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Duke Energy CORP
 Form 10-Q
 November 02, 2018

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
 WASHINGTON, D.C. 20549
 FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number	Registrant, State of Incorporation or Organization, Address of Principal Executive Offices and Telephone Number	IRS Employer Identification No.
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1-32853	DUKE ENERGY CORPORATION (a Delaware corporation) 550 South Tryon Street Charlotte, North Carolina 28202-1803 704-382-3853	20-2777218
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Commission file number	Registrant, State of Incorporation or Organization, Address of Principal Executive Offices, Telephone Number and IRS Employer Identification Number	Commission file number	Registrant, State of Incorporation or Organization, Address of Principal Executive Offices, Telephone Number and IRS Employer Identification Number
1-4928	DUKE ENERGY CAROLINAS, LLC (a North Carolina limited liability company) 526 South Church Street Charlotte, North Carolina 28202-1803 704-382-3853 56-0205520 PROGRESS ENERGY, INC. (a North Carolina corporation) 410 South Wilmington Street Raleigh, North Carolina 27601-1748 704-382-3853 56-2155481 DUKE ENERGY PROGRESS, LLC (a North Carolina limited liability company)	1-3274	DUKE ENERGY FLORIDA, LLC (a Florida limited liability company) 299 First Avenue North St. Petersburg, Florida 33701 704-382-3853 59-0247770 DUKE ENERGY OHIO, INC. (an Ohio corporation) 139 East Fourth Street Cincinnati, Ohio 45202 704-382-3853 31-0240030 DUKE ENERGY INDIANA, LLC (an Indiana limited liability company) 1000 East Main Street Plainfield, Indiana 46168 704-382-3853 35-0594457
1-15929	DUKE ENERGY CAROLINAS, LLC (a North Carolina limited liability company) 526 South Church Street Charlotte, North Carolina 28202-1803 704-382-3853 56-0205520 PROGRESS ENERGY, INC. (a North Carolina corporation) 410 South Wilmington Street Raleigh, North Carolina 27601-1748 704-382-3853 56-2155481 DUKE ENERGY PROGRESS, LLC (a North Carolina limited liability company)	1-1232	DUKE ENERGY FLORIDA, LLC (a Florida limited liability company) 299 First Avenue North St. Petersburg, Florida 33701 704-382-3853 59-0247770 DUKE ENERGY OHIO, INC. (an Ohio corporation) 139 East Fourth Street Cincinnati, Ohio 45202 704-382-3853 31-0240030 DUKE ENERGY INDIANA, LLC (an Indiana limited liability company) 1000 East Main Street Plainfield, Indiana 46168 704-382-3853 35-0594457
1-3382	DUKE ENERGY CAROLINAS, LLC (a North Carolina limited liability company) 526 South Church Street Charlotte, North Carolina 28202-1803 704-382-3853 56-0205520 PROGRESS ENERGY, INC. (a North Carolina corporation) 410 South Wilmington Street Raleigh, North Carolina 27601-1748 704-382-3853 56-2155481 DUKE ENERGY PROGRESS, LLC (a North Carolina limited liability company)	1-3543	DUKE ENERGY FLORIDA, LLC (a Florida limited liability company) 299 First Avenue North St. Petersburg, Florida 33701 704-382-3853 59-0247770 DUKE ENERGY OHIO, INC. (an Ohio corporation) 139 East Fourth Street Cincinnati, Ohio 45202 704-382-3853 31-0240030 DUKE ENERGY INDIANA, LLC (an Indiana limited liability company) 1000 East Main Street Plainfield, Indiana 46168 704-382-3853 35-0594457

1-6196

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PIEDMONT NATURAL GAS
COMPANY, INC.
(a North Carolina corporation)
4720 Piedmont Row Drive
Charlotte, North Carolina 28210
704-364-3120
56-0556998

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

Duke Energy Corporation (Duke Energy)	Yes x No	Duke Energy Florida, LLC (Duke Energy Florida)	Yes x No
Duke Energy Carolinas, LLC (Duke Energy Carolinas)	Yes x No	Duke Energy Ohio, Inc. (Duke Energy Ohio)	Yes x No
Progress Energy, Inc. (Progress Energy)	Yes x No	Duke Energy Indiana, LLC (Duke Energy Indiana)	Yes x No
Duke Energy Progress, LLC (Duke Energy Progress)	Yes x No	Piedmont Natural Gas Company, Inc. (Piedmont)	Yes x No

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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 No Duke Energy Florida Yes No
 Duke Energy Carolinas Yes No Duke Energy Ohio Yes No
 Progress Energy Yes No Duke Energy Indiana Yes No
 Duke Energy Progress Yes No Piedmont Yes No

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 No Duke Energy Florida Yes No
 Duke Energy Carolinas Yes No Duke Energy Ohio Yes No
 Progress Energy Yes No Duke Energy Indiana Yes No
 Duke Energy Progress Yes No Piedmont Yes No

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

Registrant	Description	Shares
Duke Energy	Common stock, \$0.001 par value	712,877,558

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

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exclusively to the other registrants.

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

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This document includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are based on management's beliefs and assumptions and can often be identified by terms and phrases that include "anticipate," "believe," "intend," "estimate," "expect," "continue," "should," "could," "may," "plan," "project," "predict," "will," "potential," "forecast," "target" 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 and other catastrophic events, such as fires, explosions, pandemic health events or other similar occurrences;

The inherent risks associated with the operation of nuclear facilities, including environmental, health, safety, regulatory and financial risks, including the financial stability of third-party service providers;

The timing and extent of changes in commodity prices and interest rates and the ability to recover such costs through the regulatory process, where appropriate, and their impact on liquidity positions and the value of underlying assets;

The results of financing efforts, including the ability to obtain financing on favorable terms, which can be affected by various factors, including credit ratings, interest rate fluctuations, compliance with debt covenants and conditions and general market and economic conditions;

Credit ratings of the Duke Energy Registrants may be different from what is expected;

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Declines in the market prices of equity and fixed-income securities and resultant cash funding requirements for defined benefit pension plans, other post-retirement benefit plans and nuclear decommissioning trust funds;
Construction and development risks associated with the completion of the Duke Energy Registrants' capital investment projects, including risks related to financing, obtaining and complying with terms of permits, meeting construction budgets and schedules and satisfying operating and environmental performance standards, as well as the ability to recover costs from customers in a timely manner, or at all;
Changes in rules for regional transmission organizations, including changes in rate designs and new and evolving capacity markets, and risks related to obligations created by the default of other participants;
The ability to control operation and maintenance costs;
The level of creditworthiness of counterparties to transactions;
Employee workforce factors, including the potential inability to attract and retain key personnel;
The ability of subsidiaries to pay dividends or distributions to Duke Energy Corporation holding company (the Parent);
The performance of projects undertaken by our nonregulated businesses and the success of efforts to invest in and develop new opportunities;

The effect of accounting pronouncements issued periodically by accounting standard-setting bodies;
The impact of new U.S. tax legislation to our financial condition, results of operations or cash flows and our credit ratings;
The impacts from potential impairments of goodwill or equity method investment carrying values; and
The ability to implement our business strategy.

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

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

DUKE ENERGY CORPORATION

Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
(in millions, except per-share amounts)				
Operating Revenues				
Regulated electric	\$6,216	\$6,091	\$16,678	\$16,122
Regulated natural gas	230	247	1,221	1,168
Nonregulated electric and other	182	144	507	476
Total operating revenues	6,628	6,482	18,406	17,766
Operating Expenses				
Fuel used in electric generation and purchased power	1,931	1,863	5,181	4,853
Cost of natural gas	58	68	460	402
Operation, maintenance and other	1,584	1,476	4,592	4,385
Depreciation and amortization	1,039	900	2,979	2,594
Property and other taxes	323	313	954	924
Impairment charges	124	207	339	216
Total operating expenses	5,059	4,827	14,505	13,374
Gains (Losses) on Sales of Other Assets and Other, net	10	6	(87)	) 24
Operating Income	1,579	1,661	3,814	4,416
Other Income and Expenses				
Equity in earnings of unconsolidated affiliates	37	36	49	101
Other income and expenses, net	131	122	327	358
Total other income and expenses	168	158	376	459
Interest Expense	517	498	1,550	1,475
Income From Continuing Operations Before Income Taxes	1,230	1,321	2,640	3,400
Income Tax Expense From Continuing Operations	168	364	449	1,035
Income From Continuing Operations	1,062	957	2,191	2,365
Income (Loss) From Discontinued Operations, net of tax	4	(2)	) (1)	) (4)
Net Income	1,066	955	2,190	2,361
Less: Net (Loss) Income Attributable to Noncontrolling Interests	(16)	) 1	(12)	) 5
Net Income Attributable to Duke Energy Corporation	\$1,082	\$954	\$2,202	\$2,356
Earnings Per Share – Basic and Diluted				
Income from continuing operations attributable to Duke Energy Corporation common stockholders				
Basic	\$1.51	\$1.36	\$3.12	\$3.37
Diluted	\$1.51	\$1.36	\$3.11	\$3.37
Loss from discontinued operations attributable to Duke Energy Corporation common stockholders				
Basic	\$—	\$—	\$—	\$(0.01)
Diluted	\$—	\$—	\$—	\$(0.01)
Net income attributable to Duke Energy Corporation common stockholders				

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Basic	\$1.51	\$1.36	\$3.12	\$3.36
Diluted	\$1.51	\$1.36	\$3.11	\$3.36
Weighted average shares outstanding				
Basic	713	700	705	700
Diluted	714	700	706	700

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY CORPORATION

Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

(in millions)	Three Months Ended		Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Net Income	\$1,066	\$955	\$2,190	\$2,361
Other Comprehensive Income, net of tax				
Pension and OPEB adjustments	1	—	3	2
Net unrealized (losses) gains on cash flow hedges	(3	) 2	10	(2)
Reclassification into earnings from cash flow hedges	6	(2)	5	3
Unrealized (losses) gains on available-for-sale securities	—	2	(5)	10
Other Comprehensive Income, net of tax	4	2	13	13
Comprehensive Income	1,070	957	2,203	2,374
Less: Comprehensive (Loss) Income Attributable to Noncontrolling Interests	(16)	1	(12)	5
Comprehensive Income Attributable to Duke Energy Corporation	\$1,086	\$956	\$2,215	\$2,369

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY CORPORATION

Condensed Consolidated Balance Sheets

(Unaudited)

(in millions)

	September 30, 2018	December 31, 2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 303	\$ 358
Receivables (net of allowance for doubtful accounts of \$17 at 2018 and \$14 at 2017)	682	779
Receivables of VIEs (net of allowance for doubtful accounts of \$55 at 2018 and \$54 at 2017)	2,397	1,995
Inventory	3,140	3,250
Regulatory assets (includes \$52 at 2018 and \$51 at 2017 related to VIEs)	1,906	1,437
Other	1,092	634
Total current assets	9,520	8,453
Property, Plant and Equipment		
Cost	132,677	127,507
Accumulated depreciation and amortization	(43,200	) (41,537
Generation facilities to be retired, net	388	421
Net property, plant and equipment	89,865	86,391
Other Noncurrent Assets		
Goodwill	19,303	19,396
Regulatory assets (includes \$1,055 at 2018 and \$1,091 at 2017 related to VIEs)	12,616	12,442
Nuclear decommissioning trust funds	7,421	7,097
Investments in equity method unconsolidated affiliates	1,328	1,175
Other	3,112	2,960
Total other noncurrent assets	43,780	43,070
Total Assets	\$ 143,165	\$ 137,914
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 3,234	\$ 3,043
Notes payable and commercial paper	2,891	2,163
Taxes accrued	674	551
Interest accrued	557	525
Current maturities of long-term debt (includes \$228 at 2018 and \$225 at 2017 related to VIEs)	3,455	3,244
Asset retirement obligations	902	689
Regulatory liabilities	506	402
Other	1,703	1,865
Total current liabilities	13,922	12,482
Long-Term Debt (includes \$4,015 at 2018 and \$4,306 at 2017 related to VIEs)	50,507	49,035
Other Noncurrent Liabilities		
Deferred income taxes	7,765	6,621
Asset retirement obligations	9,354	9,486
Regulatory liabilities	15,587	15,330
Accrued pension and other post-retirement benefit costs	1,001	1,103
Investment tax credits	539	539
Other	1,477	1,581

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Total other noncurrent liabilities	35,723	34,660
Commitments and Contingencies		
Equity		
Common stock, \$0.001 par value, 2 billion shares authorized; 713 million shares outstanding at 2018 and 700 million shares outstanding at 2017	1	1
Additional paid-in capital	39,747	38,792
Retained earnings	3,313	3,013
Accumulated other comprehensive loss	(66	) (67
Total Duke Energy Corporation stockholders' equity	42,995	41,739
Noncontrolling interests	18	(2
Total equity	43,013	41,737
Total Liabilities and Equity	\$ 143,165	\$ 137,914

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY CORPORATION

Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30,	
	2018	2017
(in millions)		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$2,190	\$2,361
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion (including amortization of nuclear fuel)	3,447	2,990
Equity component of AFUDC	(175)	(175)
Losses (gains) on sales of other assets	87	(28)
Impairment charges	339	216
Deferred income taxes	1,099	1,016
Equity in earnings of unconsolidated affiliates	(49)	(101)
Accrued pension and other post-retirement benefit costs	46	19
Contributions to qualified pension plans	(141)	(8)
Payments for asset retirement obligations	(389)	(420)
Payment for disposal of other assets	(105)	—
Other rate case adjustments	37	—
Provision for rate refunds	375	—
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	15	4
Receivables	(288)	80
Inventory	104	248
Other current assets	(648)	(210)
Increase (decrease) in		
Accounts payable	389	(554)
Taxes accrued	122	233
Other current liabilities	(180)	(532)
Other assets	(585)	(159)
Other liabilities	(23)	(2)
Net cash provided by operating activities	5,667	4,978
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(6,752)	(5,841)
Contributions to equity method investments	(298)	(370)
Purchases of debt and equity securities	(2,763)	(3,170)
Proceeds from sales and maturities of debt and equity securities	2,718	3,199
Other	(175)	(149)
Net cash used in investing activities	(7,270)	(6,331)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the:		
Issuance of long-term debt	4,110	5,710
Issuance of common stock	834	—
Payments for the redemption of long-term debt	(2,278)	(2,035)
Proceeds from the issuance of short-term debt with original maturities greater than 90 days	243	265
Payments for the redemption of short-term debt with original maturities greater than 90 days	(207)	(237)

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Notes payable and commercial paper	638	(647)
Dividends paid	(1,835)	(1,825)
Other	42	8
Net cash provided by 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
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	\$1,016	\$740
Non-cash dividends	79	—

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY CORPORATION

 Condensed Consolidated Statements of Changes in Equity
 (Unaudited)

	Common Stock Shares	Additional		Retained Earnings	Cash Flow Hedges	Net Unrealized Gains (Losses) on Available for-Sale Securities	Pension Adjustment	Total Duke Energy Corporation Stockholders' Equity	Noncontrolling Interests	Total Equity
		Common Stock	Paid-in Capital							
(in millions)										
Balance at December 31, 2016	700	\$ 1	\$38,741	\$2,384	\$(20)	\$ (1)	\$ (72)	\$41,033	\$ 8	\$41,041
Net income	—	—	—	2,356	—	—	—	2,356	5	2,361
Other comprehensive income	—	—	—	—	1	10	2	13	—	13
Common stock issuances, including dividend reinvestment and employee benefits	—	—	33	—	—	—	—	33	—	33
Common stock dividends	—	—	—	(1,825)	—	—	—	(1,825)	—	(1,825)
Distributions to noncontrolling interest in subsidiaries	—	—	—	—	—	—	—	—	(2)	(2)
Other ^(a)	—	—	—	21	—	—	—	21	—	21
Balance at September 30, 2017	700	\$ 1	\$38,774	\$2,936	\$(19)	\$ 9	\$ (70)	\$41,631	\$ 11	\$41,642
Balance at December 31, 2017	700	\$ 1	\$38,792	\$3,013	\$(10)	\$ 12	\$ (69)	\$41,739	\$ (2)	\$41,737
Net income (loss)	—	—	—	2,202	—	—	—	2,202	(12)	2,190
Other comprehensive income (loss)	—	—	—	—	15	(5)	3	13	—	13
Common stock issuances, including dividend reinvestment and employee benefits	13	—	955	—	—	—	—	955	—	955
Common stock dividends	—	—	—	(1,914)	—	—	—	(1,914)	—	(1,914)
Distributions to noncontrolling interest in subsidiaries	—	—	—	—	—	—	—	—	(1)	(1)
Other ^(b)	—	—	—	12	—	(12)	—	—	33	33
Balance at September 30, 2018	713	\$ 1	\$39,747	\$3,313	\$5	\$ (5)	\$ (66)	\$42,995	\$ 18	\$43,013

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

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY CAROLINAS, LLC

Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

(in millions)	Three Months		Nine Months	
	Ended		Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Operating Revenues	\$2,090	\$2,136	\$5,525	\$5,581
Operating Expenses				
Fuel used in electric generation and purchased power	490	531	1,370	1,394
Operation, maintenance and other	514	494	1,464	1,472
Depreciation and amortization	305	281	866	804
Property and other taxes	67	67	214	206
Impairment charges	1	—	191	—
Total operating expenses	1,377	1,373	4,105	3,876
Losses on Sales of Other Assets and Other, net	—	—	(1) —
Operating Income	713	763	1,419	1,705
Other Income and Expenses, net	34	40	108	140
Interest Expense	106	108	323	314
Income Before Income Taxes	641	695	1,204	1,531
Income Tax Expense	145	229	268	522
Net Income	\$496	\$466	\$936	\$1,009
Other Comprehensive Income, net of tax				
Reclassification into earnings from cash flow hedges	—	—	1	1
Comprehensive Income	\$496	\$466	\$937	\$1,010

See Notes to Condensed Consolidated Financial Statements

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PART I

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

(in millions)

September 30, 2018 December 31, 2017

ASSETS

Current Assets

Cash and cash equivalents	\$ 27	\$ 16
Receivables (net of allowance for doubtful accounts of \$2 at 2018 and 2017)	203	200
Receivables of VIEs (net of allowance for doubtful accounts of \$7 at 2018 and 2017)	795	640
Receivables from affiliated companies	158	95
Inventory	976	971
Regulatory assets	435	299
Other	55	19
Total current assets	2,649	2,240
Property, Plant and Equipment		
Cost	44,086	42,939
Accumulated depreciation and amortization	(15,536	) (15,063
Net property, plant and equipment	28,550	27,876
Other Noncurrent Assets		
Regulatory assets	3,188	2,853
Nuclear decommissioning trust funds	3,943	3,772
Other	1,009	979
Total other noncurrent assets	8,140	7,604
Total Assets	\$ 39,339	\$ 37,720

LIABILITIES AND EQUITY

Current Liabilities

Accounts payable	\$ 888	\$ 842
Accounts payable to affiliated companies	142	209
Notes payable to affiliated companies	804	104
Taxes accrued	189	234
Interest accrued	141	108
Current maturities of long-term debt	506	1,205
Asset retirement obligations	292	337
Regulatory liabilities	144	126
Other	419	486
Total current liabilities	3,525	3,651
Long-Term Debt	9,589	8,598
Long-Term Debt Payable to Affiliated Companies	300	300
Other Noncurrent Liabilities		
Deferred income taxes	3,639	3,413
Asset retirement obligations	3,420	3,273
Regulatory liabilities	6,480	6,231
Accrued pension and other post-retirement benefit costs	97	95
Investment tax credits	233	232
Other	508	566
Total other noncurrent liabilities	14,377	13,810
Commitments and Contingencies		

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Equity		
Member's equity	11,554	11,368
Accumulated other comprehensive loss	(6) (7
Total equity	11,548	11,361
Total Liabilities and Equity	\$ 39,339	\$ 37,720

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY CAROLINAS, LLC

Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30, 2018 2017	
(in millions)		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$936	\$1,009
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including amortization of nuclear fuel)	1,084	1,051
Equity component of AFUDC	(57)	(79)
Losses on sales of other assets	1	—
Impairment charges	191	—
Deferred income taxes	266	330
Accrued pension and other post-retirement benefit costs	3	—
Contributions to qualified pension plans	(46)	—
Payments for asset retirement obligations	(174)	(201)
Provision for rate refunds	163	—
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	2	1
Receivables	(154)	(40)
Receivables from affiliated companies	(63)	17
Inventory	(11)	50
Other current assets	(54)	8
Increase (decrease) in		
Accounts payable	69	(78)
Accounts payable to affiliated companies	(67)	(88)
Taxes accrued	(47)	225
Other current liabilities	(129)	(149)
Other assets	18	(18)
Other liabilities	(47)	(26)
Net cash provided by operating activities	1,884	2,012
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(2,006)	(1,747)
Purchases of debt and equity securities	(1,386)	(1,660)
Proceeds from sales and maturities of debt and equity securities	1,386	1,664
Notes receivable from affiliated companies	—	66
Other	(103)	(58)
Net cash used in investing activities	(2,109)	(1,735)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	991	—
Payments for the redemption of long-term debt	(704)	(115)
Notes payable to affiliated companies	700	468
Distributions to parent	(750)	(625)
Other	(1)	(1)
Net cash provided by (used in) financing activities	236	(273)
Net increase in cash and cash equivalents	11	4

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Cash and cash equivalents at beginning of period	16	14
Cash and cash equivalents at end of period	\$27	\$18
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	\$299	\$292

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY CAROLINAS, LLC

Condensed Consolidated Statements of Changes in Equity
(Unaudited)

		Accumulated Other Comprehensive Loss Net Losses on	
(in millions)	Member's Equity	Cash Flow Hedges	Total Equity
Balance at December 31, 2016	\$ 10,781	\$ (9)	\$ 10,772
Net income	1,009	—	1,009
Other comprehensive income	—	1	1
Distributions to parent	(625)	—	(625)
Other	(1)	—	(1)
Balance at September 30, 2017	\$ 11,164	\$ (8)	\$ 11,156
Balance at December 31, 2017	\$ 11,368	\$ (7)	\$ 11,361
Net income	936	—	936
Other comprehensive income	—	1	1
Distributions to parent	(750)	—	(750)
Balance at September 30, 2018	\$ 11,554	\$ (6)	\$ 11,548

See Notes to Condensed Consolidated Financial Statements

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PART I

PROGRESS ENERGY, INC.

Condensed Consolidated Statements of Operations and Comprehensive Income

(Unaudited)

(in millions)	Three Months		Nine Months	
	Ended		Ended	
	September 30,	September 30,	September 30,	September 30,
	2018	2017	2018	2017
Operating Revenues	\$3,045	\$2,864	\$8,119	\$7,435
Operating Expenses				
Fuel used in electric generation and purchased power	1,148	1,031	3,019	2,588
Operation, maintenance and other	680	588	1,913	1,697
Depreciation and amortization	419	334	1,183	958
Property and other taxes	145	140	399	386
Impairment charges	1	135	34	137
Total operating expenses	2,393	2,228	6,548	5,766
Gains on Sales of Other Assets and Other, net	11	5	23	19
Operating Income	663	641	1,594	1,688
Other Income and Expenses, net	51	36	128	112
Interest Expense	214	193	626	595
Income Before Income Taxes	500	484	1,096	1,205
Income Tax Expense	94	141	186	384
Net Income	406	343	910	821
Less: Net Income Attributable to Noncontrolling Interests	2	2	6	7
Net Income Attributable to Parent	\$404	\$341	\$904	\$814
Net Income	\$406	\$343	\$910	\$821
Other Comprehensive Income, net of tax				
Pension and OPEB adjustments	—	3	2	5
Net unrealized gains (losses) on cash flow hedges	2	(2)	5	4
Unrealized (losses) gains on available-for-sale securities	—	1	(1)	3
Other Comprehensive Income, net of tax	2	2	6	12
Comprehensive Income	408	345	916	833
Less: Comprehensive Income Attributable to Noncontrolling Interests	2	2	6	7
Comprehensive Income Attributable to Parent	\$406	\$343	\$910	\$826

See Notes to Condensed Consolidated Financial Statements

PART I

PROGRESS ENERGY, INC.

Condensed Consolidated Balance Sheets

(Unaudited)

(in millions)

September 30, 2018

December 31, 2017

ASSETS

Current Assets

Cash and cash
equivalents

\$ 43

\$ 40

Receivables (net of
allowance for doubtful
accounts of \$5 at 2018
and \$4 at 2017)

131

123

Receivables of VIEs (net
of allowance for
doubtful accounts of \$8
at 2018 and \$7 at 2017)

1,098

780

Receivables from
affiliated companies

15

31

Notes receivable from
affiliated companies

445

240

Inventory

1,473

1,592

Regulatory assets
(includes \$52 at 2018
and \$51 at 2017 related
to VIEs)

1,122

741

Other

256

334

Total current assets

4,583

3,881

Property, Plant and
Equipment

Cost

49,822

47,323

Accumulated
depreciation and
amortization

(16,652)

(15,857)

Generation facilities to
be retired, net

388

421

Net property, plant and
equipment

33,558

31,887

Other Noncurrent Assets

Goodwill

3,655

3,655

Regulatory assets

(includes \$1,055 at 2018
and \$1,091 at 2017
related to VIEs)

5,987

6,010

Nuclear

decommissioning trust
funds

3,477

3,324

Other

1,019

931

14,138

13,920

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Total other noncurrent assets			
Total Assets	\$	52,279	\$ 49,688
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable	\$	1,301	\$ 1,006
Accounts payable to affiliated companies		327	251
Notes payable to affiliated companies		794	805
Taxes accrued		244	101
Interest accrued		228	212
Current maturities of long-term debt (includes \$53 at 2018 and 2017 related to VIEs)		1,322	771
Asset retirement obligations		475	295
Regulatory liabilities		246	213
Other		672	729
Total current liabilities		5,609	4,383
Long-Term Debt			
(includes \$1,636 at 2018 and \$1,689 at 2017 related to VIEs)		17,440	16,916
Long-Term Debt Payable to Affiliated Companies		150	150
Other Noncurrent Liabilities			
Deferred income taxes		3,947	3,502
Asset retirement obligations		4,960	5,119
Regulatory liabilities		5,275	5,306
Accrued pension and other post-retirement benefit costs		513	545
Other		255	302
Total other noncurrent liabilities		14,950	14,774
Commitments and Contingencies			
Equity			
Common stock, \$0.01 par value, 100 shares authorized and outstanding at 2018 and 2017		—	—
Additional paid-in capital		9,143	9,143

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Retained earnings	5,009		4,350	
Accumulated other comprehensive loss	(24)	(25)
Total Progress Energy, Inc. stockholders' equity	14,128		13,468	
Noncontrolling interests	2		(3)
Total equity	14,130		13,465	
Total Liabilities and Equity	\$	52,279	\$	49,688

See Notes to Condensed Consolidated Financial Statements

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PART I

PROGRESS ENERGY, INC.

Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30,	
(in millions)	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$910	\$821
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion (including amortization of nuclear fuel)	1,458	1,130
Equity component of AFUDC	(80)	(68)
Gains on sales of other assets	(23)	(20)
Impairment charges	34	137
Deferred income taxes	342	651
Accrued pension and other post-retirement benefit costs	18	(9)
Contributions to qualified pension plans	(45)	—
Payments for asset retirement obligations	(164)	(190)
Other rate case adjustments	37	—
Provision for rate refunds	101	—
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	14	1
Receivables	(316)	(182)
Receivables from affiliated companies	16	102
Inventory	119	126
Other current assets	(156)	(312)
Increase (decrease) in		
Accounts payable	427	(281)
Accounts payable to affiliated companies	76	(59)
Taxes accrued	143	143
Other current liabilities	(28)	(184)
Other assets	(668)	(100)
Other liabilities	(34)	(85)
Net cash provided by operating activities	2,181	1,621
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(2,689)	(2,419)
Purchases of debt and equity securities	(1,216)	(1,393)
Proceeds from sales and maturities of debt and equity securities	1,225	1,411
Net proceeds from the sales of other assets	20	—
Notes receivable from affiliated companies	(205)	(90)
Other	(142)	(36)
Net cash used in investing activities	(3,007)	(2,527)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	1,785	1,720
Payments for the redemption of long-term debt	(719)	(611)
Notes payable to affiliated companies	(11)	(129)
Dividends to parent	(250)	(125)
Other	(3)	(3)

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Net cash provided by financing activities	802	852
Net decrease in cash, cash equivalents and restricted cash	(24)	(54)
Cash, cash equivalents and restricted cash at beginning of period	87	110
Cash, cash equivalents and restricted cash at end of period	\$63	\$56
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	\$441	\$174
Equitization of certain notes payable to affiliates	—	1,047
Dividend to parent related to a legal entity restructuring	—	547

See Notes to Condensed Consolidated Financial Statements

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PART I

PROGRESS ENERGY, INC.

Condensed Consolidated Statements of Changes in Equity
(Unaudited)

			Accumulated Other Comprehensive Income (Loss)			Total Progress Energy, Inc.	Noncontrolling Interests	Total Equity
	Additional Paid-in Capital	Retained Earnings	Net Losses on Cash Flow Hedges	Net Gains (losses) on Available- for-Sale Securities	Pension and Other Adjustments			
(in millions)								
Balance at December 31, 2016	\$ 8,094	\$ 3,764	\$(23)	\$ 1	\$ (16)	\$ 11,820	\$ (13)	\$ 11,807
Net income	—	814	—	—	—	814	7	821
Other comprehensive income	—	—	4	3	5	12	—	12
Dividends to parent ^(a)	—	(672)	—	—	—	(672)	—	(672)
Equitization of certain notes payable to affiliates	1,047	—	—	—	—	1,047	—	1,047
Other	2	—	—	—	—	2	—	2
Balance at September 30, 2017	\$ 9,143	\$ 3,906	\$(19)	\$ 4	\$ (11)	\$ 13,023	\$ (6)	\$ 13,017
Balance at December 31, 2017	\$ 9,143	\$ 4,350	\$(18)	\$ 5	\$ (12)	\$ 13,468	\$ (3)	\$ 13,465
Net income	—	904	—	—	—	904	6	910
Other comprehensive income (loss)	—	—	5	(1)	2	6	—	6
Distributions to noncontrolling interests	—	—	—	—	—	—	(1)	(1)
Dividends to parent	—	(250)	—	—	—	(250)	—	(250)
Other ^(b)	—	5	—	(5)	—	—	—	—
Balance at September 30, 2018	\$ 9,143	\$ 5,009	\$(13)	\$ (1)	\$ (10)	\$ 14,128	\$ 2	\$ 14,130

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

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

See Notes to Condensed Consolidated Financial Statements

PART I

DUKE ENERGY PROGRESS, LLC

Condensed Consolidated Statements of Operations and Comprehensive Income

(Unaudited)

(in millions)	Three Months		Nine Months	
	Ended		Ended	
	September 30,	September 30,	September 30,	September 30,
	2018	2017	2018	2017
Operating Revenues	\$1,582	\$1,460	\$4,333	\$3,878
Operating Expenses				
Fuel used in electric generation and purchased power	535	475	1,452	1,214
Operation, maintenance and other	431	365	1,187	1,069
Depreciation and amortization	253	182	723	536
Property and other taxes	40	40	115	120
Impairment charges	—	—	33	—
Total operating expenses	1,259	1,062	3,510	2,939
Gains on Sales of Other Assets and Other, net	7	—	9	3
Operating Income	330	398	832	942
Other Income and Expenses, net	24	27	61	84
Interest Expense	82	65	241	217
Income Before Income Taxes	272	360	652	809
Income Tax Expense	56	114	120	262
Net Income and Comprehensive Income	\$216	\$246	\$532	\$547

See Notes to Condensed Consolidated Financial Statements

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PART I

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

(in millions)

September 30, 2018 December 31, 2017

ASSETS

Current Assets

Cash and cash equivalents	\$ 17	\$ 20
Receivables (net of allowance for doubtful accounts of \$2 at 2018 and \$1 at 2017)	34	56
Receivables of VIEs (net of allowance for doubtful accounts of \$5 at 2018 and 2017)	635	459
Receivables from affiliated companies	6	3
Notes receivable from affiliated companies	52	—
Inventory	956	1,017
Regulatory assets	677	352
Other	112	97
Total current assets	2,489	2,004
Property, Plant and Equipment		
Cost	31,091	29,583
Accumulated depreciation and amortization	(11,484	) (10,903
Generation facilities to be retired, net	388	421
Net property, plant and equipment	19,995	19,101
Other Noncurrent Assets		
Regulatory assets	3,822	3,507
Nuclear decommissioning trust funds	2,744	2,588
Other	653	599
Total other noncurrent assets	7,219	6,694
Total Assets	\$ 29,703	\$ 27,799

LIABILITIES AND EQUITY

Current Liabilities

Accounts payable	\$ 808	\$ 402
Accounts payable to affiliated companies	252	179
Notes payable to affiliated companies	—	240
Taxes accrued	92	64
Interest accrued	100	102
Current maturities of long-term debt	603	3
Asset retirement obligations	470	295
Regulatory liabilities	162	139
Other	353	376
Total current liabilities	2,840	1,800
Long-Term Debt	7,401	7,204
Long-Term Debt Payable to Affiliated Companies	150	150
Other Noncurrent Liabilities		
Deferred income taxes	2,076	1,883
Asset retirement obligations	4,371	4,378
Regulatory liabilities	4,128	3,999
Accrued pension and other post-retirement benefit costs	240	248
Investment tax credits	143	143

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Other	48	45
Total other noncurrent liabilities	11,006	10,696
Commitments and Contingencies		
Equity		
Member's Equity	8,306	7,949
Total Liabilities and Equity	\$ 29,703	\$ 27,799

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY PROGRESS, LLC

Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended	
(in millions)	September 30, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$532	\$547
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including amortization of nuclear fuel)	869	691
Equity component of AFUDC	(41)	(35)
Gains on sales of other assets	(9)	(4)
Impairment charges	33	—
Deferred income taxes	187	287
Accrued pension and other post-retirement benefit costs	11	(15)
Contributions to qualified pension plans	(25)	—
Payments for asset retirement obligations	(133)	(149)
Other rate case adjustments	37	—
Provision for rate refunds	101	—
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	3	(2)
Receivables	(154)	(47)
Receivables from affiliated companies	(3)	(3)
Inventory	62	52
Other current assets	(239)	(34)
Increase (decrease) in		
Accounts payable	325	(286)
Accounts payable to affiliated companies	73	(20)
Taxes accrued	28	33
Other current liabilities	(27)	(139)
Other assets	(358)	(49)
Other liabilities	11	(9)
Net cash provided by operating activities	1,283	818
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,526)	(1,247)
Purchases of debt and equity securities	(831)	(995)
Proceeds from sales and maturities of debt and equity securities	807	974
Net proceeds from the sales of other assets	20	—
Notes receivable from affiliated companies	(52)	64
Other	(82)	(26)
Net cash used in investing activities	(1,664)	(1,230)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	796	812
Payments for the redemption of long-term debt	(2)	(270)
Notes payable to affiliated companies	(240)	—
Distributions to parent	(175)	(125)
Other	(1)	(1)

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Net cash provided by financing activities	378	416
Net (decrease) increase in cash and cash equivalents	(3) 4
Cash and cash equivalents at beginning of period	20	11
Cash and cash equivalents at end of period	\$17	\$15
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	\$261	\$116

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY PROGRESS, LLC

Condensed Consolidated Statements of Changes in Equity
(Unaudited)

(in millions)	Member's Equity
Balance at December 31, 2016	\$ 7,358
Net income	547
Distributions to parent	(125)
Balance at September 30, 2017	\$ 7,780

Balance at December 31, 2017	\$ 7,949
Net income	532
Distributions to parent	(175)
Balance at September 30, 2018	\$ 8,306

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY FLORIDA, LLC

Condensed Consolidated Statements of Operations and Comprehensive Income

(Unaudited)

(in millions)	Three Months		Nine Months	
	Ended		Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Operating Revenues	\$1,462	\$1,401	\$3,780	\$3,551
Operating Expenses				
Fuel used in electric generation and purchased power	614	557	1,567	1,374
Operation, maintenance and other	245	220	719	623
Depreciation and amortization	166	154	460	423
Property and other taxes	105	99	284	265
Impairment charges	1	135	1	137
Total operating expenses	1,131	1,165	3,031	2,822
Operating Income	331	236	749	729
Other Income and Expenses, net	28	19	75	58
Interest Expense	73	71	210	211
Income Before Income Taxes	286	184	614	576
Income Tax Expense	43	64	100	208
Net Income	\$243	\$120	\$514	\$368
Other Comprehensive (Loss) Income, net of tax				
Unrealized (losses) gains on available-for-sale securities	—	1	(1	) 3
Comprehensive Income	\$243	\$121	\$513	\$371

See Notes to Condensed Consolidated Financial Statements

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PART I

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

(in millions)	September 30, 2018	December 31, 2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 20	\$ 13
Receivables (net of allowance for doubtful accounts of \$3 at 2018 and 2017)	95	65
Receivables of VIEs (net of allowance for doubtful accounts of \$3 at 2018 and \$2 at 2017)	463	321
Receivables from affiliated companies	20	2
Notes receivable from affiliated companies	393	313
Inventory	517	574
Regulatory assets (includes \$52 at 2018 and \$51 at 2017 related to VIEs)	445	389
Other (includes \$14 at 2018 and \$40 at 2017 related to VIEs)	27	86
Total current assets	1,980	1,763
Property, Plant and Equipment		
Cost	18,722	17,730
Accumulated depreciation and amortization	(5,161)	(4,947)
Net property, plant and equipment	13,561	12,783
Other Noncurrent Assets		
Regulatory assets (includes \$1,055 at 2018 and \$1,091 at 2017 related to VIEs)	2,165	2,503
Nuclear decommissioning trust funds	734	736
Other	315	284
Total other noncurrent assets	3,214	3,523

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Total Assets	\$	18,755	\$	18,069
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable	\$	492	\$	602
Accounts payable to affiliated companies		83		74
Taxes accrued		232		34
Interest accrued		74		56
Current maturities of long-term debt (includes \$53 at 2018 and 2017 related to VIEs)		269		768
Asset retirement obligations		4		—
Regulatory liabilities		84		74
Other		315		334
Total current liabilities		1,553		1,942
Long-Term Debt				
(includes \$1,336 at 2018 and \$1,389 at 2017 related to VIEs)		7,102		6,327
Other Noncurrent Liabilities				
Deferred income taxes		2,012		1,761
Asset retirement obligations		589		742
Regulatory liabilities		1,146		1,307
Accrued pension and other post-retirement benefit costs		241		264
Other		56		108
Total other noncurrent liabilities		4,044		4,182
Commitments and Contingencies				
Equity				
Member's equity		6,058		5,614
Accumulated other comprehensive (loss) income		(2)		4
Total equity		6,056		5,618
Total Liabilities and Equity	\$	18,755	\$	18,069

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY FLORIDA, LLC

Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended	
(in millions)	September 30, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$514	\$368
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	581	431
Equity component of AFUDC	(40)	(33)
Impairment charges	1	137
Deferred income taxes	169	366
Accrued pension and other post-retirement benefit costs	4	3
Contributions to qualified pension plans	(20)	—
Payments for asset retirement obligations	(31)	(41)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	7	3
Receivables	(163)	(140)
Receivables from affiliated companies	(18)	1
Inventory	57	74
Other current assets	51	(195)
Increase (decrease) in		
Accounts payable	101	6
Accounts payable to affiliated companies	9	(35)
Taxes accrued	198	109
Other current liabilities	1	(45)
Other assets	(308)	(35)
Other liabilities	(58)	(71)
Net cash provided by operating activities	1,055	903
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,162)	(1,172)
Purchases of debt and equity securities	(385)	(398)
Proceeds from sales and maturities of debt and equity securities	418	437
Notes receivable from affiliated companies	(80)	(70)
Other	(61)	(10)
Net cash used in investing activities	(1,270)	(1,213)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	989	908
Payments for the redemption of long-term debt	(717)	(341)
Notes payable to affiliated companies	—	(297)
Distributions to parent	(75)	—
Other	(1)	(1)
Net cash provided by financing activities	196	269
Net decrease in cash, cash equivalents and restricted cash	(19)	(41)
Cash, cash equivalents and restricted cash at beginning of period	53	69
Cash, cash equivalents and restricted cash at end of period	\$34	\$28

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Supplemental Disclosures:

Significant non-cash transactions:

Accrued capital expenditures \$180 \$102

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY FLORIDA, LLC

Condensed Consolidated Statements of Changes in Equity
(Unaudited)

		Accumulated Other Comprehensive Income (Loss) Net Unrealized Gains (Losses) on		
(in millions)	Member's Equity	Available-for-Sale Securities	Total Equity	
Balance at December 31, 2016	\$ 4,899	\$ 1	\$4,900	
Net income	368	—	368	
Other comprehensive income	—	3	3	
Other	3	—	3	
Balance at September 30, 2017	\$ 5,270	\$ 4	\$5,274	
Balance at December 31, 2017	\$ 5,614	\$ 4	\$5,618	
Net income	514	—	514	
Other comprehensive loss	—	(1)	(1)	
Distributions to parent	(75)	—	(75)	
Other ^(a)	5	(5)	—	
Balance at September 30, 2018	\$ 6,058	\$ (2)	\$6,056	

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

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY OHIO, INC.

Condensed Consolidated Statements of Operations and Comprehensive Income

(Unaudited)

(in millions)	Three Months		Nine Months		
	Ended	Ended	Ended	Ended	
	September 30,	September 30,	September 30,	September 30,	
	2018	2017	2018	2017	
Operating Revenues					
Regulated electric	\$ 373	\$ 371	\$1,055	\$1,036	
Regulated natural gas	84	90	361	360	
Nonregulated electric and other	12	10	36	30	
Total operating revenues	469	471	1,452	1,426	
Operating Expenses					
Fuel used in electric generation and purchased power – regulated	99	100	284	283	
Fuel used in electric generation and purchased power – nonregulated	14	13	43	42	
Cost of natural gas	4	5	73	69	
Operation, maintenance and other	76	125	337	388	
Depreciation and amortization	64	63	196	193	
Property and other taxes	73	65	218	204	
Impairment charges	—	—	—	1	
Total operating expenses	330	371	1,151	1,180	
Gains (Losses) on Sales of Other Assets and Other, net	—	1	(106	) 1
Operating Income	139	101	195	247	
Other Income and Expenses, net	3	5	17	15	
Interest Expense	23	22	68	67	
Income From Continuing Operations Before Income Taxes	119	84	144	195	
Income Tax Expense From Continuing Operations	19	28	23	67	
Income From Continuing Operations	100	56	121	128	
Loss From Discontinued Operations, net of tax	—	(1) —	(1)
Net Income and Comprehensive Income	\$ 100	\$ 55	\$ 121	\$ 127	

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY OHIO, INC.

Condensed Consolidated Balance Sheets

(Unaudited)

(in millions)

September 30, 2018 December 31, 2017

ASSETS

Current Assets

Cash and cash equivalents	\$ 7	\$ 12
Receivables (net of allowance for doubtful accounts of \$3 at 2018 and 2017)	112	68
Receivables from affiliated companies	71	133
Notes receivable from affiliated companies	—	14
Inventory	135	133
Regulatory assets	41	49
Other	28	39
Total current assets	394	448
Property, Plant and Equipment		
Cost	9,176	8,732
Accumulated depreciation and amortization	(2,683)	(2,691)
Net property, plant and equipment	6,493	6,041
Other Noncurrent Assets		
Goodwill	920	920
Regulatory assets	427	445
Other	62	21
Total other noncurrent assets	1,409	1,386
Total Assets	\$ 8,296	\$ 7,875

LIABILITIES AND EQUITY

Current Liabilities

Accounts payable	\$ 251	\$ 313
Accounts payable to affiliated companies	54	62
Notes payable to affiliated companies	268	29
Taxes accrued	159	190
Interest accrued	34	21
Current maturities of long-term debt	452	3
Asset retirement obligations	7	3
Regulatory liabilities	57	36
Other	67	71
Total current liabilities	1,349	728
Long-Term Debt	1,589	2,039
Long-Term Debt Payable to Affiliated Companies	25	25
Other Noncurrent Liabilities		
Deferred income taxes	790	781
Asset retirement obligations	91	81
Regulatory liabilities	865	891
Accrued pension and other post-retirement benefit costs	84	59
Other	113	108
Total other noncurrent liabilities	1,943	1,920
Commitments and Contingencies		
Equity	762	762

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Common stock, \$8.50 par value, 120 million shares authorized; 90 million shares
outstanding at 2018 and 2017

Additional paid-in capital	2,776	2,670	
Accumulated deficit	(148) (269)
Total equity	3,390	3,163	
Total Liabilities and Equity	\$ 8,296	\$ 7,875	

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY OHIO, INC.

Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30,	
(in millions)	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 121	\$ 127
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	199	196
Equity component of AFUDC	(10)	(8)
Losses (gains) on sales of other assets	106	(1)
Impairment charges	—	1
Deferred income taxes	9	70
Accrued pension and other post-retirement benefit costs	3	3
Contributions to qualified pension plans	—	(4)
Payments for asset retirement obligations	(3)	(4)
Provision for rate refunds	23	—
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	—	1
Receivables	(44)	3
Receivables from affiliated companies	62	48
Inventory	(2)	1
Other current assets	12	(8)
Increase (decrease) in		
Accounts payable	(47)	(48)
Accounts payable to affiliated companies	(8)	(4)
Taxes accrued	(31)	(21)
Other current liabilities	19	(6)
Other assets	3	(13)
Other liabilities	(17)	(2)
Net cash provided by operating activities	395	331
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(588)	(457)
Cost of removal, net of salvage	(63)	(25)
Notes receivable from affiliated companies	14	7
Other	1	—
Net cash used in investing activities	(636)	(475)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	—	182
Payments for the redemption of long-term debt	(3)	(2)
Notes payable to affiliated companies	239	(16)
Dividends to parent	—	(25)
Other	—	(1)
Net cash provided by financing activities	236	138
Net decrease in cash and cash equivalents	(5)	(6)
Cash and cash equivalents at beginning of period	12	13

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Cash and cash equivalents at end of period	\$7	\$7
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	\$83	\$65
Non-cash equity contribution from parent	106	—

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY OHIO, INC.

Condensed Consolidated Statements of Changes in Equity
(Unaudited)

		Additional		
(in millions)	Common	Paid-in	Accumulated	Total
	Stock	Capital	Deficit	Equity
Balance at December 31, 2016	\$ 762	\$ 2,695	\$ (461)	\$ 2,996
Net income	—	—	127	127
Dividends to parent	—	(25)	—	(25)
Balance at September 30, 2017	\$ 762	\$ 2,670	\$ (334)	\$ 3,098
Balance at December 31, 2017	\$ 762	\$ 2,670	\$ (269)	\$ 3,163
Net income	—	—	121	121
Contribution from parent ^(a)	—	106	—	106
Balance at September 30, 2018	\$ 762	\$ 2,776	\$ (148)	\$ 3,390

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

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY INDIANA, LLC

Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

(in millions)	Three Months		Nine Months	
	Ended	Ended	Ended	Ended
	September 30,	September 30,	September 30,	September 30,
	2018	2017	2018	2017
Operating Revenues	\$ 819	\$ 802	\$2,288	\$2,302
Operating Expenses				
Fuel used in electric generation and purchased power	272	259	730	744
Operation, maintenance and other	198	177	576	546
Depreciation and amortization	130	120	386	336
Property and other taxes	16	19	56	56
Impairment charges	30	—	30	—
Total operating expenses	646	575	1,778	1,682
Gains on Sale of Other Assets and Other, net	—	1	—	1
Operating Income	173	228	510	621
Other Income and Expenses, net	23	12	36	32
Interest Expense	42	44	125	132
Income Before Income Taxes	154	196	421	521
Income Tax Expense	35	75	104	203
Net Income and Comprehensive Income	\$ 119	\$ 121	\$317	\$318

See Notes to Condensed Consolidated Financial Statements

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PART I

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

(in millions)	September 30, 2018	December 31, 2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 17	\$ 9
Receivables (net of allowance for doubtful accounts of \$2 at 2018 and 2017)	56	57
Receivables from affiliated companies	98	125
Inventory	434	450
Regulatory assets	190	165
Other	64	30
Total current assets	859	836
Property, Plant and Equipment		
Cost	15,298	14,948
Accumulated depreciation and amortization	(4,831)	(4,662)
Net property, plant and equipment	10,467	10,286
Other Noncurrent Assets		
Regulatory assets	950	978
Other	233	189
Total other noncurrent assets	1,183	1,167
Total Assets	\$ 12,509	\$ 12,289
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 177	\$ 196
Accounts payable to affiliated companies	72	78
Notes payable to affiliated companies	201	161
Taxes accrued	44	95
Interest accrued	54	57
Current maturities of long-term debt	62	3
Asset retirement obligations	128	54
Regulatory liabilities	25	24

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Other	109	104
Total current liabilities	872	772
Long-Term Debt	3,571	3,630
Long-Term Debt Payable to Affiliated Companies	150	150
Other Noncurrent Liabilities		
Deferred income taxes	988	925
Asset retirement obligations	616	727
Regulatory liabilities	1,761	1,723
Accrued pension and other post-retirement benefit costs	110	76
Investment tax credits	147	147
Other	31	18
Total other noncurrent liabilities	3,653	3,616
Commitments and Contingencies		
Equity		
Member's Equity	4,263	4,121
Total Liabilities and Equity	\$ 12,509	\$ 12,289

See Notes to Condensed Consolidated Financial Statements

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PART I

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

(in millions)	Nine Months Ended September 30, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 317	\$ 318
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	388	339
Equity component of AFUDC	(28)	(20)
Gain on sale of other assets and other, net	—	(1)
Impairment charges	30	—
Deferred income taxes	94	101
Accrued pension and other post-retirement benefit costs	5	4
Contributions to qualified pension plans	(8)	—
Payments for asset retirement obligations	(49)	(26)
Provision for rate refunds	58	—
(Increase) decrease in Receivables	1	53
Receivables from affiliated companies	27	31
Inventory	16	54
Other current assets	(59)	18
Increase (decrease) in Accounts payable	28	(71)
Accounts payable to affiliated companies	(6)	(1)
Taxes accrued	(51)	115
Other current liabilities	6	(18)
Other assets	29	(24)
Other liabilities	(13)	32
Net cash provided by operating activities	785	904

CASH FLOWS FROM
INVESTING
ACTIVITIES

Capital expenditures	(619	)	(603)
Purchases of debt and equity securities	(42	)	(15)
Proceeds from sales and maturities of debt and equity securities	18		6	
Notes receivable from affiliated companies	—		57	
Other	3		(40)
Net cash used in investing activities	(640	)	(595)

CASH FLOWS FROM
FINANCING
ACTIVITIES

Payments for the redemption of long-term debt	(1	)	(3)
Notes payable to affiliated companies	40		—	
Distributions to parent	(175	)	(300)
Other	(1	)	(1)
Net cash used in financing activities	(137	)	(304)
Net increase in cash and cash equivalents	8		5	
Cash and cash equivalents at beginning of period			17	
Cash and cash equivalents at end of period	\$	17	\$	22
Supplemental Disclosures:				
Significant non-cash transactions:				
Accrued capital expenditures	\$	71	\$	101

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY INDIANA, LLC

Condensed Consolidated Statements of Changes in Equity
(Unaudited)

(in millions)	Member's Equity
Balance at December 31, 2016	\$ 4,067
Net income	318
Distributions to parent	(300)
Balance at September 30, 2017	\$ 4,085
Balance at December 31, 2017	\$ 4,121
Net income	317
Distributions to parent	(175)
Balance at September 30, 2018	\$ 4,263

See Notes to Condensed Consolidated Financial Statements

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PART I

PIEDMONT NATURAL GAS COMPANY, INC.

Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

(in millions)	Three Months		Nine Months	
	Ended	Ended	Ended	Ended
	September 30,	September 30,	September 30,	September 30,
	2018	2017	2018	2017
Operating Revenues	\$ 172	\$ 183	\$ 940	\$ 884
Operating Expenses				
Cost of natural gas	54	63	387	333
Operation, maintenance and other	85	73	252	226
Depreciation and amortization	40	38	118	109
Property and other taxes	12	13	36	38
Impairment charges	—	—	—	7
Total operating expenses	191	187	793	713
Operating (Loss) Income	(19)	(4)	147	171
Other Income and Expenses				
Equity in earnings of unconsolidated affiliates	3	3	6	8
Other income and expenses, net	3	—	9	(1)
Total other income and expenses	6	3	15	7
Interest Expense	19	20	60	59
(Loss) Income Before Income Taxes	(32)	(21)	102	119
Income Tax (Benefit) Expense	(11)	(10)	21	43
Net (Loss) Income and Comprehensive (Loss) Income	\$(21)	\$(11)	\$ 81	\$ 76

See Notes to Condensed Consolidated Financial Statements

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PART I

PIEDMONT NATURAL GAS COMPANY, INC.

Condensed Consolidated Balance Sheets

(Unaudited)

(in millions)

September 30, 2018

December 31, 2017

ASSETS

Current Assets

Cash and cash
equivalents

\$ 6

\$ 19

Receivables (net of
allowance for
doubtful accounts of
\$1 at 2018 and \$2 at
2017)

83

275

Receivables from
affiliated companies

10

7

Notes receivable from
affiliated companies

11

—

Inventory

51

66

Regulatory assets

38

95

Other

48

52

Total current assets

247

514

Property, Plant and
Equipment

Cost

7,265

6,725

Accumulated
depreciation and
amortization

(1,553

)

(1,479

)

Net property, plant
and equipment

5,712

5,246

Other Noncurrent

Assets

Goodwill

49

49

Regulatory assets

305

283

Investments in equity
method

63

61

unconsolidated
affiliates

Other

65

65

Total other
noncurrent assets

482

458

Total Assets

\$ 6,441

\$ 6,218

LIABILITIES AND

EQUITY

Current Liabilities

Accounts payable

\$ 131

\$ 125

Accounts payable to
affiliated companies

27

13

—

364

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Notes payable to affiliated companies			
Taxes accrued	31	19	
Interest accrued	25	31	
Current maturities of long-term debt	350	250	
Regulatory liabilities	34	3	
Other	51	69	
Total current liabilities	649	874	
Long-Term Debt	1,788	1,787	
Other Noncurrent Liabilities			
Deferred income taxes	586	564	
Asset retirement obligations	15	15	
Regulatory liabilities	1,171	1,141	
Accrued pension and other post-retirement benefit costs	3	5	
Other	186	170	
Total other noncurrent liabilities	1,961	1,895	
Commitments and Contingencies			
Equity			
Common stock, no par value: 100 shares authorized and outstanding at 2018 and 2017	1,160	860	
Retained earnings	883	802	
Total equity	2,043	1,662	
Total Liabilities and Equity	\$ 6,441	\$ 6,218	

See Notes to Condensed Consolidated Financial Statements

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PART I

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

	Nine Months Ended September 30,	
(in millions)	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 81	\$ 76
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	120	112
Impairment charges	—	7
Deferred income taxes	2	127
Equity in earnings from unconsolidated affiliates	(6)	(8)
Accrued pension and other post-retirement benefit costs	(3)	9
Provision for rate refunds	31	—
(Increase) decrease in		
Receivables	192	157
Receivables from affiliated companies	(3)	(1)
Inventory	16	13
Other current assets	58	(129)
Increase (decrease) in		
Accounts payable	(48)	(52)
Accounts payable to affiliated companies	14	(1)
Taxes accrued	11	(37)
Other current liabilities	8	(21)
Other assets	(4)	(9)
Other liabilities	(5)	(7)
Net cash provided by operating activities	464	236
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(497)	(407)
Cost of removal, net of salvage	(8)	—
Contributions to equity method investments	—	(12)
Notes receivable from affiliated companies	(11)	—
Other	3	2
Net cash used in investing activities	(513)	(417)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	100	250
Payments for the redemption of long-term debt	—	(35)
Notes payable and commercial paper	—	(330)
Notes payable to affiliated companies	(364)	284
Capital contributions from parent	300	—
Other	—	(1)
Net cash provided by financing activities	36	168
Net decrease in cash and cash equivalents	(13)	(13)
Cash and cash equivalents at beginning of period	19	25
Cash and cash equivalents at end of period	\$ 6	\$ 12
Supplemental Disclosures:		

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Significant non-cash transactions:

Accrued capital expenditures	\$ 89	\$ 47
Transfer of ownership interest of certain equity method investees to parent	—	149

See Notes to Condensed Consolidated Financial Statements

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PART I

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

(in millions)	Common Stock	Retained Earnings	Total Equity
Balance at December 31, 2016	\$ 860	\$ 812	\$1,672
Net income	—	76	76
Transfer of ownership interest of certain equity method investees to parent	—	(149)	(149)
Balance at September 30, 2017	\$ 860	\$ 739	\$1,599
Balance at December 31, 2017	\$ 860	\$ 802	\$1,662
Net income	—	81	81
Contribution from parent	300	—	300
Balance at September 30, 2018	\$ 1,160	\$ 883	\$2,043

See Notes to Condensed Consolidated Financial Statements

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PART I

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

Combined Notes to Condensed Consolidated Financial Statements – (Unaudited)

Index to Combined Notes to Condensed Consolidated Financial Statements

The unaudited notes to the Condensed Consolidated Financial Statements that follow are a combined presentation.

The following list indicates the registrants to which the footnotes apply.

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

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

1. ORGANIZATION AND BASIS OF PRESENTATION

NATURE OF OPERATIONS AND BASIS OF CONSOLIDATION

Duke Energy Corporation (collectively with its subsidiaries, Duke Energy) is an energy company headquartered in Charlotte, North Carolina, subject to regulation by the Federal Energy Regulatory Commission (FERC). Duke Energy operates in the United States (U.S.) primarily through its direct and indirect subsidiaries. Certain Duke Energy subsidiaries are also subsidiary registrants, including Duke Energy Carolinas, LLC (Duke Energy Carolinas); Progress Energy, Inc. (Progress Energy); Duke Energy Progress, LLC (Duke Energy Progress); Duke Energy Florida, LLC (Duke Energy Florida); Duke Energy Ohio, Inc. (Duke Energy Ohio), Duke Energy Indiana, LLC (Duke Energy Indiana) and Piedmont Natural Gas Company, Inc. (Piedmont). When discussing Duke Energy's consolidated financial information, it necessarily includes the results of its separate subsidiary registrants (collectively referred to as the Subsidiary Registrants), which, along with Duke Energy, are collectively referred to as the Duke Energy Registrants. These Condensed Consolidated Financial Statements include, after eliminating intercompany transactions and balances, the accounts of the Duke Energy Registrants and subsidiaries where the respective Duke Energy Registrants have control. These Condensed Consolidated Financial Statements also reflect the Duke Energy Registrants' proportionate share of certain jointly owned generation and transmission facilities. Substantially all of the Subsidiary Registrants' operations qualify for regulatory accounting.

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

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

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

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

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

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

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

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

BASIS OF PRESENTATION

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

The information in these combined notes relates to each of the Duke Energy Registrants as noted in the Index to Combined Notes to Condensed Consolidated Financial Statements. However, none of the registrants make any representations as to information related solely to Duke Energy or the subsidiaries of Duke Energy other than itself. These Condensed Consolidated Financial Statements, in the opinion of the respective companies' management, reflect all normal recurring adjustments necessary to fairly present the financial position and results of operations of each of the Duke Energy Registrants. Amounts reported in Duke Energy's interim Condensed Consolidated Statements of Operations and each of the Subsidiary Registrants' interim Condensed Consolidated Statements of Operations and Comprehensive Income are not necessarily indicative of amounts expected for the respective annual periods due to effects of seasonal temperature variations on energy consumption, regulatory rulings, timing of maintenance on electric generating units, changes in mark-to-market valuations, changing commodity prices and other factors. In preparing financial statements that conform to GAAP, management must make estimates and assumptions that affect the reported amounts of assets and liabilities, the reported amounts of revenues and expenses, and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

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

REVENUE

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

OTHER CURRENT ASSETS

Duke Energy recorded a receivable related to the Tax Act in Other within Current Assets in September 2018. As a result, Income taxes receivable exceeds five percent of Total current assets on the Duke Energy Condensed Consolidated Balance Sheets and is \$655 million and \$260 million as of September 30, 2018, and December 31, 2017, respectively. See Note 17 for further information.

CASH, CASH EQUIVALENTS AND RESTRICTED CASH

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

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	September 30, 2018			December 31, 2017		
	Duke			Duke		
	Duke Energy	Progress Energy	Florida	Duke Energy	Progress Energy	Florida
Current Assets						
Cash and cash equivalents	\$ 303	\$ 43	\$ 20	\$ 358	\$ 40	\$ 13
Other	139	14	14	138	40	40
Other Noncurrent Assets						
Other	7	6	—	9	7	—
Total cash, cash equivalents and restricted cash	\$ 449	\$ 63	\$ 34	\$ 505	\$ 87	\$ 53

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INVENTORY

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

	September 30, 2018							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Duke Energy Piedmont
(in millions)								
Materials and supplies	\$2,283	\$ 758	\$ 1,071	\$ 748	\$ 323	\$ 87	\$ 294	\$ 1
Coal	515	176	187	99	88	14	138	—
Natural gas, oil and other fuel	342	42	215	109	106	34	2	50
Total inventory	\$3,140	\$ 976	\$ 1,473	\$ 956	\$ 517	\$ 135	\$ 434	\$ 51
	December 31, 2017							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Duke Energy Piedmont
(in millions)								
Materials and supplies	\$2,293	\$ 744	\$ 1,118	\$ 774	\$ 343	\$ 82	\$ 309	\$ 2
Coal	603	192	255	139	116	17	139	—
Natural gas, oil and other fuel	354	35	219	104	115	34	2	64
Total inventory	\$3,250	\$ 971	\$ 1,592	\$ 1,017	\$ 574	\$ 133	\$ 450	\$ 66

EXCISE TAXES

Certain excise taxes levied by state or local governments are required to be paid even if not collected from the customer. These taxes are recognized on a gross basis. Otherwise, excise taxes are accounted for on a net basis. Excise taxes accounted for on a gross basis within both Operating Revenues and Property and other taxes on the Condensed Consolidated Statements of Operations were as follows.

	Three Months Ended		Nine Months Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
(in millions)				
Duke Energy	\$ 114	\$ 107	\$ 308	\$ 289
Duke Energy Carolinas	10	9	27	27
Progress Energy	71	67	181	168
Duke Energy Progress	5	5	15	14
Duke Energy Florida	66	62	166	154
Duke Energy Ohio	26	24	81	75
Duke Energy Indiana	6	6	17	16

Piedmont 1 1 2 3

NEW ACCOUNTING STANDARDS

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

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

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

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

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

Financial Instruments Classification and Measurement. On January 1, 2018, Duke Energy adopted FASB guidance, which revised the classification and measurement of certain financial instruments. The adopted guidance changes the presentation of realized and unrealized gains and losses in certain equity securities that were previously recorded in accumulated other comprehensive income (AOCI). These gains and losses are now recorded in net income. An entity's equity investments that are accounted for under the equity method of accounting are not included within the scope of the new guidance. This guidance had a minimal impact on the Duke Energy Registrant's Condensed Consolidated Statements of Operations and Comprehensive Income as changes in the fair value of most of the Duke Energy Registrants' equity securities are deferred as regulatory assets or liabilities pursuant to accounting guidance for regulated operations. The resulting adjustment of unrealized gains and losses in AOCI to retained earnings was immaterial. The primary impact to Duke Energy as a result of implementing this guidance is adding disclosure requirements to present separately the financial assets and financial liabilities by measurement category and form of financial asset. See Notes 10 and 11 for further information.

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

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

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

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

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

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

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

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

For Duke Energy, this guidance is effective for interim and annual periods beginning January 1, 2019. The guidance will be applied using a modified retrospective approach. Upon adoption, agreements considered leases for the use of certain aircraft, space on communication towers, industrial equipment, fleet vehicles, fuel transportation (barges and railcars), land and office space will be recognized on the balance sheet. Duke Energy expects to elect certain of the following practical expedients upon adoption:

Practical Expedient	Description	Election
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.	Duke Energy plans to elect this practical expedient.
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.	Duke Energy plans to elect this practical expedient for all asset classes.
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.	Duke Energy is currently assessing the election of this practical expedient.
Hindsight expedient (when determining lease term)	Elect to use hindsight to determine the lease term.	Duke Energy plans to elect this practical expedient.
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.	Duke Energy plans to elect this practical expedient.
Comparative reporting requirements for initial adoption	Elect to apply transition requirements at adoption date, recognize cumulative effect adjustment to retained earnings in period of adoption and not apply ASC 842 to comparative periods, including disclosures.	Duke Energy plans to elect this practical expedient.
Lessor expedient (elect by class of underlying asset)	Elect as an accounting policy to aggregate non-lease components with the related lease component when specified conditions are met by asset class. Account for the combined component based on its predominant characteristic (revenue or operating lease).	Duke Energy is currently assessing the election of this practical expedient.

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

2. BUSINESS SEGMENTS

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

Duke Energy

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

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

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

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

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

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

	Three Months Ended September 30, 2018						Consolidated
	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Commercial Renewables	Total Reportable Segments	Other	Eliminations	
(in millions)							
Unaffiliated revenues	\$6,253	\$ 232	\$ 127	\$ 6,612	\$16	\$ —	\$ 6,628
Intersegment revenues	7	24	—	31	18	(49)	—
Total revenues	\$6,260	\$ 256	\$ 127	\$ 6,643	\$34	\$ (49)	\$ 6,628
Segment income (loss) ^{(a)(b)(c)}	\$1,167	\$ 17	\$ (62)	\$ 1,122	\$(44)	\$ —	\$ 1,078
Add back noncontrolling interests							(16)
Income from discontinued operations, net of tax							4
Net income							\$ 1,066
Segment assets	\$123,847	\$ 11,806	\$ 4,212	\$ 139,865	\$3,115	\$ 185	\$ 143,165
	Three Months Ended September 30, 2017						
	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Commercial Renewables	Total Reportable Segments	Other	Eliminations	Consolidated
(in millions)							
Unaffiliated revenues	\$6,122	\$ 249	\$ 95	\$ 6,466	\$16	\$ —	\$ 6,482
Intersegment revenues	7	23	—	30	19	(49)	—
Total revenues	\$6,129	\$ 272	\$ 95	\$ 6,496	\$35	\$ (49)	\$ 6,482
Segment income (loss) ^{(b)(d)(e)}	\$1,020	\$ 19	\$ (49)	\$ 990	\$(34)	\$ —	\$ 956

Add back noncontrolling interests	1
Loss from discontinued operations, net of tax	(2)
Net income	\$ 955

(a) All segments include adjustments to the December 31, 2017 estimate of the income tax effects of the Tax Act. See Note 17 for additional information.

(b) Other includes costs to achieve the Piedmont acquisition.

(c) Commercial Renewables includes an impairment charge related to goodwill. See Note 7 for additional information.

(d) Electric Utilities and Infrastructure includes an impairment charge related to the unrecovered Levy Nuclear Project costs at Duke Energy Florida.

(e) Commercial Renewables includes impairment charges related to certain wind projects.

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	Nine Months Ended September 30, 2018						
	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Commercial Renewables	Reportable Segments	Other	Eliminations	Consolidated
(in millions)							
Unaffiliated revenues	\$ 16,783	\$ 1,229	\$ 347	\$ 18,359	\$ 47	\$ —	\$ 18,406
Intersegment revenues	23	72	—	95	54	(149)	—
Total revenues	\$ 16,806	\$ 1,301	\$ 347	\$ 18,454	\$ 101	\$ (149)	\$ 18,406
Segment income (loss) ^{(a)(b)(c)(d)(e)(f)}	\$ 2,492	\$ 161	\$ (4)	\$ 2,649	\$ (446)	\$ —	\$ 2,203
Add back noncontrolling interests							(12)
Loss from discontinued operations, net of tax							(1)
Net income							\$ 2,190
	Nine Months Ended September 30, 2017						
	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Commercial Renewables	Reportable Segments	Other	Eliminations	Consolidated
(in millions)							
Unaffiliated revenues	\$ 16,211	\$ 1,175	\$ 333	\$ 17,719	\$ 47	\$ —	\$ 17,766
Intersegment revenues	23	68	—	91	56	(147)	—
Total revenues	\$ 16,234	\$ 1,243	\$ 333	\$ 17,810	\$ 103	\$ (147)	\$ 17,766
Segment income (loss) ^{(c)(g)(h)}	\$ 2,384	\$ 179	\$ 2	\$ 2,565	\$ (205)	\$ —	\$ 2,360
Add back noncontrolling interests							5
Loss from discontinued operations, net of tax							(4)
Net income							\$ 2,361

(a) All segments include adjustments to the December 31, 2017 estimate of the income tax effects of the Tax Act. See Note 17 for additional information.

(b) 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.

(c) Other includes costs to achieve the Piedmont acquisition.

(d) Gas Utilities and Infrastructure includes an impairment of the investment in Constitution Pipeline Company, LLC (Constitution). See Note 3 for additional information.

(e) Other includes the loss on the sale of the retired Beckjord Generating Station (Beckjord) described below and a valuation allowance recorded against the alternative minimum tax credits subject to sequestration. See Note 17 for additional information on the valuation allowance.

(f) Commercial Renewables includes an impairment charge related to goodwill. See Note 7 for additional information.

(g) Electric Utilities and Infrastructure includes an impairment charge related to the unrecovered Levy Nuclear Project costs at Duke Energy Florida.

(h) Commercial Renewables includes impairment charges related to certain wind projects.

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

Duke Energy Ohio

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

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

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

	Three Months Ended September 30, 2018					
	Electric	Gas	Total			
	Utilities	Utilities and	Reportable			
(in millions)	and	Infrastructure	Segments	Other	Eliminations	Consolidated
Total revenues	\$373	\$ 84	\$ 457	\$ 12	\$ —	\$ 469
Segment income/Net income	\$85	\$ 12	\$ 97	\$ 3	\$ —	\$ 100
Segment assets	\$5,484	\$ 2,775	\$ 8,259	\$ 39	\$ (2)	\$ 8,296

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

	Nine Months Ended September 30, 2018					
	Electric	Gas	Total			
	Utilities	Utilities and	Reportable			
(in millions)	and	Infrastructure	Segments	Other	Consolidated	
Total revenues	\$1,055	\$ 361	\$ 1,416	\$ 36	\$ 1,452	
Segment income (loss)/Net income ^(a)	\$157	\$ 64	\$ 221	\$ (100)	\$ 121	

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

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

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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

Grid Improvement – South Carolina

On June 22, 2018, Duke Energy Carolinas and Duke Energy Progress filed a joint petition with the PSCSC seeking an accounting order authorizing deferral of certain costs incurred in connection with grid reliability, resiliency and modernization work that is being performed under the companies' grid improvement initiative. On October 3, 2018, the PSCSC granted Duke Energy Carolinas' and Duke Energy Progress' joint petition.

Hurricane Florence Storm Damage

In September 2018, Hurricane Florence made landfall and inflicted severe damage to the Duke Energy Carolinas and Duke Energy Progress territories in North Carolina and South Carolina. Approximately 1.8 million customers were impacted. The companies incurred approximately \$455 million in operation and maintenance expenses (\$35 million and \$420 million for Duke Energy Carolinas and Duke Energy Progress, respectively,) and approximately \$85 million in capital costs (\$10 million and \$75 million for Duke Energy Carolinas and Duke Energy Progress, respectively,) which are included in Net property, plant and equipment on the Condensed Consolidated Balance Sheets as of September 30, 2018, resulting from the hurricane restoration efforts. Most of the operation and maintenance expenses are deferred in Regulatory assets within Other Noncurrent Assets on the Condensed Consolidated Balance Sheets as of September 30, 2018. The balance of operation and maintenance expenses are included in Operation, maintenance and other on the Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2018.

Given the magnitude of the storm, Duke Energy Progress intends to request approval in North Carolina and South Carolina to defer the incremental costs incurred to a regulatory asset for recovery in the next base rate case. These requests are expected to be filed during the fourth quarter of 2018.

Duke Energy Carolinas

2017 North Carolina Rate Case

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

On February 28, 2018, Duke Energy Carolinas and the North Carolina Public Staff (Public Staff) filed an Agreement and Stipulation of Partial Settlement resolving certain portions of the proceeding. Terms of the settlement included a return on equity of 9.9 percent and a capital structure of 52 percent equity and 48 percent debt. As a result of the

settlement, Duke Energy Carolinas recorded a pretax charge of approximately \$4 million to Operation, maintenance and other on the Condensed Consolidated Statements of Operations.

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

Components of the Grid Rider Stipulation included:

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

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

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

As a result of the Order, Duke Energy Carolinas recorded a pretax charge of approximately \$150 million to Impairment charges and Operation, maintenance and other on the Condensed Consolidated Statements of Operations. The charge is primarily related to the denial of a return on the Lee Nuclear Project and for previously recognized return impacted by the coal ash management penalty described above. On July 27, 2018, NCUC approved Duke Energy Carolinas' compliance filing. As a result, revised customer rates 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 have also filed Notices of Appeal to the North Carolina Supreme Court from the June 22, 2018, Order Accepting Stipulation, Deciding Contested Issues and Requiring Revenue Reduction. 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. The briefing will likely be delayed until the second quarter of 2019. Duke Energy Carolinas cannot predict the outcome of this matter.

2018 South Carolina Rate Case

On October 8, 2018, Duke Energy Carolinas filed a notice with the PSCSC of the company's intent to file a base rate adjustment application no earlier than 30 days from the notice submittal date.

FERC Formula Rate Matter

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

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William States Lee Combined Cycle Facility

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

Lee Nuclear Station

In December 2007, Duke Energy Carolinas applied to the NRC for combined operating licenses (COLs) for two Westinghouse Electric Company (Westinghouse) AP1000 reactors for the proposed William States Lee III Nuclear Station to be located at a site in Cherokee County, South Carolina. The NCUC and PSCSC concurred with the prudence of Duke Energy Carolinas incurring certain project development and preconstruction costs through several separately issued orders, although full cost recovery is not guaranteed. In December 2016, the NRC issued a COL for each reactor. Duke Energy Carolinas is not required to build the nuclear reactors as a result of the COLs being issued. The Duke Energy Carolinas rate case filing discussed above included a request to cancel the development of the Lee Nuclear Station project, recover incurred licensing and development costs and maintain the license issued by the NRC as an option for potential future development. The cancellation request was due to the Westinghouse bankruptcy filing and other market activity. The NCUC Order issued on June 22, 2018, approved the cancellation of the Lee Nuclear Project, allowed Duke Energy Carolinas to continue to maintain the COLs, provided for recovery of the North Carolina retail allocation of project development costs, including AFUDC accrued through December 31, 2017, over 12 years and disallowed any return on the unamortized balance during the 12-year recovery period.

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

South Carolina Petition

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

Sale of Hydroelectric (Hydro) Plants

In May 2018, Duke Energy Carolinas entered an agreement for the sale of five hydro plants with a combined 18.7-MW generation capacity in the Western Carolinas region to Northbrook Energy. The completion of the transaction is subject to approval from FERC, as well as other state regulatory agencies and is contingent upon regulatory approval from the NCUC and PSCSC to defer the total estimated loss on the sale of approximately \$40

million. On July 5, 2018, Duke Energy Carolinas filed with NCUC for approval of the sale of the five hydro plants to Northbrook, to transfer the Certificates of Public Convenience and Necessity (CPCN) 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, specifically that the commission direct Duke Energy Carolinas and the Public Staff to further evaluate the reasonableness of Duke Energy Carolinas' expenditures at the facilities in the 36 months leading up to the agreement for the sale for consideration in the next rate case. On September 18, 2018, Duke Energy Carolinas filed reply comments opposing this condition. The Public Staff also recommended that the amortization period for the regulatory asset start in the month in which the asset transfer is completed, rather than be delayed until the next rate case. 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 South Carolina Office of Regulatory Staff (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 October 9, 2018, Duke Energy Carolinas filed a Notice of Application for Transfer of Licenses with the FERC, which provides 30 days to file comments and motions to intervene. 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 during the first quarter of 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.

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Duke Energy Progress
2017 North Carolina Rate Case

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

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

On November 22, 2017, Duke Energy Progress and the Public Staff filed an Agreement and Stipulation of Partial Settlement resolving certain portions of the proceeding. Terms of the settlement included a return on equity of 9.9 percent and a capital structure of 52 percent equity and 48 percent debt. As a result of the settlement, in 2017 Duke Energy Progress recorded pretax charges totaling approximately \$25 million to Impairment charges and Operation, maintenance and other on the Condensed Consolidated Statements of Operations, principally related to disallowances from rate base of certain projects at the Mayo and Sutton plants. On February 23, 2018, the NCUC issued an order approving the stipulation. The order also included the following material components not covered in the stipulation: Recovery of the remaining \$234 million of deferred coal ash basin closure costs over a five-year period with a return at Duke Energy Progress' WACC, excluding \$9.5 million of retail deferred coal ash basin costs related to ash hauling at Duke Energy Progress' Asheville Plant;

Assessment of a \$30 million management penalty ratably over a five-year period by reducing the annual recovery of the deferred coal ash costs;

Denial of Duke Energy Progress' request for recovery of future estimated ongoing annual coal ash costs of \$129 million with approval to defer such costs with a return at Duke Energy Progress' WACC, to be considered for recovery in the next rate case; and

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

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

On May 15, 2018, the Public Staff 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 have also filed Notices of Appeal to the North Carolina Supreme Court from the February 23, 2018, Order Accepting Stipulation, Deciding Contested Issues and Granting Partial Rate Increase. The briefing will likely be delayed until the second quarter of 2019. Duke Energy Progress cannot predict the outcome of this matter.

2016 South Carolina Rate Case

In December 2016, the PSCSC approved a rate case settlement agreement among the ORS, intervenors and Duke Energy Progress. Terms of the settlement agreement included an approximate \$56 million increase in revenues over a two-year period. An increase of approximately \$38 million in revenues was effective January 1, 2017, and an additional increase of approximately \$18.5 million in revenues was effective January 1, 2018. Duke Energy Progress amortized approximately \$18.5 million from the cost of removal reserve in 2017. Other settlement terms included a rate of return on equity of 10.1 percent, recovery of coal ash costs incurred from January 1, 2015, through June 30, 2016, over a 15 year period and ongoing deferral of allocated ash basin closure costs from July 1, 2016, until the next base rate case. The settlement also provides that Duke Energy Progress will not seek an increase in rates in South Carolina to occur prior to 2019, with limited exceptions.

2018 South Carolina Rate Case

On October 8, 2018, Duke Energy Progress filed a notice with the PSCSC of the company's intent to file a base rate adjustment application no earlier than 30 days from the notice submittal date.

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Western Carolinas Modernization Plan

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

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

The carrying value of the 376-MW Asheville coal-fired plant, including associated ash basin closure costs, of \$352 million and \$385 million is included in Generation facilities to be retired, net on Duke Energy Progress' Condensed Consolidated Balance Sheets as of September 30, 2018, and December 31, 2017, respectively. Duke Energy Progress' request for a regulatory asset at the time of retirement with amortization over a 10-year period was approved by the NCUC on February 23, 2018.

Shearon Harris Nuclear Plant Expansion

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

South Carolina Petitions

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

FERC Form 1 Reporting Matter

On October 18, 2017, Fayetteville Public Works Commission (FPWC) filed with FERC a complaint against Duke Energy Progress. In the complaint, FPWC alleges that Duke Energy Progress' change in its method of reporting materials and supplies inventory on FERC Form 1 for 2015 constituted a change in accounting practice that Duke Energy Progress was not permitted to implement without first obtaining FERC approval. On April 23, 2018, FERC issued an order finding that Duke Energy Progress' new reporting methodology was not proper and required Duke Energy Progress to revise its FERC Form 1s beginning in 2014 and to issue refunds to formula rate customers. Duke Energy Progress estimates that these refunds will total approximately \$14 million. On May 23, 2018, Duke Energy Progress filed a request for rehearing alleging that FERC's order is incorrect. Duke Energy Progress revised its FERC Form 1 filings in June 2018. On August 31, 2018, Duke Energy Progress filed with FERC a refund report memorializing its payment of refunds to FPWC. Duke Energy Progress cannot predict the outcome of this matter.

Tax Act

As ordered by the NCUC on October 5, 2018, Duke Energy Progress filed a proposal on October 25, 2018, to adjust rates to reflect the reduction in federal corporate income tax rate from 35 to 21 percent for taxable years beginning after December 31, 2017, as outlined in the Tax Act. Duke Energy Progress proposes that this rate decrement be effective for service rendered on and after December 1, 2018. The Public Staff is requested to file comments on the proposal no later than November 14, 2018, and other parties may also file comments on the proposals no later than November 14, 2018. Duke Energy Progress cannot predict the outcome of this matter.

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Duke Energy Florida

Storm Restoration Cost Recovery

In September 2017, Duke Energy Florida's service territory suffered significant damage from Hurricane Irma, resulting in approximately 1.3 million customers experiencing outages. In the fourth quarter of 2017, Duke Energy Florida also incurred preparation costs related to Hurricane Nate. On December 28, 2017, Duke Energy Florida filed a petition with the FPSC to recover incremental storm restoration costs for hurricanes Irma and Nate and to replenish the storm reserve. On February 6, 2018, the FPSC approved a stipulation that would apply tax savings resulting from the Tax Act toward storm costs effective January 2018 in lieu of implementing a storm surcharge. Storm costs are currently expected to be fully recovered by approximately mid-2021. On May 31, 2018, Duke Energy Florida filed a petition for approval of actual storm restoration costs and associated recovery process related to Hurricanes Irma and Nate. The petition is seeking the approval for the recovery in the amount of \$510 million in actual recoverable storm restoration costs, including the replenishment of Duke Energy Florida's storm reserve of \$132 million, and the process for recovering these recoverable storm costs. 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. The commission has scheduled the hearing to begin on May 21, 2019. At September 30, 2018, Duke Energy Florida's Condensed Consolidated Balance Sheets included approximately \$258 million of recoverable costs under the FPSC's storm rule in Regulatory assets within Current Assets and Other Noncurrent Assets related to storm recovery. Duke Energy Florida cannot predict the outcome of this matter.

Tax Act

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

Citrus County Combined Cycle Facility

On October 2, 2014, the FPSC granted Duke Energy Florida a Determination of Need for the construction of a 1,640-MW combined-cycle natural gas plant in Citrus County, Florida. On May 5, 2015, the Florida Department of Environmental Protection approved Duke Energy Florida's Site Certification Application. The project has received all required permits and approvals and construction began in October 2015. The facility is expected to be commercially available by the end of 2018 at an estimated cost of \$1.5 billion, including AFUDC. Actual costs are expected to exceed this estimate by an immaterial amount after recoveries; therefore, an impairment is not expected. On April 2, 2018, Duke Energy Florida filed a petition seeking approval to include in base rates the revenue requirements associated with the new facility. The annual retail revenue requirement is approximately \$200 million. On July 10, 2018, the FPSC voted to approve Duke Energy Florida's request to include the revenue requirements for the new Citrus County combined-cycle units in base rates. The first 820-MW power block came on line on October 26, 2018, and the rate increase for this unit will be effective in December 2018. The second 820-MW power block remains on track to start serving customers in December 2018. The rate increase for the second unit is expected to take place in January 2019. The plant will receive natural gas from the Sabal Trail pipeline discussed below.

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 Second Revised and Restated Stipulation and Settlement Agreement. The annual retail revenue requirement for the Hamilton Project is \$15.2 million and the increase would take effect with the first billing cycle 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. Rates are subject to true up pending the outcome of the final hearing, which is scheduled to take place on April 2, 2019.

Duke Energy Ohio

2017 Electric Security Plan Filing

On June 1, 2017, Duke Energy Ohio filed with the PUCO a request for a standard service offer in the form of an electric security plan (ESP). If approved by the PUCO, the term of the ESP would be from June 1, 2018, to May 31, 2025. Terms of the ESP include continuation of market-based customer rates through competitive procurement processes for generation, continuation and expansion of existing rider mechanisms and proposed new rider mechanisms relating to regulatory mandates, costs incurred to enhance the customer experience and transform the grid and a service reliability rider for vegetation management. On February 15, 2018, the procedural schedule was suspended to facilitate ongoing settlement discussions. On April 13, 2018, Duke Energy Ohio filed a Motion to consolidate this proceeding with several other cases currently pending before the PUCO, including, but not limited to, its Electric Base Rate Case. Additionally, on April 13, 2018, Duke Energy Ohio, along with certain intervenors, filed a Stipulation and Recommendation (Stipulation) with the PUCO resolving certain issues in this proceeding. The Stipulation establishes a regulatory model for the next seven years via the approval of the ESP and continues the current model for procuring supply for non-shopping customers, including recovery mechanisms. The Stipulation is subject to the review and approval of PUCO. An evidentiary hearing to review the Stipulation and other issues in the cases concluded on August 6, 2018. Initial briefs were filed on September 11, 2018. Reply briefs were filed October 2, 2018. Duke Energy Ohio cannot predict the outcome of this matter.

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Electric Base Rate Case

Duke Energy Ohio filed with the PUCO an electric distribution base rate case application and supporting testimony in March 2017. Duke Energy Ohio has requested an estimated annual increase of approximately \$15 million and a return on equity of 10.4 percent. The application also includes requests to continue certain current riders and establish new riders. On September 26, 2017, the PUCO staff filed a report recommending a revenue decrease between approximately \$18 million and \$29 million and a return on equity between 9.22 percent and 10.24 percent. On February 15, 2018, the procedural schedule was suspended to facilitate ongoing settlement discussions. On April 13, 2018, Duke Energy Ohio filed a Motion to consolidate this proceeding with several other cases currently pending before the PUCO. On April 13, 2018, Duke Energy Ohio, along with certain intervenors, filed the Stipulation with the PUCO resolving numerous issues including those in this base rate proceeding. Major components of the Stipulation related to the base distribution rate case include a \$19 million decrease in annual base distribution revenue with a return on equity unchanged from the current rate of 9.84 percent based upon a capital structure of 50.75 percent equity and 49.25 percent debt. Upon approval of new rates, Duke Energy Ohio's rider for recovering its initial SmartGrid implementation ends as these costs will be recovered through base rates. The Stipulation also renews 14 existing riders, some of which were included in the company's ESP, and adds two new riders including the Enhanced Service Reliability Rider to recover vegetation management costs not included in base rates, up to \$10 million per year (operation and maintenance only) and the PowerForward Rider to recover costs incurred to enhance the customer experience and further transform the grid (operation and maintenance and capital). The Stipulation is subject to the review and approval of the PUCO. An evidentiary hearing to review the Stipulation and other issues in the cases concluded on August 6, 2018. Initial briefs were filed on September 11, 2018. Reply briefs were filed October 2, 2018. In addition to the changes in revenue attributable to the Stipulation, Duke Energy Ohio's capital-related riders, including the Distribution Capital Investments Rider, began to reflect the lower federal income tax rate associated with the Tax Act with updates to customers' bills beginning April 1, 2018. This change reduces electric revenue by approximately \$20 million on an annualized basis. Duke Energy Ohio cannot predict the outcome of this matter.

Ohio Valley Electric Corporation

On March 31, 2017, Duke Energy Ohio filed for approval to adjust its existing price stabilization rider (Rider PSR), which is currently set at zero dollars, to pass through net costs related to its contractual entitlement to capacity and energy from the generating assets owned by OVEC. Duke Energy Ohio is seeking deferral authority for net costs incurred from April 1, 2017, until the new rates under Rider PSR are put into effect. Various intervenors have filed motions to dismiss or stay the proceeding and Duke Energy Ohio has opposed these filings. On April 13, 2018, Duke Energy Ohio filed a Motion to consolidate this proceeding with several other cases currently pending before the PUCO. Also on April 13, 2018, Duke Energy Ohio, along with certain intervenors, filed a Stipulation with the PUCO resolving numerous issues including those related to Rider PSR. The Stipulation, if approved, would activate Rider PSR for recovery of net costs incurred since January 1, 2018. The Stipulation is subject to the review and approval of PUCO. An evidentiary hearing to review the Stipulation and other issues in the cases concluded on August 6, 2018. Initial briefs were filed on September 11, 2018. Reply briefs were filed October 2, 2018. See Note 12 for additional discussion of Duke Energy Ohio's ownership interest in OVEC. Duke Energy Ohio cannot predict the outcome of this matter.

Tax Act – 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. Duke Energy Ohio requested commission approval to implement the rider effective October 1, 2018, as a credit to all distribution customers based upon a percent reduction to Duke Energy Ohio's distribution rates. The new rider will flow through to customers the benefit of the lower statutory federal tax rate from 35 to 21 percent since January 1, 2018, all future benefits of the lower tax rates and a full refund of deferred income taxes collected at the higher tax rates in prior years. Deferred income taxes subject to normalization rules will be refunded consistent with federal law and deferred income taxes not subject to normalization rules will be refunded over a 10-year period. An order is expected during the fourth quarter of 2018. 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 rate-regulated utilities file an application not for an increase in rates to reflect the impact of the Tax Act on their current rates 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. Options for Duke Energy Ohio gas customers are still being evaluated. Duke Energy Ohio cannot predict the outcome of this matter.

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Energy Efficiency Cost Recovery

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

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

On May 21, 2018, the Ohio Manufacturers' Association (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 Office of the Ohio Consumers' Counsel (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's Application for Rehearing was granted on July 25, 2018. 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. Duke Energy Ohio cannot predict the outcome of this matter.

Natural Gas Pipeline Extension

Duke Energy Ohio is proposing to install a new natural gas pipeline (the Central Corridor Project) in its Ohio service territory to increase system reliability and enable the retirement of older infrastructure. Duke Energy Ohio estimates the pipeline development costs and construction activities will range from \$163 million to \$245 million in direct costs (excluding overheads and AFUDC). Project construction activities, schedule and final costs are still subject to uncertainty due to potential additional permitting delays, construction productivity and other conditions and risks, which could result in additional project cost availability and a potential delay in the targeted in-service date. On January 20, 2017, Duke Energy Ohio filed an amended application with the Ohio Power Siting Board (OPSB) for approval of one of two proposed routes. A public hearing was held on June 15, 2017, and an adjudicatory hearing was scheduled to begin September 11, 2017. On August 24, 2017, an Attorney Examiner granted a request made by Duke Energy Ohio to delay the procedural schedule while it works through various issues related to the pipeline route. In April 2018, Duke Energy Ohio filed a motion with OPSB to establish a procedural schedule and filed supplemental information supporting its application. If approved, construction of the pipeline extension is expected to be completed before the 2021/2022 winter season. Duke Energy Ohio cannot predict the outcome of this matter.

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Duke Energy Kentucky Electric Rate Case

On September 1, 2017, Duke Energy Kentucky filed a rate case with the KPSC requesting an increase in electric base rates of approximately \$49 million, which represents an approximate 15 percent increase on the average customer bill. Subsequent to the filing, Duke Energy Kentucky adjusted the requested amount to \$30.1 million, in part to reflect the benefits of the Tax Act, representing an approximate 9 percent increase on the average customer bill. The rate increase is driven by increased investment in utility plant, increased operations and maintenance expenses, and recovery of regulatory assets. The application also includes requests to implement an Environmental Surcharge Mechanism to recover environmental costs not recovered in base rates, to establish a Distribution Capital Investment Rider to recover incremental costs of specific programs, to establish a FERC Transmission Cost Reconciliation Rider to recover escalating transmission costs and to modify existing Profit Sharing Mechanism to increase customers' share of proceeds from the benefits of owning generation and to mitigate shareholder risks associated with that generation. An evidentiary hearing concluded on March 8, 2018, and the KPSC issued an order on April 13, 2018. Major components of the Order include approval of an \$8.4 million increase in base rates with a return on equity at 9.725 percent based upon a capital structure of 49 percent equity on a total allocable capitalization of approximately \$650 million. The Order approved the Environmental Surcharge Mechanism Rider and in June 2018 recovery began of capital-related environmental costs, including costs related to ash and ash disposal, and environmental operation and maintenance expenses formerly recovered in base rates, including expenses for environmental reagents and emission allowances. The incremental revenue from this rider will be approximately \$13 million on an annualized basis. The order settles all issues associated with the Tax Act as it relates to the electric business by lowering the income tax component of the revenue requirement and refunding protected EDIT under allowable normalization rules and unprotected EDIT over 10 years. The Order denied requests to implement riders for certain transmission costs and distribution capital investments. Duke Energy Kentucky implemented new base rates on May 1, 2018. On May 3, 2018, Duke Energy Kentucky filed an application for rehearing on certain aspects of the order; on May 23, 2018, the KPSC granted a rehearing. On October 2, 2018, the KPSC issued its rehearing order correcting certain findings in its initial order and making additional changes that are immaterial to the company's earnings. Duke Energy Kentucky does not plan any further appeals.

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 \$10.5 million, an approximate 11.1 percent average increase across all customer classes. The increase is net of approximately \$5.2 million in annual savings as a result of the Tax Act. The drivers for this case are capital invested since the Duke Energy Kentucky's last rate case in 2009. Duke Energy Kentucky is also seeking implementation of a Weather Normalization Adjustment Mechanism, amortization of regulatory assets and to implement the impacts of the Tax Act, prospectively. The KPSC accepted Duke Energy Kentucky's filing as of September 10, 2018, as meeting all filing requirements and issued its first round of discovery. A procedural schedule was set. A hearing is set to commence on February 5, 2019. A ruling is expected in late first quarter 2019. Duke Energy Kentucky cannot predict the outcome of this matter.

FERC 494 Refund of Regional Transmission Enhancement Projects

FERC Order No. 494 Settlement Agreement (FERC 494 Settlement Agreement) was entered into by most of the PJM Interconnection, LLC (PJM) transmission owners, including Duke Energy Ohio and Duke Energy Kentucky, and the PJM state regulatory commissions approximately two years ago and was planned to be effective on January 1, 2016;

however, it was not approved by FERC until May 31, 2018. The FERC 494 Settlement Agreement was due to the Seventh Circuit Court of Appeals finding that FERC had failed to adequately justify the costs that the customers in the western part of PJM were being charged for high voltage transmission projects, or Regional Transmission Expansion Plan (RTEP) projects (500 kV and above) built in the east. These costs were being allocated to all PJM customers on a load-ratio share basis but the court determined that these costs were not justifiable to customers in the west, including Duke Energy Ohio and Duke Energy Kentucky, that did not benefit from the RTEP projects. Costs for the periods 2012 through 2015 are expected to be refunded to Duke Energy Ohio and Duke Energy Kentucky on a monthly basis through December 2025. The refund amount for similar costs incurred beginning in 2016 through June 30, 2018, prior to the change in cost allocation by PJM was determined in the third quarter of 2018 and these amounts will be refunded over a 12-month period beginning in July 2018. These refunds, totaling approximately \$47 million for Duke Energy Ohio and Duke Energy Kentucky, have been recorded to Operation, maintenance and other on the Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2018.

Duke Energy Indiana

FERC Transmission Return on Equity Complaint

Customer groups have filed with the FERC complaints against Midcontinent Independent System Operator, Inc. (MISO) and its transmission-owning members, including Duke Energy Indiana, alleging, among other things, that the current base rate of return on equity earned by MISO transmission owners of 12.38 percent is unjust and unreasonable. The complaints claim, among other things, that the current base rate of return on equity earned by MISO transmission owners should be reduced to 8.67 percent. On January 5, 2015, the FERC issued an order accepting the MISO transmission owners' adder of 0.50 percent to the base rate of return on equity based on participation in an RTO subject to it being applied to a return on equity that is shown to be just and reasonable in the pending return on equity complaints. On December 22, 2015, the presiding FERC ALJ in the first complaint issued an Initial Decision in which the base rate of return on equity was set at 10.32 percent. On September 28, 2016, the Initial Decision in the first complaint was affirmed by FERC, but is subject to rehearing requests. On June 30, 2016, the presiding FERC ALJ in the second complaint issued an Initial Decision setting the base rate of return on equity at 9.70 percent. The Initial Decision in the second complaint is pending FERC review. On April 14, 2017, the U.S. Court of Appeals for the District of Columbia Circuit, in *Emera Maine v. FERC*, reversed and remanded certain aspects of the methodology employed by FERC to establish rates of return on equity. 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. The parties involved in the Emera proceeding are directed to file briefs by December 15, 2018. Duke Energy Indiana is in discussions with the other MISO Transmission Owners to determine strategy in light of this order. This decision may affect the outcome of the complaints against Duke Energy Indiana. Duke Energy Indiana currently believes these matters will not have a material impact on its results of operations, cash flows and financial position.

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Benton County Wind Farm Dispute

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

Edwardsport Integrated Gasification Combined Cycle Plant

On September 20, 2018, Duke Energy Indiana, the Indiana Office of Utility Consumer Counselor (OUCC), the Duke Industrial Group and Nucor Steel – Indiana entered into a settlement agreement to resolve integrated gasification combined cycle (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 addresses the pending Edwardsport filing at the commission and eliminates the need for future filings until the overall rate case. This settlement includes caps on Duke Energy Indiana's retail operating expenses for 2018 and 2019, reduces Duke Energy Indiana's regulatory asset by \$30 million (with a corresponding reduction of the amount of amortization of the regulatory asset included in rates by \$10 million annually beginning with the implementation of final IGCC 17 rates), and provides funding for low-income assistance and clean energy projects. Duke Energy Indiana recognized pretax impairment and related charges of \$32 million in the third quarter of 2018. The settlement is subject to IURC approval. An evidentiary hearing is scheduled for December 2018. Duke Energy Indiana cannot predict the outcome of this matter.

Tax Act

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

were as follows:

Riders to reflect the change in the statutory federal tax rate from 35 to 21 percent as they are filed in 2018;

Base rates to reflect the change in the statutory federal tax rate from 35 to 21 percent upon IURC approval, but no later than September 1, 2018;

Duke Energy Indiana to continue to defer protected federal EDIT until January 1, 2020, at which time it will be returned to customers according to the Average Rate Assumption Method (ARAM) required by the Internal Revenue Service over approximately 26 years; and

Duke Energy Indiana to begin returning unprotected federal EDIT upon IURC approval, over 10 years. In order to mitigate the negative impacts to cash flow and credit metrics, the Settlement Agreement allows Duke Energy Indiana to return \$7 million per year over the first five years, with a step up to \$35 million per year in the following five years. The settlement was subject to the review and approval of the IURC. An evidentiary hearing was held on July 13, 2018. On August 22, 2018, the IURC approved the settlement and rates have been adjusted effective September 1, 2018.

Piedmont

South Carolina Rate Stabilization Adjustment Filing

On June 15, 2018, Piedmont filed with the PSCSC under the South Carolina Rate Stabilization Act its quarterly monitoring report for the 12-month period ending March 31, 2018. The filing included a revenue deficiency calculation and tariff rates in order to permit Piedmont the opportunity to earn the rate of return on common equity established in its last general rate case. The filing also incorporated the impacts of the Tax Act by lowering the income tax component of the revenue requirement, refunding protected EDIT under allowable normalization rules, unprotected EDIT and amounts over collected from the customers from January 1, 2018, through the end of the review period for this proceeding. A settlement agreement reached between Piedmont and ORS was filed with the PSCSC on September 14, 2018, and approved by the PSCSC on October 3, 2018. Terms of the settlement include implementation of rates for the 12-month period beginning November 2018 with a return on equity of 10.2 percent.

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North Carolina Integrity Management Rider Filing

In October 2018, Piedmont filed a petition under the Integrity Management Rider (IMR) mechanism to collect an additional \$9.5 million in annual revenues effective December 2018 based on the eligible capital investments closed to integrity and safety projects over the six-month period ended September 30, 2018. Piedmont cannot predict the outcome of this matter.

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

OTHER REGULATORY MATTERS

Progress Energy Merger FERC Mitigation

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

Atlantic Coast Pipeline, LLC

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

In 2018, the FERC issued a series of Notices to Proceed, which authorized the project to begin certain construction-related activities along the pipeline route, including supply header and compressors. On May 11, 2018, 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, receipt of which is expected shortly. We appreciate the professional and collaborative process the permitting agencies have pursued 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. ACP is vigorously defending these challenges and coordinating with the federal and state authorities which are the direct parties to the challenges. Since July 2018, notable developments in these challenges include a stay issued by the U.S. Court of Appeals for the Fourth Circuit (Fourth Circuit) on construction activities through the Monongahela and George Washington National Forests, a reissuance of the project's ITS and Blue Ridge Parkway right-of-way and renewed challenges of these reissued permits and the USACE's lifting of its administrative stay of ACP's Huntington District 404 permit.

The FERC Stop Work Order following the Fourth Circuit's vacatur of the project's ITS and Blue Ridge Parkway right-of-way, together with delays in obtaining permits necessary for construction have impacted the cost and schedule for the project. As a result, project cost estimates have increased from a range of \$6.0 billion to \$6.5 billion to a range of \$6.5 billion to \$7.0 billion, excluding financing costs. ACP is pursuing a phased in-service approach with customers whereby it maintains a late 2019 in-service date for key segments of the project to meet peak winter demand in critically constrained regions served by the project. ACP will be pursuing a mid-2020 in-service date for the remaining segments. 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.

Sabal Trail Transmission, LLC

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

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On February 3, 2016, the FERC issued an order granting the request for a CPCN to construct and operate the pipeline. The Sabal Trail pipeline received other required regulatory approvals and the Phase 1 mainline was placed in service in July 2017. On October 12, 2017, Sabal Trail filed a request with FERC to place in service a lateral line to Duke Energy Florida's Citrus County Combined Cycle Facility. This request is required to support commissioning and testing activities at the facility. On March 16, 2018, FERC approved the Citrus lateral and it was placed in service. On September 21, 2016, intervenors filed an appeal of FERC's CPCN orders to the U.S. Court of Appeals for the District of Columbia Circuit (D.C. Circuit Court of Appeals). On August 22, 2017, the appeals court ruled against FERC in the case for failing to include enough information on the impact of greenhouse-gas emissions carried by the pipeline, vacated the CPCN order and remanded the case to FERC. In response to the August 2017 court decision, the FERC issued a draft Supplemental Environmental Impact Statement (SEIS) on September 27, 2017. On October 6, 2017, FERC and a group of industry intervenors, including Sabal Trail and Duke Energy Florida, filed separate petitions with the D.C. Circuit Court of Appeals requesting rehearing regarding the court's decision to vacate the CPCN order. On January 31, 2018, the D.C. Circuit Court of Appeals denied the requests for rehearing. On February 2, 2018, Sabal Trail filed a request with FERC for expedited issuance of its order on remand and reissuance of the CPCN. In the alternative, the pipeline requested that FERC issue a temporary emergency CPCN to allow for continued operations. On February 5, 2018, FERC issued the final SEIS. On February 6, 2018, FERC and the intervenors in this case each filed motions for stay with the D.C. Circuit Court to stay the court's mandate. On March 7, 2018, the D.C. Circuit Court of Appeals granted FERC and Sabal Trail's stay request. On March 14, 2018, FERC issued its final order on remand, which recertified the project. On August 10, 2018, FERC denied requests for rehearing of the final order on remand.

Constitution Pipeline Company, LLC

Duke Energy owns a 24 percent ownership interest in Constitution, which is accounted for as an equity method investment. Constitution is a natural gas pipeline project slated to transport natural gas supplies from the Marcellus supply region in northern Pennsylvania to major northeastern markets. The pipeline will be constructed and operated by Williams Partners L.P., which has a 41 percent ownership share. The remaining interest is held by Cabot Oil and Gas Corporation and WGL Holdings, Inc. Before the permitting delays discussed below, Duke Energy's total anticipated contributions were approximately \$229 million. As a result of the permitting delays and project uncertainty, total anticipated contributions by Duke Energy can no longer be reasonably estimated. Since April 2016, with the actions of the New York State Department of Environmental Conservation (NYSDEC), Constitution stopped construction and discontinued capitalization of future development costs until the project's uncertainty is resolved. In December 2014, Constitution received approval from the FERC to construct and operate the proposed pipeline. However, on April 22, 2016, the NYSDEC denied Constitution's application for a necessary water quality certification for the New York portion of the Constitution pipeline. Constitution filed legal actions in the U.S. Court of Appeals for the Second Circuit (U.S. Court of Appeals) challenging the legality and appropriateness of the NYSDEC's decision and on August 18, 2017, the petition was denied in part and dismissed in part. In September 2017, Constitution filed a petition for a rehearing of portions of the decision unrelated to the water quality certification, which was denied by the U.S. Court of Appeals. In January 2018, Constitution petitioned the Supreme Court of the United States to review the U.S. Court of Appeals decision, and on April 30, 2018, the Supreme Court denied Constitution's petition. In October 2017, Constitution filed a petition for declaratory order requesting FERC to find that the NYSDEC waived its rights to issue a Section 401 water quality certification by not acting on Constitution's application within a reasonable period of

time as required by statute. This petition was based on precedent established by another pipeline's successful petition with FERC following a District of Columbia Circuit Court ruling. On January 11, 2018, FERC denied Constitution's petition. In February 2018, Constitution filed a rehearing request with FERC of its finding that the NYSDEC did not waive the Section 401 certification requirement. On July 19, 2018, FERC denied Constitution's rehearing request. Constitution is currently unable to approximate an in-service date for the project due to the NYSDEC's denial of the water quality certification. The Constitution partners remain committed to the project and are evaluating next steps to move the project forward. On June 25, 2018, Constitution filed with FERC a Request for Extension of Time until December 2, 2020, for construction of the project. Duke Energy cannot predict the outcome of this matter. During the nine months ended September 30, 2018, Duke Energy recorded an other-than-temporary impairment (OTTI) of \$55 million within Equity in earnings of unconsolidated affiliates on Duke Energy's Condensed Consolidated Statements of Operations. The charge represents the excess carrying value over the estimated fair value of the project, which was based on a Level 3 Fair Value measurement that was determined from the income approach using discounted cash flows. The impairment was primarily due to the recent actions taken by the courts and regulators to uphold the NYSDEC's denial of the certification and uncertainty associated with the remaining legal and regulatory challenges.

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

Potential Coal Plant Retirements

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

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

	Capacity (in MW)	Remaining Net Book Value (in millions)
Duke Energy Carolinas		
Allen Steam Station Units 1-3 ^(a)	585	\$ 132
Progress Energy and Duke Energy Florida		
Crystal River Units 1 and 2 ^(b)	766	100
Duke Energy Indiana		
Gallagher Units 2 and 4 ^(c)	280	123
Total Duke Energy	1,631	\$ 355

(a) Duke Energy Carolinas will retire Allen Steam Station Units 1 through 3 by December 31, 2024, as part of the resolution of a lawsuit involving alleged New Source Review violations.

(b) Duke Energy Florida expects to retire these coal units by the end of 2018 to comply with environmental regulations.

(c) Duke Energy Indiana committed to either retire or stop burning coal at Gallagher Units 2 and 4 by December 31, 2022, as part of the 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.

Remediation Activities

In addition to asset retirement obligations (ARO) recorded as a result of various environmental regulations, the Duke Energy Registrants are responsible for environmental remediation at various sites. These include certain properties that are part of ongoing operations and sites formerly owned or used by Duke Energy entities. These sites are in various stages of investigation, remediation and monitoring. Managed in conjunction with relevant federal, state and local agencies, remediation activities vary based upon site conditions and location, remediation requirements, complexity and sharing of responsibility. If remediation activities involve joint and several liability provisions, strict liability, or cost recovery or contribution actions, the Duke Energy Registrants could potentially be held responsible for environmental impacts caused by other potentially responsible parties and may also benefit from insurance policies

or contractual indemnities that cover some or all cleanup costs. Liabilities are recorded when losses become probable and are reasonably estimable. The total costs that may be incurred cannot be estimated because the extent of environmental impact, allocation among potentially responsible parties, remediation alternatives and/or regulatory decisions have not yet been determined at all sites. Additional costs associated with remediation activities are likely to be incurred in the future and could be significant. Costs are typically expensed as Operation, maintenance and other on the Condensed Consolidated Statements of Operations unless regulatory recovery of the costs is deemed probable.

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

(in millions)	Nine Months Ended September 30, 2018							
	Duke		Duke		Duke	Duke	Duke	Duke
	Duke Energy	Progress	Duke Energy	Progress	Duke Energy	Duke Energy	Duke Energy	Duke Energy
Balance at beginning of period	\$81	\$ 10	\$ 15	\$ 3	\$ 12	\$ 47	\$ 5	\$ 2
Provisions/adjustments	7	3	2	3	(1)	3	1	—
Cash reductions	(20)	(2)	(5)	(1)	(4)	(12)	(1)	—
Balance at end of period	\$68	\$ 11	\$ 12	\$ 5	\$ 7	\$ 38	\$ 5	\$ 2

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

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	\$57
Duke Energy Carolinas	17
Duke Energy Ohio	30
Piedmont	2

LITIGATION

Duke Energy Carolinas and Duke Energy Progress
Coal Ash Insurance Coverage Litigation

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

NCDEQ State Enforcement Actions

In the first quarter of 2013, the Southern Environmental Law Center (SELC) sent notices of intent to sue Duke Energy Carolinas and Duke Energy Progress related to alleged Clean Water Act (CWA) violations from coal ash basins at two

of their coal-fired power plants in North Carolina. The NCDEQ filed enforcement actions against Duke Energy Carolinas and Duke Energy Progress alleging violations of water discharge permits and North Carolina groundwater standards. The cases have been consolidated and are being heard before a single judge in the North Carolina Superior Court.

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

The court issued orders in 2016 granting Motions for Partial Summary Judgment for seven of the 14 North Carolina plants named in the enforcement actions. On February 13, 2017, the court issued an order denying motions for partial summary judgment brought by both the environmental groups and Duke Energy Carolinas and Duke Energy Progress for the remaining seven plants. On March 15, 2017, Duke Energy Carolinas and Duke Energy Progress filed a Notice of Appeal 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. No trial date has been scheduled. Duke Energy Carolinas and Duke Energy Progress cannot predict the outcome of this matter.

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Federal Citizens Suits

On June 13, 2016, the Roanoke River Basin Association (RRBA) filed a federal citizen suit in the Middle District of North Carolina alleging unpermitted discharges to surface water and groundwater violations at the Mayo Plant. On August 19, 2016, Duke Energy Progress filed a Motion to Dismiss. On April 26, 2017, the court entered an order dismissing four of the claims in the federal citizen suit. Two claims relating to alleged violations of National Pollutant Discharge Elimination System (NPDES) permit provisions survived the motion to dismiss, and Duke Energy Progress filed its response on May 10, 2017. Duke Energy Progress and RRBA each filed motions for summary judgment on March 23, 2018. 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. Trial is currently scheduled for July 15, 2019.

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

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

On December 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 Steam Station (Belews Creek) under the CWA. Duke Energy Carolinas filed a motion to dismiss on February 5, 2018, and on August 13, 2018, the court issued an order denying Duke Energy Carolinas' motion to dismiss. 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. A hearing on the motion to stay is scheduled for December 12, 2018, and a scheduling conference has been set for January 2019.

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

Groundwater Contamination Claims

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

Duke Energy Carolinas and Duke Energy Progress have received formal demand letters from residents near Duke Energy Carolinas' and Duke Energy Progress' coal ash basins. The residents claim damages for nuisance and diminution in property value, among other things. The parties held three days of mediation discussions that ended at an impasse. On January 6, 2017, Duke Energy Carolinas and Duke Energy Progress received the plaintiffs' notice of their intent to file suits should the matter not settle. The NCDEQ preliminarily approved Duke Energy's permanent water solution plans on January 13, 2017, and as a result shortly thereafter, Duke Energy issued a press release, providing additional details regarding the homeowner compensation package. This package consists of three components: (i) a \$5,000 goodwill payment to each eligible well owner to support the transition to a new water supply, (ii) where a public water supply is available and selected by the eligible well owner, a stipend to cover 25 years of water bills and (iii) the Property Value Protection Plan. The Property Value Protection Plan is a program offered by Duke Energy designed to guarantee eligible plant neighbors the fair market value of their residential property should they decide to sell their property during the time that the plan is offered. Settlement payments are being made, and, as of September 30, 2018, Duke Energy Carolinas and Duke Energy Progress have remaining reserves of \$4 million and \$2 million, respectively.

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

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

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

Asbestos-related Injuries and Damages Claims

Duke Energy Carolinas has experienced numerous claims for indemnification and medical cost reimbursement related to asbestos exposure. These claims relate to damages for bodily injuries alleged to have arisen from exposure to or use of asbestos in connection with construction and maintenance activities conducted on its electric generation plants prior to 1985. As of September 30, 2018, there were 160 asserted claims for non-malignant cases with cumulative relief sought of up to \$43 million, and 63 asserted claims for malignant cases with cumulative relief sought of up to \$19 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 \$461 million at September 30, 2018, and \$489 million at December 31, 2017. These reserves are classified in Other within Other Noncurrent Liabilities and Other within Current Liabilities on the Condensed Consolidated Balance Sheets. These reserves are based upon the minimum amount of the range of loss for current and future asbestos claims through 2037, are recorded on an undiscounted basis and incorporate anticipated inflation. In light of the uncertainties inherent in a longer-term forecast, management does not believe they can reasonably estimate the indemnity and medical costs that might be incurred after 2037 related to such potential claims. It is possible Duke Energy Carolinas may incur asbestos liabilities in excess of the recorded reserves.

Duke Energy Carolinas has third-party insurance to cover certain losses related to asbestos-related injuries and damages above an aggregate self-insured retention. Duke Energy Carolinas' cumulative payments began to exceed the self-insurance retention in 2008. Future payments up to the policy limit will be reimbursed by the third-party insurance carrier. The insurance policy limit for potential future insurance recoveries indemnification and medical cost claim payments is \$764 million in excess of the self-insured retention. Receivables for insurance recoveries were \$553 million at September 30, 2018, and \$585 million at December 31, 2017. These amounts are classified in Other within Other Noncurrent Assets and Receivables within Current Assets on the Condensed Consolidated Balance Sheets. Duke Energy Carolinas is not aware of any uncertainties regarding the legal sufficiency of insurance claims. Duke Energy Carolinas believes the insurance recovery asset is probable of recovery as the insurance carrier continues to have a strong financial strength rating.

Duke Energy Progress and Duke Energy Florida

Spent Nuclear Fuel Matters

On October 16, 2014, Duke Energy Progress and Duke Energy Florida sued the U.S. in the U.S. Court of Federal Claims. The lawsuit claimed the Department of Energy breached a contract in failing to accept spent nuclear fuel

under the Nuclear Waste Policy Act of 1982 and asserted damages for the cost of on-site storage. Duke Energy Progress and Duke Energy Florida asserted damages for the period January 1, 2011, through December 31, 2013, of \$48 million and \$25 million, respectively. On November 17, 2017, the court awarded Duke Energy Progress and Duke Energy Florida \$48 million and \$21 million, respectively, subject to appeal. No appeals were filed and Duke Energy Progress and Duke Energy Florida recognized the recoveries in the first quarter of 2018. Claims for all periods through 2013 have been resolved. On June 22, 2018, Duke Energy Progress and Duke Energy Florida filed a complaint for damages incurred for 2014 through first quarter 2018.

Duke Energy Progress

Gypsum Supply Agreement Matter

On June 30, 2017, CertainTeed Gypsum NC, Inc. (CertainTeed) filed a declaratory judgment action against Duke Energy Progress in the North Carolina Business Court relating to a gypsum supply agreement. In its complaint, CertainTeed sought an order from the court declaring that the minimum amount of gypsum Duke Energy Progress must provide to CertainTeed under the supply agreement is 50,000 tons per month through 2029. Subsequently, CertainTeed also sought a preliminary injunction requiring Duke Energy Progress to provide 50,000 tons of gypsum per month through the trial date. The parties reached an agreement under which Duke Energy Progress delivered 50,000 tons of gypsum per month through August 2018. Trial in this matter was completed on July 16, 2018. On August 29, 2018, the court issued an order and opinion finding that Duke Energy Progress is required to supply 50,000 tons of gypsum/month, but that CertainTeed's sole remedy for Duke Energy Progress' long-term discontinuance under the agreement is liquidated damages. This ruling effectively limits CertainTeed's remedies in the event that Duke Energy Progress elects to permanently discontinue gypsum supply at the Roxboro plant. The estimated maximum amount that would be owed under the liquidated damages provision is approximately \$90 million. Both CertainTeed and Duke Energy Progress have filed cross-appeals, as they explore a possible resolution. Duke Energy Progress cannot predict the outcome of this matter.

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Duke Energy Florida
Class Action Lawsuit

On February 22, 2016, a lawsuit was filed in the U.S. District Court for the Southern District of Florida on behalf of a putative class of Duke Energy Florida and FP&L's customers in Florida. The suit alleges the state of Florida's nuclear power plant cost recovery statutes (NCRS) are unconstitutional and pre-empted by federal law. Plaintiffs claim they are entitled to repayment of all money paid by customers of Duke Energy Florida and FP&L as a result of the NCRS, as well as an injunction against any future charges under those statutes. The constitutionality of the NCRS has been challenged unsuccessfully in a number of prior cases on alternative grounds. Duke Energy Florida and FP&L filed motions to dismiss the complaint on May 5, 2016. On September 21, 2016, the court granted the motions to dismiss with prejudice. Plaintiffs filed a motion for reconsideration, which was denied. On January 4, 2017, plaintiffs filed a notice of appeal to the Eleventh Circuit U.S. Court of Appeals (Eleventh Circuit). On July 11, 2018, the Eleventh Circuit affirmed the U.S. District Court's dismissal of the lawsuit. The deadline to file a petition for cert was October 9, 2018, and no petition was filed; therefore, the dismissal of the lawsuit is final.

Westinghouse Contract Litigation

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

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

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

MGP Cost Recovery Action

On December 30, 2011, Duke Energy Florida filed a lawsuit against FirstEnergy Corp. (FirstEnergy) to recover investigation and remediation costs incurred by Duke Energy Florida in connection with the restoration of two former

MGP sites in Florida. Duke Energy Florida alleged that FirstEnergy, as the successor to Associated Gas & Electric Co., owes past and future contribution and response costs of up to \$43 million for the investigation and remediation of MGP sites. On December 6, 2016, the trial court entered judgment against Duke Energy Florida in the case. In January 2017, Duke Energy Florida appealed the decision to the U.S. Court of Appeals for the Sixth Circuit, which affirmed the trial court's ruling on April 10, 2018. The dismissal of the lawsuit is therefore final.

Other Litigation and Legal Proceedings

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

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

(in millions) September 30, 2018 December 31, 2017

Reserves for Legal Matters

Duke Energy	\$	63	\$	88
Duke Energy Carolinas		11		30
Progress Energy		50		55
Duke Energy Progress		11		13
Duke Energy Florida		23		24
Piedmont		1		2

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OTHER COMMITMENTS AND CONTINGENCIES

General

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

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

5. DEBT AND CREDIT FACILITIES

SUMMARY OF SIGNIFICANT DEBT ISSUANCES

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

Issuance Date	Maturity Date	Interest Rate	Nine Months Ended September 30, 2018				
			Duke Energy (Parent)	Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida	
Unsecured Debt							
March 2018 ^(a)	April 2025	3.950 %	\$ 250	\$ 250	\$ —	\$ —	\$ —
May 2018 ^(b)	May 2021	2.819 %	500	500	—	—	—
September 2018 ^(c)	September 2078	5.625 %	500	500	—	—	—
First Mortgage Bonds							
March 2018 ^(d)	March 2023	3.050 %	500	—	500	—	—
March 2018 ^(d)	March 2048	3.950 %	500	—	500	—	—
June 2018 ^(e)	July 2028	3.800 %	600	—	—	—	600
June 2018 ^(e)	July 2048	4.200 %	400	—	—	—	400
August 2018 ^(f)	September 2023	3.375 %	300	—	—	300	—
August 2018 ^(f)	September 2028	3.700 %	500	—	—	500	—
Total issuances			\$4,050	\$ 1,250	\$ 1,000	\$ 800	\$1,000

(a) Debt issued to pay down short-term debt.

(b) Debt issued to pay down short-term debt. Debt issuance has a floating interest rate.

(c) Callable after September 2023 at par. Debt issued to pay down short-term debt and for general corporate purposes.

(d) Debt issued to repay at maturity a \$300 million first mortgage bond due April 2018, pay down intercompany short-term debt and for general corporate purposes.

(e)

Debt issued to repay a portion of intercompany short-term debt under money-pool borrowing arrangement and for general corporate purposes.

(f) Debt issued to repay short-term debt and for general corporate purposes.

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CURRENT MATURITIES OF LONG-TERM DEBT

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

(in millions)	Maturity Date	Interest Rate	September 30, 2018
Unsecured Debt			
Progress Energy	March 2019	7.050	% \$ 450
Duke Energy (Parent)	September 2019	5.050	% 500
Piedmont	September 2019	2.848	% ^(b) 350
First Mortgage Bonds			
Duke Energy Carolinas	November 2018	7.000	% 500
Duke Energy Progress	January 2019	5.300	% 600
Duke Energy Ohio	April 2019	5.450	% 450
Other ^(a)			605
Current maturities of long-term debt			\$ 3,455

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

(b) Debt issuance has a floating interest rate.

AVAILABLE CREDIT FACILITIES

Master Credit Facility

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

(in millions)	September 30, 2018						
	Duke Energy	Duke Energy (Parent)	Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana Piedmont
Facility size ^(a)	\$8,000	\$2,650	\$1,750	\$1,400	\$ 650	\$ 450	\$ 600 \$ 500
Reduction to backstop issuances							
Commercial paper ^(b)	(2,519)	(988)	(872)	(150)	—	(216)	(293) —
Outstanding letters of credit	(55)	(47)	(4)	(2)	—	—	(2)
Tax-exempt bonds	(81)	—	—	—	—	—	(81) —

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Coal ash set-aside	(500)	—	(250)	(250)	—	—	—	—
Available capacity under the Master Credit Facility	\$4,845	\$1,615	\$624	\$998	\$650	\$234	\$226	\$498

(a) Represents the sublimit of each borrower.

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

Three-Year Revolving Credit Facility

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

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Piedmont Term Loan Facility

In September 2018, Piedmont executed an amendment to its existing senior unsecured term loan (the Piedmont Term Loan). The amendment increased commitments from \$250 million to \$350 million and extended the maturity date to September 2019. As of September 30, 2018, the entire \$350 million has been drawn under the Piedmont Term Loan. The balance is classified as Current maturities of long-term debt on Piedmont's Condensed Consolidated Balance Sheets.

6. ASSET RETIREMENT OBLIGATIONS

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

	September 30, 2018							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
(in millions)								
Decommissioning of Nuclear Power Facilities ^(a)	\$5,367	\$ 2,031	\$ 3,181	\$ 2,650	\$ 531	\$ —	\$ —	\$ —
Closure of Ash Impoundments	4,575	1,623	2,175	2,154	20	52	725	—
Other	314	58	79	37	42	46	19	15
Total ARO	\$10,256	\$ 3,712	\$ 5,435	\$ 4,841	\$ 593	\$ 98	\$ 744	\$ 15
Less: current portion	902	292	475	470	4	7	128	—
Total noncurrent ARO	\$9,354	\$ 3,420	\$ 4,960	\$ 4,371	\$ 589	\$ 91	\$ 616	\$ 15

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

ARO Liability Rollforward

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

	September 30, 2018							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
(in millions)								
Balance at December 31, 2017 ^(a)	\$10,175	\$ 3,610	\$ 5,414	\$ 4,673	\$ 742	\$ 84	\$ 781	\$ 15
Accretion expense ^(b)	319	133	168	145	23	3	22	—
Liabilities settled ^(c)	(431)	(198)	(186)	(155)	(31)	(5)	(42)	—
Liabilities incurred in the current year	34	8	—	—	—	—	25	—
Revisions in estimates of cash flows ^(d)	159	159	39	178	(141)	16	(42)	—
Balance at September 30, 2018	\$10,256	\$ 3,712	\$ 5,435	\$ 4,841	\$ 593	\$ 98	\$ 744	\$ 15

Primarily relates to decommissioning nuclear power facilities, closure of ash impoundments, asbestos removal,

(a) closure of landfills at fossil generation facilities, retirement of natural gas mains and removal of renewable energy generation assets.

(b) For the nine months ended September 30, 2018, 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 and nuclear decommissioning of Crystal River Unit 3.

Primarily relates to increases in groundwater monitoring estimates for closure of ash impoundments, partially (d) offset by modifications to the timing of expected cash flows and a reduction for nuclear decommissioning at Crystal River Unit 3 compared to original estimates.

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

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7. GOODWILL

Duke Energy

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

(in millions)	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Commercial Renewables	Total
Goodwill balance at December 31, 2017	\$ 17,379	\$ 1,924	\$ 122	\$19,425
Accumulated impairment charges	—	—	(29)	\$(29)
Goodwill balance at December 31, 2017, adjusted for accumulated impairment charges	\$ 17,379	\$ 1,924	\$ 93	\$19,396
Goodwill balance at September 30, 2018	\$ 17,379	\$ 1,924	\$ 122	\$19,425
Accumulated impairment charges	—	—	(122)	(122)
Goodwill balance at September 30, 2018, 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 September 30, 2018, and December 31, 2017.

Progress Energy

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

Piedmont

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

Impairment Testing

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

In the third quarter of 2018, based on the results of the annual quantitative goodwill impairment test, management determined that the fair value of the Commercial Renewables reporting unit was below its respective carrying value, including goodwill. Determination of the Commercial Renewables reporting unit fair value was based on an income approach, which estimates the fair value based on discounted future cash flows. The fair value of the Commercial Renewables reporting unit is impacted by several factors, including forecasted tax credit utilization, the cost of capital, current and forecasted solar and wind volumes, and legislative developments. Certain assumptions used in determining the fair value of the reporting unit in the 2018 impairment test changed from those used in the 2017

annual impairment test including the cost of capital as a result of rising interest rates and the timing of tax credit utilization due to the Tax Act and IRS (Internal Revenue Service) clarification on bonus depreciation in August 2018. Based on the quantitative impairment test, the estimated fair value of the Commercial Renewables reporting unit was below its carrying value by an immaterial amount but still more than the goodwill balance assigned to the reporting unit. As such, the entire remaining goodwill balance of approximately \$93 million was impaired during the third quarter of 2018.

The fair value of all other reporting units for Duke Energy, Progress Energy, Duke Energy Ohio and Piedmont exceeded their respective carrying values at the date of the annual impairment analysis. As such, no other impairment charges were recorded in the third quarter of 2018.

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8. RELATED PARTY TRANSACTIONS

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

(in millions)	Three Months		Nine Months	
	Ended September 30, 2018	Ended September 30, 2017	Ended September 30, 2018	Ended September 30, 2017
Duke Energy Carolinas				
Corporate governance and shared service expenses ^(a)	\$ 214	\$ 206	\$ 647	\$ 645
Indemnification coverages ^(b)	6	5	17	17
JDA revenue ^(c)	13	9	66	42
JDA expense ^(c)	61	39	134	91
Intercompany natural gas purchases ^(d)	3	3	11	5
Progress Energy				
Corporate governance and shared service expenses ^(a)	\$ 216	\$ 207	\$ 613	\$ 555
Indemnification coverages ^(b)	8	10	25	29
JDA revenue ^(c)	61	39	134	91
JDA expense ^(c)	13	9	66	42
Intercompany natural gas purchases ^(d)	20	19	58	57
Duke Energy Progress				
Corporate governance and shared service expenses ^(a)	\$ 138	\$ 112	\$ 382	\$ 321
Indemnification coverages ^(b)	3	4	9	11
JDA revenue ^(c)	61	39	134	91
JDA expense ^(c)	13	9	66	42
Intercompany natural gas purchases ^(d)	20	19	58	57
Duke Energy Florida				
Corporate governance and shared service expenses ^(a)	\$ 78	\$ 95	\$ 231	\$ 234
Indemnification coverages ^(b)	5	6	16	18
Duke Energy Ohio				
Corporate governance and shared service expenses ^(a)	\$ 85	\$ 90	\$ 264	\$ 275
Indemnification coverages ^(b)	1	1	3	3
Duke Energy Indiana				
Corporate governance and shared service expenses ^(a)	\$ 105	\$ 94	\$ 302	\$ 281
Indemnification coverages ^(b)	2	2	6	6
Piedmont				
Corporate governance and shared service expenses ^(a)	\$ 39	\$ 11	\$ 115	\$ 25
Indemnification coverages ^(b)	1	1	2	2

Intercompany natural gas sales^(d) 23 22 69 62

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.

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.

Duke Energy Carolinas and Duke Energy Progress participate in a Joint Dispatch Agreement (JDA), which allows the collective dispatch of power plants between the service territories to reduce customer rates. Revenues from the sale of power and expenses from the purchase of power pursuant to the JDA are recorded in Operating Revenues and Fuel used in electric generation and purchased power, respectively, on the Condensed Consolidated Statements of Operations and Comprehensive Income.

Piedmont provides long-term natural gas delivery service to certain Duke Energy Carolinas and Duke Energy Progress natural gas-fired generation facilities. Piedmont records the sales in Operating revenues, and Duke Energy Carolinas and Duke Energy Progress record the related purchases as a component of Fuel used in electric generation and purchased power on their respective Condensed Consolidated Statements of Operations and Comprehensive Income. These intercompany revenues and expenses are eliminated in consolidation.

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

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

Equity Method Investments

Piedmont has related party transactions as a customer of its equity method investments in natural gas storage and transportation facilities. The following table presents expenses for the three and nine months ended

September 30, 2018, and 2017, which are included in Cost of natural gas on Piedmont's Condensed Consolidated Statements of Operations and Comprehensive Income.

(in millions)	Type of expense	Three Months Ended		Nine Months Ended	
		September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Cardinal	Transportation Costs	\$ 2	\$ 2	\$ 5	\$ 6
Pine Needle	Natural Gas Storage Costs	2	2	6	6
Hardy Storage	Natural Gas Storage Costs	2	2	7	7
Total		\$ 6	\$ 6	\$ 18	\$ 19

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

Intercompany Income Taxes

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

(in millions)	Duke Energy Carolinas	Duke Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Duke Energy Piedmont
September 30, 2018							
Intercompany income tax receivable	\$ 32	\$ 196	\$ 80	\$ —	\$ —	\$ 22	\$ 11
Intercompany income tax payable	—	—	—	77	9	—	—
December 31, 2017							
Intercompany income tax receivable	\$ —	\$ 168	\$ —	\$ 44	\$ 22	\$ —	\$ 7
Intercompany income tax payable	44	—	21	—	—	35	—

9. DERIVATIVES AND HEDGING

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

borrowings.

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

INTEREST RATE RISK

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

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Cash Flow Hedges

For a derivative designated as hedging the exposure to variable cash flows of a future transaction, referred to as a cash flow hedge, the effective portion of the derivative's gain or loss is initially reported as a component of other comprehensive income and subsequently reclassified into earnings once the future transaction impacts earnings.

Amounts for interest rate contracts are reclassified to earnings as interest expense over the term of the related debt. Gains and losses reclassified out of AOCI for the three and nine months ended September 30, 2018, and 2017 were not material. Duke Energy's interest rate derivatives designated as hedges include interest rate swaps used to hedge existing debt within the Commercial Renewables business.

Undesignated Contracts

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

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

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

	September 30, 2018					
	Duke	Duke	Duke	Duke	Duke	Duke
(in millions)	Energy	Energy	Progress	Energy	Energy	Energy
	Energy	Carolinas	Energy	Progress	Florida	Ohio
Cash flow hedges	\$411	\$ —	\$ —	\$ —	\$ —	\$ —
Undesignated contracts	1,127	400	500	250	250	27
Total notional amount ^(a)	\$1,538	\$ 400	\$ 500	\$ 250	\$ 250	\$ 27
	December 31, 2017					
	Duke	Duke	Duke	Duke	Duke	Duke
(in millions)	Energy	Energy	Progress	Energy	Energy	Energy
	Energy	Carolinas	Energy	Progress	Florida	Ohio
Cash flow hedges ^(a)	\$660	\$ —	\$ —	\$ —	\$ —	\$ —
Undesignated contracts	927	400	500	250	250	27
Total notional amount	\$1,587	\$ 400	\$ 500	\$ 250	\$ 250	\$ 27

Duke Energy includes amounts related to consolidated VIEs of \$411 million in cash flow hedges and \$200 million (a) in undesignated contracts as of September 30, 2018, and \$660 million in cash flow hedges as of

December 31, 2017.

COMMODITY PRICE RISK

The Duke Energy Registrants are exposed to the impact of changes in the prices of electricity purchased and sold in bulk power markets and coal and natural gas purchases, including Piedmont's natural gas supply contracts. Exposure to commodity price risk is influenced by a number of factors including the term of contracts, the liquidity of markets and delivery locations. For the Subsidiary Registrants, bulk power electricity and coal and natural gas purchases flow through fuel adjustment clauses, formula-based contracts or other cost-sharing mechanisms. Differences between the

costs included in rates and the incurred costs, including undesignated derivative contracts, are largely deferred as regulatory assets or regulatory liabilities. Piedmont policies allow for the use of financial instruments to hedge commodity price risks. The strategy and objective of these hedging programs are to use the financial instruments to reduce natural gas costs volatility for customers.

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Volumes

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

	September 30, 2018						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Indiana	Duke Energy Piedmont
Electricity (gigawatt-hours)	170	—	—	—	—	170	—
Natural gas (millions of dekatherms)	744	119	167	158	9	1	457
	December 31, 2017						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Indiana	Duke Energy Piedmont
Electricity (gigawatt-hours)	34	—	—	—	—	34	—
Natural gas (millions of dekatherms)	770	105	183	133	50	2	480

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

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

Derivative Assets	September 30, 2018							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
(in millions)								
Commodity Contracts								
Not Designated as Hedging Instruments								
Current	\$46	\$ 2	\$ 3	\$ 2	\$ 1	\$ 8	\$ 29	\$ 4
Noncurrent	1	—	—	—	—	—	—	—
Total Derivative Assets – Commodity Contracts	\$47	\$ 2	\$ 3	\$ 2	\$ 1	\$ 8	\$ 29	\$ 4
Interest Rate Contracts								
Designated as Hedging Instruments								
Current	\$6	\$ 5	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Noncurrent	6	—	—	—	—	—	—	—
Not Designated as Hedging Instruments								
Current	1	—	—	—	—	—	—	—
Noncurrent	17	—	—	—	—	—	—	—
Total Derivative Assets – Interest Rate Contracts	\$30	\$ 5	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Total Derivative Assets	\$77	\$ 7	\$ 3	\$ 2	\$ 1	\$ 8	\$ 29	\$ 4
Derivative Liabilities	September 30, 2018							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
(in millions)								
Commodity Contracts								
Not Designated as Hedging Instruments								
Current	\$26	\$ 14	\$ 5	\$ 5	\$ —	\$ —	\$ —	\$ 7
Noncurrent	177	14	17	8	—	—	—	146
Total Derivative Liabilities – Commodity Contracts	\$203	\$ 28	\$ 22	\$ 13	\$ —	\$ —	\$ —	\$ 153
Interest Rate Contracts								
Designated as Hedging Instruments								
Current	\$2	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Not Designated as Hedging Instruments								
Current	7	—	6	3	3	1	—	—
Noncurrent	13	—	9	8	2	3	—	—

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Total Derivative Liabilities – Interest Rate Contracts	\$22	\$ —	\$ 15	\$ 11	\$ 5	\$ 4	\$ —	\$ —
Total Derivative Liabilities	\$225	\$ 28	\$ 37	\$ 24	\$ 5	\$ 4	\$ —	\$ 153

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

OFFSETTING ASSETS AND LIABILITIES

The following tables present the line items on the Condensed Consolidated Balance Sheets where derivatives are reported. Substantially all of Duke Energy's outstanding derivative contracts are subject to enforceable master netting arrangements. The gross amounts offset in the tables below show the effect of these netting arrangements on financial position, and include collateral posted to offset the net position. The amounts shown are calculated by counterparty.

Accounts receivable or accounts payable may also be available to offset exposures in the event of bankruptcy. These amounts are not included in the tables below.

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

Derivative Assets	September 30, 2018							
	Duke Energy		Progress Energy		Duke Energy Florida		Duke Energy Indiana Piedmont	
(in millions)	Duke Energy	Carolinas	Progress Energy	Progress Energy	Florida	Ohio	Indiana	Piedmont
Current								
Gross amounts recognized	\$53	\$ 7	\$ 3	\$ 2	\$ 1	\$ 8	\$ 29	\$ 4
Gross amounts offset	(4)	(2)	(2)	(2)	—	—	—	—
Net amounts presented in Current Assets: Other	\$49	\$ 5	\$ 1	\$ —	\$ 1	\$ 8	\$ 29	\$ 4
Noncurrent								
Gross amounts recognized	\$24	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Gross amounts offset	(1)	—	—	—	—	—	—	—
Net amounts presented in Other Noncurrent Assets: Other	\$23	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Derivative Liabilities	September 30, 2018							
	Duke Energy		Progress Energy		Duke Energy Florida		Duke Energy Indiana Piedmont	
(in millions)	Duke Energy	Carolinas	Progress Energy	Progress Energy	Florida	Ohio	Indiana	Piedmont
Current								
Gross amounts recognized	\$35	\$ 14	\$ 11	\$ 8	\$ 3	\$ 1	\$ —	\$ 7
Gross amounts offset	(4)	(2)	(2)	(2)	—	—	—	—
Net amounts presented in Current Liabilities: Other	\$31	\$ 12	\$ 9	\$ 6	\$ 3	\$ 1	\$ —	\$ 7
Noncurrent								
Gross amounts recognized	\$190	\$ 14	\$ 26	\$ 16	\$ 2	\$ 3	\$ —	\$ 146
Gross amounts offset	(1)	—	(1)	(1)	—	—	—	—
Net amounts presented in Other Noncurrent Liabilities: Other	\$189	\$ 14	\$ 25	\$ 15	\$ 2	\$ 3	\$ —	\$ 146
Derivative Assets	December 31, 2017							
	Duke Energy		Progress Energy		Duke Energy Florida		Duke Energy Indiana Piedmont	
(in millions)	Duke Energy	Carolinas	Progress Energy	Progress Energy	Florida	Ohio	Indiana	Piedmont
Current								
Gross amounts recognized	\$35	\$ 2	\$ 2	\$ 1	\$ 1	\$ 1	\$ 27	\$ 2
Gross amounts offset	—	—	—	—	—	—	—	—
Net amounts presented in Current Assets: Other	\$35	\$ 2	\$ 2	\$ 1	\$ 1	\$ 1	\$ 27	\$ 2
Noncurrent								
Gross amounts recognized	\$16	\$ —	\$ 1	\$ 1	\$ —	\$ —	\$ —	\$ —
Gross amounts offset	—	—	—	—	—	—	—	—
Net amounts presented in Other Noncurrent Assets: Other	\$16	\$ —	\$ 1	\$ 1	\$ —	\$ —	\$ —	\$ —

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

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

OBJECTIVE CREDIT CONTINGENT FEATURES

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

(in millions)	September 30, 2018				
	Duke Energy Carolinas		Progress Energy		Duke Energy Florida
Aggregate fair value of derivatives in a net liability position	\$48	\$ 26	\$ 23	\$ 22	\$ —
Fair value of collateral already posted	—	—	—	—	—
Additional cash collateral or letters of credit in the event credit-risk-related contingent features were triggered	48	26	23	22	—

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

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

10. INVESTMENTS IN DEBT AND EQUITY SECURITIES

Duke Energy's investments in debt and equity securities are primarily comprised of investments held in (i) the nuclear decommissioning trust funds (NDTF) at Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida, (ii)

grantor trusts at Duke Energy Progress, Duke Energy Florida and Duke Energy Indiana related to Other Post-Retirement Benefit Obligations (OPEB) plans and (iii) Bison. The Duke Energy Registrants classify investments in debt securities as available-for-sale (AFS) and investments in equity securities as fair value through net income (FV-NI).

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

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

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Investment Trusts

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

Other AFS Securities

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

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

DUKE ENERGY

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

	September 30, 2018 ^(a)			December 31, 2017		
	Unrealized Holding Gains	Unrealized Holding Losses	Estimated Fair Value	Unrealized Holding Gains	Unrealized Holding Losses	Estimated Fair Value
(in millions)						
NDTF						
Cash and cash equivalents	\$—	\$ —	\$ 75	\$—	\$ —	\$ 115
Equity securities	3,117	48	5,272	2,805	27	4,914
Corporate debt securities	5	10	595	17	2	570
Municipal bonds	—	7	346	4	3	344
U.S. government bonds	5	25	974	11	7	1,027
Other debt securities	—	3	141	—	1	118
Total NDTF Investments	\$3,127	\$ 93	\$ 7,403	\$2,837	\$ 40	\$ 7,088
Other Investments						
Cash and cash equivalents	\$—	\$ —	\$ 21	\$—	\$ —	\$ 15
Equity securities	51	—	115	59	—	123
Corporate debt securities	—	1	64	1	—	57
Municipal bonds	1	1	85	2	1	83
U.S. government bonds	—	1	59	—	—	41
Other debt securities	—	1	43	—	1	44
Total Other Investments	\$52	\$ 4	\$ 387	\$62	\$ 2	\$ 363

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

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

	Three Months Ended	Nine Months Ended
(in millions)	September 30, 2018	September 30, 2018
FV-NI:		
Realized gains	\$ 19	\$ 85
Realized losses	16	60
AFS:		
Realized gains	4	14
Realized losses	7	32

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

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)	September 30, 2018 ^(a)			December 31, 2017		
	Gross Holding Gains	Gross Holding Losses	Estimated Fair Value	Gross Holding Gains	Gross Holding Losses	Estimated Fair Value
NDTF						
Cash and cash equivalents	\$—	\$ —	\$ 18	\$—	\$ —	\$ 32
Equity securities	1,692	29	2,890	1,531	12	2,692
Corporate debt securities	2	7	372	9	2	359
Municipal bonds	—	2	80	—	1	60
U.S. government bonds	1	14	439	3	4	503
Other debt securities	—	3	137	—	1	112
Total NDTF Investments	\$ 1,695	\$ 55	\$ 3,936	\$ 1,543	\$ 20	\$ 3,758

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

The table below summarizes the maturity date for debt securities.

(in millions)	September 30, 2018
Due in one year or less	\$ 12

Due after one through five years	161
Due after five through 10 years	289
Due after 10 years	566
Total	\$ 1,028

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

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

	Three Months Ended	Nine Months Ended
(in millions)	September 30, 2018	September 30, 2018
FV-NI:		
Realized gains	\$ 11	\$ 47
Realized losses	8	30
AFS:		
Realized gains	4	13
Realized losses	6	24

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

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)	September 30, 2018 ^(a)			December 31, 2017		
	Gross Holding Gains	Gross Holding Losses	Estimated Fair Value	Unrealized Holding Gains	Unrealized Holding Losses	Estimated Fair Value
NDTF						
Cash and cash equivalents	\$—	\$ —	\$ 57	\$—	\$ —	\$ 83
Equity securities	1,425	19	2,382	1,274	15	2,222
Corporate debt securities	3	3	223	8	—	211
Municipal bonds	—	5	266	4	2	284
U.S. government bonds	4	11	535	8	3	524
Other debt securities	—	—	4	—	—	6
Total NDTF Investments	\$1,432	\$ 38	\$ 3,467	\$1,294	\$ 20	\$ 3,330
Other Investments						
Cash and cash equivalents	\$—	\$ —	\$ 18	\$—	\$ —	\$ 12
Municipal bonds	1	—	48	2	—	47
Total Other Investments	\$1	\$ —	\$ 66	\$2	\$ —	\$ 59
Total Investments	\$1,433	\$ 38	\$ 3,533	\$1,296	\$ 20	\$ 3,389

(a)

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

The table below summarizes the maturity date for debt securities.

(in millions)	September 30, 2018
Due in one year or less	\$ 83
Due after one through five years	268
Due after five through 10 years	217
Due after 10 years	508
Total	\$ 1,076

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

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

	Three Months Ended	Nine Months Ended
(in millions)	September 30, 2018	September 30, 2018
FV-NI:		
Realized gains	\$ 8	\$ 38
Realized losses	8	30
AFS:		
Realized gains	—	1
Realized losses	1	8

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

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)	September 30, 2018 ^(a)			December 31, 2017		
	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
NDTF						
Cash and cash equivalents	\$—	\$ —	\$ 42	\$—	\$ —	\$ 50
Equity securities	1,101	14	1,913	980	12	1,795
Corporate debt securities	2	2	162	6	—	149
Municipal bonds	—	5	265	4	2	283
U.S. government bonds	3	8	352	5	2	310
Other debt securities	—	—	2	—	—	4
Total NDTF Investments	\$ 1,106	\$ 29	\$ 2,736	\$ 995	\$ 16	\$ 2,591
Other Investments						
Cash and cash equivalents	\$—	\$ —	\$ 8	\$—	\$ —	\$ 1
Total Other Investments	\$—	\$ —	\$ 8	\$—	\$ —	\$ 1
Total Investments	\$ 1,106	\$ 29	\$ 2,744	\$ 995	\$ 16	\$ 2,592

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

or collected.

The table below summarizes the maturity date for debt securities.

(in millions)	September 30, 2018
Due in one year or less	\$ 40
Due after one through five years	200
Due after five through 10 years	156
Due after 10 years	385
Total	\$ 781

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

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

	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018
(in millions)		
FV-NI:		
Realized gains	\$ 7	\$ 32
Realized losses	7	27
AFS:		
Realized gains	—	1
Realized losses	1	6

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

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.

	September 30, 2018 ^(a)			December 31, 2017		
	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
(in millions)						
NDTF						
Cash and cash equivalents	\$ —	\$ —	\$ 15	\$ —	\$ —	\$ 33
Equity securities	324	5	469	294	3	427
Corporate debt securities	1	1	61	2	—	62
Municipal bonds	—	—	1	—	—	1
U.S. government bonds	1	3	183	3	1	214
Other debt securities	—	—	2	—	—	2
Total NDTF Investments ^(b)	\$ 326	\$ 9	\$ 731	\$ 299	\$ 4	\$ 739
Other Investments						
Cash and cash equivalents	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1
Municipal bonds	1	—	48	2	—	47
Total Other Investments	\$ 1	\$ —	\$ 48	\$ 2	\$ —	\$ 48
Total Investments	\$ 327	\$ 9	\$ 779	\$ 301	\$ 4	\$ 787

(a)

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

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

The table below summarizes the maturity date for debt securities.

(in millions)	September 30, 2018
Due in one year or less	\$ 43
Due after one through five years	68
Due after five through 10 years	61
Due after 10 years	123
Total	\$ 295

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

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

	Three Months Ended		Nine Months Ended	
(in millions)	September 30, 2018		September 30, 2018	
FV-NI:				
Realized gains	\$	1	\$	6
Realized losses	1		3	
AFS:				
Realized gains	—		—	
Realized losses	—		2	
	Three Months Ended		Nine Months Ended	
(in millions)	September 30, 2017		September 30, 2017	
Realized gains	\$	2	\$	9
Realized losses	1		6	

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)	September 30, 2018 ^(a)			December 31, 2017		
	Gross Holding Gains	Gross Holding Losses	Estimated Fair Value	Gross Holding Gains	Gross Holding Losses	Estimated Fair Value
Investments						
Equity securities	\$ 40	\$ —	\$ 78	\$ 49	\$ —	\$ 97
Corporate debt securities	—	—	8	—	—	3
Municipal bonds	—	1	32	—	1	28
Total Investments	\$ 40	\$ 1	\$ 118	\$ 49	\$ 1	\$ 128

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

The table below summarizes the maturity date for debt securities.

(in millions)	September 30, 2018
Due in one year or less	\$ 2
Due after one through five years	20
Due after five through 10 years	5
Due after 10 years	13

Total \$ 40

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

11. FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

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

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

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

Investments in equity securities

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

Investments in debt securities

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

measurement is Level 3.

Commodity derivatives

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

Interest rate derivatives

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

Other fair value considerations

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

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

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

DUKE ENERGY

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

September 30, 2018					
(in millions)	Total Fair Value	Level 1	Level 2	Level 3	Not Categorized
NDTF equity securities	\$5,272	\$5,203	\$—	\$—	\$ 69
NDTF debt securities	2,131	510	1,621	—	—
Other equity securities	115	115	—	—	—
Other debt securities	272	78	194	—	—
Derivative assets	77	4	36	37	—
Total assets	7,867	5,910	1,851	37	69
Derivative liabilities	(225)	—	(72)	(153)	—
Net assets (liabilities)	\$7,642	\$5,910	\$1,779	\$(116)	\$ 69

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

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

(in millions)	Three Months Ended September 30, 2018		Three Months Ended September 30, 2017	
	Derivatives (net) Investments	Total	Derivatives (net) Investments	Total
Balance at beginning of period	\$ —	\$(97)	\$(97)	\$(91)

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

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.

September 30, 2018				
(in millions)	Total Fair Value	Level 1	Level 2	Not Categorized
NDTF equity securities	\$2,890	\$2,821	\$—	\$ 69
NDTF debt securities	1,046	122	924	—
Derivative assets	7	—	7	—
Total assets	3,943	2,943	931	69
Derivative liabilities	(28)	—	(28)	—
Net assets	\$3,915	\$2,943	\$903	\$ 69

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

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

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

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

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

PROGRESS ENERGY

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

(in millions)	September 30, 2018			December 31, 2017		
	Total	Level	Level	Total	Level	Level
	Fair Value	1	2	Fair Value	1	2
NDTF equity securities	\$2,382	\$2,382	\$—	\$2,222	\$2,222	\$—
NDTF debt securities	1,085	388	697	1,108	431	677
Other debt securities	66	18	48	59	12	47
Derivative assets	3	—	3	3	1	2
Total assets	3,536	2,788	748	3,392	2,666	726
Derivative liabilities	(37)	—	(37)	(36)	(1)	(35)
Net assets	\$3,499	\$2,788	\$711	\$3,356	\$2,665	\$691

DUKE ENERGY PROGRESS

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

(in millions)	September 30, 2018			December 31, 2017		
	Total	Level	Level	Total	Level	Level
	Fair Value	1	2	Fair Value	1	2
NDTF equity securities	\$1,913	\$1,913	\$—	\$1,795	\$1,795	\$—
NDTF debt securities	823	254	569	796	243	553
Other debt securities	8	8	—	1	1	—
Derivative assets	2	—	2	2	1	1
Total assets	2,746	2,175	571	2,594	2,040	554
Derivative liabilities	(24)	—	(24)	(18)	(1)	(17)
Net assets	\$2,722	\$2,175	\$547	\$2,576	\$2,039	\$537

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)	September 30, 2018			December 31, 2017		
	Total	Level	Level	Total	Level	Level
	Fair Value	1	2	Fair Value	1	2
NDTF equity securities	\$469	\$469	\$—	\$427	\$427	\$—
NDTF debt securities	262	134	128	312	188	124
Other debt securities	48	—	48	48	1	47
Derivative assets	1	—	1	1	—	1

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Total assets	780	603	177	788	616	172
Derivative liabilities	(5)	—	(5)	(12)	—	(12)
Net assets	\$ 775	\$ 603	\$ 172	\$ 776	\$ 616	\$ 160

DUKE ENERGY OHIO

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

(in millions)	September 30, 2018			December 31, 2017		
	Total	Level	Level	Total	Level	Level
	Fair Value	2	3	Fair Value	2	3
Derivative assets	\$ 8	\$ —	\$ 8	\$ 1	\$ —	\$ 1
Derivative liabilities	(4)	(4)	—	(5)	(5)	—
Net assets (liabilities)	\$ 4	\$ (4)	\$ 8	\$ (4)	\$ (5)	\$ 1

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

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

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

	Derivatives (net)			
	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
(in millions)	2018	2017	2018	2017
Balance at beginning of period	\$9	\$3	\$1	\$5
Purchases, sales, issuances and settlements:				
Purchases	—	—	7	3
Settlements	(1)	(1)	(2)	(3)
Total gains (losses) included on the Condensed Consolidated Balance Sheet	—	—	2	(3)
Balance at end of period	\$8	\$2	\$8	\$2

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.

	September 30, 2018			December 31, 2017		
	Total Fair Value	Level 1	Level 2	Total Fair Value	Level 1	Level 2
(in millions)						
Other equity securities	\$ 78	\$ 78	\$ —	\$ 97	\$ 97	\$ —
Other debt securities	40	—	—	—	—	—