

Matheson Monique S.
Form 4
December 13, 2017

FORM 4

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

OMB APPROVAL

OMB Number: 3235-0287
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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Matheson Monique S.

(Last) (First) (Middle)
ONE BOWERMAN DRIVE
(Street)

BEAVERTON, OR 97005
(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
NIKE INC [NKE]

3. Date of Earliest Transaction
(Month/Day/Year)
12/11/2017

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

____ Director _____ 10% Owner
 Officer (give title below) _____ Other (specify below)

EVP: Global HR

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

550 South Tryon Street
Charlotte, North Carolina
28202-1803
704-382-3853

20-2777218

| Commission file number | Registrant, State of Incorporation or Organization, Address of Principal Executive Offices, Telephone Number and IRS Employer Identification Number | Commission file number | Registrant, State of Incorporation or Organization, Address of Principal Executive Offices, Telephone Number and IRS Employer Identification Number |
|------------------------|---|------------------------|--|
| 1-4928 | DUKE ENERGY CAROLINAS, LLC (a North Carolina limited liability company) 526 South Church Street Charlotte, North Carolina 28202-1803 704-382-3853 56-0205520 | 1-3274 | DUKE ENERGY FLORIDA, LLC (a Florida limited liability company) 299 First Avenue North St. Petersburg, Florida 33701 704-382-3853 59-0247770 |
| 1-15929 | PROGRESS ENERGY, INC. (a North Carolina corporation) 410 South Wilmington Street Raleigh, North Carolina 27601-1748 704-382-3853 | 1-1232 | DUKE ENERGY OHIO, INC. (an Ohio corporation) 139 East Fourth Street Cincinnati, Ohio 45202 704-382-3853 |

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| | | | |
|--------|--|--------|--|
| | 56-2155481 | | 31-0240030 |
| | DUKE ENERGY PROGRESS, LLC | | DUKE ENERGY INDIANA, LLC |
| | (a North Carolina limited liability company) | | (an Indiana limited liability company) |
| 1-3382 | 410 South Wilmington Street | 1-3543 | 1000 East Main Street |
| | Raleigh, North Carolina 27601-1748 | | Plainfield, Indiana 46168 |
| | 704-382-3853 | | 704-382-3853 |
| | 56-0165465 | | 35-0594457 |

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 .. | | |

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

Duke Energy Yes 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

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

Duke Energy Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
 Duke Energy Carolinas Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
 Progress Energy Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
 Duke Energy Progress Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
 Duke Energy Florida Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
 Duke Energy Ohio Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
 Duke Energy Indiana Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

Number of shares of Common stock outstanding at September 30, 2016:

| Registrant | Description | Shares |
|-----------------------|---|-------------|
| Duke Energy | Common stock, \$0.001 par value | 688,941,372 |
| Duke Energy Carolinas | All of the registrant's limited liability company member interests are directly owned by Duke Energy. | |
| Progress Energy | All of the registrant's common stock is directly owned by Duke Energy. | |
| Duke Energy Progress | All of the registrant's limited liability company member interests are indirectly owned by Duke Energy. | |
| Duke Energy Florida | All of the registrant's limited liability company member interests are indirectly owned by Duke Energy. | |
| Duke Energy Ohio | All of the registrant's common stock is indirectly owned by Duke Energy. | |
| Duke Energy Indiana | All of the registrant's limited liability company member interests are indirectly owned by Duke Energy. | |

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

Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio and Duke Energy Indiana 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 or 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 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;

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

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 variations in customer usage patterns, including energy efficiency efforts and use of alternative energy sources, including 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 rooftop 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 markets and continued industry consolidation;

Political, economic and regulatory uncertainty in Brazil and other countries in which Duke Energy conducts business;

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;

The ability to successfully operate electric generating facilities and deliver electricity to customers including direct or indirect effects to the company resulting from an incident that affects the U.S. electric grid or generating resources;

The ability to complete necessary or desirable pipeline expansion or infrastructure projects in our natural gas business;

Operational interruptions to our gas distribution and transmission activities;

The impact on facilities and business from a terrorist attack, cybersecurity threats, data security breaches, and other catastrophic events such as fires, explosions, pandemic health events or other similar occurrences;

The inherent risks associated with the operation and potential construction of nuclear facilities, including environmental, health, safety, regulatory and financial risks;

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

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

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;

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Construction and development risks associated with the completion of 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 potential goodwill impairments;

The ability to successfully complete future merger, acquisition or divestiture plans, including the proposed sale of International Energy, excluding the equity investment in National Methanol Company; and

The ability to successfully integrate the natural gas businesses since the acquisition of Piedmont Natural Gas Company, Inc. and realize anticipated benefits and the risk that the credit ratings of the combined company or its subsidiaries may be different from what the companies expect.

Additional risks and uncertainties are identified and discussed in the Duke Energy Registrants' reports filed with the SEC and available at the SEC's website at www.sec.gov. 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, | |
|--|--|----------|---------------------------------------|----------|
| | 2016 | 2015 | 2016 | 2015 |
| (in millions, except per-share amounts) | | | | |
| Operating Revenues | | | | |
| Regulated electric | \$6,303 | \$6,017 | \$16,321 | \$16,564 |
| Nonregulated electric and other | 429 | 377 | 1,251 | 1,157 |
| Regulated natural gas | 89 | 89 | 355 | 416 |
| Total operating revenues | 6,821 | 6,483 | 17,927 | 18,137 |
| Operating Expenses | | | | |
| Fuel used in electric generation and purchased power – regulated | 2,016 | 2,113 | 5,102 | 5,775 |
| Fuel used in electric generation and purchased power – nonregulated | 75 | 61 | 215 | 283 |
| Cost of natural gas | 17 | 21 | 98 | 158 |
| Operation, maintenance and other | 1,547 | 1,426 | 4,467 | 4,274 |
| Depreciation and amortization | 837 | 774 | 2,464 | 2,341 |
| Property and other taxes | 303 | 293 | 893 | 836 |
| Impairment charges | 10 | 111 | 208 | 111 |
| Total operating expenses | 4,805 | 4,799 | 13,447 | 13,778 |
| Gains on Sales of Other Assets and Other, net | 6 | 4 | 20 | 31 |
| Operating Income | 2,022 | 1,688 | 4,500 | 4,390 |
| Other Income and Expenses | | | | |
| Equity in earnings (losses) of unconsolidated affiliates | (60 |) 17 | (37 |) 53 |
| Other income and expenses, net | 99 | 57 | 270 | 203 |
| Total other income and expenses | 39 | 74 | 233 | 256 |
| Interest Expense | 482 | 402 | 1,493 | 1,208 |
| Income From Continuing Operations Before Income Taxes | 1,579 | 1,360 | 3,240 | 3,438 |
| Income Tax Expense from Continuing Operations | 520 | 420 | 972 | 1,118 |
| Income From Continuing Operations | 1,059 | 940 | 2,268 | 2,320 |
| Income (Loss) From Discontinued Operations, net of tax | 122 | (5 |) 124 | 29 |
| Net Income | 1,181 | 935 | 2,392 | 2,349 |
| Less: Net Income Attributable to Noncontrolling Interests | 5 | 3 | 13 | 10 |
| Net Income Attributable to Duke Energy Corporation | \$1,176 | \$932 | \$2,379 | \$2,339 |
| Earnings Per Share – Basic and Diluted | | | | |
| Income from continuing operations attributable to Duke Energy Corporation common stockholders | | | | |
| Basic | \$1.52 | \$1.36 | \$3.27 | \$3.31 |
| Diluted | \$1.52 | \$1.36 | \$3.26 | \$3.31 |
| Income (Loss) from discontinued operations attributable to Duke Energy Corporation common stockholders | | | | |
| Basic | \$0.18 | \$(0.01) | \$0.18 | \$0.05 |
| Diluted | \$0.18 | \$(0.01) | \$0.18 | \$0.05 |

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| | | | | |
|--|--------|--------|--------|--------|
| Net income attributable to Duke Energy Corporation common stockholders | | | | |
| Basic | \$1.70 | \$1.35 | \$3.45 | \$3.36 |
| Diluted | \$1.70 | \$1.35 | \$3.44 | \$3.36 |
| Weighted average shares outstanding | | | | |
| Basic | 689 | 688 | 689 | 696 |
| Diluted | 691 | 688 | 690 | 696 |

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 | | Nine Months | |
|--|---------------|---------------|---------------|---------------|
| | Ended | | Ended | |
| | September 30, | September 30, | September 30, | September 30, |
| | 2016 | 2015 | 2016 | 2015 |
| Net Income | \$1,181 | \$935 | \$2,392 | \$2,349 |
| Other Comprehensive (Loss) Income, net of tax | | | | |
| Foreign currency translation adjustments | (12) | (122) | 95 | (238) |
| Pension and OPEB adjustments | — | (3) | 2 | (1) |
| Net unrealized gains (losses) on cash flow hedges | 6 | (9) | (19) | (7) |
| Reclassification into earnings from cash flow hedges | 1 | 1 | 3 | 6 |
| Unrealized (losses) gains on available-for-sale securities | — | (2) | 7 | (5) |
| Other Comprehensive (Loss) Income, net of tax | (5) | (135) | 88 | (245) |
| Comprehensive Income | 1,176 | 800 | 2,480 | 2,104 |
| Less: Comprehensive Income (Loss) Attributable to Noncontrolling Interests | 4 | (2) | 16 | — |
| Comprehensive Income Attributable to Duke Energy Corporation | \$1,172 | \$802 | \$2,464 | \$2,104 |

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, 2016 | December 31, 2015 |
|---|-----------------------|----------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 6,179 | \$ 857 |
| Receivables (net of allowance for doubtful accounts of \$25 at 2016 and \$18 at 2015) | 583 | 703 |
| Receivables of VIEs (net of allowance for doubtful accounts of \$54 at 2016 and \$53 at 2015) | 2,139 | 1,748 |
| Inventory | 3,351 | 3,810 |
| Regulatory assets (includes \$51 related to VIEs at 2016) | 853 | 877 |
| Other | 429 | 327 |
| Total current assets | 13,534 | 8,322 |
| Investments and Other Assets | | |
| Investments in equity method unconsolidated affiliates | 604 | 499 |
| Nuclear decommissioning trust funds | 6,112 | 5,825 |
| Goodwill | 16,354 | 16,343 |
| Other | 2,948 | 3,042 |
| Total investments and other assets | 26,018 | 25,709 |
| Property, Plant and Equipment | | |
| Cost | 116,376 | 112,826 |
| Accumulated depreciation and amortization | (38,812 |) (37,665) |
| Generation facilities to be retired, net | 652 | 548 |
| Net property, plant and equipment | 78,216 | 75,709 |
| Regulatory Assets and Deferred Debits | | |
| Regulatory assets (includes \$1,156 related to VIEs at 2016) | 11,896 | 11,373 |
| Other | 22 | 43 |
| Total regulatory assets and deferred debits | 11,918 | 11,416 |
| Total Assets | \$ 129,686 | \$ 121,156 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Accounts payable | \$ 2,138 | \$ 2,400 |
| Notes payable and commercial paper | 3,011 | 3,633 |
| Taxes accrued | 636 | 348 |
| Interest accrued | 504 | 430 |
| Current maturities of long-term debt (includes \$258 at 2016 and \$125 at 2015 related to VIEs) | 3,201 | 2,074 |
| Asset retirement obligations | 539 | — |
| Regulatory liabilities | 319 | 400 |
| Other | 1,728 | 2,115 |
| Total current liabilities | 12,076 | 11,400 |
| Long-Term Debt (includes \$3,641 at 2016 and \$2,197 at 2015 related to VIEs) | 43,964 | 37,495 |
| Deferred Credits and Other Liabilities | | |
| Deferred income taxes | 13,201 | 12,705 |
| Investment tax credits | 486 | 472 |
| Accrued pension and other post-retirement benefit costs | 1,030 | 1,088 |

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| | | |
|---|------------|------------|
| Asset retirement obligations | 10,291 | 10,264 |
| Regulatory liabilities | 6,241 | 6,255 |
| Other | 1,851 | 1,706 |
| Total deferred credits and other liabilities | 33,100 | 32,490 |
| Commitments and Contingencies | | |
| Equity | | |
| Common stock, \$0.001 par value, 2 billion shares authorized; 689 million and 688 million shares outstanding at 2016 and 2015, respectively | 1 | 1 |
| Additional paid-in capital | 37,997 | 37,968 |
| Retained earnings | 3,212 | 2,564 |
| Accumulated other comprehensive loss | (721 |) (806) |
| Total Duke Energy Corporation stockholders' equity | 40,489 | 39,727 |
| Noncontrolling interests | 57 | 44 |
| Total equity | 40,546 | 39,771 |
| Total Liabilities and Equity | \$ 129,686 | \$ 121,156 |

See Notes to Condensed Consolidated Financial Statements

8

PART I

DUKE ENERGY CORPORATION

Condensed Consolidated Statements of Cash Flows
(Unaudited)

| | Nine Months Ended September 30, | |
|---|---------------------------------------|----------|
| (in millions) | 2016 | 2015 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$2,392 | \$2,349 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation, amortization and accretion (including amortization of nuclear fuel) | 2,847 | 2,680 |
| Equity component of AFUDC | (140) | (123) |
| Gains on sales of other assets | (27) | (44) |
| Impairment charges | 279 | 145 |
| Deferred income taxes | 648 | 1,104 |
| Equity in earnings of unconsolidated affiliates | (34) | (53) |
| Accrued pension and other post-retirement benefit costs | 12 | 53 |
| Contributions to qualified pension plans | — | (143) |
| Payments for asset retirement obligations | (443) | (208) |
| (Increase) decrease in | | |
| Net realized and unrealized mark-to-market and hedging transactions | 36 | (23) |
| Receivables | (295) | 67 |
| Inventory | 455 | (13) |
| Other current assets | (163) | (119) |
| Increase (decrease) in | | |
| Accounts payable | (207) | (182) |
| Taxes accrued | 417 | 41 |
| Other current liabilities | (157) | 79 |
| Other assets | (64) | (143) |
| Other liabilities | 36 | (71) |
| Net cash provided by operating activities | 5,592 | 5,396 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Capital expenditures | (5,242) | (4,642) |
| Investment expenditures | (198) | (209) |
| Acquisitions | (10) | (1,317) |
| Purchases of available-for-sale securities | (4,048) | (3,017) |
| Proceeds from sales and maturities of available-for-sale securities | 4,107 | 3,037 |
| Net proceeds from the sale of the Midwest Generation Disposal Group | — | 2,792 |
| Net proceeds from the sales of equity investments and other assets | 6 | 124 |
| Change in restricted cash | (34) | (49) |
| Other | (136) | (10) |
| Net cash used in investing activities | (5,555) | (3,291) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from the: | | |
| Issuance of long-term debt | 8,647 | 1,780 |
| Issuance of common stock related to employee benefit plans | 7 | 16 |
| Payments for the redemption of long-term debt | (988) | (1,264) |
| Proceeds from the issuance of short-term debt with original maturities greater than 90 days | 1,424 | 287 |

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| | | |
|--|----------|----------|
| Payments for the redemption of short-term debt with original maturities greater than 90 days | (492) | (931) |
| Notes payable and commercial paper | (1,579) | 531 |
| Distributions to noncontrolling interests | (3) | (7) |
| Dividends paid | (1,731) | (1,685) |
| Repurchase of common shares | — | (1,500) |
| Other | — | 2 |
| Net cash provided by (used in) financing activities | 5,285 | (2,771) |
| Net increase (decrease) in cash and cash equivalents | 5,322 | (666) |
| Cash and cash equivalents at beginning of period | 857 | 2,036 |
| Cash and cash equivalents at end of period | \$6,179 | \$1,370 |
| Supplemental Disclosures: | | |
| Significant non-cash transactions: | | |
| Accrued capital expenditures | \$631 | \$610 |

See Notes to Condensed Consolidated Financial Statements

9

PART I

DUKE ENERGY CORPORATION

Condensed Consolidated Statements of Changes in Equity
(Unaudited)

| | Common Stock Shares | Additional | | Retained Earnings | Translation Adjustment | Currency Losses on Cash Flow Hedges | Foreign Net Losses on Available for-Sale Securities | Accumulated Other Comprehensive Loss Net Unrealized (Losses) Gains Pension Adjustment | Total Duke Energy Corporation Stockholders' Equity | Noncontrolling Interests | Total Equity |
|---|---------------------------|--------------------|----------|----------------------|---------------------------|--|--|--|---|-----------------------------|-----------------|
| | | Paid-in Capital | Stock | | | | | | | | |
| (in millions) | | | | | | | | | | | |
| Balance at December 31, 2014 | 707 | \$ 1 | \$39,405 | \$2,012 | \$(439) | \$(59) | \$ 3 | \$(48) | \$40,875 | \$ 24 | \$40,899 |
| Net income | — | — | — | 2,339 | — | — | — | — | 2,339 | 10 | 2,349 |
| Other comprehensive loss | — | — | — | — | (228) | (1) | (5) | (1) | (235) | (10) | (245) |
| Common stock issuances, including dividend reinvestment and employee benefits | 1 | — | 48 | — | — | — | — | — | 48 | — | 48 |
| Stock repurchase | (20) | — | (1,500) | — | — | — | — | — | (1,500) | — | (1,500) |
| Common stock dividends | — | — | — | (1,685) | — | — | — | — | (1,685) | — | (1,685) |
| Distributions to noncontrolling interest in subsidiaries | — | — | — | — | — | — | — | — | — | (7) | (7) |
| Other ^(a) | — | — | — | (10) | — | — | — | — | (10) | 19 | 9 |
| Balance at September 30, 2015 | 688 | \$ 1 | \$37,953 | \$2,656 | \$(667) | \$(60) | \$(2) | \$(49) | \$39,832 | \$ 36 | \$39,868 |
| Balance at December 31, 2015 | 688 | \$ 1 | \$37,968 | \$2,564 | \$(692) | \$(50) | \$(3) | \$(61) | \$39,727 | \$ 44 | \$39,771 |
| Net income | — | — | — | 2,379 | — | — | — | — | 2,379 | 13 | 2,392 |
| Other comprehensive income (loss) | — | — | — | — | 92 | (16) | 7 | 2 | 85 | 3 | 88 |
| Common stock issuances, including dividend reinvestment and employee benefits | 1 | — | 29 | — | — | — | — | — | 29 | — | 29 |
| Common stock dividends | — | — | — | (1,731) | — | — | — | — | (1,731) | — | (1,731) |
| Distributions to noncontrolling interest in subsidiaries | — | — | — | — | — | — | — | — | — | (3) | (3) |
| | 689 | \$ 1 | \$37,997 | \$3,212 | \$(600) | \$(66) | \$ 4 | \$(59) | \$40,489 | \$ 57 | \$40,546 |

Balance at
September 30, 2016

(a) The \$19 million change in Noncontrolling Interests for the nine months ended September 30, 2015, is primarily related to an acquisition of majority interest in a solar company.

See Notes to Condensed Consolidated Financial Statements

10

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, | |
| | 2016 | 2015 | 2016 | 2015 |
| Operating Revenues | \$2,226 | \$2,061 | \$5,641 | \$5,669 |
| Operating Expenses | | | | |
| Fuel used in electric generation and purchased power | 581 | 548 | 1,391 | 1,553 |
| Operation, maintenance and other | 493 | 511 | 1,481 | 1,469 |
| Depreciation and amortization | 268 | 269 | 802 | 779 |
| Property and other taxes | 68 | 67 | 206 | 204 |
| Total operating expenses | 1,410 | 1,395 | 3,880 | 4,005 |
| Losses on Sales of Other Assets and Other, net | (1) | — | (1) | — |
| Operating Income | 815 | 666 | 1,760 | 1,664 |
| Other Income and Expenses, net | 39 | 42 | 121 | 125 |
| Interest Expense | 102 | 105 | 316 | 313 |
| Income Before Income Taxes | 752 | 603 | 1,565 | 1,476 |
| Income Tax Expense | 258 | 220 | 539 | 536 |
| Net Income | \$494 | \$383 | \$1,026 | \$940 |
| Other Comprehensive Income, net of tax | | | | |
| Reclassification into earnings from cash flow hedges | — | 1 | 1 | 1 |
| Unrealized gains on available-for-sale securities | — | 1 | — | 1 |
| Other Comprehensive Income, net of tax | — | 2 | 1 | 2 |
| Comprehensive Income | \$494 | \$385 | \$1,027 | \$942 |

See Notes to Condensed Consolidated Financial Statements

11

PART I

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

| (in millions) | September 30, 2016 | December 31, 2015 |
|--|-----------------------|----------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 82 | \$ 13 |
| Receivables (net of allowance for doubtful accounts of \$2 at 2016 and \$3 at 2015) | 129 | 142 |
| Receivables of VIEs (net of allowance for doubtful accounts of \$7 at 2016 and 2015) | 780 | 596 |
| Receivables from affiliated companies | 88 | 107 |
| Notes receivable from affiliated companies | 32 | 163 |
| Inventory | 1,053 | 1,276 |
| Regulatory assets | 256 | 305 |
| Other | 22 | 128 |
| Total current assets | 2,442 | 2,730 |
| Investments and Other Assets | | |
| Nuclear decommissioning trust funds | 3,234 | 3,050 |
| Other | 923 | 999 |
| Total investments and other assets | 4,157 | 4,049 |
| Property, Plant and Equipment | | |
| Cost | 40,495 | 39,398 |
| Accumulated depreciation and amortization | (14,125) | (13,521) |
| Net property, plant and equipment | 26,370 | 25,877 |
| Regulatory Assets and Deferred Debits | | |
| Regulatory assets | 3,040 | 2,766 |
| Other | 3 | 4 |
| Total regulatory assets and deferred debits | 3,043 | 2,770 |
| Total Assets | \$ 36,012 | \$ 35,426 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Accounts payable | \$ 582 | \$ 753 |
| Accounts payable to affiliated companies | 149 | 229 |
| Taxes accrued | 198 | 25 |
| Interest accrued | 125 | 95 |
| Current maturities of long-term debt | 468 | 356 |
| Asset retirement obligations | 303 | — |
| Regulatory liabilities | 125 | 39 |
| Other | 417 | 519 |
| Total current liabilities | 2,367 | 2,016 |
| Long-Term Debt | | |
| Long-Term Debt Payable to Affiliated Companies | 300 | 300 |
| Deferred Credits and Other Liabilities | | |
| Deferred income taxes | 6,464 | 6,146 |
| Investment tax credits | 195 | 199 |
| Accrued pension and other post-retirement benefit costs | 93 | 107 |
| Asset retirement obligations | 3,622 | 3,918 |
| Regulatory liabilities | 2,864 | 2,802 |

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| | | |
|--|-----------|-----------|
| Other | 685 | 621 |
| Total deferred credits and other liabilities | 13,923 | 13,793 |
| Commitments and Contingencies | | |
| Equity | | |
| Member's equity | 10,840 | 11,617 |
| Accumulated other comprehensive loss | (10 |) (11 |
| Total equity | 10,830 | 11,606 |
| Total Liabilities and Equity | \$ 36,012 | \$ 35,426 |

See Notes to Condensed Consolidated Financial Statements

12

PART I

DUKE ENERGY CAROLINAS, LLC

Condensed Consolidated Statements of Cash Flows
(Unaudited)

| (in millions) | Nine Months Ended September 30, | |
|---|---------------------------------------|----------|
| | 2016 | 2015 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$1,026 | \$940 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization (including amortization of nuclear fuel) | 1,020 | 1,016 |
| Equity component of AFUDC | (75) | (73) |
| Losses on sales of other assets and other, net | 1 | — |
| Deferred income taxes | 382 | 183 |
| Accrued pension and other post-retirement benefit costs | 3 | 11 |
| Contributions to qualified pension plans | — | (42) |
| Payments for asset retirement obligations | (204) | (104) |
| (Increase) decrease in | | |
| Net realized and unrealized mark-to-market and hedging transactions | 4 | — |
| Receivables | (191) | (9) |
| Receivables from affiliated companies | 19 | — |
| Inventory | 217 | (48) |
| Other current assets | 81 | 42 |
| Increase (decrease) in | | |
| Accounts payable | (179) | (141) |
| Accounts payable to affiliated companies | (100) | (11) |
| Taxes accrued | 248 | 182 |
| Other current liabilities | 51 | 49 |
| Other assets | 57 | 97 |
| Other liabilities | (15) | (61) |
| Net cash provided by operating activities | 2,345 | 2,031 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Capital expenditures | (1,531) | (1,372) |
| Purchases of available-for-sale securities | (2,070) | (1,926) |
| Proceeds from sales and maturities of available-for-sale securities | 2,070 | 1,926 |
| Notes receivable from affiliated companies | 131 | (549) |
| Other | (65) | (13) |
| Net cash used in investing activities | (1,465) | (1,934) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from the issuance of long-term debt | 992 | 496 |
| Payments for the redemption of long-term debt | (3) | (3) |
| Distributions to parent | (1,800) | (401) |
| Other | — | (4) |
| Net cash (used in) provided by financing activities | (811) | 88 |
| Net increase in cash and cash equivalents | 69 | 185 |
| Cash and cash equivalents at beginning of period | 13 | 13 |
| Cash and cash equivalents at end of period | \$82 | \$198 |
| Supplemental Disclosures: | | |

Significant non-cash transactions:

| | | |
|------------------------------|-------|-------|
| Accrued capital expenditures | \$228 | \$229 |
|------------------------------|-------|-------|

See Notes to Condensed Consolidated Financial Statements

13

PART I

DUKE ENERGY CAROLINAS, LLC

Condensed Consolidated Statements of Changes in Equity
(Unaudited)

| (in millions) | Member's Equity | Accumulated Other Comprehensive Loss | | | Total Equity |
|-------------------------------|--------------------|---|-------------------------------|--|-----------------|
| | | Cash Flow | Net Losses on Hedges | Net Unrealized Losses on Available-for- Sale Securities | |
| Balance at December 31, 2014 | \$ 10,937 | \$ (12) | \$ (1) | \$ (1) | \$ 10,924 |
| Net income | 940 | — | — | — | 940 |
| Other comprehensive income | — | 1 | 1 | 1 | 2 |
| Distributions to parent | (401) | — | — | — | (401) |
| Balance at September 30, 2015 | \$ 11,476 | \$ (11) | \$ — | \$ — | \$ 11,465 |
| Balance at December 31, 2015 | \$ 11,617 | \$ (11) | \$ — | \$ — | \$ 11,606 |
| Net income | 1,026 | — | — | — | 1,026 |
| Other comprehensive income | — | 1 | — | — | 1 |
| Distributions to parent | (1,800) | — | — | — | (1,800) |
| Other | (3) | — | — | — | (3) |
| Balance at September 30, 2016 | \$ 10,840 | \$ (10) | \$ — | \$ — | \$ 10,830 |

See Notes to Condensed Consolidated Financial Statements

14

PART I

PROGRESS ENERGY, 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, |
| | 2016 | 2015 | 2016 | 2015 |
| Operating Revenues | \$2,965 | \$2,929 | \$7,645 | \$7,941 |
| Operating Expenses | | | | |
| Fuel used in electric generation and purchased power | 1,120 | 1,238 | 2,832 | 3,273 |
| Operation, maintenance and other | 582 | 539 | 1,699 | 1,672 |
| Depreciation and amortization | 318 | 261 | 904 | 831 |
| Property and other taxes | 136 | 132 | 375 | 367 |
| Impairment charges | 1 | 7 | 4 | 7 |
| Total operating expenses | 2,157 | 2,177 | 5,814 | 6,150 |
| Gains on Sales of Other Assets and Other, net | 6 | 4 | 18 | 18 |
| Operating Income | 814 | 756 | 1,849 | 1,809 |
| Other Income and Expenses, net | 31 | 17 | 79 | 63 |
| Interest Expense | 177 | 170 | 497 | 504 |
| Income From Continuing Operations Before Income Taxes | 668 | 603 | 1,431 | 1,368 |
| Income Tax Expense From Continuing Operations | 219 | 151 | 496 | 435 |
| Income From Continuing Operations | 449 | 452 | 935 | 933 |
| Loss From Discontinued Operations, net of tax | — | (1) | — | (2) |
| Net Income | 449 | 451 | 935 | 931 |
| Less: Net Income Attributable to Noncontrolling Interests | 3 | 3 | 8 | 8 |
| Net Income Attributable to Parent | \$446 | \$448 | \$927 | \$923 |
| Net Income | \$449 | \$451 | \$935 | \$931 |
| Other Comprehensive Income, net of tax | | | | |
| Pension and OPEB adjustments | — | (3) | 2 | (1) |
| Reclassification into earnings from cash flow hedges | 1 | 3 | 4 | 2 |
| Unrealized gains (losses) on available-for-sale securities | 1 | — | 2 | (1) |
| Other Comprehensive Income, net of tax | 2 | — | 8 | — |
| Comprehensive Income | 451 | 451 | 943 | 931 |
| Less: Comprehensive Income Attributable to Noncontrolling Interests | 3 | 3 | 8 | 8 |
| Comprehensive Income Attributable to Parent | \$448 | \$448 | \$935 | \$923 |

See Notes to Condensed Consolidated Financial Statements

15

PART I

PROGRESS ENERGY, INC.

Condensed Consolidated Balance Sheets

(Unaudited)

(in millions)

| | September 30, 2016 | December 31, 2015 |
|--|--------------------|-------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 165 | \$ 44 |
| Receivables (net of allowance for doubtful accounts of \$6 at 2016 and 2015) | 109 | 151 |
| Receivables of VIEs (net of allowance for doubtful accounts of \$8 at 2016 and 2015) | 857 | 658 |
| Receivables from affiliated companies | 8 | 375 |
| Notes receivable from affiliated companies | 43 | — |
| Inventory | 1,653 | 1,751 |
| Regulatory assets (includes \$51 related to VIEs at 2016) | 347 | 362 |
| Other | 183 | 156 |
| Total current assets | 3,365 | 3,497 |
| Investments and Other Assets | | |
| Nuclear decommissioning trust funds | 2,879 | 2,775 |
| Goodwill | 3,655 | 3,655 |
| Other | 865 | 834 |
| Total investments and other assets | 7,399 | 7,264 |
| Property, Plant and Equipment | | |
| Cost | 44,151 | 42,666 |
| Accumulated depreciation and amortization | (15,169) | (14,867) |
| Generation facilities to be retired, net | 562 | 548 |
| Net property, plant and equipment | 29,544 | 28,347 |
| Regulatory Assets and Deferred Debits | | |
| Regulatory assets (includes \$1,156 related to VIEs at 2016) | 5,652 | 5,435 |
| Other | 4 | 5 |

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| | | |
|--|-----------|-----------|
| Total regulatory assets and deferred debits | 5,656 | 5,440 |
| Total Assets | \$ 45,964 | \$ 44,548 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Accounts payable | \$ 673 | \$ 722 |
| Accounts payable to affiliated companies | 202 | 311 |
| Notes payable to affiliated companies | 510 | 1,308 |
| Taxes accrued | 228 | 53 |
| Interest accrued | 186 | 195 |
| Current maturities of long-term debt (includes \$62 related to VIEs at 2016) | 578 | 315 |
| Asset retirement obligations | 236 | — |
| Regulatory liabilities | 148 | 286 |
| Other | 721 | 891 |
| Total current liabilities | 3,482 | 4,081 |
| Long-Term Debt | | |
| (includes \$1,741 at 2016 and \$479 at 2015 related to VIEs) | 15,792 | 13,999 |
| Long-Term Debt Payable to Affiliated Companies | 150 | 150 |
| Deferred Credits and Other Liabilities | | |
| Deferred income taxes | 5,148 | 4,790 |
| Accrued pension and other post-retirement benefit costs | 516 | 536 |
| Asset retirement obligations | 5,421 | 5,369 |
| Regulatory liabilities | 2,353 | 2,387 |
| Other | 379 | 383 |
| Total deferred credits and other liabilities | 13,817 | 13,465 |
| Commitments and Contingencies | | |
| Equity | | |
| Common stock, \$0.01 par value, 100 shares authorized and outstanding at 2016 and 2015 | — | — |
| Additional paid-in capital | 8,096 | 8,092 |
| Retained earnings | 4,683 | 4,831 |
| (40) | | (48) |

| | | | |
|--|--------|--------|--------|
| Accumulated other comprehensive loss | | | |
| Total Progress Energy, Inc. stockholders' equity | 12,739 | | 12,875 |
| Noncontrolling interests | (16 |) | (22 |
| Total equity | 12,723 | | 12,853 |
| Total Liabilities and Equity | \$ | 45,964 | \$ |
| | | | 44,548 |

See Notes to Condensed Consolidated Financial Statements

16

PART I

PROGRESS ENERGY, INC.

Condensed Consolidated Statements of Cash Flows
(Unaudited)

| | Nine Months Ended September 30, | |
|---|---------------------------------------|---------|
| (in millions) | 2016 | 2015 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$935 | \$931 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation, amortization and accretion (including amortization of nuclear fuel) | 1,071 | 962 |
| Equity component of AFUDC | (51) | (40) |
| Gains on sales of other assets | (23) | (24) |
| Impairment charges | 4 | 7 |
| Deferred income taxes | 425 | 512 |
| Accrued pension and other post-retirement benefit costs | (19) | (4) |
| Contributions to qualified pension plans | — | (42) |
| Payments for asset retirement obligations | (203) | (90) |
| (Increase) decrease in | | |
| Net realized and unrealized mark-to-market and hedging transactions | 33 | 6 |
| Receivables | (155) | (103) |
| Receivables from affiliated companies | 329 | (62) |
| Inventory | 99 | 44 |
| Other current assets | (30) | 298 |
| Increase (decrease) in | | |
| Accounts payable | (24) | (157) |
| Accounts payable to affiliated companies | (109) | 35 |
| Taxes accrued | 159 | 75 |
| Other current liabilities | (156) | 115 |
| Other assets | (90) | (116) |
| Other liabilities | (4) | (87) |
| Net cash provided by operating activities | 2,191 | 2,260 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Capital expenditures | (2,276) | (1,816) |
| Acquisitions | (10) | (1,249) |
| Purchases of available-for-sale securities | (1,849) | (829) |
| Proceeds from sales and maturities of available-for-sale securities | 1,899 | 895 |
| Proceeds from insurance | 58 | — |
| Proceeds from the sale of nuclear fuel | — | 81 |
| Notes receivable from affiliated companies | (43) | (31) |
| Change in restricted cash | (6) | — |
| Other | (17) | (44) |
| Net cash used in investing activities | (2,244) | (2,993) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from the issuance of long-term debt | 2,375 | 1,195 |
| Payments for the redemption of long-term debt | (327) | (555) |
| Notes payable to affiliated companies | (798) | (401) |
| Distributions to noncontrolling interests | (1) | (4) |

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| | | |
|--|---------|--------|
| Capital contribution from parent | — | 625 |
| Dividends to parent | (1,075) | — |
| Other | — | (11) |
| Net cash provided by financing activities | 174 | 849 |
| Net increase in cash and cash equivalents | 121 | 116 |
| Cash and cash equivalents at beginning of period | 44 | 42 |
| Cash and cash equivalents at end of period | \$ 165 | \$ 158 |
| Supplemental Disclosures: | | |
| Significant non-cash transactions: | | |
| Accrued capital expenditures | \$ 228 | \$ 276 |

See Notes to Condensed Consolidated Financial Statements

17

PART I

PROGRESS ENERGY, INC.

Condensed Consolidated Statements of Changes in Equity
(Unaudited)

| (in millions) | Common Stock | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Loss | | | Total Progress Energy, Inc. Stockholders' Equity | Noncontrolling Interests | Total Equity | |
|---|-----------------|----------------------------------|----------------------|---|--|---------------------------------------|---|-----------------------------|-----------------|-----------|
| | | | | Net Losses on Cash Flow Hedges | Net Gains on Available- for-Sale Securities | Pension and OPEB Adjustments | | | | |
| Balance at December 31, 2014 | \$ | — | \$ 7,467 | \$ 3,782 | \$ (35) | \$ 1 | \$ (7) | \$ 11,208 | \$ (32) | \$ 11,176 |
| Net income | — | — | 923 | — | — | — | — | 923 | 8 | 931 |
| Other comprehensive income (loss) | — | — | — | 2 | (1) | (1) | (1) | — | — | — |
| Distributions to noncontrolling interests | — | — | — | — | — | — | — | — | (4) | (4) |
| Capital contribution from parent | — | 625 | — | — | — | — | — | 625 | — | 625 |
| Other | — | — | (2) | — | — | — | — | (2) | 3 | 1 |
| Balance at September 30, 2015 | \$ | — | \$ 8,092 | \$ 4,703 | \$ (33) | \$ — | \$ (8) | \$ 12,754 | \$ (25) | \$ 12,729 |
| Balance at December 31, 2015 | \$ | — | \$ 8,092 | \$ 4,831 | \$ (31) | \$ — | \$ (17) | \$ 12,875 | \$ (22) | \$ 12,853 |
| Net income | — | — | 927 | — | — | — | — | 927 | 8 | 935 |
| Other comprehensive income | — | — | — | 4 | 2 | 2 | 2 | 8 | — | 8 |
| Distributions to noncontrolling interests | — | — | — | — | — | — | — | — | (1) | (1) |
| Dividends to parent | — | — | (1,075) | — | — | — | — | (1,075) | — | (1,075) |
| Other | — | 4 | — | — | — | — | — | 4 | (1) | 3 |
| Balance at September 30, 2016 | \$ | — | \$ 8,096 | \$ 4,683 | \$ (27) | \$ 2 | \$ (15) | \$ 12,739 | \$ (16) | \$ 12,723 |

See Notes to Condensed Consolidated Financial Statements

18

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, | |
| | 2016 | 2015 | 2016 | 2015 |
| Operating Revenues | \$1,583 | \$1,488 | \$4,103 | \$4,130 |
| Operating Expenses | | | | |
| Fuel used in electric generation and purchased power | 569 | 584 | 1,441 | 1,608 |
| Operation, maintenance and other | 360 | 329 | 1,067 | 1,066 |
| Depreciation and amortization | 176 | 147 | 526 | 462 |
| Property and other taxes | 40 | 35 | 119 | 102 |
| Impairment charges | 1 | — | 1 | — |
| Total operating expenses | 1,146 | 1,095 | 3,154 | 3,238 |
| Gains on Sales of Other Assets and Other, net | 1 | 1 | 2 | 2 |
| Operating Income | 438 | 394 | 951 | 894 |
| Other Income and Expenses, net | 18 | 14 | 47 | 49 |
| Interest Expense | 61 | 59 | 188 | 175 |
| Income Before Income Taxes | 395 | 349 | 810 | 768 |
| Income Tax Expense | 124 | 120 | 271 | 271 |
| Net Income and Comprehensive Income | \$271 | \$229 | \$539 | \$497 |

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, 2016 | December 31, 2015 |
|--|-----------------------|----------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 136 | \$ 15 |
| Receivables (net of allowance for doubtful accounts of \$4 at 2016 and 2015) | 42 | 87 |
| Receivables of VIEs (net of allowance for doubtful accounts of \$5 at 2016 and 2015) | 473 | 349 |
| Receivables from affiliated companies | 5 | 16 |
| Notes receivable from affiliated companies | 65 | — |
| Inventory | 998 | 1,088 |
| Regulatory assets | 186 | 264 |
| Other | 83 | 121 |
| Total current assets | 1,988 | 1,940 |
| Investments and Other Assets | | |
| Nuclear decommissioning trust funds | 2,171 | 2,035 |
| Other | 518 | 486 |
| Total investments and other assets | 2,689 | 2,521 |
| Property, Plant and Equipment | | |
| Cost | 28,001 | 27,313 |
| Accumulated depreciation and amortization | (10,508) | (10,141) |
| Generation facilities to be retired, net | 562 | 548 |
| Net property, plant and equipment | 18,055 | 17,720 |
| Regulatory Assets and Deferred Debits | | |
| Regulatory assets | 3,093 | 2,710 |
| Other | 2 | 3 |
| Total regulatory assets and deferred debits | 3,095 | 2,713 |
| Total Assets | \$ 25,827 | \$ 24,894 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Accounts payable | \$ 319 | \$ 399 |
| Accounts payable to affiliated companies | 143 | 190 |
| Notes payable to affiliated companies | — | 209 |
| Taxes accrued | 91 | 15 |
| Interest accrued | 81 | 96 |
| Current maturities of long-term debt | 252 | 2 |
| Asset retirement obligations | 236 | — |
| Regulatory liabilities | 129 | 85 |
| Other | 326 | 412 |
| Total current liabilities | 1,577 | 1,408 |
| Long-Term Debt | | |
| Long-Term Debt Payable to Affiliated Companies | 150 | 150 |
| Deferred Credits and Other Liabilities | | |
| Deferred income taxes | 3,279 | 3,027 |
| Investment tax credits | 148 | 132 |
| Accrued pension and other post-retirement benefit costs | 247 | 262 |

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| | | |
|--|-----------|-----------|
| Asset retirement obligations | 4,623 | 4,567 |
| Regulatory liabilities | 1,874 | 1,878 |
| Other | 23 | 45 |
| Total deferred credits and other liabilities | 10,194 | 9,911 |
| Commitments and Contingencies | | |
| Member's Equity | 7,297 | 7,059 |
| Total Liabilities and Equity | \$ 25,827 | \$ 24,894 |

See Notes to Condensed Consolidated Financial Statements

20

PART I

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

| | Nine Months Ended | |
|---|-----------------------|---------|
| (in millions) | September 30, 2016 | 2015 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 539 | \$ 497 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation, amortization and accretion (including amortization of nuclear fuel) | 679 | 587 |
| Equity component of AFUDC | (34) | (35) |
| Gains on sales of other assets | (4) | (5) |
| Impairment charges | 1 | — |
| Deferred income taxes | 325 | 308 |
| Accrued pension and other post-retirement benefit costs | (24) | (11) |
| Contributions to qualified pension plans | — | (21) |
| Payments for asset retirement obligations | (163) | (53) |
| (Increase) decrease in | | |
| Net realized and unrealized mark-to-market and hedging transactions | — | (3) |
| Receivables | (78) | (51) |
| Receivables from affiliated companies | 11 | 4 |
| Inventory | 91 | 37 |
| Other current assets | 37 | 187 |
| Increase (decrease) in | | |
| Accounts payable | (44) | (69) |
| Accounts payable to affiliated companies | (47) | 21 |
| Taxes accrued | 76 | 34 |
| Other current liabilities | 37 | 22 |
| Other assets | (32) | (41) |
| Other liabilities | (10) | (64) |
| Net cash provided by operating activities | 1,360 | 1,344 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Capital expenditures | (1,106) | (1,120) |
| Acquisitions | — | (1,249) |
| Purchases of available-for-sale securities | (1,470) | (511) |
| Proceeds from sales and maturities of available-for-sale securities | 1,448 | 488 |
| Notes receivable from affiliated companies | (65) | (70) |
| Other | (27) | (35) |
| Net cash used in investing activities | (1,220) | (2,497) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from the issuance of long-term debt | 505 | 1,195 |
| Payments for the redemption of long-term debt | (15) | (544) |
| Notes payable to affiliated companies | (209) | — |
| Capital contribution from parent | — | 625 |
| Distributions to parent | (301) | — |
| Other | 1 | (9) |
| Net cash (used in) provided by financing activities | (19) | 1,267 |

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| | | |
|--|--------|--------|
| Net increase in cash and cash equivalents | 121 | 114 |
| Cash and cash equivalents at beginning of period | 15 | 9 |
| Cash and cash equivalents at end of period | \$ 136 | \$ 123 |
| Supplemental Disclosures: | | |
| Significant non-cash transactions: | | |
| Accrued capital expenditures | \$ 66 | \$ 136 |

See Notes to Condensed Consolidated Financial Statements

21

PART I

DUKE ENERGY PROGRESS, LLC

Condensed Consolidated Statements of Changes in Equity

(Unaudited)

| (in millions) | Common Stock | Retained Earnings | Member's Equity | Total Equity |
|-------------------------------|-----------------|----------------------|--------------------|-----------------|
| Balance at December 31, 2014 | \$ 2,159 | \$ 3,708 | \$ — | \$ 5,867 |
| Net income | — | 355 | 142 | 497 |
| Contribution from parent | — | — | 625 | 625 |
| Transfer to Member's Equity | (2,159) | (4,063) | 6,222 | — |
| Balance at September 30, 2015 | \$ — | \$ — | \$ 6,989 | \$ 6,989 |
| Balance at December 31, 2015 | \$ — | \$ — | \$ 7,059 | \$ 7,059 |
| Net income | — | — | 539 | 539 |
| Distributions to parent | — | — | (301) | (301) |
| Balance at September 30, 2016 | \$ — | \$ — | \$ 7,297 | \$ 7,297 |

See Notes to Condensed Consolidated Financial Statements

22

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, | |
| | 2016 | 2015 | 2016 | 2015 |
| Operating Revenues | \$1,381 | \$1,436 | \$3,538 | \$3,803 |
| Operating Expenses | | | | |
| Fuel used in electric generation and purchased power | 550 | 654 | 1,391 | 1,665 |
| Operation, maintenance and other | 219 | 208 | 623 | 598 |
| Depreciation and amortization | 142 | 113 | 378 | 369 |
| Property and other taxes | 96 | 97 | 256 | 265 |
| Impairment charges | 1 | 7 | 4 | 7 |
| Total operating expenses | 1,008 | 1,079 | 2,652 | 2,904 |
| Operating Income | 373 | 357 | 886 | 899 |
| Other Income and Expenses, net | 11 | 2 | 30 | 12 |
| Interest Expense | 62 | 50 | 143 | 149 |
| Income Before Income Taxes | 322 | 309 | 773 | 762 |
| Income Tax Expense | 116 | 93 | 286 | 268 |
| Net Income | \$206 | \$216 | \$487 | \$494 |
| Other Comprehensive Income, net of tax | | | | |
| Unrealized gains on available-for-sale securities | 1 | — | 2 | — |
| Comprehensive Income | \$207 | \$216 | \$489 | \$494 |

See Notes to Condensed Consolidated Financial Statements

23

PART I

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

| (in millions) | September 30, 2016 | December 31, 2015 |
|--|-----------------------|----------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 10 | \$ 8 |
| Receivables (net of allowance for doubtful accounts of \$2 at 2016 and 2015) | 65 | 60 |
| Receivables of VIEs (net of allowance for doubtful accounts of \$3 at 2016 and 2015) | 385 | 308 |
| Receivables from affiliated companies | 5 | 84 |
| Inventory | 656 | 663 |
| Regulatory assets (includes \$51 related to VIEs at 2016) | 161 | 98 |
| Other | 46 | 21 |
| Total current assets | 1,328 | 1,242 |
| Investments and Other Assets | | |
| Nuclear decommissioning trust funds | 708 | 740 |
| Other | 292 | 292 |
| Total investments and other assets | 1,000 | 1,032 |
| Property, Plant and Equipment | | |
| Cost | 16,139 | 15,343 |
| Accumulated depreciation and amortization | (4,654 |) (4,720) |
| Net property, plant and equipment | 11,485 | 10,623 |
| Regulatory Assets and Deferred Debits | | |
| Regulatory assets (includes \$1,156 related to VIEs at 2016) | 2,559 | 2,725 |
| Other | 2 | 2 |
| Total regulatory assets and deferred debits | 2,561 | 2,727 |
| Total Assets | \$ 16,374 | \$ 15,624 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Accounts payable | \$ 354 | \$ 322 |
| Accounts payable to affiliated companies | 61 | 116 |
| Notes payable to affiliated companies | 63 | 813 |
| Taxes accrued | 209 | 132 |
| Interest accrued | 58 | 43 |
| Current maturities of long-term debt (includes \$62 related to VIEs at 2016) | 326 | 13 |
| Regulatory liabilities | 18 | 200 |
| Other | 367 | 452 |
| Total current liabilities | 1,456 | 2,091 |
| Long-Term Debt (includes \$1,441 at 2016 and \$225 at 2015 related to VIEs) | 5,802 | 4,253 |
| Deferred Credits and Other Liabilities | | |
| Deferred income taxes | 2,597 | 2,460 |
| Accrued pension and other post-retirement benefit costs | 237 | 242 |
| Asset retirement obligations | 798 | 802 |
| Regulatory liabilities | 478 | 509 |
| Other | 167 | 146 |
| Total deferred credits and other liabilities | 4,277 | 4,159 |
| Commitments and Contingencies | | |

| | | |
|--|-----------|-----------|
| Equity | | |
| Member's equity | 4,837 | 5,121 |
| Accumulated other comprehensive income | 2 | — |
| Total equity | 4,839 | 5,121 |
| Total Liabilities and Equity | \$ 16,374 | \$ 15,624 |

See Notes to Condensed Consolidated Financial Statements

24

PART I

DUKE ENERGY FLORIDA, LLC

Condensed Consolidated Statements of Cash Flows
(Unaudited)

| | Nine Months Ended September 30, | |
|---|---------------------------------------|--------|
| (in millions) | 2016 | 2015 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$487 | \$494 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation, amortization and accretion | 383 | 373 |
| Equity component of AFUDC | (16) | (4) |
| Impairment charges | 4 | 7 |
| Deferred income taxes | 136 | 341 |
| Accrued pension and other post-retirement benefit costs | 2 | 4 |
| Contributions to qualified pension plans | — | (21) |
| Payments for asset retirement obligations | (41) | (37) |
| (Increase) decrease in | | |
| Net realized and unrealized mark-to-market and hedging transactions | 34 | 3 |
| Receivables | (78) | (52) |
| Receivables from affiliated companies | 41 | (58) |
| Inventory | 8 | 7 |
| Other current assets | (32) | 78 |
| Increase (decrease) in | | |
| Accounts payable | 20 | (88) |
| Accounts payable to affiliated companies | (55) | 10 |
| Taxes accrued | 61 | 43 |
| Other current liabilities | (183) | 97 |
| Other assets | (56) | (73) |
| Other liabilities | 1 | (29) |
| Net cash provided by operating activities | 716 | 1,095 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Capital expenditures | (1,169) | (696) |
| Acquisitions | (10) | — |
| Purchases of available-for-sale securities | (379) | (318) |
| Proceeds from sales and maturities of available-for-sale securities | 450 | 408 |
| Proceeds from insurance | 58 | — |
| Proceeds from the sale of nuclear fuel | — | 81 |
| Change in restricted cash | (6) | — |
| Other | 10 | (12) |
| Net cash used in investing activities | (1,046) | (537) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from the issuance of long-term debt | 1,870 | — |
| Payments for the redemption of long-term debt | (12) | (11) |
| Notes payable to affiliated companies | (750) | 161 |
| Dividends to parent | — | (350) |
| Distributions to parent | (774) | (350) |
| Other | (2) | — |

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| | | |
|---|--------|--------|
| Net cash provided by (used in) financing activities | 332 | (550) |
| Net increase in cash and cash equivalents | 2 | 8 |
| Cash and cash equivalents at beginning of period | 8 | 8 |
| Cash and cash equivalents at end of period | \$ 10 | \$ 16 |
| Supplemental Disclosures: | | |
| Significant non-cash transactions: | | |
| Accrued capital expenditures | \$ 162 | \$ 140 |

See Notes to Condensed Consolidated Financial Statements

25

PART I

DUKE ENERGY FLORIDA, LLC

Condensed Consolidated Statements of Changes in Equity
(Unaudited)

| | | | | Accumulated Other Comprehensive Income Net Unrealized Gains on | |
|-------------------------------|-----------------|----------------------|--------------------|---|-----------------|
| (in millions) | Common Stock | Retained Earnings | Member's Equity | Available-for-Sale Securities | Total Equity |
| Balance at December 31, 2014 | \$ 1,762 | \$ 3,460 | \$ — | \$ — | \$ 5,222 |
| Net income | — | 351 | 143 | — | 494 |
| Dividends to parent | — | (350) | — | — | (350) |
| Distribution to parent | — | — | (350) | — | (350) |
| Transfer to Member's Equity | (1,762) | (3,461) | 5,223 | — | — |
| Balance at September 30, 2015 | \$ — | \$ — | \$ 5,016 | \$ — | \$ 5,016 |
| Balance at December 31, 2015 | \$ — | \$ — | \$ 5,121 | \$ — | \$ 5,121 |
| Net income | — | — | 487 | — | 487 |
| Other comprehensive income | — | — | — | 2 | 2 |
| Distributions to parent | — | — | (774) | — | (774) |
| Other | — | — | 3 | — | 3 |
| Balance at September 30, 2016 | \$ — | \$ — | \$ 4,837 | \$ 2 | \$ 4,839 |

See Notes to Condensed Consolidated Financial Statements

26

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, |
| | 2016 | 2015 | 2016 | 2015 |
| Operating Revenues | | | | |
| Regulated electric | \$ 390 | \$ 367 | \$1,053 | \$1,005 |
| Nonregulated electric and other | 10 | 6 | 22 | 29 |
| Regulated natural gas | 89 | 89 | 358 | 419 |
| Total operating revenues | 489 | 462 | 1,433 | 1,453 |
| Operating Expenses | | | | |
| Fuel used in electric generation and purchased power – regulated | 129 | 128 | 340 | 350 |
| Fuel used in electric generation and purchased power – nonregulated | 14 | 10 | 37 | 36 |
| Cost of natural gas | 6 | 7 | 64 | 116 |
| Operation, maintenance and other | 126 | 124 | 367 | 370 |
| Depreciation and amortization | 50 | 57 | 175 | 172 |
| Property and other taxes | 59 | 60 | 195 | 187 |
| Total operating expenses | 384 | 386 | 1,178 | 1,231 |
| Gains on Sales of Other Assets and Other, net | 1 | — | 2 | 8 |
| Operating Income | 106 | 76 | 257 | 230 |
| Other Income and Expenses, net | 3 | — | 6 | (2) |
| Interest Expense | 22 | 20 | 63 | 58 |
| Income From Continuing Operations Before Income Taxes | 87 | 56 | 200 | 170 |
| Income Tax Expense From Continuing Operations | 32 | 22 | 65 | 64 |
| Income From Continuing Operations | 55 | 34 | 135 | 106 |
| Income (Loss) From Discontinued Operations, net of tax | 34 | (2) | 36 | 23 |
| Net Income and Comprehensive Income | \$ 89 | \$ 32 | \$171 | \$129 |

See Notes to Condensed Consolidated Financial Statements

27

PART I

DUKE ENERGY OHIO, INC.

Condensed Consolidated Balance Sheets

(Unaudited)

| (in millions) | September 30, 2016 | December 31, 2015 |
|--|-----------------------|----------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 99 | \$ 14 |
| Receivables (net of allowance for doubtful accounts of \$2 at 2016 and 2015) | 68 | 66 |
| Receivables from affiliated companies | 96 | 84 |
| Notes receivable from affiliated companies | 47 | — |
| Inventory | 110 | 105 |
| Regulatory assets | 46 | 36 |
| Other | 59 | 110 |
| Total current assets | 525 | 415 |
| Investments and Other Assets | | |
| Goodwill | 920 | 920 |
| Other | 18 | 20 |
| Total investments and other assets | 938 | 940 |
| Property, Plant and Equipment | | |
| Cost | 8,019 | 7,750 |
| Accumulated depreciation and amortization | (2,566 |) (2,507 |
| Net property, plant and equipment | 5,453 | 5,243 |
| Regulatory Assets and Deferred Debits | | |
| Regulatory assets | 490 | 497 |
| Other | 2 | 2 |
| Total regulatory assets and deferred debits | 492 | 499 |
| Total Assets | \$ 7,408 | \$ 7,097 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Accounts payable | \$ 250 | \$ 207 |
| Accounts payable to affiliated companies | 49 | 53 |
| Notes payable to affiliated companies | — | 103 |
| Taxes accrued | 163 | 171 |
| Interest accrued | 32 | 18 |
| Current maturities of long-term debt | 54 | 106 |
| Regulatory liabilities | 17 | 12 |
| Other | 84 | 153 |
| Total current liabilities | 649 | 823 |
| Long-Term Debt | | |
| Long-Term Debt Payable to Affiliated Companies | 1,808 | 1,467 |
| Deferred Credits and Other Liabilities | 25 | 25 |
| Deferred income taxes | 1,422 | 1,407 |
| Accrued pension and other post-retirement benefit costs | 51 | 56 |
| Asset retirement obligations | 108 | 125 |
| Regulatory liabilities | 238 | 245 |
| Other | 168 | 165 |
| Total deferred credits and other liabilities | 1,987 | 1,998 |

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Commitments and Contingencies

Equity

| | | |
|---|----------|----------|
| Common stock, \$8.50 par value, 120,000,000 shares authorized; 89,663,086 shares outstanding at 2016 and 2015 | 762 | 762 |
| Additional paid-in capital | 2,695 | 2,720 |
| Accumulated deficit | (518 |) (698) |
| Total equity | 2,939 | 2,784 |
| Total Liabilities and Equity | \$ 7,408 | \$ 7,097 |

See Notes to Condensed Consolidated Financial Statements

28

PART I

DUKE ENERGY OHIO, INC.

Condensed Consolidated Statements of Cash Flows
(Unaudited)

| | Nine Months Ended September 30, 2016 2015 | |
|---|--|--------|
| (in millions) | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 171 | \$ 129 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation, amortization and accretion | 178 | 175 |
| Equity component of AFUDC | (4) | (2) |
| Gains on sales of other assets and other, net | (2) | (8) |
| Impairment charges | — | 40 |
| Deferred income taxes | 36 | 127 |
| Accrued pension and other post-retirement benefit costs | 4 | 7 |
| Contributions to qualified pension plans | — | (4) |
| Payments for asset retirement obligations | (4) | (2) |
| (Increase) decrease in | | |
| Net realized and unrealized mark-to-market and hedging transactions | — | (11) |
| Receivables | (1) | 8 |
| Receivables from affiliated companies | (3) | 46 |
| Inventory | (5) | 2 |
| Other current assets | 50 | 6 |
| Increase (decrease) in | | |
| Accounts payable | 13 | 7 |
| Accounts payable to affiliated companies | (4) | (32) |
| Taxes accrued | (13) | (58) |
| Other current liabilities | (53) | 101 |
| Other assets | (8) | 28 |
| Other liabilities | (28) | (57) |
| Net cash provided by operating activities | 327 | 502 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Capital expenditures | (334) | (266) |
| Notes receivable from affiliated companies | (47) | 145 |
| Other | (21) | (9) |
| Net cash used in investing activities | (402) | (130) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from the issuance of long-term debt | 341 | — |
| Payments for the redemption of long-term debt | (53) | (153) |
| Notes payable to affiliated companies | (103) | (64) |
| Dividends to parent | (25) | (149) |
| Other | — | (2) |
| Net cash provided by (used in) financing activities | 160 | (368) |
| Net increase in cash and cash equivalents | 85 | 4 |
| Cash and cash equivalents at beginning of period | 14 | 20 |
| Cash and cash equivalents at end of period | \$ 99 | \$ 24 |
| Supplemental Disclosures: | | |

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Significant non-cash transactions:

| | | |
|---|------|-------|
| Accrued capital expenditures | \$56 | \$24 |
| Distribution of membership interest of Duke Energy SAM, LLC to parent | — | 1,912 |

See Notes to Condensed Consolidated Financial Statements

29

PART I

DUKE ENERGY OHIO, INC.

Condensed Consolidated Statements of Changes in Equity
(Unaudited)

| (in millions) | Common Stock | Additional Paid-in Capital | Accumulated Deficit | Total Equity |
|---|-----------------|----------------------------------|------------------------|-----------------|
| Balance at December 31, 2014 | \$ 762 | \$ 4,782 | \$ (870) | \$4,674 |
| Net income | — | — | 129 | 129 |
| Dividends to parent | — | (149) | — | (149) |
| Distribution of membership interest of Duke Energy SAM, LLC to parent | — | (1,912) | — | (1,912) |
| Balance at September 30, 2015 | \$ 762 | \$ 2,721 | \$ (741) | \$2,742 |
| Balance at December 31, 2015 | \$ 762 | \$ 2,720 | \$ (698) | \$2,784 |
| Net income | — | — | 171 | 171 |
| Dividends to parent | — | (25) | — | (25) |
| Contribution from parent | — | — | 9 | 9 |
| Balance at September 30, 2016 | \$ 762 | \$ 2,695 | \$ (518) | \$2,939 |

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, |
| | 2016 | 2015 | 2016 | 2015 |
| Operating Revenues | \$ 809 | \$ 749 | \$ 2,225 | \$ 2,223 |
| Operating Expenses | | | | |
| Fuel used in electric generation and purchased power | 242 | 250 | 690 | 779 |
| Operation, maintenance and other | 175 | 164 | 526 | 525 |
| Depreciation and amortization | 123 | 109 | 345 | 320 |
| Property and other taxes | 22 | 23 | 67 | 41 |
| Impairment charges | 8 | 85 | 8 | 85 |
| Total operating expenses | 570 | 631 | 1,636 | 1,750 |
| Loss on Sale of Other Assets and Other, net | — | (1) | — | — |
| Operating Income | 239 | 117 | 589 | 473 |
| Other Income and Expenses, net | 5 | — | 15 | 9 |
| Interest Expense | 45 | 44 | 136 | 132 |
| Income Before Income Taxes | 199 | 73 | 468 | 350 |
| Income Tax Expense | 70 | 27 | 159 | 128 |
| Net Income | \$ 129 | \$ 46 | \$ 309 | \$ 222 |
| Other Comprehensive Loss, net of tax | | | | |
| Reclassification into earnings from cash flow hedges | — | (1) | (1) | (2) |
| Comprehensive Income | \$ 129 | \$ 45 | \$ 308 | \$ 220 |

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, 2016 | December 31, 2015 |
|--|-----------------------|----------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 94 | \$ 9 |
| Receivables (net of allowance for doubtful accounts of \$1 at 2016 and 2015) | 84 | 96 |
| Receivables from affiliated companies | 74 | 71 |
| Notes receivable from affiliated companies | 38 | 83 |
| Inventory | 424 | 570 |
| Regulatory assets | 131 | 102 |
| Other | 104 | 15 |
| Total current assets | 949 | 946 |
| Investments and Other Assets | 174 | 212 |
| Property, Plant and Equipment | | |
| Cost | 14,069 | 14,007 |
| Accumulated depreciation and amortization | (4,225 |) (4,484) |
| Generation facilities to be retired, net | 90 | — |
| Net property, plant and equipment | 9,934 | 9,523 |
| Regulatory Assets and Deferred Debits | | |
| Regulatory assets | 909 | 716 |
| Other | 2 | 2 |
| Total regulatory assets and deferred debits | 911 | 718 |
| Total Assets | \$ 11,968 | \$ 11,399 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Accounts payable | \$ 167 | \$ 189 |
| Accounts payable to affiliated companies | 82 | 83 |
| Taxes accrued | 48 | 89 |
| Interest accrued | 54 | 56 |
| Current maturities of long-term debt | 71 | 547 |
| Regulatory liabilities | 30 | 62 |
| Other | 95 | 97 |
| Total current liabilities | 547 | 1,123 |
| Long-Term Debt | 3,566 | 3,071 |
| Long-Term Debt Payable to Affiliated Companies | 150 | 150 |
| Deferred Credits and Other Liabilities | | |
| Deferred income taxes | 1,822 | 1,657 |
| Investment tax credits | 137 | 138 |
| Accrued pension and other post-retirement benefit costs | 72 | 80 |
| Asset retirement obligations | 847 | 525 |
| Regulatory liabilities | 738 | 754 |
| Other | 94 | 65 |
| Total deferred credits and other liabilities | 3,710 | 3,219 |
| Commitments and Contingencies | | |
| Equity | | |

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| | | |
|--|-----------|-----------|
| Member's equity | 3,995 | — |
| Common stock, no par; \$0.01 stated value, 60,000,000 shares authorized; 53,913,701 shares outstanding at 2015 | — | 1 |
| Additional paid-in capital | — | 1,384 |
| Retained earnings | — | 2,450 |
| Accumulated other comprehensive income | — | 1 |
| Total equity | 3,995 | 3,836 |
| Total Liabilities and Equity | \$ 11,968 | \$ 11,399 |

See Notes to Condensed Consolidated Financial Statements

32

PART I

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

| (in millions) | Nine Months Ended September 30, 2016 2015 | |
|---|--|--------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 309 | \$ 222 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation, amortization and accretion | 347 | 323 |
| Equity component of AFUDC | (11) | (9) |
| Impairment charges | 8 | 85 |
| Deferred income taxes | 122 | 276 |
| Accrued pension and other post-retirement benefit costs | 6 | 10 |
| Contributions to qualified pension plans | — | (9) |
| Payments for asset retirement obligations | (31) | (12) |
| (Increase) decrease in | | |
| Receivables | 16 | (5) |
| Receivables from affiliated companies | (3) | 43 |
| Inventory | 146 | (27) |
| Other current assets | (105) | 67 |
| Increase (decrease) in | | |
| Accounts payable | (14) | 11 |
| Accounts payable to affiliated companies | (1) | (8) |
| Taxes accrued | 12 | (11) |
| Other current liabilities | (85) | 16 |
| Other assets | (38) | (50) |
| Other liabilities | 64 | (1) |
| Net cash provided by operating activities | 742 | 921 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Capital expenditures | (540) | (506) |
| Purchases of available-for-sale securities | (12) | (5) |
| Proceeds from sales and maturities of available-for-sale securities | 9 | 8 |
| Proceeds from the sales of other assets | — | 14 |
| Notes receivable from affiliated companies | 45 | (166) |
| Other | (28) | 13 |
| Net cash used in investing activities | (526) | (642) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from the issuance of long-term debt | 495 | — |
| Payments for the redemption of long-term debt | (476) | (2) |
| Notes payable to affiliated companies | — | (71) |
| Dividends to parent | — | (150) |
| Distributions to parent | (149) | — |
| Other | (1) | — |
| Net cash used in financing activities | (131) | (223) |
| Net increase in cash and cash equivalents | 85 | 56 |
| Cash and cash equivalents at beginning of period | 9 | 6 |

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| | | |
|--|------|------|
| Cash and cash equivalents at end of period | \$94 | \$62 |
| Supplemental Disclosures: | | |
| Significant non-cash transactions: | | |
| Accrued capital expenditures | \$56 | \$46 |

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)

| | | Additional | | | Accumulated Other Comprehensive Income Net Gains on | |
|-------------------------------|-----------------|--------------------|----------------------|--------------------|--|-----------------|
| (in millions) | Common Stock | Paid-in Capital | Retained Earnings | Member's Equity | Cash Flow Hedges | Total Equity |
| Balance at December 31, 2014 | \$ 1 | \$ 1,384 | \$ 2,460 | \$ — | \$ 3 | \$ 3,848 |
| Net income | — | — | 222 | — | — | 222 |
| Other comprehensive loss | — | — | — | — | (2) | (2) |
| Dividends to parent | — | — | (150) | — | — | (150) |
| Balance at September 30, 2015 | \$ 1 | \$ 1,384 | \$ 2,532 | \$ — | \$ 1 | \$ 3,918 |
| Balance at December 31, 2015 | \$ 1 | \$ 1,384 | \$ 2,450 | \$ — | \$ 1 | \$ 3,836 |
| Net income | — | — | — | 309 | — | 309 |
| Other comprehensive loss | — | — | — | — | (1) | (1) |
| Distributions to parent | — | — | — | (149) | — | (149) |
| Transfer to Member's Equity | (1) | (1,384) | (2,450) | 3,835 | — | — |
| Balance at September 30, 2016 | \$ — | \$ — | \$ — | \$ 3,995 | \$ — | \$ 3,995 |

See Notes to Condensed Consolidated Financial Statements

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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. Tables within the notes may not sum across due to Progress Energy's consolidation of Duke Energy Progress, Duke Energy Florida and other subsidiaries that are not registrants. In addition, the Duke Energy amounts include balances from subsidiaries that are not registrants.

| 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 | • | • | • | • | • | • | • | • | • | • | • | • | • | • | • | • | • | • |

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.) and Latin America primarily through its direct and indirect subsidiaries. See Note 2 for information on the proposed sale of International Energy. Duke Energy's subsidiaries include its subsidiary registrants, 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) and Duke Energy Indiana, LLC (Duke Energy Indiana). When discussing Duke Energy's consolidated financial information, it necessarily includes the results of its six separate subsidiary registrants (collectively referred to as the Subsidiary Registrants), which, along with Duke Energy, are collectively referred to as the Duke Energy Registrants (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.

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. Substantially all of Duke Energy Carolinas' operations qualify for regulatory accounting.

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. Substantially all of Progress Energy's operations qualify for regulatory accounting.

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. Substantially all of Duke Energy Progress' operations qualify for regulatory accounting.

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. Substantially all of Duke Energy Florida's operations qualify for regulatory accounting.

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. On April 2, 2015, Duke Energy completed the sale of its nonregulated Midwest generation business, which sold power into wholesale energy markets, to a subsidiary of Dynegy Inc. (Dynegy). See Note 2 for additional information. Substantially all of Duke Energy Ohio's operations that remain after the sale qualify for regulatory accounting.

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. Substantially all of Duke Energy Indiana's operations qualify for regulatory accounting. On January 1, 2016, Duke Energy Indiana, an Indiana corporation, converted into an Indiana limited liability company.

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Combined Notes to Condensed Consolidated Financial Statements – (Continued)
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See Note 2 for information regarding Duke Energy's acquisition of Piedmont Natural Gas Company, Inc. (Piedmont) that closed on October 3, 2016. For the periods presented, Duke Energy's condensed consolidated financial information does not include the results of Piedmont. Also, the Duke Energy Registrants, as defined above, do not include Piedmont, unless otherwise noted.

BASIS OF PRESENTATION

Duke Energy completed the sale of Duke Energy Ohio's nonregulated Midwest generation business and Duke Energy Retail Sales (collectively, the Midwest Generation Disposal Group), a retail sales business owned by Duke Energy, to Dynege on April 2, 2015. The results of operations of these businesses prior to the date of sale have been classified as Discontinued Operations on the Condensed Consolidated Statements of Operations. Duke Energy has elected to present cash flows of discontinued operations combined with cash flows of continuing operations. Unless otherwise noted, the notes to these Condensed Consolidated Financial Statements exclude amounts related to discontinued operations. See Note 2 for additional information.

These Condensed Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles (GAAP) in the U.S. for interim financial information and with the instructions to Form 10-Q and Regulation S-X. Accordingly, these Condensed Consolidated Financial Statements do not include all information and notes required by GAAP in the U.S. for annual financial statements. Since the interim Condensed Consolidated Financial Statements and Notes do not include all information and notes required by GAAP in the U.S. for annual financial statements, the Condensed Consolidated Financial Statements and other information included in this quarterly report should be read in conjunction with the Consolidated Financial Statements and Notes in the Duke Energy Registrants' combined Annual Report on Form 10-K for the year ended December 31, 2015.

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

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

UNBILLED REVENUE

Revenues on sales of electricity and natural gas are recognized when service is provided or the product is delivered. Unbilled revenues are recognized by applying customer billing rates to the estimated volumes of energy delivered but not yet billed. Unbilled revenues can vary significantly from period to period as a result of seasonality, weather,

customer usage patterns, customer mix, average price in effect for customer classes, timing of rendering customer bills and meter reading schedules.

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

| (in millions) | September 30, December 31, | |
|-----------------------|----------------------------|--------|
| | 2016 | 2015 |
| Duke Energy | \$ 800 | \$ 748 |
| Duke Energy Carolinas | 318 | 283 |
| Progress Energy | 195 | 172 |
| Duke Energy Progress | 96 | 102 |
| Duke Energy Florida | 99 | 70 |
| Duke Energy Ohio | 2 | 3 |
| Duke Energy Indiana | 36 | 31 |

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

| (in millions) | September 30, December 31, | |
|---------------------|----------------------------|-------|
| | 2016 | 2015 |
| Duke Energy Ohio | \$ 72 | \$ 71 |
| Duke Energy Indiana | 109 | 97 |

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AMOUNTS ATTRIBUTABLE TO CONTROLLING INTERESTS

Income (Loss) from Discontinued Operations, net of tax presented on the respective Condensed Consolidated Statements of Operations for Duke Energy and Progress Energy is attributable only to controlling interests for all periods presented.

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. Reserves are established for excess and obsolete inventory. Inventory reserves were not material at September 30, 2016 and December 31, 2015. The components of inventory are presented in the tables below.

| | September 30, 2016 | | | | | | |
|--|--------------------|-----------------------|-----------------|----------------------|---------------------|------------------|---------------------|
| | Duke Energy | Duke Energy Carolinas | Progress Energy | Duke Energy Progress | Duke Energy Florida | Duke Energy Ohio | Duke Energy Indiana |
| (in millions) | | | | | | | |
| Materials and supplies | \$2,312 | \$ 760 | \$ 1,139 | \$ 781 | \$ 358 | \$ 85 | \$ 236 |
| Coal held for electric generation | 743 | 256 | 277 | 101 | 177 | 18 | 186 |
| Oil, gas and other fuel held for electric generation | 296 | 37 | 237 | 116 | 121 | 7 | 2 |
| Total inventory | \$3,351 | \$ 1,053 | \$ 1,653 | \$ 998 | \$ 656 | \$ 110 | \$ 424 |
| | December 31, 2015 | | | | | | |
| | Duke Energy | Duke Energy Carolinas | Progress Energy | Duke Energy Progress | Duke Energy Florida | Duke Energy Ohio | Duke Energy Indiana |
| (in millions) | | | | | | | |
| Materials and supplies | \$2,389 | \$ 785 | \$ 1,133 | \$ 776 | \$ 357 | \$ 81 | \$ 301 |
| Coal held for electric generation | 1,114 | 451 | 370 | 192 | 178 | 16 | 267 |
| Oil, gas and other fuel held for electric generation | 307 | 40 | 248 | 120 | 128 | 8 | 2 |
| Total inventory | \$3,810 | \$ 1,276 | \$ 1,751 | \$ 1,088 | \$ 663 | \$ 105 | \$ 570 |

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 net.

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

| | Three Months Ended | | Nine Months Ended | |
|-----------------------|--------------------|--------------------|--------------------|--------------------|
| | September 30, 2016 | September 30, 2015 | September 30, 2016 | September 30, 2015 |
| (in millions) | | | | |
| Duke Energy | \$ 107 | \$ 109 | \$ 285 | \$ 308 |
| Duke Energy Carolinas | 6 | 9 | 21 | 27 |

| | | | | |
|----------------------|----|----|-----|-----|
| Progress Energy | 65 | 67 | 161 | 174 |
| Duke Energy Progress | 4 | 4 | 13 | 12 |
| Duke Energy Florida | 61 | 63 | 148 | 162 |
| Duke Energy Ohio | 26 | 24 | 77 | 80 |
| Duke Energy Indiana | 10 | 9 | 26 | 27 |

NEW ACCOUNTING STANDARDS

The new accounting standards adopted for 2016 and 2015 had no material impact on the presentation or results of operations, cash flows or financial position of the Duke Energy Registrants. The following new Accounting Standards Updates (ASUs) have been issued, but have not yet been adopted by Duke Energy, as of September 30, 2016.

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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 to which the entity expects to be entitled in exchange for those goods or services. The amendments in this update also require disclosure of sufficient information to allow users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Duke Energy Registrants intend to adopt the revised accounting guidance effective for interim and annual periods beginning January 1, 2018. The guidance can be applied retrospectively to all prior reporting periods presented or retrospectively with a cumulative effect as of the initial date of application. Duke Energy is currently evaluating the requirements. The ultimate impact of the new standard has not yet been determined.

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 the Duke Energy Registrants, this guidance is effective for interim and annual periods beginning January 1, 2019, although it can be early adopted. The guidance is applied using a modified retrospective approach. Duke Energy is currently evaluating the requirements. Other than an expected increase in assets and liabilities, the ultimate impact of the new standard has not yet been determined.

Stock-Based Compensation and Income Taxes. In March 2016, the FASB issued revised accounting guidance for stock-based compensation and the associated income taxes. This standard changes certain aspects of accounting for stock-based payment awards to employees including the accounting for income taxes, statutory tax withholding requirements, as well as classification on the Condensed Consolidated Statements of Cash Flows. The primary future impact to the Duke Energy Registrants is expected to be an increase in the volatility of income tax expense. This guidance will be adopted for the period beginning January 1, 2017.

Cash Flow Statement. In August 2016, the FASB issued revised accounting guidance for classification of certain cash receipts and payments. Stakeholders indicated diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows.

For the Duke Energy Registrants, this guidance is effective for the interim and annual periods beginning January 1, 2018, although it can be early adopted. The guidance is applied using a retrospective transition method to each period presented, if practical. Duke Energy is currently evaluating the requirements. The ultimate impact of the new standard has not yet been determined.

2. ACQUISITIONS AND DISPOSITIONS

ACQUISITIONS

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

Acquisition of Piedmont Natural Gas

Piedmont Natural Gas is a North Carolina corporation primarily engaged in regulated natural gas distribution to residential, commercial, industrial and power generation customers in portions of North Carolina, South Carolina and Tennessee. On October 3, 2016, Duke Energy completed the acquisition contemplated by the Agreement and Plan of Merger (Merger Agreement) with Piedmont for a total cash purchase price of approximately \$5.0 billion. The acquisition provides a foundation for establishing a broader strategic natural gas infrastructure platform within Duke

Energy to complement the existing natural gas pipeline investments and regulated natural gas business in the Midwest. As a result of the acquisition, Piedmont became a wholly owned subsidiary of Duke Energy.

Preliminary Purchase Price Allocation

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

(in millions)

| | |
|---|---------|
| Current assets | \$ 500 |
| Property, plant and equipment, net | 4,710 |
| Goodwill | 3,380 |
| Other long-term assets | 810 |
| Total assets | 9,400 |
| Current liabilities, including current maturities of long-term debt | 590 |
| Long-term liabilities | 1,810 |
| Long-term debt | 2,000 |
| Total liabilities | 4,400 |
| Total purchase price | \$5,000 |

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The estimated fair value of Piedmont's assets acquired and liabilities assumed are considered preliminary as a result of the short time period between the consummation of the merger and the filing of this Form 10-Q. The fair values were determined based on significant estimates and assumptions that are judgmental in nature, including projected future cash flows (including timing); discount rates reflecting risk inherent in the future cash flows and market prices of long-term debt. The preliminary amounts are subject to revision until the valuations are completed and to the extent that additional information is obtained about the facts and circumstances that existed as of the acquisition date.

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

The significant assets and liabilities for which preliminary valuation adjustments are being determined are expected to include the acquired equity method investments and long-term debt. The difference between the preliminary fair value and the pre-merger carrying amounts for long-term debt for regulated operations are expected to be recorded as Regulatory assets.

The excess of the purchase price over the estimated fair value of Piedmont's assets and liabilities on the acquisition date will be recorded as goodwill. The goodwill reflects the value paid primarily for establishing a long-term natural gas infrastructure platform, an improved risk profile and expected synergies resulting from the combined entities. The allocation of estimated goodwill to Duke Energy's reporting units has not yet been completed as a result of the short time between the closing of the merger and the filing of this Form 10-Q. None of the goodwill recognized will be deductible for income tax purposes. Accordingly, no deferred taxes will be recorded related to goodwill.

Accounting Charges Related to the Acquisition

Duke Energy incurred pretax transaction and integration costs of \$14 million and \$22 million for the three and nine months ended September 30, 2016, respectively, substantially all of which were recorded within Operation, maintenance and other in Duke Energy's Condensed Consolidated Statements of Operations. Additionally, Duke Energy recorded interest expense of \$51 million and \$234 million for the three and nine months ended September 30, 2016, respectively, related to the acquisition financing. The interest expense includes realized losses on forward-starting interest rate swaps of \$22 million and \$190 million for the three and nine months ended September 30, 2016, respectively. See Note 10 for additional information on the swaps.

Acquisition Related Financings and Other Matters

Duke Energy financed the Piedmont acquisition with a combination of debt, equity issuances and other cash sources. In August 2016, Duke Energy issued \$3.75 billion of long-term debt to finance a portion of the Piedmont acquisition. On September 30, 2016, Duke Energy borrowed \$750 million under the \$1.5 billion short-term loan facility (Term Loan Facility) to partially fund the acquisition. The \$4.9 billion senior unsecured bridge financing facility (Bridge Facility) with Barclays Capital, Inc. (Barclays) was terminated following the issuance of the long-term debt. See Note 6 for additional information related to the debt issuance and Term Loan Facility.

In March 2016, Duke Energy marketed an equity offering of 10.6 million shares of common stock. In lieu of issuing equity at the time of the offering, Duke Energy entered into equity forward sale agreements (the Equity Forwards)

with Barclays. On October 5, 2016, Duke Energy settled the Equity Forwards for approximately \$723 million in net cash proceeds to finance a portion of the Piedmont acquisition. For additional information regarding the Equity Forwards, see Note 14.

See Note 4 for additional information regarding Duke Energy and Piedmont's joint investment in Atlantic Coast Pipeline, LLC (ACP).

Pro Forma Information

The following unaudited pro forma financial information reflects the combined results of operations of Duke Energy and Piedmont. The unaudited pro forma financial information has been presented for illustrative purposes only and is not necessarily indicative of the consolidated results of operations that would have been achieved or the future consolidated results of operations of Duke Energy. This information is preliminary in nature and subject to change.

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|---------|-------------------|----------|
| | September 30, | | September 30, | |
| (in millions) | 2016 | 2015 | 2016 | 2015 |
| Revenues | \$6,958 | \$6,627 | \$18,688 | \$19,021 |
| Net income attributable to Duke Energy Corporation | 1,180 | 897 | 2,552 | 2,352 |

The pro forma financial information does not include potential cost savings, intercompany revenues, Piedmont's earnings from a certain equity method investment sold immediately prior to the merger or non-recurring transaction and integration costs incurred by Duke Energy and Piedmont. The after-tax non-recurring transaction and integration costs incurred by Duke Energy and Piedmont were \$41 million and \$161 million for the three and nine months ended September 30, 2016, respectively.

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Purchase of NCEMPA's Generation

On July 31, 2015, Duke Energy Progress completed the purchase of North Carolina Eastern Municipal Power Agency's (NCEMPA) ownership interests in certain generating assets, fuel and spare parts inventory jointly owned with and operated by Duke Energy Progress for approximately \$1.25 billion. This purchase was accounted for as an asset acquisition. The purchase resulted in the acquisition of a total of approximately 700 megawatts (MW) of generating capacity at Brunswick Nuclear Plant, Shearon Harris Nuclear Plant, Mayo Steam Plant and Roxboro Steam Plant. In connection with this transaction, Duke Energy Progress and NCEMPA entered into a 30-year wholesale power agreement, whereby Duke Energy Progress will sell power to NCEMPA to continue to meet the needs of NCEMPA customers.

The purchase price exceeded the historical carrying value of the acquired assets by \$350 million, which was recognized as an acquisition adjustment and recorded in property, plant and equipment. Duke Energy Progress established a rider in North Carolina to recover the costs to acquire, operate and maintain interests in the assets purchased as allocated to its North Carolina retail operations, including the purchase acquisition adjustment, and included the purchase acquisition adjustment in wholesale power formula rates.

Duke Energy Progress received an order from the PSCSC to defer recovery of the South Carolina retail allocated costs of the asset purchased until Duke Energy Progress' next general rate case, which was filed in July 2016. In October 2016, Duke Energy Progress, the Office of Regulatory Staff (ORS) and intervenors entered into a settlement agreement that provides for recovery of the historical carrying value of the South Carolina allocated purchased costs of the transaction. The settlement agreement was filed with the PSCSC on the same day but has yet to be ruled upon by the PSCSC. See Note 4 for additional information on the South Carolina rate case.

DISPOSITIONS

Sale of International Energy

In October 2016, certain indirect subsidiaries of Duke Energy entered into two separate purchase and sale agreements (PSA) whereby Duke Energy will divest the International Energy business segment, excluding the equity method investment in National Methanol Company (NMC).

Brazilian Disposal Group

Duke Energy will sell its indirect ownership interest in Duke Energy International Brazil Holdings S.à.r.l. (the Brazil Subsidiary), which includes 2,090 MW of owned hydroelectric generation capacity in Brazil (the Brazilian Disposal Group), to China Three Gorges (Luxembourg) Energy S.à.r.l. (CTG), a subsidiary of China Three Gorges Corporation, pursuant to a PSA dated as of October 10, 2016 (the Brazil PSA).

CTG will purchase the Brazil Subsidiary for an enterprise value of approximately \$1.2 billion. Closing of the transaction is subject to various conditions, including receipt of required regulatory approvals and the absence of any injunction or other orders preventing closing of the transaction. The sale of the Brazilian Disposal Group is expected to close by early 2017.

The Brazil PSA contains certain termination rights and provides that CTG may be required to pay a termination fee of approximately \$49 million to Duke Energy upon termination of the Brazil PSA under certain specified circumstances.

Latin American Disposal Group

Duke Energy will sell its indirect ownership interest in Duke Energy International Group S.à.r.l., Duke Energy International España Holdings SL and Duke Energy International Investments No. 2 Ltd (collectively, the Latin

America Subsidiaries), which includes 2,230 MW of owned hydroelectric and natural gas generation capacity, transmission infrastructure and natural gas processing facilities in Argentina, Chile, Ecuador, El Salvador, Guatemala and Peru (the Latin American Disposal Group) to ISQ Enerlam Aggregator, L.P. and Enerlam (UK) Holdings Ltd. (collectively, I Squared), entities controlled by a consortium of investors led by I Squared Capital, pursuant to a PSA dated as of October 10, 2016 (the Latin America PSA).

I Squared will purchase the Latin America Subsidiaries for an enterprise value of approximately \$1.2 billion. Closing of the transaction is subject to various conditions, including the absence of any injunction or other orders preventing closing of the transaction and the completion of certain internal restructuring transactions by subsidiaries of Duke Energy. The sale of the Latin American Disposal Group is expected to close by early 2017.

I Squared provided irrevocable letters of credit with an undrawn face value of \$89 million. In the event of a termination of the Latin America PSA under certain circumstances, Duke Energy can draw on the letters of credit as a termination fee.

Other Sale Related Matters

Including the impact of debt to be assumed by the buyers, working capital and other adjustments as well as local in-country taxes, Duke Energy expects the transactions to generate available cash proceeds of between \$1.7 billion and \$1.9 billion, excluding transaction costs. The proceeds are expected to be used to reduce Duke Energy holding company debt. Existing favorable tax attributes will result in no immediate U.S. federal-level tax impacts.

As a result of the transactions, both the Brazilian Disposal Group and the Latin American Disposal Group (together, the International Disposal Group) will be classified as held for sale and as discontinued operations beginning in the fourth quarter of 2016. Upon classification of the International Disposal Group as held for sale, Duke Energy expects to record an estimated pretax impairment charge of approximately \$325 million to \$375 million, primarily due to the cumulative foreign currency translation losses classified as accumulated other comprehensive loss.

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Second Quarter Asset Impairment

In conjunction with the advancements of marketing efforts during 2016, Duke Energy performed recoverability tests of the long-lived asset groups of International Energy. As a result, in the second quarter of 2016, Duke Energy determined the carrying value of certain assets in Central America was not fully recoverable and recorded a pretax impairment charge of \$194 million. The charge is included within Impairment Charges on the Condensed Consolidated Statements of Operations for the nine months ended September 30, 2016, and represents the excess of carrying value over the estimated fair value of the assets. The fair value of the assets was based on a Level 3 Fair Value measurement that was primarily determined from the income approach using discounted cash flows but also considered market information obtained in 2016.

Midwest Generation Exit

Duke Energy, through indirect subsidiaries, completed the sale of the Midwest Generation Disposal Group to a subsidiary of Dynegy on April 2, 2015, for approximately \$2.8 billion in cash. The nonregulated Midwest generation business included generation facilities with approximately 5,900 MW of owned capacity located in Ohio, Pennsylvania and Illinois. On April 1, 2015, prior to the sale, Duke Energy Ohio distributed its indirect ownership interest in the nonregulated Midwest generation business to a subsidiary of Duke Energy Corporation. Commercial Portfolio utilized a revolving credit agreement (RCA) to support the operations of the nonregulated Midwest generation business. Interest expense associated with the RCA was allocated to discontinued operations. No other interest expense related to corporate level debt was allocated to discontinued operations. Duke Energy Ohio had a power purchase agreement with the Midwest Generation Disposal Group for a portion of its standard service offer (SSO) supply requirement. The agreement and the SSO expired in May 2015.

The Midwest Generation Disposal Group's results of operations are classified as discontinued operations in the accompanying Condensed Consolidated Statements of Operations and Comprehensive Income. The following table presents the results of discontinued operations for the three and nine months ended September 30, 2015.

| | Three Months Ended September 30, 2015 | | Nine Months Ended September 30, 2015 | |
|---|---|--------|---|-------|
| | Duke Duke Energy Ohio | | Duke Duke Energy Ohio | |
| (in millions) | | | | |
| Operating Revenues | \$— | \$— | \$543 | \$412 |
| Loss on disposition | (5) | (4) | (42) | (48) |
| (Loss) Income before income taxes ^(a) | \$(5) | \$(4) | \$62 | \$48 |
| Income tax (benefit) expense | (1) | (2) | 29 | 25 |
| (Loss) Income from discontinued operations of the Midwest Generation Disposal Group | (4) | (2) | 33 | 23 |
| Other, net of tax ^(b) | (1) | — | (4) | — |
| (Loss) Income From Discontinued Operations, net of tax | \$(5) | \$(2) | \$29 | \$23 |

The (Loss) Income before income taxes includes the pretax impact of an \$81 million charge for the agreement in (a) principle reached in a lawsuit related to the Midwest Generation Disposal Group for the nine months ended September 30, 2015. Refer to Note 5 for further information related to the lawsuit.

Relates to discontinued operations of businesses not related to the Midwest Generation Disposal Group and (b) includes indemnifications provided for certain legal, tax and environmental matters, and foreign currency translation adjustments.

Duke Energy and Duke Energy Ohio recognized an income tax benefit of \$122 million and \$34 million, respectively, for the three and nine months ended September 30, 2016, within Income From Discontinued Operations, net on the Condensed Consolidated Statements of Operations. The income tax benefit resulted from immaterial out of period deferred tax liability adjustments related to the Midwest Generation Disposal Group and another previously sold business.

3. BUSINESS SEGMENTS

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, as discussed below, includes intercompany revenues and expenses that are eliminated in 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.

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. During the first quarter of 2016, the Duke Energy chief operating decision-maker began to evaluate interim period segment performance based on financial information that includes the impact of income tax levelization within segment income. This represents a change from the previous measure, where the interim period impacts of income tax levelization were included within Other, and therefore excluded from segment income. As a result, prior period segment results presented have been recast to conform to this change.

Products and services are sold between affiliate companies and reportable segments of Duke Energy at cost. Segment assets as presented in the tables that follow exclude all intercompany 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

Combined Notes to Condensed Consolidated Financial Statements – (Continued)
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DUKE ENERGY

Duke Energy has the following reportable operating segments: Regulated Utilities, International Energy and Commercial Portfolio.

Regulated Utilities conducts electric and natural gas operations that are substantially all regulated and, accordingly, qualify for regulatory accounting treatment. These operations are primarily conducted through the Subsidiary Registrants and are subject to the rules and regulations of the FERC, NRC, NCUC, PSCSC, FPSC, PUCO, IURC and KPSC.

International Energy operates and manages power generation facilities and engages in sales and marketing of electric power, natural gas and natural gas liquids outside the U.S. Its activities principally target power generation in Latin America. Additionally, International Energy owns a 25 percent interest in NMC, a large regional producer of methyl tertiary butyl ether (MTBE) located in Saudi Arabia. The investment in NMC is accounted for under the equity method of accounting. See Note 2 for information related to the planned divestiture of International Energy, excluding the investment in NMC.

Commercial Portfolio builds, develops and operates wind and solar renewable generation and storage and energy transmission projects throughout the U.S. For periods subsequent to the sale of the Midwest Generation Disposal Group, beginning in the second quarter of 2015, certain immaterial results of operations and related assets previously presented in the Commercial Portfolio segment are presented in Regulated Utilities and Other.

The remainder of Duke Energy's operations is presented as Other, which is primarily comprised of unallocated corporate interest expense, unallocated corporate costs, contributions to the Duke Energy Foundation and the operations of Duke Energy's wholly owned captive insurance subsidiary, Bison Insurance Company Limited (Bison).

Three Months Ended September 30, 2016

| (in millions) | Total | | | | | | Consolidated |
|--|---------------------|----------------------|----------------------|---------------------|----------|--------------|--------------|
| | Regulated Utilities | International Energy | Commercial Portfolio | Reportable Segments | Other | Eliminations | |
| Unaffiliated revenues | \$6,421 | \$ 245 | \$ 140 | \$6,806 | \$15 | \$ — | \$ 6,821 |
| Intersegment revenues | 9 | — | — | 9 | 17 | (26) | — |
| Total revenues | \$6,430 | \$ 245 | \$ 140 | \$6,815 | \$32 | \$ (26) | \$ 6,821 |
| Segment income (loss) ^{(a)(b)} | \$1,200 | \$ 64 | \$ (21) | \$1,243 | \$(189) | \$ — | \$ 1,054 |
| Add back noncontrolling interests | | | | | | | 5 |
| Income from discontinued operations, net of tax ^(c) | | | | | | | 122 |
| Net income | | | | | | | \$ 1,181 |
| Segment assets | \$114,707 | \$ 3,153 | \$ 4,414 | \$122,274 | \$7,228 | \$ 184 | \$ 129,686 |

Other includes after-tax charges for costs to achieve mergers of \$52 million, primarily due to interest expense (a) related to the Piedmont acquisition financing, and cost savings initiatives of \$12 million primarily due to severance costs.

(b) Commercial Portfolio includes an after-tax impairment of \$45 million related to certain equity method investments in renewable energy projects. See Note 13, Variable Interest Entities, for additional information.

(c)

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Represents an income tax benefit resulting from deferred tax liability adjustments related to previously sold businesses. See Note 2, Acquisitions and Dispositions, for further information.

Three Months Ended September 30, 2015

| (in millions) | Total | | | | | | Consolidated |
|---|---------------------|----------------------|----------------------|---------------------|--------|--------------|--------------|
| | Regulated Utilities | International Energy | Commercial Portfolio | Reportable Segments | Other | Eliminations | |
| Unaffiliated revenues | \$6,138 | \$ 281 | \$ 66 | \$ 6,485 | \$(2) | \$ — | \$ 6,483 |
| Intersegment revenues | 9 | — | — | 9 | 19 | (28) | — |
| Total revenues | \$6,147 | \$ 281 | \$ 66 | \$ 6,494 | \$17 | \$ (28) | \$ 6,483 |
| Segment income (loss) ^{(a)(b)} | \$905 | \$ 69 | \$ 8 | \$ 982 | \$(45) | \$ — | \$ 937 |
| Add back noncontrolling interests | | | | | | | 3 |
| Loss from discontinued operations, net of tax | | | | | | | (5) |
| Net income | | | | | | | \$ 935 |

(a) Regulated Utilities includes an after-tax charge of \$56 million related to the Edwardsport settlement. See Note 4 for further information.

(b) Other includes \$15 million of after-tax costs to achieve the 2012 Progress Energy merger.

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ENERGY INDIANA, LLC

Combined Notes to Condensed Consolidated Financial Statements – (Continued)
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| (in millions) | Nine Months Ended September 30, 2016 | | | | | | Consolidated |
|--|--------------------------------------|----------------------|----------------------|---------------------|---------|--------------|--------------|
| | Total | | | | | | |
| | Regulated Utilities | International Energy | Commercial Portfolio | Reportable Segments | Other | Eliminations | |
| Unaffiliated revenues | \$16,761 | \$ 761 | \$ 366 | \$ 17,888 | \$39 | \$ — | \$ 17,927 |
| Intersegment revenues | 27 | — | — | 27 | 52 | (79) | — |
| Total revenues | \$16,788 | \$ 761 | \$ 366 | \$ 17,915 | \$91 | \$ (79) | \$ 17,927 |
| Segment income (loss) ^{(a)(b)(c)} | \$2,613 | \$ 85 | \$ 20 | \$ 2,718 | \$(463) | \$ — | \$ 2,255 |
| Add back noncontrolling interests | | | | | | | 13 |
| Income from discontinued operations, net of tax ^(d) | | | | | | | 124 |
| Net income | | | | | | | \$ 2,392 |

Other includes after-tax charges for costs to achieve mergers of \$195 million, primarily due to losses on (a) forward-starting interest rate swaps related to the Piedmont acquisition, and cost savings initiatives of \$39 million primarily due to severance costs. See Note 10 for additional information related to the swaps.

(b) International Energy includes an after-tax impairment charge of \$145 million. See Note 2 for additional information.

(c) Commercial Portfolio includes an after-tax impairment of \$45 million related to certain equity method investments in renewable energy projects. See Note 13, Variable Interest Entities, for additional information.

(d) Includes income tax benefit of \$122 million resulting from deferred tax liability adjustments related to previously sold businesses. See Note 2 for further information.

| (in millions) | Nine Months Ended September 30, 2015 | | | | | | Consolidated |
|--|--------------------------------------|----------------------|----------------------|---------------------|---------|--------------|--------------|
| | Total | | | | | | |
| | Regulated Utilities | International Energy | Commercial Portfolio | Reportable Segments | Other | Eliminations | |
| Unaffiliated revenues | \$17,062 | \$ 841 | \$ 214 | \$ 18,117 | \$20 | \$ — | \$ 18,137 |
| Intersegment revenues | 28 | — | — | 28 | 58 | (86) | — |
| Total revenues | \$17,090 | \$ 841 | \$ 214 | \$ 18,145 | \$78 | \$ (86) | \$ 18,137 |
| Segment income (loss) ^{(a)(b)(c)} | \$2,311 | \$ 157 | \$ (15) | \$ 2,453 | \$(139) | \$ (4) | \$ 2,310 |
| Add back noncontrolling interests | | | | | | | 10 |
| Income from discontinued operations, net of tax ^(d) | | | | | | | 29 |
| Net income | | | | | | | \$ 2,349 |

(a) Regulated Utilities includes an after-tax charge of \$56 million related to the Edwardsport settlement. Refer to Note 4 for further information.

(b) Other includes \$42 million of after-tax costs to achieve the 2012 Progress Energy merger.

(c) Commercial Portfolio includes state tax expense of \$41 million, resulting from changes to state apportionment factors due to the sale of the Midwest Generation Disposal Group, that does not qualify for discontinued operations. Refer to Note 2 for further information related to the sale.

(d) Includes after-tax impact of \$53 million for the settlement agreement reached in a lawsuit related to the Midwest Generation Disposal Group. Refer to Note 5 for further information related to the lawsuit.

SUBSIDIARY REGISTRANTS

The Subsidiary Registrants each have one reportable operating segment, Regulated Utilities, which generates, transmits, distributes and sells electricity, and for Duke Energy Ohio, also transports and sells natural gas. The remainder of operations is primarily comprised of unallocated corporate costs and classified as Other. The following table provides the amount of Other net expense.

| | Three Months | | Nine Months | |
|--------------------------------|---------------|---------------|---------------|---------------|
| | Ended | Ended | Ended | Ended |
| | September 30, | September 30, | September 30, | September 30, |
| (in millions) | 2016 | 2015 | 2016 | 2015 |
| Duke Energy Carolinas | \$(16) | \$(10) | \$(50) | \$(28) |
| Progress Energy ^(a) | (45) | (3) | (139) | (87) |
| Duke Energy Progress | (10) | (4) | (26) | (12) |
| Duke Energy Florida | (5) | (3) | (14) | (9) |
| Duke Energy Ohio | (10) | (12) | (29) | (20) |
| Duke Energy Indiana | (3) | (2) | (10) | (6) |

Other for Progress Energy also includes interest expense on corporate debt instruments of \$55 million and \$166 (a) million for the three and nine months ended September 30, 2016, respectively, and \$61 million and \$180 million for the three and nine months ended September 30, 2015, respectively.

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Combined Notes to Condensed Consolidated Financial Statements – (Continued)

(Unaudited)

The assets of the Subsidiary Registrants are substantially all included within the Regulated Utilities segment at September 30, 2016.

Duke Energy Ohio

Duke Energy Ohio had two reportable operating segments, Regulated Utilities and Commercial Portfolio, during 2015 prior to the sale of the nonregulated Midwest generation business. Duke Energy Ohio's Commercial Portfolio segment had total revenues of \$14 million and segment loss of \$9 million for the nine months ended September 30, 2015. As a result of the sale discussed in Note 2, Commercial Portfolio no longer qualifies as a Duke Energy Ohio reportable operating segment. Therefore, beginning in the second quarter of 2015, all of the remaining assets and related results of operations previously presented in Commercial Portfolio are presented in Regulated Utilities and Other.

FUTURE OPERATING SEGMENTS

Due to the Piedmont acquisition and the agreements to sell the International Disposal Group, the chief operating decision maker changed how the business will be managed beginning in the fourth quarter of 2016. The financial reporting structure has been realigned to include the following segments: Electric Utilities and Infrastructure, Gas Utilities and Infrastructure, and Commercial Renewables.

Electric Utilities and Infrastructure will be comprised of the regulated electric utilities in the Carolinas, Florida and the Midwest. This segment will also include the commercial transmission infrastructure investments.

Gas Utilities and Infrastructure will contain Piedmont, Duke Energy's local distribution companies in Ohio and Kentucky, and gas storage and pipeline investments.

Commercial Renewables will primarily include the company's non-regulated utility scale wind and solar generation assets.

International Energy will remain a segment until the divestiture is complete, although results of the equity method investment in NMC will be recast to Other in the fourth quarter of 2016.

See Note 2 for further information on the Piedmont and International Energy transactions.

4. REGULATORY MATTERS

RATE RELATED INFORMATION

The NCUC, PSCSC, FPSC, IURC, PUCO 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, Kentucky and Indiana), as well as sales of transmission service.

Duke Energy Carolinas and Duke Energy Progress

Ash Basin Closure Costs Deferral

On July 13, 2016, in response to a joint petition of Duke Energy Carolinas and Duke Energy Progress, the PSCSC issued an accounting order for the deferment into a regulatory account of certain costs incurred in connection with federal and state environmental remediation requirements related to the permanent closure of ash basins and other ash storage units at coal-fired generating facilities that have provided or are providing generation to customers located in South Carolina. The decision allows for ash basin closure expenses to be partially offset with excess regulatory liability amounts from the deferral of nuclear decommissioning costs that are collected from South Carolina retail customers and for Duke Energy Progress to offset incurred ash basin closure costs with costs of removal amounts collected from customers. The PSCSC's ruling does not change retail rates or the tariff amounts and in no way limits the PSCSC's ability to challenge the reasonableness of expenditures in subsequent proceedings.

FERC Transmission Return on Equity Complaints

On January 7, 2016, a group of transmission service customers filed a complaint with FERC that the rate of return on equity of 10.2 percent in Duke Energy Carolinas' transmission formula rates is excessive and should be reduced to no higher than 8.49 percent, effective upon the complaint date. On the same date, a similar complaint was filed with FERC claiming that the rate of return on equity of 10.8 percent in Duke Energy Progress' transmission formula rates is excessive and should be reduced to no higher than 8.49 percent, effective upon the complaint date. On April 21, 2016, FERC issued an order which consolidated the cases, set a refund effective date of January 7, 2016, and set the consolidated case for settlement and hearing. On June 14, 2016, Duke Energy Carolinas and Duke Energy Progress reached a settlement agreement in principle to reduce the return on equity for both companies to 10 percent. On August 19, 2016, Duke Energy Carolinas and Duke Energy Progress filed for FERC approval of the settlement agreement. Duke Energy Carolinas and Duke Energy Progress do not expect the potential impact on results of operations, cash flows or financial position to be material.

Duke Energy Carolinas

Advanced Metering Infrastructure Deferral

On July 12, 2016, the PSCSC issued an accounting order for Duke Energy Carolinas to defer the financial effects of depreciation expense incurred for the installation of advanced metering infrastructure (AMI) meters, the carrying costs on the investment at its weighted average cost of capital and the carrying costs on the deferred costs at its weighted average cost of capital not to exceed \$45 million. The decision also allows Duke Energy Carolinas to continue to depreciate the non-AMI meters to be replaced. Current retail rates will not change as a result of the decision and the PSCSC's ability to challenge the reasonableness of expenditures in subsequent proceedings is not limited.

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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 (CECPCN) for the construction and operation of a 750 MW combined-cycle natural gas-fired generating plant at Duke Energy Carolinas' existing William States Lee Generating Station in Anderson, South Carolina. Duke Energy Carolinas began construction in July 2015 and estimates a cost to build of \$600 million for its share of the facility, including allowance for funds used during construction (AFUDC). The project is expected to be commercially available in late 2017. NCEMC will own approximately 13 percent of the project. On July 3, 2014, the South Carolina Coastal Conservation League (SCCL) and Southern Alliance for Clean Energy (SACE) jointly filed a Notice of Appeal with the Court of Appeals of South Carolina (S.C. Court of Appeals) seeking the court's review of the PSCSC's decision, claiming the PSCSC did not properly consider a request related to a proposed solar facility prior to granting approval of the CECPCN. The S.C. Court of Appeals affirmed the PSCSC's decision on February 10, 2016, and on March 24, 2016, denied a request for rehearing filed by SCCL and SACE. On April 21, 2016, SCCL and SACE petitioned the South Carolina Supreme Court for review of the S.C. Court of Appeals decision. Duke Energy Carolinas filed its response on June 13, 2016, and SCCL and SACE filed a reply on June 23, 2016. On September 6, 2016, the Small Business Chamber of Commerce filed a motion for permission to file a brief supporting the environmental intervenors' position. On September 22, 2016, the South Carolina Supreme Court granted permission for the brief, and allowed Duke Energy Carolinas an opportunity to file a response, which was filed on October 3, 2016. Duke Energy Carolinas cannot predict the outcome of this matter.

Duke Energy Progress

South Carolina Rate Case

On July 1, 2016, Duke Energy Progress filed an application with the PSCSC requesting an average 14.5 percent increase in retail revenues. The requested rate change would increase annual revenues by approximately \$79 million, with a rate of return on equity of 10.75 percent. The increase is designed to recover the cost of investment in new generation infrastructure, environmental expenditures including allocated historical ash basin closure costs and increased nuclear operating costs. Duke Energy Progress has requested new rates to be effective January 1, 2017. On October 19, 2016, Duke Energy Progress, the ORS and intervenors entered into a settlement agreement that was filed with the PSCSC on the same day. Terms of the settlement agreement include an approximate \$56 million increase in revenues over a two-year period. An increase of approximately \$38 million in revenues would be effective January 1, 2017, and an increase of approximately \$18.5 million in revenues would be effective January 1, 2018. Duke Energy Progress will amortize approximately \$18.5 million from the cost of removal reserve in 2017. Other settlement terms include a rate of return on equity of 10.1 percent, agreement to implement nuclear levelization accounting in South Carolina, 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. A hearing was held on October 31, 2016. Duke Energy Progress cannot predict the outcome of this matter.

Western Carolinas Modernization Plan

On November 4, 2015, in response to community feedback, Duke Energy Progress announced a revised Western Carolinas Modernization Plan with an estimated cost of \$1.1 billion. The revised plan includes 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 revised plan includes upgrades to existing transmission lines and substations, but eliminates the need for a new transmission line and a new substation associated with the project in South Carolina. The revised plan has the same overall project cost as the original plan and the plans to install solar generation remain unchanged. Duke Energy Progress has also proposed to add 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. The plan requires various approvals including regulatory approvals in North Carolina.

Duke Energy Progress filed for a Certificate of Public Convenience and Necessity (CPCN) with the NCUC for the new natural gas units on January 15, 2016. On March 28, 2016, the NCUC issued an order approving the 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. Site preparation activities are underway and construction of these plants is scheduled to begin in early 2017. The plants are expected to be in service by late 2019. Duke Energy Progress plans to file for future approvals related to the proposed solar generation and pilot battery storage project.

On May 27, 2016, N.C. Waste Awareness and Reduction Network (NC WARN) and The Climate Times filed a notice of appeal from the CPCN order to the N.C. Court of Appeals. On May 31, 2016, Duke Energy Progress filed a motion to dismiss the notice of appeal with the NCUC due to NC WARN's and The Climate Times' failure to post a required appeal bond. After a series of filings, an NCUC order, petitions to the N.C. Court of Appeals and an evidentiary hearing, on July 8, 2016, the NCUC issued an order setting NC WARN's and The Climate Times' appeal bond at \$98 million. On July 28, 2016, NC WARN and The Climate Times filed a notice of appeal and exceptions from the NCUC's July 8, 2016, appeal bond order. On August 2, 2016, the NCUC granted Duke Energy Progress' motion to dismiss NC WARN's and The Climate Times' notice of appeal from the CPCN order due to failure to post the requisite bond. On August 18, 2016, NC WARN and The Climate Times filed a petition with the N.C. Court of Appeals seeking appellate review of the NCUC's CPCN order, the July 8, 2016, appeal bond order and the August 2, 2016, order dismissing their notice of appeal, which the N.C. Court of Appeals denied on September 6, 2016. On September 19, 2016, the NCUC granted Duke Energy Progress' motion to dismiss NC WARN's and The Climate Times' subsequent appeal of the second bond order dated July 28, 2016, and NC WARN's and The Climate Times' subsequent appeal of the CPCN order and dismissal order dated August 18, 2016. On October 17, 2016, NC WARN and The Climate Times filed another petition for review with the N.C. Court of Appeals asking the court to reverse the CPCN order, the second bond order and the dismissal of their first and second notices of appeal as to the CPCN order. Duke Energy Progress cannot predict the outcome of this matter.

The carrying value of the 376 MW Asheville coal-fired plant, including associated ash basin closure costs, of \$562 million and \$548 million are included in Generation facilities to be retired, net on Duke Energy Progress' Condensed Consolidated Balance Sheet as of September 30, 2016 and December 31, 2015, respectively.

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Duke Energy Florida

Hines Chiller Uprate Project

On May 20, 2016, Duke Energy Florida filed a petition seeking approval to include in base rates the revenue requirement for a Chiller Uprate Project (Uprate Project) at the Hines station. Duke Energy Florida proposed to complete the Uprate Project in two phases: Phase one to include work on Hines Units 1-3 and common equipment, to be placed in service during October 2016; and Phase two work on Hines Unit 4 to be placed in service during January 2017. The final combined construction cost estimate for both phases of approximately \$150 million is below the cost estimate provided during the need determination proceeding. Duke Energy Florida estimated an annual retail revenue requirement for Phase one and Phase two of approximately \$17 million and \$3 million, respectively. On August 29, 2016, the FPSC approved the Phase one revenue requirement to be effective in customer rates in November 2016. However, Duke Energy Florida made filings with the FPSC in October 2016 to remove the Uprate Project from customer rates because a portion of the common equipment required for either phase to be considered in-service will not be completed as expected. Duke Energy Florida is evaluating the potential impact to cost estimates related to the delay of the project. Duke Energy Florida will file for recovery of the costs associated with the Uprate Project at a later date. Duke Energy Florida cannot predict the outcome of this matter.

Purchase of Osprey Energy Center

In December 2014, Duke Energy Florida and Osprey Energy Center, LLC, a wholly owned subsidiary of Calpine Corporation (Calpine), entered into an Asset Purchase and Sale Agreement for the purchase of a 599 MW combined-cycle natural gas plant in Auburndale, Florida (Osprey Plant acquisition) for approximately \$166 million. In July 2015, the FERC and the FPSC issued separate orders of approval for the Osprey Plant acquisition. The Hart-Scott-Rodino waiting period expired on May 2, 2016. Closing of the acquisition is expected to occur in January 2017, upon the expiration of an existing Power Purchase Agreement between Calpine and Duke Energy Florida. In anticipation of closing, on August 29, 2016, Duke Energy Florida filed a petition seeking approval to include in base rates the revenue requirements for the Osprey Plant acquisition to be included in customer bills beginning in February 2017. Duke Energy Florida estimates the retail revenue requirements for the Osprey acquisition to be approximately \$48 million. On November 1, 2016, the FPSC approved the Osprey Plant acquisition and the petition to include the revenue requirements in base rates.

Crystal River Unit 3 Regulatory Asset

In June 2015, the governor of Florida signed legislation to allow utilities to issue nuclear asset-recovery bonds to finance the recovery of certain retired nuclear generation assets, with approval of the FPSC. In November 2015, the FPSC issued a financing order approving Duke Energy Florida's request to issue nuclear asset-recovery bonds to finance its unrecovered regulatory asset related to Crystal River Unit 3 (Crystal River 3) through a wholly owned special purpose entity. Nuclear asset-recovery bonds replace the base rate recovery methodology authorized by the 2013 Revised and Restated Stipulation and Settlement Agreement (2013 Agreement) and result in a lower rate impact to customers with a recovery period of approximately 20 years.

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

Crystal River 3 regulatory asset.

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

See Notes 6 and 13 for additional information.

Duke Energy Ohio

Base Rate Case

In connection with Duke Energy Ohio's deployment of SmartGrid network, consisting of investments in AMI and distribution automation, a rider was established to recover these investments and return expected savings to customers. A stipulation in establishing this rider was approved by the PUCO in 2012, whereby Duke Energy Ohio committed to filing a base electric distribution case within one year of full deployment of SmartGrid. On October 22, 2015, PUCO staff concluded that full deployment had occurred thereby, absent relief by the PUCO, Duke Energy Ohio would be required to file a base electric rate case proceeding no later than October 22, 2016. A number of proceedings have been initiated by the PUCO related to continued development of retail markets in Ohio including questions related to demand-side management, time-differentiated pricing and AMI that would impact such a base rate filing. On September 15, 2016, Duke Energy Ohio requested the PUCO approve a waiver of the condition in the 2012 stipulation to file a base rate case. On September 22, 2016, the Office of the Ohio Consumers' Counsel filed an objection to the waiver request and, on October 12, 2016, PUCO Staff filed a reply proposing a filing date no later than July 21, 2017. Duke Energy Ohio cannot predict the outcome of this matter.

Natural Gas Pipeline Extension

Duke Energy Ohio is proposing to install a new natural gas pipeline in its Ohio service territory to increase system reliability and enable the retirement of older infrastructure. The proposed project involves the installation of a natural gas line and is estimated to cost between \$86 million and \$110 million, excluding AFUDC. On September 13, 2016, Duke Energy Ohio filed with the Ohio Power Siting Board for approval of one of two proposed routes. If approved, construction of the pipeline extension is expected to be completed by early 2019.

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Combined Notes to Condensed Consolidated Financial Statements – (Continued)

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Advanced Metering Infrastructure

On April 25, 2016, Duke Energy Kentucky filed with the KPSC an application for approval of a CPCN for the construction of AMI. Duke Energy Kentucky anticipates that the estimated \$49 million project, if approved, will take about two years to complete. Duke Energy Kentucky also requested approval to establish a regulatory asset of approximately \$10 million for the remaining book value of existing meter equipment and inventory that will be replaced. On July 20, 2016, the Kentucky Attorney General, the only intervenor in the proceeding, moved to dismiss the application. Duke Energy Kentucky filed its opposition to the Kentucky Attorney General's motion to dismiss on July 27, 2016. On September 28, 2016, the KPSC denied the Kentucky Attorney General's motion to dismiss and granted Duke Energy Kentucky's motion to file rebuttal testimony. An evidentiary hearing is scheduled for December 1, 2016. Duke Energy Kentucky cannot predict the outcome of this matter.

Accelerated Natural Gas Service Line Replacement Rider

On January 20, 2015, Duke Energy Ohio filed an application for approval of an accelerated natural gas service line replacement program (ASRP). Under the ASRP, Duke Energy Ohio proposed to replace certain natural gas service lines on an accelerated basis over a 10-year period. Duke Energy Ohio also proposed to complete preliminary survey and investigation work related to natural gas service lines that are customer owned and for which it does not have valid records and, further, to relocate interior natural gas meters to suitable exterior locations where such relocation can be accomplished. Duke Energy Ohio's current projected total capital and operations and maintenance expenditures under the ASRP is approximately \$240 million. The filing also sought approval of Rider ASRP to recover related expenditures. Duke Energy Ohio proposed to update Rider ASRP on an annual basis. Intervenors opposed the ASRP, primarily because they believe the program is neither required nor necessary under federal pipeline regulation. On October 26, 2016, the PUCO issued an order denying the proposed ASRP. The PUCO did, however, encourage Duke Energy Ohio to work with the PUCO Staff and intervenors to identify a reasonable solution for the risks attributed to service line leaks caused by corrosion. Duke Energy Ohio is currently evaluating the order.

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. After a comment period, 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 to 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 July 8, 2015. On January 6, 2016, Duke Energy Ohio and PUCO Staff entered into a stipulation pending PUCO approval, resolving the issues related to, among other things, performance incentives and the PUCO Staff audit of 2013 costs. Based on the stipulation, in December 2015, Duke Energy Ohio re-established approximately \$20 million of revenues that had been reversed in the second quarter of 2015. On October 26, 2016, the PUCO issued an order approving the stipulation without modification.

2012 Natural Gas Rate Case/Manufactured Gas Plant Cost Recovery

On November 13, 2013, the PUCO issued an order (PUCO order) approving a settlement of Duke Energy Ohio's natural gas base rate case and authorizing the recovery of costs incurred between 2008 and 2012 for environmental

investigation and remediation of two former manufactured gas plant (MGP) sites. The PUCO order also authorized Duke Energy Ohio to continue deferring MGP environmental investigation and remediation costs incurred subsequent to 2012, and to submit annual filings to adjust the MGP rider for future costs. Intervening parties appealed this decision to the Ohio Supreme Court and that appeal remains pending. Oral argument is scheduled for February 28, 2017. Investigation and remediation expenses at these MGP sites that have not been collected through the MGP rider are approximately \$101 million and are recorded as Regulatory assets on Duke Energy Ohio's Condensed Consolidated Balance Sheet as of September 30, 2016.

The PUCO order also contained deadlines for completing the MGP environmental investigation and remediation costs at the MGP sites. For the property known as the East End site the PUCO order established a deadline of December 31, 2016. As of September 30, 2016, \$46 million of the regulatory asset represents future remediation cost expected to be incurred at the East End site after 2016. The PUCO order authorized Duke Energy Ohio to seek to extend these deadlines due to certain circumstances. On May 16, 2016, Duke Energy Ohio filed an application to extend the deadline for cost recovery applicable to the East End site. The PUCO set a procedural schedule for filing comments on the application and associated replies for November 23, 2016, and December 2, 2016, respectively.

Duke Energy Ohio cannot predict the outcome of this matter.

Regional Transmission Organization Realignment

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

Duke Energy Ohio had a recorded liability for its exit obligation and share of MTEP costs, excluding MVP, of \$91 million and \$92 million, respectively, at September 30, 2016 and December 31, 2015, within Other in Current liabilities and Other in Deferred credits and other liabilities on Duke Energy Ohio's Condensed Consolidated Balance Sheets. The retail portions of MTEP costs billed by MISO are recovered by Duke Energy Ohio through a non-bypassable rider. As of September 30, 2016 and December 31, 2015, Duke Energy Ohio had \$72 million recorded in Regulatory assets on the Condensed Consolidated Balance Sheets.

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

On December 29, 2011, MISO filed a tariff with the FERC providing for the allocation of MVP costs to a withdrawing owner based on monthly energy usage. The FERC set for hearing (i) whether MISO's proposed cost allocation methodology to transmission owners who withdrew from MISO prior to January 1, 2012, is consistent with the tariff at the time of their withdrawal from MISO and, (ii) if not, what the amount of and methodology for calculating any MVP cost responsibility should be. In 2012, MISO estimated Duke Energy Ohio's MVP obligation over the period from 2012 to 2071 at \$2.7 billion, on an undiscounted basis. On July 16, 2013, a FERC Administrative Law Judge (ALJ) issued an Initial Decision. Under this Initial Decision, Duke Energy Ohio would be liable for MVP costs. Duke Energy Ohio filed exceptions to the Initial Decision, requesting FERC to overturn the ALJ's decision. On October 29, 2015, the FERC issued an order reversing the ALJ's decision. The FERC ruled the cost allocation methodology is not consistent with the MISO tariff and that Duke Energy Ohio has no liability for MVP costs after its withdrawal from MISO. On May 19, 2016, the FERC denied the request for rehearing filed by MISO and the MISO Transmission Owners. On July 15, 2016, the MISO Transmission Owners filed a petition for review with the U.S. Court of Appeals for the Sixth Circuit. Duke Energy Ohio cannot predict the outcome of this matter.

Duke Energy Indiana

Coal Combustion Residual Plan

On March 17, 2016, Duke Energy Indiana filed with the IURC a request for approval of its first group of federally mandated Coal Combustion Residual (CCR) rule compliance projects (Phase I CCR Compliance Projects) to comply with the U.S. Environmental Protection Agency's (EPA) CCR rule. The projects in this Phase I filing are CCR compliance projects, including the conversion of Cayuga and Gibson Stations to dry bottom ash handling and related water treatment. Duke Energy Indiana has requested timely recovery of approximately \$380 million in retail capital costs and incremental operating and maintenance costs under a federal mandate tracker which provides for timely recovery of 80 percent of such costs and deferral with carrying costs of 20 percent of such costs for recovery in a subsequent retail base rate case. An evidentiary hearing is scheduled for February 2017. Duke Energy Indiana cannot predict the outcome of this matter.

Edwardsport Integrated Gasification Combined Cycle Plant

On November 20, 2007, the IURC granted Duke Energy Indiana a CPCN for the construction of the Edwardsport Integrated Gasification Combined Cycle (IGCC) Plant. The Citizens Action Coalition of Indiana, Inc., Sierra Club, Inc., Save the Valley, Inc., and Valley Watch, Inc. (collectively, the Joint Intervenors) were intervenors in several matters related to the Edwardsport IGCC Plant. The Edwardsport IGCC Plant was placed in commercial operation in June 2013. Costs for the Edwardsport IGCC Plant are recovered from retail electric customers via a tracking mechanism (IGCC rider).

The ninth semi-annual IGCC rider order was appealed by the Joint Intervenors. The proceeding has been remanded to the IURC for further proceedings and additional findings on the tax in-service issue. An evidentiary hearing was held on September 13, 2016, and an order is expected by early 2017. Duke Energy Indiana cannot predict the outcome of this matter.

The 11th through 15th semi-annual IGCC riders and a subdocket to Duke Energy Indiana's fuel adjustment clause were approved by the IURC as part of an August 2016 settlement agreement. Issues in these filings included the determination whether the IGCC plant was properly declared in-service for ratemaking purposes in June 2013 and a review of the operational performance of the plant. On September 17, 2015, Duke Energy Indiana, the Office of Utility Consumer Counselor, the Industrial Group and Nucor Steel Indiana reached a settlement agreement to resolve these pending issues. On January 15, 2016, The Citizens Action Coalition of Indiana, Inc., Sierra Club, Save the Valley and Valley Watch joined a revised settlement (IGCC settlement). The IGCC settlement resulted in customers not being billed for previously incurred operating costs of \$87.5 million, and for additional Duke Energy Indiana payments and commitments of \$5.5 million for attorneys' fees and amounts to fund consumer programs. Attorneys' fees and expenses for the new settling parties will be addressed in a separate proceeding. Duke Energy Indiana recognized pretax impairment and related charges of \$93 million in 2015. Additionally, under the IGCC settlement, the recovery of operating and maintenance expenses and ongoing maintenance capital at the plant are subject to certain caps during the years of 2016 and 2017. The IGCC settlement also includes a commitment to either retire or stop burning coal by December 31, 2022, at the Gallagher Station. Pursuant to the IGCC settlement, the in-service date used for accounting and ratemaking will remain as June 2013. Remaining deferred costs will be recovered over eight years and not earn a carrying cost. On August 24, 2016, the IURC approved the settlement in full with no changes or conditions. The order was not appealed and the proceeding is concluded. As of September 30, 2016, deferred costs related to the project are approximately \$184 million. Under the IGCC settlement, future IGCC riders will be filed annually, rather than every six months, with the next filing scheduled for first quarter 2017.

FERC Transmission Return on Equity Complaint

Customer groups have filed with FERC complaints against MISO and its transmission-owning members, including Duke Energy Indiana, alleging, among other things, that the current base rate of return on equity earned by MISO transmission owners of 12.38 percent is unjust and unreasonable. The latest complaint, filed on February 12, 2015, claims the base rate of return on equity should be reduced to 8.67 percent and requests a consolidation of complaints. The motion to consolidate complaints was denied. On January 5, 2015, FERC issued an order accepting the MISO transmission owners' 0.50 percent adder 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. A hearing in the base return on equity proceeding was held in August 2015. On December 22, 2015, the presiding FERC ALJ in the first complaint issued an Initial Decision in which he set the base rate of return on equity at 10.32 percent. On September 28, 2016, the Initial Decision in the first complaint was affirmed by FERC. 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. 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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Grid Infrastructure Improvement Plan

On August 29, 2014, pursuant to a new statute, Duke Energy Indiana filed a seven-year grid infrastructure improvement plan with the IURC with an estimated cost of \$1.9 billion, focusing on the reliability, integrity and modernization of the transmission and distribution system. The plan also provided for cost recovery through a transmission and distribution rider (T&D Rider). In May 2015, the IURC denied the original proposal due to an insufficient level of detailed projects and cost estimates in the plan. On December 7, 2015, Duke Energy Indiana filed a revised infrastructure improvement plan with an estimated cost of \$1.8 billion in response to guidance from IURC orders and the Indiana Court of Appeals decisions related to this new statute. The revised plan uses a combination of advanced technology and infrastructure upgrades to improve service to customers and provide them with better information about their energy use. It also provides for cost recovery through a T&D Rider. In March 2016, Duke Energy Indiana entered into a settlement with all parties to the proceeding except the Citizens Action Coalition of Indiana, Inc. The settlement agreement decreased the capital expenditures eligible for timely recovery of costs in the seven-year plan to approximately \$1.4 billion, including the removal of an AMI project. Under the settlement, the return on equity to be used in the T&D Rider is 10 percent. The IURC approved the settlement and issued a final order on June 29, 2016. The order was not appealed, and the proceeding is concluded.

The settlement also provided for deferral accounting for depreciation and post-in-service carrying costs for AMI projects outside the seven-year plan. Duke Energy Indiana withdrew its request for a regulatory asset for current meters and will retain any savings associated with future AMI installation until the next retail base rate case, which is required to be filed prior to the end of the seven-year plan. During the third quarter of 2016, Duke Energy Indiana decided to implement the AMI project. This decision resulted in a pretax impairment charge related to existing or non-AMI meters of approximately \$8 million for the three and nine months ended September 30, 2016, based in part on the requirement to file a base rate case in 2022 under the approved T&D Rider plan. As of September 30, 2016, Duke Energy Indiana's remaining net book value of non-AMI meters is approximately \$48 million and will be depreciated through 2022. In the event that Duke Energy Indiana were to file a base rate case earlier than 2022, it may result in additional impairment charges.

OTHER REGULATORY MATTERS

Atlantic Coast Pipeline

On September 2, 2014, Duke Energy, Dominion Resources (Dominion), Piedmont and Southern Company Gas, formerly AGL Resources Inc., announced the formation of a company, ACP, to build and own the proposed Atlantic Coast Pipeline (the pipeline), a 564-mile interstate natural gas pipeline. The pipeline is designed to meet the needs identified in requests for proposals by Duke Energy Carolinas, Duke Energy Progress and Piedmont. Dominion will build and operate the pipeline and originally owned a 45 percent ownership percentage in ACP. Duke Energy owned a 40 percent ownership interest in ACP through its Commercial Portfolio segment. Piedmont owned 10 percent and the remaining share was owned by Southern Company Gas.

On October 3, 2016, Duke Energy and Piedmont completed a merger transaction that resulted in Piedmont becoming a wholly owned subsidiary of Duke Energy. In connection with this transaction, and pursuant to terms of the ACP partnership agreement, Piedmont transferred 3 percent of its interest in ACP to Dominion in exchange for approximately \$14 million. As a result of this transfer, Dominion maintains a leading ownership percentage of 48 percent and Duke Energy has a combined ownership percentage of 47 percent. See Note 2 for additional information

related to Duke Energy's acquisition of Piedmont.

Duke Energy Carolinas and Duke Energy Progress, among others, will be customers of the pipeline. Purchases will be made under several 20-year supply contracts, subject to state regulatory approval. In October 2014, the NCUC and PSCSC approved the Duke Energy Carolinas and Duke Energy Progress requests to enter into certain affiliate agreements, pay compensation to ACP and to grant a waiver of certain Code of Conduct provisions relating to contractual and jurisdictional matters. On September 18, 2015, ACP filed an application with the FERC requesting a CPCN authorizing ACP to construct the pipeline. In August 2016, FERC issued a Notice of Schedule indicating a final Environmental Impact Statement (EIS) will be issued by June 30, 2017. FERC approval of the application is expected within 90 days of the issuance of the final EIS. Construction is projected to begin once FERC approval is received with a targeted in-service date in the second half of 2019. ACP executed a construction agreement in September 2016 and is working with various agencies to develop the final pipeline route. ACP also requested approval of an open access tariff and the precedent agreements it entered into with future pipeline customers, including Duke Energy Carolinas and Duke Energy Progress.

Sabal Trail Transmission, LLC Pipeline

On May 4, 2015, Duke Energy acquired a 7.5 percent ownership interest from Spectra Energy in the proposed 500-mile Sabal Trail natural gas pipeline. Spectra Energy will continue to own 59.5 percent of the Sabal Trail pipeline and NextEra Energy will own the remaining 33 percent. The Sabal Trail pipeline will traverse Alabama, Georgia and Florida to meet rapidly growing demand for natural gas in those states. 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. On February 3, 2016, the FERC issued an order granting the request for a CPCN to construct and operate the Sabal Trail pipeline. The Sabal Trail pipeline has received regulatory approvals and initiated construction of the pipeline with an expected in-service date in mid-2017.

Progress Energy Merger FERC Mitigation

In June 2012, the FERC approved the merger with Progress Energy, including Duke Energy and Progress Energy's revised market power mitigation plan, the Joint Dispatch Agreement (JDA) and the joint Open Access Transmission Tariff. The revised market power mitigation plan provided for the acceleration of one transmission project and the completion of seven other transmission projects (Long-Term FERC Mitigation) and interim firm power sale agreements during the completion of the transmission projects (Interim FERC Mitigation). The Long-Term FERC Mitigation was expected to increase power imported into the Duke Energy Carolinas and Duke Energy Progress service areas and enhance competitive power supply options in the service areas. All of these projects were completed in or before 2014.

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

Potential Coal Plant Retirements

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

The table below contains the net carrying value of generating facilities planned for retirement or included in recent IRPs as evaluated for potential retirement 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, 2016.

| | Capacity (in MW) | Remaining Net Book Value ^(a) (in millions) |
|---|---------------------|--|
| Progress Energy and Duke Energy Florida | | |
| Crystal River Units 1 and 2 | 873 | 123 |
| Duke Energy Indiana | | |
| Wabash River Unit 6 ^(b) | 318 | 33 |
| Gallagher Units 2 and 4 ^(c) | 280 | 137 |
| Total Duke Energy | 1,471 | 293 |

(a) Remaining net book value amounts exclude any capitalized asset retirement costs.

(b) In April 2016, Wabash River 6 terminated coal burning operations and is targeted for retirement by the end of 2016. The total net book value of \$90 million for the retail portion of Wabash River Unit 6 and the retail portion of

capitalized asset retirement costs for Wabash River Units 2 through 6 is classified as Generation facilities to be retired, net on Duke Energy Indiana's Condensed Consolidated Balance Sheet at September 30, 2016.

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

On October 23, 2015, the EPA published in the Federal Register the final Clean Power Plan (CPP) rule regulating carbon dioxide (CO₂) emissions from existing fossil fuel-fired electric generating units. The CPP establishes CO₂ emission rates and mass cap goals that apply to existing fossil fuel-fired electric generation units. Under the CPP, states were required to develop and submit a final compliance plan, or an initial plan with an extension request, to the EPA by September 6, 2016. States that receive an extension must submit a final completed plan to the EPA by September 6, 2018. These state plans are subject to EPA approval, with a federal plan applied to states that fail to submit a plan to the EPA or if a state plan is not approved. Legal challenges to the final CPP have been filed by stakeholders. On February 9, 2016, the U.S. Supreme Court issued a stay of the final CPP rule, halting implementation until legal challenges are resolved. Final resolution of these legal challenges could take several years. Compliance with CPP could cause the industry to replace coal generation with natural gas and renewables, especially in states that have significant CO₂ reduction targets under the rule. Costs to operate coal-fired generation plants continue to grow due to increasing environmental compliance requirements, including ash management costs unrelated to CPP, which may result in the retirement of coal-fired generation plants earlier than the current end of useful lives. Duke Energy continues to evaluate the need to retire generating facilities and plans to seek regulatory recovery, where appropriate, for amounts that have not been recovered upon asset retirements. However, recovery is subject to future regulatory approval, including the recovery of carrying costs on remaining book values, and therefore cannot be assured. Refer to the "Western Carolinas Modernization Plan" discussion above for details of Duke Energy Progress' planned retirements.

5. COMMITMENTS AND CONTINGENCIES

ENVIRONMENTAL

Duke Energy is subject to international, federal, state and local regulations regarding air and water quality, hazardous and solid waste disposal and other environmental matters. The Subsidiary 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.

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Remediation Activities

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

| | Nine Months Ended September 30, 2016 | | | | | | |
|--------------------------------|--------------------------------------|-----------------|-----------------|----------------|-------------|----------------|------------------|
| | Duke | Duke | Duke | Duke | Duke | Duke | Duke |
| (in millions) | Duke Energy | Progress Energy | Energy Progress | Energy Florida | Energy Ohio | Energy Indiana | Energy Carolinas |
| Balance at beginning of period | \$97 | \$ 10 | \$ 17 | \$ 3 | \$ 14 | \$ 54 | \$ 12 |
| Provisions/adjustments | 34 | 5 | 5 | 2 | 3 | 6 | 20 |
| Cash reductions | (12) | (4) | (6) | (2) | (4) | (1) | (2) |
| Balance at end of period | \$119 | \$ 11 | \$ 16 | \$ 3 | \$ 13 | \$ 59 | \$ 30 |

| | Nine Months Ended September 30, 2015 | | | | | | |
|--------------------------------|--------------------------------------|-----------------|-----------------|----------------|-------------|----------------|------------------|
| | Duke | Duke | Duke | Duke | Duke | Duke | Duke |
| (in millions) | Duke Energy | Progress Energy | Energy Progress | Energy Florida | Energy Ohio | Energy Indiana | Energy Carolinas |
| Balance at beginning of period | \$97 | \$ 10 | \$ 17 | \$ 5 | \$ 12 | \$ 54 | \$ 10 |
| Provisions/adjustments | 4 | — | 3 | — | 3 | 1 | 3 |
| Cash reductions | (4) | — | (2) | (1) | (1) | (1) | (1) |
| Balance at end of period | \$97 | \$ 10 | \$ 18 | \$ 4 | \$ 14 | \$ 54 | \$ 12 |

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 \$69

Duke Energy Carolinas 22
Duke Energy Ohio 36
Duke Energy Indiana 7

North Carolina and South Carolina Ash Basins

On February 2, 2014, a break in a stormwater pipe beneath an ash basin at Duke Energy Carolinas' retired Dan River Steam Station caused a release of ash basin water and ash into the Dan River. On February 8, 2014, a permanent plug was installed in the stormwater pipe, stopping the release of materials into the river. Duke Energy Carolinas estimates 30,000 to 39,000 tons of ash and 24 million to 27 million gallons of basin water were released into the river. In July 2014, Duke Energy completed remediation work identified by the EPA and continues to cooperate with the EPA's civil enforcement process. Future costs related to the Dan River release, including pending or future state or federal civil enforcement proceedings, future regulatory directives, natural resources damages, additional pending litigation, future claims or litigation and long-term environmental impact costs, cannot be reasonably estimated at this time. The North Carolina Department of Environmental Quality (NCDEQ) has historically assessed Duke Energy Carolinas and Duke Energy Progress with Notices of Violations (NOV) for violations that were most often resolved through satisfactory corrective actions and minor, if any, fines or penalties. Subsequent to the Dan River ash release, Duke Energy Carolinas and Duke Energy Progress have been served with a higher level of NOVs, including assessed penalties for violations at L.V. Sutton Plant and Dan River Steam Station. These assessed penalties were unprecedented and inconsistent with historic enforcement practices of the NCDEQ. Based on historic practices, the expected liability of any existing NOVs would not be material. Duke Energy Carolinas and Duke Energy Progress cannot predict whether the NCDEQ will assess future penalties related to existing unresolved NOVs and if such penalties would be material.

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See "NCDEQ Notices of Violation" section below for additional discussion.

LITIGATION

Duke Energy

Ash Basin Shareholder Derivative Litigation

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

The Consolidated Complaint alleges the Duke Energy Defendants breached their fiduciary duties by failing to adequately oversee Duke Energy's ash basins and that these breaches of fiduciary duty may have contributed to the incident at Dan River and continued thereafter. The lawsuit also asserts claims against the Duke Energy Defendants for corporate waste (relating to the money Duke Energy has spent and will spend as a result of the fines, penalties and coal ash removal) and unjust enrichment (relating to the compensation and director remuneration that was received despite these alleged breaches of fiduciary duty). The lawsuit seeks both injunctive relief against Duke Energy and restitution from the Duke Energy Defendants. On January 21, 2015, the Duke Energy Defendants filed a Motion to Stay and an alternative Motion to Dismiss. On August 31, 2015, the court issued an order staying the case which was lifted on March 24, 2016. On April 22, 2016, plaintiffs filed an Amended Verified Consolidated Shareholder Derivative Complaint (Amended Complaint) making the same allegations as in the Consolidated Complaint. The Duke Energy Defendants filed a motion to dismiss the Amended Complaint on June 21, 2016.

On March 5, 2015, shareholder Judy Mesirov filed a shareholder derivative complaint (Mesirov Complaint) in North Carolina state court. The lawsuit, styled Mesirov v. Good, is similar to the consolidated derivative action pending in Delaware Chancery Court and was filed against the same current directors and former directors and officers as the Delaware litigation. Duke Energy Corporation, Duke Energy Progress and Duke Energy Carolinas are named as nominal defendants. The Mesirov Complaint alleges that the Duke Energy Board of Directors was aware of Clean Water Act (CWA) compliance issues and failures to maintain structures in ash basins, but that the Board of Directors did not require Duke Energy Carolinas and Duke Energy Progress to take action to remedy deficiencies. The Mesirov Complaint further alleges that the Board of Directors sanctioned activities to avoid compliance with the law by allowing improper influence of the NCDEQ to minimize regulation and by opposing previously anticipated citizen suit litigation. The Mesirov Complaint seeks corporate governance reforms and damages relating to costs associated with the Dan River release, remediation of ash basins that are out of compliance with the CWA and defending and payment of fines, penalties and settlements relating to criminal and civil investigations and lawsuits. The case was stayed until July 1, 2016. On July 5, 2016, the plaintiff filed a Notice of Voluntary Dismissal Without Prejudice, closing this matter.

In addition to the above derivative complaints, in 2014, Duke Energy also received two shareholder litigation demand letters. The letters alleged that the members of the Board of Directors and certain officers breached their fiduciary duties by allowing the company to illegally dispose of and store coal ash pollutants. One of the letters also alleged a breach of fiduciary duty in the decision-making relating to the leadership changes following the close of the Progress

Energy merger in July 2012.

By letter dated September 4, 2015, attorneys for the shareholders were informed that, on the recommendation of the Demand Review Committee formed to consider such matters, the Board of Directors concluded not to pursue potential claims against individuals. One of the shareholders, Mitchell Pinsky, sent a formal demand for records and Duke Energy responded to this request.

On October 30, 2015, shareholder Saul Bresalier filed a shareholder derivative complaint (Bresalier Complaint) in the U.S. District Court for the District of Delaware. The lawsuit alleges that several current and former Duke Energy officers and directors (Bresalier Defendants) breached their fiduciary duties in connection with coal ash environmental issues, the post-merger change in Chief Executive Officer (CEO) and oversight of political contributions. Duke Energy is named as a nominal defendant. The Bresalier Complaint contends that the Demand Review Committee failed to appropriately consider the shareholder's earlier demand for litigation and improperly decided not to pursue claims against the Bresalier Defendants. The Bresalier Defendants filed a Motion to Dismiss the Bresalier litigation on January 15, 2016. In lieu of a response to the Motion to Dismiss, the plaintiff filed a Motion to Convert the Bresalier Defendants' Motion to Dismiss into a Motion for Summary Judgment and also for limited discovery. Following a hearing on June 15, 2016, the court denied the plaintiff's Motion to Convert and is requiring the parties to complete briefing on the Bresalier Defendants' Motion to Dismiss. On July 29, 2016, the Bresalier Defendants filed an Amended Motion to Dismiss. As discussed below, an agreement-in-principle has been reached to settle the merger related claims in the Bresalier Complaint.

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

Progress Energy Merger Shareholder Litigation

On May 31, 2013, the Delaware Chancery Court consolidated four shareholder derivative lawsuits filed in 2012. The Court also appointed a lead plaintiff and counsel for plaintiffs and designated the case as In Re Duke Energy Corporation Derivative Litigation (Merger Chancery Litigation). The lawsuit names as defendants the 11 members of the Board of Directors who were also members of the pre-merger Board of Directors (Legacy Duke Energy Directors). Duke Energy is named as a nominal defendant. The case alleges claims for breach of fiduciary duties of loyalty and care in connection with the post-merger change in CEO.

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

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(Unaudited)

The Legacy Duke Energy Directors have reached an agreement-in-principle to settle the Merger Chancery Litigation, conditioned on dismissal as well of the Tansey v. Rogers, et al case and the merger related claims in the Bresalier Complaint discussed above, for a total of \$27 million. The entire settlement amount is to be funded by insurance. The settlement amount, less court-approved attorney fees, will be payable to Duke Energy. The settlement is subject to the execution of definitive settlement documents and court approval.

Price Reporting Cases

Duke Energy Trading and Marketing, LLC (DETM), a non-operating Duke Energy affiliate, was a defendant, along with numerous other energy companies, in four class action lawsuits and a fifth single-plaintiff lawsuit pending in a consolidated federal court proceeding in Nevada. Each of these lawsuits contains similar claims that defendants allegedly manipulated natural gas markets by various means, including providing false information to natural gas trade publications and entering into unlawful arrangements and agreements in violation of the antitrust laws of the respective states. Plaintiffs seek damages in unspecified amounts.

In February 2016, DETM reached agreements in principle to settle all of the pending lawsuits. Settlement of the single-plaintiff settlement was finalized and paid in March 2016. Settlement of the class action lawsuits are currently being finalized and will be subject to court approval. The settlement amounts are not material to Duke Energy.

Brazil Expansion Lawsuit

On August 9, 2011, the State of São Paulo sued Duke Energy International Geracao Paranapenema S.A. (DEIGP) in Brazilian state court. The lawsuit claims DEIGP is under a continuing obligation to expand installed generation capacity in the State of São Paulo by 15 percent pursuant to a stock purchase agreement under which DEIGP purchased generation assets from the state. On August 10, 2011, a judge granted an injunction ordering DEIGP to present a detailed expansion plan in satisfaction of the 15 percent obligation. DEIGP has previously taken a position that the expansion obligation is no longer viable given changes that have occurred in the electric energy sector since privatization. DEIGP submitted its proposed expansion plan on November 11, 2011, but reserved objections regarding enforceability. In January 2013, DEIGP filed appeals in the federal courts, which are still pending, regarding various procedural issues. A decision on the merits in the first instance court is also pending. It is not possible to predict whether Duke Energy will incur any liability or to estimate the damages, if any, it might incur in connection with this matter.

In February 2008, a group of individual plaintiffs filed suit against DEIGP, the State of São Paulo and the Brazilian electricity regulatory agency claiming that DEIGP failed to comply with its alleged obligation to expand installed generation capacity in the state of São Paulo by 15 percent. The lawsuit was dismissed as procedurally defective by the first instance federal court in São Paulo. On December 15, 2010, plaintiffs filed an appeal of the first instance court dismissal order. On September 23, 2016, in a split decision, three appellate court judges voted to reverse the first instance court decision. Due to the split decision, a review by an expanded five-judge panel has been scheduled for November 10, 2016. If the first instance court decision is reversed, the case will be remanded for continuation of the originally filed proceedings. It is not possible to predict whether Duke Energy will incur any liability or to estimate the damages, if any, it might incur in connection with this matter.

Pursuant to the Brazil PSA, Duke Energy will not retain any liability for this matter after the closing of the sale. See Note 2 for additional information regarding the Brazil PSA.

Brazil Generation

Record drought conditions in Brazil during 2014 and 2015 negatively impacted DEIGP. A number of electric generators have filed lawsuits seeking relief in the Brazilian courts to mitigate hydrological exposure and diminishing dispatch levels. Some courts have granted injunction orders to limit the financial exposure of certain generators. The implication of these orders is that other electricity market participants not covered by the injunctions may be required to compensate for the financial impact of the liability limitations. The Independent Power Producer Association (APINE) filed one such lawsuit on behalf of DEIGP and other hydroelectric generators against the Brazilian electric regulatory agency (ANEEL). On July 2, 2015, an injunction was granted in favor of APINE limiting the financial exposure of DEIGP and the other plaintiff generators, until the merits of the lawsuit are determined. ANEEL's appeal of the injunction was denied on December 18, 2015. The outcome of these lawsuits is uncertain. It is not possible to predict the impact to Duke Energy from the outcome of these matters.

Pursuant to the Brazil PSA, Duke Energy will not retain any liability for this matter after the closing of the sale. See Note 2 for additional information regarding the Brazil PSA.

Duke Energy Carolinas and Duke Energy Progress

NCDEQ Notices of Violation

In August 2014, the NCDEQ issued an NOV for alleged groundwater violations at Duke Energy Progress' L.V. Sutton Plant. On March 10, 2015, the NCDEQ issued a civil penalty of approximately \$25 million to Duke Energy Progress for environmental damages related to the groundwater contamination at the L.V. Sutton Plant. On April 9, 2015, Duke Energy Progress filed a Petition for Contested Case hearing in the Office of Administrative Hearings. In February 2015, the NCDEQ issued an NOV for alleged groundwater violations at Duke Energy Progress' Asheville Plant. Duke Energy Progress responded to the NCDEQ regarding this NOV.

On September 29, 2015, Duke Energy Progress and Duke Energy Carolinas entered into a settlement agreement with the NCDEQ resolving all former, current and future groundwater penalties at all Duke Energy Carolinas and Duke Energy Progress coal facilities in North Carolina. Under the agreement, Duke Energy Progress paid approximately \$6 million and Duke Energy Carolinas paid approximately \$1 million. In addition to these payments, Duke Energy Progress and Duke Energy Carolinas will accelerate remediation actions at the Sutton, Asheville, Belews Creek and H.F. Lee plants. The ALJ entered a consent order resolving the contested case relating to the Sutton Plant and the NCDEQ rescinded the NOVs relating to alleged groundwater violations at both the Sutton and Asheville plants.

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On October 13, 2015, the Southern Environmental Law Center (SELC), representing multiple conservation groups, filed a lawsuit in North Carolina Superior Court seeking judicial review of the order approving the settlement agreement with the NCDEQ. The conservation groups contend that the ALJ exceeded his statutory authority in approving a settlement that provided for past, present, and future resolution of groundwater issues at facilities which were not at issue in the penalty appeal. On December 18, 2015, Duke Energy Carolinas and Duke Energy Progress filed a Motion to Dismiss the complaint. On February 12, 2016, the ALJ entered a new order clarifying that the dismissal of the contested case only applied to the specific issues before the ALJ in the Petition for Contested Case. On March 10, 2016, the court dismissed the SELC lawsuit based on the ALJ's entry of the new order. On February 8, 2016, the NCDEQ assessed a penalty of approximately \$6.8 million, including enforcement costs, against Duke Energy Carolinas related to storm water pipes and associated discharges at the Dan River Steam Station. Duke Energy Carolinas recorded a charge in December 2015 for this penalty. In March 2016, Duke Energy Carolinas filed an appeal of this penalty. On September 23, 2016, Duke Energy Carolinas entered into a settlement agreement with the NCDEQ, without admission of liability, under which Duke Energy Carolinas agreed to a payment of \$6 million to resolve allegations underlying the asserted civil penalty related to the Dan River coal ash release and a March 4, 2016, NOV alleging unpermitted discharges at the facility.

NCDEQ State Enforcement Actions

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

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.

On July 10, 2015, Duke Energy Carolinas and Duke Energy Progress filed two Motions for Partial Summary Judgment in the case on the basis that there is no longer either a genuine controversy or disputed material facts about the relief for seven of the 14 North Carolina plants with coal ash basins. On September 14, 2015, the court granted the Motions for Partial Summary Judgment pending court approval of the terms through an order. On April 4, 2016, the court issued an order granting Duke Energy Progress' Motion for Partial Summary Judgment for cases involving the H.F. Lee, Cape Fear and Weatherspoon plants. On June 1, 2016, the court issued an order granting Duke Energy Carolinas' and Duke Energy Progress' Motion for Partial Summary Judgment for cases involving the Asheville, Dan River, Riverbend and Sutton plants. The litigation is concluded for these seven plants. Litigation continues for the remaining seven plants.

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

Federal Citizens Suits

There are currently three cases filed in various North Carolina federal courts related to the Sutton, Buck and Mayo plants. Three other previously filed cases involving the Riverbend, Cape Fear and H.F. Lee plants were dismissed on June 7, 2016.

On September 12, 2013, Cape Fear River Watch, Inc., Sierra Club and Waterkeeper Alliance filed a citizen suit in the Federal District Court for the Eastern District of North Carolina. The lawsuit alleges unpermitted discharges to surface water and groundwater violations at the Sutton Plant. On June 9, 2014, the court granted Duke Energy Progress' request to dismiss the groundwater claims but rejected its request to dismiss the surface water claims. In response to a motion filed by the SELC on August 1, 2014, the court modified the original order to dismiss only the plaintiff's federal law claim based on hydrologic connections at Sutton Lake. The claims related to the alleged state court violations of the permits are back in the case. On August 26, 2015, the court suspended the proceedings until further order from the court. The proceedings remain stayed as the parties negotiate a settlement with SELC subsequent to the court granting summary judgment in the state enforcement litigation.

On September 3, 2014, three citizen suits were filed by various environmental groups: (i) a citizen suit in the United States Court for the Middle District of North Carolina alleging unpermitted discharges to surface water and groundwater violations at the Cape Fear Plant; (ii) in the United States Court for the Eastern District of North Carolina alleging unpermitted discharges to surface water and groundwater violations at the H.F. Lee Plant; and (iii) in the United States Court for the Middle District of North Carolina alleging unpermitted discharges to surface water and groundwater violations at the Buck Steam Station. Motions to Stay or Dismiss the proceedings were filed in each of the three cases. The proceedings related to Cape Fear and H.F. Lee were dismissed on June 8, 2016, closing these matters. On October 20, 2015, the court issued an order denying the motions to stay or dismiss in the Buck proceedings. Duke Energy Carolinas' motion seeking appellate review of the District Court's decision relating to Buck was denied on January 29, 2016. Based on Duke Energy's announcement that it will beneficially recycle ash at the Buck Steam Station, Duke Energy Carolinas reached an agreement with the environmental groups to settle the Buck Steam Station proceeding on September 28, 2016.

On June 13, 2016, the Roanoke River Basin Association 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 the complaint.

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

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Potential 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). The criteria, in some cases, are considerably more stringent than federal drinking water standards established to protect human health and welfare. The North Carolina Coal Ash Management Act of 2014, as amended, (Coal Ash Act) requires additional groundwater monitoring and assessments for each of the 14 coal-fired plants in North Carolina, including sampling of private water supply wells. The data gathered through these Comprehensive Site Assessments (CSAs) will be used by the NCDEQ to determine whether the water quality of these private water supply wells has been adversely impacted by the ash basins. Duke Energy has submitted CSAs documenting the results of extensive groundwater monitoring around coal ash basins at all 14 of the plants with coal ash basins. Generally, the data gathered through the installation of new monitoring wells and soil and water samples across the state have been consistent with historical data provided to state regulators over many years. The DHHS and the NCDEQ sent follow-up letters on October 15, 2015, to residents near coal ash basins who have had their wells tested, stating that private well samplings at a considerable distance from coal ash impoundments, as well as some municipal water supplies, contain similar levels of vanadium and hexavalent chromium which leads 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 have agreed to a two-phased mediation. The first phase took place on October 26, 2016, with the second phase scheduled for November 17, 2016.

It is not possible to estimate the maximum exposure of loss, if any, that may occur in connection with the claims made by 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, 2016, there were 120 asserted claims for non-malignant cases with the cumulative relief sought of up to \$32 million, and 78 asserted claims for malignant cases with the cumulative relief sought of up to \$14 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 \$512 million at September 30, 2016 and \$536 million at December 31, 2015. These reserves are classified in Other within Deferred Credits and Other 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 2033, 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 2033 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 \$814 million in excess of the self-insured retention. Receivables for insurance recoveries were \$567 million at September 30, 2016 and \$599 million at December 31, 2015. These amounts are classified in Other within Investments and Other Assets and Receivables 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 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. Following a ruling on the motion for reconsideration, the plaintiffs will have 30 days to file an appeal.

Westinghouse Contract Litigation

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

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

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On June 9, 2014, the judge in the North Carolina case ruled that the litigation will proceed in the Western District of North Carolina. In November 2014, Westinghouse filed a Motion for Partial Judgment on the pleadings, which was denied on March 30, 2015. On July 11, 2016, Duke Energy Florida and Westinghouse filed separate Motions for Summary Judgment. On September 29, 2016, the court issued its ruling on the parties' respective Motions for Summary Judgment. The court ruled in favor of Westinghouse on a \$30 million termination fee claim. The court dismissed Duke Energy Florida's \$54 million refund claim, however the court stated that Duke Energy Florida could use the refund claim to offset any damages for termination costs. Westinghouse's claim for termination costs is unaffected by this ruling and continues to trial. On October 11, 2016, in a pre-trial filing, Westinghouse reduced its claim for termination costs from \$482 million to \$424 million. The trial concluded on October 21, 2016, and the court will issue a ruling following the parties submitting post-trial briefs. There is no set timetable for the court to issue a decision on the merits of the case.

It is not possible to predict the outcome of the litigation, whether Duke Energy Florida will ultimately have any liability for terminating the EPC contract or to estimate the damages, if any, it might incur in connection with these matters. Ultimate resolution of these matters could have a material effect on the results of operations, financial position or cash flows of Duke Energy Florida. However, appropriate regulatory recovery will be pursued for the retail portion of any costs incurred in connection with such resolution.

Duke Energy Ohio

Antitrust Lawsuit

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

During 2015, the parties received preliminary court approval of a settlement agreement. Duke Energy Ohio included a litigation reserve of \$81 million in Other within Current Liabilities on the Consolidated Balance Sheet at December 31, 2015. Duke Energy Ohio recognized a pretax charge of \$81 million in (Loss) Income from Discontinued Operations, net of tax in the Condensed Consolidated Statements of Operations and Comprehensive Income for the nine months ended September 30, 2015. The settlement agreement was approved at a federal court hearing on April 19, 2016.

W.C. Beckjord Fuel Release

On August 18, 2014, approximately 9,000 gallons of fuel oil were inadvertently discharged into the Ohio River during a fuel oil transfer at the W.C. Beckjord generating station. The Ohio Environmental Protection Agency (Ohio EPA) issued a NOV related to the discharge. Duke Energy Ohio is cooperating with the Ohio EPA, the EPA and the U.S. Attorney for the Southern District of Ohio. No NOV has been issued by the EPA and no penalty has been assessed. Total repair and remediation costs related to the release were not material. Other costs related to the release, including state or federal civil or criminal enforcement proceedings, are not expected to be material to Duke Energy Ohio.

Other Litigation and Legal Proceedings

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

The table below presents recorded reserves based on management's best estimate of probable loss for legal matters, excluding asbestos related reserves and the exit obligation discussed above related to the termination of an EPC contract. Reserves are classified on the Condensed Consolidated Balance Sheets in Other within Deferred Credits and Other 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, December 31, | |
|-----------------------------------|----------------------------|--------|
| | 2016 | 2015 |
| Reserves for Legal Matters | | |
| Duke Energy | \$ 110 | \$ 166 |
| Duke Energy Carolinas | 11 | 11 |
| Progress Energy | 54 | 54 |
| Duke Energy Progress | 8 | 6 |
| Duke Energy Florida | 30 | 31 |
| Duke Energy Ohio | 5 | 80 |

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.

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

6. DEBT AND CREDIT FACILITIES

SUMMARY OF SIGNIFICANT DEBT ISSUANCES

Piedmont Acquisition Financing

In August 2016, Duke Energy issued \$3.75 billion of senior unsecured notes in three separate series. The net proceeds were used to finance a portion of the Piedmont acquisition. The \$4.9 billion Bridge Facility was terminated following the issuance of this debt. See Note 2 for additional information on the Piedmont acquisition.

Solar Facilities Financing

In August 2016, Emerald State Solar, LLC, an indirect wholly owned subsidiary of Duke Energy, entered into a portfolio financing of approximately 22 North Carolina Solar facilities. The \$333 million term loan facility consists of Tranche A of \$228 million secured by substantially all the assets of the solar facilities and Tranche B of \$105 million secured by an Equity Contribution Agreement with Duke Energy. Proceeds were used to reimburse Duke Energy for a portion of previously funded construction expenditures related to the Emerald State Solar, LLC portfolio. The initial interest rate on the loans was six months London Interbank Offered Rate (LIBOR) plus an applicable margin of 1.75 percent plus a 0.125 percent increase every three years thereafter. In connection with this debt issuance, Emerald State Solar, LLC entered into two interest rate swaps to convert the substantial majority of the loan interest payments from variable rates to fixed rates of approximately 1.81 percent for Tranche A and 1.38 percent for Tranche B, plus the applicable margin. See Note 10 for further information on the notional amounts of the interest rate swaps.

Nuclear Asset-Recovery Bonds

In June 2016, DEFPP issued \$1,294 million of nuclear asset-recovery bonds and used the proceeds to acquire nuclear asset-recovery property from its parent, Duke Energy Florida. The nuclear asset-recovery bonds are payable only from and secured by the nuclear asset-recovery property. DEFPP is consolidated for financial reporting purposes; however, the nuclear asset-recovery bonds do not constitute a debt, liability or other legal obligation of, or interest in, Duke Energy Florida or any of its affiliates other than DEFPP. The assets of DEFPP, including the nuclear asset-recovery property, are not available to pay creditors of Duke Energy Florida or any of its affiliates. Duke Energy Florida used the proceeds from the sale to repay short-term borrowings under the intercompany money pool borrowing arrangement and make an equity distribution of \$649 million to the ultimate parent, Duke Energy (Parent), which repaid short-term borrowings. See Notes 4 and 13 for additional information.

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

| Issuance Date | Maturity Date | Interest Rate | Nine Months Ended September 30, 2016 | | | | | | |
|-------------------------------|----------------|---------------|--------------------------------------|----------------------|-----------------------|----------------------|---------------------|------------------|---------------------|
| | | | Duke Energy | Duke Energy (Parent) | Duke Energy Carolinas | Duke Energy Progress | Duke Energy Florida | Duke Energy Ohio | Duke Energy Indiana |
| Unsecured | | | | | | | | | |
| April 2016 ^(a) | April 2023 | 2.875 % | \$ 350 | \$ 350 | \$ — | \$ — | \$ — | \$ — | \$ — |
| August 2016 | September 2021 | 1.800 % | 750 | 750 | — | — | — | — | — |
| August 2016 | September 2026 | 2.650 % | 1,500 | 1,500 | — | — | — | — | — |
| August 2016 | September 2046 | 3.750 % | 1,500 | 1,500 | — | — | — | — | — |
| First Mortgage Bonds | | | | | | | | | |
| March 2016 ^(b) | March 2023 | 2.500 % | 500 | — | 500 | — | — | — | — |
| March 2016 ^(b) | March 2046 | 3.875 % | 500 | — | 500 | — | — | — | — |
| May 2016 ^(c) | May 2046 | 3.750 % | 500 | — | — | — | — | — | 500 |
| June 2016 ^(b) | June 2046 | 3.700 % | 250 | — | — | — | — | 250 | — |
| September 2016 ^(d) | October 2046 | 3.400 % | 600 | — | — | — | 600 | — | — |
| September 2016 ^(b) | October 2046 | 3.700 % | 450 | — | — | 450 | — | — | — |
| Secured Debt | | | | | | | | | |
| June 2016 ^(e) | March 2020 | 1.196 % | 183 | — | — | — | 183 | — | — |
| June 2016 ^(e) | September 2022 | 1.731 % | 150 | — | — | — | 150 | — | — |
| June 2016 ^(e) | September 2029 | 2.538 % | 436 | — | — | — | 436 | — | — |
| June 2016 ^(e) | March 2033 | 2.858 % | 250 | — | — | — | 250 | — | — |
| June 2016 ^(e) | September 2036 | 3.112 % | 275 | — | — | — | 275 | — | — |
| August 2016 | June 2034 | 2.747 % | 228 | — | — | — | — | — | — |
| August 2016 | June 2020 | 2.747 % | 105 | — | — | — | — | — | — |
| Total issuances | | | \$8,527 | \$4,100 | \$1,000 | \$450 | \$1,894 | \$250 | \$500 |

(a) Proceeds were used to pay down outstanding commercial paper and for general corporate purposes.

(b) Proceeds were used to fund capital expenditures for ongoing construction, capital maintenance and for general corporate purposes.

(c) Proceeds were used to repay \$325 million of unsecured debt due June 2016, \$150 million of first mortgage bonds due July 2016 and for general corporate purposes.

(d) Proceeds were used to fund capital expenditures for ongoing construction, capital maintenance, to repay short-term borrowings under the intercompany money pool borrowing arrangement and for general corporate purposes.

(e) The nuclear asset-recovery bonds are sequential pay amortizing bonds. The maturity date above represents the scheduled final maturity date for the bonds.

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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, 2016 |
|--------------------------------------|----------------|---------------|-----------------------|
| Unsecured Debt | | | |
| Duke Energy (Parent) | November 2016 | 2.150 | % \$ 500 |
| Duke Energy (Parent) | April 2017 | 1.034 | % 400 |
| Duke Energy ^(a) | May 2017 | 15.681 | % 56 |
| Duke Energy (Parent) | August 2017 | 1.625 | % 700 |
| Secured Debt | | | |
| Duke Energy | June 2017 | 2.155 | % 45 |
| First Mortgage Bonds | | | |
| Duke Energy Carolinas | December 2016 | 1.750 | % 350 |
| Duke Energy Progress | March 2017 | 1.035 | % 250 |
| Duke Energy Florida | September 2017 | 5.800 | % 250 |
| Tax-exempt Bonds | | | |
| Duke Energy Carolinas | February 2017 | 3.600 | % 77 |
| Other ^(b) | | | 573 |
| Current maturities of long-term debt | | | \$ 3,201 |

(a) The interest rate includes country-specific risk premiums.

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

AVAILABLE CREDIT FACILITIES

Master Credit Facility

Duke Energy has a Master Credit Facility with a capacity of \$7.5 billion through January 2020. 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, 2016 | | | | | |
|---------------|--------------------|----------------------|-----------------------|----------------------|---------------------|--------------------------|
| | Duke Energy | Duke Energy (Parent) | Duke Energy Carolinas | Duke Energy Progress | Duke Energy Florida | Duke Energy Ohio Indiana |
| | | | | | | |

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| | | | | | | | |
|---------------------------------|----------|----------|---------|---------|-------|-------|--------|
| Facility size ^(a) | \$7,500 | \$3,400 | \$1,100 | \$1,000 | \$950 | \$450 | \$600 |
| Reduction to backstop issuances | | | | | | | |
| Commercial paper ^(b) | (1,652) | (1,027) | (300) | (150) | — | (25) | (150) |
| Outstanding letters of credit | (77) | (70) | (4) | (2) | (1) | — | — |
| Tax-exempt bonds | (116) | — | (35) | — | — | — | (81) |
| Coal ash set-aside | (500) | — | (250) | (250) | — | — | — |
| Available capacity | \$5,155 | \$2,303 | \$511 | \$598 | \$949 | \$425 | \$369 |

(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

(b) Energy Carolinas, Duke Energy Progress, Duke Energy Ohio and Duke Energy Indiana. The balances are classified as Long-Term Debt Payable to Affiliated Companies in the Condensed Consolidated Balance Sheets.

Term Loan Facility

On February 22, 2016, Duke Energy (Parent) entered into a six-month term loan facility with commitments totaling \$1.0 billion (the Term Loan). On August 1, 2016, Duke Energy (Parent) and each of the lenders amended and restated certain terms of this facility, resulting in aggregate commitments of \$1.5 billion and extending the maturity date to July 31, 2017. As of September 30, 2016, \$850 million has been drawn under the amended and restated term loan, including \$750 million used to fund a portion of the Piedmont acquisition.

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On October 28, 2016, Duke Energy (Parent) drew the remaining \$650 million available under the \$1.5 billion Term Loan and used the proceeds to manage short-term liquidity and for general corporate purposes. The terms and conditions of the Term Loan are generally consistent with those governing Duke Energy's Master Credit Facility.

7. ASSET RETIREMENT OBLIGATIONS

Duke Energy records an ARO when it has a legal obligation to incur retirement costs associated with the retirement of a long-lived asset and the obligation can be reasonably estimated.

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

| (in millions) | September 30, 2016 | | | | | | |
|--|--------------------|-----------------------|-----------------|----------------------|---------------------|------------------|---------------------|
| | Duke Energy | Duke Energy Carolinas | Progress Energy | Duke Energy Progress | Duke Energy Florida | Duke Energy Ohio | Duke Energy Indiana |
| Decommissioning of Nuclear Power Facilities ^(a) | \$5,163 | \$ 1,808 | \$ 3,153 | \$ 2,428 | \$ 725 | \$ — | \$ — |
| Closure of Ash Impoundments | 5,411 | 2,089 | 2,418 | 2,398 | 20 | 77 | 828 |
| Other | 256 | 28 | 86 | 33 | 53 | 31 | 19 |
| Total asset retirement obligation | \$10,830 | \$ 3,925 | \$ 5,657 | \$ 4,859 | \$ 798 | \$ 108 | \$ 847 |
| Less: current portion | 539 | 303 | 236 | 236 | — | — | — |
| Total noncurrent asset retirement obligation | \$10,291 | \$ 3,622 | \$ 5,421 | \$ 4,623 | \$ 798 | \$ 108 | \$ 847 |

(a) The Duke Energy amount includes purchase accounting adjustments related to the merger with Progress Energy. North Carolina and South Carolina Ash Basins

Asset retirement obligations recorded on the Duke Energy Carolinas and Duke Energy Progress Condensed Consolidated Balance Sheets at September 30, 2016, and December 31, 2015, include the legal obligation for closure of coal ash basins and the disposal of related ash as a result of the Coal Ash Act, the EPA CCR rule and other agreements. In January 2016, the NCDEQ published draft proposed risk classifications for sites not specifically delineated by the Coal Ash Act as high priority. These risk rankings were generally determined based on three primary criteria: structural integrity of the impoundments and impacts to both surface and groundwater. The NCDEQ's draft proposed classifications categorized 12 basins at four sites as intermediate risk and four basins at three sites as low risk. Basins at high priority sites (Dan River, Riverbend, Asheville and Sutton) require closure through excavation including a combination of transferring the ash to an appropriate engineered landfill or conversion of the ash for beneficial use. Closure of high-priority basins is required to be completed no later than August 1, 2019, except for Asheville which is required to be completed no later than August 1, 2022. Intermediate risk basins require closure through excavation including a combination of converting the basin to a lined industrial landfill, transferring of the ash to an appropriate engineered landfill or conversion of the ash for beneficial use. Closure of intermediate risk basins is required to be completed no later than December 31, 2024. Low risk basins require closure through either the combination of the installation and maintenance of a cap system and groundwater monitoring system designed to minimize infiltration and erosion or other closure options available to intermediate risk basins. Closure of low risk basins is required to be completed no later than December 31, 2029. The NCDEQ's draft proposed classifications also categorized nine basins at six sites as "low-to-intermediate" risk, thereby not assigning a definitive risk ranking at that time. On May 18, 2016, the NCDEQ issued new proposed risk classifications, proposing to rank all originally proposed low risk and "low-intermediate" risk sites as intermediate.

On July 14, 2016, the governor of North Carolina signed legislation which amended the Coal Ash Act and required Duke Energy to undertake dam improvement projects and to provide access to a permanent alternative drinking water source to certain residents within a half mile of coal ash basin compliance boundaries and to certain other potentially impacted residents. The new legislation also ranks basins at the H.F. Lee, Cape Fear and Weatherspoon stations as intermediate risk consistent with Duke Energy's previously announced plans to excavate those basins. These specific intermediate basins require closure through excavation including a combination of transferring ash to an appropriate engineered landfill or conversion of the ash for beneficial use. Closure of these specific intermediate basins is required to be completed no later than August 1, 2028. Upon satisfactory completion of the dam improvement projects and installation of alternate drinking water sources by October 15, 2018, the legislation requires the NCDEQ to reclassify sites proposed as intermediate risk, excluding H.F. Lee, Cape Fear and Weatherspoon, as low risk.

Additionally, the new legislation requires the installation and operation of three large-scale coal ash beneficiation projects which are expected to produce reprocessed ash for use in the concrete industry. Closure of basins at sites with these beneficiation projects are required to be completed no later than December 31, 2029. On October 5, 2016, Duke Energy announced Buck Steam Station as a first location for one of the beneficiation projects.

Per the Coal Ash Act, final proposed classifications were to be subject to Coal Ash Management Commission (Coal Ash Commission) approval. In March 2016, the Coal Ash Commission created by the Coal Ash Act was disbanded by the Governor of North Carolina based on a North Carolina Supreme Court ruling regarding the constitutionality of the body. The new legislation eliminates the Coal Ash Commission and transfers responsibility for ash basin closure oversight to the NCDEQ.

Estimated asset retirement obligations have been recognized based on the assigned risk categories or a probability weighting of potential closure methods. Costs incurred have been deferred as regulatory assets and recovery will be pursued through the normal ratemaking process with federal and state utility commissions, which permit recovery of necessary and prudently incurred costs associated with Duke Energy's regulated operations.

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ARO Liability Rollforward

In April 2015, the EPA published a rule to regulate the disposal of CCR from electric utilities as solid waste. The federal regulation classifies CCR as nonhazardous waste and allows for beneficial use of CCR with some restrictions. Federal CCR reporting procedures require Duke Energy to make certain closure plans available to the public during the fourth quarter of 2016. In conjunction with preparing these closure plans, the Duke Energy Registrants updated coal ash ARO liability estimates based on additional site specific information about the related costs, methods and timing of work to be performed. Actual closure costs incurred could be materially different from current estimates that form the basis of the recorded asset retirement obligations.

The following table presents the change in liability associated with asset retirement obligations for Duke Energy and the Subsidiary Registrants.

| | Duke Energy | Duke Energy Carolinas | Progress Energy | Duke Energy Progress | Duke Energy Florida | Duke Energy Ohio | Duke Energy Indiana |
|---|-------------|-----------------------|-----------------|----------------------|---------------------|------------------|---------------------|
| (in millions) | Duke Energy | Duke Energy Carolinas | Progress Energy | Duke Energy Progress | Duke Energy Florida | Duke Energy Ohio | Duke Energy Indiana |
| Balance at December 31, 2015 ^(a) | \$10,264 | \$ 3,918 | \$5,369 | \$ 4,567 | \$ 802 | \$ 125 | \$ 525 |
| Accretion expense ^(b) | 290 | 141 | 171 | 144 | 28 | 4 | 16 |
| Liabilities settled ^(c) | (443) | (204) | (203) | (163) | (41) | (4) | (31) |
| Liabilities incurred in the current year | 13 | — | 3 | 3 | — | — | — |
| Revisions in estimates of cash flows | 706 | 70 | 317 | 308 | 9 | (17) | 337 |
| Balance at September 30, 2016 | \$10,830 | \$ 3,925 | \$5,657 | \$ 4,859 | \$ 798 | \$ 108 | \$ 847 |

Primarily relates to decommissioning nuclear power facilities, closure of ash basins, asbestos removal, closure of (a)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, 2016, substantially all accretion expense relates to Duke Energy's regulated electric operations and has been deferred in accordance with regulatory accounting treatment.

(c) Primarily relates to ash impoundment closures and nuclear decommissioning of Crystal River Unit 3. Asset retirement costs associated with the asset retirement obligations for operating plants and retired plants are included in Net property, plant and equipment, and Regulatory assets, respectively, on the Condensed Consolidated Balance Sheets.

8. GOODWILL AND INTANGIBLE ASSETS

GOODWILL

The following table presents goodwill by reportable operating segment for Duke Energy.

Duke Energy

| | Regulated Utilities | International Energy | Commercial Portfolio | Total |
|--------------------------------|---------------------|----------------------|----------------------|----------|
| (in millions) | Utilities | Energy | Portfolio | Total |
| Goodwill at December 31, 2015 | \$ 15,950 | \$ 271 | \$ 122 | \$16,343 |
| Foreign exchange changes | — | 11 | — | 11 |
| Goodwill at September 30, 2016 | \$ 15,950 | \$ 282 | \$ 122 | \$16,354 |

Duke Energy Ohio

Duke Energy Ohio's Goodwill balance of \$920 million is included in the Regulated Utilities operating segment and presented net of accumulated impairment charges of \$216 million on the Condensed Consolidated Balance Sheets at September 30, 2016 and December 31, 2015.

Progress Energy

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

Impairment Testing

Duke Energy, Duke Energy Ohio and Progress Energy 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, Duke Energy Ohio and Progress Energy 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. As the fair value of Duke Energy, Duke Energy Ohio and Progress Energy's reporting units exceed their respective carrying values at the date of the annual impairment analysis, no impairment charges were recorded in the third quarter of 2016.

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9. RELATED PARTY TRANSACTIONS

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

| (in millions) | Three Months | | Nine Months | |
|---|---------------|---------------|---------------|---------------|
| | Ended | Ended | Ended | Ended |
| | September 30, | September 30, | September 30, | September 30, |
| | 2016 | 2015 | 2016 | 2015 |
| Duke Energy Carolinas | | | | |
| Corporate governance and shared service expenses ^(a) | \$ 204 | \$ 211 | \$ 620 | \$ 632 |
| Indemnification coverages ^(b) | 5 | 6 | 16 | 18 |
| JDA revenue ^(c) | 10 | 7 | 21 | 47 |
| JDA expense ^(c) | 36 | 48 | 127 | 143 |
| Progress Energy | | | | |
| Corporate governance and shared service expenses ^(a) | \$ 182 | \$ 184 | \$ 515 | \$ 523 |
| Indemnification coverages ^(b) | 9 | 10 | 25 | 29 |
| JDA revenue ^(c) | 36 | 48 | 127 | 143 |
| JDA expense ^(c) | 10 | 7 | 21 | 47 |
| Duke Energy Progress | | | | |
| Corporate governance and shared service expenses ^(a) | \$ 103 | \$ 101 | \$ 292 | \$ 296 |
| Indemnification coverages ^(b) | 4 | 4 | 10 | 12 |
| JDA revenue ^(c) | 36 | 48 | 127 | 143 |
| JDA expense ^(c) | 10 | 7 | 21 | 47 |
| Duke Energy Florida | | | | |
| Corporate governance and shared service expenses ^(a) | \$ 79 | \$ 83 | \$ 223 | \$ 227 |
| Indemnification coverages ^(b) | 5 | 6 | 15 | 17 |
| Duke Energy Ohio | | | | |
| Corporate governance and shared service expenses ^(a) | \$ 89 | \$ 88 | \$ 261 | \$ 276 |
| Indemnification coverages ^(b) | 1 | 1 | 4 | 5 |
| Duke Energy Indiana | | | | |
| Corporate governance and shared service expenses ^(a) | \$ 96 | \$ 87 | \$ 279 | \$ 259 |
| Indemnification coverages ^(b) | 2 | 2 | 6 | 6 |

The Subsidiary Registrants are charged their proportionate share of corporate governance and other shared services costs, primarily related to human resources and employee benefits, information technology, legal and accounting fees, as well as other third-party costs. These amounts are recorded in Operation, maintenance and other on the Condensed Consolidated Statements of Operations and Comprehensive Income.

(b)

The Subsidiary Registrants incur expenses related to certain indemnification coverages through Bison, Duke Energy's wholly owned captive insurance subsidiary. These expenses are recorded in Operation, maintenance and other on the Condensed Consolidated Statements of Operations and Comprehensive Income.

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

In addition to the amounts presented above, the Subsidiary Registrants record the impact on net income of other affiliate transactions, including rental of office space, participation in a money pool arrangement, other operational transactions and their proportionate share of certain charged expenses. See Note 6 to the Consolidated Financial Statements in the Annual Report on Form 10-K for more information regarding money pool. The net impact of these transactions was not material for the three and nine months ended September 30, 2016 and 2015 for the Subsidiary Registrants.

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

Duke Energy Ohio's nonregulated indirect subsidiary, Duke Energy Commercial Asset Management (DECAM), owned generating plants included in the Midwest Generation Disposal Group sold to Dynegy on April 2, 2015. On April 1, 2015, Duke Energy Ohio distributed its indirect ownership interest in DECAM to a Duke Energy subsidiary and non-cash settled DECAM's intercompany loan payable of \$294 million. Refer to Note 2 for further information on the sale of the Midwest Generation Disposal Group.

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Intercompany Income Taxes

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

| (in millions) | Duke Energy Carolinas | Progress Energy | Duke Energy Progress | Duke Energy Florida | Duke Energy Ohio | Duke Energy Indiana |
|------------------------------------|-----------------------------|--------------------|----------------------------|---------------------------|------------------------|---------------------------|
| September 30, 2016 | | | | | | |
| Intercompany income tax receivable | \$ — | \$ 113 | \$ 56 | \$ — | -\$ — | \$ 67 |
| Intercompany income tax payable | 64 | — | — | 65 | 27 | — |
| December 31, 2015 | | | | | | |
| Intercompany income tax receivable | \$ 122 | \$ 120 | \$ 104 | \$ — | -\$ 54 | \$ — |
| Intercompany income tax payable | — | — | — | 96 | — | 47 |

10. DERIVATIVES AND HEDGING

The Duke Energy Registrants use commodity and interest rate contracts to manage commodity price risk and interest rate risk. The primary use of commodity derivatives is to hedge the generation portfolio against changes in the prices of electricity and natural gas. 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 may be executed to lock in components of current market interest rates. These instruments are later terminated prior to or upon the issuance of the corresponding debt.

Cash Flow Hedges

For a derivative designated as hedging the exposure to variable cash flows of a future transaction, referred to as a cash flow hedge, the effective portion of the derivative's gain or loss is initially reported as a component of other comprehensive income and subsequently reclassified into earnings once the future transaction affects 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 Accumulated other comprehensive income (AOCI) for the three and nine months

ended September 30, 2016, were not material. Duke Energy's interest rate derivatives designated as hedges include interest rate swaps used to hedge existing debt within the International Energy and Renewables' businesses.

Undesignated Contracts

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

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

In August 2016, Duke Energy unwound \$1.4 billion of forward-starting interest rate swaps associated with the Piedmont acquisition financing described in Note 6, Debt and Credit Facilities. The swaps were considered undesignated as they did not qualify for hedge accounting. Losses on the swaps of \$22 million and \$190 million are included within Interest Expense on the Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2016, respectively. See Note 2 for additional information related to the Piedmont acquisition.

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

| September 30, 2016 | | | | | | |
|---------------------------------|---------|-----------|----------|----------|---------|--------|
| | Duke | Duke | Duke | Duke | Duke | Duke |
| (in millions) | Energy | Energy | Progress | Energy | Energy | Energy |
| | Energy | Carolinas | Energy | Progress | Florida | Ohio |
| Cash flow hedges ^(a) | \$990 | \$ — | \$ — | \$ — | \$ — | \$ — |
| Undesignated contracts | 927 | 400 | 500 | 250 | 250 | 27 |
| Total notional amount | \$1,917 | \$ 400 | \$ 500 | \$ 250 | \$ 250 | \$ 27 |
| December 31, 2015 | | | | | | |
| | Duke | Duke | Duke | Duke | Duke | Duke |
| (in millions) | Energy | Energy | Progress | Energy | Energy | Energy |
| | Energy | Carolinas | Energy | Progress | Florida | Ohio |
| Cash flow hedges ^(a) | \$700 | \$ — | \$ — | \$ — | \$ — | \$ — |
| Undesignated contracts | 1,827 | 400 | 500 | 250 | 250 | 27 |
| Total notional amount | \$2,527 | \$ 400 | \$ 500 | \$ 250 | \$ 250 | \$ 27 |

Duke Energy includes amounts related to consolidated VIEs of \$789 million and \$497 million as of September 30, 2016 and December 31, 2015, respectively. In August 2016, Duke Energy entered into \$326 million of interest rate swaps related to the solar facilities financing described in Note 6, including \$103 million of 4-year swaps and \$223 million of 18-year swaps.

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. 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.

Volumes

The tables below show 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, 2016 | | | | | | | |
|--------------------------------------|--------|-----------|----------|----------|---------|--------|---------|
| | Duke | Duke | Duke | Duke | Duke | Duke | Duke |
| | Energy | Energy | Progress | Energy | Energy | Energy | Energy |
| | Energy | Carolinas | Energy | Progress | Florida | Ohio | Indiana |
| Electricity (gigawatt-hours) | 2 | — | — | — | — | — | 2 |
| Natural gas (millions of decatherms) | 375 | 83 | 292 | 116 | 176 | — | — |
| December 31, 2015 | | | | | | | |
| | Duke | Duke | Duke | Duke | Duke | Duke | Duke |

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| | Duke Energy | Energy Carolinas | Progress Energy | Energy Progress | Energy Florida | Energy Ohio | Energy Indiana |
|--------------------------------------|----------------|---------------------|--------------------|--------------------|-------------------|----------------|-------------------|
| Electricity (gigawatt-hours) | 70 | — | — | — | — | 34 | 36 |
| Natural gas (millions of decatherms) | 398 | 66 | 332 | 117 | 215 | — | — |

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

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| Derivative Assets | September 30, 2016 | | | | | | |
|--|-------------------------------|-----------------------------|--------------------|----------------------------|---------------------------|------------------------|---------------------------|
| | Duke Duke Energy Energy | Duke Energy Carolinas | Progress Energy | Duke Energy Progress | Duke Energy Florida | Duke Energy Ohio | Duke Energy Indiana |
| (in millions) | | | | | | | |
| Commodity Contracts | | | | | | | |
| Not Designated as Hedging Instruments | | | | | | | |
| Current | \$40 | \$ 5 | \$ 12 | \$ 7 | \$ 5 | \$ 3 | \$ 20 |
| Noncurrent | 13 | 5 | 8 | 4 | 4 | — | — |
| Total Derivative Assets – Commodity Contracts | \$53 | \$ 10 | \$ 20 | \$ 11 | \$ 9 | \$ 3 | \$ 20 |
| Interest Rate Contracts | | | | | | | |
| Designated as Hedging Instruments | | | | | | | |
| Noncurrent | \$2 | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
| Not Designated as Hedging Instruments | | | | | | | |
| Current | 4 | — | 4 | 1 | 3 | — | — |
| Noncurrent | 7 | — | 7 | 3 | 4 | — | — |
| Total Derivative Assets – Interest Rate Contracts | \$13 | \$ — | \$ 11 | \$ 4 | \$ 7 | \$ — | \$ — |
| Total Derivative Assets | \$66 | \$ 10 | \$ 31 | \$ 15 | \$ 16 | \$ 3 | \$ 20 |
| Derivative Liabilities | September 30, 2016 | | | | | | |
| | Duke Duke Energy Energy | Duke Energy Carolinas | Progress Energy | Duke Energy Progress | Duke Energy Florida | Duke Energy Ohio | Duke Energy Indiana |
| (in millions) | | | | | | | |
| Commodity Contracts | | | | | | | |
| Not Designated as Hedging Instruments | | | | | | | |
| Current | \$67 | \$ 5 | \$ 62 | \$ 9 | \$ 53 | \$ — | \$ — |
| Noncurrent | 21 | 2 | 19 | 3 | 11 | — | — |
| Total Derivative Liabilities – Commodity Contracts | \$88 | \$ 7 | \$ 81 | \$ 12 | \$ 64 | \$ — | \$ — |
| Interest Rate Contracts | | | | | | | |
| Designated as Hedging Instruments | | | | | | | |
| Current | \$12 | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
| Noncurrent | 46 | — | — | — | — | — | — |
| Not Designated as Hedging Instruments | | | | | | | |
| Current | 1 | — | — | — | — | 1 | — |
| Noncurrent | 99 | 92 | — | — | — | 7 | — |
| Total Derivative Liabilities – Interest Rate Contracts | \$158 | \$ 92 | \$ — | \$ — | \$ — | \$ 8 | \$ — |
| Total Derivative Liabilities | \$246 | \$ 99 | \$ 81 | \$ 12 | \$ 64 | \$ 8 | \$ — |
| Derivative Assets | December 31, 2015 | | | | | | |
| | Duke Duke Energy Energy | Duke Energy Carolinas | Progress Energy | Duke Energy Progress | Duke Energy Florida | Duke Energy Ohio | Duke Energy Indiana |
| (in millions) | | | | | | | |

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| | | | | | | | |
|---|------|----|--------|------|------|------|------|
| Commodity Contracts | | | | | | | |
| Not Designated as Hedging Instruments | | | | | | | |
| Current | \$12 | \$ | —\$ 1 | \$ — | \$ 1 | \$ 3 | \$ 7 |
| Noncurrent | 4 | — | 4 | — | 4 | — | — |
| Total Derivative Assets – Commodity Contracts | \$16 | \$ | —\$ 5 | \$ — | \$ 5 | \$ 3 | \$ 7 |
| Interest Rate Contracts | | | | | | | |
| Designated as Hedging Instruments | | | | | | | |
| Noncurrent | \$4 | \$ | —\$ — | \$ — | \$ — | \$ — | \$ — |
| Not Designated as Hedging Instruments | | | | | | | |
| Current | 6 | — | 6 | 2 | 2 | — | — |
| Total Derivative Assets – Interest Rate Contracts | \$10 | \$ | —\$ 6 | \$ 2 | \$ 2 | \$ — | \$ — |
| Total Derivative Assets | \$26 | \$ | —\$ 11 | \$ 2 | \$ 7 | \$ 3 | \$ 7 |

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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

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

| Derivative Liabilities | December 31, 2015 | | | | | | |
|--|-------------------|-----------------------|-----------------|----------------------|---------------------|------------------|---------------------|
| | Duke Energy | Duke Energy Carolinas | Progress Energy | Duke Energy Progress | Duke Energy Florida | Duke Energy Ohio | Duke Energy Indiana |
| (in millions) | | | | | | | |
| Commodity Contracts | | | | | | | |
| Not Designated as Hedging Instruments | | | | | | | |
| Current | \$256 | \$ 32 | \$ 222 | \$ 77 | \$ 145 | \$ — | \$ — |
| Noncurrent | 100 | 8 | 92 | 16 | 71 | — | — |
| Total Derivative Liabilities – Commodity Contracts | \$356 | \$ 40 | \$ 314 | \$ 93 | \$ 216 | \$ — | \$ — |
| Interest Rate Contracts | | | | | | | |
| Designated as Hedging Instruments | | | | | | | |
| Current | \$11 | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
| Noncurrent | 33 | — | — | — | — | — | — |
| Not Designated as Hedging Instruments | | | | | | | |
| Current | 4 | — | 3 | — | — | 1 | — |
| Noncurrent | 15 | 5 | 5 | 5 | — | 6 | — |
| Total Derivative Liabilities – Interest Rate Contracts | \$63 | \$ 5 | \$ 8 | \$ 5 | \$ — | \$ 7 | \$ — |
| Total Derivative Liabilities | \$419 | \$ 45 | \$ 322 | \$ 98 | \$ 216 | \$ 7 | \$ — |

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.

| Derivative Assets | September 30, 2016 | | | | | | |
|--|--------------------|-----------------------|-----------------|----------------------|---------------------|------------------|---------------------|
| | Duke Energy | Duke Energy Carolinas | Progress Energy | Duke Energy Progress | Duke Energy Florida | Duke Energy Ohio | Duke Energy Indiana |
| (in millions) | | | | | | | |
| Current | | | | | | | |
| Gross amounts recognized | \$44 | \$ 5 | \$ 16 | \$ 8 | \$ 8 | \$ 3 | \$ 20 |
| Gross amounts offset | (10) | (3) | (7) | (4) | (3) | — | — |
| Net amounts presented in Current Assets: Other | \$34 | \$ 2 | \$ 9 | \$ 4 | \$ 5 | \$ 3 | \$ 20 |
| Noncurrent | | | | | | | |
| Gross amounts recognized | \$22 | \$ 5 | \$ 15 | \$ 7 | \$ 8 | \$ — | \$ — |
| Gross amounts offset | (7) | (2) | (5) | (2) | (3) | — | — |
| Net amounts presented in Investments and Other Assets: Other | \$15 | \$ 3 | \$ 10 | \$ 5 | \$ 5 | \$ — | \$ — |
| Derivative Liabilities | | | | | | | |
| | | | | | | | |

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| | Duke Energy | Duke Energy Carolinas | Progress Energy | Duke Energy Progress | Duke Energy Florida | Duke Energy Ohio | Duke Energy Indiana |
|--|-------------|-----------------------|-----------------|----------------------|---------------------|------------------|---------------------|
| (in millions) | | | | | | | |
| Current | | | | | | | |
| Gross amounts recognized | \$80 | \$ 5 | \$ 62 | \$ 9 | \$ 53 | \$ 1 | \$ — |
| Gross amounts offset | (10) | (3) | (7) | (4) | (3) | — | — |
| Net amounts presented in Current Liabilities: Other | \$70 | \$ 2 | \$ 55 | \$ 5 | \$ 50 | \$ 1 | \$ — |
| Noncurrent | | | | | | | |
| Gross amounts recognized | \$166 | \$ 94 | \$ 19 | \$ 3 | \$ 11 | \$ 7 | \$ — |
| Gross amounts offset | (7) | (2) | (5) | (2) | (3) | — | — |
| Net amounts presented in Deferred Credits and Other Liabilities: Other | \$159 | \$ 92 | \$ 14 | \$ 1 | \$ 8 | \$ 7 | \$ — |

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

Combined Notes to Condensed Consolidated Financial Statements – (Continued)

(Unaudited)

| Derivative Assets | December 31, 2015 | | | | | | |
|--|-------------------------------|----------------------------------|--------------------|----------------------------|---------------------------|------------------------|---------------------------|
| | Duke Duke Energy Energy | Duke Carolin Carolin as | Progress Energy | Duke Energy Progress | Duke Energy Florida | Duke Energy Ohio | Duke Energy Indiana |
| (in millions) | | | | | | | |
| Current | | | | | | | |
| Gross amounts recognized | \$18 | \$ — | —\$ 7 | \$ 2 | \$ 3 | \$ 3 | \$ 7 |
| Gross amounts offset | (3) | — | (2) | — | (2) | — | — |
| Net amounts presented in Current Assets: Other | \$15 | \$ — | —\$ 5 | \$ 2 | \$ 1 | \$ 3 | \$ 7 |
| Noncurrent | | | | | | | |
| Gross amounts recognized | \$8 | \$ — | —\$ 4 | \$ — | \$ 4 | \$ — | \$ — |
| Gross amounts offset | (4) | — | (4) | — | (4) | — | — |
| Net amounts presented in Investments and Other Assets: Other | \$4 | \$ — | —\$ — | \$ — | \$ — | \$ — | \$ — |
| Derivative Liabilities | December 31, 2015 | | | | | | |
| | Duke Duke Energy Energy | Duke Carolin Carolin as | Progress Energy | Duke Energy Progress | Duke Energy Florida | Duke Energy Ohio | Duke Energy Indiana |
| (in millions) | | | | | | | |
| Current | | | | | | | |
| Gross amounts recognized | \$271 | \$ 32 | \$ 225 | \$ 77 | \$ 145 | \$ 1 | \$ — |
| Gross amounts offset | (22) | — | (21) | (1) | (20) | — | — |
| Net amounts presented in Current Liabilities: Other | \$249 | \$ 32 | \$ 204 | \$ 76 | \$ 125 | \$ 1 | \$ — |
| Noncurrent | | | | | | | |
| Gross amounts recognized | \$148 | \$ 13 | \$ 97 | \$ 21 | \$ 71 | \$ 6 | \$ — |
| Gross amounts offset | (16) | — | (15) | — | (15) | — | — |
| Net amounts presented in Deferred Credits and Other Liabilities: Other | \$132 | \$ 13 | \$ 82 | \$ 21 | \$ 56 | \$ 6 | \$ — |

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. Amounts for Duke Energy Ohio and Duke Energy Indiana were not material.

| (in millions) | September 30, 2016 | | | | |
|---|-------------------------------|----------------------------------|--------------------|----------------------------|---------------------------|
| | Duke Duke Energy Energy | Duke Carolin Carolin as | Progress Energy | Duke Energy Progress | Duke Energy Florida |
| Aggregate fair value of derivatives in a net liability position | \$171 | \$ 99 | \$ 72 | \$ 12 | \$ 60 |
| Fair value of collateral already posted | — | — | — | — | — |
| | 171 | 99 | 72 | 12 | 60 |

Additional cash collateral or letters of credit in the event credit-risk-related contingent features were triggered

| (in millions) | December 31, 2015 | | | | |
|---|-------------------|-----------------------|----------------------|----------------------|---------------------|
| | Duke Energy | Duke Energy Carolinas | Duke Energy Progress | Duke Energy Progress | Duke Energy Florida |
| Aggregate fair value of derivatives in a net liability position | \$334 | \$ 45 | \$ 290 | \$ 93 | \$ 194 |
| Fair value of collateral already posted | 30 | — | 30 | — | 30 |
| Additional cash collateral or letters of credit in the event credit-risk-related contingent features were triggered | 304 | 45 | 260 | 93 | 164 |

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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

Combined Notes to Condensed Consolidated Financial Statements – (Continued)
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The Duke Energy Registrants have elected to offset cash collateral and fair values of derivatives. For amounts to be netted, the derivative must be executed with the same counterparty under the same master netting arrangement. Amounts disclosed below represent the receivables related to the right to reclaim cash collateral under master netting arrangements. All receivables presented below were offset against net derivative positions on the Condensed Consolidated Balance Sheets.

| | September 30, December 31, | |
|---------------------|----------------------------|-------------|
| | 2016 | 2015 |
| (in millions) | Receivables | Receivables |
| Duke Energy | \$ — | \$ 30 |
| Progress Energy | — | 30 |
| Duke Energy Florida | — | 30 |

11. INVESTMENTS IN DEBT AND EQUITY SECURITIES

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

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

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

Investments within the Investment Trusts generally qualify for regulatory accounting, and accordingly realized and unrealized gains and losses are deferred as a regulatory asset or liability. However, certain investments held in Duke Energy Florida's NDTF, which were acquired in a settlement with Florida Municipal Joint Owners (FMJO), do not qualify for regulatory accounting. Except for other than temporary impairments of unrealized losses, unrealized gains and losses on these assets are included in other comprehensive income until realized. The other than temporary impairments of realized amounts and unrealized losses are included within Other income and expense, net on the Condensed Consolidated Statements of Operations. The value of these assets has not materially changed since the assets were acquired from FMJO. As a result, there is no material impact on earnings of the Duke Energy Registrants.
Other Available-for-Sale Securities

Unrealized gains and losses on all other available-for-sale 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 other-than-temporary impairment exists, the unrealized credit loss is

included in earnings. There were no material credit losses as of September 30, 2016 and December 31, 2015.

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ENERGY INDIANA, LLC

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

DUKE ENERGY

The following table presents the estimated fair value of investments in available-for-sale securities.

| (in millions) | September 30, 2016 | | | December 31, 2015 | | |
|--|---|---|----------------------------|---|---|----------------------------|
| | Gross Unrealized Holding Gains | Gross Unrealized Holding Losses ^(b) | Estimated Fair Value | Gross Unrealized Holding Gains | Gross Unrealized Holding Losses ^(b) | Estimated Fair Value |
| NDTF | | | | | | |
| Cash and cash equivalents | \$— | \$ — | \$ 151 | \$— | \$ — | \$ 179 |
| Equity securities | 1,968 | 55 | 3,949 | 1,823 | 58 | 3,590 |
| Corporate debt securities | 25 | 2 | 551 | 7 | 8 | 432 |
| Municipal bonds | 9 | 1 | 341 | 5 | 1 | 185 |
| U.S. government bonds | 31 | — | 994 | 11 | 5 | 1,254 |
| Other debt securities | — | 3 | 132 | — | 4 | 177 |
| Total NDTF | \$2,033 | \$ 61 | \$ 6,118 | \$1,846 | \$ 76 | \$ 5,817 |
| Other Investments | | | | | | |
| Cash and cash equivalents | \$— | \$ — | \$ 24 | \$— | \$ — | \$ 29 |
| Equity securities | 38 | — | 104 | 32 | 1 | 95 |
| Corporate debt securities | 2 | 1 | 91 | 1 | 3 | 92 |
| Municipal bonds | 5 | 1 | 78 | 3 | 1 | 74 |
| U.S. government bonds | 1 | — | 49 | — | — | 45 |
| Other debt securities | — | 1 | 55 | — | 2 | 62 |
| Total Other Investments^(a) | \$46 | \$ 3 | \$ 401 | \$36 | \$ 7 | \$ 397 |
| Total Investments | \$2,079 | \$ 64 | \$ 6,519 | \$1,882 | \$ 83 | \$ 6,214 |

(a) These amounts are recorded in Other within Investments and Other Assets on the Condensed Consolidated Balance Sheets.

(b) Substantially all these amounts are considered other-than-temporary impairments on investments within

Investment Trusts that have been recognized immediately as a regulatory asset.

The table below summarizes the maturity date for debt securities.

| (in millions) | September 30, 2016 |
|----------------------------------|-----------------------|
| Due in one year or less | \$ 92 |
| Due after one through five years | 655 |
| Due after five through 10 years | 529 |
| Due after 10 years | 1,015 |
| Total | \$ 2,291 |

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

| | Three Months Ended | | Nine Months Ended | |
|-----------------|--------------------|--------------------|--------------------|--------------------|
| (in millions) | September 30, 2016 | September 30, 2015 | September 30, 2016 | September 30, 2015 |
| Realized gains | \$ 82 | \$ 30 | \$ 200 | \$ 160 |
| Realized losses | 42 | 28 | 134 | 59 |

PART I

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

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

DUKE ENERGY CAROLINAS

The following table presents the estimated fair value of investments in available-for-sale securities.

| (in millions) | September 30, 2016 | | | December 31, 2015 | | |
|--|---|---|----------------------------|---|---|----------------------------|
| | Gross Unrealized Holding Gains | Gross Unrealized Holding Losses ^(b) | Estimated Fair Value | Gross Unrealized Holding Gains | Gross Unrealized Holding Losses ^(b) | Estimated Fair Value |
| NDTF | | | | | | |
| Cash and cash equivalents | \$— | \$ — | \$ 43 | \$— | \$ — | \$ 34 |
| Equity securities | 1,091 | 29 | 2,170 | 1,021 | 27 | 2,094 |
| Corporate debt securities | 14 | 2 | 374 | 3 | 5 | 292 |
| Municipal bonds | 2 | — | 66 | 1 | — | 33 |
| U.S. government bonds | 12 | — | 454 | 3 | 3 | 438 |
| Other debt securities | — | 3 | 123 | — | 4 | 147 |
| Total NDTF | \$1,119 | \$ 34 | \$ 3,230 | \$1,028 | \$ 39 | \$ 3,038 |
| Other Investments | | | | | | |
| Other debt securities | \$— | \$ 1 | \$ 3 | \$— | \$ 1 | \$ 3 |
| Total Other Investments ^(a) | \$— | \$ 1 | \$ 3 | \$— | \$ 1 | \$ 3 |
| Total Investments | \$1,119 | \$ 35 | \$ 3,233 | \$1,028 | \$ 40 | \$ 3,041 |

(a) These amounts are recorded in Other within Investments and Other Assets on the Condensed Consolidated Balance Sheets.

(b) Substantially all these amounts represent other-than-temporary impairments on investments within Investment Trusts that have been recognized immediately as a regulatory asset.

The table below summarizes the maturity date for debt securities.

| (in millions) | September 30, 2016 |
|----------------------------------|-----------------------|
| Due in one year or less | \$ 3 |
| Due after one through five years | 206 |
| Due after five through 10 years | 268 |
| Due after 10 years | 543 |
| Total | \$ 1,020 |

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

| (in millions) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|-----------------|--|-------|---------------------------------------|--------|
| | 2016 | 2015 | 2016 | 2015 |
| Realized gains | \$ 58 | \$ 25 | \$ 125 | \$ 132 |
| Realized losses | 28 | 24 | 84 | 47 |

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

PROGRESS ENERGY

The following table presents the estimated fair value of investments in available-for-sale securities.

| (in millions) | September 30, 2016 | | | December 31, 2015 | | |
|--|--------------------|-----------------------|-----------|-------------------|-----------------------|-----------|
| | Gross | | Estimated | Gross | | Estimated |
| | Unrealized | Realized | | Unrealized | Realized | |
| Holdings | Holdings | Fair | Holdings | Holdings | Fair | |
| | Gains | Losses ^(b) | Value | Gains | Losses ^(b) | Value |
| NDTF | | | | | | |
| Cash and cash equivalents | \$— | \$ — | \$ 108 | \$— | \$ — | \$ 145 |
| Equity securities | 877 | 26 | 1,779 | 802 | 31 | 1,496 |
| Corporate debt securities | 11 | — | 177 | 4 | 3 | 140 |
| Municipal bonds | 7 | 1 | 275 | 4 | 1 | 152 |
| U.S. government bonds | 19 | — | 540 | 8 | 2 | 816 |
| Other debt securities | — | — | 9 | — | — | 30 |
| Total NDTF | \$914 | \$ 27 | \$ 2,888 | \$818 | \$ 37 | \$ 2,779 |
| Other Investments | | | | | | |
| Cash and cash equivalents | \$— | \$ — | \$ 20 | \$— | \$ — | \$ 18 |
| Municipal bonds | 4 | — | 47 | 3 | — | 45 |
| Total Other Investments ^(a) | \$4 | \$ — | \$ 67 | \$3 | \$ — | \$ 63 |
| Total Investments | \$918 | \$ 27 | \$ 2,955 | \$821 | \$ 37 | \$ 2,842 |

(a) These amounts are recorded in Other within Investments and Other Assets on the Condensed Consolidated Balance Sheets.

(b) Substantially all these amounts represent other-than-temporary impairments on investments within Investment

Trusts that have been recognized immediately as a regulatory asset.

The table below summarizes the maturity date for debt securities.

| (in millions) | September 30, 2016 |
|----------------------------------|-----------------------|
| Due in one year or less | \$ 67 |
| Due after one through five years | 372 |
| Due after five through 10 years | 187 |
| Due after 10 years | 422 |
| Total | \$ 1,048 |

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

| (in millions) | Three Months | | Nine Months | |
|----------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | Ended | | Ended | |
| | September 30, 2016 | September 30, 2015 | September 30, 2016 | September 30, 2015 |
| Realized gains | \$ 21 | \$ 5 | \$ 71 | \$ 26 |

Realized losses 13 4 49 10

71

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

(Unaudited)

DUKE ENERGY PROGRESS

The following table presents the estimated fair value of investments in available-for-sale securities.

| (in millions) | September 30, 2016 | | | December 31, 2015 | | |
|--|-----------------------|------------|-----------|-----------------------|------------|-----------|
| | Gross | | Estimated | Gross | | Estimated |
| | Unrealized | Unrealized | | Unrealized | Unrealized | |
| | Holdings | Holdings | Fair | Holdings | Holdings | Fair |
| Gains | Losses ^(b) | Value | Gains | Losses ^(b) | Value | |
| NDTF | | | | | | |
| Cash and cash equivalents | \$— | \$ — | \$ 56 | \$— | \$ — | \$ 110 |
| Equity securities | 657 | 21 | 1,438 | 596 | 25 | 1,178 |
| Corporate debt securities | 8 | — | 123 | 3 | 2 | 96 |
| Municipal bonds | 7 | 1 | 275 | 4 | 1 | 150 |
| U.S. government bonds | 12 | — | 279 | 6 | 2 | 486 |
| Other debt securities | — | — | 6 | — | — | 18 |
| Total NDTF | \$684 | \$ 22 | \$ 2,177 | \$609 | \$ 30 | \$ 2,038 |
| Other Investments | | | | | | |
| Cash and cash equivalents | \$— | \$ — | \$ 1 | \$— | \$ — | \$ 1 |
| Total Other Investments ^(a) | \$— | \$ — | \$ 1 | \$— | \$ — | \$ 1 |
| Total Investments | \$684 | \$ 22 | \$ 2,178 | \$ | | \$ |