of the terms, conditions, obligations, covenants or agreements contained in the Existing Credit Agreement in similar or different circumstances. This Agreement shall apply and be effective only with respect to the provisions of the Existing Credit Agreement specifically referred to herein.

SECTION 7. *Notices.* All notices hereunder shall be given in accordance with the provisions of Section 9.01 of the Amended Credit Agreement.

SECTION 8. *Counterparts.* This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original but all of which when taken together shall constitute a single contract. Delivery of an executed signature page to this Agreement by facsimile or other means of electronic transmission shall be as effective as delivery of a manually signed counterpart of this Agreement.

SECTION 9. *APPLICABLE LAW, SUBMISSION TO JURISDICTION.* THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAW OF THE STATE OF NEW YORK. THE BORROWER AND EACH LENDER PARTY HEREBY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND OF ANY NEW YORK STATE COURT SITTING IN NEW YORK COUNTY FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. THE BORROWER AND EACH LENDER PARTY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

SECTION 10. **WAIVER OF JURY TRIAL.** THE BORROWER, THE AGENTS, THE ISSUING LENDERS AND THE LENDERS, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO UNDER APPLICABLE LAW, HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

SECTION 11. **Headings.** The headings used herein are for convenience of reference only, are not part of this Agreement and are not to affect the construction of, or to be taken into consideration in interpreting, this Agreement.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the date and year first above written.

PIEDMONT NATURAL GAS COMPANY,
INC., as Borrower

/s/ John L. Sullivan, III
Name: John L. Sullivan, III
Title: Assistant Treasurer

[Signature Page to Amendment No. 1]

U.S. BANK NATIONAL ASSOCIATION, as a
Lender and as Administrative Agent

By: /s/ James O'Shaughnessy
Name: James O'Shaughnessy
Title: Vice President

Commitment under Amended Credit Agreement:

\$ 70,000,000 _____

[Signature Page to Amendment No. 1]

BRANCH BANKING AND TRUST
COMPANY, as a Lender

By: /s/ Stuart M. Jones
Name: Stuart M. Jones
Title: Senior Vice President

Commitment under Amended Credit Agreement:

\$ 70,000,000

[Signature Page to Amendment No. 1]

REGIONS BANK, as a Lender

By: /s/ Brian Walsh
Name: Brian Walsh
Title: Director

Commitment under Amended Credit Agreement:

\$ 70,000,000

[Signature Page to Amendment No. 1]

PNC BANK, NATIONAL ASSOCIATION, as
a Lender

By: /s/ Brittany Manski
Name: Brittany Manski
Title: Assistant Vice President

Commitment under Amended Credit Agreement:

\$ 40,000,000

[Signature Page to Amendment No. 1]

THE BANK OF NEW YORK MELLON, as
a Lender

By: /s/ Richard K. Fronapfel, Jr.
Name: Richard K. Fronapfel, Jr.
Title: Director

Commitment under Amended Credit Agreement:

\$ 50,000,000

[Signature Page to Amendment No. 1]

KEYBANK, NATIONAL ASSOCIATION, as
a Lender

By: /s/ Lisa A. Ryder
Name: Lisa A. Ryder
Title: Senior Vice President

Commitment under Amended Credit Agreement:

\$ 50,000,000

[Signature Page to Amendment No. 1]

ANNEX A

AMENDED CREDIT AGREEMENT

EXECUTION VERSION

~~\$250,000,000~~ \$350,000,000

TERM LOAN CREDIT AGREEMENT

dated as of

~~June 14, 2017~~ September 13, 2018

among

Piedmont Natural Gas Company, Inc.,
as Borrower,

The Lenders Listed Herein,

U.S. Bank National Association,
as Administrative Agent,

Branch Banking and Trust Company
and
Regions Bank,
as Co-Syndication Agents

PNC Bank, National Association,
as Documentation Agent

and

BB&T Capital Markets,
Regions Capital Markets, a division of Regions Bank
and

U.S. Bank National Association,
as Joint Lead Arrangers and Bookrunners

TABLE OF CONTENTS

		<u>PAGE</u>
<u>ARTICLE 1</u> <u>DEFINITIONS</u>		
<u>Section 1.01.</u>	<u><i>Definitions</i></u>	1
<u>Section 1.02.</u>	<u><i>Accounting Terms and Determinations</i></u>	11
<u>Section 1.03.</u>	<u><i>Types of Borrowings</i></u>	12
<u>ARTICLE 2</u> <u>THE CREDIT</u>		
<u>Section 2.01.</u>	<u><i>Commitments to Lend</i></u>	12
<u>Section 2.02.</u>	<u><i>Notice of Borrowings</i></u>	12
<u>Section 2.03.</u>	<u><i>Notice to Lenders: Funding of Loans</i></u>	13
<u>Section 2.04.</u>	<u><i>Registry: Notes</i></u>	13
<u>Section 2.05.</u>	<u><i>Maturity of Loans</i></u>	14
<u>Section 2.06.</u>	<u><i>Interest Rates</i></u>	14
<u>Section 2.07.</u>	<u><i>Ticking Fee.</i></u>	15
<u>Section 2.08.</u>	<u><i>[Reserved].</i></u>	15
<u>Section 2.09.</u>	<u><i>Method of Electing Interest Rates</i></u>	15
<u>Section 2.10.</u>	<u><i>[Reserved].</i></u>	16
<u>Section 2.11.</u>	<u><i>Optional Prepayments</i></u>	17
<u>Section 2.12.</u>	<u><i>General Provisions as to Payments</i></u>	17
<u>Section 2.13.</u>	<u><i>Funding Losses</i></u>	17
<u>Section 2.14.</u>	<u><i>Computation of Interest and Fees</i></u>	18
<u>Section 2.15.</u>	<u><i>[Reserved].</i></u>	18
<u>Section 2.16.</u>	<u><i>Regulation D Compensation</i></u>	18
<u>Section 2.17.</u>	<u><i>[Reserved].</i></u>	18
<u>Section 2.18.</u>	<u><i>[Reserved].</i></u>	18
<u>Section 2.19.</u>	<u><i>Defaulting Lenders</i></u>	19
<u>ARTICLE 3</u> <u>CONDITIONS</u>		
<u>Section 3.01.</u>	<u><i>Effective Date</i></u>	20
<u>Section 3.02.</u>	<u><i>[Reserved].</i></u>	21
<u>Section 3.03.</u>	<u><i>Borrowings</i></u>	21
<u>ARTICLE 4</u> <u>REPRESENTATIONS AND WARRANTIES</u>		
<u>Section 4.01.</u>	<u><i>Organization and Power</i></u>	21
<u>Section 4.02.</u>	<u><i>Corporate and Governmental Authorization; No Contravention</i></u>	21

<u>Section 4.03.</u>	<u><i>Binding Effect</i></u>	22
<u>Section 4.04.</u>	<u><i>Financial Information</i></u>	22

<u>Section 4.05.</u>	<u><i>Regulation U</i></u>	22
<u>Section 4.06.</u>	<u><i>Litigation</i></u>	23
<u>Section 4.07.</u>	<u><i>Compliance with Laws</i></u>	23
<u>Section 4.08.</u>	<u><i>Taxes</i></u>	23
<u>Section 4.09.</u>	<u><i>Anti-corruption Law and Sanctions</i></u>	23

ARTICLE 5
COVENANTS

<u>Section 5.01.</u>	<u><i>Information</i></u>	23
<u>Section 5.02.</u>	<u><i>Payment of Taxes</i></u>	25
<u>Section 5.03.</u>	<u><i>Maintenance of Property: Insurance</i></u>	25
<u>Section 5.04.</u>	<u><i>Maintenance of Existence</i></u>	26
<u>Section 5.05.</u>	<u><i>Compliance with Laws</i></u>	26
<u>Section 5.06.</u>	<u><i>Books and Records</i></u>	26
<u>Section 5.07.</u>	<u><i>Negative Pledge</i></u>	26
<u>Section 5.08.</u>	<u><i>Consolidations, Mergers and Sales of Assets</i></u>	28
<u>Section 5.09.</u>	<u><i>Use of Proceeds</i></u>	28
<u>Section 5.10.</u>	<u><i>Indebtedness/Capitalization Ratio</i></u>	28

ARTICLE 6
DEFAULTS

<u>Section 6.01.</u>	<i>Events of Default</i>	28
<u>Section 6.02.</u>	<i>Notice of Default</i>	30

ARTICLE 7
THE ADMINISTRATIVE AGENT

<u>Section 7.01.</u>	<i>Appointment and Authorization</i>	30
<u>Section 7.02.</u>	<i>Administrative Agent and Affiliates</i>	30
<u>Section 7.03.</u>	<i>Action by Administrative Agent</i>	30
<u>Section 7.04.</u>	<i>Consultation with Experts</i>	31
<u>Section 7.05.</u>	<i>Liability of Administrative Agent</i>	31
<u>Section 7.06.</u>	<i>Indemnification</i>	31
<u>Section 7.07.</u>	<i>Credit Decision</i>	31
<u>Section 7.08.</u>	<i>Successor Administrative Agent</i>	31
<u>Section 7.09.</u>	<i>Administrative Agent's Fee</i>	32

ARTICLE 8
CHANGE IN CIRCUMSTANCES

<u>Section 8.01.</u>	<i>Basis for Determining Interest Rate Inadequate or Unfair</i>	32
<u>Section 8.02.</u>	<i>Illegality</i>	33
<u>Section 8.03.</u>	<i>Increased Cost and Reduced Return</i>	33
<u>Section 8.04.</u>	<i>Taxes</i>	34
<u>Section 8.05.</u>	<i>Base Rate Loans Substituted for Affected Euro-Dollar Loans</i>	37

<u>Section 8.06.</u>	<u><i>Substitution of Lender; Termination Option</i></u>	38
----------------------	--	----

ARTICLE 9
MISCELLANEOUS

<u>Section 9.01.</u>	<u><i>Notices</i></u>	38
----------------------	-----------------------	----

<u>Section 9.02.</u>	<u><i>No Waivers</i></u>	39
----------------------	--------------------------	----

<u>Section 9.03.</u>	<u><i>Expenses; Indemnification</i></u>	39
----------------------	---	----

<u>Section 9.04.</u>	<u><i>Sharing of Set-offs</i></u>	40
----------------------	-----------------------------------	----

<u>Section 9.05.</u>	<u><i>Amendments and Waivers</i></u>	40
----------------------	--------------------------------------	----

<u>Section 9.06.</u>	<u><i>Successors and Assigns</i></u>	41
----------------------	--------------------------------------	----

<u>Section 9.07.</u>	<u><i>Collateral</i></u>	43
----------------------	--------------------------	----

<u>Section 9.08.</u>	<u><i>Confidentiality</i></u>	43
----------------------	-------------------------------	----

<u>Section 9.09.</u>	<u><i>Governing Law; Submission to Jurisdiction</i></u>	44
----------------------	---	----

<u>Section 9.10.</u>	<u><i>Counterparts; Integration</i></u>	44
----------------------	---	----

<u>Section 9.11.</u>	<u><i>WAIVER OF JURY TRIAL</i></u>	44
----------------------	------------------------------------	----

<u>Section 9.12.</u>	<u><i>USA Patriot Act</i></u>	44
----------------------	-------------------------------	----

<u>Section 9.13.</u>	<u><i>[Reserved]</i></u>	44
----------------------	--------------------------	----

<u>Section 9.14.</u>	<u><i>No Fiduciary Duty</i></u>	44
----------------------	---------------------------------	----

<u>Section 9.15.</u>	<u><i>Survival</i></u>	45
----------------------	------------------------	----

<u>Section 9.16.</u>	<u><i>Acknowledgment and Consent to Bail-In of EEA Financial Institutions</i></u>	45
----------------------	---	----

COMMITMENT SCHEDULE

- EXHIBIT A - Note
- EXHIBIT B - [Reserved]
- EXHIBIT C - [Reserved]
- EXHIBIT D - Assignment and Assumption Agreement

TERM LOAN CREDIT AGREEMENT

TERM LOAN CREDIT AGREEMENT dated as of June 14, 2017, as amended by Amendment No. 1 dated as of September 13, 2018 ("Amendment No. 1"), among PIEDMONT NATURAL GAS COMPANY, INC., a North Carolina corporation, as Borrower, the Lenders from time to time party hereto and U.S. BANK NATIONAL ASSOCIATION, as Administrative Agent.

The parties hereto agree as follows:

ARTICLE 1 Definitions

Section 1.01, *Definitions*. The following terms, as used herein, have the following meanings:

"Additional Lender" means each Lender party to this Agreement on and after the Amendment Effective Date that was not party to this Agreement prior to the Amendment Effective Date.

"Administrative Agent" means U.S. Bank National Association in its capacity as administrative agent for the Lenders hereunder, and its successors in such capacity.

"Administrative Questionnaire" means, with respect to each Lender, the administrative questionnaire in the form submitted to such Lender by the Administrative Agent and submitted to the Administrative Agent (with a copy to the Borrower) duly completed by such Lender.

"Affiliate" means, as to any Person (the "**specified Person**") (i) any Person that directly, or indirectly through one or more intermediaries, controls the specified Person (a "**Controlling Person**") or (ii) any Person (other than the specified Person or a Subsidiary of the specified Person) which is controlled by or is under common control with a Controlling Person. As used herein, the term "**control**" means possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Agreement" means this Term Loan Credit Agreement as the same may be amended from time to time.

"Amendment Effective Date" has the meaning set forth in Amendment No. 1.

"Amendment No. 1" has the meaning set forth in the preamble to this Agreement.

"Anti-Corruption Laws" means the United States Foreign Corrupt Practices Act of 1977 and all other laws, rules, and regulations of any jurisdiction concerning or relating to bribery, corruption or money laundering.

"Applicable Lending Office" means, with respect to any Lender, (i) in the case of its Base Rate Loans, its Domestic Lending Office and (ii) in the case of its Euro-Dollar Loans, its Euro-Dollar Lending Office.

"Applicable Margin" means, with respect to Euro-Dollar Loans to the Borrower, ~~0.750~~ 0.70% per annum.

“**Approved Fund**” means any Fund that is administered or managed by (i) a Lender, (ii) an Affiliate of a Lender or (iii) an entity or an Affiliate of an entity that administers or manages a Lender.

“**Approved Officer**” means the president, the chief financial officer, a vice president, the treasurer, an assistant treasurer or the controller of the Borrower or such other representative of the Borrower as may be designated by any one of the foregoing with the consent of the Administrative Agent.

“**Assignee**” has the meaning set forth in Section 9.06(c).

“**Bail-In Action**” means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

“**Bail-In Legislation**” means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

“**Bankruptcy Event**” means, with respect to any Person, such Person becomes the subject of a bankruptcy or insolvency proceeding (or any similar proceeding), or generally fails to pay its debts as such debts become due, or admits in writing its inability to pay its debts generally, or has had a receiver, conservator, trustee, administrator, custodian, assignee for the benefit of creditors or similar Person charged with the reorganization or liquidation of its business or assets appointed for it, or, in the good faith determination of the Administrative Agent (or, if the Administrative Agent is the subject of the Bankruptcy Event, the Required Lenders), has taken any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any such proceeding or appointment, provided that (except with respect to a Lender that is subject to a Bail-In Action) a Bankruptcy Event shall not result solely by virtue of any ownership interest, or the acquisition of any ownership interest, in such Person by a Governmental Authority or instrumentality thereof so long as such ownership interest does not result in or provide such Person with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Person (or such Governmental Authority or instrumentality) to reject, repudiate, disavow or disaffirm any contracts or agreements made by such Person.

“**Base Rate**” means, for any day for which the same is to be calculated, the highest of (a) the Prime Rate, (b) the Federal Funds Rate plus 1/2 of 1% and (c) the LIBOR Market Index Rate plus 1%; *provided*, that, if the Base Rate shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement. Each change in the Base Rate shall take effect simultaneously with the corresponding change in the rates described in clauses (a), (b) or (c) above, as the case may be.

“**Base Rate Loan**” means (i) a Loan which bears interest at the Base Rate pursuant to the applicable Notice of Borrowing or Notice of Interest Rate Election or the provisions of Article 8 or (ii) an overdue amount which was a Base Rate Loan immediately before it became overdue.

“**Borrower**” means Piedmont Natural Gas Company, Inc., a North Carolina Corporation.

“**Borrowing**” means a borrowing made on a single date and for a single Interest Period.

“**Change**” has the meaning set forth in Section 9.05(b).

“Change in Law” means the occurrence of any of the following after the date of this Agreement: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation or application thereof by any Governmental Authority, or (c) the making or issuance of any request, rules, guideline, requirement or directive (whether or not having the force of law) by any Governmental Authority; *provided however*, that notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines, requirements and directives thereunder, issued in connection therewith or in implementation thereof, and (ii) all requests, rules, guidelines, requirements and directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Change in Law” after the date hereof regardless of the date enacted, adopted, issued or implemented.

“Commitment” means (i) with respect to any Lender listed on the signature pages hereof, the amount set forth opposite its name on the Commitment Schedule, and (ii) with respect to each Assignee which becomes a Lender pursuant to Sections 8.06 or 9.06(c), the amount of the Commitment thereby assumed by it, in each case as such amount may from time to time be reduced pursuant to Sections 8.06 or 9.06(c) or increased pursuant to Sections 8.06 or 9.06(c).

“Commitment Schedule” means the Commitment Schedule attached hereto.

“Commitment Termination Date” means the date that is 90 days after the Effective Date.

“Connection Income Taxes” means, with respect to any Lender or Agent, taxes that are imposed on or measured by net income (however denominated), franchise taxes or branch profits taxes, in each case, imposed as a result of a connection (including any former connection) between such Lender or Agent and the jurisdiction imposing such tax (other than connections arising from such Lender or Agent having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any other transaction pursuant to or enforced this Agreement or any Note, or sold or assigned an interest in any Loan, this Agreement or any Note).

“Consolidated Capitalization” means, with respect to the Borrower, the sum, without duplication, of (i) Consolidated Indebtedness of the Borrower, (ii) consolidated common ~~equity holders~~ equity holders’ equity as would appear on a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries prepared in accordance with generally accepted accounting principles, (iii) the aggregate liquidation preference of preferred or priority equity interests (other than preferred or priority equity interests subject to mandatory redemption or repurchase) of the Borrower and its Consolidated Subsidiaries upon involuntary liquidation, (iv) the aggregate outstanding amount of all Equity Preferred Securities of the Borrower and (v) minority interests as would appear on a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries prepared in accordance with generally accepted accounting principles.

“Consolidated Indebtedness” means, at any date, with respect to the Borrower, all Indebtedness of the Borrower and its Consolidated Subsidiaries determined on a consolidated basis in accordance with generally accepted accounting principles; *provided* that Consolidated Indebtedness shall exclude, to the extent otherwise reflected therein, Equity Preferred Securities of the Borrower and

its Consolidated Subsidiaries up to a maximum excluded amount equal to 15% of Consolidated Capitalization of the Borrower.

“Consolidated Net Assets” means, at any date with respect to the Borrower, (a) total assets of the Borrower and its Subsidiaries (minus applicable reserves) determined on a consolidated basis in accordance with GAAP minus (b) total liabilities of the Borrower and its Subsidiaries, in each case determined on a consolidated basis in accordance with GAAP, all as reflected in the consolidated financial statements of the Borrower most recently delivered to the Administrative Agent and the Lenders pursuant to Section 5.01(a) or 5.01(b).

“Consolidated Subsidiary” means, for any Person, at any date any Subsidiary or other entity the accounts of which would be consolidated with those of such Person in its consolidated financial statements if such statements were prepared as of such date.

“Default” means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

“Defaulting Lender” means any Lender that (a) has failed to (i) fund any portion of its Loans within two Domestic Business Days of the date required to be funded or (ii) pay over to any Lender Party any other amount required to be paid by it hereunder within two Domestic Business Days of the date required to be paid, unless, in the case of clause (i) or (ii) above, such Lender notifies the Administrative Agent (or, if the Administrative Agent is the Defaulting Lender, the Required Lenders) in writing that such failure is the result of such Lender’s good faith determination that a condition precedent to funding (specifically identified and including the particular default, if any) has not been satisfied, (b) has notified the Borrower or the Administrative Agent in writing, or has made a public statement to the effect, that it does not intend or expect to comply with any of its funding obligations under this Agreement (unless such writing or public statement indicates that such position is based on such Lender’s good faith determination that a condition precedent (specifically identified and including the particular default, if any) to funding under this Agreement cannot be satisfied) or generally under other agreements in which it commits to extend credit, (c) has failed, within three Domestic Business Days after written request by the Administrative Agent (or, if the Administrative Agent is the Defaulting Lender, the Required Lenders) or the Borrower, acting in good faith, to provide a certification in writing from an authorized officer of such Lender that it will comply with its obligations to fund prospective Loans under this Agreement unless such Lender notifies the Administrative Agent (or, if the Administrative Agent is the Defaulting Lender, the Required Lenders) in writing that such failure is the result of such Lender’s good faith determination that one or more conditions precedent to funding (specifically identified and including the particular default, if any) has not been satisfied, provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt by the Administrative Agent (or, if the Administrative Agent is the Defaulting Lender, the Required Lenders) and the Borrower of such certification in form and substance satisfactory to the Administrative Agent (or, if the Administrative Agent is the Defaulting Lender, the Required Lenders) and the Borrower, or (d) has become (or has a direct or indirect Parent that has become) the subject of a Bankruptcy Event or a Bail-In Action. Any determination by the Administrative Agent (or, if the Administrative Agent is the Defaulting Lender, the Required Lenders) that a Lender is a Defaulting Lender shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender upon delivery of written notice of such determination to the Borrower and each Lender.

“Domestic Business Day” means any day except a Saturday, Sunday or other day on which commercial banks in New York City or in the State of North Carolina are authorized by law to close.

“Domestic Lending Office” means, as to each Lender, its office located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Domestic Lending Office) or such other office as such Lender may hereafter designate as its Domestic Lending Office by notice to the Borrower and the Administrative Agent.

“EEA Financial Institution” means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

“EEA Member Country” means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

“EEA Resolution Authority” means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

“Effective Date” means the date on which all the conditions precedent in Section 3.01 are satisfied or waived in accordance Section 9.05.

“Environmental Laws” means any and all federal, state, local and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or other governmental restrictions relating to the environment or to emissions, discharges, releases of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of pollutants, contaminants, chemicals, or industrial, toxic or hazardous substances or wastes.

“Equity Preferred Securities” means, with respect to the Borrower, any trust preferred securities or deferrable interest subordinated debt securities issued by the Borrower or any Subsidiary or other financing vehicle of the Borrower that (i) have an original maturity of at least twenty years and (ii) require no repayments or prepayments and no mandatory redemptions or repurchases, in each case, prior to the first anniversary of the Maturity Date.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“ERISA Group” means, with respect to the Borrower, the Borrower and all other members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Borrower, are treated as a single employer under Section 414 of the Internal Revenue Code.

“EU Bail-In Legislation Schedule” means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

“Euro-Dollar Business Day” means any Domestic Business Day on which commercial banks are open for international business (including dealings in dollar deposits) in London.

“Euro-Dollar Lending Office” means, as to each Lender, its office, branch or affiliate located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Euro-Dollar Lending Office) or such other office, branch or affiliate of such Lender as it may hereafter designate as its Euro-Dollar Lending Office by notice to the Borrower and the Administrative Agent.

“Euro-Dollar Loan” means (i) a Loan which bears interest at a Euro-Dollar Rate pursuant to the applicable Notice of Borrowing or Notice of Interest Rate Election or (ii) an overdue amount which was a Euro-Dollar Loan immediately before it became overdue.

“Euro-Dollar Rate” means a rate of interest determined pursuant to Section 2.06(b) on the basis of a London Interbank Offered Rate and if the Euro-Dollar Rate shall be less than zero, such rate shall be deemed zero for purposes of this Agreement.

“Euro-Dollar Reserve Percentage” has the meaning set forth in Section 2.16.

“Event of Default” has the meaning set forth in Section 6.01.

“FATCA” has the meaning set forth in Section 8.04(a).

“Federal Funds Rate” means, for any day, the rate per annum (rounded upwards, if necessary, to the nearest 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System, as published by the Federal Reserve Bank of New York on the Domestic Business Day next succeeding such day; *provided* that (i) if such day is not a Domestic Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Domestic Business Day as so published on the next succeeding Domestic Business Day and (ii) if no such rate is so published on such next succeeding Domestic Business Day, the Federal Funds Rate for such day shall be the average rate quoted to U.S. Bank National Association on such day on such transactions as determined by the Administrative Agent; *provided further*, that, if the Federal Funds Rate shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

“Fund” means any Person (other than a natural Person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

“Funding Date” means each of (a) the Effective Date and (b) the Second Funding Date.

“Governmental Authority” means any international, foreign, federal, state, regional, county, local or other governmental or quasi-governmental authority.

“Group of Loans” means at any time a group of Loans consisting of (i) all Loans to the Borrower which are Base Rate Loans at such time or (ii) all Euro-Dollar Loans to the Borrower having the same Interest Period at such time; *provided* that, if a Loan of any particular Lender is converted to or made as a Base Rate Loan pursuant to Article 8, such Loan shall be included in the same Group or Groups of Loans from time to time as it would have been if it had not been so converted or made.

“Hedging Agreement” means for any Person, any and all agreements, devices or arrangements designed to protect such Person or any of its Subsidiaries from the fluctuations of interest rates, exchange rates applicable to such party’s assets, liabilities or exchange transactions, including, but not limited to, dollar-denominated or cross-currency interest rate exchange agreements, forward currency exchange agreements, interest rate cap or collar protection agreements, commodity swap agreements, forward rate currency or interest rate options, puts and warrants. Notwithstanding anything herein to the contrary, “Hedging Agreements” shall also include fixed-for-floating interest rate swap agreements and similar instruments.

“Indebtedness” of any Person means at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all indebtedness of such Person for the deferred purchase price of property or services purchased (excluding current accounts payable incurred in the ordinary course of business), (iii) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired, (iv) all indebtedness under leases which shall have been or should be, in accordance with generally accepted accounting principles, recorded as capital leases in respect of which such Person is liable as lessee, (v) the face amount of all outstanding letters of credit issued for the account of such Person (other than letters of credit relating to indebtedness included in Indebtedness of such Person pursuant to another clause of this definition) and, without duplication, the unreimbursed amount of all drafts drawn thereunder, (vi) indebtedness secured by any Lien on property or assets of such Person, whether or not assumed (but in any event not exceeding the fair market value of the property or asset), (vii) all direct guarantees of Indebtedness referred to above of another Person, (viii) all amounts payable in connection with mandatory redemptions or repurchases of preferred stock or member interests or other preferred or priority equity interests and (ix) any obligations of such Person (in the nature of principal or interest) in respect of acceptances or similar obligations issued or created for the account of such Person.

“Indemnitee” has the meaning set forth in Section 9.03.

“Interest Period” means, with respect to each Euro-Dollar Loan, the period commencing on the date of borrowing specified in the applicable Notice of Borrowing or on the date specified in an applicable Notice of Interest Rate Election and ending one, two, three or six, or, if deposits of a corresponding maturity are generally available in the London interbank market, twelve, months thereafter, as the Borrower may elect in such notice; *provided that*:

- (a) any Interest Period which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Euro-Dollar Business Day; and
- (b) any Interest Period which begins on the last Euro-Dollar Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Euro-Dollar Business Day of a calendar month;

provided further that no Interest Period applicable to any Loan of any Lender may end after the Maturity Date.

“Internal Revenue Code” means the Internal Revenue Code of 1986, as amended, or any successor statute.

“**Investment Grade Status**” exists as to any Person at any date if all senior long-term unsecured debt securities of such Person outstanding at such date which has been rated by S&P or Moody’s are rated BBB- or higher by S&P *or* Baa3 or higher by Moody’s, as the case may be, or if such Person does not have a rating of its long-term unsecured debt securities, then if the corporate credit rating of such Person, if any exists, from S&P is BBB- or higher *or* the issuer rating of such Person, if any exists, from Moody’s is Baa3 or higher.

“**Irregular Interest Period**” means any Interest Period with a duration other than one, two, three, six or twelve months.

“**Lender**” means each bank or other financial institution listed on the signature pages hereof, each Assignee which becomes a Lender pursuant to Section 8.06 or Section 9.06(c), and their respective successors.

“**Lender Party**” means any of the Lenders and the Administrative Agent.

“**LIBOR Market Index Rate**” means, for any day, the rate for one month U.S. dollar deposits as appears on the display designated as Reuters Screen LIBOR01 Page (or on any successor or substitute page of such service or any successor to or, if such service is not available, substitute for such service providing rate quotations comparable to those currently provided on such page of such service, as reasonably determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to U.S. dollar deposits are offered to leading banks in the London interbank deposit market), approximately 11:00 a.m. London time, for such day; or if such day is not a Euro-Dollar Business Day, for the immediately preceding Euro-Dollar Business Day (or if not so reported, then as determined by the Administrative Agent from another recognized source or interbank quotation.)

“**Lien**” means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset. For the purposes of this Agreement, the Borrower or any of its Subsidiaries shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

“**Loan**” means a loan made or to be made by a Lender pursuant to Section 2.01; *provided* that, if any such loan or loans (or portions thereof) are combined or subdivided pursuant to a Notice of Interest Rate Election, the term “Loan” shall refer to the combined principal amount resulting from such combination or to each of the separate principal amounts resulting from such subdivision, as the case may be.

“**London Interbank Offered Rate**” has the meaning set forth in Section 2.06(b).

“**Master Credit Facility**” means the Credit Agreement dated as of November 18, 2011, as amended by Amendment No. 1 and Consent dated as of December 18, 2013, Amendment No. 2 and Consent, dated as of January 30, 2015 and Amendment No. 3 and Consent dated as of March 16, 2017, among the Borrower, the other borrowers thereto, the lenders party thereto, Wells Fargo Bank, National Association, as administrative agent, and the other agents party thereto, as the same may be amended, amended and restated, modified, supplemented, refinanced or replaced from time to time after the date hereof.

“**Material Debt**” means, with respect to the Borrower, Indebtedness of the Borrower or any of its Material Subsidiaries (other than any Non-Recourse Indebtedness) in an aggregate principal amount exceeding \$150,000,000.

“**Material Plan**” has the meaning set forth in Section 6.01(i).

“**Material Subsidiary**” means at any time, with respect to the Borrower, any Subsidiary of the Borrower whose total assets exceeds 15% of the total assets (after intercompany eliminations) of the Borrower and its Subsidiaries, determined on a consolidated basis in accordance with GAAP, all as reflected in the consolidated financial statements of the Borrower most recently delivered to the Administrative Agent and the Lenders pursuant to Section 5.01(a) or 5.01(b).

“**Maturity Date**” means ~~December 14, 2018~~ September 12, 2019 or, if such day is not a Domestic Business Day, the immediately preceding Domestic Business Day.

“**Moody’s**” means Moody’s Investors Service, Inc.

“**Non-Consenting Lender**” means any Lender that does not approve any consent, waiver or amendment that (i) requires the approval of all affected Lenders in accordance with the terms of Section 9.05(a) and (ii) has been approved by the Required Lenders.

“**Non-Recourse Indebtedness**” means any Indebtedness incurred by a Subsidiary of the Borrower to develop, construct, own, improve or operate a defined facility or project (a) as to which the Borrower (i) does not provide credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness but excluding tax sharing arrangements and similar arrangements to make contributions to such Subsidiary to account for tax benefits generated by such Subsidiary), (ii) is not directly or indirectly liable as a guarantor or otherwise, or (iii) does not constitute the lender; (b) no default with respect to which would permit upon notice, lapse of time or both any holder of any other Indebtedness (other than the Loans or the Notes) of the Borrower to declare a default on such other Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity; and (c) as to which the lenders will not have any recourse to the stock or assets of the Borrower or other Subsidiary (other than the stock of or intercompany loans to such Subsidiary); *provided* that in each case in clauses (a) and (c) above, the Borrower or other Subsidiary may provide credit support and recourse in an amount not exceeding 15% in the aggregate of any such Indebtedness and such Indebtedness shall still be deemed to be Non-Recourse Indebtedness.

“**Notes**” means promissory notes of the Borrower, in the form required by Section 2.04, evidencing the obligation of the Borrower to repay the Loans made to it, and “**Note**” means any one of such promissory notes issued hereunder.

“**Notice of Borrowing**” has the meaning set forth in Section 2.02.

“**Notice of Interest Rate Election**” has the meaning set forth in Section 2.09(b).

“**OFAC**” means the Office of Foreign Assets Control of the United States Department of the Treasury.

“**Other Taxes**” has the meaning set forth in Section 8.04(a).

“**Parent**” means, with respect to any Lender, any Person controlling such Lender.

“**Participant**” has the meaning set forth in Section 9.06(b).

“**Participant Register**” has the meaning set forth in Section 9.06(b).

“**PBGC**” means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

“**Percentage**” means, with respect to any Lender at any time, the percentage which the amount of its Commitment at such time represents of the aggregate amount of all the Commitments at such time; *provided* that in the case of Section 2.19 when a Defaulting Lender shall exist, “Percentage” shall mean the percentage of the total Commitments (disregarding any Defaulting Lender’s Commitment) represented by such Lender’s Commitment.

“**Person**” means an individual, a corporation, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

“**Plan**” means at any time an employee pension benefit plan which is covered by Title IV of ERISA or Sections 412 or 430 of the Internal Revenue Code or Sections 302 and 303 of ERISA and is either (i) maintained by a member of the ERISA Group for employees of a member of the ERISA Group or (ii) maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which a member of the ERISA Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions.

“**Prime Rate**” means the per annum rate of interest established from time to time by the Administrative Agent at its principal office in New York, New York as its Prime Rate. Any change in the interest rate resulting from a change in the Prime Rate shall become effective as of 12:01 a.m. of the Domestic Business Day on which each change in the Prime Rate is announced by the Administrative Agent. The Prime Rate is a reference rate used by the Administrative Agent in determining interest rates on certain loans and is not intended to be the lowest rate of interest charged on any extension of credit to any debtor.

“**Quarterly Payment Date**” means the first Domestic Business Day of each January, April, July and October.

“**Regulation U**” means Regulation U of the Board of Governors of the Federal Reserve System, as in effect from time to time.

“**Related Parties**” means, with respect to any Person, such Person’s Subsidiaries and Affiliates and the partners, directors, officers, employees, agents, trustees, administrators and managers of such Person and of such Person’s Subsidiaries and Affiliates.

“**Required Lenders**” means, at any time, two or more Lenders having at least 51% in aggregate amount of the sum of the unfunded Commitments and the outstanding Loans (excluding the Commitment(s) and the Loan(s) of any Defaulting Lender(s)).

“**Sanctioned Person**” means, at any time (a) any Person listed in any Sanctions-related list of specially designated Persons maintained by OFAC, the U.S. Department of State, United Nations Security Council, the European Union or Her Majesty’s Treasury of the United Kingdom, (b) any

Person that has a place of business, or is organized or resident, in a jurisdiction that is the subject of any comprehensive territorial Sanctions or (c) any Person owned or controlled by any such Person.

“**Sanctions**” means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by (a) OFAC or the U.S. Department of State, or (b) the United Nations Security Council, the European Union or Her Majesty’s Treasury of the United Kingdom.

“**Second Funding Date**” means the first date (if any) after the Effective Date on which all the conditions precedent in Section 3.03 are satisfied or waived in accordance with Section 9.05 and the Loans are made to the Borrower pursuant to Section 2.01.

“**S&P**” means Standard & Poor’s Financial Services LLC, a subsidiary of S&P Global Inc., and any successor thereto.

“**Subsidiary**” means, as to any Person, any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by such Person; unless otherwise specified, “Subsidiary” means a Subsidiary of the Borrower.

“**Substantial Assets**” means, with respect to the Borrower, assets sold or otherwise disposed of in a single transaction or a series of related transactions representing 25% or more of the consolidated assets of the Borrower and its Consolidated Subsidiaries, taken as a whole.

“**Taxes**” has the meaning set forth in Section 8.04(a).

“**Ticking Fee**” has the meaning set forth in Section 2.07.

“**Ticking Fee End Date**” has the meaning set forth in Section 2.07.

“**Unfunded Vested Liabilities**” means, with respect to any Plan at any time, the amount (if any) by which (i) the present value of all benefits under such Plan, determined on a plan termination basis using the assumptions under 4001(a)(18) of ERISA, exceeds (ii) the fair market value of all Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the ERISA Group to the PBGC or the Plan under Title IV of ERISA.

“**United States**” means the United States of America, including the States and the District of Columbia, but excluding its territories and possessions.

“**U.S. Tax Compliance Certificate**” has the meaning set forth in Section 8.04(d)(iii).

“**U.S. Tax Law Change**” has the meaning set forth in Section 8.04(a).

“**Write-Down and Conversion Powers**” means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

Section 1.02. *Accounting Terms and Determinations.* Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations

hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with generally accepted accounting principles as in effect from time to time, applied on a basis consistent (except for changes concurred in by the Borrower's independent public accountants) with the most recent audited consolidated financial statements of the Borrower and its Consolidated Subsidiaries delivered to the Lenders; *provided*, that if the Borrower notifies the Administrative Agent that it wishes to amend the financial covenant in Section 5.10 to eliminate the effect of any change in generally accepted accounting principles on the operation of such covenant (or if the Administrative Agent notifies the Borrower that the Required Lenders wish to amend Section 5.10 for such purpose), then the Borrower's compliance with such covenant shall be determined on the basis of generally accepted accounting principles as in effect immediately before the relevant change in generally accepted accounting principles became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Borrower and the Required Lenders.

Section 1.03. *Types of Borrowings.* Borrowings are classified for purposes of this Agreement by reference to the pricing of Loans comprising such Borrowing (e.g., a "**Euro-Dollar Borrowing**" is a Borrowing comprised of Euro Dollar Loans).

ARTICLE 2

The Credit

Section 2.01. *Commitments to Lend.* Each Lender severally agrees, on the terms and conditions set forth in this Agreement, to make Loans to the Borrower on the Effective Date and on the Second Funding Date pursuant to this subsection in an amount not to exceed in the aggregate such Lender's Commitment in effect on the date of such Borrowing. Each Additional Lender severally agrees, on the terms and conditions set forth in this Agreement, to make Loans to the Borrower on the Amendment Effective Date pursuant to this subsection in an amount not to exceed in the aggregate such Lender's Commitment. Each Borrowing shall be made from the several Lenders ratably in proportion to their respective Commitments in effect on the date of such Borrowing. Amounts borrowed under this Section 2.01 and repaid or prepaid may not be reborrowed. Each Lender's Commitment shall be permanently reduced by the amount of the Loans funded by such Lender on the date of such Borrowing. Each Lender's (other than any Additional Lender's) Commitment shall terminate immediately and without further action upon the earliest of (x) the Effective Date after giving effect to the funding of such Lender's Loans on such date (and solely to the extent the entire aggregate principal amount of such Lender's Commitment is funded on such date), (y) the Second Funding Date after giving effect to the funding of such Lender's Loans on such date and (z) the Commitment Termination Date.

Section 2.02. *Notice of Borrowings.* The Borrower shall give the Administrative Agent notice (a "**Notice of Borrowing**") not later than 11:00 A.M. (Eastern time) on (x) the date of each Base Rate Borrowing and (y) the third Euro-Dollar Business Day before each Euro-Dollar Borrowing, specifying:

- (a) the date of the Borrowing, which shall be a Domestic Business Day in the case of a Base Rate Borrowing or a Euro-Dollar Business Day in the case of a Euro-Dollar Borrowing;
- (b) the aggregate amount of the Borrowing which shall not exceed the aggregate amount of the Commitments on the date of the Borrowing specified;

(c) whether the Loans comprising the Borrowing are to bear interest initially at the Base Rate or a Euro-Dollar Rate; and

(d) in the case of a Euro-Dollar Borrowing, the duration of the initial Interest Period applicable thereto, subject to the provisions of the definition of Interest Period.

Section 2.03. *Notice to Lenders; Funding of Loans.* (a) Upon receipt (or deemed receipt) of a Notice of Borrowing, the Administrative Agent shall promptly notify each Lender of the contents thereof and of such Lender's share (if any) of a Borrowing and such Notice of Borrowing shall not thereafter be revocable by the Borrower.

(b) Not later than 1:00 P.M. (Eastern time) on the date of a Borrowing, each Lender participating therein shall (except as provided in subsection (c) of this Section) make available its share of the Borrowing, in Federal or other immediately available funds, to the Administrative Agent at its address specified in or pursuant to Section 9.01. Unless the Administrative Agent determines that any applicable condition specified in Section 3.03 has not been satisfied, the Administrative Agent will disburse the funds so received from the Lenders to an account designated by an Approved Officer of the Borrower.

(c) Unless the Administrative Agent shall have received notice from a Lender prior to 1:00 P.M. (Eastern time) on the date of a Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of the Borrowing, the Administrative Agent may assume that such Lender has made such share available to the Administrative Agent on the date of such Borrowing in accordance with subsection (b) of this Section 2.03 and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Lender shall not have so made such share available to the Administrative Agent, such Lender and, if such Lender shall not have made such payment within two Domestic Business Days of demand therefor, the Borrower agrees to repay to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Administrative Agent, at (i) in the case of the Borrower, a rate per annum equal to the higher of the Federal Funds Rate and the interest rate applicable thereto pursuant to Section 2.06 and (ii) in the case of such Lender, the Federal Funds Rate. If such Lender shall repay to the Administrative Agent such corresponding amount, such amount so repaid shall constitute such Lender's Loan included in the applicable Borrowing for purposes of this Agreement.

(d) The failure of any Lender to make a Loan to be made by it as part of a Borrowing shall not relieve any other Lender of its obligation, if any, hereunder to make a Loan on the date of such Borrowing, but no Lender shall be responsible for the failure of any other Lender to make a Loan to be made by such other Lender.

Section 2.04. *Registry; Notes.* (a) The Administrative Agent shall maintain a register (the "**Register**") on which it will record the Commitment of each Lender, each Loan made by such Lender and each repayment of any Loan made by such Lender. Any such recordation by the Administrative Agent on the Register shall be conclusive, absent manifest error. Failure to make any such recordation, or any error in such recordation, shall not affect the Borrower's obligations hereunder.

(b) The Borrower hereby agrees that, promptly upon the request of any Lender at any time, the Borrower shall deliver to such Lender a duly executed Note, in substantially the form of Exhibit A hereto, payable to such Lender or its registered assigns as permitted pursuant to Section 9.06 and representing the obligation of the Borrower to pay the unpaid principal amount of the Loans made to the Borrower by such Lender, with interest as provided herein on the unpaid principal amount from time to time outstanding.

(c) Each Lender shall record the date, amount and maturity of each Loan made by it and the date and amount of each payment of principal made by the Borrower with respect thereto, and each Lender receiving a Note pursuant to this Section, if such Lender so elects in connection with any transfer or enforcement of its Note, may endorse on the schedule forming a part thereof appropriate notations to evidence the foregoing information with respect to each such Loan then outstanding; *provided* that the failure of such Lender to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under the Notes. Such Lender is hereby irrevocably authorized by the Borrower so to endorse its Note and to attach to and make a part of its Note a continuation of any such schedule as and when required.

Section 2.05. *Maturity of Loans.* Each Loan made by any Lender shall mature, and the principal amount thereof shall be due and payable together with accrued interest thereon, on the Maturity Date.

Section 2.06. *Interest Rates.* (a) Each Base Rate Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Loan is made until it becomes due, at a rate per annum equal to the Base Rate for such day. Such interest shall be payable quarterly in arrears on each Quarterly Payment Date and at maturity. Any overdue principal of or overdue interest on any Base Rate Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 1% plus the Base Rate for such day.

(b) Each Euro-Dollar Loan shall bear interest on the outstanding principal amount thereof, for each day during each Interest Period applicable thereto, at a rate per annum equal to the sum of the Applicable Margin for such day plus the London Interbank Offered Rate applicable to such Interest Period. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than three months, at intervals of three months after the first day thereof. If the London-Interbank Offered Rate shall be less than zero, such rate shall be deemed zero for purposes of this Agreement.

The “**London Interbank Offered Rate**” applicable to any Interest Period means the rate appearing on Reuters Screen LIBOR01 Page (or on any successor or substitute page of such service, or any successor to or, if such service is not available, substitute for such service providing rate quotations comparable to those currently provided on such page of such service, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to U.S. dollar deposits that are offered to leading banks in the London interbank deposit market) at approximately 11:00 A.M. (London time) two Euro-Dollar Business Days prior to the commencement of such Interest Period, as the rate for U.S. dollar deposits with a maturity comparable to such Interest Period. In the event that such rate is not so available at such time for any reason, then the “**London Interbank Offered Rate**” for such Interest Period shall be the average (rounded upward, if necessary, to the next higher 1/16 of 1%) of the respective rates per annum at which deposits in U.S. dollars are offered to leading banks in the London interbank market at approximately 11:00 A.M. (London time) two Euro-Dollar Business Days before the first day of such Interest Period

in an amount approximately equal to the principal amount of the Loan of such leading banks to which such Interest Period is to apply and for a period of time comparable to such Interest Period.

(c) Any overdue principal of or overdue interest on any Euro-Dollar Loan shall bear interest, payable on demand, for each day from and including the date payment thereof was due to but excluding the date of actual payment, at a rate per annum equal to the sum of 1% plus the higher of (i) the sum of the Applicable Margin for such day plus the London Interbank Offered Rate applicable to such Loan at the date such payment was due and (ii) the rate applicable to Base Rate Loans for such day.

(d) The Administrative Agent shall determine each interest rate applicable to the Loans hereunder. The Administrative Agent shall give prompt notice to the Borrower and the participating Lenders by facsimile of each rate of interest so determined, and its determination thereof shall be conclusive in the absence of manifest error unless the Borrower raises an objection thereto within five Domestic Business Days after receipt of such notice.

Section 2.07. *Ticking Fee.* The Borrower agrees to pay to the Administrative Agent for the account of each Lender a ticking fee (the “**Ticking Fee**”) in an amount equal to 0.10% per annum, accruing on the daily average of the unfunded Commitment of such Lender then outstanding, if any, accruing from and including the Effective Date, to but excluding the earlier of (i) the Commitment Termination Date and (ii) the Second Funding Date (such earlier date, the “**Ticking Fee End Date**”); *provided* that (A) no Ticking Fee shall accrue on the Commitment of a Defaulting Lender so long as such Lender shall be a Defaulting Lender and (B) any Ticking Fee accrued with respect to the Commitment of a Defaulting Lender during the period prior to the time such Lender became a Defaulting Lender and unpaid at such time shall not be payable by the Borrower so long as such Lender shall be a Defaulting Lender. The Ticking Fee shall be payable on the Ticking Fee End Date.

Section 2.08. *[Reserved]*.

Section 2.09. *Method of Electing Interest Rates.* (a) The Loans included in each Borrowing shall bear interest initially at the type of rate specified by the Borrower in the Notice of Borrowing. Thereafter, the Borrower may from time to time elect to change or continue the type of interest rate borne by each Group of Loans (subject in each case to the provisions of Article 8 and the last sentence of this subsection (a)), as follows:

(i) if such Loans are Base Rate Loans, the Borrower may elect to convert such Loans to Euro-Dollar Loans as of any Euro-Dollar Business Day; and

(ii) if such Loans are Euro-Dollar Loans, the Borrower may elect to convert such Loans to Base Rate Loans or elect to continue such Loans as Euro-Dollar Loans for an additional Interest Period, subject to Section 2.13 in the case of any such conversion or continuation effective on any day other than the last day of the then current Interest Period applicable to such Loans.

Each such election shall be made by delivering a notice (a “**Notice of Interest Rate Election**”) to the Administrative Agent not later than 11:00 A.M. (Eastern time) on the third Euro-Dollar Business Day before the conversion or continuation selected in such notice is to be effective (or one Business Day if the conversion is from a Euro-Dollar Loan to a Base Rate Loan). A Notice of Interest Rate

Election may, if it so specifies, apply to only a portion of the aggregate principal amount of the relevant Group of Loans; *provided* that (i) such portion is allocated ratably among the Loans comprising such Group and (ii) the portion to which such notice applies, and the remaining portion to which it does not apply, are each \$10,000,000 or any larger multiple of \$1,000,000.

(b) Each Notice of Interest Rate Election shall specify:

- (i) the Group of Loans (or portion thereof) to which such notice applies;
- (ii) the date on which the conversion or continuation selected in such notice is to be effective, which shall comply with the applicable clause of subsection 2.09(a) above;
- (iii) if the Loans comprising such Group are to be converted, the new type of Loans and, if the Loans being converted are to be Euro-Dollar Loans, the duration of the next succeeding Interest Period applicable thereto; and
- (iv) if such Loans are to be continued as Euro-Dollar Loans for an additional Interest Period, the duration of such additional Interest Period.

Each Interest Period specified in a Notice of Interest Rate Election shall comply with the provisions of the definition of the term “**Interest Period**”.

Notwithstanding anything to the contrary provided herein, the Borrower may request Irregular Interest Periods (without premium or penalty) in order to consolidate outstanding Interest Periods. Upon receipt of a Notice of Interest Rate Election from the Borrower requesting such Irregular Interest Period, and solely in the event that all Lenders agree to provide such Irregular Interest Period, the Administrative Agent and Lenders shall provide the Borrower with such Irregular Interest Period; *provided* that if the applicable Irregular Interest Period is not available in the London interbank market, in the reasonable judgment of the Administrative Agent, the Administrative Agent shall set the applicable Euro-Dollar Rate for such Irregular Interest Period through interpolating the available London Interbank Offered Rate for periods having terms ending immediately prior to and immediately following such Irregular Interest Period (e.g., for a 75 day Interest Period, the Administrative Agent shall use the midpoint of a two month and three month London Interbank Offered Rate).

(c) Promptly after receiving a Notice of Interest Rate Election from the Borrower pursuant to subsection 2.09(a) above, the Administrative Agent shall notify each Lender of the contents thereof and such notice shall not thereafter be revocable by the Borrower. If no Notice of Interest Rate Election is timely received prior to the end of an Interest Period for any Group of Loans, the Borrower shall be deemed to have elected that such Group of Loans be converted to Base Rate Loans as of the last day of such Interest Period.

(d) An election by the Borrower to change or continue the rate of interest applicable to any Group of Loans pursuant to this Section shall not constitute a “**Borrowing**” subject to the provisions of Section 3.03.

Section 2.10. [Reserved].

Section 2.11. *Optional Prepayments.* (a) The Borrower may (i) upon notice to the Administrative Agent not later than 11:00 A.M. (Eastern time) on any Domestic Business Day prepay on such Domestic Business Day any Group of Base Rate Loans and (ii) upon at least three Euro-Dollar Business Days' notice to the Administrative Agent not later than 11:00 A.M. (Eastern time) prepay any Group of Euro-Dollar Loans, in each case in whole at any time, or from time to time in part in amounts aggregating \$5,000,000 or any larger multiple of \$1,000,000, by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment and together with any additional amounts payable pursuant to Section 2.13. Each such optional prepayment shall be applied to prepay ratably the Loans of the several Lenders included in such Group or Borrowing.

(b) Upon receipt of a notice of prepayment pursuant to this Section, the Administrative Agent shall promptly notify each Lender of the contents thereof and of such Lender's share (if any) of such prepayment and such notice shall not thereafter be revocable by the Borrower.

Section 2.12. *General Provisions as to Payments.* (a) The Borrower shall make each payment of principal of, and interest on, the Loans and of fees hereunder, not later than 1:00 P.M. (Eastern time) on the date when due, in Federal or other funds immediately available in New York City, to the Administrative Agent at its address referred to in Section 9.01 and without reduction by reason of any set-off, counterclaim or deduction of any kind. The Administrative Agent will promptly distribute to each Lender in like funds its ratable share of each such payment received by the Administrative Agent for the account of the Lenders. Whenever any payment of principal of, or interest on, the Base Rate Loans or of fees shall be due on a day which is not a Domestic Business Day, the date for payment thereof shall be extended to the next succeeding Domestic Business Day. Whenever any payment of principal of, or interest on, the Euro-Dollar Loans shall be due on a day which is not a Euro-Dollar Business Day, the date for payment thereof shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case the date for payment thereof shall be the next preceding Euro-Dollar Business Day. If the date for any payment of principal is extended by operation of law or otherwise, interest thereon shall be payable for such extended time.

(b) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Lenders hereunder that the Borrower will not make such payment in full, the Administrative Agent may assume that the Borrower has made such payment in full to the Administrative Agent on such date and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each Lender on such due date an amount equal to the amount then due such Lender. If and to the extent that the Borrower shall not have so made such payment, each Lender shall repay to the Administrative Agent forthwith on demand such amount distributed to such Lender together with interest thereon, for each day from the date such amount is distributed to such Lender until the date such Lender repays such amount to the Administrative Agent, at the Federal Funds Rate.

Section 2.13. *Funding Losses.* If the Borrower makes any payment of principal with respect to any Euro-Dollar Loan (other than payments made by an Assignee pursuant to Section 8.06(a) or by the Borrower pursuant to Section 8.06(b) in respect of a Defaulting Lender's Euro-Dollar Loans) (whether voluntary, mandatory, automatic, by reason of acceleration, or otherwise) or any Euro-Dollar Loan is converted to a Base Rate Loan or continued as a Euro-Dollar Loan for a new Interest Period (pursuant to Article 2, 6 or 8 or otherwise) on any day other than the last day of an Interest Period applicable thereto, or if the Borrower fails to borrow, prepay, convert or

continue any Euro-Dollar Loans after notice has been given to any Lender in accordance with Section 2.03(a), 2.09(c) or 2.11(b), the Borrower shall reimburse each Lender within 15 days after demand for any resulting loss or expense incurred by it (or by an existing or prospective Participant in the related Loan), including (without limitation) any loss incurred in obtaining, liquidating or employing deposits from third parties, but excluding loss of margin for the period after any such payment or conversion or failure to borrow, prepay, convert or continue; *provided* that such Lender shall have delivered to the Borrower a certificate setting forth in reasonable detail the calculation of the amount of such loss or expense, which certificate shall be conclusive in the absence of manifest error.

Section 2.14. *Computation of Interest and Fees.* Interest based on clause (a) of the definition of Base Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year) and paid for the actual number of days elapsed (including the first day but excluding the last day). All other interest and all fees shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day).

Section 2.15. *[Reserved].*

Section 2.16. *Regulation D Compensation.* In the event that a Lender is required to maintain reserves of the type contemplated by the definition of “Euro-Dollar Reserve Percentage”, such Lender may require the Borrower to pay, contemporaneously with each payment of interest on the Euro-Dollar Loans, additional interest on the related Euro-Dollar Loan of such Lender at a rate per annum determined by such Lender up to but not exceeding the excess of (i) (A) the applicable London Interbank Offered Rate divided by (B) one *minus* the Euro-Dollar Reserve Percentage over (ii) the applicable London Interbank Offered Rate. Any Lender wishing to require payment of such additional interest (x) shall so notify the Borrower and the Administrative Agent, in which case such additional interest on the Euro-Dollar Loans of such Lender shall be payable to such Lender at the place indicated in such notice with respect to each Interest Period commencing at least three Euro-Dollar Business Days after the giving of such notice and (y) shall notify the Borrower at least three Euro-Dollar Business Days prior to each date on which interest is payable on the Euro-Dollar Loans of the amount then due it under this Section. Each such notification shall be accompanied by such information as the Borrower may reasonably request.

“**Euro-Dollar Reserve Percentage**” means for any day, that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement for a member bank of the Federal Reserve System in New York City with deposits exceeding five billion dollars in respect of “**Eurocurrency liabilities**” (or in respect of any other category of liabilities which includes deposits by reference to which the interest rate on Euro-Dollar Loans is determined or any category of extensions of credit or other assets which includes loans by a non-United States office of any Lender to United States residents).

Section 2.17. *[Reserved].*

Section 2.18. *[Reserved].*

Section 2.19. *Defaulting Lenders.* If any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender, to the extent permitted by applicable law:

(a) [Reserved];

(b) [Reserved];

(c) any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of a Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Article 6 or otherwise) shall be applied at such time or times as may be determined by the Administrative Agent as follows:

(i) first, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder;

(ii) second, as the Borrower may request (so long as no Default exists), to the funding of any Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent;

(iii) third, if so determined by the Administrative Agent and the Borrower, to be held in a deposit account and released pro rata in order to satisfy such Defaulting Lender's potential future funding obligations with respect to Loans under this Agreement;

(iv) fourth, to the payment of any amounts owing to the Lenders as a result of any judgment of a court of competent jurisdiction obtained by any Lender against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement;

(v) fifth, so long as no Default exists, to the payment of any amounts owing to the Borrower as a result of any judgment of a court of competent jurisdiction obtained by the Borrower against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; and

(vi) sixth, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; *provided* that if (x) such payment is a payment of the principal amount of any Loans in respect of which such Defaulting Lender has not fully funded its appropriate share, and (y) such Loans were made at a time when the conditions set forth in Section 3.03 were satisfied or waived, such payment shall be applied solely to pay the Loans of all non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Loans of such Defaulting Lender until such time as all Loans are held by the Lenders pro rata in accordance with the Commitments.

Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender pursuant to this Section 2.19(c) shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto; and

(d) in the event that the Administrative Agent and the Borrower agree that a Defaulting Lender has adequately remedied all matters that caused such Lender to be a Defaulting Lender, on such date such Lender shall purchase at par such of the Loans of the other Lenders as the Administrative Agent shall determine may be necessary in order for such Lender to hold such Loans in accordance with its Percentage; *provided*, that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while such Lender was a Defaulting Lender; and *provided, further*, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

ARTICLE 3
Conditions

Section 3.01. *Effective Date*. This Agreement shall become effective on the date that each of the following conditions shall have been satisfied (or waived in accordance with Section 9.05(a)):

(a) receipt by the Administrative Agent of counterparts hereof signed by each of the parties hereto (or, in the case of any party as to which an executed counterpart shall not have been received, receipt by the Administrative Agent in form satisfactory to it of facsimile or other written confirmation from such party of execution of a counterpart hereof by such party);

(b) receipt by the Administrative Agent of (i) an opinion of internal counsel of the Borrower and (ii) an opinion of Moore & Van Allen PLLC, special counsel for the Borrower, in each case in form and substance reasonably satisfactory to the Required Lenders;

(c) receipt by the Administrative Agent of a certificate signed by a Vice President, the Treasurer, an Assistant Treasurer or the Controller of the Borrower, dated the Effective Date, to the effect set forth in clauses (c) and (d) of Section 3.03 (without giving effect to the parenthetical in such clause (d));

(d) receipt by the Administrative Agent of all documents it may have reasonably requested prior to the date hereof relating to the existence of the Borrower, the corporate authority for and the validity of this Agreement and the Notes, and any other matters relevant hereto, all in form and substance satisfactory to the Administrative Agent;

(e) receipt by the Administrative Agent of evidence satisfactory to it that the upfront fees, arrangement fees, administrative agency fees and expenses payable by the Borrower on the Effective Date have been paid; and

(f) receipt by the Administrative Agent, at least three Domestic Business Days prior to the Effective Date, of all documentation and other information about the Borrower that shall have been reasonably requested by the Administrative Agent in writing at least 10 Domestic Business Days prior to the Effective Date and that the Administrative Agent reasonably determines is required by United States regulatory authorities under applicable "know your customer" and anti-money laundering rules and regulations, including without limitation the Patriot Act.

provided that the Commitments shall not become effective unless all of the foregoing conditions are satisfied not later than June 30, 2017. The Administrative Agent shall promptly notify the Borrower and the Lenders of the Effective Date, and such notice shall be conclusive and binding on all parties hereto.

Section 3.02. *[Reserved]*.

Section 3.03. *Borrowings*. The obligation of any Lender to make a Loan on any Funding Date to the Borrower is subject to the satisfaction of the following conditions:

- (a) receipt by the Administrative Agent of a Notice of Borrowing as required by Section 2.02;
- (b) *[Reserved]*;
- (c) the fact that, immediately after such Borrowing, no Default with respect to the Borrower shall have occurred and be continuing; and
- (d) the fact that the representations and warranties of the Borrower contained in this Agreement (except the representations and warranties set forth in Sections 4.04(c) and 4.06) shall be true on and as of the date of such Borrowing.

Each Borrowing hereunder shall be deemed to be a representation and warranty by the Borrower on the date of such Borrowing or issuance as to the facts specified in clauses (c) and (d) of this Section.

ARTICLE 4 Representations and Warranties

The Borrower represents and warrants that:

Section 4.01. *Organization and Power*. The Borrower is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and has all requisite powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted and is duly qualified to do business in each jurisdiction where such qualification is required, except where the failure so to qualify would not have a material adverse effect on the business, financial position or results of operations of the Borrower and its Consolidated Subsidiaries, considered as a whole.

Section 4.02. *Corporate and Governmental Authorization; No Contravention*. The execution, delivery and performance by the Borrower of this Agreement and the Notes are within the Borrower's powers, have been duly authorized by all necessary company action, require no action by or in respect of, or filing with, any Governmental Authority (except for consents, authorizations or filings which have been obtained or made, as the case may be, and are in full force and effect) and do not contravene, or constitute a default under, any provision of applicable law or regulation or of the articles of incorporation, by-laws, certificate of formation or the limited liability company agreement of the Borrower or of any material agreement, judgment, injunction, order, decree or other instrument binding upon the Borrower or result in the creation or imposition of any Lien on any asset of the Borrower or any of its Material Subsidiaries.

Section 4.03. *Binding Effect.* This Agreement constitutes a valid and binding agreement of the Borrower and each Note, if and when executed and delivered by it in accordance with this Agreement, will constitute a valid and binding obligation of the Borrower, in each case enforceable in accordance with its terms, except as the same may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and by general principles of equity.

Section 4.04. *Financial Information.* (a) The consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of October 31, 2016 and the related consolidated statements of income, cash flows, capitalization and retained earnings for the fiscal year then ended, reported on by Deloitte & Touche, copies of which have been delivered to each of the Lenders by using the Borrower's Syndtrak site or otherwise made available, fairly present in all material respects, in conformity with generally accepted accounting principles, the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such fiscal year.

(b) (i) The unaudited consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of December 31, 2016 and the related unaudited consolidated statements of income and cash flows for the two months then ended, copies of which have been delivered to each of the Lenders by using the Borrower's Syndtrak site or otherwise made available, fairly present in all material respects, in conformity with generally accepted accounting principles applied on a basis consistent with the financial statements referred to in subsection (a) of this Section, the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of such date and their consolidated results of operations and changes in financial position for such two-month period (subject to normal year-end adjustments and the absence of footnotes).

(ii) The unaudited consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of March 31, 2017 and the related unaudited consolidated statements of income and cash flows for the three months then ended, copies of which have been delivered to each of the Lenders by using the Borrower's Syndtrak site or otherwise made available, fairly present in all material respects, in conformity with generally accepted accounting principles applied on a basis consistent with the financial statements referred to in subsection (a) of this Section, the consolidated financial position of the Borrower and its Consolidated Subsidiaries as of such date and their consolidated results of operations and changes in financial position for such three-month period (subject to normal year-end adjustments and the absence of footnotes).

(c) Since October 31, 2016, there has been no material adverse change in the business, financial position or results of operations of the Borrower and its Consolidated Subsidiaries, considered as a whole, except as publicly disclosed prior to the Effective Date.

Section 4.05. *Regulation U.* The Borrower and its Material Subsidiaries are not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U issued by the Board of Governors of the Federal Reserve System) and no proceeds of any Borrowing by the Borrower will be used to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock. Not more than 25% of the value of the assets of the Borrower and its Material Subsidiaries is represented by margin stock.

Section 4.06. *Litigation.* Except as publicly disclosed prior to the Effective Date, there is no action, suit or proceeding pending against, or to the knowledge of the Borrower threatened against or affecting, the Borrower or any of its Subsidiaries before any court or arbitrator or any Governmental Authority which would be likely to be decided adversely to the Borrower or such Subsidiary and, as a result, have a material adverse effect upon the business, consolidated financial position or results of operations of the Borrower and its Consolidated Subsidiaries, considered as a whole, or which in any manner draws into question the validity of this Agreement or any Note.

Section 4.07. *Compliance with Laws.* The Borrower and each of its Material Subsidiaries is in compliance in all material respects with all applicable laws, ordinances, rules, regulations and requirements of Governmental Authorities (including, without limitation, ERISA and Environmental Laws) except where (i) non-compliance would not have a material adverse effect on the business, financial position or results of operations of the Borrower and its Consolidated Subsidiaries, considered as a whole, or (ii) the necessity of compliance therewith is contested in good faith by appropriate proceedings.

Section 4.08. *Taxes.* The Borrower and its Material Subsidiaries have filed all United States federal income tax returns and all other material tax returns which are required to be filed by them and have paid all taxes due pursuant to such returns or pursuant to any assessment received by the Borrower or any such Material Subsidiary except (i) where nonpayment would not have a material adverse effect on the business, financial position or results of operations of the Borrower and its Consolidated Subsidiaries, considered as a whole, or (ii) where the same are contested in good faith by appropriate proceedings. The charges, accruals and reserves on the books of the Borrower and its Material Subsidiaries in respect of taxes or other governmental charges are, in the opinion of the Borrower, adequate.

Section 4.09. *Anti-corruption Law and Sanctions.* The Borrower and its Material Subsidiaries have implemented and maintain in effect policies and procedures designed to prevent violations by the Borrower, its Subsidiaries and their respective directors, officers, employees and agents (acting in their capacity as such) of the applicable Anti-Corruption Laws and Sanctions, and the Borrower and its Material Subsidiaries are in compliance in all material respects with all applicable Anti-Corruption Laws and Sanctions, except where (i) noncompliance would not have a material adverse effect on the business, financial position or results of operations of the Borrower and its Consolidated Subsidiaries, considered as a whole, or (ii) the necessity of compliance therewith is contested in good faith by appropriate proceedings. None of (i) the Borrower or any Material Subsidiary or, (ii) to the knowledge of the Borrower, any director, officer or employee of the Borrower or any Material Subsidiary or (iii) to the knowledge of the Borrower, any agent of the Borrower or any Material Subsidiary acting in any capacity in connection with or benefitting from the credit facility established hereby, is a Sanctioned Person.

ARTICLE 5

Covenants

The Borrower agrees that, so long as any Lender has any Commitment hereunder with respect to the Borrower or any amount payable hereunder remains unpaid by the Borrower:

Section 5.01. *Information.* The Borrower will deliver to each of the Lenders:

(a) as soon as available and in any event within 120 days after the end of each fiscal year of the Borrower, a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such fiscal year and the related consolidated statements of income, cash flows, capitalization and retained earnings for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on in a manner consistent with past practice and with applicable requirements of the Securities and Exchange Commission by Deloitte & Touche or other independent public accountants of nationally recognized standing;

(b) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year of the Borrower, a consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such quarter and the related consolidated statements of income and cash flows for such quarter and for the portion of the Borrower's fiscal year ended at the end of such quarter, setting forth in each case in comparative form the figures for the corresponding quarter and the corresponding portion of the Borrower's previous fiscal year, all certified (subject to normal year-end adjustments) as to fairness of presentation in all material respects, generally accepted accounting principles and consistency (except as provided by Section 1.02) by an Approved Officer of the Borrower;

(c) within the maximum time period specified for the delivery of each set of financial statements referred to in clauses (a) and (b) above, a certificate of an Approved Officer of the Borrower (i) setting forth in reasonable detail the calculations required to establish whether the Borrower was in compliance with the requirements of Section 5.10 on the date of such financial statements and (ii) stating whether any Default exists on the date of such certificate and, if any Default then exists, setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto;

(d) within five days after any officer of the Borrower with responsibility relating thereto obtains knowledge of any Default, if such Default is then continuing, a certificate of an Approved Officer of the Borrower setting forth the details thereof and the action which the Borrower is taking or proposes to take with respect thereto;

(e) promptly upon the filing thereof, copies of all registration statements (other than the exhibits thereto and any registration statements on Form S-8 or its equivalent) and reports on Forms 10-K, 10-Q and 8-K (or their equivalents) which the Borrower shall have filed with the Securities and Exchange Commission;

(f) if and when any member of the Borrower's ERISA Group (i) gives or is reasonably expected to give notice to the PBGC of any "**reportable event**" (as defined in Section 4043 of ERISA) with respect to any Material Plan which might constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that the plan administrator of any Material Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; (ii) receives notice of complete or partial withdrawal liability under Title IV of ERISA or notice that any Material Plan is in reorganization, is insolvent or has been terminated, a copy of such notice; (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate, impose material liability (other than for premiums under Section 4007 of ERISA) in respect of, or appoint a trustee to administer any Plan, a copy of such notice; (iv) applies for a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code, a copy of such application; (v) gives notice of intent to terminate any Material Plan under Section 4041(c) of ERISA, a copy of such notice and other

information filed with the PBGC; (vi) gives notice of withdrawal from any Material Plan pursuant to Section 4063 of ERISA, a copy of such notice; (vii) receives notice of the cessation of operations at a facility of any member of the ERISA Group in the circumstances described in Section 4062(e) of ERISA; or (viii) fails to make any payment or contribution to any Material Plan or makes any amendment to any Material Plan which has resulted or could result in the imposition of a Lien or the posting of a bond or other security, a certificate of the chief financial officer or the chief accounting officer of the Borrower setting forth details as to such occurrence and action, if any, which the Borrower or applicable member of the ERISA Group is required or proposes to take;

(g) [reserved]; and

(h) from time to time such additional information regarding the financial position or business of the Borrower and its Subsidiaries as the Administrative Agent, at the request of any Lender, may reasonably request.

Information required to be delivered pursuant to these Sections 5.01(a), 5.01(b) and 5.01(e) shall be deemed to have been delivered on the date on which such information has been posted on the Securities and Exchange Commission website on the Internet at sec.gov/edaux/searches.htm, on the Borrower's Syndtrak site or at another website identified in a notice from the Borrower to the Lenders and accessible by the Lenders without charge; *provided* that (i) a certificate delivered pursuant to Section 5.01(c) shall also be deemed to have been delivered upon being posted to the Borrower's Syndtrak site and (ii) the Borrower shall deliver paper copies of the information referred to in Sections 5.01(a), 5.01(b) and 5.01(e) to any Lender which requests such delivery.

Section 5.02. *Payment of Taxes.* The Borrower will pay and discharge, and will cause each of its Material Subsidiaries to pay and discharge, at or before maturity, all their tax liabilities, except where (i) nonpayment would not have a material adverse effect on the business, financial position or results of operations of the Borrower and its Consolidated Subsidiaries, considered as a whole, or (ii) the same may be contested in good faith by appropriate proceedings, and will maintain, and will cause each of its Material Subsidiaries to maintain, in accordance with generally accepted accounting principles, appropriate reserves for the accrual of any of the same.

Section 5.03. *Maintenance of Property; Insurance.* (a) The Borrower will keep, and will cause each of its Material Subsidiaries to keep, all property necessary in its business in good working order and condition, ordinary wear and tear excepted, except where the failure to do so would not have a material adverse effect on the business, financial position or results of operations of the Borrower and its Consolidated Subsidiaries, considered as a whole.

(b) The Borrower will, and will cause each of its Material Subsidiaries to, maintain (either in the name of the Borrower or in such Subsidiary's own name) with financially sound and responsible insurance companies, insurance on all their respective properties in at least such amounts and against at least such risks (and with such risk retention) as are usually insured against by companies of established repute engaged in the same or a similar business; *provided* that self-insurance by the Borrower or any such Material Subsidiary, shall not be deemed a violation of this covenant to the extent that companies engaged in similar businesses and owning similar properties self-insure; and will furnish to the Lenders, upon request from the Administrative Agent, information presented in reasonable detail as to the insurance so carried.

Section 5.04. *Maintenance of Existence.* The Borrower will preserve, renew and keep in full force and effect, and will cause each of its Material Subsidiaries to preserve, renew and keep in full force and effect their respective corporate or other legal existence and their respective rights, privileges and franchises material to the normal conduct of their respective businesses; *provided* that nothing in this Section 5.04 shall prohibit the termination of any right, privilege or franchise of the Borrower or any such Material Subsidiary or of the corporate or other legal existence of any such Material Subsidiary, or the change in form of organization of the Borrower or any such Material Subsidiary, if the Borrower in good faith determines that such termination or change is in the best interest of the Borrower, is not materially disadvantageous to the Lenders and, (i) in the case of a change in the form of organization of the Borrower, the Administrative Agent has consented thereto and (ii) in the case of a change in the jurisdiction of the Borrower to a jurisdiction outside of the United States, the Lenders have consented thereto.

Section 5.05. *Compliance with Laws.* The Borrower will comply, and cause each of its Material Subsidiaries to comply, in all material respects with all applicable laws, ordinances, rules, regulations, and requirements of Governmental Authorities (including, without limitation, ERISA, applicable Sanctions and Anti-Corruption Laws and Environmental Laws) except where (i) noncompliance would not have a material adverse effect on the business, financial position or results of operations of the Borrower and its Consolidated Subsidiaries, considered as a whole, or (ii) the necessity of compliance therewith is contested in good faith by appropriate proceedings.

Section 5.06. *Books and Records.* The Borrower will keep, and will cause each of its Material Subsidiaries to keep, proper books of record and account in which full, true and correct entries shall be made of all financial transactions in relation to its business and activities in accordance with its customary practices; and will permit, and will cause each such Material Subsidiary to permit, representatives of any Lender at such Lender's expense (accompanied by a representative of the Borrower, if the Borrower so desires) to visit any of their respective properties, to examine any of their respective books and records and to discuss their respective affairs, finances and accounts with their respective officers, employees and independent public accountants, all upon such reasonable notice, at such reasonable times and as often as may reasonably be desired.

Section 5.07. *Negative Pledge.* The Borrower will not create, assume or suffer to exist any Lien on any asset now owned or hereafter acquired by it, except:

- (a) Liens granted by the Borrower existing as of the Effective Date, securing Indebtedness outstanding on the date of this Agreement in an aggregate principal amount not exceeding \$100,000,000;
- (b) [Reserved];
- (c) any Lien on any asset of any Person existing at the time such Person is merged or consolidated with or into the Borrower and not created in contemplation of such event;
- (d) any Lien existing on any asset prior to the acquisition thereof by the Borrower and not created in contemplation of such acquisition;

(e) any Lien on any asset securing Indebtedness incurred or assumed for the purpose of financing all or any part of the cost of acquiring such asset; *provided* that such Lien attaches to such asset concurrently with or within 180 days after the acquisition thereof;

(f) any Lien arising out of the refinancing, extension, renewal or refunding of any Indebtedness secured by any Lien permitted by any of the foregoing clauses of this Section; *provided* that such Indebtedness is not increased (except by accrued interest, prepayment premiums and fees and expenses incurred in connection with such refinancing, extension, renewal or refunding) and is not secured by any additional assets;

(g) Liens for taxes, assessments or other governmental charges or levies not yet due or which are being contested in good faith by appropriate proceedings and with respect to which adequate reserves or other appropriate provisions are being maintained in accordance with generally accepted accounting principles;

(h) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, materialmen and other Liens imposed by law, created in the ordinary course of business and for amounts not past due for more than 60 days or which are being contested in good faith by appropriate proceedings which are sufficient to prevent imminent foreclosure of such Liens, are promptly instituted and diligently conducted and with respect to which adequate reserves or other appropriate provisions are being maintained in accordance with generally accepted accounting principles;

(i) Liens incurred or deposits made in the ordinary course of business (including, without limitation, surety bonds and appeal bonds) in connection with workers' compensation, unemployment insurance and other types of social security benefits or to secure the performance of tenders, bids, leases, contracts (other than for the repayment of Indebtedness), statutory obligations and other similar obligations or arising as a result of progress payments under government contracts;

(j) easements (including, without limitation, reciprocal easement agreements and utility agreements), rights-of-way, covenants, consents, reservations, encroachments, variations and other restrictions, charges or encumbrances (whether or not recorded) affecting the use of real property;

(k) Liens with respect to judgments and attachments which do not result in an Event of Default;

(l) Liens, deposits or pledges to secure the performance of bids, tenders, contracts (other than contracts for the payment of money), leases (permitted under the terms of this Agreement), public or statutory obligations, surety, stay, appeal, indemnity, performance or other obligations arising in the ordinary course of business;

(m) other Liens including Liens imposed by Environmental Laws arising in the ordinary course of its business which (i) do not secure Indebtedness, (ii) do not secure any obligation in an amount exceeding \$100,000,000 at any time at which Investment Grade Status does not exist as to the Borrower and (iii) do not in the aggregate materially detract from the value of its assets or materially impair the use thereof in the operation of its business;

(n) Liens securing obligations under Hedging Agreements entered into to protect against fluctuations in interest rates or exchange rates or commodity prices and not for speculative purposes, provided that such Liens run in favor of a Lender hereunder or under the Master Credit Facility or a Person who was, at the time of issuance, a Lender;

(o) Liens not otherwise permitted by the foregoing clauses of this Section on assets of the Borrower securing obligations in an aggregate principal or face amount at any date not to exceed 15% of the Consolidated Net Assets of the Borrower;

(p) [Reserved]; and

(q) Liens on regulatory assets up to the amount approved by state legislatures and/or regulatory orders.

Section 5.08. *Consolidations, Mergers and Sales of Assets.* The Borrower will not (i) consolidate or merge with or into any other Person or (ii) sell, lease or otherwise transfer, directly or indirectly, Substantial Assets to any Person (other than a Subsidiary of the Borrower); *provided* that the Borrower may merge with another Person if the Borrower is the Person surviving such merger and, after giving effect thereto, no Default shall have occurred and be continuing.

Section 5.09. *Use of Proceeds.* The proceeds of the Loans made under this Agreement will be used by the Borrower for its general corporate purposes. None of such proceeds will be used, directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of buying or carrying any “margin stock” within the meaning of Regulation U. None of such proceeds will be used (i) for the purpose of knowingly financing the activities of or any transactions with any Sanctioned Person or in any country, region or territory that is the subject of Sanctions applicable to the Borrower and its Subsidiaries and where the financed activity would be prohibited by such applicable Sanctions, at the time of such financing or (ii) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws.

Section 5.10. *Indebtedness/Capitalization Ratio.* The ratio of Consolidated Indebtedness of the Borrower to Consolidated Capitalization of the Borrower as at the end of any fiscal quarter of the Borrower will not exceed 70%.

ARTICLE 6

Defaults

Section 6.01. *Events of Default.* Subject to Section 9.05(b)(ii), if one or more of the following events (“**Events of Default**”) with respect to the Borrower shall have occurred and be continuing:

(a) the Borrower shall fail to pay when due any principal of any Loan to it or shall fail to pay, within five days of the due date thereof, any interest, fees or any other amount payable by it hereunder;

(b) the Borrower shall fail to observe or perform any covenant contained in Sections 5.01(d), 5.04, 5.07, 5.08, 5.10 or the second or third sentence of 5.09, inclusive;

(c) the Borrower shall fail to observe or perform any covenant or agreement contained in this Agreement (other than those covered by clause (a) or (b) above) for 30 days after notice thereof has been given to the Borrower by the Administrative Agent at the request of any Lender;

(d) any representation, warranty, certification or statement made by the Borrower in this Agreement or in any certificate, financial statement or other document delivered pursuant to this Agreement shall prove to have been incorrect in any material respect when made (or deemed made);

(e) the Borrower or any of its Material Subsidiaries shall fail to make any payment in respect of Material Debt (other than Loans to the Borrower hereunder) when due after giving effect to any applicable grace period;

(f) any event or condition shall occur and shall continue beyond the applicable grace or cure period, if any, provided with respect thereto so as to result in the acceleration of the maturity of Material Debt;

(g) the Borrower or any of its Material Subsidiaries shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to, or shall fail generally to, pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing;

(h) an involuntary case or other proceeding shall be commenced against the Borrower or any of its Material Subsidiaries seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 90 days; or an order for relief shall be entered against the Borrower or any of its Material Subsidiaries under the federal bankruptcy laws as now or hereafter in effect;

(i) any member of the Borrower's ERISA Group shall fail to pay when due an amount or amounts aggregating in excess of \$150,000,000 which it shall have become liable to pay to the PBGC or to a Plan under Title IV of ERISA; or notice of intent to terminate a Plan or Plans of such ERISA Group having aggregate Unfunded Vested Liabilities in excess of \$150,000,000 (collectively, a "**Material Plan**") shall be filed under Title IV of ERISA by any member of such ERISA Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any such Material Plan or a proceeding shall be instituted by a fiduciary of any such Material Plan against any member of such ERISA Group to enforce Section 515 or 4219(c)(5) of ERISA and such proceeding shall not have been dismissed within 90 days thereafter; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any such Material Plan must be terminated;

(j) a judgment or other court order for the payment of money in excess of \$150,000,000 shall be rendered against the Borrower or any of its Material Subsidiaries and such judgment or order shall continue without being vacated, discharged, satisfied or stayed or bonded pending appeal for a period of 45 days;

(k) the Borrower shall cease to be a Subsidiary of Duke Energy Corporation; or

(l) any "Event of Default" (as defined in the Master Credit Facility) with respect to the Borrower under the Master Credit Facility (including any "Event of Default" under Section 6.01(k) of the Master Credit Facility);

then, and in every such event, the Administrative Agent shall (i) if requested by Lenders having more than 66-2/3% in aggregate amount of the Commitments, by notice to the Borrower terminate the Commitments as to the Borrower and they shall thereupon terminate, and the Borrower shall no longer be entitled to borrow hereunder, and (ii) if requested by Lenders holding more than 66-2/3% in aggregate principal amount of the Loans of the Borrower, by notice to the Borrower declare such Loans (together with accrued interest thereon) to be, and such Loans (together with accrued interest thereon) shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; *provided* that in the case of any of the Events of Default specified in clause (g) or (h) above with respect to the Borrower, without any notice to the Borrower or any other act by the Administrative Agent or the Lenders, the Commitments shall thereupon terminate with respect to the Borrower and the Loans of the Borrower (together with accrued interest thereon) shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

Section 6.02. *Notice of Default.* The Administrative Agent shall give notice to the Borrower under Section 6.01(c) promptly upon being requested to do so by any Lender and shall thereupon notify all the Lenders thereof.

ARTICLE 7

The Administrative Agent

Section 7.01. *Appointment and Authorization.* Each Lender irrevocably appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the Notes as are delegated to the Administrative Agent by the terms hereof or thereof, together with all such powers as are reasonably incidental thereto.

Section 7.02. *Administrative Agent and Affiliates.* U.S. Bank National Association shall have the same rights and powers under this Agreement as any other Lender and may exercise or refrain from exercising the same as though it were not the Administrative Agent, and U.S. Bank National Association and its affiliates may accept deposits from, lend money to, and generally engage in any kind of business with the Borrower or any Subsidiary or affiliate of the Borrower as if it were not the Administrative Agent hereunder.

Section 7.03. *Action by Administrative Agent.* The obligations of the Administrative Agent hereunder are only those expressly set forth herein. Without limiting the generality of the foregoing, the Administrative Agent shall not be required to take any action with respect to any Default, except as expressly provided in Article 6.

Section 7.04. *Consultation with Experts.* The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

Section 7.05. *Liability of Administrative Agent.* Neither the Administrative Agent nor any of its affiliates nor any of their respective directors, officers, agents or employees shall be liable to any Lender for any action taken or not taken by it in connection herewith (i) with the consent or at the request of the Required Lenders or (ii) in the absence of its own gross negligence or willful misconduct. Neither the Administrative Agent nor any of its affiliates nor any of their respective directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into or verify (i) any statement, warranty or representation made in connection with this Agreement or any borrowing hereunder; (ii) the performance or observance of any of the covenants or agreements of the Borrower; (iii) the satisfaction of any condition specified in Article 3, except receipt of items required to be delivered to the Administrative Agent; or (iv) the validity, effectiveness or genuineness of this Agreement, the Notes or any other instrument or writing furnished in connection herewith. The Administrative Agent shall not incur any liability by acting in reliance upon any notice, consent, certificate, statement, or other writing (which may be a bank wire, facsimile or similar writing) believed by it in good faith to be genuine or to be signed by the proper party or parties. Without limiting the generality of the foregoing, the use of the term "agent" in this Agreement with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom and is intended to create or reflect only an administrative relationship between independent contracting parties.

Section 7.06. *Indemnification.* Each Lender shall, ratably in accordance with the aggregate amount of such Lender's unfunded Commitments and Loans outstanding, indemnify the Administrative Agent and its Related Parties (to the extent not reimbursed or indemnified by the Borrower) against any cost, expense (including counsel fees and disbursements), claim, demand, action, loss, penalties or liability (except such as result from such indemnitees' gross negligence or willful misconduct) that such indemnitees may suffer or incur in connection with this Agreement or any action taken or omitted by the Administrative Agent in its capacity as such, or by any Related Party acting for the Administrative Agent in connection with such capacity.

Section 7.07. *Credit Decision.* Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking any action under this Agreement.

Section 7.08. *Successor Administrative Agent.*

(a) The Administrative Agent may resign at any time by giving notice thereof to the Lenders and the Borrower. Upon any such resignation, (i) the Borrower, with the consent of the Required Lenders (such consent not to be unreasonably withheld or delayed) or (ii) if an Event of Default has occurred and is continuing, then the Required Lenders, shall have the right to appoint

a successor Administrative Agent. If no successor Administrative Agent shall have been so appointed, and shall have accepted such appointment, within 30 days after the retiring Administrative Agent gives notice of resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent, which shall be a commercial bank organized or licensed under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$250,000,000.

(b) If the Person serving as Administrative Agent is a Defaulting Lender, (i) the Borrower, with the consent of the Required Lenders (such consent not to be unreasonably withheld or delayed) or (ii) if an Event of Default has occurred and is continuing, then the Required Lenders, shall have the right to appoint a successor Administrative Agent.

(c) Upon the acceptance of its appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, duties and obligations of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder; *provided* that if such successor Administrative Agent is appointed without the consent of the Borrower, such successor Administrative Agent may be replaced by the Borrower with the consent of the Required Lenders so long as no Event of Default has occurred and is continuing at the time. After any retiring Administrative Agent's resignation or removal hereunder as Administrative Agent, the provisions of this Article shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent.

(d) The fees payable by the Borrower to any successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor.

Section 7.09. *Administrative Agent's Fee.* The Borrower shall pay to the Administrative Agent for its own account fees in the amounts and at the times previously agreed upon between the Borrower and the Administrative Agent.

ARTICLE 8

Change in Circumstances

Section 8.01. *Basis for Determining Interest Rate Inadequate or Unfair.* If on or prior to the first day of any Interest Period for any Euro-Dollar Borrowing:

(a) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that deposits in dollars (in the applicable amounts) are not being offered to financial institutions in general in the relevant market for such Interest Period, or

(b) Lenders having 66-2/3% or more of the aggregate amount of the affected Loans advise the Administrative Agent that the London Interbank Offered Rate as determined by the Administrative Agent will not adequately and fairly reflect the cost to such Lenders of funding their Euro-Dollar Loans for such Interest Period,

the Administrative Agent shall forthwith give notice thereof to the Borrower and the Lenders, whereupon until the Administrative Agent notifies the Borrower that the circumstances giving rise to such suspension no longer exist, (i) the obligations of the Lenders to make Euro-Dollar Loans or

to continue or convert outstanding Loans as or into Euro-Dollar Loans shall be suspended and (ii) each outstanding Euro-Dollar Loan shall be converted into a Base Rate Loan on the last day of the then current Interest Period applicable thereto. Unless the Borrower notifies the Administrative Agent at least one Domestic Business Day before the date of any Euro-Dollar Borrowing for which a Notice of Borrowing has previously been given that it elects not to borrow on such date, such Borrowing shall instead be made as a Base Rate Borrowing.

Section 8.02. *Illegality.* If any Change In Law shall make it unlawful or impossible for any Lender (or its Euro-Dollar Lending Office) to make, maintain or fund any of its Euro-Dollar Loans and such Lender shall so notify the Administrative Agent, the Administrative Agent shall forthwith give notice thereof to the other Lenders and the Borrower, whereupon until such Lender notifies the Borrower and the Administrative Agent that the circumstances giving rise to such suspension no longer exist, the obligation of such Lender to make Euro-Dollar Loans, or to continue or convert outstanding Loans as or into Euro-Dollar Loans, shall be suspended. Before giving any notice to the Administrative Agent pursuant to this Section, such Lender shall designate a different Euro-Dollar Lending Office if such designation will avoid the need for giving such notice and will not be otherwise disadvantageous to such Lender in the good faith exercise of its discretion. If such notice is given, each Euro-Dollar Loan of such Lender then outstanding shall be converted to a Base Rate Loan either (a) on the last day of the then current Interest Period applicable to such Euro-Dollar Loan if such Lender may lawfully continue to maintain and fund such Loan to such day or (b) immediately if such Lender shall determine that it may not lawfully continue to maintain and fund such Loan to such day.

Section 8.03. *Increased Cost and Reduced Return.* (a) If any Change In Law (i) shall impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System, but excluding with respect to any Euro-Dollar Loan any such requirement included in an applicable Euro-Dollar Reserve Percentage) against assets of, deposits with or for the account of, or credit extended by, any Lender (or its Applicable Lending Office); (ii) shall subject any Lender or Agent to any taxes (other than (A) Taxes, (B) taxes described in clauses (ii), (iii) or (iv) of the exclusions from the definition of Taxes and (C) Connection Income Taxes) on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or (iii) shall impose on any Lender (or its Applicable Lending Office) or on the London interbank market any other condition, cost or expense affecting its Euro-Dollar Loans, its Note or its obligation to make Euro-Dollar Loans and the result of any of the foregoing is to increase the cost to such Lender (or its Applicable Lending Office) of making or maintaining any Euro-Dollar Loan (or, in the case of an adoption or change with respect to taxes, any Loan), or to reduce the amount of any sum received or receivable by such Lender (or its Applicable Lending Office) under this Agreement or under its Note with respect thereto, by an amount deemed by such Lender to be material, then, within 15 days after demand by such Lender (with a copy to the Administrative Agent), the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender for such increased cost or reduction; *provided* that no such amount shall be payable with respect to any period commencing more than 90 days prior to the date such Lender first notifies the Borrower of its intention to demand compensation therefor under this Section 8.03(a).

(b) If any Lender shall have determined that any Change In Law has or would have the effect of reducing the rate of return on capital or liquidity of such Lender (or its Parent) as a

consequence of such Lender's obligations hereunder to a level below that which such Lender (or its Parent) could have achieved but for such Change In Law (taking into consideration its policies with respect to capital adequacy or liquidity) by an amount deemed by such Lender to be material, then from time to time, within 15 days after demand by such Lender (with a copy to the Administrative Agent), the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender (or its Parent) for such reduction; *provided* that no such amount shall be payable with respect to any period commencing less than 30 days after the date such Lender first notifies the Borrower of its intention to demand compensation under this Section 8.03(b).

(c) Each Lender will promptly notify the Borrower and the Administrative Agent of any event of which it has knowledge, occurring after the date hereof, which will entitle such Lender to compensation pursuant to this Section and will designate a different Applicable Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the judgment of such Lender, be otherwise disadvantageous to such Lender. A certificate of any Lender claiming compensation under this Section and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. In determining such amount, such Lender may use any reasonable averaging and attribution methods.

Section 8.04. *Taxes.* (a) For purposes of this Section 8.04 the following terms have the following meanings:

"FATCA" means Sections 1471 through 1474 of the Internal Revenue Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with) and any current or future regulations or official interpretations thereof and any agreement entered into pursuant to Section 1471(b)(1) of the Internal Revenue Code. For purposes of this Section 8.04, "applicable law" includes FATCA.

"Taxes" means any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings including any interest, additions to tax or penalties applicable thereto with respect to any payment by or on account of any obligation of the Borrower pursuant to this Agreement or any Note, *excluding* (i) in the case of each Lender and the Administrative Agent, taxes imposed on its income, net worth or gross receipts and franchise or similar taxes imposed on it by a jurisdiction under the laws of which such Lender or the Administrative Agent (as the case may be) is organized or in which its principal executive office is located or, in the case of each Lender, in which its Applicable Lending Office is located, (ii) in the case of each Lender, any United States withholding tax imposed on such payments except to the extent that (A) such Lender is subject to United States withholding tax by reason of a U.S. Tax Law Change or (B) in the case of a Lender not listed on the signature pages hereof or a Participant, amounts with respect to such Taxes were payable pursuant to Section 8.04 to such Lender's assignor or to such Participant's participating Lender immediately before such Lender or Participant acquired the applicable interest in a Loan or Commitment; (iii) Taxes attributable to such Lender's or Administrative Agent's failure to comply with Section 8.04(d) or (e) and (iv) any U.S. federal withholding Taxes imposed under FATCA.

"Other Taxes" means any present or future stamp or documentary taxes and any other excise or property taxes, or similar charges or levies, which arise from any payment made pursuant to this Agreement or under any Note or from the execution or delivery of, or otherwise with respect to, this Agreement or any Note.

“U.S. Tax Law Change” means with respect to any Lender or Participant the occurrence (x) in the case of each Lender listed on the signature pages hereof, after the date of its execution and delivery of this Agreement and (y) in the case of any other Lender, after the date such Lender shall have become a Lender hereunder, and (z) in the case of each Participant, after the date such Participant became a Participant hereunder, of the adoption of any applicable U.S. federal law, U.S. federal rule or U.S. federal regulation relating to taxation, or any change therein, or the entry into force, modification or revocation of any income tax convention or treaty to which the United States is a party.

(b) Any and all payments by or any account of the Borrower to or for the account of any Lender or the Administrative Agent hereunder or under any Note shall be made without deduction for any Taxes or Other Taxes, except as required by applicable law; *provided* that if the Borrower or the Administrative Agent shall be required by law to deduct any Taxes or Other Taxes from any such payments, (i) the sum payable by the Borrower shall be increased as necessary so that after all required deductions are made (including deductions applicable to additional sums payable under this Section 8.04) such Lender or the Administrative Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower or the Administrative Agent shall make such deductions, (iii) the Borrower or the Administrative Agent shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law and (iv) if the withholding agent is the Borrower, the Borrower shall furnish to the Administrative Agent, at its address referred to in Section 9.01, the original or a certified copy of a receipt evidencing payment thereof.

(c) The Borrower agrees to indemnify each Lender and the Administrative Agent for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section 8.04) paid by such Lender or the Administrative Agent (as the case may be) and any reasonable expenses arising therefrom or with respect thereto. This indemnification shall be paid within 15 days after such Lender or the Administrative Agent (as the case may be) makes demand therefor.

(d) Each Lender organized under the laws of a jurisdiction outside the United States, on or prior to the date of its execution and delivery of this Agreement in the case of each Lender listed on the signature pages hereof and on or prior to the date on which it becomes a Lender in the case of each other Lender, and from time to time thereafter as required by law or requested by the Borrower or the Administrative Agent (but only so long as such Lender remains lawfully able to do so), shall provide the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) with whichever of the following is applicable (including any successor forms prescribed by the Internal Revenue Service):

(i) in the case of a Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest hereunder or under any Note, executed originals of IRS Form W-8BEN establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the “interest” article of such tax treaty and (y) with respect to any other applicable payments hereunder or under any Note, IRS Form W-8BEN establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the “business profits” or “other income” article of such tax treaty;

(ii) executed originals of IRS Form W-8ECI;

(iii) in the case of a Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Internal Revenue Code, (x) a certificate reasonably acceptable to the Administrative Agent to the effect that such Lender is not a “bank” within the meaning of Section 881(c)(3)(A) of the Internal Revenue Code, a “10 percent shareholder” of the Borrower within the meaning of Section 881(c)(3)(B) of the Internal Revenue Code, or a “controlled foreign corporation” described in Section 881(c)(3)(C) of the Internal Revenue Code (a “**U.S. Tax Compliance Certificate**”) and (y) executed originals of IRS Form W-8BEN; or

(iv) to the extent a Lender is not the beneficial owner, executed originals of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN, a U.S. Tax Compliance Certificate, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; *provided* that if the Lender is a partnership and one or more direct or indirect partners of such Lender are claiming the portfolio interest exemption, such Lender may provide a U.S. Tax Compliance Certificate on behalf of each such direct and indirect partner.

(e) Any Lender that is organized under the laws of a jurisdiction within the United States shall deliver to the Borrower and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), executed originals of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax.

(f) If a payment made to a Lender hereunder or under any Note would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Internal Revenue Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Internal Revenue Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender’s obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (f), “FATCA” shall include any amendments made to FATCA after the date of this Agreement.

(g) Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower and the Administrative Agent in writing of its legal inability to do so.

(h) If a Lender, which is otherwise exempt from or subject to a reduced rate of withholding tax, becomes subject to Taxes because of its failure to deliver a form required hereunder, the Borrower shall take such steps as such Lender shall reasonably request to assist such Lender to recover such Taxes.

(i) If the Borrower is required to pay additional amounts to or for the account of any Lender pursuant to this Section 8.04, then such Lender will take such action (including changing

the jurisdiction of its Applicable Lending Office) as in the good faith judgment of such Lender (i) will eliminate or reduce any such additional payment which may thereafter accrue and (ii) is not otherwise disadvantageous to such Lender.

(j) If any Lender or the Administrative Agent receives a refund of any Taxes or Other Taxes for which the Borrower has made a payment under Section 8.04(b) or (c) and such refund was received from the taxing authority which originally imposed such Taxes or Other Taxes, such Lender or the Administrative Agent agrees to reimburse the Borrower to the extent of such refund; *provided* that nothing contained in this paragraph (j) shall require any Lender or the Administrative Agent to seek any such refund or make available its tax returns (or any other information relating to its taxes which it deems to be confidential).

(k) Each Lender shall severally indemnify the Administrative Agent, within 10 days after demand therefor, for (i) any Taxes attributable to such Lender (but only to the extent that the Borrower has not already indemnified the Administrative Agent for such Taxes and without limiting the obligation of the Borrower to do so), (ii) any taxes attributable to such Lender's failure to comply with the provisions of Section 9.06(b) relating to the maintenance of a Participant Register and (iii) any taxes excluded from the definition of Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent in connection with this Agreement or any Note, and any reasonable expenses arising therefrom or with respect thereto. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender hereunder or under any Note or otherwise payable by the Administrative Agent to the Lender from any other source against any amount due to the Administrative Agent under this paragraph (k).

Section 8.05. *Base Rate Loans Substituted for Affected Euro-Dollar Loans.* If (i) the obligation of any Lender to make or to continue or convert outstanding Loans as or into Euro-Dollar Loans has been suspended pursuant to Section 8.02 or (ii) any Lender has demanded compensation under Section 8.03(a) with respect to its Euro-Dollar Loans and the Borrower shall, by at least five Euro-Dollar Business Days' prior notice to such Lender through the Administrative Agent, have elected that the provisions of this Section shall apply to such Lender, then, unless and until such Lender notifies the Borrower that the circumstances giving rise to such suspension or demand for compensation no longer apply:

(a) all Loans which would otherwise be made by such Lender as (or continued as or converted to) Euro-Dollar Loans, as the case may be, shall instead be Base Rate Loans (on which interest and principal shall be payable contemporaneously with the related Euro-Dollar Loans of the other Lenders), and

(b) after each of its Euro-Dollar Loans has been repaid, all payments of principal which would otherwise be applied to repay such Loans shall be applied to repay its Base Rate Loans instead.

If such Lender notifies the Borrower that the circumstances giving rise to such suspension or demand for compensation no longer exist, the principal amount of each such Base Rate Loan shall be converted into a Euro-Dollar Loan on the first day of the next succeeding Interest Period applicable to the related Euro-Dollar Loans of the other Lenders.

Section 8.06. *Substitution of Lender; Termination Option.* If (i) the obligation of any Lender to make or to convert or continue outstanding Loans as or into Euro-Dollar Loans has been suspended pursuant to Section 8.02, (ii) any Lender has demanded compensation under Section 8.03 or 8.04 (including any demand made by a Lender on behalf of a Participant), (iii) [reserved], (iv) any Lender becomes a Defaulting Lender, (v) Investment Grade Status ceases to exist as to any Lender or, (vi) for purposes of (a) below only, any Lender becomes a Non-Consenting Lender, then:

(a) the Borrower shall have the right, with the assistance of the Administrative Agent (or, if the Administrative Agent is a Defaulting Lender, the Required Lenders), to designate an Assignee (which may be one or more of the Lenders) mutually satisfactory to the Borrower and, so long as any such Persons are not Defaulting Lenders, the Administrative Agent (whose consent shall not be unreasonably withheld or delayed) to purchase for cash, pursuant to an Assignment and Assumption Agreement in substantially the form of Exhibit D hereto, the outstanding Loans of such Lender and assume the Commitment of such Lender (including any Commitments and Loans that have been participated), without recourse to or warranty by, or expense to, such Lender, for a purchase price equal to the principal amount of all of such Lender's outstanding Loans plus any accrued but unpaid interest thereon and the accrued but unpaid fees in respect of such Lender's Commitment hereunder and all other amounts payable by the Borrower to such Lender hereunder plus such amount, if any, as would be payable pursuant to Section 2.13 if the outstanding Loans of such Lender were prepaid in their entirety on the date of consummation of such assignment; and

(b) if at the time Investment Grade Status exists as to the Borrower, the Borrower may elect to terminate this Agreement as to such Lender (including any Commitments and Loans that have been participated); *provided* that (i) the Borrower notifies such Lender through the Administrative Agent (or, if the Administrative Agent is a Defaulting Lender, the Required Lenders) of such election at least three Euro-Dollar Business Days before the effective date of such termination and (ii) the Borrower repay or prepay the principal amount of all outstanding Loans made by such Lender plus any accrued but unpaid interest thereon and the accrued but unpaid fees in respect of such Lender's Commitment hereunder plus all other amounts payable by the Borrower to such Lender hereunder, not later than the effective date of such termination.

ARTICLE 9

Miscellaneous

Section 9.01. *Notices.*

(a) All notices, requests and other communications to any party hereunder shall be in writing (including electronic transmission, bank wire, facsimile transmission or similar writing) and shall be given to such party: (x) in the case of the Borrower or the Administrative Agent, at its address or facsimile number set forth on the signature pages hereof, (y) in the case of any Lender, at its address or facsimile number set forth in its Administrative Questionnaire or (z) in the case of any party, such other address or facsimile number as such party may hereafter specify for the purpose by notice to the Administrative Agent and the Borrower. Each such notice, request or other communication shall be effective (i) if given by facsimile, when such facsimile is transmitted to the facsimile number specified in this Section and the appropriate answerback or confirmation slip, as the case may be, is received or (ii) if given by any other means, when delivered at the address specified in this Section; *provided* that notices to the Administrative

Agent under Article 2 or Article 8 shall not be effective until delivered. Notices delivered through electronic communications shall be effective as and to the extent provided in subsection (b) below.

(b) Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communication (including e-mail and internet or intranet websites) pursuant to procedures approved by the Administrative Agent or as otherwise determined by the Administrative Agent, provided that the foregoing shall not apply to notices to any Lender pursuant to Article 2 if such Lender has notified the Administrative Agent that it is incapable of receiving notices under such Section by electronic communication. The Administrative Agent or the Borrower may, in its respective discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it or as it otherwise determines, provided that such determination or approval may be limited to particular notices or communications. Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if such notice or other communication is not given during the normal business hours of the recipient, such notice or communication shall be deemed to have been given at the opening of business on the next Domestic Business Day or Euro-Dollar Business Day, as applicable, for the recipient, and (ii) notices or communications posted to an internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

Section 9.02. *No Waivers.* No failure or delay by the Administrative Agent or any Lender in exercising any right, power or privilege hereunder or under any Note shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 9.03. *Expenses; Indemnification.* (a) The Borrower shall pay (i) all reasonable out-of-pocket expenses of the Administrative Agent, including reasonable fees and disbursements of one special counsel for the Administrative Agent, in connection with the preparation of this Agreement, any waiver or consent hereunder or any amendment hereof or any Default or alleged Default with respect to the Borrower hereunder and (ii) if an Event of Default with respect to the Borrower occurs, all reasonable out-of-pocket expenses incurred by the Administrative Agent or any Lender, including reasonable fees and disbursements of one primary counsel for the Administrative Agent and the Lenders (and (x) if necessary, a single firm of local counsel to the Administrative Agent and the Lenders in each appropriate jurisdiction and (y) solely in the case of any actual or potential conflict of interest, one additional counsel in each relevant jurisdiction to the affected Persons similarly situated), in connection with such Event of Default and collection and other enforcement proceedings resulting therefrom.

(b) The Borrower agrees to indemnify the Administrative Agent and each Lender and the respective Related Parties of the foregoing (each an "**Indemnitee**") and hold each Indemnitee harmless from and against any and all liabilities, losses, penalties, damages, costs and expenses of any kind, including, without limitation, the reasonable fees and disbursements of one counsel for

all Indemnitees taken as a whole and, in the case of any actual or potential conflict of interest, one additional counsel to each group of affected Indemnitees similarly situated taken as a whole, which may be incurred by such Indemnitee in connection with any investigative, administrative or judicial proceeding (whether or not such Indemnitee shall be designated a party thereto) relating to or arising out of this Agreement or any actual or proposed use of proceeds of Loans hereunder; *provided* that no Indemnitee shall have the right to be indemnified hereunder for such Indemnitee's own gross negligence or willful misconduct as determined by a court of competent jurisdiction. This Section shall not apply to Taxes other than any Taxes that represent losses, claims, damages, etc. arising from any non-Tax claim.

(c) To the fullest extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or the use of the proceeds thereof. No Indemnitee referred to in paragraph (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the transactions contemplated hereby or thereby.

Section 9.04. *Sharing of Set-offs.* Each Lender agrees that if it shall, by exercising any right of set-off or counterclaim or otherwise, receive payment of a proportion of the aggregate amount then due with respect to the Loans held by it which is greater than the proportion received by any other Lender in respect of the aggregate amount then due with respect to the Loans held by such other Lender, the Lender receiving such proportionately greater payment shall purchase such participations in the Loans held by the other Lenders, and such other adjustments shall be made, as may be required so that all such payments with respect to the Loans held by the Lenders shall be shared by the Lenders pro rata; *provided* that nothing in this Section shall impair the right of any Lender to exercise any right of set-off or counterclaim it may have and to apply the amount subject to such exercise to the payment of indebtedness of the Borrower other than its indebtedness under this Agreement.

Section 9.05. *Amendments and Waivers.* (a) Any provision of this Agreement or the Notes may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Borrower and the Required Lenders (and, if the rights or duties of the Administrative Agent is affected thereby, by the Administrative Agent); *provided* that no such amendment or waiver shall (x) unless signed by each adversely affected Lender, (i) increase the Commitment of any Lender or subject any Lender to any additional obligation, (ii) reduce the principal of or rate of interest on any Loan or any interest thereon or any fees hereunder, (iii) postpone the date fixed for any payment of principal of or interest on any Loan or interest thereon or any fees hereunder or for termination of any Commitment, or (iv) change the provisions of Section 9.04 or of any other provision of this Agreement providing for the ratable application of payments in respect of the Loans or (y) unless signed by all Lenders, change the definition of Required Lenders or the provisions of this Section 9.05.

(b) (i) If any representation or warranty in Article 4 of the Master Credit Facility, any covenant in Article 5 of the Master Credit Facility or any event of default in Article 6 of the Master Credit Facility and, in each case, any related definitions in the Master Credit Facility, is replaced, changed, amended, modified, supplemented or removed or (ii) any Default or Event of

Default (as such terms are defined in the Master Credit Facility) is waived (any of the foregoing in clauses (i) and (ii), a “**Change**”), regardless of whether the Master Credit Facility is replaced, refinanced, amended and restated, amended, modified or supplemented and regardless of whether any such Change occurs in the corresponding article or definitions, such Change shall be incorporated automatically into this Agreement, or in the case of a waiver will be applied automatically to this Agreement for the corresponding Default or Event of Default occurring hereunder, upon the later of (A) the effectiveness of such Change in the Master Credit Facility and (B) the 30th day after the Administrative Agent’s receipt of notice from the Borrower of such Change, provided that the Required Lenders hereunder do not notify the Borrower through the Administrative Agent within 30 days after the Administrative Agent’s receipt of such notice from the Borrower of their election (which may be made in their discretion) that such Change shall not be effective with respect to this Agreement; *provided* that no Change to the Master Credit Facility shall amend, waive, modify or impact the rights or remedies of the Lenders with respect to a Default or Event of Default under Section 6.01(a) of this Agreement.

Section 9.06. *Successors and Assigns.* (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns and each Indemnitee, except that no Borrower may assign or otherwise transfer any of its rights under this Agreement without the prior written consent of all Lenders.

(b) Any Lender may, with the consent (unless an Event of Default then exists) of the Borrower (such consent not to be unreasonably withheld or delayed), at any time grant to one or more banks or other institutions (each a “**Participant**”) participating interests in its Commitment or any or all of its Loans; *provided* that any Lender may, without the consent of the Borrower, at any time grant participating interests in its Commitment or any or all of its Loans to another Lender, an Approved Fund or an Affiliate of such transferor Lender. In the event of any such grant by a Lender of a participating interest to a Participant, whether or not upon notice to the Administrative Agent, such Lender shall remain responsible for the performance of its obligations hereunder, and the Borrower and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender’s rights and obligations under this Agreement. Any agreement pursuant to which any Lender may grant such a participating interest shall provide that (A) such Participant agrees to be subject to Section 8.06 as if it were an Assignee under paragraph (c) of this Section 9.06 or as if it were the Lender granting such participation and (B) such Lender shall retain the sole right and responsibility to enforce the obligations of the Borrower hereunder including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement; *provided* that such participation agreement may provide that such Lender will not agree to any modification, amendment or waiver of this Agreement described in clause (x)(i), (ii) or (iii) of Section 9.05(a) without the consent of the Participant. The Borrower agrees that each Participant shall, to the extent provided in its participation agreement, be entitled to the benefits of Article 8 with respect to its participating interest, subject to the performance by such Participant of the obligations of a Lender thereunder (it being understood that the documentation required under Section 8.04 shall be delivered by the Participant to the participating Lender and the Participant agrees to be subject to the provisions of Sections 8.04(i), 8.04(j) and 8.06 as if it were an Assignee). In addition, each Lender that sells a participation agrees, at the Borrower’s request, to use reasonable efforts to cooperate with the Borrower to effectuate the provisions of Section 8.06 with respect to any Participant. An assignment or other transfer which is not permitted by subsection (c) or (d) below shall be given effect for purposes of this Agreement only to the extent of a participating interest granted in accordance with this subsection (b). Each Lender that sells a participation shall, acting

solely for this purpose as a non-fiduciary agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations hereunder or under any Note (the "**Participant Register**"); *provided* that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant (other than for the consent requirements set forth in the first sentence of this Section 9.06(b)) or any information relating to a Participant's interest in any Commitments, Loans or its other obligations hereunder or under any Note) to any Person except to the extent that such disclosure is necessary to establish that such Commitment, Loan or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(c) Any Lender may at any time assign to one or more banks or other financial institutions (each an "**Assignee**") other than (w) the Borrower, (x) a Subsidiary or Affiliate of the Borrower, (y) a Defaulting Lender or any Person who, upon becoming a Lender hereunder, would constitute a Defaulting Lender, or (z) a natural person (or a holding company, investment vehicle or trust for, or owned and operated for the primary benefit of, a natural person), all, or a proportionate part (equivalent to a Commitment of not less than \$10,000,000 (unless the Borrower and the Administrative Agent shall otherwise agree)) of all, of its rights and obligations under this Agreement and its Note (if any), and such Assignee shall assume such rights and obligations, pursuant to an Assignment and Assumption Agreement in substantially the form of Exhibit D hereto executed by such Assignee and such transferor Lender, with (and only with and subject to) the prior written consent of the Administrative Agent (which shall not be unreasonably withheld or delayed) and, so long as no Event of Default has occurred and is continuing, the Borrower (which shall not be unreasonably withheld or delayed); *provided* that unless such assignment is of the entire right, title and interest of the transferor Lender hereunder, after making any such assignment such transferor Lender shall have a Commitment of at least \$10,000,000 (unless the Borrower and the Administrative Agent shall otherwise agree). Upon execution and delivery of such instrument of assumption and payment by such Assignee to such transferor Lender of an amount equal to the purchase price agreed between such transferor Lender and such Assignee, such Assignee shall be a Lender party to this Agreement and shall have all the rights and obligations of a Lender with a Commitment as set forth in such instrument of assumption, and the transferor Lender shall be released from its obligations hereunder to a corresponding extent, and no further consent or action by any party shall be required. Upon the consummation of any assignment pursuant to this subsection (c), the transferor Lender, the Administrative Agent and the Borrower shall make appropriate arrangements so that, if required by the Assignee, a Note(s) is issued to the Assignee. The Assignee shall, prior to the first date on which interest or fees are payable hereunder for its account, deliver to the Borrower and the Administrative Agent any certifications, forms or other documentation in accordance with Section 8.04. All assignments (other than assignments to Affiliates) shall be subject to a transaction fee established by, and payable by the transferor Lender to, the Administrative Agent for its own account (which shall not exceed \$3,500).

(d) Any Lender may at any time assign all or any portion of its rights under this Agreement and its Note (if any) to a Federal Reserve Bank. No such assignment shall release the transferor Lender from its obligations hereunder or modify any such obligations.

(e) No Assignee, Participant or other transferee of any Lender's rights (including any Applicable Lending Office other than such Lender's initial Applicable Lending Office) shall be entitled to receive any greater payment under Section 8.03 or 8.04 than such Lender would have been entitled to receive with respect to the rights transferred, unless such transfer is made by reason of the provisions of Section 8.02, 8.03 or 8.04 requiring such Lender to designate a different Applicable Lending Office under certain circumstances or at a time when the circumstances giving rise to such greater payment did not exist.

Section 9.07. *Collateral.* Each of the Lenders represents to the Administrative Agent and each of the other Lenders that it in good faith is not relying upon any "margin stock" (as defined in Regulation U) as collateral in the extension or maintenance of the credit provided for in this Agreement.

Section 9.08. *Confidentiality.* The Administrative Agent and each Lender (i) agrees to keep any information delivered or made available by the Borrower pursuant to this Agreement confidential from anyone other than persons employed or retained by such Lender and its Affiliates who are engaged in evaluating, approving, structuring or administering the credit facility contemplated hereby and (ii) further agrees on behalf of itself and, to the extent it has the power to do so, its Affiliates and agents, to keep all other information delivered or made available to it by the Borrower or Affiliate of the Borrower for other purposes which, (x) is marked confidential and is expressly made available subject to the terms of this section, and (y) is not otherwise subject to a confidentiality agreement, confidential from anyone other than persons employed or retained by such Lender and its Affiliates and agents who need to receive such information in furtherance of the engagement or matter pursuant to which the information is provided; *provided* that nothing herein shall prevent any Lender or, solely with respect to information disclosed in a manner set forth in clauses (b) through (g) and ~~Error! Reference source not found.~~(k) in this Section 9.08, any Affiliate of such Lender from disclosing such information, to the extent necessary under the circumstances under which such disclosure is required, (a) to any other Lender or the Administrative Agent, (b) upon the order of any court or administrative agency, (c) upon the request or demand of any regulatory agency or authority or self-regulatory body, (d) which had been publicly disclosed other than as a result of a disclosure by the Administrative Agent or any Lender prohibited by this Agreement or which had already been in the possession of any Lender or not acquired from the Borrower or persons known by the Lenders to be in breach of an obligation of confidentiality to the Borrower, (e) in connection with any litigation to which the Administrative Agent, any Lender or any Affiliate or their respective subsidiaries or Parent may be a party, (f) to the extent necessary in connection with the exercise of any remedy hereunder or other engagement or matter, (g) to such Lender's, Affiliate's or the Administrative Agent's legal counsel and independent auditors, (h) subject to provisions substantially similar to those contained in this Section 9.08, to any actual or proposed Participant or Assignee, (i) to any direct, indirect, actual or prospective counterparty (and its advisor) to any swap, derivative or securitization transaction related to the obligations under this Agreement, (j) on a confidential basis to the CUSIP Service Bureau or any similar agency in connection with the issuance and monitoring of CUSIP numbers with respect to the loans, (k) on a confidential basis to rating agencies in consultation and coordination with the Borrower, (l) for purposes of establishing a "due diligence" defense, (m) with the consent of the Borrower and (n) on a

confidential basis to any credit insurance provider requiring access to such information in connection with credit insurance for the benefit of the disclosing Lender.

Section 9.09. *Governing Law; Submission to Jurisdiction.* This Agreement and each Note (if any) shall be construed in accordance with and governed by the law of the State of New York. The Borrower and each Lender Party hereby submits to the exclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York State court sitting in New York County for purposes of all legal proceedings arising out of or relating to this Agreement or the transactions contemplated hereby. The Borrower and each Lender Party irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum.

Section 9.10. *Counterparts; Integration.* This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. Delivery of an executed signature page of this Agreement by facsimile or electronic transmission shall be effective as delivery of a manually executed counterpart hereof. This Agreement constitutes the entire agreement and understanding among the parties hereto and supersedes any and all prior agreements and understandings, oral or written, relating to the subject matter hereof.

Section 9.11. *WAIVER OF JURY TRIAL.* EACH OF THE BORROWER, THE ADMINISTRATIVE AGENT AND THE LENDERS, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO UNDER APPLICABLE LAW, HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 9.12. *USA Patriot Act.* Each Lender hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act, Title III of Pub. L. 107-56 (signed into law October 26, 2001) (the “Act”), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender to identify the Borrower in accordance with the Act.

Section 9.13. *[Reserved].*

Section 9.14. *No Fiduciary Duty.* The Borrower agrees that in connection with all aspects of the Loans contemplated by this Agreement and any communications in connection therewith, (i) the Borrower and its Subsidiaries, on the one hand, and the Administrative Agent, the Lenders and their respective affiliates, on the other hand, will have a business relationship that does not create, by implication or otherwise, any fiduciary duty on the part of the Administrative Agent, the Lenders or their respective affiliates, and no such duty will be deemed to have arisen in connection with any such transactions or communications and (ii) the Administrative Agent, the Lenders and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Borrower and its Affiliates, and neither the Administrative Agent nor any Lender has any obligation to disclose any of such interests to the Borrower or any of its Affiliates.

Section 9.15. *Survival.* Each party's rights and obligations under Articles 7, 8 and 9 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all obligations hereunder or under any Note and the termination of this Agreement.

Section 9.16. *Acknowledgment and Consent to Bail-In of EEA Financial Institutions.* Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

- (a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and
- (b) the effects of any Bail-in Action on any such liability, including, if applicable:
 - (i) a reduction in full or in part or cancellation of any such liability;
 - (ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or
 - (iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year above first written.

PIEDMONT NATURAL GAS COMPANY,
INC., as the Borrower.

By: _____
Name:
Title:

[Signature Page to Credit Agreement]

U.S. BANK NATIONAL ASSOCIATION,
as a Lender and as Administrative Agent

By: _____
Name:
Title:

[Signature Page to Credit Agreement]

[LENDER], as a Lender

By: _____
Name:
Title:

[Signature Page to Credit Agreement]

COMMITMENT SCHEDULE

Lender	Total Commitments
U.S. Bank National Association	\$70,000,000
Branch Banking and Trust Company	\$70,000,000
Regions Bank	\$70,000,000
PNC Bank, National Association	\$40,000,000
<u>The Bank of New York Mellon</u>	<u>\$50,000,000</u>
<u>KeyBank, National Association</u>	<u>\$50,000,000</u>
TOTAL	\$250,000,000 <u>350,000,000</u>

EXHIBIT A

NOTE

New York, New York
_____, 20__

For value received, Piedmont Natural Gas Company, Inc., a North Carolina corporation (the "**Borrower**"), promises to pay to [] (the "**Lender**") or its registered assigns, for the account of its Applicable Lending Office, the unpaid principal amount of each Loan made by the Lender to the Borrower pursuant to the Credit Agreement referred to below on the date specified in the Credit Agreement. The Borrower promises to pay interest on the unpaid principal amount of each such Loan on the dates and at the rate or rates provided for in the Credit Agreement. All such payments of principal and interest shall be made in lawful money of the United States in Federal or other immediately available funds at the office of U.S. Bank National Association.

All Loans made by the Lender, the respective types and maturities thereof and all repayments of the principal thereof shall be recorded by the Lender, and the Lender, if the Lender so elects in connection with any transfer or enforcement of its Note, may endorse on the schedule attached hereto appropriate notations to evidence the foregoing information with respect to the Loans then outstanding; *provided* that the failure of the Lender to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under the Credit Agreement.

This note is one of the Notes referred to in the Term Loan Credit Agreement dated as of June 14, 2017 among Piedmont Natural Gas Company, Inc., the Lenders party thereto and U.S. Bank National Association, as Administrative Agent (as the same may be amended from time to time, the "**Credit Agreement**"). Terms defined in the Credit Agreement are used herein with the same meanings. Reference is made to the Credit Agreement for provisions for the prepayment hereof and the acceleration of the maturity hereof.

PIEDMONT NATURAL GAS
COMPANY, INC.

By: _____
Title:

Note (cont'd)

LOANS AND PAYMENTS OF PRINCIPAL

Date	Amount of Loan	Type of Loan	Amount of Principal Repaid	Maturity Date	Notation Made By

EXHIBIT B

[RESERVED]

C-1

EXHIBIT C

[RESERVED]

C-1

EXHIBIT D

ASSIGNMENT AND ASSUMPTION AGREEMENT

AGREEMENT dated as of _____, 20__ among [ASSIGNOR] (the “**Assignor**”), [ASSIGNEE] (the “**Assignee**”), [PIEDMONT NATURAL GAS COMPANY, INC.] and U.S. BANK NATIONAL ASSOCIATION, as Administrative Agent (the “**Administrative Agent**”).

WITNESSETH

WHEREAS, this Assignment and Assumption Agreement (the “**Agreement**”) relates to the Term Loan Credit Agreement dated as of June 14, 2017 among Piedmont Natural Gas Company, Inc., the Assignor and the other Lenders party thereto, as Lenders and the Administrative Agent (the “**Credit Agreement**”);

WHEREAS, as provided under the Credit Agreement, the Assignor has a Commitment to make Loans to the Borrower in an aggregate principal amount at any time outstanding not to exceed \$ _____;

WHEREAS, Loans made to the Borrower by the Assignor under the Credit Agreement in the aggregate principal amount of \$ _____ are outstanding at the date hereof; and

WHEREAS, the Assignor proposes to assign to the Assignee all of the rights of the Assignor under the Credit Agreement in respect of a portion of its [Commitment /outstanding Loan] thereunder in an amount equal to \$ _____ (the “**Assigned Amount**”), and the Assignee proposes to accept assignment of such rights and assume the corresponding obligations from the Assignor on such terms;*

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein, the parties hereto agree as follows:

SECTION 1. *Definitions.* All capitalized terms not otherwise defined herein shall have the respective meanings set forth in the Credit Agreement.

SECTION 2. *Assignment.* The Assignor hereby assigns and sells to the Assignee all of the rights of the Assignor under the Credit Agreement to the extent of the Assigned Amount, and the Assignee hereby accepts such assignment from the Assignor and assumes all of the obligations of the Assignor under the Credit Agreement to the extent of the Assigned Amount, including the purchase from the Assignor of the corresponding portion of the principal amount of the Loans made by the Assignor outstanding at the date hereof. Upon the execution and delivery hereof by the Assignor, the Assignee [,Piedmont Natural Gas Company, Inc.] and the Administrative Agent, and the payment of the amounts specified in Section 3 required to be paid on the date hereof (i) the Assignee shall, as of the date hereof, succeed to the rights and be obligated to perform the obligations of a Lender under the Credit Agreement with a Commitment in an amount equal to the Assigned Amount, and (ii) the Commitment of the Assignor shall, as of the date hereof, be reduced by a like amount and the Assignor released from its obligations under the Credit Agreement to the extent such obligations have been assumed by the Assignee. The assignment provided for herein shall be without recourse to the Assignor.

SECTION 3. *Payments.* As consideration for the assignment and sale contemplated in Section 2 hereof, the Assignee shall pay to the Assignor on the date hereof in Federal funds the amount heretofore agreed between them.¹ Each of the Assignor and the Assignee hereby agrees that if it receives any amount under the Credit Agreement which is for the account of the other party hereto, it shall receive the same for the account of such other party to the extent of such other party's interest therein and shall promptly pay the same to such other party.

SECTION 4. *Consent to Assignment.* This Agreement is conditioned upon the consent of [Piedmont Natural Gas Company, Inc.,] and the Administrative Agent pursuant to Section 9.06(c) of the Credit Agreement. The execution of this Agreement by [Piedmont Natural Gas Company, Inc.,] and the Administrative Agent is evidence of this consent. Pursuant to Section 9.06(c) the Borrower agrees to execute and deliver a Note, if required by the Assignee, payable to the order of the Assignee to evidence the assignment and assumption provided for herein.

SECTION 5. *Non-reliance on Assignor.* The Assignor makes no representation or warranty in connection with, and shall have no responsibility with respect to, the solvency, financial condition, or statements of the Borrower, or the validity and enforceability of the obligations of the Borrower in respect of the Credit Agreement or any Note. The Assignee acknowledges that it has, independently and without reliance on the Assignor, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and will continue to be responsible for making its own independent appraisal of the business, affairs and financial condition of the Borrower.

SECTION 6. *Governing Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 7. *Counterparts.* This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

SECTION 8. *Administrative Questionnaire.* Attached is an Administrative Questionnaire duly completed by the Assignee.

¹ Amount should combine principal together with accrued interest and breakage compensation, if any, to be paid by the Assignee. It may be preferable in an appropriate case to specify these amounts generically or by formula rather than as a fixed sum.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered by their duly authorized officers as of the date first above written.

[ASSIGNOR]

By: _____
Title:

[ASSIGNEE]

By: _____
Title:

[PIEDMONT NATURAL GAS COMPANY, INC.]

By: _____
Title:

[U.S. BANK NATIONAL ASSOCIATION] as
Administrative Agent

By: _____
Title:

EXHIBIT 12

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES - DUKE ENERGY CORPORATION

The ratio of earnings to fixed charges is calculated using the Securities and Exchange Commission guidelines.

(in millions)	Nine Months Ended September 30,		Years Ended December 31,				
	2018	2017	2016	2015	2014	2013	
Earnings as defined for fixed charges calculation							
Add:							
Pretax income from continuing operations ^(a)	\$ 2,603	\$ 4,142	\$ 3,668	\$ 3,832	\$ 3,636	\$ 3,204	
Fixed charges	1,772	2,205	2,170	1,859	1,871	1,886	
Distributed income of equity investees	81	16	30	104	136	109	
Deduct:							
Interest capitalized	7	4	10	18	7	8	
Total earnings	\$ 4,449	\$ 6,359	\$ 5,858	\$ 5,777	\$ 5,636	\$ 5,191	
Fixed charges:							
Interest on debt, including capitalized portions	\$ 1,695	\$ 2,104	\$ 2,066	\$ 1,733	\$ 1,733	\$ 1,760	
Estimate of interest within rental expense	77	101	104	126	138	126	
Total fixed charges	\$ 1,772	\$ 2,205	\$ 2,170	\$ 1,859	\$ 1,871	\$ 1,886	
Ratio of earnings to fixed charges	2.5	2.9	2.7	3.1	3.0	2.8	

(a) Excludes amounts attributable to noncontrolling interests and income or loss from equity investees.

EXHIBIT 31.1.1

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Lynn J. Good, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Corporation;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2018

/s/ LYNN J. GOOD

Lynn J. Good
Chairman, President and
Chief Executive Officer

EXHIBIT 31.1.2

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Lynn J. Good, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Carolinas, LLC;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2018

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

EXHIBIT 31.1.3

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Lynn J. Good, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Progress Energy, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2018

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

EXHIBIT 31.1.4

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Lynn J. Good, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Progress, LLC;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2018

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

EXHIBIT 31.1.5

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Lynn J. Good, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Florida, LLC;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2018

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

EXHIBIT 31.1.6

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Lynn J. Good, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Ohio, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2018

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

EXHIBIT 31.1.7

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Lynn J. Good, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Indiana, LLC;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2018

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

EXHIBIT 31.1.8

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Lynn J. Good, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Piedmont Natural Gas Company, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2018

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

EXHIBIT 31.2.1

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Steven K. Young, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Corporation;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2018

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

EXHIBIT 31.2.2

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Steven K. Young, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Carolinas, LLC;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2018

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

EXHIBIT 31.2.3

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Steven K. Young, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Progress Energy, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2018

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

EXHIBIT 31.2.4

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Steven K. Young, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Progress, LLC;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2018

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

EXHIBIT 31.2.5

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Steven K. Young, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Florida, LLC;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2018

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

EXHIBIT 31.2.6

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Steven K. Young, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Ohio, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2018

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

EXHIBIT 31.2.7

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Steven K. Young, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Indiana, LLC;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2018

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

EXHIBIT 31.2.8

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Steven K. Young, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Piedmont Natural Gas Company, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2018

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

EXHIBIT 32.1.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Corporation ("Duke Energy") on Form 10-Q for the period ending September 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynn J. Good, Chairman, President and Chief Executive Officer of Duke Energy, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy.

/s/ LYNN J. GOOD

Lynn J. Good
Chairman, President and
Chief Executive Officer

November 2, 2018

EXHIBIT 32.1.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Carolinas, LLC ("Duke Energy Carolinas") on Form 10-Q for the period ending September 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynn J. Good, Chief Executive Officer of Duke Energy Carolinas, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Carolinas.

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

November 2, 2018

EXHIBIT 32.1.3

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Progress Energy, Inc. ("Progress Energy") on Form 10-Q for the period ending September 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynn J. Good, Chief Executive Officer of Progress Energy, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Progress Energy.

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

November 2, 2018

EXHIBIT 32.1.4

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Progress, LLC ("Duke Energy Progress") on Form 10-Q for the period ending September 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynn J. Good, Chief Executive Officer of Duke Energy Progress, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Progress.

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

November 2, 2018

EXHIBIT 32.1.5

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Florida, LLC ("Duke Energy Florida") on Form 10-Q for the period ending September 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynn J. Good, Chief Executive Officer of Duke Energy Florida, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Florida.

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

November 2, 2018

EXHIBIT 32.1.6

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Ohio, Inc. ("Duke Energy Ohio") on Form 10-Q for the period ending September 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynn J. Good, Chief Executive Officer of Duke Energy Ohio, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Ohio.

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

November 2, 2018

EXHIBIT 32.1.7

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Indiana, LLC ("Duke Energy Indiana") on Form 10-Q for the period ending September 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynn J. Good, Chief Executive Officer of Duke Energy Indiana, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Indiana.

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

November 2, 2018

EXHIBIT 32.1.8

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Piedmont Natural Gas Company, Inc. ("Piedmont") on Form 10-Q for the period ending September 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynn J. Good, Chief Executive Officer of Piedmont, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Piedmont.

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

November 2, 2018

EXHIBIT 32.2.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Corporation ("Duke Energy") on Form 10-Q for the period ending September 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven K. Young, Executive Vice President and Chief Financial Officer of Duke Energy, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy.

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

November 2, 2018

EXHIBIT 32.2.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Carolinas, LLC ("Duke Energy Carolinas") on Form 10-Q for the period ending September 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven K. Young, Executive Vice President and Chief Financial Officer of Duke Energy Carolinas, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Carolinas.

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

November 2, 2018

EXHIBIT 32.2.3

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Progress Energy, Inc. ("Progress Energy") on Form 10-Q for the period ending September 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven K. Young, Executive Vice President and Chief Financial Officer of Progress Energy, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Progress Energy.

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

November 2, 2018

EXHIBIT 32.2.4

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Progress, LLC ("Duke Energy Progress") on Form 10-Q for the period ending September 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven K. Young, Executive Vice President and Chief Financial Officer of Duke Energy Progress, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Progress.

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

November 2, 2018

EXHIBIT 32.2.5

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Florida, LLC ("Duke Energy Florida") on Form 10-Q for the period ending September 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven K. Young, Executive Vice President and Chief Financial Officer of Duke Energy Florida, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Florida.

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

November 2, 2018

EXHIBIT 32.2.6

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Ohio, Inc. ("Duke Energy Ohio") on Form 10-Q for the period ending September 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven K. Young, Executive Vice President and Chief Financial Officer of Duke Energy Ohio, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Ohio.

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

November 2, 2018

EXHIBIT 32.2.7

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Indiana, LLC ("Duke Energy Indiana") on Form 10-Q for the period ending September 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven K. Young, Executive Vice President and Chief Financial Officer of Duke Energy Indiana, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Indiana.

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

November 2, 2018

EXHIBIT 32.2.8

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Piedmont Natural Gas Company, Inc. ("Piedmont") on Form 10-Q for the period ending September 30, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven K. Young, Executive Vice President and Chief Financial Officer of Piedmont, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Piedmont.

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

November 2, 2018

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 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"/>

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

<u>Registrant</u>	<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Duke Energy	Common Stock, \$0.001 par value	DUK	New York Stock Exchange LLC
Duke Energy	5.125% Junior Subordinated Debentures due January 15, 2073	DUKH	New York Stock Exchange LLC
Duke Energy	5.625% Junior Subordinated Debentures due September 15, 2078	DUKB	New York Stock Exchange LLC
Duke Energy	Depository Shares, each representing a 1/1,000th interest in a share of 5.75% Series A Cumulative Redeemable Perpetual Preferred Stock, par value \$0.001 per share	DUK PR A	New York Stock Exchange LLC

Number of shares of Common stock outstanding at April 30, 2019:

<u>Registrant</u>	<u>Description</u>	<u>Shares</u>
Duke Energy	Common stock, \$0.001 par value	728,046,950

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

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

TABLE OF CONTENTS

Cautionary Statement Regarding Forward-Looking Information

PART I. FINANCIAL INFORMATION

Item 1.	Financial Statements	
	Duke Energy Corporation Financial Statements	9
	Duke Energy Carolinas, LLC Financial Statements	14
	Progress Energy, Inc. Financial Statements	18
	Duke Energy Progress, LLC Financial Statements	22
	Duke Energy Florida, LLC Financial Statements	26
	Duke Energy Ohio, Inc. Financial Statements	30
	Duke Energy Indiana, LLC Financial Statements	34
	Piedmont Natural Gas Company, Inc. Financial Statements	38
	Combined Notes to Condensed Consolidated Financial Statements	
	Note 1 – Organization and Basis of Presentation	42
	Note 2 – Business Segments	44
	Note 3 – Regulatory Matters	46
	Note 4 – Commitments and Contingencies	54
	Note 5 – Leases	58
	Note 6 – Debt and Credit Facilities	62
	Note 7 – Asset Retirement Obligations	64
	Note 8 – Goodwill	65
	Note 9 – Related Party Transactions	66
	Note 10 – Derivatives and Hedging	67
	Note 11 – Investments in Debt and Equity Securities	72
	Note 12 – Fair Value Measurements	77
	Note 13 – Variable Interest Entities	82
	Note 14 – Revenue	86
	Note 15 – Stockholders' Equity	89
	Note 16 – Employee Benefit Plans	90
	Note 17 – Income Taxes	91
	Note 18 – Subsequent Events	92
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	93
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	113
Item 4.	Controls and Procedures	113
	PART II. OTHER INFORMATION	
Item 1.	Legal Proceedings	114
Item 1A.	Risk Factors	114
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	114
Item 6.	Exhibits	115
	Signatures	118

FORWARD LOOKING STATEMENTS

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 obtain the necessary permits and approvals and 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, operational accidents, information technology failures or other catastrophic events, such as fires, explosions, pandemic health events or other similar occurrences;
- The inherent risks associated with the operation of nuclear facilities, including environmental, health, safety, regulatory and financial risks, including the financial stability of third-party service providers;
- The timing and extent of changes in commodity prices and interest rates and the ability to recover such costs through the regulatory process, where appropriate, and their impact on liquidity positions and the value of underlying assets;
- The results of financing efforts, including the ability to obtain financing on favorable terms, which can be affected by various factors, including credit ratings, interest rate fluctuations, compliance with debt covenants and conditions and general market and economic conditions;
- Credit ratings of the Duke Energy Registrants may be different from what is expected;
- Declines in the market prices of equity and fixed-income securities and resultant cash funding requirements for defined benefit pension plans, other post-retirement benefit plans and nuclear decommissioning trust funds;
- Construction and development risks associated with the completion of the Duke Energy Registrants' capital investment projects, including risks related to financing, obtaining and complying with terms of permits, meeting construction budgets and schedules and satisfying operating and environmental performance standards, as well as the ability to recover costs from customers in a timely manner, or at all;
- Changes in rules for regional transmission organizations, including changes in rate designs and new and evolving capacity markets, and risks related to obligations created by the default of other participants;
- The ability to control operation and maintenance costs;
- The level of creditworthiness of counterparties to transactions;
- Employee workforce factors, including the potential inability to attract and retain key personnel;
- The ability of subsidiaries to pay dividends or distributions to Duke Energy Corporation holding company (the Parent);

FORWARD LOOKING STATEMENTS

- The performance of projects undertaken by our nonregulated businesses and the success of efforts to invest in and develop new opportunities;
- The effect of accounting pronouncements issued periodically by accounting standard-setting bodies;
- The impact of U.S. tax legislation to our financial condition, results of operations or cash flows and our credit ratings;
- The impacts from potential impairments of goodwill or equity method investment carrying values; and
- The ability to implement our business strategy, including enhancing existing technology systems.

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

GLOSSARY OF TERMS

Glossary of Terms

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

Term or Acronym	Definition
2013 Settlement	Revised and Restated Stipulation and Settlement Agreement approved in November 2013 among Duke Energy Florida, the Florida OPC and other customer advocates
2017 Settlement	Second Revised and Restated Settlement Agreement in 2017 among Duke Energy Florida, the Florida OPC and other customer advocates, which replaces and supplants the 2013 Settlement
ACP	Atlantic Coast Pipeline, LLC, a limited liability company owned by Dominion, Duke Energy and Southern Company Gas
ACP pipeline	The approximately 600-mile proposed interstate natural gas pipeline
AFS	Available for Sale
AFUDC	Allowance for funds used during construction
the Agents	Wells Fargo Securities, LLC, Citigroup Global Market Inc., J.P. Morgan Securities, LLC
AMI	Advanced Metering Infrastructure
AMT	Alternative Minimum Tax
AOCI	Accumulated Other Comprehensive Income (Loss)
ARO	Asset retirement obligations
ATM	At-the-market
Beckjord	Beckjord Generating Station
Belews Creek	Belews Creek Steam Station
Bison	Bison Insurance Company Limited
Cardinal	Cardinal Pipeline Company, LLC
CC	Combined Cycle
CCR	Coal Combustion Residuals
Citrus County CC	Citrus County Combined Cycle Facility
Coal Ash Act	North Carolina Coal Ash Management Act of 2014
the Company	Duke Energy Corporation and its subsidiaries
Constitution	Constitution Pipeline Company, LLC
CPCN	Certificate of Public Convenience and Necessity
CRC	Cinergy Receivables Company LLC
Crystal River Unit 3	Crystal River Unit 3 Nuclear Plant
CWA	Clean Water Act
D.C. Circuit Court	U.S. Court of Appeals for the District of Columbia Circuit
DEFPPF	Duke Energy Florida Project Finance, LLC
DEFRR	Duke Energy Florida Receivables, LLC
DEPR	Duke Energy Progress Receivables, LLC
DERF	Duke Energy Receivables Finance Company, LLC
DRIP	Dividend Reinvestment Program
Duke Energy	Duke Energy Corporation (collectively with its subsidiaries)
Duke Energy Ohio	Duke Energy Ohio, Inc.
Duke Energy Progress	Duke Energy Progress, LLC
Duke Energy Carolinas	Duke Energy Carolinas, LLC

Duke Energy Florida

Duke Energy Florida, LLC

GLOSSARY OF TERMS

Duke Energy Indiana	Duke Energy Indiana, LLC
Duke Energy Kentucky	Duke Energy Kentucky, Inc.
Duke Energy Registrants	Duke Energy, Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio, Duke Energy Indiana and Piedmont
the EDA	Equity Distribution Agreement
EDIT	Excess deferred income tax
EPA	U.S. Environmental Protection Agency
EPC	Engineering, Procurement and Construction agreement
EPS	Earnings Per Share
ESP	Electric Security Plan
ETR	Effective tax rate
Exchange Act	Securities Exchange Act of 1934
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FES	FirstEnergy Solutions Corp.
Fluor	Fluor Enterprises, Inc.
FPSC	Florida Public Service Commission
FTR	Financial transmission rights
FV-NI	Fair value through net income
GAAP	Generally accepted accounting principles in the U.S.
GAAP Reported Earnings	Net Income Attributable to Duke Energy Corporation
GAAP Reported EPS	Diluted EPS Attributable to Duke Energy Corporation common stockholders
GWh	Gigawatt-hours
Hardy Storage	Hardy Storage Company, LLC
ICPA	Inter-Company Power Agreement
IGCC	Integrated Gasification Combined Cycle
IMR	Integrity Management Rider
IRP	Integrated Resource Plan
IRS	Internal Revenue Service
Investment Trusts	NDTF investments and grantor trusts of Duke Energy Progress, Duke Energy Florida and Duke Energy Indiana
IURC	Indiana Utility Regulatory Commission
JAAR	Joint Asset Agency Rider
JDA	Joint Dispatch Agreement
KPSC	Kentucky Public Service Commission
Lee Nuclear Station	William States Lee III Nuclear Station
MGP	Manufactured gas plant
MISO	Midcontinent Independent System Operator, Inc.
MMBtu	Million British Thermal Unit
MW	Megawatt
MWh	Megawatt-hour

NAV

Net asset value

GLOSSARY OF TERMS

NCDEQ	North Carolina Department of Environmental Quality (formerly the North Carolina Department of Environment and Natural Resources)
NCUC	North Carolina Utilities Commission
NDTF	Nuclear decommissioning trust funds
NMC	National Methanol Company
NPDES	National Pollutant Discharge Elimination System
NPNS	Normal purchase/normal sale
NRC	U.S. Nuclear Regulatory Commission
OPEB	Other Post-Retirement Benefit Obligations
ORS	South Carolina Office of Regulatory Staff
OTTI	Other-than-temporary impairment
OVEC	Ohio Valley Electric Corporation
Piedmont	Piedmont Natural Gas Company, Inc.
Piedmont Term Loan	Term loan facility with commitments totaling \$350M entered in June 2017
Pine Needle	Pine Needle LNG Company, LLC
Pioneer	Pioneer Transmission, LLC
PJM	PJM Interconnection, LLC
PMPA	Piedmont Municipal Power Agency
PPAs	Purchase Power Agreements
Progress Energy	Progress Energy, Inc.
PSCSC	Public Service Commission of South Carolina
PUCO	Public Utilities Commission of Ohio
REC	Renewable Energy Certificate
REC Solar	REC Solar Corp.
ROU assets	Right-of-use assets
RRBA	Roanoke River Basin Association
SELC	Southern Environmental Law Center
Subsidiary Registrants	Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio, Duke Energy Indiana and Piedmont
the Tax Act	Tax Cuts and Jobs Act
TDSIC	Transmission, Distribution and Storage System Improvement Charge
TPUC	Tennessee Public Utility Commission
U.S.	United States
VIE	Variable Interest Entity
WNA	Weather normalization adjustment
W.S. Lee CC	William States Lee Combined Cycle Facility

FINANCIAL STATEMENTS

ITEM 1. FINANCIAL STATEMENTS

DUKE ENERGY CORPORATION
Condensed Consolidated Statements of Operations
(Unaudited)

(in millions, except per-share amounts)	Three Months Ended	
	March 31,	
	2019	2018
Operating Revenues		
Regulated electric	\$ 5,285	\$ 5,284
Regulated natural gas	728	700
Nonregulated electric and other	150	151
Total operating revenues	6,163	6,135
Operating Expenses		
Fuel used in electric generation and purchased power	1,609	1,676
Cost of natural gas	327	313
Operation, maintenance and other	1,419	1,464
Depreciation and amortization	1,089	967
Property and other taxes	343	316
Impairment charges	—	43
Total operating expenses	4,787	4,779
Losses on Sales of Other Assets and Other, net	(3)	(100)
Operating Income	1,373	1,256
Other Income and Expenses		
Equity in earnings (losses) of unconsolidated affiliates	43	(24)
Other income and expenses, net	115	86
Total other income and expenses	158	62
Interest Expense	543	515
Income Before Income Taxes	988	803
Income Tax Expense	95	181
Net Income	893	622
Less: Net (Loss) Income Attributable to Noncontrolling Interests	(7)	2
Net Income Attributable to Duke Energy Corporation	\$ 900	\$ 620
Earnings Per Share – Basic and Diluted		
Net income attributable to Duke Energy Corporation common stockholders		
Basic and Diluted	\$ 1.24	\$ 0.88
Weighted average shares outstanding		
Basic and Diluted	727	701

See Notes to Condensed Consolidated Financial Statements

FINANCIAL STATEMENTS

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

(in millions)	Three Months Ended	
	March 31,	
	2019	2018
Net Income	\$ 893	\$ 622
Other Comprehensive Income, net of tax		
Pension and OPEB adjustments	—	1
Net unrealized (losses) gains on cash flow hedges	(17)	12
Reclassification into earnings from cash flow hedges	1	1
Unrealized gains (losses) on available-for-sale securities	4	(3)
Other Comprehensive (Loss) Income, net of tax	(12)	11
Comprehensive Income	881	633
Less: Comprehensive (Loss) Income Attributable to Noncontrolling Interests	(7)	2
Comprehensive Income Attributable to Duke Energy Corporation	\$ 888	\$ 631

See Notes to Condensed Consolidated Financial Statements

FINANCIAL STATEMENTS

DUKE ENERGY CORPORATION
Condensed Consolidated Balance Sheets
(Unaudited)

(in millions)	March 31, 2019	December 31, 2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 377	\$ 442
Receivables (net of allowance for doubtful accounts of \$19 at 2019 and \$16 at 2018)	775	962
Receivables of VIEs (net of allowance for doubtful accounts of \$56 at 2019 and \$55 at 2018)	1,981	2,172
Inventory	3,102	3,084
Regulatory assets (includes \$52 at 2019 and 2018 related to VIEs)	1,957	2,005
Other (includes \$152 at 2019 and \$162 at 2018 related to VIEs)	976	1,049
Total current assets	9,168	9,714
Property, Plant and Equipment		
Cost	139,377	134,458
Accumulated depreciation and amortization	(43,992)	(43,126)
Generation facilities to be retired, net	336	362
Net property, plant and equipment	95,721	91,694
Operating Lease Right-of-Use Assets, net	1,698	—
Other Noncurrent Assets		
Goodwill	19,303	19,303
Regulatory assets (includes \$1,032 at 2019 and \$1,041 at 2018 related to VIEs)	13,301	13,617
Nuclear decommissioning trust funds	7,374	6,720
Investments in equity method unconsolidated affiliates	1,602	1,409
Other (includes \$280 at 2019 and \$261 at 2018 related to VIEs)	2,969	2,935
Total other noncurrent assets	44,549	43,984
Total Assets	\$ 151,136	\$ 145,392
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 2,538	\$ 3,487
Notes payable and commercial paper	3,029	3,410
Taxes accrued	470	577
Interest accrued	544	559
Current maturities of long-term debt (includes \$227 at 2019 and 2018 related to VIEs)	2,501	3,406
Asset retirement obligations	779	919
Regulatory liabilities	611	598
Other	1,810	2,085
Total current liabilities	12,282	15,041
Long-Term Debt (includes \$4,065 at 2019 and \$3,998 at 2018 related to VIEs)	53,681	51,123
Operating Lease Liabilities	1,488	—
Other Noncurrent Liabilities		
Deferred income taxes	8,040	7,806
Asset retirement obligations	12,256	9,548
Regulatory liabilities	15,212	14,834
Accrued pension and other post-retirement benefit costs	974	988
Investment tax credits	571	568
Other (includes \$212 at 2019 and 2018 related to VIEs)	1,587	1,650
Total other noncurrent liabilities	38,640	35,394
Commitments and Contingencies		
Equity		
Preferred stock, \$0.001 par value, 40 million depository shares authorized and outstanding at 2019	974	—
Common stock, \$0.001 par value, 2 billion shares authorized; 728 million shares outstanding at 2019 and 727 million shares outstanding at 2018	1	1
Additional paid-in capital	40,823	40,795
Retained earnings	3,360	3,113

Accumulated other comprehensive loss	(128)	(92)
Total Duke Energy Corporation stockholders' equity	45,030	43,817
Noncontrolling interests	15	17
Total equity	45,045	43,834
Total Liabilities and Equity	\$ 151,136	\$ 145,392

See Notes to Condensed Consolidated Financial Statements

FINANCIAL STATEMENTS

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

(in millions)	Three Months Ended	
	March 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 893	\$ 622
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion (including amortization of nuclear fuel)	1,238	1,089
Equity component of AFUDC	(31)	(55)
Losses on sales of other assets	3	100
Impairment charges	—	43
Deferred income taxes	97	199
Equity in (earnings) losses of unconsolidated affiliates	(43)	24
Accrued pension and other post-retirement benefit costs	2	15
Contributions to qualified pension plans	—	(141)
Payments for asset retirement obligations	(152)	(122)
Payment for disposal of other assets	—	(105)
Other rate case adjustments	—	37
Provision for rate refunds	35	158
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	10	4
Receivables	388	64
Inventory	(31)	101
Other current assets	98	27
Increase (decrease) in		
Accounts payable	(636)	(327)
Taxes accrued	(107)	(107)
Other current liabilities	(407)	(171)
Other assets	(158)	(59)
Other liabilities	40	(5)
Net cash provided by operating activities	1,239	1,391
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(2,536)	(2,087)
Contributions to equity method investments	(94)	(74)
Purchases of debt and equity securities	(860)	(958)
Proceeds from sales and maturities of debt and equity securities	851	930
Other	(74)	(75)
Net cash used in investing activities	(2,713)	(2,264)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the:		
Issuance of long-term debt	2,737	1,240
Issuance of preferred stock	974	—
Issuance of common stock	13	21
Payments for the redemption of long-term debt	(1,201)	(487)
Proceeds from the issuance of short-term debt with original maturities greater than 90 days	135	135
Payments for the redemption of short-term debt with original maturities greater than 90 days	(239)	(50)
Notes payable and commercial paper	(304)	706
Dividends paid	(649)	(599)
Other	(33)	(19)
Net cash provided by financing activities	1,433	947
Net (decrease) increase in cash, cash equivalents and restricted cash	(41)	74
Cash, cash equivalents and restricted cash at beginning of period	591	505
Cash, cash equivalents and restricted cash at end of period	\$ 550	\$ 579

Supplemental Disclosures:

Significant non-cash transactions:

Accrued capital expenditures	\$	811	\$	799
Non-cash dividends		27		26

See Notes to Condensed Consolidated Financial Statements
12

FINANCIAL STATEMENTS

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

(in millions)						Accumulated Other Comprehensive (Loss) Income			Total		
	Preferred Stock	Stock Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Net Gains (Losses) on Cash Flow Hedges	Net Unrealized (Losses) Gains on Available- for-Sale- Securities	Pension and OPEB Adjustments	Duke Energy Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2017	\$ —	700	\$ 1	\$ 38,792	\$ 3,013	\$ (10)	\$ 12	\$ (69)	\$ 41,739	\$ (2)	\$ 41,737
Net income	—	—	—	—	620	—	—	—	620	2	622
Other comprehensive income (loss)	—	—	—	—	—	13	(3)	1	11	—	11
Common stock issuances, including dividend reinvestment and employee benefits	—	1	—	47	—	—	—	—	47	—	47
Common stock dividends	—	—	—	—	(625)	—	—	—	(625)	—	(625)
Distributions to noncontrolling interest in subsidiaries	—	—	—	—	—	—	—	—	—	(1)	(1)
Other ^(a)	—	—	—	—	13	—	(13)	—	—	7	7
Balance at March 31, 2018	\$ —	701	\$ 1	\$ 38,839	\$ 3,021	\$ 3	\$ (4)	\$ (68)	\$ 41,792	\$ 6	\$ 41,798
Balance at December 31, 2018	\$ —	727	\$ 1	\$ 40,795	\$ 3,113	\$ (14)	\$ (3)	\$ (75)	\$ 43,817	\$ 17	\$ 43,834
Net income (loss)	—	—	—	—	900	—	—	—	900	(7)	893
Other comprehensive (loss) income	—	—	—	—	—	(16)	4	—	(12)	—	(12)
Preferred stock issuances, net of issuance costs ^(b)	974	—	—	—	—	—	—	—	974	—	974
Common stock issuances, including dividend reinvestment and employee benefits	—	1	—	28	—	—	—	—	28	—	28
Common stock dividends	—	—	—	—	(676)	—	—	—	(676)	—	(676)
Other ^(c)	—	—	—	—	23	(6)	(1)	(17)	(1)	5	4
Balance at March 31, 2019	\$ 974	728	\$ 1	\$ 40,823	\$ 3,360	\$ (36)	\$ —	\$ (92)	\$ 45,030	\$ 15	\$ 45,045

- (a) Amounts in Retained Earnings and Accumulated Other Comprehensive (Loss) Income represent a cumulative-effect adjustment due to implementation of a new accounting standard related to Financial Instruments Classification and Measurement.
- (b) Duke Energy issued 40 million depository shares of preferred stock in the first quarter of 2019.
- (c) Amounts in Retained Earnings and Accumulated Other Comprehensive (Loss) Income primarily represent impacts to accumulated other comprehensive income as a result of the adoption of Accounting Standards Update 2018-02: Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income.

See Notes to Condensed Consolidated Financial Statements

FINANCIAL STATEMENTS

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

(in millions)	Three Months Ended	
	March 31,	
	2019	2018
Operating Revenues	\$ 1,744	\$ 1,763
Operating Expenses		
Fuel used in electric generation and purchased power	472	473
Operation, maintenance and other	440	451
Depreciation and amortization	317	272
Property and other taxes	80	72
Impairment charges	—	13
Total operating expenses	1,309	1,281
Operating Income	435	482
Other Income and Expenses, net	31	39
Interest Expense	110	107
Income Before Income Taxes	356	414
Income Tax Expense	63	91
Net Income	\$ 293	\$ 323
Other Comprehensive Income, net of tax		
Reclassification into earnings from cash flow hedges	—	1
Comprehensive Income	\$ 293	\$ 324

See Notes to Condensed Consolidated Financial Statements

FINANCIAL STATEMENTS

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

(in millions)	March 31, 2019	December 31, 2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ —	\$ 33
Receivables (net of allowance for doubtful accounts of \$2 at 2019 and 2018)	166	219
Receivables of VIEs (net of allowance for doubtful accounts of \$7 at 2019 and 2018)	630	699
Receivables from affiliated companies	88	182
Inventory	1,007	948
Regulatory assets	560	520
Other	31	72
Total current assets	2,482	2,673
Property, Plant and Equipment		
Cost	46,929	44,741
Accumulated depreciation and amortization	(15,899)	(15,496)
Net property, plant and equipment	31,030	29,245
Operating Lease Right-of-Use Assets, net	146	—
Other Noncurrent Assets		
Regulatory assets	3,429	3,457
Nuclear decommissioning trust funds	3,913	3,558
Other	1,027	1,027
Total other noncurrent assets	8,369	8,042
Total Assets	\$ 42,027	\$ 39,960
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 643	\$ 988
Accounts payable to affiliated companies	248	230
Notes payable to affiliated companies	745	439
Taxes accrued	80	171
Interest accrued	134	102
Current maturities of long-term debt	7	6
Asset retirement obligations	209	290
Regulatory liabilities	200	199
Other	415	571
Total current liabilities	2,681	2,996
Long-Term Debt	10,658	10,633
Long-Term Debt Payable to Affiliated Companies	300	300
Operating Lease Liabilities	123	—
Other Noncurrent Liabilities		
Deferred income taxes	3,769	3,689
Asset retirement obligations	5,219	3,659
Regulatory liabilities	6,325	5,999
Accrued pension and other post-retirement benefit costs	97	99
Investment tax credits	235	231
Other	645	671
Total other noncurrent liabilities	16,290	14,348
Commitments and Contingencies		
Equity		
Member's equity	11,982	11,689
Accumulated other comprehensive loss	(7)	(6)
Total equity	11,975	11,683
Total Liabilities and Equity	\$ 42,027	\$ 39,960

See Notes to Condensed Consolidated Financial Statements
15

FINANCIAL STATEMENTS

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

(in millions)	Three Months Ended	
	March 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 293	\$ 323
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including amortization of nuclear fuel)	388	347
Equity component of AFUDC	(9)	(21)
Impairment charges	—	13
Deferred income taxes	64	80
Accrued pension and other post-retirement benefit costs	(2)	1
Contributions to qualified pension plans	—	(46)
Payments for asset retirement obligations	(65)	(55)
Provision for rate refunds	19	61
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	1	—
Receivables	124	19
Receivables from affiliated companies	94	(11)
Inventory	(59)	(9)
Other current assets	(35)	(144)
Increase (decrease) in		
Accounts payable	(266)	(76)
Accounts payable to affiliated companies	18	50
Taxes accrued	(91)	(129)
Other current liabilities	(70)	(23)
Other assets	(29)	12
Other liabilities	(7)	(43)
Net cash provided by operating activities	368	349
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(721)	(621)
Purchases of debt and equity securities	(405)	(494)
Proceeds from sales and maturities of debt and equity securities	405	494
Other	(9)	(21)
Net cash used in investing activities	(730)	(642)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	25	991
Payments for the redemption of long-term debt	(1)	(401)
Notes payable to affiliated companies	306	(59)
Distributions to parent	—	(250)
Other	(1)	(1)
Net cash provided by financing activities	329	280
Net decrease in cash and cash equivalents	(33)	(13)
Cash and cash equivalents at beginning of period	33	16
Cash and cash equivalents at end of period	\$ —	\$ 3
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	\$ 221	\$ 267

See Notes to Condensed Consolidated Financial Statements

FINANCIAL STATEMENTS

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

(in millions)	Member's Equity	Accumulated Other Comprehensive Loss		Total Equity
		Net Losses on Cash Flow Hedges		
Balance at December 31, 2017	\$ 11,368	\$	(7)	\$ 11,361
Net income	323		—	323
Other comprehensive income	—		1	1
Distributions to parent	(250)		—	(250)
Balance at March 31, 2018	\$ 11,441	\$	(6)	\$ 11,435
Balance at December 31, 2018	\$ 11,689	\$	(6)	\$ 11,683
Net income	293		—	293
Other	—		(1)	(1)
Balance at March 31, 2019	\$ 11,982	\$	(7)	\$ 11,975

See Notes to Condensed Consolidated Financial Statements

FINANCIAL STATEMENTS

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

(in millions)	Three Months Ended	
	March 31,	
	2019	2018
Operating Revenues	\$ 2,572	\$ 2,576
Operating Expenses		
Fuel used in electric generation and purchased power	925	976
Operation, maintenance and other	567	623
Depreciation and amortization	455	384
Property and other taxes	137	123
Impairment charges	—	29
Total operating expenses	2,084	2,135
Gains on Sales of Other Assets and Other, net	—	6
Operating Income	488	447
Other Income and Expenses, net	31	35
Interest Expense	219	209
Income Before Income Taxes	300	273
Income Tax Expense	52	36
Net Income	248	237
Less: Net (Loss) Income Attributable to Noncontrolling Interests	(1)	2
Net Income Attributable to Parent	\$ 249	\$ 235
Net Income	\$ 248	\$ 237
Other Comprehensive Income, net of tax		
Pension and OPEB adjustments	1	—
Net unrealized gains (losses) on cash flow hedges	2	2
Other Comprehensive Income, net of tax	3	2
Comprehensive Income	251	239
Less: Comprehensive Income Attributable to Noncontrolling Interests	(1)	2
Comprehensive Income Attributable to Parent	\$ 252	\$ 237

See Notes to Condensed Consolidated Financial Statements

FINANCIAL STATEMENTS

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

(in millions)	March 31, 2019	December 31, 2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 45	\$ 67
Receivables (net of allowance for doubtful accounts of \$5 at 2019 and 2018)	128	220
Receivables of VIEs (net of allowance for doubtful accounts of \$8 at 2019 and 2018)	817	909
Receivables from affiliated companies	46	168
Notes receivable from affiliated companies	31	—
Inventory	1,464	1,459
Regulatory assets (includes \$52 at 2019 and 2018 related to VIEs)	1,076	1,137
Other (includes \$12 at 2019 and \$39 at 2018 related to VIEs)	143	125
Total current assets	3,750	4,085
Property, Plant and Equipment		
Cost	52,309	50,260
Accumulated depreciation and amortization	(16,646)	(16,398)
Generation facilities to be retired, net	336	362
Net property, plant and equipment	35,999	34,224
Operating Lease Right-of-Use Assets, net	835	—
Other Noncurrent Assets		
Goodwill	3,655	3,655
Regulatory assets (includes \$1,032 at 2019 and \$1,041 at 2018 related to VIEs)	6,358	6,564
Nuclear decommissioning trust funds	3,461	3,162
Other	1,029	974
Total other noncurrent assets	14,503	14,355
Total Assets	\$ 55,087	\$ 52,664
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 781	\$ 1,172
Accounts payable to affiliated companies	266	360
Notes payable to affiliated companies	1,605	1,235
Taxes accrued	135	109
Interest accrued	213	246
Current maturities of long-term debt (includes \$54 at 2019 and \$53 at 2018 related to VIEs)	825	1,672
Asset retirement obligations	456	514
Regulatory liabilities	259	280
Other	778	821
Total current liabilities	5,318	6,409
Long-Term Debt (includes \$1,657 at 2019 and \$1,636 at 2018 related to VIEs)	18,276	17,089
Long-Term Debt Payable to Affiliated Companies	150	150
Operating Lease Liabilities	748	—
Other Noncurrent Liabilities		
Deferred income taxes	4,064	3,941
Asset retirement obligations	6,050	4,897
Regulatory liabilities	5,116	5,049
Accrued pension and other post-retirement benefit costs	516	521
Other	341	351
Total other noncurrent liabilities	16,087	14,759
Commitments and Contingencies		
Equity		
Common stock, \$0.01 par value, 100 shares authorized and outstanding at 2019 and 2018	—	—
Additional paid-in capital	9,143	9,143

Retained earnings	5,386	5,131
Accumulated other comprehensive loss	(23)	(20)
Total Progress Energy, Inc. stockholders' equity	14,506	14,254
Noncontrolling interests	2	3
Total equity	14,508	14,257
Total Liabilities and Equity	\$ 55,087	\$ 52,664

See Notes to Condensed Consolidated Financial Statements

FINANCIAL STATEMENTS

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

(in millions)	Three Months Ended	
	March 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 248	\$ 237
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion (including amortization of nuclear fuel)	546	439
Equity component of AFUDC	(15)	(26)
Gains on sales of other assets	—	(6)
Impairment charges	—	29
Deferred income taxes	82	71
Accrued pension and other post-retirement benefit costs	4	6
Contributions to qualified pension plans	—	(45)
Payments for asset retirement obligations	(75)	(55)
Other rate case adjustments	—	37
Provision for rate refunds	6	33
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	1	4
Receivables	187	(33)
Receivables from affiliated companies	122	29
Inventory	(18)	55
Other current assets	35	(60)
Increase (decrease) in		
Accounts payable	(196)	(53)
Accounts payable to affiliated companies	(94)	33
Taxes accrued	26	8
Other current liabilities	(196)	(82)
Other assets	(112)	(86)
Other liabilities	(10)	(8)
Net cash provided by operating activities	541	527
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,012)	(762)
Purchases of debt and equity securities	(409)	(406)
Proceeds from sales and maturities of debt and equity securities	405	411
Notes receivable from affiliated companies	(31)	127
Other	(45)	(40)
Net cash used in investing activities	(1,092)	(670)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	1,295	—
Payments for the redemption of long-term debt	(1,132)	(80)
Notes payable to affiliated companies	370	177
Other	1	(2)
Net cash provided by financing activities	534	95
Net decrease in cash, cash equivalents and restricted cash	(17)	(48)
Cash, cash equivalents and restricted cash at beginning of period	112	87
Cash, cash equivalents and restricted cash at end of period	\$ 95	\$ 39
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	\$ 310	\$ 316

FINANCIAL STATEMENTS

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

(in millions)			Accumulated Other Comprehensive (Loss) Income			Total Progress		Noncontrolling Interests	Total Equity
	Additional Paid-in Capital	Retained Earnings	Net Losses on Cash Flow Hedges	Net Unrealized Gains (losses) on		Pension and OPEB Adjustments	Energy, Inc. Stockholders' Equity		
				Available-for- Sale	Securities				
Balance at December 31, 2017	\$ 9,143	\$ 4,350	\$ (18)	\$ 5	\$ (12)	\$ 13,468	\$ (3)	\$13,465	
Net income	—	235	—	—	—	235	2	237	
Other comprehensive income	—	—	2	—	—	2	—	2	
Other ^(a)	(1)	6	—	(6)	—	(1)	—	(1)	
Balance at March 31, 2018	\$ 9,142	\$ 4,591	\$ (16)	\$ (1)	\$ (12)	\$ 13,704	\$ (1)	\$13,703	
Balance at December 31, 2018	\$ 9,143	\$ 5,131	\$ (12)	\$ (1)	\$ (7)	\$ 14,254	\$ 3	\$14,257	
Net income	—	249	—	—	—	249	(1)	248	
Other comprehensive income	—	—	2	—	1	3	—	3	
Other ^(b)	—	6	(4)	—	(2)	—	—	—	
Balance at March 31, 2019	\$ 9,143	\$ 5,386	\$ (14)	\$ (1)	\$ (8)	\$ 14,506	\$ 2	\$14,508	

- (a) Amounts in Retained Earnings and Accumulated Other Comprehensive Loss represent a cumulative-effect adjustment due to implementation of a new accounting standard related to Financial Instruments Classification and Measurement.
- (b) Amounts in Retained Earnings and Accumulated Other Comprehensive (Loss) Income primarily represent impacts to accumulated other comprehensive income as a result of the adoption of Accounting Standards Update 2018-02: Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income.

See Notes to Condensed Consolidated Financial Statements

FINANCIAL STATEMENTS

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

(in millions)	Three Months Ended	
	March 31,	
	2019	2018
Operating Revenues	\$ 1,484	\$ 1,460
Operating Expenses		
Fuel used in electric generation and purchased power	515	509
Operation, maintenance and other	335	381
Depreciation and amortization	290	235
Property and other taxes	44	35
Impairment charges	—	32
Total operating expenses	1,184	1,192
Gains on Sales of Other Assets and Other, net	—	1
Operating Income	300	269
Other Income and Expenses, net	24	18
Interest Expense	77	81
Income Before Income Taxes	247	206
Income Tax Expense	44	29
Net Income and Comprehensive Income	\$ 203	\$ 177

See Notes to Condensed Consolidated Financial Statements
22

FINANCIAL STATEMENTS

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

(in millions)	March 31, 2019	December 31, 2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 30	\$ 23
Receivables (net of allowance for doubtful accounts of \$2 at 2019 and 2018)	42	75
Receivables of VIEs (net of allowance for doubtful accounts of \$5 at 2019 and 2018)	495	547
Receivables from affiliated companies	28	23
Notes receivable from affiliated companies	38	—
Inventory	959	954
Regulatory assets	622	703
Other	45	62
Total current assets	2,259	2,387
Property, Plant and Equipment		
Cost	33,188	31,459
Accumulated depreciation and amortization	(11,635)	(11,423)
Generation facilities to be retired, net	336	362
Net property, plant and equipment	21,889	20,398
Operating Lease Right-of-Use Assets, net	388	—
Other Noncurrent Assets		
Regulatory assets	4,041	4,111
Nuclear decommissioning trust funds	2,744	2,503
Other	627	612
Total other noncurrent assets	7,412	7,226
Total Assets	\$ 31,948	\$ 30,011
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 363	\$ 660
Accounts payable to affiliated companies	221	278
Notes payable to affiliated companies	—	294
Taxes accrued	49	53
Interest accrued	87	116
Current maturities of long-term debt	5	603
Asset retirement obligations	452	509
Regulatory liabilities	176	178
Other	346	408
Total current liabilities	1,699	3,099
Long-Term Debt	8,893	7,451
Long-Term Debt Payable to Affiliated Companies	150	150
Operating Lease Liabilities	361	—
Other Noncurrent Liabilities		
Deferred income taxes	2,172	2,119
Asset retirement obligations	5,471	4,311
Regulatory liabilities	4,093	3,955
Accrued pension and other post-retirement benefit costs	235	237
Investment tax credits	141	142
Other	89	106
Total other noncurrent liabilities	12,201	10,870
Commitments and Contingencies		
Equity		
Member's Equity	8,644	8,441
Total Liabilities and Equity	\$ 31,948	\$ 30,011

See Notes to Condensed Consolidated Financial Statements
23

FINANCIAL STATEMENTS

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

(in millions)	Three Months Ended	
	March 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 203	\$ 177
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including amortization of nuclear fuel)	336	284
Equity component of AFUDC	(14)	(14)
Gains on sales of other assets	—	(1)
Impairment charges	—	32
Deferred income taxes	33	42
Accrued pension and other post-retirement benefit costs	—	4
Contributions to qualified pension plans	—	(25)
Payments for asset retirement obligations	(68)	(44)
Other rate case adjustments	—	37
Provision for rate refunds	6	33
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	(3)	2
Receivables	87	(31)
Receivables from affiliated companies	(5)	(2)
Inventory	(5)	15
Other current assets	96	(88)
Increase (decrease) in		
Accounts payable	(196)	(39)
Accounts payable to affiliated companies	(57)	29
Taxes accrued	(4)	(28)
Other current liabilities	(109)	(64)
Other assets	(45)	18
Other liabilities	(9)	(5)
Net cash provided by operating activities	246	332
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(548)	(424)
Purchases of debt and equity securities	(315)	(284)
Proceeds from sales and maturities of debt and equity securities	308	281
Notes receivable from affiliated companies	(38)	—
Other	(20)	(30)
Net cash used in investing activities	(613)	(457)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	1,270	—
Payments for the redemption of long-term debt	(601)	—
Notes payable to affiliated companies	(294)	114
Other	(1)	(1)
Net cash provided by financing activities	374	113
Net increase (decrease) in cash and cash equivalents	7	(12)
Cash and cash equivalents at beginning of period	23	20
Cash and cash equivalents at end of period	\$ 30	\$ 8
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	\$ 117	\$ 137

See Notes to Condensed Consolidated Financial Statements

FINANCIAL STATEMENTS

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

(in millions)	Member's Equity
Balance at December 31, 2017	\$ 7,949
Net income	177
Balance at March 31, 2018	\$ 8,126
Balance at December 31, 2018	\$ 8,441
Net income	203
Balance at March 31, 2019	\$ 8,644

See Notes to Condensed Consolidated Financial Statements
25

FINANCIAL STATEMENTS

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

(in millions)	Three Months Ended	
	March 31,	
	2019	2018
Operating Revenues	\$ 1,086	\$ 1,115
Operating Expenses		
Fuel used in electric generation and purchased power	410	467
Operation, maintenance and other	230	237
Depreciation and amortization	165	150
Property and other taxes	93	88
Total operating expenses	898	942
Operating Income	188	173
Other Income and Expenses, net	13	21
Interest Expense	82	71
Income Before Income Taxes	119	123
Income Tax Expense	23	20
Net Income	\$ 96	\$ 103
Other Comprehensive Income, net of tax		
Unrealized gains on available-for-sale securities	1	—
Other Comprehensive Income, net of tax	\$ 1	\$ —
Comprehensive Income	\$ 97	\$ 103

See Notes to Condensed Consolidated Financial Statements

FINANCIAL STATEMENTS

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

(in millions)	March 31, 2019	December 31, 2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 8	\$ 36
Receivables (net of allowance for doubtful accounts of \$3 at 2019 and 2018)	85	143
Receivables of VIEs (net of allowance for doubtful accounts of \$3 at 2019 and 2018)	322	362
Receivables from affiliated companies	34	28
Inventory	505	504
Regulatory assets (includes \$52 at 2019 and 2018 related to VIEs)	454	434
Other (includes \$12 at 2019 and \$39 at 2018 related to VIEs)	55	46
Total current assets	1,463	1,553
Property, Plant and Equipment		
Cost	19,111	18,792
Accumulated depreciation and amortization	(5,003)	(4,968)
Net property, plant and equipment	14,108	13,824
Operating Lease Right-of-Use Assets, net	447	—
Other Noncurrent Assets		
Regulatory assets (includes \$1,032 at 2019 and \$1,041 at 2018 related to VIEs)	2,316	2,454
Nuclear decommissioning trust funds	717	659
Other	318	311
Total other noncurrent assets	3,351	3,424
Total Assets	\$ 19,369	\$ 18,801
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 417	\$ 511
Accounts payable to affiliated companies	29	91
Notes payable to affiliated companies	399	108
Taxes accrued	94	74
Interest accrued	74	75
Current maturities of long-term debt (includes \$54 at 2019 and \$53 at 2018 related to VIEs)	470	270
Asset retirement obligations	4	5
Regulatory liabilities	83	102
Other	426	406
Total current liabilities	1,996	1,642
Long-Term Debt (includes \$1,332 at 2019 and \$1,336 at 2018 related to VIEs)	6,795	7,051
Operating Lease Liabilities	387	—
Other Noncurrent Liabilities		
Deferred income taxes	2,051	1,986
Asset retirement obligations	579	586
Regulatory liabilities	1,023	1,094
Accrued pension and other post-retirement benefit costs	251	254
Other	95	93
Total other noncurrent liabilities	3,999	4,013
Commitments and Contingencies		
Equity		
Member's equity	6,193	6,097
Accumulated other comprehensive loss	(1)	(2)
Total equity	6,192	6,095
Total Liabilities and Equity	\$ 19,369	\$ 18,801

See Notes to Condensed Consolidated Financial Statements

FINANCIAL STATEMENTS

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

(in millions)	Three Months Ended	
	March 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 96	\$ 103
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	207	152
Equity component of AFUDC	(1)	(12)
Deferred income taxes	45	29
Accrued pension and other post-retirement benefit costs	3	1
Contributions to qualified pension plans	—	(20)
Payments for asset retirement obligations	(7)	(11)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	2	2
Receivables	55	(2)
Receivables from affiliated companies	(6)	—
Inventory	(13)	39
Other current assets	(35)	42
Increase (decrease) in		
Accounts payable	—	(13)
Accounts payable to affiliated companies	(62)	8
Taxes accrued	20	38
Other current liabilities	(84)	(17)
Other assets	(66)	(107)
Other liabilities	(1)	(5)
Net cash provided by operating activities	153	227
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(422)	(338)
Purchases of debt and equity securities	(95)	(122)
Proceeds from sales and maturities of debt and equity securities	97	129
Notes receivable from affiliated companies	—	160
Other	(25)	(10)
Net cash used in investing activities	(445)	(181)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	25	—
Payments for the redemption of long-term debt	(81)	(80)
Notes payable to affiliated companies	291	—
Other	2	—
Net cash provided by (used in) financing activities	237	(80)
Net decrease in cash, cash equivalents and restricted cash	(55)	(34)
Cash, cash equivalents and restricted cash at beginning of period	75	53
Cash, cash equivalents and restricted cash at end of period	\$ 20	\$ 19
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	\$ 193	\$ 179

FINANCIAL STATEMENTS

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

(in millions)	Accumulated Other Comprehensive Income (Loss)		Total Equity
	Member's Equity	Net Unrealized Gains (Losses) on Available-for-Sale Securities	
Balance at December 31, 2017	\$ 5,614	\$ 4	\$ 5,618
Net income	103	—	103
Other ^(a)	6	(6)	—
Balance at March 31, 2018	\$ 5,723	\$ (2)	\$ 5,721
Balance at December 31, 2018	\$ 6,097	\$ (2)	\$ 6,095
Net income	96	—	96
Other comprehensive income	—	1	1
Balance at March 31, 2019	\$ 6,193	\$ (1)	\$ 6,192

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

See Notes to Condensed Consolidated Financial Statements
29

FINANCIAL STATEMENTS

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

(in millions)	Three Months Ended	
	March 31,	
	2019	2018
Operating Revenues		
Regulated electric	\$ 355	\$ 336
Regulated natural gas	176	174
Nonregulated electric and other	—	14
Total operating revenues	531	524
Operating Expenses		
Fuel used in electric generation and purchased power – regulated	93	92
Fuel used in electric generation and purchased power – nonregulated	—	15
Cost of natural gas	54	54
Operation, maintenance and other	132	131
Depreciation and amortization	64	70
Property and other taxes	84	77
Total operating expenses	427	439
Losses on Sales of Other Assets and Other, net	—	(106)
Operating Income (Loss)	104	(21)
Other Income and Expenses, net	9	6
Interest Expense	30	22
Income (Loss) Before Income Taxes	83	(37)
Income Tax Expense (Benefit)	14	(12)
Net Income (Loss) and Comprehensive Income	\$ 69	\$ (25)

See Notes to Condensed Consolidated Financial Statements

FINANCIAL STATEMENTS

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

(in millions)	March 31, 2019	December 31, 2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 17	\$ 21
Receivables (net of allowance for doubtful accounts of \$3 at 2019 and \$2 at 2018)	99	102
Receivables from affiliated companies	79	114
Notes receivable from affiliated companies	463	—
Inventory	111	126
Regulatory assets	59	33
Other	25	24
Total current assets	853	420
Property, Plant and Equipment		
Cost	9,542	9,360
Accumulated depreciation and amortization	(2,739)	(2,717)
Net property, plant and equipment	6,803	6,643
Operating Lease Right-of-Use Assets, net	22	—
Other Noncurrent Assets		
Goodwill	920	920
Regulatory assets	501	531
Other	45	41
Total other noncurrent assets	1,466	1,492
Total Assets	\$ 9,144	\$ 8,555
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 288	\$ 316
Accounts payable to affiliated companies	70	78
Notes payable to affiliated companies	38	274
Taxes accrued	157	202
Interest accrued	43	22
Current maturities of long-term debt	551	551
Asset retirement obligations	6	6
Regulatory liabilities	51	57
Other	69	74
Total current liabilities	1,273	1,580
Long-Term Debt	2,384	1,589
Long-Term Debt Payable to Affiliated Companies	25	25
Operating Lease Liabilities	21	—
Other Noncurrent Liabilities		
Deferred income taxes	842	817
Asset retirement obligations	87	87
Regulatory liabilities	839	840
Accrued pension and other post-retirement benefit costs	80	79
Other	79	93
Total other noncurrent liabilities	1,927	1,916
Commitments and Contingencies		
Equity		
Common stock, \$8.50 par value, 120 million shares authorized; 90 million shares outstanding at 2019 and 2018	762	762
Additional paid-in capital	2,776	2,776
Accumulated deficit	(24)	(93)
Total equity	3,514	3,445
Total Liabilities and Equity	\$ 9,144	\$ 8,555

See Notes to Condensed Consolidated Financial Statements
31

FINANCIAL STATEMENTS

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

(in millions)	Three Months Ended March 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 69	\$ (25)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	65	71
Equity component of AFUDC	(3)	(4)
Losses on sales of other assets	—	106
Deferred income taxes	20	(15)
Accrued pension and other post-retirement benefit costs	—	1
Payments for asset retirement obligations	(1)	(1)
Provision for rate refunds	4	16
(Increase) decrease in		
Receivables	5	(1)
Receivables from affiliated companies	35	56
Inventory	15	25
Other current assets	(6)	19
Increase (decrease) in		
Accounts payable	(5)	(27)
Accounts payable to affiliated companies	(8)	(95)
Taxes accrued	(45)	(45)
Other current liabilities	14	20
Other assets	(10)	—
Other liabilities	(4)	(13)
Net cash provided by operating activities	145	88
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(233)	(188)
Notes receivable from affiliated companies	(463)	14
Other	(11)	(14)
Net cash used in investing activities	(707)	(188)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	794	—
Notes payable to affiliated companies	(236)	101
Other	—	(1)
Net cash provided by financing activities	558	100
Net decrease in cash and cash equivalents	(4)	—
Cash and cash equivalents at beginning of period	21	12
Cash and cash equivalents at end of period	\$ 17	\$ 12
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	\$ 68	\$ 64

See Notes to Condensed Consolidated Financial Statements

FINANCIAL STATEMENTS

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

(in millions)	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total Equity
Balance at December 31, 2017	\$ 762	\$ 2,670	\$ (269)	\$ 3,163
Net loss	—	—	(25)	(25)
Balance at March 31, 2018	\$ 762	\$ 2,670	\$ (294)	\$ 3,138
Balance at December 31, 2018	\$ 762	\$ 2,776	\$ (93)	\$ 3,445
Net income	—	—	69	69
Balance at March 31, 2019	\$ 762	\$ 2,776	\$ (24)	\$ 3,514

See Notes to Condensed Consolidated Financial Statements
33

FINANCIAL STATEMENTS

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

(in millions)	Three Months Ended	
	March 31,	
	2019	2018
Operating Revenues	\$ 768	\$ 731
Operating Expenses		
Fuel used in electric generation and purchased power	257	232
Operation, maintenance and other	189	181
Depreciation and amortization	131	130
Property and other taxes	19	20
Total operating expenses	596	563
Losses on Sales of Other Assets and Other, net	(3)	—
Operating Income	169	168
Other Income and Expenses, net	19	7
Interest Expense	43	40
Income Before Income Taxes	145	135
Income Tax Expense	35	35
Net Income and Comprehensive Income	\$ 110	\$ 100

See Notes to Condensed Consolidated Financial Statements
34

FINANCIAL STATEMENTS

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

(in millions)	March 31, 2019	December 31, 2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 20	\$ 24
Receivables (net of allowance for doubtful accounts of \$2 at 2019 and 2018)	50	52
Receivables from affiliated companies	102	122
Inventory	435	422
Regulatory assets	151	175
Other	23	35
Total current assets	781	830
Property, Plant and Equipment		
Cost	15,633	15,443
Accumulated depreciation and amortization	(5,021)	(4,914)
Net property, plant and equipment	10,612	10,529
Operating Lease Right-of-Use Assets, net	61	—
Other Noncurrent Assets		
Regulatory assets	981	982
Other	201	194
Total other noncurrent assets	1,182	1,176
Total Assets	\$ 12,636	\$ 12,535
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 198	\$ 200
Accounts payable to affiliated companies	72	83
Notes payable to affiliated companies	136	167
Taxes accrued	63	43
Interest accrued	53	58
Current maturities of long-term debt	3	63
Asset retirement obligations	108	109
Regulatory liabilities	27	25
Other	92	107
Total current liabilities	752	855
Long-Term Debt	3,569	3,569
Long-Term Debt Payable to Affiliated Companies	150	150
Operating Lease Liabilities	57	—
Other Noncurrent Liabilities		
Deferred income taxes	1,050	1,009
Asset retirement obligations	611	613
Regulatory liabilities	1,709	1,722
Accrued pension and other post-retirement benefit costs	113	115
Investment tax credits	147	147
Other	29	16
Total other noncurrent liabilities	3,659	3,622
Commitments and Contingencies		
Equity		
Member's Equity	4,449	4,339
Total Liabilities and Equity	\$ 12,636	\$ 12,535

See Notes to Condensed Consolidated Financial Statements

FINANCIAL STATEMENTS

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

(in millions)	Three Months Ended March 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 110	\$ 100
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	132	131
Equity component of AFUDC	(4)	(4)
Losses on sale of other assets	3	—
Deferred income taxes	28	17
Accrued pension and other post-retirement benefit costs	1	2
Contributions to qualified pension plans	—	(8)
Payments for asset retirement obligations	(11)	(11)
Provision for rate refunds	—	26
(Increase) decrease in		
Receivables	4	—
Receivables from affiliated companies	20	26
Inventory	(13)	(3)
Other current assets	19	(23)
Increase (decrease) in		
Accounts payable	8	21
Accounts payable to affiliated companies	(11)	(5)
Taxes accrued	20	(1)
Other current liabilities	(15)	(10)
Other assets	12	(1)
Other liabilities	5	—
Net cash provided by operating activities	308	257
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(208)	(231)
Purchases of debt and equity securities	(6)	(6)
Proceeds from sales and maturities of debt and equity securities	4	3
Other	(11)	(4)
Net cash used in investing activities	(221)	(238)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for the redemption of long-term debt	(60)	(12)
Notes payable to affiliated companies	(31)	—
Other	—	(1)
Net cash used in financing activities	(91)	(13)
Net (decrease) increase in cash and cash equivalents	(4)	6
Cash and cash equivalents at beginning of period	24	9
Cash and cash equivalents at end of period	\$ 20	\$ 15
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	\$ 76	\$ 64

See Notes to Condensed Consolidated Financial Statements

FINANCIAL STATEMENTS

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

(in millions)	Member's Equity
Balance at December 31, 2017	\$ 4,121
Net income	100
Balance at March 31, 2018	\$ 4,221
Balance at December 31, 2018	\$ 4,339
Net income	110
Balance at March 31, 2019	\$ 4,449

See Notes to Condensed Consolidated Financial Statements

FINANCIAL STATEMENTS

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

(in millions)	Three Months Ended	
	March 31,	
	2019	2018
Operating Revenues	\$ 579	\$ 553
Operating Expenses		
Cost of natural gas	273	259
Operation, maintenance and other	80	82
Depreciation and amortization	42	39
Property and other taxes	12	12
Total operating expenses	407	392
Operating Income	172	161
Other Income and Expenses		
Equity in earnings of unconsolidated affiliates	2	2
Other income and expenses, net	4	3
Total other income and expenses	6	5
Interest Expense	22	21
Income Before Income Taxes	156	145
Income Tax Expense	34	35
Net Income and Comprehensive Income	\$ 122	\$ 110

See Notes to Condensed Consolidated Financial Statements

FINANCIAL STATEMENTS

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

(in millions)	March 31, 2019	December 31, 2018
ASSETS		
Current Assets		
Receivables (net of allowance for doubtful accounts of \$4 at 2019 and \$2 at 2018)	\$ 241	\$ 266
Receivables from affiliated companies	10	22
Inventory	25	70
Regulatory assets	28	54
Other	19	19
Total current assets	323	431
Property, Plant and Equipment		
Cost	7,676	7,486
Accumulated depreciation and amortization	(1,587)	(1,575)
Net property, plant and equipment	6,089	5,911
Operating Lease Right-of-Use Assets, net	27	—
Other Noncurrent Assets		
Goodwill	49	49
Regulatory assets	289	303
Investments in equity method unconsolidated affiliates	64	64
Other	51	52
Total other noncurrent assets	453	468
Total Assets	\$ 6,892	\$ 6,810
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 161	\$ 203
Accounts payable to affiliated companies	34	38
Notes payable to affiliated companies	201	198
Taxes accrued	35	84
Interest accrued	25	31
Current maturities of long-term debt	350	350
Regulatory liabilities	75	37
Other	49	58
Total current liabilities	930	999
Long-Term Debt	1,788	1,788
Operating Lease Liabilities	26	—
Other Noncurrent Liabilities		
Deferred income taxes	575	551
Asset retirement obligations	19	19
Regulatory liabilities	1,179	1,181
Accrued pension and other post-retirement benefit costs	4	4
Other	158	177
Total other noncurrent liabilities	1,935	1,932
Commitments and Contingencies		
Equity		
Common stock, no par value: 100 shares authorized and outstanding at 2019 and 2018	1,160	1,160
Retained earnings	1,053	931
Total equity	2,213	2,091
Total Liabilities and Equity	\$ 6,892	\$ 6,810

See Notes to Condensed Consolidated Financial Statements

FINANCIAL STATEMENTS

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

(in millions)	Three Months Ended	
	March 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 122	\$ 110
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	42	39
Deferred income taxes	23	(7)
Equity in earnings from unconsolidated affiliates	(2)	(2)
Accrued pension and other post-retirement benefit costs	(2)	(1)
Provision for rate refunds	7	23
(Increase) decrease in		
Receivables	27	22
Receivables from affiliated companies	12	—
Inventory	45	37
Other current assets	22	79
Increase (decrease) in		
Accounts payable	(44)	(15)
Accounts payable to affiliated companies	(4)	19
Taxes accrued	(49)	46
Other current liabilities	15	18
Other assets	(1)	4
Other liabilities	(5)	(1)
Net cash provided by operating activities	208	371
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(209)	(121)
Other	(2)	—
Net cash used in investing activities	(211)	(121)
CASH FLOWS FROM FINANCING ACTIVITIES		
Notes payable to affiliated companies	3	(257)
Net cash provided by (used in) financing activities	3	(257)
Net decrease in cash and cash equivalents	—	(7)
Cash and cash equivalents at beginning of period	—	19
Cash and cash equivalents at end of period	\$ —	\$ 12
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	\$ 92	\$ 52

See Notes to Condensed Consolidated Financial Statements
40

FINANCIAL STATEMENTS

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

(in millions)	Common Stock	Retained Earnings	Total Equity
Balance at December 31, 2017	\$ 860	\$ 802	\$ 1,662
Net income	—	110	110
Balance at March 31, 2018	\$ 860	\$ 912	\$ 1,772
Balance at December 31, 2018	\$ 1,160	\$ 931	\$ 2,091
Net income	—	122	122
Balance at March 31, 2019	\$ 1,160	\$ 1,053	\$ 2,213

See Notes to Condensed Consolidated Financial Statements

FINANCIAL STATEMENTS

ORGANIZATION AND BASIS OF PRESENTATION

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	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
Duke Energy Carolinas	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
Progress Energy	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
Duke Energy Progress	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
Duke Energy Florida	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
Duke Energy Ohio	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
Duke Energy Indiana	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
Piedmont	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*

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

1. ORGANIZATION AND BASIS OF PRESENTATION

BASIS OF PRESENTATION

These Condensed Consolidated Financial Statements have been prepared in accordance with GAAP 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 for annual financial statements and should be read in conjunction with the Consolidated Financial Statements in the Duke Energy Registrants' combined Annual Report on Form 10-K for the year ended December 31, 2018.

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.

BASIS OF CONSOLIDATION

These Condensed Consolidated Financial Statements include, after eliminating intercompany transactions and balances, the accounts of the Duke Energy Registrants and subsidiaries or VIEs where the respective Duke Energy Registrants have control. See Note 13 for additional information on VIEs. These Condensed Consolidated Financial Statements also reflect the Duke Energy Registrants' proportionate share of certain jointly owned generation and transmission facilities.

FINANCIAL STATEMENTS

ORGANIZATION AND BASIS OF PRESENTATION

CASH, CASH EQUIVALENTS AND RESTRICTED CASH

Duke Energy, Progress Energy and Duke Energy Florida have restricted cash balances related primarily to collateral assets, escrow deposits and VIEs. See Note 13 for additional information. Restricted cash amounts are included in Other within Current Assets and Other Noncurrent Assets on the Condensed Consolidated Balance Sheets. The following table presents the components of cash, cash equivalents and restricted cash included in the Condensed Consolidated Balance Sheets.

	March 31, 2019			December 31, 2018		
	Duke Energy	Progress Energy	Duke Energy Florida	Duke Energy	Progress Energy	Duke Energy Florida
Current Assets						
Cash and cash equivalents	\$ 377	\$ 45	\$ 8	\$ 442	\$ 67	\$ 36
Other	134	12	12	141	39	39
Other Noncurrent Assets						
Other	39	38	—	8	6	—
Total cash, cash equivalents and restricted cash	\$ 550	\$ 95	\$ 20	\$ 591	\$ 112	\$ 75

INVENTORY

Provisions for inventory write-offs were not material at March 31, 2019, and December 31, 2018. The components of inventory are presented in the tables below.

(in millions)	March 31, 2019							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Materials and supplies	\$ 2,231	\$ 738	\$ 1,033	\$ 720	\$ 313	\$ 79	\$ 321	\$ 2
Coal	572	228	218	127	91	13	113	—
Natural gas, oil and other fuel	299	41	213	112	101	19	1	23
Total inventory	\$ 3,102	\$ 1,007	\$ 1,464	\$ 959	\$ 505	\$ 111	\$ 435	\$ 25

(in millions)	December 31, 2018							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Materials and supplies	\$ 2,238	\$ 731	\$ 1,049	\$ 734	\$ 315	\$ 84	\$ 312	\$ 2
Coal	491	175	192	106	86	14	109	—
Natural gas, oil and other fuel	355	42	218	114	103	28	1	68
Total inventory	\$ 3,084	\$ 948	\$ 1,459	\$ 954	\$ 504	\$ 126	\$ 422	\$ 70

NEW ACCOUNTING STANDARDS

Except as noted below, the new accounting standards adopted for 2018 and 2019 had no material impact on the presentation or results of operations, cash flows or financial position of the Duke Energy Registrants.

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. This resulted in a material impact on the presentation for the statement of financial position of the Duke Energy Registrants for the period ended March 31, 2019, and an immaterial impact to the Duke Energy results of operations and cash flows for the three months ended March 31, 2019.

Duke Energy elected the modified retrospective method of adoption effective January 1, 2019. Under the modified retrospective method of adoption, prior year reported results are not restated. For adoption, Duke Energy has elected to apply the following practical expedients:

FINANCIAL STATEMENTS

ORGANIZATION AND BASIS OF PRESENTATION

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

Duke Energy evaluated the financial statement impact of adopting the standard and monitored industry implementation issues. Under agreements considered leases, where Duke Energy is the lessee, for the use of certain aircraft, space on communication towers, industrial equipment, fleet vehicles, fuel transportation (barges and railcars), land, office space and PPAs are now recognized on the balance sheet. The Duke Energy Registrants did not have a material change to the financial statements from the adoption of the new standard for contracts where it is the lessor. See Note 5 for further information.

No new accounting standards that have been issued but not yet adopted are expected to have a material impact on the Duke Energy Registrants as of March 31, 2019.

2. BUSINESS SEGMENTS

Duke Energy

Duke Energy's segment structure includes the following segments: Electric Utilities and Infrastructure, Gas Utilities and Infrastructure and Commercial Renewables. The Electric Utilities and Infrastructure segment includes Duke Energy's regulated electric utilities in the Carolinas, Florida and the Midwest. The 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.

The Commercial Renewables segment is primarily comprised of nonregulated utility-scale wind and solar generation assets located throughout the U.S. On April 24, 2019, Duke Energy executed an agreement to sell a minority interest in a portion of certain renewable assets. The portion of Duke Energy's commercial renewables energy portfolio to be sold includes 49 percent of 37 operating wind, solar and battery storage assets and 33 percent of 11 operating solar assets across the U.S. The sale will result in pretax proceeds to Duke Energy of \$415 million. Duke Energy will retain control of these assets, and, therefore, no gain or loss is expected to be recognized in the Condensed Consolidated Statements of Operations upon closing of the transaction. The sale is subject to customary closing conditions, including approvals from the FERC, the Public Utility Commission of Texas and the Committee on Foreign Investment in the U.S. The transaction is expected to close in the second half of 2019.

The remainder of Duke Energy's operations is presented as Other, which is primarily comprised of interest expense on holding company debt, unallocated corporate costs, Duke Energy's wholly owned captive insurance company, Bison, and Duke Energy's interest in NMC.

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

	Three Months Ended March 31, 2019							Total
	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Commercial Renewables	Total Reportable Segments	Other	Eliminations	Total	
(in millions)								
Unaffiliated revenues	\$ 5,321	\$ 732	\$ 106	\$ 6,159	\$ 4	\$ —	\$ —	\$ 6,163
Intersegment revenues	8	24	—	32	17	(49)	—	—
Total revenues	\$ 5,329	\$ 756	\$ 106	\$ 6,191	\$ 21	\$ (49)	\$ —	\$ 6,163
Segment income (loss)	\$ 750	\$ 226	\$ 13	\$ 989	\$ (89)	\$ —	\$ —	\$ 900
Add back noncontrolling interest component								(7)
Net income								\$ 893
Segment assets	\$ 130,406	\$ 12,639	\$ 4,378	\$ 147,423	\$ 3,536	\$ 177	\$ —	\$ 151,136

FINANCIAL STATEMENTS

BUSINESS SEGMENTS

(in millions)	Three Months Ended March 31, 2018						
	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Commercial Renewables	Total Reportable Segments	Other	Eliminations	Total
Unaffiliated revenues	\$ 5,315	\$ 702	\$ 101	\$ 6,118	\$ 17	\$ —	\$ 6,135
Intersegment revenues	8	25	—	33	18	(51)	—
Total revenues	\$ 5,323	\$ 727	\$ 101	\$ 6,151	\$ 35	\$ (51)	\$ 6,135
Segment income (loss) ^{(a)(b)(c)}	\$ 750	\$ 116	\$ 20	\$ 886	\$ (266)	\$ —	\$ 620
Add back noncontrolling interest component							2
Net income							\$ 622

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

In February 2018, Duke Energy sold Beckjord, a nonregulated facility retired during 2014, and recorded a pretax loss of \$106 million within Losses on Sales of Other Assets and Other, net and \$1 million within Operation, maintenance and other on Duke Energy's Condensed Consolidated Statements of Operations for the three months ended March 31, 2018. The sale included the transfer of coal ash basins and other real property and indemnification from any and all potential future claims related to the property, whether arising under environmental laws or otherwise.

Duke Energy Ohio

Duke Energy Ohio has two reportable segments, Electric Utilities and Infrastructure and Gas Utilities and Infrastructure. The remainder of Duke Energy Ohio's operations is presented as Other.

(in millions)	Three Months Ended March 31, 2019						
	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Total Reportable Segments	Other	Eliminations	Total	
Total revenues	\$ 355	\$ 176	\$ 531	\$ —	\$ —	\$ 531	
Segment income/Net (loss) income	\$ 36	\$ 35	\$ 71	\$ (2)	\$ —	\$ 69	
Segment assets	\$ 6,058	\$ 3,051	\$ 9,109	\$ 37	\$ (2)	\$ 9,144	

(in millions)	Three Months Ended March 31, 2018						
	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Total Reportable Segments	Other	Eliminations	Total	
Total revenues	\$ 336	\$ 174	\$ 510	\$ 14	\$ —	\$ 524	
Segment income/Net loss ^(a)	\$ 33	\$ 34	\$ 67	\$ (92)	\$ —	\$ (25)	

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

3. REGULATORY MATTERS

RATE-RELATED INFORMATION

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

Duke Energy Carolinas and Duke Energy Progress

Hurricane Florence, Hurricane Michael and Winter Storm Diego Deferral Filings

On December 21, 2018, Duke Energy Carolinas and Duke Energy Progress filed with the NCUC petitions for approval to defer the incremental costs incurred in connection with the response to Hurricane Florence, Hurricane Michael and Winter Storm Diego to a regulatory asset for recovery in the next base rate case. The NCUC issued an order requesting comments on the deferral positions. On March 5, 2019, the North Carolina Public Staff (Public Staff) filed comments. On April 2, 2019, Duke Energy Carolinas and Duke Energy Progress filed reply comments, which included revised estimates of approximately \$553 million in incremental operation and maintenance expenses (\$171 million and \$382 million for Duke Energy Carolinas and Duke Energy Progress, respectively,) and approximately \$96 million in capital costs (\$20 million and \$76 million for Duke Energy Carolinas and Duke Energy Progress, respectively). Duke Energy Carolinas and Duke Energy Progress cannot predict the outcome of this matter. Duke Energy Progress filed a similar request with the PSCSC on January 11, 2019, which also included a request for the continuation of prior deferrals requested for ice storms and Hurricane Matthew, and on January 30, 2019, the PSCSC issued a directive approving the deferral request.

Duke Energy Carolinas

2017 North Carolina Rate Case

On August 25, 2017, Duke Energy Carolinas filed an application with the NCUC for a rate increase for retail customers of approximately \$647 million, which represented an approximate 13.6 percent increase in annual base revenues. The rate increase was driven by capital investments subsequent to the previous base rate case, including the W.S. Lee CC, grid improvement projects, AMI, investments in customer service technologies, costs of complying with CCR regulations and the Coal Ash Act and recovery of costs related to licensing and development of the Lee Nuclear Station.

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

On June 22, 2018, the NCUC issued an order approving the Stipulation of Partial Settlement and requiring a revenue reduction. As a result, revised customer rates were effective on August 1, 2018.

On July 20, 2018, the North Carolina Attorney General filed a Notice of Appeal to the North Carolina Supreme Court from the June 22, 2018, Order Accepting Stipulation, Deciding Contested Issues and Requiring Revenue Reduction issued by the NCUC. The Attorney General contends the commission's order should be reversed and remanded, as it is in excess of the commission's statutory authority; affected by errors of law; unsupported by competent, material and substantial evidence in view of the entire record as submitted; and arbitrary or capricious. The Sierra Club, North Carolina Sustainable Energy Association, North Carolina Justice Center, North Carolina Housing Coalition, Natural Resource Defense Council and Southern Alliance for Clean Energy also filed Notices of Appeal to the North Carolina Supreme Court from the June 22, 2018, Order Accepting Stipulation, Deciding Contested Issues and Requiring Revenue Reduction. On August 8, 2018, the Public Staff filed a Notice of Cross Appeal to the North Carolina Supreme Court from the June 22, 2018, Order Accepting Stipulation, Deciding Contested Issues and Requiring Revenue Reduction issued by the NCUC. The Public Staff contends the commission's order should be reversed and remanded, as it is affected by errors of law, and is unsupported by substantial evidence with regard to the commission's failure to consider substantial evidence of coal ash related environmental violations. On November 29, 2018, the North Carolina Attorney General's Office filed a motion with the North Carolina Supreme Court requesting the court consolidate the Duke Energy Carolinas and Duke Energy Progress appeals and enter an order adopting the parties' proposed briefing schedule as set out in the filing. On November 29, 2018, the North Carolina Supreme Court adopted a schedule for briefing set forth in the motion to consolidate the Duke Energy Carolinas and Duke Energy Progress appeals. On March 14, 2019, the North Carolina Attorney General's Office filed a motion for extension of time to file its brief. On March 18, 2019, the North Carolina Supreme Court granted the North Carolina Attorney General's motion, and the Appellant's brief was filed on April 26, 2019. The Appellee response briefs are due on August 24, 2019. Duke Energy Carolinas cannot predict the outcome of this matter.

2018 South Carolina Rate Case

On November 8, 2018, Duke Energy Carolinas filed an application with the PSCSC for a rate increase for retail customers of approximately \$168 million, which represents an approximate 10.0 percent increase in retail revenues. The rate increase is driven by capital investments and environmental compliance progress made by Duke Energy Carolinas since its previous rate case, including the further implementation of Duke Energy Carolinas' generation modernization program, which consists of retiring, replacing and upgrading generation plants, investments in customer service technologies and continued investments in base work to maintain its transmission and distribution systems. The request included net tax benefits resulting from the Tax Act of \$66 million to reflect the change in ongoing tax expense, primarily from the reduction in the federal income tax rate from 35 to 21 percent. The request also included \$46 million to return EDIT resulting from the federal tax rate change and deferred revenues since January 2018 related to the change and benefits of \$17 million from a reduction in North Carolina state income taxes allocable to South Carolina (EDIT Rider).

FINANCIAL STATEMENTS

REGULATORY MATTERS

Duke Energy Carolinas also requested approval of its proposed Grid Improvement Plan (GIP), adjustments to its Prepaid Advantage Program and a variety of accounting orders related to ongoing costs for environmental compliance, including recovery over a five-year period of \$242 million of deferred coal ash related compliance costs, grid investments between rate changes, incremental depreciation expense, a result of new depreciation rates from the depreciation study approved in the 2017 North Carolina Rate Case above, and the balance of development costs associated with the cancellation of the Lee Nuclear Project. Finally, Duke Energy Carolinas sought approval to establish a reserve and accrual for end-of-life nuclear costs for nuclear fuel and materials and supplies. On March 8, 2019, the ORS moved to establish a new and separate hearing docket to review and consider the GIP proposed by Duke Energy Carolinas. Subsequently, on March 12, 2019, the ORS and Duke Energy Carolinas executed a Stipulation resolving the ORS's motion. The Stipulation provides that costs incurred after January 1, 2019, for the GIP will be deferred with a return, subject to evaluation in a future rate proceeding, and that Duke Energy Carolinas will refile for consideration of the GIP in a new docket for resolution by January 1, 2020. The Stipulation was approved by the PSCSC's hearing officer on March 13, 2019. An evidentiary hearing began on March 21, 2019, and concluded March 27, 2019.

On May 1, 2019, the PSCSC issued a Commission Directive on Duke Energy Carolinas' application for a retail rate increase. The Directive granted, among other things: a retail rate increase of \$107 million, excluding the EDIT Rider; a return on equity of 9.5 percent; and a capital structure of 53 percent equity and 47 percent debt. The Directive denied the recovery of coal ash costs of approximately \$115 million. Based upon legal analysis and Duke Energy Carolinas' intention to file a Petition for Rehearing with the PSCSC, Duke Energy Carolinas has not recorded an adjustment for its deferred coal ash costs. The Directive also denied recovery of a return on pre-construction costs associated with the canceled Lee Nuclear Project. Duke Energy Carolinas is evaluating the financial statement impacts of this Directive and will record associated one-time costs when the final order is issued. Except for the coal ash matter, the financial statement impacts of this Directive are not material. An order and revised customer rates are expected by mid-2019. Duke Energy Carolinas cannot predict the outcome of this matter.

FERC Formula Rate Matter

On July 31, 2017, PMPA filed a complaint with FERC alleging that Duke Energy Carolinas misapplied the formula rate under the PPA between the parties by including in its rates amortization expense associated with regulatory assets and recorded in a certain account without FERC approval. On February 15, 2018, FERC issued an order ruling in favor of PMPA and ordered Duke Energy Carolinas to refund to PMPA all amounts improperly collected under the PPA. Duke Energy Carolinas has issued to PMPA and similarly situated wholesale customers refunds of approximately \$25 million. FERC also set the matter for settlement and hearing. PMPA and other customers filed a protest to Duke Energy Carolinas' refund report claiming that the refunds are inadequate in that (1) Duke Energy Carolinas invoked the limitations periods in the contracts to limit the time period for which the refunds were paid and the customers disagree that this limitation applies, and (2) Duke Energy Carolinas refunded only amounts recovered through a certain account and the customers have asserted that the order applies to all regulatory assets. On July 3, 2018, FERC issued an order accepting Duke Energy Carolinas' refund report and ruling that these two claims are outside the scope of FERC's February order. The settlement agreements and revised formula rates for all parties to the proceeding were filed on December 28, 2018. On April 2, 2019, FERC issued an order approving the settlement agreement as filed. Duke Energy Carolinas is working with wholesale customers that did not intervene in this case to implement the same settlement terms.

Sale of Hydroelectric (Hydro) Plants

In May 2018, Duke Energy Carolinas entered an agreement for the sale of five hydro plants with a combined 18.7-MW generation capacity in the Western Carolinas region to Northbrook Energy. The completion of the transaction is subject to approval from FERC for the four FERC-licensed plants, as well as other state regulatory agencies and is contingent upon regulatory approval from the NCUC and PSCSC to defer the total estimated loss on the sale of approximately \$40 million. On July 5, 2018, Duke Energy Carolinas filed with NCUC for approval of the sale of the five hydro plants to Northbrook, to transfer the CPCNs for the four North Carolina hydro plants and to establish a regulatory asset for the North Carolina retail portion of the difference between sales proceeds and net book value. On September 4, 2018, the Public Staff filed comments supporting the CPCN transfer with conditions. On September 18, 2018, Duke Energy Carolinas filed reply comments opposing the Public Staff's proposed conditions. On November 29, 2018, the NCUC issued a procedural order and held an evidentiary hearing on this matter on February 5, 2019. On March 27, 2019, Duke Energy Carolinas and the Public Staff filed proposed orders with the NCUC. On August 28, 2018, Duke Energy Carolinas filed with PSCSC its Application for Approval of Transfer and Sale of Hydroelectric Generation Facilities, Acceptance for Filing of a Power Purchase Agreement and an Accounting Order to Establish a Regulatory Asset. On September 10, 2018, the ORS provided a letter to the commission stating its position on the application and on September 18, 2018, Duke Energy Carolinas requested this matter be carried over to allow Duke Energy Carolinas time to discuss certain accounting issues with the ORS. On August 9, 2018, Duke Energy Carolinas and Northbrook filed a joint Application for Transfer of Licenses with the FERC. On December 27, 2018, the FERC issued its Order Approving Transfer of Licenses ("Order") for the four FERC-licensed hydro plants. On January 18, 2019, Duke Energy Carolinas and Northbrook Carolina Hydro II, LLC requested a six-month extension of time to comply with the requirement of the Order that Northbrook submit to FERC certified copies of all instruments of conveyance and signed acceptance sheets within 60 days of the date of the Order, given that compliance by the deadline set in the Order was not possible because the conveyance of the projects is contingent on the receipt of state regulatory approvals, which were not anticipated to be issued by February 25, 2019. On February 14, 2019, FERC issued an Order Granting Extensions of Time until August 26, 2019, to comply with the requirements of the Order.

If commission approvals are not received, Duke Energy Carolinas can cancel the sales agreement and retain the hydro facilities. If commission approvals are received, the closing is expected to occur in 2019. After closing, Duke Energy Carolinas will purchase all the capacity and energy generated by these facilities at the avoided cost for five years through power purchase agreements. Duke Energy Carolinas cannot predict the outcome of this matter.

FINANCIAL STATEMENTS

REGULATORY MATTERS

Duke Energy Progress

2017 North Carolina Rate Case

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

On November 22, 2017, Duke Energy Progress and the Public Staff filed an Agreement and Stipulation of Partial Settlement resolving certain portions of the proceeding. Terms of the settlement included a return on equity of 9.9 percent and a capital structure of 52 percent equity and 48 percent debt. On February 23, 2018, the NCUC issued an order approving the stipulation.

The order also impacted certain amounts that were similarly recorded on Duke Energy Carolinas' Condensed Consolidated Balance Sheets. As a result of the order, Duke Energy Progress and Duke Energy Carolinas recorded pretax charges of \$68 million and \$14 million, respectively, in the first quarter of 2018 to Impairment charges, Operation, maintenance and other and Interest Expense on the Condensed Consolidated Statements of Operations. Revised customer rates became effective on March 16, 2018.

On May 15, 2018, the Public Staff filed a Notice of Cross Appeal to the North Carolina Supreme Court from the February 23, 2018, Order Accepting Stipulation, Deciding Contested Issues and Granting Partial Rate Increase issued by the NCUC. The Public Staff contend the commission's order should be reversed and remanded, as it is affected by errors of law, and is unsupported by competent, material and substantial evidence in view of the entire record as submitted. The North Carolina Attorney General and Sierra Club also filed Notices of Appeal to the North Carolina Supreme Court from the February 23, 2018, Order Accepting Stipulation, Deciding Contested Issues and Granting Partial Rate Increase. On November 29, 2018, the North Carolina Attorney General's Office filed a motion with the North Carolina Supreme Court requesting the court consolidate the Duke Energy Progress and Duke Energy Carolinas appeals and enter an order adopting the parties' proposed briefing schedule as set out in the filing. On November 29, 2018, the North Carolina Supreme Court adopted a schedule for briefing set forth in the motion to consolidate the Duke Energy Progress and Duke Energy Carolinas appeals. On March 14, 2019, the North Carolina Attorney General's Office filed a motion for extension of time to file its brief. On March 18, 2019, the North Carolina Supreme Court granted the North Carolina Attorney General's motion, and the Appellant's brief was filed on April 26, 2019. The Appellee response briefs are due on August 24, 2019. Duke Energy Progress cannot predict the outcome of this matter.

2018 South Carolina Rate Case

On November 8, 2018, Duke Energy Progress filed an application with the PSCSC for a rate increase for retail customers of approximately \$59 million, which represents an approximate 10.3 percent increase in annual base revenues. The rate increase is driven by capital investments and environmental compliance progress made by Duke Energy Progress since its previous rate case, including the further implementation of Duke Energy Progress' generation modernization program, which consists of retiring, replacing and upgrading generation plants, investments in customer service technologies and continued investments in base work to maintain its transmission and distribution systems. The request included a decrease resulting from the Tax Act of \$17 million to reflect the change in ongoing tax expense, primarily the reduction in the federal income tax rate from 35 to 21 percent. The request also included \$10 million to return EDIT resulting from the federal tax rate change and deferred revenues since January 2018 related to the change (EDIT Rider) and a \$12 million increase due to the expiration of EDITs related to reductions in North Carolina state income taxes allocable to South Carolina.

Duke Energy Progress also requested approval of its proposed GIP, approval of a Prepaid Advantage Program and a variety of accounting orders related to ongoing costs for environmental compliance, including recovery over a five-year period of \$51 million of deferred coal ash related compliance costs, AMI deployment, grid investments between rate changes and regulatory asset treatment related to the retirement of a generating plant located in Asheville, North Carolina. Finally, Duke Energy Progress sought approval to establish a reserve and accrual for end-of-life nuclear costs for materials and supplies and nuclear fuel. On March 8, 2019, the ORS moved to establish a new and separate hearing docket to review and consider the GIP proposed by Duke Energy Progress. Subsequently, on March 12, 2019, the ORS and Duke Energy Carolinas executed a Stipulation resolving the ORS's motion, and Duke Energy Progress agreed to the Stipulation, as did other parties in the rate case. The Stipulation provides that costs incurred after January 1, 2019, for the GIP will be deferred with a return, with all costs subject to evaluation in a future rate proceeding, and that Duke Energy Progress will refile for consideration of the GIP in a new docket for resolution by January 1, 2020. The Stipulation was approved by the PSCSC's hearing officer on March 13, 2019. An evidentiary hearing began on April 11, 2019, and concluded on April 17, 2019.

On May 8, 2019, the PSCSC issued a Commission Directive on Duke Energy Progress' application for a retail rate increase. The Directive granted, among other things: a retail rate increase of \$41 million, excluding the EDIT Rider; a return on equity of 9.5 percent and a capital structure of 53 percent equity and 47 percent debt. The Directive denied the recovery of coal ash costs of approximately \$65 million. Based upon legal analysis and Duke Energy Progress' intention to file a Petition for Rehearing with the PSCSC, Duke Energy Progress has not recorded an adjustment for its deferred coal ash costs. Duke Energy Progress is evaluating the financial statement impacts of this Directive and will record associated one-time costs when the final order is issued. Except for the coal ash matter, the financial statement impacts of this Directive are not material. An order and revised customer rates are expected by mid-2019. Duke Energy Progress cannot predict the outcome of this matter.

FINANCIAL STATEMENTS

REGULATORY MATTERS

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 worked with the local natural gas distribution company to upgrade an existing natural gas pipeline to serve the natural gas plant. The lease became effective on March 2, 2019.

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, 2018, Duke Energy Progress filed an annual progress report for the construction of the combined-cycle plants with the NCUC, with an estimated cost of \$893 million. Site preparation activities for the combined-cycle plants are complete and construction of these plants began in 2017, with an expected in-service date in late 2019.

On October 8, 2018, Duke Energy Progress filed an application with the NCUC for a CPCN to construct the Hot Springs Microgrid Solar and Battery Storage Facility. On November 30, 2018, the NCUC issued an order scheduling hearings, requiring filing of testimony, establishing discovery guidelines and requiring public notice. On February 7, 2019, Duke Energy Progress made a joint filing with the Public Staff, which accepted the Public Staff's proposed conditions and requested that the NCUC cancel the evidentiary hearing. On February 19, 2019, the NCUC granted the request to cancel the hearing. On March 22, 2019, Duke Energy Progress and the Public Staff filed a Joint Proposed Order now pending before the NCUC. Duke Energy Progress cannot predict the outcome of this matter.

The carrying value of the 376-MW Asheville coal-fired plant, including associated ash basin closure costs, of \$302 million and \$327 million is included in Generation facilities to be retired, net on Duke Energy Progress' Condensed Consolidated Balance Sheets as of March 31, 2019, and December 31, 2018, respectively. Duke Energy Progress' request for a regulatory asset at the time of retirement with amortization over a 10-year period was approved by the NCUC on February 23, 2018.

Duke Energy Florida

Storm Restoration Cost Recovery

In September 2017, Duke Energy Florida's service territory suffered significant damage from Hurricane Irma, resulting in approximately 1 million customers experiencing outages. In the fourth quarter of 2017, Duke Energy Florida also incurred preparation costs related to Hurricane Nate. On December 28, 2017, Duke Energy Florida filed a petition with the FPSC to recover incremental storm restoration costs for Hurricane Irma and Hurricane Nate and to replenish the storm reserve. On February 6, 2018, the FPSC approved a stipulation that would apply tax savings resulting from the Tax Act toward storm costs effective January 2018 in lieu of implementing a storm surcharge. Storm costs are currently expected to be fully recovered by approximately mid-2021. On May 31, 2018, Duke Energy Florida filed a petition for approval of actual storm restoration costs and associated recovery process related to Hurricane Irma and Hurricane Nate. The petition sought the approval for the recovery in the amount of \$510 million in actual recoverable storm restoration costs, including the replenishment of Duke Energy Florida's storm reserve of \$132 million, and the process for recovering these recoverable storm costs. On August 20, 2018, the FPSC approved Duke Energy Florida's unopposed Motion for Continuance filed August 17, 2018, to allow for an evidentiary hearing in this matter. On January 28, 2019, Duke Energy Florida made a supplemental filing to reduce the total storm cost recovery from \$510 million to \$508 million. On April 3, 2019, the FPSC issued an Order abating all remaining filing dates. On April 9, 2019, Duke Energy Florida filed an unopposed motion to approve a settlement agreement resolving all outstanding issues in this docket. The FPSC has scheduled the hearing to begin on May 21, 2019, to consider the Storm Cost Settlement Agreement filed with the FPSC. If approved, the Storm Cost Settlement Agreement would obligate Duke Energy Florida to capitalize \$18 million of storm costs and remove \$6 million of operating and maintenance expense, thereby reducing the requested storm cost recovery amount by \$24 million. Duke Energy Florida will also implement process changes with respect to storm cost restoration. At March 31, 2019, and December 31, 2018, Duke Energy Florida's Condensed Consolidated Balance Sheets included approximately \$157 million and \$217 million, respectively, of recoverable costs under the FPSC's storm rule in Regulatory assets within Current Assets and Other Noncurrent Assets related to storm recovery for Hurricane Irma and Hurricane Nate. Duke Energy Florida cannot predict the outcome of this matter.

In October 2018, Duke Energy Florida's service territory suffered damage when Hurricane Michael made landfall as a strong Category 5 hurricane with maximum sustained winds of 160 mph. The storm caused catastrophic damage from wind and storm surge, particularly from Panama City Beach to Mexico Beach, resulting in widespread outages and significant damage to transmission and distribution facilities across the central Florida Panhandle. In response to Hurricane Michael, Duke Energy Florida restored service to approximately 72,000 customers. Total current estimated incremental operation and maintenance and capital costs are \$360 million. Approximately \$70 million and \$35 million of the costs are included in Net property, plant and equipment on the Condensed Consolidated Balance Sheets as of March 31, 2019, and December 31, 2018, respectively. Approximately \$213 million and \$165 million of costs represent recoverable costs under the FPSC's storm rule and Duke Energy Florida's Open Access Transmission Tariff formula rates and are included in Regulatory assets within Other Noncurrent Assets on the Condensed Consolidated Balance Sheets as of March 31, 2019, and December 31, 2018, respectively. Additional costs could be incurred in 2019 related to this fourth quarter 2018 storm.

Duke Energy Florida filed a petition with the FPSC on April 30, 2019, to recover incremental storm restoration costs for Hurricane Michael. The estimated recovery amount is approximately \$221 million to be recovered over a 12-month period beginning in July 2019, subject to true up through the Storm Surcharge consistent with the provisions of the 2017 Settlement. Concurrently, Duke Energy Florida filed for approval a stipulation that would apply tax savings resulting from the Tax Act toward storm costs in lieu of implementing a storm surcharge. Storm costs are currently expected to be fully recovered by approximately year-end 2021. Duke Energy Florida cannot predict the outcome of this matter.

FINANCIAL STATEMENTS

REGULATORY MATTERS

Tax Act

Pursuant to Duke Energy Florida's 2017 Settlement, on May 31, 2018, Duke Energy Florida filed a petition related to the Tax Act, which included revenue requirement impacts of annual tax savings of \$134 million and estimated annual amortization of EDIT of \$67 million for a total of \$201 million. Of this amount, \$50 million would be offset by accelerated depreciation of Crystal River 4 and 5 coal units and an estimated \$151 million would be offset by Hurricane Irma storm cost recovery as explained in the Storm Restoration Cost Recovery section above. On December 27, 2018, Duke Energy Florida filed actual EDIT balances and amortization based on its 2017 filed tax return. This increased the revenue requirement impact of the amortization of EDIT by \$4 million, from \$67 million to \$71 million, which increased the total storm amortization from \$151 million to \$155 million. On January 8, 2019, the FPSC approved a joint motion by Duke Energy Florida and the Office of Public Counsel resolving all stipulated positions. As part of that stipulation, Duke Energy Florida agreed to seek a Private Letter Ruling (PLR) from the IRS on its treatment of cost of removal (COR) as mostly protected by tax normalization rules. If the IRS rules that COR is not protected by tax normalization rules, then Duke Energy Florida will make a final adjustment to the amortization of EDIT and an adjustment to the storm recovery amount retroactive to January 2018. The IRS has communicated that it will not issue individual PLRs on the treatment of COR. Rather, the IRS is drafting a notice that will request comments on a number of issues, including COR, and the IRS plans to issue industrywide guidance on those issues. Duke Energy Florida cannot predict the outcome of this matter.

Solar Base Rate Adjustment

On July 31, 2018, Duke Energy Florida petitioned the FPSC to include in base rates the revenue requirements for its first two solar generation projects, the Hamilton Project and the Columbia Project, as authorized by the 2017 Settlement. The Hamilton Project, which was placed into service on December 22, 2018, has an annual retail revenue requirement of \$15 million and the increase was effective in January 2019. The Columbia Project has a projected annual revenue requirement of \$14 million and a projected in-service date in early 2020; the associated rate increase would take place with the first month's billing cycle after the Columbia Project goes into service. At its October 30, 2018, Agenda Conference, the FPSC approved the rate increase related to the Hamilton Project to go into effect beginning with the first billing cycle in January 2019 under its file and suspend authority. On April 2, 2019, the commission approved both solar projects as filed.

On March 25, 2019, Duke Energy Florida petitioned the FPSC to include in base rates the revenue requirements for its next wave of solar generation projects, the Trenton, Lake Placid and DeBary Solar Projects, as authorized by the 2017 Settlement. The annual retail revenue requirement for the Trenton and Lake Placid Projects is \$13 million and \$8 million, respectively, with projected in-service dates in the fourth quarter of 2019. The DeBary Project has a projected annual revenue requirement of \$11 million and a projected in-service date in the first quarter of 2020. The associated rate increase would take place with the first month's billing cycle after each solar generation project goes into service. Duke Energy Florida cannot predict the outcome of this matter.

Duke Energy Ohio

Tax Act – Ohio

On July 25, 2018, Duke Energy Ohio filed an application to establish a new rider to implement the benefits of the Tax Act for electric distribution customers. The new rider will flow through to customers the benefit of the lower statutory federal tax rate from 35 to 21 percent since January 1, 2018, all future benefits of the lower tax rates and a full refund of deferred income taxes collected at the higher tax rates in prior years. Deferred income taxes subject to normalization rules will be refunded consistent with federal law and deferred income taxes not subject to normalization rules will be refunded over a 10-year period. Duke Energy Ohio's transmission rates reflect lower federal income tax but guidance from FERC on amortization of both protected and unprotected transmission-related EDITs is still pending. On October 24, 2018, the PUCO issued a Finding and Order that, among other things, directed all utilities over which the commission has rate-making authority to file an application to pass the benefits of the Tax Act to customers by January 1, 2019, unless otherwise exempted or directed by the PUCO. Duke Energy Ohio's July 25, 2018, filing for electric distribution operations is consistent with the commission's October 24, 2018, Finding and Order and no further action is needed. On February 20, 2019, the PUCO approved the application without material modification. Rates became effective March 1, 2019.

On December 21, 2018, Duke Energy Ohio filed an application to change its base rates and establish a new rider to implement the benefits of the Tax Act for natural gas customers. Duke Energy Ohio requested commission approval to implement the changes and rider effective April 1, 2019. The new rider will flow through to customers the benefit of the lower statutory federal tax rate from 35 to 21 percent since January 1, 2018, all future benefits of the lower tax rates and a full refund of deferred income taxes collected at the higher tax rates in prior years. Deferred income taxes subject to normalization rules will be refunded consistent with federal law and deferred income taxes not subject to normalization rules will be refunded over a 10-year period. The PUCO has not yet ruled on the application for changes for natural gas customers. Duke Energy Ohio cannot predict the outcome of this matter.

Energy Efficiency Cost Recovery

On March 28, 2014, Duke Energy Ohio filed an application for recovery of program costs, lost distribution revenue and performance incentives related to its energy efficiency and peak demand reduction programs. These programs are undertaken to comply with environmental mandates set forth in Ohio law. The PUCO approved Duke Energy Ohio's application but found that Duke Energy Ohio was not permitted to use banked energy savings from previous years in order to calculate the amount of allowed incentive. This conclusion represented a change to the cost recovery mechanism that had been agreed upon by intervenors and approved by the PUCO in previous cases. The PUCO granted the applications for rehearing filed by Duke Energy Ohio and an intervenor. On January 6, 2016, Duke Energy Ohio and the PUCO Staff entered into a stipulation, pending the PUCO's approval, to resolve issues related to performance incentives and the PUCO Staff audit of 2013 costs, among other issues. In December 2015, based upon the stipulation, Duke Energy Ohio re-established approximately \$20 million of the revenues that had been previously reversed. On October 26, 2016, the PUCO issued an order approving the stipulation without modification. In December 2016, the PUCO granted the intervenors request for rehearing for the purpose of further review. On April 10, 2019, the PUCO issued an Entry on Rehearing denying the rehearing applications.

FINANCIAL STATEMENTS

REGULATORY MATTERS

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

2014 Electric Security Plan

In April 2015, the PUCO modified and approved Duke Energy Ohio's proposed ESP, with a three-year term and an effective date of June 1, 2015. The PUCO approved a competitive procurement process for SSO load, a distribution capital investment rider (Rider DCI) and a tracking mechanism for incremental distribution expenses caused by major storms. The PUCO also approved a placeholder tariff for a price stabilization rider, but denied Duke Energy Ohio's specific request to include Duke Energy Ohio's entitlement to generation from OVEC in the rider at this time; however, the order allows Duke Energy Ohio to submit additional information to request recovery in the future. On May 4, 2015, Duke Energy Ohio filed an application for rehearing requesting the PUCO to modify or amend certain aspects of the order. On May 28, 2015, the PUCO granted all applications for rehearing filed in the case for future consideration. On March 21, 2018, the PUCO issued an order denying Duke Energy Ohio's issues on rehearing. On April 20, 2018, Duke Energy Ohio filed a second application for rehearing based upon the commission's March 21, 2018, Order. On May 16, 2018, the commission issued its third Entry on Rehearing granting in part, and denying in part, Duke Energy Ohio's rehearing request.

On March 9, 2018, Duke Energy Ohio filed a motion to extend its then-current ESP, including all terms and conditions thereof, pending approval of a new ESP. On May 30, 2018, the PUCO granted the request, with modification. Specifically, the PUCO did not extend the cap applicable to Rider DCI beyond July 31, 2018. Duke Energy Ohio sought rehearing of this finding. On July 25, 2018, the PUCO granted the request and allowed a continuing cap on recovery under Rider DCI. On August 24, 2018, the Ohio Manufacturers' Association (OMA) and the Office of the Ohio Consumers' Counsel (OCC) filed an Application for Rehearing of the commission's decision. Duke Energy Ohio filed a Memorandum Contra OCC's request for rehearing of the commission's continuation of Rider DCI on September 4, 2018. On September 19, 2018, the PUCO issued an Order granting rehearing on the matter for further consideration. On April 3, 2019, the PUCO issued its Fourth Entry on Rehearing denying the rehearing of OCC and OMA and upholding its decision to continue Rider DCI. Further applications for rehearing or notices of appeal are due in 60 days. Duke Energy Ohio cannot predict the outcome of this matter.

On May 21, 2018, the OMA filed a notice of appeal of PUCO's approval of Duke Energy Ohio's ESP with the Ohio Supreme Court, challenging PUCO's approval of Duke Energy Ohio's Price Stability Rider as a placeholder and its Rider DCI to recover incremental revenue requirement for distribution capital since Duke Energy Ohio's last base rate case. On July 16, 2018, the OCC filed its own appeal of Duke Energy Ohio's ESP with the Ohio Supreme Court raising similar issues to that of the OMA. Duke Energy Ohio filed a Motion to Intervene in the two Ohio Supreme Court appeals. OMA's Supreme Court brief was filed on August 20, 2018. PUCO submitted its brief on October 26, 2018, and Duke Energy Ohio filed its brief on October 29, 2018. The OCC's Supreme Court brief was filed on October 15, 2018. Duke Energy Ohio filed its brief on December 20, 2018. The PUCO submitted its brief on December 21, 2018. The Ohio Supreme Court issued an order on March 13, 2019, for the appellants to show cause why the appeals should not be dismissed as moot in light of the commission's approval of Duke Energy Ohio's current ESP. OCC and OMA made the requested filings on March 20, 2019, and Duke Energy Ohio filed its response on March 27, 2019. On May 8, 2019, the Ohio Supreme Court dismissed the appeals as moot.

Natural Gas Pipeline Extension

Duke Energy Ohio is proposing to install a new natural gas pipeline (the Central Corridor Project) in its Ohio service territory to increase system reliability and enable the retirement of older infrastructure. Duke Energy Ohio currently estimates the pipeline development costs and construction activities will range from \$163 million to \$245 million in direct costs (excluding overheads and AFUDC). On January 20, 2017, Duke Energy Ohio filed an amended application with the Ohio Power Siting Board (OPSB) for approval of one of two proposed routes. A public hearing was held on June 15, 2017. In April 2018, Duke Energy Ohio filed a motion with OPSB to establish a procedural schedule and filed supplemental information supporting its application. On December 18, 2018, the OPSB established a procedural schedule that included a local public hearing on March 21, 2019. An evidentiary hearing began on April 9, 2019, and concluded on April 11, 2019. Briefs are due May 13, 2019, with reply briefs due June 10, 2019. If approved, construction of the pipeline extension is expected to be completed before the 2021/2022 winter season. Duke Energy Ohio cannot predict the outcome of this matter.

FINANCIAL STATEMENTS

REGULATORY MATTERS

2012 Natural Gas Rate Case/MGP Cost Recovery

As part of its 2012 natural gas base rate case, Duke Energy Ohio has approval to defer and recover costs related to environmental remediation at two sites (East End and West End) that housed former MGP operations. Duke Energy Ohio has made annual applications for recovery of these deferred costs. Duke Energy Ohio is currently recovering approximately \$55 million in environmental remediation costs between 2009 through 2012 through a separate rider, Rider MGP. Duke Energy Ohio has made annual applications with the PUCO to recover its incremental remediation costs consistent with the PUCO's directive in Duke Energy Ohio's 2012 natural gas rate case. To date, the PUCO has not ruled on Duke Energy Ohio's annual applications for the calendar years 2013 through 2017. On September 28, 2018, the staff of the PUCO issued a report recommending a disallowance of approximately \$12 million of the \$26 million in MGP remediation costs incurred between 2013 through 2017 that staff believes are not eligible for recovery. Staff interprets the PUCO's 2012 Order granting Duke Energy Ohio recovery of MGP remediation as limiting the recovery to work directly on the East End and West End sites. On October 30, 2018, Duke Energy Ohio filed reply comments objecting to the staff's recommendations and explaining, among other things, the obligation Duke Energy Ohio has under Ohio law to remediate all areas impacted by the former MGPs and not just physical property that housed the former plants and equipment. To date, the PUCO has not issued a procedural schedule and has not ruled on Duke Energy Ohio's applications. On March 29, 2019, Duke Energy Ohio filed its annual application to recover incremental remediation expense for the calendar year 2018. Duke Energy Ohio cannot predict the outcome of this matter.

Duke Energy Kentucky Natural Gas Base Rate Case

On August 31, 2018, Duke Energy Kentucky filed an application with the KPSC requesting an increase in natural gas base rates of approximately \$11 million, an approximate 11.1 percent average increase across all customer classes. The increase was net of approximately \$5 million in annual savings as a result of the Tax Act. The drivers for this case are capital invested since Duke Energy Kentucky's last rate case in 2009. Duke Energy Kentucky also sought implementation of a Weather Normalization Adjustment Mechanism, amortization of regulatory assets and to implement the impacts of the Tax Act, prospectively. On January 30, 2019, Duke Energy Kentucky entered into a settlement agreement with the Attorney General of Kentucky, the only intervenor in the case. The settlement provided for an approximate \$7 million increase in natural gas base revenue and approval of the proposed Weather Normalization Mechanism. A hearing was held on February 5, 2019. The commission issued its Order approving the settlement without material modification on March 27, 2019.

Duke Energy Indiana

FERC Transmission Return on Equity Complaint

Customer groups have filed with the FERC complaints against MISO and its transmission-owning members, including Duke Energy Indiana, alleging, among other things, that the current base rate of return on equity earned by MISO transmission owners of 12.38 percent is unjust and unreasonable. The complaints claim, among other things, that the current base rate of return on equity earned by MISO transmission owners should be reduced to 8.67 percent. On January 5, 2015, the FERC issued an order accepting the MISO transmission owners' adder of 0.50 percent to the base rate of return on equity based on participation in an RTO subject to it being applied to a return on equity that is shown to be just and reasonable in the pending return on equity complaints. On December 22, 2015, the presiding FERC ALJ in the first complaint issued an Initial Decision in which the base rate of return on equity was set at 10.32 percent. On September 28, 2016, the Initial Decision in the first complaint was affirmed by FERC, but is subject to rehearing requests. On June 30, 2016, the presiding FERC ALJ in the second complaint issued an Initial Decision setting the base rate of return on equity at 9.70 percent. The Initial Decision in the second complaint is pending FERC review. On April 14, 2017, the D.C. Circuit Court, in *Emera Maine v. FERC*, reversed and remanded certain aspects of the methodology employed by FERC to establish rates of return on equity. On October 16, 2018, FERC issued an order in response to the Emera remand proceeding proposing a new method for determining whether an existing return on equity is unjust and unreasonable, and a new process for determining a just and reasonable return on equity. On November 14, 2018, FERC directed parties to the MISO complaints to file briefs on how the new process for determining return on equity proposed in the Emera proceeding should be applied to the complaints involving the MISO transmission owners' return on equity. Initial briefs were filed on February 13, 2019, and reply briefs were filed April 10, 2019. Duke Energy Indiana currently believes these matters will not have a material impact on its results of operations, cash flows and financial position.

Edwardsport Integrated Gasification Combined Cycle Plant

On September 20, 2018, Duke Energy Indiana, the Indiana Office of Utility Consumer Counselor, the Duke Industrial Group and Nucor Steel – Indiana entered into a settlement agreement to resolve IGCC ratemaking issues for calendar years 2018 and 2019. The agreement will remain in effect until new rates are established in Duke Energy Indiana's next base rate case, which is expected to be filed in mid-2019 with rates effective in mid-2020. It addressed the pending Edwardsport filing at the commission and eliminated the need for future filings until the overall rate case. The settlement is subject to IURC approval. An evidentiary hearing was held in December 2018, and an IURC Order is expected in May 2019. Duke Energy Indiana cannot predict the outcome of this matter.

Piedmont

Tennessee Integrity Management Rider Filing

In November 2018, Piedmont filed a petition with the TPUC under the IMR mechanism to collect an additional \$3 million in annual revenues, effective January 2019, based on the eligible capital investments closed to integrity and safety projects over the 12-month period ending October 31, 2018. A hearing on the matter was held on March 11, 2019, and a decision is expected in May 2019.

FINANCIAL STATEMENTS

REGULATORY MATTERS

2019 North Carolina Rate Case

On April 1, 2019, Piedmont filed an application with the NCUC, its first general rate case in North Carolina in six years, for a rate increase for retail customers of approximately \$83 million, which represents an approximate 9 percent increase in retail revenues. The rate increase is driven by significant infrastructure upgrade investments (plant additions) since the last general rate case, offset by savings that customers will begin receiving due to federal and state tax reform. Approximately half of the plant additions being rolled into rate base are categories of plant investment not covered under the IMR mechanism, which was originally approved as part of the 2013 North Carolina Rate Case. Piedmont anticipates the NCUC will schedule the evidentiary hearing for late summer/early fall 2019, which would enable the rate change arising from this proceeding to take effect by the end of 2019. Piedmont cannot predict the outcome of this matter.

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, in part, the needs identified by Duke Energy Carolinas, Duke Energy Progress and Piedmont. Dominion will be responsible for building and operating the ACP pipeline and holds a leading ownership percentage in ACP of 48 percent. Duke Energy owns a 47 percent interest, which is accounted for as an equity method investment through its Gas Utilities and Infrastructure segment. Southern Company Gas maintains a 5 percent interest. See Note 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.

In 2018, the FERC issued a series of Notices to Proceed, which authorized the project to begin certain construction-related activities along the pipeline route, including supply header and compressors. On May 11, 2018, and October 19, 2018, FERC issued Notices to Proceed allowing full construction activities in all areas of West Virginia except in the Monongahela National Forest. On July 24, 2018, FERC issued a Notice to Proceed allowing full construction activities along the project route in North Carolina. On October 19, 2018, the conditions to effectiveness of the Virginia 401 water quality certification were satisfied. Immediately following receipt of the Virginia 401 certification, ACP filed a request for FERC to issue a Notice to Proceed with full construction activities in Virginia. We appreciate the professional and collaborative process by the permitting agencies designed to ensure that this critical energy infrastructure project will meet the stringent environmental standards required by law and regulation.

ACP is the subject of challenges in state and federal courts and agencies, including, among others, challenges of the project's incidental take statement (ITS), crossings of the Blue Ridge Parkway, the Appalachian Trail, and the Monongahela and George Washington National Forests, the project's U.S. Army Corps of Engineers (USACE) 404 permit, the Virginia conditional 401 water quality certification, the FERC Environmental Impact Statement order and the FERC order approving the Certificate of Public Convenience and Necessity. Each of these challenges alleges non-compliance on the part of federal and state permitting authorities and adverse ecological consequences if the project is permitted to proceed. Since December 2018, notable developments in these challenges include a stay issued by the U.S. Court of Appeals for the Fourth Circuit (Fourth Circuit) of the project's biological opinion and ITS (which stay has halted most project construction activity), a Fourth Circuit decision vacating the project's permits to cross the Monongahela and George Washington National Forests and the Appalachian Trail, the Fourth Circuit's remand to USACE of ACP's Huntington District 404 verification and the Fourth Circuit's remand to the National Park Service of the ACP's Blue Ridge Parkway right-of-way. ACP is vigorously defending these challenges and coordinating with the federal and state authorities which are the direct parties to the challenges. ACP and federal agencies are coordinating on a potential appeal of the Fourth Circuit's recent ruling vacating the project's permit to cross the Appalachian Trail. ACP is also evaluating possible legislative and administrative remedies. On May 9, 2019, ACP, the U.S. Fish and Wildlife Service and the Department of Justice will present arguments before the Fourth Circuit supporting the project's stayed biological opinion and ITS.

The delays resulting from the legal challenges described above have impacted the cost and schedule for the project. As a result, project cost estimates have increased to \$7.0 billion to \$7.8 billion, excluding financing costs. ACP expects to achieve a late 2020 in-service date for key segments of the project, while it expects the remainder to extend into 2021. Abnormal weather, work delays (including delays due to judicial or regulatory action) and other conditions may result in cost or schedule modifications in the future.

Constitution Pipeline Company, LLC

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

In December 2014, Constitution received approval from the FERC to construct and operate the proposed pipeline. However, on April 22, 2016, the NYSDEC denied Constitution's application for a necessary water quality certification for the New York portion of the Constitution pipeline. Constitution filed a series of legal actions challenging the legality and appropriateness of the NYSDEC's decision, culminating in an appeal to the Supreme Court of the United States, which appeal was denied on April 30, 2018. In addition, in October 2017, Constitution filed a petition for declaratory order requesting FERC to find that the NYSDEC waived its rights to issue a Section 401 water quality certification by not acting on Constitution's application within a reasonable period of time as required by statute, which petition was denied on January 11, 2018.

FINANCIAL STATEMENTS

REGULATORY MATTERS

On January 25, 2019, the D.C. Circuit Court rendered a decision in *Hoopa Valley Tribe v. FERC* that withdrawal and resubmission of an application for a Section 401 water quality certification constituted a waiver by the relevant state agency when such withdrawals and resubmissions were intended to extend the one-year limit on accepting or rejecting such an application. As Constitution had made similar arguments in its 2018 petition to FERC for a declaratory order, on April 1, 2019, Constitution filed a new petition for declaratory order requesting FERC find a waiver on the part of NYSDEC in accordance with the D.C. Circuit Court's newly established precedent. On May 1, 2019, Constitution filed its response to supplemental pleadings filed by NYSDEC and others in this proceeding. A FERC response is expected later this year.

Constitution is currently unable to approximate an in-service date for the project due to the NYSDEC's denial of the water quality certification. The Constitution partners remain committed to the project and are evaluating next steps to move the project forward. On June 25, 2018, Constitution filed with FERC a Request for Extension of Time until December 2, 2020, for construction of the project. On November 5, 2018, FERC issued an Order Granting Extension of Time.

During the three months ended March 31, 2018, Duke Energy recorded an OTTI of \$55 million within Equity in (losses) earnings of unconsolidated affiliates on Duke Energy's Condensed Consolidated Statements of Income. The charge represented 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 actions taken by the courts and regulators to uphold the NYSDEC's denial of the certification and uncertainty associated with the remaining legal and regulatory challenges.

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

Potential Coal Plant Retirements

The Subsidiary Registrants periodically file IRPs 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. IRPs filed by the Subsidiary Registrants included planning assumptions to potentially retire certain coal-fired generating facilities in North Carolina and Indiana earlier than their current estimated useful lives primarily because facilities do not have the requisite emission control equipment to meet regulatory requirements expected to apply in the near future. Duke Energy continues to evaluate the potential need to retire these coal-fired generating facilities earlier than the current estimated useful lives and plans to seek regulatory recovery for amounts that would not be otherwise recovered when any of these assets are retired.

The table below contains the net carrying value of generating facilities planned for retirement or included in recent IRPs as evaluated for potential retirement due to a lack of requisite environmental control equipment. Dollar amounts in the table below are included in Net property, plant and equipment on the Condensed Consolidated Balance Sheets as of March 31, 2019, and exclude capitalized asset retirement costs.

	Capacity (in MW)		Remaining Net Book Value (in millions)
Duke Energy Carolinas			
Allen Steam Station Units 1-3 ^(a)	585	\$	159
Duke Energy Indiana			
Gallagher Units 2 and 4 ^(b)	280		120
Total Duke Energy	865	\$	279

- (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 Indiana committed to either retire or stop burning coal at Gallagher Units 2 and 4 by December 31, 2022, as part of the 2016 settlement of Edwardsport IGCC matters.

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

4. COMMITMENTS AND CONTINGENCIES

ENVIRONMENTAL

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

FINANCIAL STATEMENTS

COMMITMENTS AND CONTINGENCIES

Remediation Activities

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

Three Months Ended March 31, 2019								
(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	\$ 77	\$ 11	\$ 11	\$ 4	\$ 6	\$ 48	\$ 5	\$ 2
Provisions/adjustments	(2)	2	2	1	2	(6)	—	—
Cash reductions	(8)	—	—	—	—	(8)	—	—
Balance at end of period	\$ 67	\$ 13	\$ 13	\$ 5	\$ 8	\$ 34	\$ 5	\$ 2

Three Months Ended March 31, 2018								
(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	\$ 81	\$ 10	\$ 15	\$ 3	\$ 12	\$ 47	\$ 5	\$ 2
Provisions/adjustments	4	1	3	1	1	—	1	—
Cash reductions	(5)	—	(2)	(1)	(1)	(3)	—	—
Balance at end of period	\$ 80	\$ 11	\$ 16	\$ 3	\$ 12	\$ 44	\$ 6	\$ 2

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	\$ 45
Duke Energy Carolinas	12
Duke Energy Ohio	22
Piedmont	2

FINANCIAL STATEMENTS

COMMITMENTS AND CONTINGENCIES

LITIGATION

Duke Energy Carolinas and Duke Energy Progress

NCDEQ Closure Litigation

The Coal Ash Act requires CCR surface impoundments in North Carolina to be closed, with the closure method and timing based on a risk ranking classification determined by legislation or state regulators. The NCDEQ previously classified the impoundments at Allen, Belews Creek, Rogers, Marshall, Mayo and Roxboro as low risk and Duke Energy expected to close those sites through a combination of a cap system and a groundwater monitoring system. However, on April 1, 2019, NCDEQ issued a closure determination requiring Duke Energy Carolinas and Duke Energy Progress to excavate all remaining coal ash impoundments at these facilities. On April 26, 2019, Duke Energy Carolinas and Duke Energy Progress filed Petitions for Contested Case Hearings in the Office of Administrative Hearings to challenge NCDEQ's determination that all ash basins must be excavated. Duke Energy Carolinas and Duke Energy Progress cannot predict the outcome of this matter.

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. On January 23, 2019, the court granted the parties' joint motion for a four-month stay of the proceedings, until June 3, 2019, to allow the parties to discuss potential resolution. If the case is not fully resolved at that time, litigation will resume. The trial remains scheduled for August 2020. 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 SELC sent notices of intent to sue Duke Energy Carolinas and Duke Energy Progress related to alleged CWA violations from coal ash basins at two of their coal-fired power plants in North Carolina. The NCDEQ filed enforcement actions against Duke Energy Carolinas and Duke Energy Progress alleging violations of water discharge permits and North Carolina groundwater standards. The cases have been consolidated and are being heard before a single judge in the North Carolina Superior Court.

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

The court issued orders in 2016 granting Motions for Partial Summary Judgment for seven of the 14 North Carolina plants named in the enforcement actions. On February 13, 2017, the court issued an order denying motions for partial summary judgment brought by both the environmental groups and Duke Energy Carolinas and Duke Energy Progress for the remaining seven plants. On March 15, 2017, Duke Energy Carolinas and Duke Energy Progress filed a Notice of Appeal with the North Carolina Court of Appeals to challenge the trial court's order. The parties were unable to reach an agreement at mediation in April 2017 and submitted briefs to the trial court on remaining issues to be tried. On August 1, 2018, the Court of Appeals dismissed the appeal and the matter is proceeding before the trial court. In light of the NCDEQ's determination that all ash basins must be excavated, on April 29, 2019, the court decided to stay any activity in the case until August 2019, at which time the court will hold another status conference. Duke Energy Carolinas and Duke Energy Progress cannot predict the outcome of this matter.

Federal Citizens Suits

On June 13, 2016, the 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 NPDES permit provisions survived the motion to dismiss, and Duke Energy Progress filed its response on May 10, 2017. Duke Energy Progress and RRBA each filed motions for summary judgment on March 23, 2018. The court has not yet ruled on these motions.

On May 16, 2017, RRBA filed a federal citizen suit in the U.S. District Court for the Middle District of North Carolina, which asserts two claims relating to alleged violations of NPDES permit provisions at the Roxboro Plant and one claim relating to the use of nearby water bodies. Duke Energy Progress and RRBA each filed motions for summary judgment on April 17, 2018, and the court has not yet ruled on these motions.

On May 8, 2018, on motion from Duke Energy Progress, the court ordered trial in both of the above matters to be consolidated. On April 5, 2019, Duke Energy Progress filed a motion to stay the case following the NCDEQ's determination that all ash basins must be excavated. On April 19, 2019, the court entered an order staying the case through August 7, 2019, at which time the court will hold a status conference.

On December 5, 2017, various parties filed a federal citizen suit in the U.S. District Court for the Middle District of North Carolina for alleged violations at Duke Energy Carolinas' Belews Creek under the CWA. Duke Energy Carolinas' answer to the complaint was filed on August 27, 2018. On October 10, 2018, Duke Energy Carolinas filed Motions to Dismiss for lack of standing, Motion for Judgment on the Pleadings and Motion to Stay Discovery. On January 9, 2019, the court entered an order denying Duke Energy Carolinas' motion to stay discovery. There has been no ruling on the other pending motions. On April 5, 2019, Duke Energy Carolinas filed a motion to stay the case following the NCDEQ's determination that all ash basins must be excavated. On April 19, 2019, the court entered an order staying the case through August 7, 2019, at which time the court will hold a status conference.

Duke Energy Carolinas and Duke Energy Progress cannot predict the outcome of these matters.

FINANCIAL STATEMENTS

COMMITMENTS AND CONTINGENCIES

Asbestos-related Injuries and Damages Claims

Duke Energy Carolinas has experienced numerous claims for indemnification and medical cost reimbursement related to asbestos exposure. These claims relate to damages for bodily injuries alleged to have arisen from exposure to or use of asbestos in connection with construction and maintenance activities conducted on its electric generation plants prior to 1985. As of March 31, 2019, there were 139 asserted claims for non-malignant cases with cumulative relief sought of up to \$34 million, and 57 asserted claims for malignant cases with cumulative relief sought of up to \$18 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 \$617 million at March 31, 2019, and \$630 million at December 31, 2018. 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 Duke Energy Carolinas' best estimate for current and future asbestos claims through 2038 and are recorded on an undiscounted basis. 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 2038 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-insured 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 \$764 million in excess of the self-insured retention. Receivables for insurance recoveries were \$739 million at March 31, 2019, and December 31, 2018. These amounts are classified in Other within Other Noncurrent Assets and Receivables within Current Assets on the Condensed Consolidated Balance Sheets. Duke Energy Carolinas is not aware of any uncertainties regarding the legal sufficiency of insurance claims. Duke Energy Carolinas believes the insurance recovery asset is probable of recovery as the insurance carrier continues to have a strong financial strength rating.

Duke Energy Progress and Duke Energy Florida

Spent Nuclear Fuel Matters

On October 16, 2014, Duke Energy Progress and Duke Energy Florida sued the U.S. in the U.S. Court of Federal Claims. The lawsuit claimed the Department of Energy breached a contract in failing to accept spent nuclear fuel under the Nuclear Waste Policy Act of 1982 and asserted damages for the cost of on-site storage. On June 22, 2018, Duke Energy Progress and Duke Energy Florida filed a complaint for damages incurred for 2014 through first quarter 2018.

Duke Energy Florida

Fluor Contract Litigation

On January 29, 2019, Fluor filed a breach of contract lawsuit in the U.S. District Court for the Middle District of Florida against Duke Energy Florida related to an EPC agreement for the combined-cycle natural gas plant in Citrus County, Florida. Fluor filed an amended complaint on February 13, 2019. Fluor's multicount complaint seeks civil, statutory and contractual remedies related to Duke Energy Florida's \$67 million draw in early 2019, on Fluor's letter of credit and offset of invoiced amounts. Duke Energy Florida moved to dismiss all counts of Fluor's amended complaint, and on April 16, 2019, the court dismissed Fluor's complaint without prejudice. On April 26, 2019, Fluor filed a second amended complaint. Duke Energy Florida is attempting to recover from Fluor \$110 million in additional costs incurred by Duke Energy Florida. Duke Energy Florida cannot predict the outcome of this matter.

Other Litigation and Legal Proceedings

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

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

(in millions)	March 31, 2019	December 31, 2018
Reserves for Legal Matters		
Duke Energy	\$ 66	\$ 65
Duke Energy Carolinas	8	9
Progress Energy	57	54
Duke Energy Progress	15	12
Duke Energy Florida	24	24
Piedmont	1	1

FINANCIAL STATEMENTS

COMMITMENTS AND CONTINGENCIES

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 NPNS exception does not apply. In most cases, the Duke Energy Registrants' purchase obligation contracts contain provisions for price adjustments, minimum purchase levels and other financial commitments.

5. LEASES

As described in Note 1, Duke Energy adopted the revised accounting guidance for Leases effective January 1, 2019, using the modified retrospective method of adoption, which does not require restatement of prior year reported results. Adoption of the new standard resulted in the recording of ROU assets and operating lease liabilities as follows:

	As of January 1, 2019							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
(in millions)								
ROU assets	\$ 1,750	\$ 153	\$ 863	\$ 407	\$ 456	\$ 23	\$ 61	\$ 26
Operating lease liabilities – current	205	28	96	35	61	1	4	4
Operating lease liabilities – noncurrent	1,504	127	766	371	395	22	58	25

As part of its operations, Duke Energy leases certain aircraft, space on communication towers, industrial equipment, fleet vehicles, fuel transportation (barges and railcars), land and office space under various terms and expiration dates. Additionally, Duke Energy Carolinas, Duke Energy Progress and Duke Energy Indiana have finance leases related to firm natural gas pipeline transportation capacity. Duke Energy Progress and Duke Energy Florida have entered into certain PPAs, which are classified as finance and operating leases.

Duke Energy has certain lease agreements, which include variable lease payments that are based on the usage of an asset. These variable lease payments are not included in the measurement of the ROU assets or operating lease liabilities on the Condensed Consolidated Financial Statements.

Certain Duke Energy lease agreements include options for renewal and early termination. The intent to renew a lease varies depending on the lease type and asset. Renewal options that are reasonably certain to be exercised are included in the lease measurements. The decision to terminate a lease early is dependent on various economic factors. No termination options have been included in any of the lease measurements.

Duke Energy operates various renewable energy projects and sells the generated output to utilities, electric cooperatives, municipalities and commercial and industrial customers through long-term PPAs. In certain situations, these PPAs and the associated renewable energy projects qualify as operating leases. Rental income from these leases is accounted for as Nonregulated electric and other revenues in the Condensed Consolidated Statements of Operations. There are no minimum lease payments as all payments are contingent based on actual electricity generated by the renewable energy projects. Contingent lease payments were \$64 million for the three months ended March 31, 2019. As of March 31, 2019, renewable energy projects owned by Duke Energy and accounted for as operating leases had a cost basis of \$3,345 million and accumulated depreciation of \$631 million. These assets are principally classified as nonregulated electric generation and transmission assets.

FINANCIAL STATEMENTS **LEASES**

The following table presents the components of lease expense.

(in millions)	Three Months Ended March 31, 2019							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Operating lease expense ^(a)	\$ 72	\$ 12	\$ 42	\$ 19	\$ 23	\$ 3	\$ 5	\$ 1
Short-term lease expense ^(a)	7	2	3	1	2	—	1	—
Variable lease expense ^(a)	11	8	2	1	1	—	—	—
Finance lease expense								
Amortization of leased assets ^(b)	27	1	3	1	2	—	—	—
Interest on lease liabilities ^(c)	17	4	6	4	2	—	—	—
Total finance lease expense	44	5	9	5	4	—	—	—
Total lease expense	\$ 134	\$ 27	\$ 56	\$ 26	\$ 30	\$ 3	\$ 6	\$ 1

- (a) Included in Operations, maintenance and other or, for barges and railcars, Fuel used in electric generation and purchased power on the Condensed Consolidated Statements of Operations.
(b) Included in Depreciation and amortization on the Condensed Consolidated Statements of Operations.
(c) Included in Interest Expense on the Condensed Consolidated Statements of Operations.

The following table presents rental expense for operating leases, as reported under the old lease standard. These amounts are included in Operation, maintenance and other and Fuel used in electric generation and purchased power on the Condensed Consolidated Statements of Operations.

(in millions)	Year Ended December 31, 2018
Duke Energy	\$ 268
Duke Energy Carolinas	49
Progress Energy	143
Duke Energy Progress	75
Duke Energy Florida	68
Duke Energy Ohio	13
Duke Energy Indiana	21
Piedmont	11

The following table presents operating lease maturities and a reconciliation of the undiscounted cash flows to operating lease liabilities.

(in millions)	Twelve months ended March 31,							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
2020	\$ 271	\$ 32	\$ 125	\$ 47	\$ 78	\$ 2	\$ 6	\$ 5
2021	238	29	112	46	66	2	5	5
2022	192	19	90	35	55	2	4	5
2023	180	19	89	34	55	2	4	5
2024	169	16	89	35	54	2	4	5
Thereafter	1,057	66	530	309	221	22	67	9
Total operating lease payments	2,107	181	1,035	506	529	32	90	34
Less: present value discount	(436)	(32)	(198)	(118)	(80)	(10)	(29)	(4)
Total operating lease liabilities ^(a)	\$ 1,671	\$ 149	\$ 837	\$ 388	\$ 449	\$ 22	\$ 61	\$ 30

- (a) Certain operating lease payments include renewal options that are reasonably certain to be exercised.

FINANCIAL STATEMENTS

LEASES

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

(in millions)	December 31, 2018							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
2019	\$ 239	\$ 33	\$ 97	\$ 49	\$ 48	\$ 2	\$ 6	\$ 5
2020	219	29	90	46	44	2	5	5
2021	186	19	79	37	42	2	4	5
2022	170	19	76	34	42	2	4	5
2023	160	17	77	35	42	2	5	6
Thereafter	1,017	68	455	314	141	23	66	11
Total	\$ 1,991	\$ 185	\$ 874	\$ 515	\$ 359	\$ 33	\$ 90	\$ 37

The following table presents finance lease maturities and a reconciliation of the undiscounted cash flows to finance lease liabilities.

(in millions)	Twelve months ended March 31,						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
2020	\$ 185	\$ 19	\$ 69	\$ 44	\$ 25	\$ 1	\$ 1
2021	191	18	69	44	25	—	1
2022	194	14	69	44	25	—	1
2023	179	14	69	44	25	—	1
2024	180	14	69	44	25	—	1
Thereafter	889	195	573	558	15	—	28
Total finance lease payments	1,818	274	918	778	140	1	33
Less: amount representing interest	(729)	(166)	(495)	(467)	(28)	—	(23)
Total finance lease liabilities	\$ 1,089	\$ 108	\$ 423	\$ 311	\$ 112	\$ 1	\$ 10

The following table presents future minimum lease payments under finance leases, as reported under the old lease standard.

(in millions)	December 31, 2018						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
2019	\$ 170	\$ 20	\$ 45	\$ 20	\$ 25	\$ 2	\$ 1
2020	174	20	46	21	25	—	1
2021	177	15	45	20	25	—	1
2022	165	15	45	21	24	—	1
2023	165	15	45	21	24	—	1
Thereafter	577	204	230	209	21	—	27
Minimum annual payments	1,428	289	456	312	144	2	32
Less: amount representing interest	(487)	(180)	(205)	(175)	(30)	—	(22)
Total	\$ 941	\$ 109	\$ 251	\$ 137	\$ 114	\$ 2	\$ 10

FINANCIAL STATEMENTS **LEASES**

The following tables contain additional information related to leases.

		March 31, 2019								
(in millions)	Classification	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont	
Assets										
Operating	Operating Lease ROU Assets, net	\$ 1,698	\$ 146	\$ 835	\$ 388	\$ 447	\$ 22	\$ 61	\$ 27	
Finance	Net property, plant and equipment	1,081	122	428	310	118	—	10	—	
Total lease assets		\$ 2,779	\$ 268	\$ 1,263	\$ 698	\$ 565	\$ 22	\$ 71	\$ 27	
Liabilities										
Current										
Operating	Other current liabilities	\$ 183	\$ 26	\$ 89	\$ 27	\$ 62	\$ 1	\$ 4	\$ 4	
Finance	Current maturities of long-term debt	121	6	23	6	17	1	—	—	
Noncurrent										
Operating	Operating Lease Liabilities	1,488	123	748	361	387	21	57	26	
Finance	Long-Term Debt	968	102	400	305	95	—	10	—	
Total lease liabilities		\$ 2,760	\$ 257	\$ 1,260	\$ 699	\$ 561	\$ 23	\$ 71	\$ 30	

		Three Months Ended March 31, 2019								
(in millions)		Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont	
Cash paid for amounts included in the measurement of lease liabilities^(a)										
Operating	cash flows from operating leases	\$ 67	\$ 6	\$ 31	\$ 14	\$ 17	\$ 1	\$ 2	\$ 2	
Operating	cash flows from finance leases	17	4	6	4	2	—	—	—	
Financing	cash flows from finance leases	27	1	3	1	2	—	—	—	
Lease assets obtained in exchange for new lease liabilities (non-cash)										
Finance		\$ 175	\$ —	\$ 175	\$ 175	\$ —	\$ —	\$ —	\$ —	
Operating ^(b)		7	—	—	—	—	—	—	—	

(a) No amounts were classified as investing cash flows from operating leases for the three months ended March 31, 2019.
(b) Does not include ROU assets recorded as a result of the adoption of the new lease standard.

FINANCIAL STATEMENTS

LEASES

March 31, 2019								
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Weighted-average remaining lease term (years)								
Operating leases	11	9	11	13	9	18	19	7
Finance leases	13	19	16	18	11	—	27	—
Weighted-average discount rate^(a)								
Operating leases	3.9%	3.7%	3.8%	3.9%	3.7%	4.2%	4.1%	3.6%
Finance leases	6.9%	12.9%	11.4%	12.5%	8.3%	3.3%	11.7%	—%

(a) The discount rate is calculated using the rate implicit in a lease if it is readily determinable. Generally, the rate used by the lessor is not provided to Duke Energy and in these cases the incremental borrowing rate is used. Duke Energy will typically use its fully collateralized incremental borrowing rate as of the commencement date to calculate and record the lease. The incremental borrowing rate is influenced by the lessee's credit rating and lease term and as such may differ for individual leases, embedded leases or portfolios of leased assets.

6. DEBT AND CREDIT FACILITIES

SUMMARY OF SIGNIFICANT DEBT ISSUANCES

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

Issuance Date	Maturity Date	Interest Rate	Three Months Ended March 31, 2019			
			Duke Energy	Duke Energy (Parent)	Duke Energy Progress	Duke Energy Ohio
Unsecured Debt						
March 2019 ^(a)	March 2022	3.251% ^(b)	\$ 300	\$ 300	\$ —	\$ —
March 2019 ^(a)	March 2022	3.227%	300	300	—	—
First Mortgage Bonds						
January 2019 ^(c)	February 2029	3.650%	400	—	—	400
January 2019 ^(c)	February 2049	4.300%	400	—	—	400
March 2019 ^(d)	March 2029	3.450%	600	—	600	—
Total issuances			\$ 2,000	\$ 600	\$ 600	\$ 800

- (a) Debt issued to pay down short-term debt and for general corporate purposes.
- (b) Debt issuance has a floating interest rate.
- (c) Debt issued to repay at maturity \$450 million first mortgage bonds due April 2019, pay down short-term debt and for general corporate purposes.
- (d) Debt issued to fund eligible green energy projects in the Carolinas.

FINANCIAL STATEMENTS

DEBT AND CREDIT FACILITIES

CURRENT MATURITIES OF LONG-TERM DEBT

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

(in millions)	Maturity Date	Interest Rate	March 31, 2019
Unsecured Debt			
Duke Energy (Parent)	September 2019	5.050%	\$ 500
Piedmont	September 2019	3.181% ^(b)	350
Duke Energy Kentucky	October 2019	4.650%	100
Progress Energy	December 2019	4.875%	350
First Mortgage Bonds			
Duke Energy Ohio	April 2019	5.450%	450
Duke Energy Florida	January 2020	1.850%	250
Other^(a)			501
Current maturities of long-term debt			\$ 2,501

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

(b) Amount drawn under the Piedmont senior unsecured term loan facility has a floating interest rate.

AVAILABLE CREDIT FACILITIES

Master Credit Facility

In March 2019, Duke Energy amended its existing \$8 billion Master Credit Facility to extend the termination date to March 2024. The Duke Energy Registrants, excluding Progress Energy (Parent), have borrowing capacity under the Master Credit Facility up to a specified sublimit for each borrower. Duke Energy has the unilateral ability at any time to increase or decrease the borrowing sublimits of each borrower, subject to a maximum sublimit for each borrower. The amount available under the Master Credit Facility has been reduced to backstop issuances of commercial paper, certain letters of credit and variable-rate demand tax-exempt bonds that may be put to the Duke Energy Registrants at the option of the holder. Duke Energy Carolinas and Duke Energy Progress are also required to each maintain \$250 million of available capacity under the Master Credit Facility as security to meet obligations under plea agreements reached with the U.S. Department of Justice in 2015 related to violations at North Carolina facilities with ash basins. The table below includes the current borrowing sublimits and available capacity under the Master Credit Facility.

(in millions)	March 31, 2019							
	Duke Energy	Duke Energy (Parent)	Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Facility size ^(a)	\$ 8,000	\$ 2,650	\$ 1,750	\$ 1,400	\$ 650	\$ 450	\$ 600	\$ 500
Reduction to backstop issuances								
Commercial paper ^(b)	(2,657)	(884)	(859)	(150)	(299)	(62)	(252)	(151)
Outstanding letters of credit	(53)	(45)	(4)	(2)	—	—	—	(2)
Tax-exempt bonds	(81)	—	—	—	—	—	(81)	—
Coal ash set-aside	(500)	—	(250)	(250)	—	—	—	—
Available capacity under the Master Credit Facility	\$ 4,709	\$ 1,721	\$ 637	\$ 998	\$ 351	\$ 388	\$ 267	\$ 347

(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.

Other Credit Facilities

(in millions)	March 31, 2019	
	Facility size	Amount Drawn
Duke Energy (Parent) Three-Year Revolving Credit Facility	\$ 1,000	\$ 500
Duke Energy Progress Term Loan Facility ^(a)	700	700
Piedmont Term Loan Facility	350	350

(a) \$650 million was drawn under the term loan in January and February 2019.

FINANCIAL STATEMENTS

ASSET RETIREMENT OBLIGATIONS

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. Actual closure costs incurred could be materially different from current estimates that form the basis of the recorded AROs.

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

(in millions)	March 31, 2019							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
	Decommissioning of nuclear power facilities ^(a)	\$ 5,753	\$ 2,368	\$ 3,239	\$ 2,709	\$ 530	\$ —	\$ —
Closure of ash impoundments	6,961	3,013	3,197	3,177	20	52	699	—
Other	321	47	70	37	33	41	20	19
Total ARO	\$ 13,035	\$ 5,428	\$ 6,506	\$ 5,923	\$ 583	\$ 93	\$ 719	\$ 19
Less: current portion	779	209	456	452	4	6	108	—
Total noncurrent ARO	\$ 12,256	\$ 5,219	\$ 6,050	\$ 5,471	\$ 579	\$ 87	\$ 611	\$ 19

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

ARO Liability Rollforward

The following table presents the change in liability associated with AROs for the Duke Energy Registrants.

(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
	Balance at December 31, 2018^(a)	\$ 10,467	\$ 3,949	\$ 5,411	\$ 4,820	\$ 591	\$ 93	\$ 722
Accretion expense ^(b)	110	48	57	50	7	1	7	—
Liabilities settled ^(c)	(184)	(76)	(97)	(82)	(15)	(1)	(10)	—
Revisions in estimates of cash flows ^(d)	2,642	1,507	1,135	1,135	—	—	—	—
Balance at March 31, 2019	\$ 13,035	\$ 5,428	\$ 6,506	\$ 5,923	\$ 583	\$ 93	\$ 719	\$ 19

- (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 three months ended March 31, 2019, substantially all accretion expense relates to Duke Energy's regulated operations and has been deferred in accordance with regulatory accounting treatment.
- (c) Primarily relates to ash impoundment closures.
- (d) Relates to increases in closure estimates for certain ash impoundments as a result of the NCDEQ's determination that all ash basins must be excavated. See Note 4 for more information. The incremental amount recorded represents the discounted cash flows for estimated closure costs based upon the probability weightings of the potential closure methods as evaluated on a site-by-site basis.

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.

Nuclear Decommissioning Trust Funds

Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida each maintain NDTFs that are intended to pay for the decommissioning costs of their respective nuclear power plants. The following table presents the fair value of NDTF assets legally restricted for purposes of settling AROs associated with nuclear decommissioning. Duke Energy Florida is actively decommissioning Crystal River Unit 3 and was granted an exemption from the NRC, which allows for use of the NDTF for all aspects of nuclear decommissioning. The entire balance of Duke Energy Florida's NDTF may be applied toward license termination, spent fuel and site restoration costs incurred to decommission Crystal River Unit 3 and is excluded from the table below. See Note 12 for additional information related to the fair value of the Duke Energy Registrants' NDTFs.

(in millions)	March 31, 2019	December 31, 2018
Duke Energy	\$ 6,102	\$ 5,579
Duke Energy Carolinas	3,443	3,133
Duke Energy Progress	2,659	2,446

FINANCIAL STATEMENTS

GOODWILL

8. GOODWILL

Duke Energy

The following table presents the goodwill by reportable segment included on Duke Energy's Condensed Consolidated Balance Sheets at March 31, 2019, and December 31, 2018.

(in millions)	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Commercial Renewables	Total
Goodwill balance	\$ 17,379	\$ 1,924	\$ 122	\$ 19,425
Accumulated impairment charges	—	—	(122)	(122)
Goodwill, adjusted for accumulated impairment charges	\$ 17,379	\$ 1,924	\$ —	\$ 19,303

Duke Energy Ohio

Duke Energy Ohio's Goodwill balance of \$920 million, allocated \$596 million to Electric Utilities and Infrastructure and \$324 million to Gas Utilities and Infrastructure, is presented net of accumulated impairment charges of \$216 million on the Condensed Consolidated Balance Sheets at March 31, 2019, and December 31, 2018.

Progress Energy

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

Piedmont

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

FINANCIAL STATEMENTS

RELATED PARTY TRANSACTIONS

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 March 31,	
	2019	2018
Duke Energy Carolinas		
Corporate governance and shared service expenses ^(a)	\$ 212	\$ 220
Indemnification coverages ^(b)	5	6
JDA revenue ^(c)	23	34
JDA expense ^(c)	93	54
Intercompany natural gas purchases ^(d)	4	4
Progress Energy		
Corporate governance and shared service expenses ^(a)	\$ 176	\$ 191
Indemnification coverages ^(b)	9	8
JDA revenue ^(c)	93	54
JDA expense ^(c)	23	34
Intercompany natural gas purchases ^(d)	19	19
Duke Energy Progress		
Corporate governance and shared service expenses ^(a)	\$ 106	\$ 118
Indemnification coverages ^(b)	4	3
JDA revenue ^(c)	93	54
JDA expense ^(c)	23	34
Intercompany natural gas purchases ^(d)	19	19
Duke Energy Florida		
Corporate governance and shared service expenses ^(a)	\$ 70	\$ 73
Indemnification coverages ^(b)	5	5
Duke Energy Ohio		
Corporate governance and shared service expenses ^(a)	\$ 85	\$ 89
Indemnification coverages ^(b)	1	1
Duke Energy Indiana		
Corporate governance and shared service expenses ^(a)	\$ 97	\$ 101
Indemnification coverages ^(b)	2	2
Piedmont		
Corporate governance and shared service expenses ^(a)	\$ 32	\$ 36
Indemnification coverages ^(b)	1	1
Intercompany natural gas sales ^(d)	23	23
Natural gas storage and transportation costs ^(e)	5	6

- (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 JDA, which allows the collective dispatch of power plants between the service territories to reduce customer rates. Revenues from the sale of power and expenses from the purchase of power pursuant to the JDA are recorded in Operating Revenues and Fuel used in electric generation and purchased power, respectively, on the Condensed Consolidated Statements of Operations and Comprehensive Income.
- (d) Piedmont provides long-term natural gas delivery service to certain Duke Energy Carolinas and Duke Energy Progress natural gas-fired generation facilities. Piedmont records the sales in Operating revenues, and Duke Energy Carolinas and Duke Energy Progress record the related purchases as a component of Fuel used in electric generation and purchased power on their respective Condensed Consolidated Statements of Operations and Comprehensive Income.
- (e) Piedmont has related party transactions as a customer of its equity method investments in Pine Needle, Hardy Storage, and Cardinal natural gas storage and transportation facilities. These expenses are included in Cost of natural gas on Piedmont's Condensed Consolidated Statements of Operations and Comprehensive Income.

FINANCIAL STATEMENTS

RELATED PARTY TRANSACTIONS

In addition to the amounts presented above, the Subsidiary Registrants have other affiliate transactions, including rental of office space, participation in a money pool arrangement, other operational transactions and their proportionate share of certain charged expenses. These transactions of the Subsidiary Registrants are incurred in the ordinary course of business and are eliminated in consolidation.

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 do include a subordinated note from CRC for a portion of the purchase price.

Intercompany Income Taxes

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

(in millions)	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
March 31, 2019							
Intercompany income tax receivable	\$ 1	\$ 65	\$ —	\$ 22	\$ 6	\$ —	\$ —
Intercompany income tax payable	—	—	11	—	—	7	7
December 31, 2018							
Intercompany income tax receivable	\$ 52	\$ 47	\$ 29	\$ —	\$ —	\$ 8	\$ —
Intercompany income tax payable	—	—	—	16	3	—	45

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 derivatives are used to manage interest rate risk associated with borrowings.

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

INTEREST RATE RISK

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

Cash Flow Hedges

For a derivative designated as hedging the exposure to variable cash flows of a future transaction, referred to as a cash flow hedge, the effective portion of the derivative's gain or loss is initially reported as a component of other comprehensive income and subsequently reclassified into earnings once the future transaction impacts earnings. Amounts for interest rate contracts are reclassified to earnings as interest expense over the term of the related debt. Gains and losses reclassified out of AOCI for the three months ended March 31, 2019, and 2018 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 and forward-starting interest rate swaps not accounted for under regulatory accounting.

Undesignated Contracts

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

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

FINANCIAL STATEMENTS

DERIVATIVES AND HEDGING

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

		March 31, 2019					
		Duke	Duke	Progress	Duke	Duke	Duke
		Energy	Energy	Energy	Energy	Energy	Energy
		Energy	Carolinas	Energy	Progress	Florida	Ohio
(in millions)							
Cash flow hedges	\$	923	\$ —	\$ —	\$ —	\$ —	\$ —
Undesignated contracts		1,321	300	800	250	550	27
Total notional amount^(a)	\$	2,244	\$ 300	\$ 800	\$ 250	\$ 550	\$ 27

		December 31, 2018					
		Duke	Duke	Progress	Duke	Duke	Duke
		Energy	Energy	Energy	Energy	Energy	Energy
		Energy	Carolinas	Energy	Progress	Florida	Ohio
(in millions)							
Cash flow hedges	\$	923	\$ —	\$ —	\$ —	\$ —	\$ —
Undesignated contracts		1,721	300	1,200	650	550	27
Total notional amount^(a)	\$	2,644	\$ 300	\$ 1,200	\$ 650	\$ 550	\$ 27

(a) Duke Energy includes amounts related to consolidated VIEs of \$422 million in cash flow hedges and \$194 million in undesignated contracts as of March 31, 2019, and December 31, 2018.

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.

Volumes

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

		March 31, 2019							
		Duke	Duke	Progress	Duke	Duke	Duke	Duke	
		Energy	Energy	Energy	Energy	Energy	Energy	Energy	
		Energy	Carolinas	Energy	Progress	Florida	Ohio	Indiana	
								Piedmont	
Electricity (GWh)		6,196	—	—	—	—	829	5,367	—
Natural gas (millions of dekatherms)		742	128	174	174	—	—	1	439

		December 31, 2018							
		Duke	Duke	Progress	Duke	Duke	Duke	Duke	
		Energy	Energy	Energy	Energy	Energy	Energy	Energy	
		Energy	Carolinas	Energy	Progress	Florida	Ohio	Indiana	
								Piedmont	
Electricity (GWh)		15,286	—	—	—	—	1,786	13,500	—
Natural gas (millions of dekatherms)		739	121	169	166	3	—	1	448

FINANCIAL STATEMENTS

DERIVATIVES AND HEDGING

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		March 31, 2019														
		Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont							
(in millions)																
Commodity Contracts																
<i>Not Designated as Hedging Instruments</i>																
Current	\$	16	\$	3	\$	5	\$	5	\$	—	\$	1	\$	5	\$	2
Noncurrent		6		2		3		3		—		—		—		—
Total Derivative Assets – Commodity Contracts	\$	22	\$	5	\$	8	\$	8	\$	—	\$	1	\$	5	\$	2
Interest Rate Contracts																
<i>Designated as Hedging Instruments</i>																
Current	\$	1	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—
Noncurrent		2		—		—		—		—		—		—		—
<i>Not Designated as Hedging Instruments</i>																
Current		1		—		—		—		—		—		—		—
Noncurrent		9		—		—		—		—		—		—		—
Total Derivative Assets – Interest Rate Contracts	\$	13	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—
Total Derivative Assets	\$	35	\$	5	\$	8	\$	8	\$	—	\$	1	\$	5	\$	2
Derivative Liabilities		March 31, 2019														
		Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont							
(in millions)																
Commodity Contracts																
<i>Not Designated as Hedging Instruments</i>																
Current	\$	21	\$	12	\$	3	\$	3	\$	—	\$	—	\$	—	\$	6
Noncurrent		140		5		19		4		—		—		—		115
Total Derivative Liabilities – Commodity Contracts	\$	161	\$	17	\$	22	\$	7	\$	—	\$	—	\$	—	\$	121
Interest Rate Contracts																
<i>Designated as Hedging Instruments</i>																
Current	\$	25	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—
Noncurrent		9		—		—		—		—		—		—		—
<i>Not Designated as Hedging Instruments</i>																
Current		42		22		19		3		17		1		—		—
Noncurrent		7		—		3		2		1		4		—		—
Total Derivative Liabilities – Interest Rate Contracts	\$	83	\$	22	\$	22	\$	5	\$	18	\$	5	\$	—	\$	—
Total Derivative Liabilities	\$	244	\$	39	\$	44	\$	12	\$	18	\$	5	\$	—	\$	121

FINANCIAL STATEMENTS DERIVATIVES AND HEDGING

Derivative Assets		December 31, 2018							
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont	
Commodity Contracts									
<i>Not Designated as Hedging Instruments</i>									
Current	\$ 35	\$ 2	\$ 2	\$ 2	\$ —	\$ 6	\$ 23	\$ 3	
Noncurrent	4	1	2	2	—	—	—	—	
Total Derivative Assets – Commodity Contracts	\$ 39	\$ 3	\$ 4	\$ 4	\$ —	\$ 6	\$ 23	\$ 3	
Interest Rate Contracts									
<i>Designated as Hedging Instruments</i>									
Current	\$ 1	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Noncurrent	3	—	—	—	—	—	—	—	
<i>Not Designated as Hedging Instruments</i>									
Current	2	—	—	—	—	—	—	—	
Noncurrent	12	—	—	—	—	—	—	—	
Total Derivative Assets – Interest Rate Contracts	\$ 18	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Total Derivative Assets	\$ 57	\$ 3	\$ 4	\$ 4	\$ —	\$ 6	\$ 23	\$ 3	

Derivative Liabilities		December 31, 2018							
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont	
Commodity Contracts									
<i>Not Designated as Hedging Instruments</i>									
Current	\$ 33	\$ 14	\$ 10	\$ 5	\$ 6	\$ —	\$ —	\$ 8	
Noncurrent	158	10	15	6	—	—	—	133	
Total Derivative Liabilities – Commodity Contracts	\$ 191	\$ 24	\$ 25	\$ 11	\$ 6	\$ —	\$ —	\$ 141	
Interest Rate Contracts									
<i>Designated as Hedging Instruments</i>									
Current	\$ 12	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Noncurrent	6	—	—	—	—	—	—	—	
<i>Not Designated as Hedging Instruments</i>									
Current	23	9	13	11	2	1	—	—	
Noncurrent	10	—	6	5	1	4	—	—	
Total Derivative Liabilities – Interest Rate Contracts	\$ 51	\$ 9	\$ 19	\$ 16	\$ 3	\$ 5	\$ —	\$ —	
Total Derivative Liabilities	\$ 242	\$ 33	\$ 44	\$ 27	\$ 9	\$ 5	\$ —	\$ 141	

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.

FINANCIAL STATEMENTS DERIVATIVES AND HEDGING

		March 31, 2019							
		Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Derivative Assets									
(in millions)									
Current									
Gross amounts recognized	\$ 18	\$ 3	\$ 5	\$ 5	\$ —	\$ 1	\$ 5	\$ 2	
Gross amounts offset	(4)	(2)	(1)	(1)	—	—	—	—	
Net amounts presented in Current Assets: Other	\$ 14	\$ 1	\$ 4	\$ 4	\$ —	\$ 1	\$ 5	\$ 2	
Noncurrent									
Gross amounts recognized	\$ 17	\$ 2	\$ 3	\$ 3	\$ —	\$ —	\$ —	\$ —	
Gross amounts offset	(3)	(1)	(2)	(2)	—	—	—	—	
Net amounts presented in Other Noncurrent Assets: Other	\$ 14	\$ 1	\$ 1	\$ 1	\$ —	\$ —	\$ —	\$ —	
		March 31, 2019							
		Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Derivative Liabilities									
(in millions)									
Current									
Gross amounts recognized	\$ 88	\$ 34	\$ 22	\$ 6	\$ 17	\$ 1	\$ —	\$ 6	
Gross amounts offset	(4)	(2)	(2)	(2)	—	—	—	—	
Net amounts presented in Current Liabilities: Other	\$ 84	\$ 32	\$ 20	\$ 4	\$ 17	\$ 1	\$ —	\$ 6	
Noncurrent									
Gross amounts recognized	\$ 156	\$ 5	\$ 22	\$ 6	\$ 1	\$ 4	\$ —	\$ 115	
Gross amounts offset	(3)	(1)	(2)	(2)	—	—	—	—	
Net amounts presented in Other Noncurrent Liabilities: Other	\$ 153	\$ 4	\$ 20	\$ 4	\$ 1	\$ 4	\$ —	\$ 115	
		December 31, 2018							
		Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Derivative Assets									
(in millions)									
Current									
Gross amounts recognized	\$ 38	\$ 2	\$ 2	\$ 2	\$ —	\$ 6	\$ 23	\$ 3	
Gross amounts offset	(3)	(2)	(2)	(2)	—	—	—	—	
Net amounts presented in Current Assets: Other	\$ 35	\$ —	\$ —	\$ —	\$ —	\$ 6	\$ 23	\$ 3	
Noncurrent									
Gross amounts recognized	\$ 19	\$ 1	\$ 2	\$ 2	\$ —	\$ —	\$ —	\$ —	
Gross amounts offset	(3)	(1)	(2)	(2)	—	—	—	—	
Net amounts presented in Other Noncurrent Assets: Other	\$ 16	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	

FINANCIAL STATEMENTS

DERIVATIVES AND HEDGING

Derivative Liabilities (in millions)	December 31, 2018							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Current								
Gross amounts recognized	\$ 68	\$ 23	\$ 23	\$ 16	\$ 8	\$ 1	\$ —	\$ 8
Gross amounts offset	(4)	(2)	(2)	(2)	—	—	—	—
Net amounts presented in Current Liabilities: Other	\$ 64	\$ 21	\$ 21	\$ 14	\$ 8	\$ 1	\$ —	\$ 8
Noncurrent								
Gross amounts recognized	\$ 174	\$ 10	\$ 21	\$ 11	\$ 1	\$ 4	\$ —	\$ 133
Gross amounts offset	(3)	(1)	(2)	(2)	—	—	—	—
Net amounts presented in Other Noncurrent Liabilities: Other	\$ 171	\$ 9	\$ 19	\$ 9	\$ 1	\$ 4	\$ —	\$ 133

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)	March 31, 2019			
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress
Aggregate fair value of derivatives in a net liability position	\$ 25	\$ 14	\$ 11	\$ 11
Fair value of collateral already posted	—	—	—	—
Additional cash collateral or letters of credit in the event credit-risk-related contingent features were triggered	25	14	11	11

(in millions)	December 31, 2018			
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress
Aggregate fair value of derivatives in a net liability position	\$ 44	\$ 19	\$ 25	\$ 25
Fair value of collateral already posted	—	—	—	—
Additional cash collateral or letters of credit in the event credit-risk-related contingent features were triggered	44	19	25	25

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

Duke Energy's investments in debt and equity securities are primarily comprised of investments held in (i) the NDTF at Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida, (ii) the grantor trusts at Duke Energy Progress, Duke Energy Florida and Duke Energy Indiana related to OPEB plans and (iii) Bison. The Duke Energy Registrants classify investments in debt securities as AFS and investments in equity securities as FV-NI.

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

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

Investment Trusts

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

FINANCIAL STATEMENTS

INVESTMENTS IN DEBT AND EQUITY SECURITIES

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 March 31, 2019, and December 31, 2018.

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

DUKE ENERGY

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

(in millions)	March 31, 2019			December 31, 2018		
	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
NDTF						
Cash and cash equivalents	\$ —	\$ —	\$ 114	\$ —	\$ —	\$ 88
Equity securities	2,923	65	5,061	2,402	95	4,475
Corporate debt securities	17	2	624	4	13	566
Municipal bonds	5	1	317	1	4	353
U.S. government bonds	25	5	1,102	14	12	1,076
Other debt securities	1	1	145	—	2	148
Total NDTF Investments	\$ 2,971	\$ 74	\$ 7,363	\$ 2,421	\$ 126	\$ 6,706
Other Investments						
Cash and cash equivalents	\$ —	\$ —	\$ 51	\$ —	\$ —	\$ 22
Equity securities	47	—	112	36	1	99
Corporate debt securities	1	—	57	—	2	60
Municipal bonds	2	1	89	—	1	85
U.S. government bonds	1	—	52	1	—	45
Other debt securities	—	1	61	—	1	58
Total Other Investments	\$ 51	\$ 2	\$ 422	\$ 37	\$ 5	\$ 369
Total Investments	\$ 3,022	\$ 76	\$ 7,785	\$ 2,458	\$ 131	\$ 7,075

Realized gains and losses, which were determined on a specific identification basis, from sales of FV-NI and AFS securities for the three months ended March 31, 2019, and 2018, were as follows.

(in millions)	Three Months Ended	
	March 31, 2019	March 31, 2018
FV-NI:		
Realized gains	\$ 35	\$ 19
Realized losses	30	13
AFS:		
Realized gains	10	5
Realized losses	11	13

FINANCIAL STATEMENTS

INVESTMENTS IN DEBT AND EQUITY SECURITIES

DUKE ENERGY CAROLINAS

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

(in millions)	March 31, 2019			December 31, 2018		
	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
NDTF						
Cash and cash equivalents	\$ —	\$ —	\$ 57	\$ —	\$ —	\$ 29
Equity securities	1,593	37	2,791	1,309	54	2,484
Corporate debt securities	9	2	354	2	9	341
Municipal bonds	1	—	62	—	1	81
U.S. government bonds	11	3	509	5	8	475
Other debt securities	1	1	140	—	2	143
Total NDTF Investments	\$ 1,615	\$ 43	\$ 3,913	\$ 1,316	\$ 74	\$ 3,553

Realized gains and losses, which were determined on a specific identification basis, from sales of FV-NI and AFS securities for the three months ended March 31, 2019, and 2018, were as follows.

(in millions)	Three Months Ended	
	March 31, 2019	March 31, 2018
FV-NI:		
Realized gains	\$ 23	\$ 10
Realized losses	21	5
AFS:		
Realized gains	9	5
Realized losses	10	10

PROGRESS ENERGY

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

(in millions)	March 31, 2019			December 31, 2018		
	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
NDTF						
Cash and cash equivalents	\$ —	\$ —	\$ 57	\$ —	\$ —	\$ 59
Equity securities	1,330	28	2,270	1,093	41	1,991
Corporate debt securities	8	—	270	2	4	225
Municipal bonds	4	1	255	1	3	272
U.S. government bonds	14	2	593	9	4	601
Other debt securities	—	—	5	—	—	5
Total NDTF Investments	\$ 1,356	\$ 31	\$ 3,450	\$ 1,105	\$ 52	\$ 3,153
Other Investments						
Cash and cash equivalents	\$ —	\$ —	\$ 47	\$ —	\$ —	\$ 17
Municipal bonds	2	—	49	—	—	47
Total Other Investments	\$ 2	\$ —	\$ 96	\$ —	\$ —	\$ 64
Total Investments	\$ 1,358	\$ 31	\$ 3,546	\$ 1,105	\$ 52	\$ 3,217

FINANCIAL STATEMENTS

INVESTMENTS IN DEBT AND EQUITY SECURITIES

Realized gains and losses, which were determined on a specific identification basis, from sales of FV-NI and AFS securities for the three months ended March 31, 2019, and 2018, were as follows.

(in millions)	Three Months Ended	
	March 31, 2019	March 31, 2018
FV-NI:		
Realized gains	\$ 12	\$ 9
Realized losses	9	8
AFS:		
Realized gains	1	—
Realized losses	1	3

DUKE ENERGY PROGRESS

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

(in millions)	March 31, 2019			December 31, 2018		
	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
		\$	\$	\$	\$	\$
NDTF						
Cash and cash equivalents	—	—	43	—	—	46
Equity securities	1,022	20	1,812	833	30	1,588
Corporate debt securities	6	—	204	2	3	171
Municipal bonds	4	1	254	1	3	271
U.S. government bonds	10	1	422	6	3	415
Other debt securities	—	—	3	—	—	3
Total NDTF Investments	\$ 1,042	\$ 22	\$ 2,738	\$ 842	\$ 39	\$ 2,494
Other Investments						
Cash and cash equivalents	—	—	3	—	—	6
Total Other Investments	\$ —	\$ —	\$ 3	\$ —	\$ —	\$ 6
Total Investments	\$ 1,042	\$ 22	\$ 2,741	\$ 842	\$ 39	\$ 2,500

Realized gains and losses, which were determined on a specific identification basis, from sales of FV-NI and AFS securities for the three months ended March 31, 2019, and 2018, were as follows.

(in millions)	Three Months Ended	
	March 31, 2019	March 31, 2018
FV-NI:		
Realized gains	\$ 10	\$ 8
Realized losses	8	8
AFS:		
Realized gains	1	—
Realized losses	1	2

FINANCIAL STATEMENTS

INVESTMENTS IN DEBT AND EQUITY SECURITIES

DUKE ENERGY FLORIDA

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

(in millions)	March 31, 2019			December 31, 2018		
	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
NDTF						
Cash and cash equivalents	\$ —	\$ —	\$ 14	\$ —	\$ —	\$ 13
Equity securities	308	8	458	260	11	403
Corporate debt securities	2	—	66	—	1	54
Municipal bonds	—	—	1	—	—	1
U.S. government bonds	4	1	171	3	1	186
Other debt securities	—	—	2	—	—	2
Total NDTF Investments^(a)	\$ 314	\$ 9	\$ 712	\$ 263	\$ 13	\$ 659
Other Investments						
Cash and cash equivalents	\$ —	\$ —	\$ 1	\$ —	\$ —	\$ 1
Municipal bonds	2	—	49	—	—	47
Total Other Investments	\$ 2	\$ —	\$ 50	\$ —	\$ —	\$ 48
Total Investments	\$ 316	\$ 9	\$ 762	\$ 263	\$ 13	\$ 707

(a) During the three months ended March 31, 2019, 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.

Realized gains and losses, which were determined on a specific identification basis, from sales of FV-NI and AFS securities for the three months ended March 31, 2019, and 2018, were as follows.

(in millions)	Three Months Ended	
	March 31, 2019	March 31, 2018
FV-NI:		
Realized gains	\$ 2	\$ 1
Realized losses	1	—
AFS:		
Realized losses	—	1

DUKE ENERGY INDIANA

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

(in millions)	March 31, 2019			December 31, 2018		
	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
Investments						
Equity securities	\$ 37	\$ —	\$ 76	\$ 29	\$ —	\$ 67
Corporate debt securities	—	—	7	—	—	8
Municipal bonds	—	1	34	—	1	33
U.S. government bonds	—	—	1	—	—	—
Total Investments	\$ 37	\$ 1	\$ 118	\$ 29	\$ 1	\$ 108

Realized gains and losses, which were determined on a specific identification basis, from sales of FV-NI and AFS securities for the three months ended March 31, 2019, and 2018, were insignificant.

FINANCIAL STATEMENTS

INVESTMENTS IN DEBT AND EQUITY SECURITIES

DEBT SECURITY MATURITIES

The table below summarizes the maturity date for debt securities.

(In millions)	March 31, 2019					
	Duke	Duke	Progress	Duke	Duke	Duke
	Energy	Energy Carolinas	Energy	Energy Progress	Energy Florida	Energy Indiana
Due in one year or less	\$ 74	\$ 9	\$ 41	\$ 21	\$ 20	\$ 4
Due after one through five years	537	153	341	251	90	17
Due after five through 10 years	577	287	245	196	49	4
Due after 10 years	1,259	616	545	415	130	17
Total	\$ 2,447	\$ 1,065	\$ 1,172	\$ 883	\$ 289	\$ 42

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 as defined by GAAP. Certain investments are not categorized within the fair value hierarchy. These investments are measured at fair value using the NAV per share practical expedient. The NAV is derived based on the investment cost, less any impairment, plus or minus changes resulting from observable price changes for an identical or similar investment of the same issuer.

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

Transfers between levels represent assets or liabilities that were previously (i) categorized at a higher level for which the inputs to the estimate became less observable or (ii) classified at a lower level for which the inputs became more observable during the period. The Duke Energy Registrant's policy is to recognize transfers between levels of the fair value hierarchy at the end of the period. There were no transfers between levels during the three months ended March 31, 2019, and 2018.

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

Investments in equity securities

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

FINANCIAL STATEMENTS **FAIR VALUE MEASUREMENTS**

Interest rate derivatives

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

Other fair value considerations

See Note 11 in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2018, 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)	March 31, 2019				
	Total Fair Value	Level 1	Level 2	Level 3	Not Categorized
NDTF equity securities	\$ 5,061	\$ 4,998	\$ —	\$ —	63
NDTF debt securities	2,302	630	1,672	—	—
Other equity securities	112	112	—	—	—
Other debt securities	310	103	207	—	—
Derivative assets	35	2	27	6	—
Total assets	7,820	5,845	1,906	6	63
Derivative liabilities	(244)	(23)	(100)	(121)	—
Net assets (liabilities)	\$ 7,576	\$ 5,822	\$ 1,806	\$ (115)	63

(in millions)	December 31, 2018				
	Total Fair Value	Level 1	Level 2	Level 3	Not Categorized
NDTF equity securities	\$ 4,475	\$ 4,410	\$ —	\$ —	65
NDTF debt securities	2,231	576	1,655	—	—
Other equity securities	99	99	—	—	—
Other debt securities	270	67	203	—	—
Derivative assets	57	4	25	28	—
Total assets	7,132	5,156	1,883	28	65
Derivative liabilities	(242)	(11)	(90)	(141)	—
Net assets (liabilities)	\$ 6,890	\$ 5,145	\$ 1,793	\$ (113)	65

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

(in millions)	Derivatives (net)	
	Three Months Ended March 31,	
	2019	2018
Balance at beginning of period	\$ (113)	\$ (114)
Purchases, sales, issuances and settlements:		
Settlements	(12)	(14)
Total gains included on the Condensed Consolidated Balance Sheet	10	4
Balance at end of period	\$ (115)	\$ (124)

FINANCIAL STATEMENTS

FAIR VALUE MEASUREMENTS

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)	March 31, 2019			
	Total Fair Value	Level 1	Level 2	Not Categorized
NDTF equity securities	\$ 2,791	\$ 2,728	\$ —	\$ 63
NDTF debt securities	1,122	212	910	—
Derivative assets	5	—	5	—
Total assets	3,918	2,940	915	63
Derivative liabilities	(39)	—	(39)	—
Net assets	\$ 3,879	\$ 2,940	\$ 876	\$ 63

(in millions)	December 31, 2018			
	Total Fair Value	Level 1	Level 2	Not Categorized
NDTF equity securities	\$ 2,484	\$ 2,419	\$ —	\$ 65
NDTF debt securities	1,069	149	920	—
Derivative assets	3	—	3	—
Total assets	3,556	2,568	923	65
Derivative liabilities	(33)	—	(33)	—
Net assets	\$ 3,523	\$ 2,568	\$ 890	\$ 65

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)	March 31, 2019			December 31, 2018		
	Total Fair Value	Level 1	Level 2	Total Fair Value	Level 1	Level 2
NDTF equity securities	\$ 2,270	\$ 2,270	\$ —	\$ 1,991	\$ 1,991	\$ —
NDTF debt securities	1,180	418	762	1,162	427	735
Other debt securities	96	47	49	64	17	47
Derivative assets	8	—	8	4	—	4
Total assets	3,554	2,735	819	3,221	2,435	786
Derivative liabilities	(44)	—	(44)	(44)	—	(44)
Net assets	\$ 3,510	\$ 2,735	\$ 775	\$ 3,177	\$ 2,435	\$ 742

DUKE ENERGY PROGRESS

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

(in millions)	March 31, 2019			December 31, 2018		
	Total Fair Value	Level 1	Level 2	Total Fair Value	Level 1	Level 2
NDTF equity securities	\$ 1,812	\$ 1,812	\$ —	\$ 1,588	\$ 1,588	\$ —
NDTF debt securities	926	298	628	906	294	612
Other debt securities	3	3	—	6	6	—
Derivative assets	8	—	8	4	—	4
Total assets	2,749	2,113	636	2,504	1,888	616
Derivative liabilities	(12)	—	(12)	(27)	—	(27)
Net assets	\$ 2,737	\$ 2,113	\$ 624	\$ 2,477	\$ 1,888	\$ 589

FINANCIAL STATEMENTS **FAIR VALUE MEASUREMENTS**

DUKE ENERGY FLORIDA

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

(in millions)	March 31, 2019			December 31, 2018		
	Total Fair Value	Level 1	Level 2	Total Fair Value	Level 1	Level 2
NDTF equity securities	\$ 458	\$ 458	\$ —	\$ 403	\$ 403	\$ —
NDTF debt securities	254	120	134	256	133	123
Other debt securities	50	1	49	48	1	47
Total assets	762	579	183	707	537	170
Derivative liabilities	(18)	—	(18)	(9)	—	(9)
Net assets	\$ 744	\$ 579	\$ 165	\$ 698	\$ 537	\$ 161

DUKE ENERGY OHIO

The recorded balances for assets and liabilities measured at fair value on a recurring basis on the Condensed Consolidated Balance Sheets were not material for the three months ended March 31, 2019, and 2018.

DUKE ENERGY INDIANA

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

(in millions)	March 31, 2019				December 31, 2018			
	Total Fair Value	Level 1	Level 2	Level 3	Total Fair Value	Level 1	Level 2	Level 3
Other equity securities	\$ 76	\$ 76	\$ —	\$ —	\$ 67	\$ 67	\$ —	\$ —
Other debt securities	42	—	42	—	41	—	41	—
Derivative assets	5	—	—	5	23	1	—	22
Total assets	\$ 123	\$ 76	\$ 42	\$ 5	\$ 131	\$ 68	\$ 41	\$ 22

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 March 31,	
	2019	2018
Balance at beginning of period	\$ 22	\$ 27
Purchases, sales, issuances and settlements:		
Settlements	(10)	(14)
Total losses included on the Condensed Consolidated Balance Sheet	(7)	(6)
Balance at end of period	\$ 5	\$ 7

FINANCIAL STATEMENTS **FAIR VALUE MEASUREMENTS**

PIEDMONT

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

(in millions)	March 31, 2019			December 31, 2018		
	Total Fair Value	Level 1	Level 3	Total Fair Value	Level 1	Level 3
Derivative assets	\$ 2	\$ 2	\$ —	\$ 3	3	—
Derivative liabilities	(121)	—	(121)	(141)	—	(141)
Net (liabilities) assets	\$ (119)	\$ 2	\$ (121)	\$ (138)	\$ 3	\$ (141)

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 March 31,	
	2019	2018
Balance at beginning of period	\$ (141)	\$ (142)
Total gains and settlements	20	10
Balance at end of period	\$ (121)	\$ (132)

QUANTITATIVE INFORMATION ABOUT UNOBSERVABLE INPUTS

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

Investment Type	March 31, 2019			
	Fair Value (in millions)	Valuation Technique	Unobservable Input	Range
Duke Energy Ohio				
FTRs	\$ 1	RTO auction pricing	FTR price – per MWh	\$ 0.17 - \$ 2.40
Duke Energy Indiana				
FTRs	5	RTO auction pricing	FTR price – per MWh	(0.42) - 7.85
Piedmont				
Natural gas contracts	(121)	Discounted cash flow	Forward natural gas curves – price per MMBtu	2.03 - 3.15
Duke Energy				
Total Level 3 derivatives	\$ (115)			

Investment Type	December 31, 2018			
	Fair Value (in millions)	Valuation Technique	Unobservable Input	Range
Duke Energy Ohio				
FTRs	\$ 6	RTO auction pricing	FTR price – per MWh	\$ 1.19 - \$ 4.59
Duke Energy Indiana				
FTRs	22	RTO auction pricing	FTR price – per MWh	(2.07) - 8.27
Piedmont				
Natural gas contracts	(141)	Discounted cash flow	Forward natural gas curves – price per MMBtu	1.87 - 2.95
Duke Energy				
Total Level 3 derivatives	\$ (113)			

FINANCIAL STATEMENTS

FAIR VALUE MEASUREMENTS

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)	March 31, 2019		December 31, 2018	
	Book Value	Fair Value	Book Value	Fair Value
Duke Energy ^(a)	\$ 56,182	\$ 58,242	\$ 54,529	\$ 54,534
Duke Energy Carolinas	10,965	11,951	10,939	11,471
Progress Energy	19,251	20,942	18,911	19,885
Duke Energy Progress	9,048	9,469	8,204	8,300
Duke Energy Florida	7,265	8,000	7,321	7,742
Duke Energy Ohio	2,960	3,149	2,165	2,239
Duke Energy Indiana	3,722	4,242	3,782	4,158
Piedmont	2,138	2,243	2,138	2,180

(a) Book value of long-term debt includes \$1.5 billion as of March 31, 2019, and \$1.6 billion as of December 31, 2018, of unamortized debt discount and premium, net in purchase accounting adjustments related to the mergers with Progress Energy and Piedmont that are excluded from fair value of long-term debt.

At both March 31, 2019, and December 31, 2018, 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

CONSOLIDATED VIEs

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

No financial support was provided to any of the consolidated VIEs during the three months ended March 31, 2019, and the year ended December 31, 2018, or is expected to be provided in the future that was not previously contractually required.

Receivables Financing – DERF / DEPR / DEFR

DERF, DEPR and 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 are considered primary beneficiaries and 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 approximately 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 is considered the primary beneficiary and consolidates CRC as it makes these decisions. Neither Duke Energy Ohio nor Duke Energy Indiana consolidate CRC.

FINANCIAL STATEMENTS

VARIABLE INTEREST ENTITIES

Receivables Financing – Credit Facilities

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

(in millions)	Duke Energy			
	CRC	Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida
		DERF	DEPR	DEFR
Expiration date	December 2020	December 2020	February 2021	April 2021
Credit facility amount	\$ 350	\$ 475	\$ 325	\$ 250
Amounts borrowed at March 31, 2019	350	475	325	250
Amounts borrowed at December 31, 2018	325	450	300	225
Restricted Receivables at March 31, 2019	534	630	495	317
Restricted Receivables at December 31, 2018	564	699	547	357

Nuclear Asset-Recovery Bonds – DEFPF

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

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

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

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

(in millions)	March 31, 2019	December 31, 2018
Receivables of VIEs	\$ 5	\$ 5
Regulatory Assets: Current	52	52
Current Assets: Other	12	39
Other Noncurrent Assets: Regulatory assets	1,032	1,041
Current Liabilities: Other	2	10
Current maturities of long-term debt	54	53
Long-Term Debt	1,082	1,111

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. Additionally, Duke Energy has VIEs associated with tax equity arrangements entered into with third-party investors in order to finance the cost of solar energy systems eligible for tax credits. The activities that most significantly impacted the economic performance of these renewable energy facilities were decisions associated with siting, negotiating PPAs and EPC agreements, and decisions associated with ongoing operations and maintenance-related activities. Duke Energy is considered the primary beneficiary and consolidates the entities as it is responsible for all of these decisions.

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

(in millions)	March 31, 2019	December 31, 2018
Current Assets: Other	\$ 140	\$ 123
Property, plant and equipment, cost	4,018	4,007
Accumulated depreciation and amortization	(733)	(698)
Other Noncurrent Assets: Other	280	261
Current maturities of long-term debt	173	174
Long-Term Debt	1,583	1,587
Other Noncurrent Liabilities: Asset Retirement Obligations	107	106
Other Noncurrent Liabilities: Other	212	212

FINANCIAL STATEMENTS

VARIABLE INTEREST ENTITIES

NON-CONSOLIDATED VIEs

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

(in millions)	March 31, 2019						
	Duke Energy				Duke Energy Ohio	Duke Energy Indiana	
	Pipeline Investments	Commercial Renewables	Other VIEs	Total			
Receivables from affiliated companies	\$ —	\$ —	\$ —	\$ —	\$ 67	\$ 89	
Investments in equity method unconsolidated affiliates	998	187	50	1,235	—	—	
Total assets	\$ 998	\$ 187	\$ 50	\$ 1,235	\$ 67	\$ 89	
Taxes accrued	(1)	—	—	(1)	—	—	
Other current liabilities	—	—	2	2	—	—	
Deferred income taxes	40	—	—	40	—	—	
Other noncurrent liabilities	—	—	11	11	—	—	
Total liabilities	\$ 39	\$ —	\$ 13	\$ 52	\$ —	\$ —	
Net assets	\$ 959	\$ 187	\$ 37	\$ 1,183	\$ 67	\$ 89	

(in millions)	December 31, 2018						
	Duke Energy				Duke Energy Ohio	Duke Energy Indiana	
	Pipeline Investments	Commercial Renewables	Other VIEs	Total			
Receivables from affiliated companies	\$ —	\$ —	\$ —	\$ —	\$ 93	\$ 118	
Investments in equity method unconsolidated affiliates	822	190	48	1,060	—	—	
Total assets	\$ 822	\$ 190	\$ 48	\$ 1,060	\$ 93	\$ 118	
Taxes accrued	(1)	—	—	(1)	—	—	
Other current liabilities	—	—	4	4	—	—	
Deferred income taxes	21	—	—	21	—	—	
Other noncurrent liabilities	—	—	12	12	—	—	
Total liabilities	\$ 20	\$ —	\$ 16	\$ 36	\$ —	\$ —	
Net assets	\$ 802	\$ 190	\$ 32	\$ 1,024	\$ 93	\$ 118	

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, including Duke Energy's 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 \$737 million, which represents 47 percent of the outstanding borrowings under the credit facility as of March 31, 2019. For more information on various guarantees, refer to Note 4.

Pipeline Investments

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

FINANCIAL STATEMENTS **VARIABLE INTEREST 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)	
		March 31, 2019	December 31, 2018
ACP ^(e)	47%	\$ 973	\$ 797
Constitution	24%	25	25
Total		\$ 998	\$ 822

(a) Duke Energy evaluated this investment for impairment as of March 31, 2019, and December 31, 2018, and determined that fair value approximated carrying value and therefore no impairment was necessary.

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.

Pioneer

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

OVEC

Duke Energy Ohio's 9 percent ownership interest in OVEC is considered a non-consolidated VIE due to OVEC having insufficient equity to finance its activities without subordinated financial support. The activities that most significantly impact OVEC's economic performance include fuel strategy and supply activities and decisions associated with ongoing operations and maintenance-related activities. Duke Energy Ohio does not have the unilateral power to direct these activities, and therefore, does not consolidate OVEC.

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 based on their power participation ratio. The value of the ICPA is subject to variability due to fluctuation in power prices and changes in OVEC's cost of business. On March 31, 2018, FES, a subsidiary of FirstEnergy and an ICPA counterparty with a power participation ratio of 4.85 percent, filed for Chapter 11 bankruptcy, which could increase costs allocated to the counterparties. On July 31, 2018, the bankruptcy court rejected the FES ICPA, which means OVEC is an unsecured creditor in the FES bankruptcy proceeding. Duke Energy Ohio cannot predict the impact of the bankruptcy filing on its OVEC interests. In addition, certain proposed environmental rulemaking could result in future increased OVEC cost allocations.

CRC

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

Amounts included in Receivables from affiliated companies in the above table for Duke Energy Ohio and Duke Energy Indiana reflect their retained interest in receivables sold to CRC. These subordinated notes held by Duke Energy Ohio and Duke Energy Indiana are stated at fair value.

The following table shows the gross and net receivables sold.

(in millions)	Duke Energy Ohio		Duke Energy Indiana	
	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Receivables sold	\$ 253	\$ 269	\$ 322	\$ 336
Less: Retained interests	67	93	89	118
Net receivables sold	\$ 186	\$ 176	\$ 233	\$ 218

FINANCIAL STATEMENTS **VARIABLE INTEREST ENTITIES**

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

(in millions)	Duke Energy Ohio		Duke Energy Indiana	
	Three Months Ended		Three Months Ended	
	March 31,		March 31,	
	2019	2018	2019	2018
Sales				
Receivables sold	\$ 575	\$ 567	\$ 734	\$ 694
Loss recognized on sale	4	3	5	3
Cash flows				
Cash proceeds from receivables sold	\$ 597	\$ 585	\$ 758	\$ 711
Return received on retained interests	2	2	3	2

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

14. REVENUE

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

Electric Utilities and Infrastructure

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

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

(in millions)	Remaining Performance Obligations						
	2019	2020	2021	2022	2023	Thereafter	Total
Progress Energy	\$ 86	\$ 121	\$ 87	\$ 82	\$ 39	\$ 42	\$ 457
Duke Energy Progress	7	9	9	9	9	9	52
Duke Energy Florida	79	112	78	73	30	33	405
Duke Energy Indiana	7	10	5	—	—	—	22

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

Gas Utilities and Infrastructure

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

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

(in millions)	Remaining Performance Obligations						
	2019	2020	2021	2022	2023	Thereafter	Total
Piedmont	\$ 53	\$ 69	\$ 65	\$ 64	\$ 61	\$ 431	\$ 743

Commercial Renewables

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

FINANCIAL STATEMENTS **REVENUE**

Other

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

Disaggregated Revenues

Disaggregated revenues are presented as follows:

(in millions)	Three Months Ended March 31, 2019							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
<i>Electric Utilities and Infrastructure</i>								
Residential	\$ 2,370	\$ 760	\$ 1,114	\$ 536	\$ 578	\$ 189	\$ 306	\$ —
General	1,427	496	632	306	326	103	197	—
Industrial	711	266	222	161	61	33	190	—
Wholesale	541	119	353	315	38	14	54	—
Other revenues	172	78	172	125	47	16	17	—
Total Electric Utilities and Infrastructure revenue from contracts with customers	\$ 5,221	\$ 1,719	\$ 2,493	\$ 1,443	\$ 1,050	\$ 355	\$ 764	\$ —
<i>Gas Utilities and Infrastructure</i>								
Residential	\$ 414	\$ —	\$ —	\$ —	\$ —	\$ 112	\$ —	\$ 302
Commercial	206	—	—	—	—	49	—	157
Industrial	48	—	—	—	—	7	—	42
Power Generation	—	—	—	—	—	—	—	13
Other revenues	63	—	—	—	—	8	—	56
Total Gas Utilities and Infrastructure revenue from contracts with customers	\$ 731	\$ —	\$ —	\$ —	\$ —	\$ 176	\$ —	\$ 570
<i>Commercial Renewables</i>								
Revenue from contracts with customers	\$ 42	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
<i>Other</i>								
Revenue from contracts with customers	\$ 4	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Total revenue from contracts with customers	\$ 5,998	\$ 1,719	\$ 2,493	\$ 1,443	\$ 1,050	\$ 531	\$ 764	\$ 570
Other revenue sources ^(a)	\$ 165	\$ 25	\$ 79	\$ 41	\$ 36	\$ —	\$ 4	\$ 9
Total revenues	\$ 6,163	\$ 1,744	\$ 2,572	\$ 1,484	\$ 1,086	\$ 531	\$ 768	\$ 579

FINANCIAL STATEMENTS

REVENUE

(in millions)	Three Months Ended March 31, 2018							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
<i>Electric Utilities and Infrastructure</i>								
Residential	\$ 2,350	\$ 781	\$ 1,112	\$ 516	\$ 595	\$ 180	\$ 278	\$ —
General	1,375	472	631	299	333	96	178	—
Industrial	664	255	208	145	62	30	173	—
Wholesale	633	119	446	397	50	—	68	—
Other revenues	139	67	129	85	43	14	17	—
Total Electric Utilities and Infrastructure revenue from contracts with customers	\$ 5,161	\$ 1,694	\$ 2,526	\$ 1,442	\$ 1,083	\$ 320	\$ 714	\$ —
<i>Gas Utilities and Infrastructure</i>								
Residential	\$ 413	\$ —	\$ —	\$ —	\$ —	\$ 111	\$ —	\$ 302
Commercial	201	—	—	—	—	49	—	152
Industrial	48	—	—	—	—	7	—	41
Power Generation	—	—	—	—	—	—	—	13
Other revenues	55	—	—	—	—	6	—	49
Total Gas Utilities and Infrastructure revenue from contracts with customers	\$ 717	\$ —	\$ —	\$ —	\$ —	\$ 173	\$ —	\$ 557
<i>Commercial Renewables</i>								
Revenue from contracts with customers	\$ 33	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
<i>Other</i>								
Revenue from contracts with customers	\$ 17	\$ —	\$ —	\$ —	\$ —	\$ 14	\$ —	\$ —
Total revenue from contracts with customers	\$ 5,928	\$ 1,694	\$ 2,526	\$ 1,442	\$ 1,083	\$ 507	\$ 714	\$ 557
Other revenue sources ^(a)	\$ 207	\$ 69	\$ 50	\$ 18	\$ 32	\$ 17	\$ 17	\$ (4)
Total revenues	\$ 6,135	\$ 1,763	\$ 2,576	\$ 1,460	\$ 1,115	\$ 524	\$ 731	\$ 553

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

UNBILLED REVENUE

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

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

(in millions)	March 31, 2019	December 31, 2018
Duke Energy	\$ 733	\$ 896
Duke Energy Carolinas	281	313
Progress Energy	193	244
Duke Energy Progress	108	148
Duke Energy Florida	85	96
Duke Energy Ohio	1	2
Duke Energy Indiana	18	23
Piedmont	38	73

FINANCIAL STATEMENTS

REVENUE

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

(in millions)	March 31, 2019		December 31, 2018	
Duke Energy Ohio	\$	62	\$	86
Duke Energy Indiana		109		128

15. STOCKHOLDERS' EQUITY

Basic 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, the weighted average number of common shares outstanding and common share dividends declared.

(in millions, except per-share amounts)	Three Months Ended March 31,			
	2019		2018	
Income from continuing operations attributable to Duke Energy common stockholders excluding impact of participating securities	\$	898	\$	619
Weighted average shares outstanding – basic and diluted		727		701
Earnings per share from continuing operations attributable to Duke Energy common stockholders				
Basic and Diluted	\$	1.24	\$	0.88
Potentially dilutive items excluded from the calculation ^(a)		2		2
Dividends declared per common share	\$	0.9275	\$	0.89

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

Common Stock

On February 20, 2018, Duke Energy filed a prospectus supplement and executed an EDA under which it may sell up to \$1 billion of its common stock through an ATM offering program, including an equity forward sales component. The EDA was entered into with the Agents. Under the terms of the EDA, Duke Energy may issue and sell, through any of the Agents, shares of common stock through September 23, 2019.

In June 2018, Duke Energy marketed two separate tranches, each for 1.3 million shares, of common stock through equity forward transactions under the ATM program. In December 2018, Duke Energy physically settled these equity forwards by delivering 2.6 million shares of common stock in exchange for net proceeds of approximately \$195 million.

Separately, in March 2018, Duke Energy marketed an equity offering of 21.3 million shares of common stock through an Underwriting Agreement. In connection with the offering, Duke Energy entered into equity forward sale agreements. The equity forwards required Duke Energy to either physically settle the transactions by issuing 21.3 million shares in exchange for net proceeds at the then-applicable forward sale price specified by the agreements, or net settle in whole or in part through the delivery or receipt of cash or shares. In June 2018, Duke Energy physically settled one-half of the equity forwards by delivering approximately 10.6 million shares of common stock in exchange for net cash proceeds of approximately \$781 million. In December 2018, Duke Energy physically settled the remaining equity forward by delivering 10.6 million shares of common stock in exchange for net cash proceeds of approximately \$766 million.

In 2018, Duke Energy also issued 2.2 million shares through its DRIP with an increase in additional paid-in capital of approximately \$174 million.

In March and April 2019, Duke Energy marketed two separate tranches, each for 1.1 million shares, of common stock through equity forward transactions under the ATM program. The first tranche had an initial forward price of \$89.83 per share and the second tranche had an initial forward price of \$88.82 per share. The equity forwards require Duke Energy to either physically settle the transaction by issuing shares in exchange for net proceeds at the then-applicable forward sale price specified by the agreements or net settle in whole or in part through the delivery or receipt of cash or shares. The settlement alternative is at Duke Energy's election. No amounts have or will be recorded in Duke Energy's Condensed Consolidated Financial Statements with respect to these ATM offerings until settlements of the equity forwards occur, which is expected by December 31, 2019. The initial forward sale price will be subject to adjustment on a daily basis based on a floating interest rate factor and will decrease by other fixed amounts specified in the relevant forward sale agreements. Until settlement of the equity forwards, earnings per share dilution resulting from the agreements, if any, will be determined under the treasury stock method.

FINANCIAL STATEMENTS

STOCKHOLDERS' EQUITY

Preferred Stock

On March 29, 2019, Duke Energy completed the issuance of 40 million depositary shares, each representing 1/1,000th share of its Series A Cumulative Redeemable Perpetual Preferred Stock, at a price of \$25 per depositary share. The transaction resulted in net proceeds of \$974 million after issuance costs and the proceeds are being used for general corporate purposes and to reduce short-term debt. The preferred stock has a \$25 liquidation preference per depositary share and earns dividends on a cumulative basis at a rate of 5.75 percent per annum. Dividends are payable quarterly in arrears on the 16th day of March, June, September and December, beginning on June 16, 2019. Dividends issued on its preferred stock are subject to approval by the Duke Energy Board of Directors. However, the deferral of dividend payments on the preferred stock prohibits the declaration of common stock dividends. Dividends declared on preferred stock will be recorded on the income statement as a reduction of net income to arrive at net income attributable to Duke Energy common stockholders. Dividends accumulated on preferred stock will be a reduction to net income used in the calculation of basic and diluted EPS.

The Series A Preferred Stock ranks, with respect to dividends and distributions upon liquidation or dissolution:

- senior to Common Stock and to each other class or series of capital stock established after the original issue date of the Series A Preferred Stock that is expressly made subordinated to the Series A Preferred Stock;
- on a parity with any class or series of capital stock established after the original issue date of the Series A Preferred Stock that is not expressly made senior or subordinated to the Series A Preferred Stock;
- junior to any class or series of capital stock established after the original issue date of the Series A Preferred Stock that is expressly made senior to the Series A Preferred Stock;
- junior to all of existing and future indebtedness (including indebtedness outstanding under Duke Energy's credit facilities, unsecured senior notes, junior subordinated debentures and commercial paper) and other liabilities with respect to assets available to satisfy claims against Duke Energy; and
- structurally subordinated to existing and future indebtedness and other liabilities of Duke Energy's subsidiaries and future preferred stock of subsidiaries.

The preferred stock has no maturity or mandatory redemption date, is not redeemable at the option of the holders and includes separate call options. The first call option allows Duke Energy to call the preferred stock at a redemption price of \$25.50 per depositary share prior to June 15, 2024, in whole but not in part, at any time within 120 days after a ratings event where a rating agency amends, clarifies or changes the criteria it uses to assign equity credit for securities such as the preferred stock. The second call option allows Duke Energy to call the preferred stock, in whole or in part, at any time, on or after June 15, 2024, at a redemption price of \$25 per depositary share. Duke Energy is also required to redeem all accumulated and unpaid dividends if either call option is exercised.

Holders of the preferred stock have no voting rights with respect to matters that generally require the approval of voting stockholders. The limited voting rights of holders of preferred stock include the right to vote as a single class on certain matters that may affect the preference or special rights of the preferred stock, except in the instance that Duke Energy elects to defer the payment of dividends for a total of six quarterly full dividend periods. If dividends are deferred for a cumulative total of six quarterly full dividend periods, whether or not for consecutive dividend periods, holders of the preferred stock have the right to nominate two additional Board members to the Duke Energy Board of Directors.

16. EMPLOYEE BENEFIT PLANS

DEFINED BENEFIT RETIREMENT PLANS

Duke Energy and certain subsidiaries maintain, 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.

FINANCIAL STATEMENTS

EMPLOYEE BENEFIT PLANS

QUALIFIED PENSION PLANS

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

(in millions)	Three Months Ended March 31, 2019							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Service cost	\$ 37	\$ 12	\$ 11	\$ 6	\$ 4	\$ 1	\$ 2	\$ 1
Interest cost on projected benefit obligation	83	20	26	12	14	5	6	3
Expected return on plan assets	(143)	(38)	(44)	(23)	(22)	(8)	(11)	(5)
Amortization of actuarial loss	24	6	9	3	6	1	2	2
Amortization of prior service credit	(8)	(2)	(1)	—	—	—	—	(3)
Net periodic pension costs	\$ (7)	\$ (2)	\$ 1	\$ (2)	\$ 2	\$ (1)	\$ (1)	\$ (2)

(in millions)	Three Months Ended March 31, 2018							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Service cost	\$ 45	\$ 15	\$ 13	\$ 7	\$ 5	\$ 1	\$ 2	\$ 2
Interest cost on projected benefit obligation	75	18	24	11	13	5	6	3
Expected return on plan assets	(140)	(37)	(45)	(21)	(23)	(7)	(10)	(6)
Amortization of actuarial loss	33	7	11	5	6	1	2	3
Amortization of prior service credit	(8)	(2)	(1)	—	—	—	—	(3)
Net periodic pension costs	\$ 5	\$ 1	\$ 2	\$ 2	\$ 1	\$ —	\$ —	\$ (1)

NON-QUALIFIED PENSION PLANS

Net periodic pension costs for non-qualified pension plans were not material for the three months ended March 31, 2019, and 2018.

OTHER POST-RETIREMENT BENEFIT PLANS

Net periodic costs for other post-retirement benefit plans were not material for the three months ended March 31, 2019, and 2018.

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	
	March 31,	
	2019	2018
Duke Energy	9.6%	22.5%
Duke Energy Carolinas	17.7%	22.0%
Progress Energy	17.3%	13.2%
Duke Energy Progress	17.8%	14.1%
Duke Energy Florida	19.3%	16.3%
Duke Energy Ohio	16.9%	32.4%
Duke Energy Indiana	24.1%	25.9%
Piedmont	21.8%	24.1%

The decrease in the ETR for Duke Energy is primarily due to a one-time valuation allowance charge in the prior year, an adjustment related to the income tax recognition for equity method investments recorded in the first quarter of 2019 and the amortization of excess deferred taxes. This adjustment was immaterial and relates to prior years.

The decrease in the ETR for Duke Energy Carolinas is primarily due to the amortization of excess deferred taxes.

The increase in the ETR for Progress Energy is primarily due to a reduction in AFUDC equity and lower amortization of excess deferred taxes in the current year.

The increase in the ETR for Duke Energy Progress is primarily due to lower amortization of excess deferred taxes in the current year.

FINANCIAL STATEMENTS

INCOME TAXES

The increase in the ETR for Duke Energy Florida is primarily due to a reduction in AFUDC equity in the current year.

The decrease in the ETR for Duke Energy Ohio is primarily due to the amortization of excess deferred taxes.

The decrease in the ETR for Duke Energy Indiana is primarily due to the amortization of excess deferred taxes.

The decrease in the ETR for Piedmont is primarily due to the amortization of excess deferred taxes.

18. SUBSEQUENT EVENTS

For information on subsequent events related to the Commercial Renewables segment, regulatory matters, commitments and contingencies and stockholders' equity, see Notes 2, 3, 4 and 15, respectively.

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

The following combined Management's Discussion and Analysis of Financial Condition and Results of Operations is separately filed by Duke Energy and Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio, Duke Energy Indiana and Piedmont. However, none of the registrants make any representation as to information related solely to Duke Energy or the Subsidiary Registrants of Duke Energy other than itself.

DUKE ENERGY

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

Management's Discussion and Analysis should be read in conjunction with the Condensed Consolidated Financial Statements and Notes for the three months ended March 31, 2019, and with Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2018.

Executive Overview

NCDEQ Coal Ash Evaluation

On April 1, 2019, NCDEQ issued a closure determination requiring Duke Energy Carolinas and Duke Energy Progress to excavate all remaining coal ash impoundments at the Allen, Belews Creek, Rogers, Marshall, Mayo and Roxboro facilities in North Carolina. Duke Energy is making strong progress to permanently close every ash basin in North Carolina in ways that fully protect people and the environment, while keeping costs down as much as possible for customers. With respect to the final six sites, which NCDEQ has ruled as low risk, science and engineering support a variety of closure methods including capping in place and hybrid cap-in-place as appropriate solutions that protect public health and the environment. These closure options are also consistent with how hundreds of other basins around the country are expected to be closed. Because the process by which NCDEQ arrived at its excavation decision lacked full consideration of the science and engineering, Duke Energy Carolinas and Duke Energy Progress filed Petitions for Contested Case Hearings in the Office of Administrative Hearings on April 26, 2019, to challenge NCDEQ's determination that all ash basins must be excavated.

Duke Energy estimates the undiscounted, unadjusted cost to close the remaining impoundments by excavation, as outlined in the NCDEQ closure determination, will be approximately \$4 billion to \$5 billion more than the prior project cost estimate of \$5.6 billion in the aggregate for the closure for all Duke Energy Carolinas and Duke Energy Progress impoundments. Excavation would likely extend beyond the required federal and state deadlines for impoundment closure. Duke Energy intends to seek recovery of all costs through the ratemaking process consistent with previous proceedings. For more information, see Note 4, "Commitments and Contingencies," to the Condensed Consolidated Financial Statements.

Regulatory Activity

In 2019, Duke Energy advanced regulatory activity underway in multiple jurisdictions as follows:

- New base rates were implemented in the Duke Energy Ohio Electric Base Rate Case on January 2, 2019.
- On January 11, 2019, Duke Energy Progress filed a request with the PSCSC, which included a request for the continuation of prior deferrals requested for ice storms and hurricanes Florence, Michael and Matthew. The request was approved on January 30, 2019.
- On January 30, 2019, Duke Energy Kentucky entered into a settlement agreement with the Attorney General of Kentucky related to the Natural Gas Base Rate Case. The settlement provides for an approximate \$7 million increase in natural gas base revenue and approval of the proposed Weather Normalization Mechanism. The KPSC issued its Order approving the settlement without material modification on March 27, 2019.
- The evidentiary hearing on the Duke Energy Carolinas 2018 South Carolina Rate Case concluded on March 27, 2019. A PSCSC Commission Directive was issued on May 1, 2019. A final order and revised customer rates are expected by mid-2019.
- On April 1, 2019, Piedmont filed an application with the NCUC, its first general rate case in North Carolina in six years. Piedmont expects new rates arising from this proceeding to take effect by the end of 2019.
- The evidentiary hearing on the Duke Energy Progress 2018 South Carolina Rate Case concluded on April 17, 2019. A PSCSC Commission Directive was issued on May 8, 2019. A final order and revised customer rates are expected by mid-2019.
- Duke Energy Florida continues to make progress on storm cost recovery related to hurricanes Irma, Nate, and Michael. The FPSC has scheduled the hearing for Hurricane Irma and Hurricane Nate costs on May 21, 2019, to consider the Storm Cost Settlement Agreement filed with the FPSC. Duke Energy Florida filed a separate petition with the FPSC on April 30, 2019, to recover incremental storm restoration costs for Hurricane Michael and to apply tax savings resulting from the Tax Act toward storm costs in lieu of implementing a storm surcharge. Storm costs are currently expected to be fully recovered by approximately year-end 2021.

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

Results of Operations

Non-GAAP Measures

Management's Discussion and Analysis includes financial information prepared in accordance with GAAP in the U.S., as well as certain non-GAAP financial measures such as adjusted earnings and adjusted earnings per share discussed below. Generally, a non-GAAP financial measure is a numerical measure of financial performance, financial position or cash flows that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP. 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 EPS. Adjusted earnings and adjusted diluted EPS represent income from continuing operations attributable to Duke Energy in dollar and per-share amounts, 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. The most directly comparable GAAP measures for adjusted earnings and adjusted diluted EPS are GAAP Reported Earnings and GAAP Reported EPS, respectively.

Special items for the three months ended March 31, 2018 included the following items:

- Costs to Achieve Piedmont Merger represents charges that result from the Piedmont acquisition.
- Regulatory Settlements represents charges related to rate case orders, settlements or other actions of regulators.
- Sale of Retired Plant represents the loss associated with selling Beckjord, a nonregulated generating facility in Ohio.
- Impairment of Equity Method Investment represents an OTTI of an investment in Constitution.
- Impacts of the Tax Act represents an AMT valuation allowance recognized related to the Tax Act.

Three Months Ended March 31, 2019, as compared to March 31, 2018

GAAP Reported EPS was \$1.24 for the first quarter of 2019 compared to \$0.88 for the first quarter of 2018. The increase in GAAP Reported EPS was primarily due to prior year regulatory settlements, impairments charges, an AMT valuation allowance and a loss on sale of a retired plant.

As discussed above, management also evaluates financial performance based on adjusted diluted EPS. Duke Energy's first quarter 2019 adjusted diluted EPS was \$1.24 compared to \$1.28 for the first quarter of 2018. The decrease in adjusted earnings was primarily due to unfavorable weather and volumes, higher depreciation and interest expenses and share dilution from equity issuances, partially offset by positive rate case impacts and an adjustment related to the income tax recognition for equity method investments. This adjustment was immaterial and relates to prior years.

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 March 31,					
	2019			2018		
	Earnings	EPS		Earnings	EPS	
GAAP Reported Earnings/GAAP Reported EPS	\$ 900	\$ 1.24		\$ 620	\$ 0.88	
Adjustments:						
Costs to Achieve Piedmont Merger ^(a)	—	—		13	0.02	
Regulatory Settlements ^(b)	—	—		66	0.09	
Sale of Retired Plant ^(c)	—	—		82	0.12	
Impairment of Equity Method Investment ^(d)	—	—		42	0.06	
Impacts of the Tax Act (AMT valuation allowance)	—	—		76	0.11	
Adjusted Earnings/Adjusted Diluted EPS	\$ 900	\$ 1.24		\$ 899	\$ 1.28	

- (a) Net of \$4 million tax benefit.
- (b) Net of \$20 million tax benefit.
- (c) Net of \$25 million tax benefit.
- (d) Net of \$13 million tax benefit.

SEGMENT RESULTS

The remaining information presented in this discussion of results of operations is on a GAAP basis. Management evaluates segment performance based on segment income. Segment income is defined as income from continuing operations net of income attributable to noncontrolling interests. Segment income includes intercompany revenues and expenses that are eliminated in the Condensed Consolidated Financial Statements.

Duke Energy's segment structure includes the following segments: Electric Utilities and Infrastructure, Gas Utilities and Infrastructure and Commercial Renewables. The remainder of Duke Energy's operations is presented as Other. See Note 2 to the Condensed Consolidated Financial Statements, "Business Segments," for additional information on Duke Energy's segment structure.

Electric Utilities and Infrastructure

(in millions)	Three Months Ended March 31,		
	2019	2018	Variance
Operating Revenues	\$ 5,329	\$ 5,323	\$ 6
Operating Expenses			
Fuel used in electric generation and purchased power	1,630	1,685	(55)
Operation, maintenance and other	1,282	1,325	(43)
Depreciation and amortization	947	835	112
Property and other taxes	301	274	27
Impairment charges	—	43	(43)
Total operating expenses	4,160	4,162	(2)
(Losses) Gains on Sales of Other Assets and Other, net	(3)	1	(4)
Operating Income	1,166	1,162	4
Other Income and Expenses, net	91	88	3
Interest Expense	338	317	21
Income Before Income Taxes	919	933	(14)
Income Tax Expense	169	183	(14)
Segment Income	\$ 750	\$ 750	\$ —
Duke Energy Carolinas GWh sales	21,828	22,627	(799)
Duke Energy Progress GWh sales	16,348	17,226	(878)
Duke Energy Florida GWh sales	8,321	9,119	(798)
Duke Energy Ohio GWh sales	6,164	6,072	92
Duke Energy Indiana GWh sales	8,033	8,485	(452)
Total Electric Utilities and Infrastructure GWh sales	60,694	63,529	(2,835)
Net proportional MW capacity in operation	49,725	48,831	894

Three Months Ended March 31, 2019, as compared to March 31, 2018

Electric Utilities and Infrastructure's results were impacted by a positive contribution from the 2018 Duke Energy Carolinas and Duke Energy Progress North Carolina rate cases, Duke Energy Florida's base rate adjustments due to the Citrus County CC being placed in service, lower operation, maintenance and other expense and lower income tax expense.

These drivers were offset by unfavorable weather in the current year, unfavorable weather-normal retail sales volumes, higher depreciation from a growing asset base and higher interest expense. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by:

- a \$177 million increase in retail pricing primarily due to the prior year Duke Energy Carolinas and Duke Energy Progress North Carolina rate cases and Duke Energy Florida's base rate adjustments related to generation assets being placed into service.

Partially offset by:

- a \$66 million decrease in retail sales, net of fuel revenues, due to unfavorable weather in the current year;
- a \$58 million decrease in fuel related revenues due primarily to lower sales volumes and decreases in fuel rates billed to customers; and
- a \$30 million decrease in weather-normal retail sales volumes.

Operating Expenses. The variance was driven primarily by:

- a \$55 million decrease in fuel used in electric generation and purchased power primarily due to lower purchased power and lower deferred fuel and capacity expenses;
- a \$43 million decrease in operation, maintenance and other expense primarily due to prior year impacts associated with the North Carolina rate cases; and
- a \$43 million decrease in impairment charges primarily due to prior year impacts associated with the Duke Energy Progress North Carolina rate case.

MD&A

SEGMENT RESULTS - ELECTRIC UTILITIES AND INFRASTRUCTURE

Partially offset by:

- a \$112 million increase in depreciation and amortization expense primarily due to higher amortization of deferred coal ash costs, additional plant in service and new depreciation rates associated with the prior year Duke Energy Carolinas and Duke Energy Progress North Carolina rate cases; and
- a \$27 million increase in property and other taxes primarily due to higher property taxes for additional plant in service in the current year and a favorable sales and use tax credit in the prior year at Duke Energy Progress.

Interest Expense. The variance was driven primarily by higher debt outstanding in the current year and AFUDC debt return ending in the fourth quarter of 2018 on the Citrus County CC at Duke Energy Florida.

Income Tax Expense. The variance was primarily due to lower pretax income and amortization of excess deferred taxes. The ETRs for the three months ended March 31, 2019, and 2018 were 18.4 percent and 19.6 percent, respectively. The decrease in the ETR was primarily due to the amortization of excess deferred taxes partially offset by lower AFUDC equity in the current year.

Matters Impacting Future Electric Utilities and Infrastructure Results

On May 1, 2019, and May 8, 2019, Duke Energy Carolinas and Duke Energy Progress, respectively, received a Commission Directive from the PSCSC granting the companies' requests for retail rate increases but denying recovery of certain coal ash costs. Duke Energy Carolinas and Duke Energy Progress intend to file a Petition for Rehearing with the PSCSC. Electric Utilities and Infrastructure's results of operations, financial position and cash flows could be adversely impacted if coal ash costs are not ultimately approved for recovery. See Note 3 to the Condensed Consolidated Financial Statements, "Regulatory Matters," 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, were eligible for reassessment as low risk pursuant to legislation enacted on July 14, 2016. On November 14, 2018, NCDEQ issued final low-risk classifications for these impoundments, indicating that Duke Energy Carolinas and Duke Energy Progress have satisfied the permanent replacement water supply and certain dam improvement requirements set out in the Coal Ash Management Act. On April 1, 2019, NCDEQ issued a closure determination requiring Duke Energy Carolinas and Duke Energy Progress to excavate all remaining coal ash impoundments in North Carolina, even though they had been deemed low risk. On April 26, 2019, Duke Energy Carolinas and Duke Energy Progress filed a Petition for Contested Case Hearings in the Office of Administrative Hearings to challenge NCDEQ's determination that all ash basins must be excavated. Duke Energy Carolinas and Duke Energy Progress intend to seek recovery of all costs through the ratemaking process consistent with previous proceedings. As the 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 Electric Utilities and Infrastructure's results of operations, financial position and cash flows. See Note 4 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

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

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

During the last half of 2018, Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida's service territories were impacted by several named storms. Hurricane Florence, Hurricane Michael and Winter Storm Diego caused flooding, extensive damage and widespread power outages to the service territories of Duke Energy Carolinas and Duke Energy Progress. Duke Energy Florida's service territory was also impacted by Hurricane Michael, a Category 5 hurricane and the most powerful storm to hit the Florida Panhandle in recorded history. A significant portion of the incremental operation and maintenance expenses related to these storms have been deferred. On December 21, 2018, Duke Energy Carolinas and Duke Energy Progress filed with the NCUC petitions for approval to defer the incremental storm costs incurred to a regulatory asset for recovery in the next base rate case. Duke Energy Progress filed a similar request with the PSCSC on January 11, 2019, which also included a request for the continuation of prior deferrals requested for other storms, and on January 30, 2019, the PSCSC issued a directive approving the deferral request. Duke Energy Florida filed a petition on April 30, 2019, with the FPSC to recover incremental storm costs consistent with the provisions in its 2017 Settlement. An order from regulatory authorities disallowing the deferral and future recovery of storm restoration costs could have an adverse impact on Electric Utilities and Infrastructure's results of operations, financial position and cash flows. See Note 3 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

On February 6, 2018, the FPSC approved a stipulation that would apply tax savings resulting from the Tax Act toward storm costs effective January 2018 in lieu of implementing a storm surcharge. On May 31, 2018, Duke Energy Florida filed for recovery of the storm costs relating to Hurricane Irma and Hurricane Nate, as well as the replenishment of Duke Energy Florida's storm reserve. Storm costs are currently expected to be fully recovered by approximately mid-2021. On April 9, 2019, Duke Energy Florida filed an unopposed motion to approve a settlement resolving all outstanding issues related to the May 31, 2018 filing. The commission has scheduled a hearing to begin on May 21, 2019, to consider this Storm Cost Agreement. An order disallowing recovery of these costs could have an adverse impact on Electric Utilities and Infrastructure's results of operations, financial position and cash flows. See Note 3 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Duke Energy Registrants' Annual Reports on Form 10-K for the year ended December 31, 2018, for discussion of risks associated with the Tax Act.

Gas Utilities and Infrastructure

(in millions)	Three Months Ended March 31,		
	2019	2018	Variance
Operating Revenues	\$ 756	\$ 727	\$ 29
Operating Expenses			
Cost of natural gas	327	313	14
Operation, maintenance and other	110	108	2
Depreciation and amortization	65	61	4
Property and other taxes	33	31	2
Total operating expenses	535	513	22
Operating Income	221	214	7
Other Income and Expenses, net	40	(35)	75
Interest Expense	30	27	3
Income Before Income Taxes	231	152	79
Income Tax Expense	5	36	(31)
Segment Income	\$ 226	\$ 116	\$ 110
Piedmont LDC throughput (dekatherms)	151,665,924	154,901,379	(3,235,455)
Duke Energy Midwest LDC throughput (Mcf)	38,538,272	37,126,065	1,412,207

Three Months Ended March 31, 2019, as compared to March 31, 2018

Gas Utilities and Infrastructure's results were primarily impacted by the prior year OTTI recorded on the Constitution investment and an adjustment related to the income tax recognition for equity method investments. This adjustment was immaterial and relates to prior years. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven by:

- a \$14 million increase primarily due to higher natural gas prices associated with off-system sales;
- a \$7 million increase primarily due to NCUC approval related to tax reform accounting from fixed rate contracts;
- a \$5 million increase primarily due to North Carolina and Tennessee IMR increases; and
- a \$4 million increase due to customer growth.

Operating Expenses. The variance was driven by:

- a \$14 million increase in cost of natural gas primarily due to the impact of higher natural gas prices on off-system sales and unbilled revenue; and
- a \$4 million increase in depreciation and amortization expense primarily due to additional plant in service.

Other Income and Expenses, net. The increase was primarily due to the prior year OTTI recorded on the Constitution investment and higher earnings from ACP in the current year.

Income Tax Expense. The variance was primarily due to an adjustment related to the income tax recognition for equity method investments, partially offset by an increase in pretax income. This adjustment was immaterial and relates to prior years. The ETRs for the three months ended March 31, 2019, and 2018 were 2.2 percent and 23.7 percent, respectively. The decrease in the ETR was primarily due to an adjustment related to the income tax recognition for equity method investments that was recorded during the first quarter of 2019. This adjustment was immaterial and relates to prior years.

Matters Impacting Future Gas Utilities and Infrastructure Results

Gas Utilities and Infrastructure has a 47 percent ownership interest in ACP, which is building an approximately 600-mile interstate natural gas pipeline intended to transport diverse natural gas supplies into southeastern markets. Affected states (West Virginia, Virginia and North Carolina) have issued certain necessary permits; the project remains subject to other pending federal and state approvals, which will allow full construction activities to begin. In 2018, FERC issued a series of Notices to Proceed, which authorized the project to begin certain construction-related activities along the pipeline route. Project cost estimates are a range of \$7.0 billion to \$7.8 billion, excluding financing costs. ACP expects to achieve a late 2020 in-service date for key segments of the project, while it expects a remainder to extend into 2021. Project construction activities, schedule and final costs are subject to uncertainty due to abnormal weather, work delays (including delays due to judicial or regulatory action) and other conditions and risks that could result in potential higher project costs, a potential delay in the targeted in-service dates, permanent or temporary suspension of AFUDC and potential impairment charges. ACP and Duke Energy will continue to consider their options with respect to the foregoing in light of their existing contractual and legal obligations. See Notes 3 and 13 to the Condensed Consolidated Financial Statements, "Regulatory Matters" and "Variable Interest Entities," respectively, for additional information.

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Duke Energy Registrants' Annual Reports on Form 10-K for the year ended December 31, 2018, for discussion of risks associated with the Tax Act.

Commercial Renewables

(in millions)	Three Months Ended March 31,		
	2019	2018	Variance
Operating Revenues	\$ 106	\$ 101	\$ 5
Operating Expenses			
Operation, maintenance and other	66	55	11
Depreciation and amortization	40	38	2
Property and other taxes	6	7	(1)
Total operating expenses	112	100	12
Operating (Loss) Income	(6)	1	(7)
Other Income and Expenses, net	(2)	2	(4)
Interest Expense	21	22	(1)
Loss Before Income Taxes	(29)	(19)	(10)
Income Tax Benefit	(35)	(39)	4
Less: Loss Attributable to Noncontrolling Interests	(7)	—	(7)
Segment Income	\$ 13	\$ 20	\$ (7)
Renewable plant production, GWh	2,068	2,180	(112)
Net proportional MW capacity in operation ^(a)	2,996	2,943	53

(a) Certain projects are included in tax-equity structures where investors have differing interests in the project's economic attributes. In 2019, 100 percent of the tax-equity project's capacity is included in the table above.

Three Months Ended March 31, 2019, as compared to March 31, 2018

Commercial Renewables' results were unfavorably impacted by lower wind production and higher operating expenses, partially offset by results from tax-equity structures. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The increase is primarily due to an increase in the number of EPC agreements at REC Solar, offset by unfavorable wind portfolio revenue due to low winds.

Operating Expenses. The increase was primarily due to an increase in the number of EPC agreements at REC Solar and higher operating expenses in the solar portfolio.

Other Income and Expenses, net. The decrease is due to mark-to-market losses in the solar portfolio.

Income Tax Benefit. The variance was primarily due to a reduction in production tax credits generated in the current year.

Loss Attributable to Noncontrolling Interests. The increase is driven by the new tax equity structures entered into during 2018.

Matters Impacting Future Commercial Renewables Results

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

On April 24, 2019, Duke Energy executed an agreement to sell a minority interest in a portion of certain renewable assets. The portion of Duke Energy's commercial renewables energy portfolio to be sold includes 49 percent of 37 operating wind, solar and battery storage assets and 33 percent of 11 operating solar assets across the U.S. Duke Energy Renewable Services, an operations and maintenance business for third-party customers, and REC Solar are not included in the potential transaction. The sale will result in pretax proceeds to Duke Energy of \$415 million. Duke Energy will retain control of these assets, and, therefore, no gain or loss is expected to be recognized in the Condensed Consolidated Statements of Operations upon closing of the transaction. Duke Energy will also retain the majority of the remaining tax benefits from the projects. Duke Energy will continue to develop projects, grow its portfolio and manage its renewables assets. The sale is subject to customary closing conditions, including approvals from the FERC, the Public Utility Commission of Texas and the Committee on Foreign Investment in the U.S. The transaction is expected to close in the second half of 2019.

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Duke Energy Registrants' Annual Reports on Form 10-K for the year ended December 31, 2018, for discussion of risks associated with the Tax Act.

Other

(in millions)	Three Months Ended March 31,		
	2019	2018	Variance
Operating Revenues	\$ 21	\$ 35	\$ (14)
Operating Expenses	28	54	(26)
Losses on Sales of Other Assets and Other, net	—	(101)	101
Operating Loss	(7)	(120)	113
Other Income and Expenses, net	44	14	30
Interest Expense	171	157	14
Loss Before Income Taxes	(134)	(263)	129
Income Tax (Benefit) Expense	(45)	1	(46)
Less: Income Attributable to Noncontrolling Interests	—	2	(2)
Net Loss	\$ (89)	\$ (266)	\$ 177

Three Months Ended March 31, 2019, as compared to March 31, 2018

The variance was driven by the prior year loss on sale of the retired Beckjord station and lower income taxes due to a 2018 adjustment to record a valuation allowance. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. Lower operating revenues were due to amounts in the prior year related to Duke Energy Ohio's entitlement of capacity and energy from OVEC's power plants. In the current year, the revenues and expenses for OVEC are reflected in the Electric Utilities and Infrastructure segment due to the 2018 PUCO Order that approved Duke Energy to recover or credit amounts through Rider PSR. These amounts are deemed immaterial. Therefore, the prior period amounts were not restated.

Operating Expenses. Lower operating expenses were due to the absence in the current year of transaction and integration costs associated with the Piedmont acquisition and OVEC fuel expense.

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

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

Interest Expense. The variance was primarily due to higher short-term interest rates and an increase in outstanding debt.

Income Tax (Benefit) Expense. The variance was primarily driven by the prior year valuation allowance against AMT credits partially offset by a lower pretax loss in the current year.

DUKE ENERGY CAROLINAS

Management's Discussion and Analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes for the three months ended March 31, 2019, and 2018 and the Annual Report on Form 10-K for the year ended December 31, 2018.

Results of Operations

(in millions)	Three Months Ended March 31,		
	2019	2018	Variance
Operating Revenues	\$ 1,744	\$ 1,763	\$ (19)
Operating Expenses			
Fuel used in electric generation and purchased power	472	473	(1)
Operation, maintenance and other	440	451	(11)
Depreciation and amortization	317	272	45
Property and other taxes	80	72	8
Impairment charges	—	13	(13)
Total operating expenses	1,309	1,281	28
Operating Income	435	482	(47)
Other Income and Expenses, net	31	39	(8)
Interest Expense	110	107	3
Income Before Income Taxes	356	414	(58)
Income Tax Expense	63	91	(28)
Net Income	\$ 293	\$ 323	\$ (30)

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	2019
Residential sales	(6.4)%
General service sales	(1.8)%
Industrial sales	(1.0)%
Wholesale power sales	(16.8)%
Joint dispatch sales	31.4 %
Total sales	(3.5)%
Average number of customers	2.0 %

Three Months Ended March 31, 2019, as compared to March 31, 2018

Operating Revenues. The variance was driven primarily by:

- a \$32 million decrease in retail sales, net of fuel revenues, due to unfavorable weather in the current year;
- a \$25 million decrease in rider revenues primarily related to energy efficiency programs; and
- a \$14 million decrease in weather-normal retail sales volumes.

Partially offset by:

- a \$51 million increase in retail pricing due to the impacts of the prior year North Carolina rate case.

Operating Expenses. The variance was driven primarily by:

- a \$45 million increase in depreciation and amortization expense primarily due to additional plant in service, new depreciation rates associated with the prior year North Carolina rate case and higher amortization of deferred coal ash costs associated with the prior year North Carolina rate case.

Partially offset by:

- a \$13 million decrease in impairment charges related to prior year coal ash costs in South Carolina.

Other Income and Expenses, net. The variance was primarily due to lower AFUDC equity related to W.S. Lee CC.

Income Tax Expense. The variance was primarily due to a decrease in pretax income and the amortization of excess deferred taxes. The ETRs for the three months ended

March 31, 2019, and 2018 were 17.7 percent and 22.0 percent, respectively. The decrease in the ETR was primarily due to the amortization of excess deferred taxes.

MD&A

DUKE ENERGY CAROLINAS

Matters Impacting Future Results

On May 1, 2019, Duke Energy Carolinas received a Commission Directive from the PSCSC granting its request for a retail rate increase but denying recovery of certain coal ash costs. Duke Energy Carolinas intends to file a Petition for Rehearing with the PSCSC. Duke Energy Carolinas' results of operations, financial position and cash flows could be adversely impacted if coal ash costs are not ultimately approved for recovery. See Note 3 to the Condensed Consolidated Financial Statements, "Regulatory Matters," 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, were eligible for reassessment as low risk pursuant to legislation enacted on July 14, 2016. On November 14, 2018, NCDEQ issued final low-risk classifications for these impoundments, indicating that Duke Energy Carolinas had satisfied the permanent replacement water supply and certain dam improvement requirements set out in the Coal Ash Management Act. On April 1, 2019, NCDEQ issued a closure determination requiring Duke Energy Carolinas to excavate all remaining coal ash impoundments in North Carolina. On April 26, 2019, Duke Energy Carolinas filed a Petition for Contested Case Hearings in the Office of Administrative Hearings to challenge NCDEQ's determination that all ash basins must be excavated. Duke Energy Carolinas intends to seek recovery of all costs through the ratemaking process consistent with previous proceedings. As the final closure plans and corrective action measures are developed and approved for each site, the closure work progresses, and the closure method scope and remedial action methods are determined, the complexity of work and the amount of coal combustion material could be different than originally estimated and, therefore, could materially impact Duke Energy Carolinas' results of operations, financial position and cash flows. See Note 4 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

Duke Energy Carolinas is a party to multiple lawsuits and subject to fines and other penalties related to operations at certain North Carolina facilities with ash basins. In addition, the order issued in the Duke Energy Carolinas North Carolinas rate case supporting recovery of past coal ash remediation costs has been appealed by various parties. The outcome of these appeals, lawsuits, fines and penalties could have an adverse impact on Duke Energy Carolinas' results of operations, financial position and cash flows. See Notes 3 and 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters" and "Commitments and Contingencies," respectively, for additional information.

On June 22, 2018, Duke Energy Carolinas received an order from the NCUC, which denied the Grid Rider Stipulation and deferral treatment of grid improvement costs. Duke Energy Carolinas may petition for deferral of grid modernization costs outside of a general rate case proceeding if it can show financial hardship or a stipulation that includes greater consensus among intervening parties on costs being classified as grid modernization. Duke Energy Carolinas' results of operations, financial position and cash flows could be adversely impacted if grid modernization costs are not ultimately approved for recovery and/or deferral treatment.

During the last half of 2018, Duke Energy Carolinas' service territory was impacted by several named storms. Hurricane Florence, Hurricane Michael and Winter Storm Diego caused flooding, extensive damage and widespread power outages in the service territory. A significant portion of the incremental operation and maintenance expenses related to these storms have been deferred. On December 21, 2018, Duke Energy Carolinas filed with the NCUC a petition for approval to defer the incremental storm costs incurred to a regulatory asset for recovery in the next base rate case. An order from regulatory authorities disallowing the deferral and future recovery of storm restoration costs could have an adverse impact on Duke Energy Carolinas' results of operations, financial position and cash flows. See Note 3 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Duke Energy Registrants' Annual Reports on Form 10-K for the year ended December 31, 2018, for discussion of risks associated with the Tax Act.

PROGRESS ENERGY

Management's Discussion and Analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes for the three months ended March 31, 2019, and 2018 and the Annual Report on Form 10-K for the year ended December 31, 2018.

Results of Operations

(in millions)	Three Months Ended March 31,		
	2019	2018	Variance
Operating Revenues	\$ 2,572	\$ 2,576	\$ (4)
Operating Expenses			
Fuel used in electric generation and purchased power	925	976	(51)
Operation, maintenance and other	567	623	(56)
Depreciation and amortization	455	384	71
Property and other taxes	137	123	14
Impairment charges	—	29	(29)
Total operating expenses	2,084	2,135	(51)
Gains on Sales of Other Assets and Other, net	—	6	(6)
Operating Income	488	447	41
Other Income and Expenses, net	31	35	(4)
Interest Expense	219	209	10
Income Before Income Taxes	300	273	27
Income Tax Expense	52	36	16
Net Income	248	237	11
Less: Net (Loss) Income Attributable to Noncontrolling Interests	(1)	2	(3)
Net Income Attributable to Parent	\$ 249	\$ 235	\$ 14

Three Months Ended March 31, 2019, as compared to March 31, 2018

Operating Revenues. The variance was driven primarily by:

- a \$51 million decrease in fuel and capacity revenues primarily due to a decrease in demand and a decrease in fuel and capacity rates billed to customers at Duke Energy Florida;
- a \$36 million decrease in retail sales, net of fuel revenues, due to unfavorable weather in the current year; and
- a \$14 million decrease in weather-normal retail sales volumes.

Partially offset by:

- a \$111 million increase in retail pricing primarily due to the impacts of the prior year Duke Energy Progress North Carolina rate case, Duke Energy Florida's base rate adjustments related to the Citrus County CC being placed into service and annual increases from the 2017 Settlement Agreement.

Operating Expenses. The variance was driven primarily by:

- a \$56 million decrease in operation, maintenance and other expense primarily due to prior year impacts associated with the Duke Energy Progress North Carolina rate case, lower outage costs at Duke Energy Progress and lower employee benefit costs at Duke Energy Progress and Duke Energy Florida;
- a \$51 million decrease in fuel used in electric generation and purchased power primarily due to lower purchased power and lower deferred fuel and capacity expenses; and
- a \$29 million decrease in impairment charges primarily due to prior year impacts associated with the Duke Energy Progress North Carolina rate case.

Partially offset by:

- a \$71 million increase in depreciation and amortization expense primarily due to higher amortization of deferred coal ash costs, new depreciation rates associated with the prior year Duke Energy Progress North Carolina rate case and Citrus County CC being placed in service and other additional plant in service at Duke Energy Florida; and
- a \$14 million increase in property and other taxes primarily due to higher property taxes due to additional plant in service at Duke Energy Florida in the current year and a favorable sales and use tax credit in the prior year at Duke Energy Progress.

Interest Expense. The variance was driven primarily by AFUDC debt return ending in the fourth quarter of 2018 on the Citrus County CC at Duke Energy Florida.

MD&A

PROGRESS ENERGY

Income Tax Expense. The increase in tax expense was primarily due to an increase in pretax income and lower AFUDC equity in the current year. The ETRs for the three months ended March 31, 2019, and 2018 were 17.3 percent and 13.2 percent, respectively. The increase in the ETR was primarily due to lower AFUDC equity and amortization of excess deferred taxes in the current year.

Matters Impacting Future Results

On May 8, 2019, Duke Energy Progress received a Commission Directive from the PSCSC granting its request for a retail rate increase but denying recovery of certain coal ash costs. Duke Energy Progress intends to file a Petition for Rehearing with the PSCSC. Progress Energy's results of operations, financial position and cash flows could be adversely impacted if coal ash costs are not ultimately approved for recovery. See Note 3 to the Condensed Consolidated Financial Statements, "Regulatory Matters," 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, were eligible for reassessment as low risk pursuant to legislation enacted on July 14, 2016. On November 14, 2018, NCDEQ issued final low-risk classifications for these impoundments, indicating that Duke Energy Progress had satisfied the permanent replacement water supply and certain dam improvement requirements set out in the Coal Ash Management Act. On April 1, 2019, NCDEQ issued a closure determination requiring Duke Energy Progress to excavate all remaining coal ash impoundments in North Carolina. On April 26, 2019, Duke Energy Progress filed a Petition for Contested Case Hearings in the Office of Administrative Hearings to challenge NCDEQ's determination that all ash basins must be excavated. Duke Energy Progress intends to seek recovery of all costs through the ratemaking process consistent with previous proceedings. As the final closure plans and corrective action measures are developed and approved for each site, the closure work progresses, and the closure method scope and remedial action methods are determined, the complexity of work and the amount of coal combustion material could be different than originally estimated and, therefore, could materially impact Progress Energy's results of operations, financial position and cash flows. See Note 4 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies," 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. As noted above, the order issued in the Duke Energy Progress North Carolinas rate case supporting recovery of past coal ash remediation costs has been appealed by various parties. The outcome of these appeals, lawsuits, fines and penalties could have an adverse impact on Progress Energy's results of operations, financial position and cash flows. See Notes 3 and 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters" and "Commitments and Contingencies," respectively, for additional information.

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

During the last half of 2018, Duke Energy Progress and Duke Energy Florida's service territories were impacted by several named storms. Hurricane Florence, Hurricane Michael and Winter Storm Diego caused flooding, extensive damage and widespread power outages to the service territory of Duke Energy Progress. Duke Energy Florida's service territory was also impacted by Hurricane Michael, a Category 5 hurricane and the most powerful storm to hit the Florida Panhandle in recorded history. A significant portion of the incremental operation and maintenance expenses related to these storms have been deferred. On December 21, 2018, Duke Energy Progress filed with the NCUC a petition for approval to defer the incremental storm costs incurred to a regulatory asset for recovery in the next base rate case. Duke Energy Progress filed a similar request with the PSCSC on January 11, 2019, which also included a request for the continuation of prior deferrals requested for other storms, and on January 30, 2019, the PSCSC issued a directive approving the deferral request. Duke Energy Florida anticipates filing a petition on April 30, 2019, with the FPSC to recover incremental storm costs consistent with the provisions in its 2017 Settlement. An order from regulatory authorities disallowing the deferral and future recovery of storm restoration costs could have an adverse impact on Progress Energy's results of operations, financial position and cash flows. See Note 3 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

On February 6, 2018, the FPSC approved a stipulation that would apply tax savings resulting from the Tax Act toward storm costs effective January 2018 in lieu of implementing a storm surcharge. On May 31, 2018, Duke Energy Florida filed for recovery of the storm costs relating to Hurricane Irma and Hurricane Nate, as well as the replenishment of Duke Energy Florida's storm reserve. Storm costs are currently expected to be fully recovered by approximately mid-2021. On April 9, 2019, Duke Energy Florida filed an unopposed motion to approve a settlement resolving all outstanding issues related to the May 31, 2018 filing. The commission has scheduled a hearing to begin on May 21, 2019, to consider this Storm Cost Settlement Agreement. An order disallowing recovery of these costs could have an adverse impact on Progress Energy's results of operations, financial position and cash flows. See Note 3 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Duke Energy Registrants' Annual Reports on Form 10-K for the year ended December 31, 2018, for discussion of risks associated with the Tax Act.