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Duke Energy CORP
 Form 10-Q
 August 03, 2017

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

(Mark One)

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

For the quarterly period ended June 30, 2017

OR

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

For the transition period from _____ to _____

Commission file number	Registrant, State of Incorporation or Organization, Address of Principal Executive Offices and Telephone Number	IRS Employer Identification No.
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1-32853	DUKE ENERGY CORPORATION (a Delaware corporation) 550 South Tryon Street Charlotte, North Carolina 28202-1803 704-382-3853	20-2777218
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Commission file number	Registrant, State of Incorporation or Organization, Address of Principal Executive Offices, Telephone Number and IRS Employer Identification Number	Commission file number	Registrant, State of Incorporation or Organization, Address of Principal Executive Offices, Telephone Number and IRS Employer Identification Number
1-4928	DUKE ENERGY CAROLINAS, LLC (a North Carolina limited liability company) 526 South Church Street Charlotte, North Carolina 28202-1803 704-382-3853 56-0205520	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 56-2155481	1-1232	DUKE ENERGY OHIO, INC. (an Ohio corporation) 139 East Fourth Street Cincinnati, Ohio 45202 704-382-3853 31-0240030
1-3382	DUKE ENERGY PROGRESS, LLC (a North Carolina limited liability company) 410 South Wilmington Street Raleigh, North Carolina 27601-1748 704-382-3853 56-0165465	1-3543	DUKE ENERGY INDIANA, LLC (an Indiana limited liability company) 1000 East Main Street Plainfield, Indiana 46168 704-382-3853 35-0594457

1-6196

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

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

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

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Indicate by check mark whether the registrant has submitted electronically 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 Piedmont Yes No

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

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

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

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

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

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

Registrant	Description	Shares
Duke Energy	Common stock, \$0.001 par value	699,950,383

This combined Form 10-Q is filed separately by eight registrants: Duke Energy, Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio, Duke Energy Indiana and Piedmont (collectively the Duke Energy Registrants). Information contained herein relating to any individual registrant is filed

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by such registrant solely on its own behalf. Each registrant makes no representation as to information relating exclusively to the other registrants.

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

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This document includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are based on management's beliefs and assumptions and can often be identified by terms and phrases that include "anticipate," "believe," "intend," "estimate," "expect," "continue," "should," "could," "may," "plan," "project," "predict," "will," "potential," "forecast," "target" or other similar terminology. Various factors may cause actual results to be materially different than the suggested outcomes within forward-looking statements; accordingly, there is no assurance that such results will be realized.

These factors include, but are not limited to:

State, federal and foreign legislative and regulatory initiatives, including costs of compliance with existing and future environmental requirements, including those related to climate change, as well as rulings that affect cost and investment recovery or have an impact on rate structures or market prices;

The extent and timing of costs and liabilities to comply with federal and state laws, regulations and legal requirements related to coal ash remediation, including amounts for required closure of certain ash impoundments, are uncertain and difficult to estimate;

The ability to recover eligible costs, including amounts associated with coal ash impoundment retirement obligations and costs related to significant weather events, and to earn an adequate return on investment through rate case proceedings and the regulatory process;

The costs of decommissioning Crystal River Unit 3 and other nuclear facilities could prove to be more extensive than amounts estimated and all costs may not be fully recoverable through the regulatory process;

Costs and effects of legal and administrative proceedings, settlements, investigations and claims;

Industrial, commercial and residential growth or decline in service territories or customer bases resulting from sustained downturns of the economy and the economic health of our service territories or variations in customer usage patterns, including energy efficiency efforts and use of alternative energy sources, such as self-generation and distributed generation technologies;

Federal and state regulations, laws and other efforts designed to promote and expand the use of energy efficiency measures and distributed generation technologies, such as private solar and battery storage, in Duke Energy service territories could result in customers leaving the electric distribution system, excess generation resources as well as stranded costs;

Advancements in technology;

Additional competition in electric and natural gas markets and continued industry consolidation;

The influence of weather and other natural phenomena on operations, including the economic, operational and other effects of severe storms, hurricanes, droughts, earthquakes and tornadoes, including extreme weather associated with climate change;

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

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

Operational interruptions to our gas distribution and transmission activities;

The availability of adequate interstate pipeline transportation capacity and natural gas supply;

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

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

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

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

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

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Declines in the market prices of equity and fixed-income securities and resultant cash funding requirements for defined benefit pension plans, other post-retirement benefit plans and nuclear decommissioning trust funds;

Construction and development risks associated with the completion of the Duke Energy Registrants' capital investment projects, including risks related to financing, obtaining and complying with terms of permits, meeting construction budgets and schedules, and satisfying operating and environmental performance standards, as well as the ability to recover costs from customers in a timely manner, or at all;

Changes in rules for regional transmission organizations, including changes in rate designs and new and evolving capacity markets, and risks related to obligations created by the default of other participants;

The ability to control operation and maintenance costs;

The level of creditworthiness of counterparties to transactions;

Employee workforce factors, including the potential inability to attract and retain key personnel;

The ability of subsidiaries to pay dividends or distributions to Duke Energy Corporation holding company (the Parent);

The performance of projects undertaken by our nonregulated businesses and the success of efforts to invest in and develop new opportunities;

The effect of accounting pronouncements issued periodically by accounting standard-setting bodies;

Substantial revision to the U.S. tax code, such as changes to the corporate tax rate or material change in the deductibility of interest;

The impact of potential goodwill impairments;

The ability to successfully complete future merger, acquisition or divestiture plans;

The ability to successfully integrate the natural gas businesses following the acquisition of Piedmont Natural Gas Company, Inc. and realize anticipated benefits; and

The ability to implement our business strategy.

Additional risks and uncertainties are identified and discussed in the Duke Energy Registrants' reports filed with the SEC and available at the SEC's website at www.sec.gov. 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		Six Months Ended	
	June 30, 2017	2016	June 30, 2017	2016
(in millions, except per-share amounts)				
Operating Revenues				
Regulated electric	\$5,118	\$4,965	\$10,031	\$10,018
Regulated natural gas	275	97	921	266
Nonregulated electric and other	162	151	332	306
Total operating revenues	5,555	5,213	11,284	10,590
Operating Expenses				
Fuel used in electric generation and purchased power	1,541	1,521	2,990	3,109
Cost of natural gas	76	9	334	58
Operation, maintenance and other	1,407	1,351	2,840	2,767
Depreciation and amortization	835	790	1,694	1,583
Property and other taxes	307	290	611	585
Impairment charges	9	1	9	4
Total operating expenses	4,175	3,962	8,478	8,106
Gains on Sales of Other Assets and Other, net	7	8	18	15
Operating Income	1,387	1,259	2,824	2,499
Other Income and Expenses				
Equity in earnings of unconsolidated affiliates	36	15	65	23
Other income and expenses, net	81	81	167	151
Total other income and expenses	117	96	232	174
Interest Expense	486	478	977	967
Income From Continuing Operations Before Income Taxes	1,018	877	2,079	1,706
Income Tax Expense from Continuing Operations	327	253	671	505
Income From Continuing Operations	691	624	1,408	1,201
(Loss) Income From Discontinued Operations, net of tax	(2)	(112)	(2)	10
Net Income	689	512	1,406	1,211
Less: Net Income Attributable to Noncontrolling Interests	3	3	4	8
Net Income Attributable to Duke Energy Corporation	\$686	\$509	\$1,402	\$1,203
Earnings Per Share – Basic and Diluted				
Income from continuing operations attributable to Duke Energy Corporation common stockholders				
Basic	\$0.98	\$0.90	\$2.00	\$1.73
Diluted	\$0.98	\$0.90	\$2.00	\$1.73
(Loss) Income from discontinued operations attributable to Duke Energy Corporation common stockholders				
Basic	\$—	\$(0.16)	\$—	\$0.01
Diluted	\$—	\$(0.16)	\$—	\$0.01
Net income attributable to Duke Energy Corporation common stockholders				

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Basic	\$0.98	\$0.74	\$2.00	\$1.74
Diluted	\$0.98	\$0.74	\$2.00	\$1.74
Weighted average shares outstanding				
Basic	700	689	700	689
Diluted	700	690	700	689

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY CORPORATION

Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

(in millions)	Three Months Ended		Six Months Ended	
	June 30, 2017	2016	June 30, 2017	2016
Net Income	\$689	\$512	\$1,406	\$1,211
Other Comprehensive Income, net of tax				
Foreign currency translation adjustments	—	58	—	107
Pension and OPEB adjustments	1	2	2	2
Net unrealized losses on cash flow hedges	(6)	(11)	(4)	(25)
Reclassification into earnings from cash flow hedges	4	—	5	2
Unrealized gains on available-for-sale securities	4	3	8	7
Other Comprehensive Income, net of tax	3	52	11	93
Comprehensive Income	692	564	1,417	1,304
Less: Comprehensive Income Attributable to Noncontrolling Interests	3	6	4	12
Comprehensive Income Attributable to Duke Energy Corporation	\$689	\$558	\$1,413	\$1,292

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY CORPORATION

Condensed Consolidated Balance Sheets

(Unaudited)

(in millions)

June 30, 2017 December 31, 2016

ASSETS

Current Assets

Cash and cash equivalents	\$ 298	\$ 392
Receivables (net of allowance for doubtful accounts of \$13 at 2017 and \$14 at 2016)	498	751
Receivables of VIEs (net of allowance for doubtful accounts of \$56 at 2017 and \$54 at 2016)	1,880	1,893
Inventory	3,369	3,522
Regulatory assets (includes \$52 at 2017 and \$50 at 2016 related to VIEs)	1,192	1,023
Other	436	458
Total current assets	7,673	8,039
Property, Plant and Equipment		
Cost	124,439	121,397
Accumulated depreciation and amortization	(40,522)	(39,406)
Generation facilities to be retired, net	487	529
Net property, plant and equipment	84,404	82,520
Other Noncurrent Assets		
Goodwill	19,425	19,425
Regulatory assets (includes \$1,121 at 2017 and \$1,142 at 2016 related to VIEs)	12,808	12,878
Nuclear decommissioning trust funds	6,601	6,205
Investments in equity method unconsolidated affiliates	1,267	925
Other	2,826	2,769
Total other noncurrent assets	42,927	42,202
Total Assets	\$ 135,004	\$ 132,761

LIABILITIES AND EQUITY

Current Liabilities

Accounts payable	\$ 2,177	\$ 2,994
Notes payable and commercial paper	3,488	2,487
Taxes accrued	432	384
Interest accrued	506	503
Current maturities of long-term debt (includes \$212 at 2017 and \$260 at 2016 related to VIEs)	3,472	2,319
Asset retirement obligations	397	411
Regulatory liabilities	286	409
Other	1,708	2,044
Total current liabilities	12,466	11,551
Long-Term Debt (includes \$4,018 at 2017 and \$3,587 at 2016 related to VIEs)	46,043	45,576
Other Noncurrent Liabilities		
Deferred income taxes	14,695	14,155
Asset retirement obligations	10,165	10,200
Regulatory liabilities	7,048	6,881
Accrued pension and other post-retirement benefit costs	1,108	1,111
Investment tax credits	534	493
Other	1,651	1,753
Total other noncurrent liabilities	35,201	34,593

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Commitments and Contingencies

Equity

Common stock, \$0.001 par value, 2 billion shares authorized; 700 million shares outstanding at 2017 and 2016	1	1	
Additional paid-in capital	38,758	38,741	
Retained earnings	2,607	2,384	
Accumulated other comprehensive loss	(82) (93)
Total Duke Energy Corporation stockholders' equity	41,284	41,033	
Noncontrolling interests	10	8	
Total equity	41,294	41,041	
Total Liabilities and Equity	\$ 135,004	\$ 132,761	

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY CORPORATION

Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30,	
(in millions)	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$1,406	\$1,211
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion (including amortization of nuclear fuel)	1,953	1,868
Equity component of AFUDC	(125)	(87)
Gains on sales of other assets	(20)	(18)
Impairment charges	9	198
Deferred income taxes	669	285
Equity in earnings of unconsolidated affiliates	(65)	(23)
Accrued pension and other post-retirement benefit costs	13	8
Payments for asset retirement obligations	(272)	(263)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	(12)	199
Receivables	293	(38)
Inventory	153	178
Other current assets	(148)	(51)
Increase (decrease) in		
Accounts payable	(505)	(153)
Taxes accrued	41	216
Other current liabilities	(531)	(281)
Other assets	(101)	(9)
Other liabilities	(2)	(15)
Net cash provided by operating activities	2,756	3,225
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(3,931)	(3,393)
Contributions to equity method investments	(287)	(136)
Purchases of available-for-sale securities	(2,412)	(3,033)
Proceeds from sales and maturities of available-for-sale securities	2,439	3,059
Change in restricted cash	(44)	(21)
Other	(89)	(84)
Net cash used in investing activities	(4,324)	(3,608)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the:		
Issuance of long-term debt	2,734	3,514
Issuance of common stock related to employee benefit plans	—	7
Payments for the redemption of long-term debt	(1,009)	(795)
Proceeds from the issuance of short-term debt with original maturities greater than 90 days	230	500
Payments for the redemption of short-term debt with original maturities greater than 90 days	(32)	(492)
Notes payable and commercial paper	783	(1,349)
Dividends paid	(1,200)	(1,140)
Other	(32)	(43)

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Net cash provided by financing activities	1,474	202
Changes in cash and cash equivalents associated with assets held for sale	—	79
Net decrease in cash and cash equivalents	(94)	(102)
Cash and cash equivalents at beginning of period	392	383
Cash and cash equivalents at end of period	\$298	\$281
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	\$589	\$670

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY CORPORATION

 Condensed Consolidated Statements of Changes in Equity
 (Unaudited)

	Common Stock Shares	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss Foreign Currency Translation Adjustment	Net Unrealized (Losses) Gains on Available for-Sale Securities	Pension and Other Postretirement Benefits Adjustment	Total Duke Energy Corporation Stockholders' Equity	Noncontrolling Interests	Totaling Equity		
(in millions)											
Balance at December 31, 2015	688	\$ 1	\$37,968	\$2,564	\$(692)	\$(50)	\$(3)	\$(61)	\$39,727	\$ 44	\$39,771
Net income	—	—	—	1,203	—	—	—	—	1,203	8	1,211
Other comprehensive income (loss)	—	—	—	—	103	(23)	7	2	89	4	93
Common stock issuances, including dividend reinvestment and employee benefits	1	—	16	—	—	—	—	—	16	—	16
Common stock dividends	—	—	—	(1,140)	—	—	—	—	(1,140)	—	(1,140)
Distributions to noncontrolling interest in subsidiaries	—	—	—	—	—	—	—	—	—	(3)	(3)
Balance at June 30, 2016	689	\$ 1	\$37,984	\$2,627	\$(589)	\$(73)	\$ 4	\$(59)	\$39,895	\$ 53	\$39,948
Balance at December 31, 2016	700	\$ 1	\$38,741	\$2,384	\$—	\$(20)	\$(1)	\$(72)	\$41,033	\$ 8	\$41,041
Net income	—	—	—	1,402	—	—	—	—	1,402	4	1,406
Other comprehensive income	—	—	—	—	—	1	8	2	11	—	11
Common stock issuances, including dividend reinvestment and employee benefits	—	—	17	—	—	—	—	—	17	—	17
Common stock dividends	—	—	—	(1,200)	—	—	—	—	(1,200)	—	(1,200)
Distributions to noncontrolling interest in subsidiaries	—	—	—	—	—	—	—	—	—	(2)	(2)
Other ^(a)	—	—	—	21	—	—	—	—	21	—	21
Balance at June 30, 2017	700	\$ 1	\$38,758	\$2,607	\$—	\$(19)	\$ 7	\$(70)	\$41,284	\$ 10	\$41,294

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

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY CAROLINAS, LLC

Condensed Consolidated Statements of Operations and Comprehensive Income

(Unaudited)

(in millions)	Three Months		Six Months	
	Ended		Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Operating Revenues	\$1,729	\$1,675	\$3,445	\$3,415
Operating Expenses				
Fuel used in electric generation and purchased power	435	389	863	810
Operation, maintenance and other	469	476	951	988
Depreciation and amortization	269	275	523	534
Property and other taxes	71	71	139	138
Total operating expenses	1,244	1,211	2,476	2,470
Operating Income	485	464	969	945
Other Income and Expenses, net	36	45	73	82
Interest Expense	103	107	206	214
Income Before Income Taxes	418	402	836	813
Income Tax Expense	145	141	293	281
Net Income	\$273	\$261	\$543	\$532
Other Comprehensive Income, net of tax				
Reclassification into earnings from cash flow hedges	1	—	1	1
Comprehensive Income	\$274	\$261	\$544	\$533

See Notes to Condensed Consolidated Financial Statements

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PART I

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

(in millions)

June 30, 2017 December 31, 2016

ASSETS

Current Assets

Cash and cash equivalents	\$ 16	\$ 14
Receivables (net of allowance for doubtful accounts of \$2 at 2017 and 2016)	165	160
Receivables of VIEs (net of allowance for doubtful accounts of \$7 at 2017 and 2016)	611	645
Receivables from affiliated companies	85	163
Notes receivable from affiliated companies	—	66
Inventory	1,066	1,055
Regulatory assets	249	238
Other	34	37
Total current assets	2,226	2,378
Property, Plant and Equipment		
Cost	41,881	41,127
Accumulated depreciation and amortization	(14,632)	(14,365)
Net property, plant and equipment	27,249	26,762
Other Noncurrent Assets		
Regulatory assets	3,060	3,159
Nuclear decommissioning trust funds	3,499	3,273
Other	929	943
Total other noncurrent assets	7,488	7,375
Total Assets	\$ 36,963	\$ 36,515

LIABILITIES AND EQUITY

Current Liabilities

Accounts payable	\$ 639	\$ 833
Accounts payable to affiliated companies	127	247
Notes payable to affiliated companies	534	—
Taxes accrued	162	143
Interest accrued	104	102
Current maturities of long-term debt	704	116
Asset retirement obligations	227	222
Regulatory liabilities	115	161
Other	409	468
Total current liabilities	3,021	2,292
Long-Term Debt	8,520	9,187
Long-Term Debt Payable to Affiliated Companies	300	300
Other Noncurrent Liabilities		
Deferred income taxes	6,742	6,544
Asset retirement obligations	3,644	3,673
Regulatory liabilities	2,885	2,840
Accrued pension and other post-retirement benefit costs	103	97
Investment tax credits	235	203
Other	574	607
Total other noncurrent liabilities	14,183	13,964

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Commitments and Contingencies

Equity

Member's equity	10,947	10,781	
Accumulated other comprehensive loss	(8) (9)
Total equity	10,939	10,772	
Total Liabilities and Equity	\$ 36,963	\$ 36,515	

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY CAROLINAS, LLC

Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30,	
(in millions)	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$543	\$532
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including amortization of nuclear fuel)	688	673
Equity component of AFUDC	(59)	(48)
Deferred income taxes	283	273
Accrued pension and other post-retirement benefit costs	—	2
Payments for asset retirement obligations	(123)	(118)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	24	3
Receivables	36	(48)
Receivables from affiliated companies	78	36
Inventory	(14)	102
Other current assets	(21)	24
Increase (decrease) in		
Accounts payable	(125)	(226)
Accounts payable to affiliated companies	(120)	(56)
Taxes accrued	19	188
Other current liabilities	(140)	28
Other assets	(44)	22
Other liabilities	(15)	(14)
Net cash provided by operating activities	1,010	1,373
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,092)	(1,031)
Purchases of available-for-sale securities	(1,225)	(1,395)
Proceeds from sales and maturities of available-for-sale securities	1,228	1,395
Notes receivable from affiliated companies	66	(89)
Other	(29)	(41)
Net cash used in investing activities	(1,052)	(1,161)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	—	992
Payments for the redemption of long-term debt	(114)	(1)
Notes payable to affiliated companies	534	—
Distributions to parent	(375)	(1,200)
Other	(1)	—
Net cash provided by (used in) financing activities	44	(209)
Net increase in cash and cash equivalents	2	3
Cash and cash equivalents at beginning of period	14	13
Cash and cash equivalents at end of period	\$16	\$16
Supplemental Disclosures:		
Significant non-cash transactions:		

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Accrued capital expenditures	\$200	\$228
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See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY CAROLINAS, LLC

Condensed Consolidated Statements of Changes in Equity
(Unaudited)

		Accumulated Other Comprehensive Loss Net Losses on		
(in millions)	Member's Equity	Cash Flow Hedges		Total Equity
Balance at December 31, 2015	\$ 11,617	\$ (11)		\$ 11,606
Net income	532	—		532
Other comprehensive income	—	1		1
Distributions to parent	(1,200)	—		(1,200)
Balance at June 30, 2016	\$ 10,949	\$ (10)		\$ 10,939
Balance at December 31, 2016	\$ 10,781	\$ (9)		\$ 10,772
Net income	543	—		543
Other comprehensive income	—	1		1
Distributions to parent	(375)	—		(375)
Other	(2)	—		(2)
Balance at June 30, 2017	\$ 10,947	\$ (8)		\$ 10,939

See Notes to Condensed Consolidated Financial Statements

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PART I

PROGRESS ENERGY, INC.

Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

(in millions)	Three Months		Six Months	
	Ended June 30, 2017	Ended June 30, 2016	Ended June 30, 2017	Ended June 30, 2016
Operating Revenues	\$2,392	\$2,348	\$4,571	\$4,680
Operating Expenses				
Fuel used in electric generation and purchased power	831	852	1,557	1,712
Operation, maintenance and other	534	525	1,078	1,117
Depreciation and amortization	311	296	624	586
Property and other taxes	129	120	246	239
Impairment charges	2	1	2	3
Total operating expenses	1,807	1,794	3,507	3,657
Gains on Sales of Other Assets and Other, net	6	6	14	12
Operating Income	591	560	1,078	1,035
Other Income and Expenses, net	21	28	45	48
Interest Expense	196	160	402	320
Income Before Income Taxes	416	428	721	763
Income Tax Expense	139	154	243	277
Net Income	277	274	478	486
Less: Net Income Attributable to Noncontrolling Interests	3	2	5	5
Net Income Attributable to Parent	\$274	\$272	\$473	\$481
Net Income	\$277	\$274	\$478	\$486
Other Comprehensive Income, net of tax				
Pension and OPEB adjustments	1	1	2	2
Net unrealized gain on cash flow hedges	5	—	6	—
Reclassification into earnings from cash flow hedges	—	2	—	3
Unrealized gains on available-for-sale securities	1	—	2	1
Other Comprehensive Income, net of tax	7	3	10	6
Comprehensive Income	284	277	488	492
Less: Comprehensive Income Attributable to Noncontrolling Interests	3	2	5	5
Comprehensive Income Attributable to Parent	\$281	\$275	\$483	\$487

See Notes to Condensed Consolidated Financial Statements

PART I

PROGRESS ENERGY, INC.

Condensed Consolidated Balance Sheets

(Unaudited)

(in millions)

June 30, 2017 December 31, 2016

ASSETS

Current Assets

Cash and cash equivalents	\$ 39	\$ 46
Receivables (net of allowance for doubtful accounts of \$4 at 2017 and \$6 at 2016)	95	114
Receivables of VIEs (net of allowance for doubtful accounts of \$7 at 2017 and 2016)	777	692
Receivables from affiliated companies	3	106
Notes receivable from affiliated companies	140	80
Inventory	1,621	1,717
Regulatory assets (includes \$52 at 2017 and \$50 at 2016 related to VIEs)	533	401
Other	196	148
Total current assets	3,404	3,304
Property, Plant and Equipment		
Cost	46,317	44,864
Accumulated depreciation and amortization	(15,652)	(15,212)
Generation facilities to be retired, net	487	529
Net property, plant and equipment	31,152	30,181
Other Noncurrent Assets		
Goodwill	3,655	3,655
Regulatory assets (includes \$1,121 at 2017 and \$1,142 at 2016 related to VIEs)	5,853	5,722
Nuclear decommissioning trust funds	3,102	2,932
Other	865	856
Total other noncurrent assets	13,475	13,165
Total Assets	\$ 48,031	\$ 46,650

LIABILITIES AND EQUITY

Current Liabilities

Accounts payable	\$ 649	\$ 1,003
Accounts payable to affiliated companies	208	348
Notes payable to affiliated companies	1,070	729
Taxes accrued	165	83
Interest accrued	228	201
Current maturities of long-term debt (includes \$55 at 2017 and \$62 at 2016 related to VIEs)	1,022	778
Asset retirement obligations	170	189
Regulatory liabilities	120	189
Other	660	745
Total current liabilities	4,292	4,265
Long-Term Debt (includes \$1,711 at 2017 and \$1,741 at 2016 related to VIEs)	15,950	15,590
Long-Term Debt Payable to Affiliated Companies	1,173	1,173
Other Noncurrent Liabilities		
Deferred income taxes	5,662	5,246
Asset retirement obligations	5,288	5,286
Regulatory liabilities	2,511	2,395
Accrued pension and other post-retirement benefit costs	537	547
Other	321	341

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Total other noncurrent liabilities	14,319	13,815	
Commitments and Contingencies			
Equity			
Common stock, \$0.01 par value, 100 shares authorized and outstanding at 2017 and 2016	—	—	
Additional paid-in capital	8,096	8,094	
Retained earnings	4,237	3,764	
Accumulated other comprehensive loss	(28) (38)
Total Progress Energy, Inc. stockholders' equity	12,305	11,820	
Noncontrolling interests	(8) (13)
Total equity	12,297	11,807	
Total Liabilities and Equity	\$ 48,031	\$ 46,650	

See Notes to Condensed Consolidated Financial Statements

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PART I

PROGRESS ENERGY, INC.

Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30,	
(in millions)	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$478	\$486
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion (including amortization of nuclear fuel)	733	696
Equity component of AFUDC	(48)	(30)
Gains on sales of other assets	(15)	(15)
Impairment charges	2	3
Deferred income taxes	412	285
Accrued pension and other post-retirement benefit costs	(5)	(12)
Payments for asset retirement obligations	(128)	(126)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	—	32
Receivables	(64)	(66)
Receivables from affiliated companies	99	306
Inventory	95	25
Other current assets	(200)	45
Increase (decrease) in		
Accounts payable	(211)	(26)
Accounts payable to affiliated companies	(140)	(79)
Taxes accrued	81	90
Other current liabilities	(148)	(162)
Other assets	(70)	(72)
Other liabilities	(18)	15
Net cash provided by operating activities	853	1,395
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,733)	(1,441)
Purchases of available-for-sale securities	(1,108)	(1,570)
Proceeds from sales and maturities of available-for-sale securities	1,123	1,594
Proceeds from insurance	4	58
Notes receivable from affiliated companies	(60)	—
Change in restricted cash	5	(6)
Other	(26)	(14)
Net cash used in investing activities	(1,795)	(1,379)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	923	1,338
Payments for the redemption of long-term debt	(326)	(320)
Notes payable to affiliated companies	341	(392)
Dividends to parent	—	(651)
Other	(3)	(1)
Net cash provided by (used in) financing activities	935	(26)
Net decrease in cash and cash equivalents	(7)	(10)

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Cash and cash equivalents at beginning of period	46	44
Cash and cash equivalents at end of period	\$39	\$34
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	\$174	\$288

See Notes to Condensed Consolidated Financial Statements

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PART I

PROGRESS ENERGY, INC.

Condensed Consolidated Statements of Changes in Equity
(Unaudited)

	Additional		Accumulated Other Comprehensive Loss			Total Progress Energy, Inc.	Total	
			Net Losses on Cash Flow Hedges	Net Gains on Available-for-Sale Securities	Pension and OPEB Adjustments			
(in millions)	Paid-in Capital	Retained Earnings	Cash Flow Hedges	Available-for-Sale Securities	Pension and OPEB Adjustments	Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2015	\$ 8,092	\$4,831	\$(31)	\$ —	\$ (17)	\$ 12,875	\$ (22)	\$12,853
Net income	—	481	—	—	—	481	5	486
Other comprehensive income	—	—	3	1	2	6	—	6
Distributions to noncontrolling interests	—	—	—	—	—	—	(1)	(1)
Dividends to parent	—	(651)	—	—	—	(651)	—	(651)
Balance at June 30, 2016	\$ 8,092	\$4,661	\$(28)	\$ 1	\$ (15)	\$ 12,711	\$ (18)	\$12,693
Balance at December 31, 2016	\$ 8,094	\$3,764	\$(23)	\$ 1	\$ (16)	\$ 11,820	\$ (13)	\$11,807
Net income	—	473	—	—	—	473	5	478
Other comprehensive income	—	—	6	2	2	10	—	10
Other	2	—	—	—	—	2	—	2
Balance at June 30, 2017	\$ 8,096	\$4,237	\$(17)	\$ 3	\$ (14)	\$ 12,305	\$ (8)	\$12,297

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY PROGRESS, LLC

Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

(in millions)	Three Months		Six Months	
	Ended		Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Operating Revenues	\$1,199	\$1,213	\$2,418	\$2,520
Operating Expenses				
Fuel used in electric generation and purchased power	375	424	739	872
Operation, maintenance and other	330	321	680	707
Depreciation and amortization	173	175	354	350
Property and other taxes	40	38	80	79
Total operating expenses	918	958	1,853	2,008
Gains on Sales of Other Assets and Other, net	1	—	3	1
Operating Income	282	255	568	513
Other Income and Expenses, net	14	12	33	29
Interest Expense	70	64	152	127
Income Before Income Taxes	226	203	449	415
Income Tax Expense	72	72	148	147
Net Income and Comprehensive Income	\$154	\$131	\$301	\$268

See Notes to Condensed Consolidated Financial Statements

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PART I

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

(in millions)

June 30, 2017 December 31, 2016

ASSETS

Current Assets

Cash and cash equivalents	\$ 12	\$ 11
Receivables (net of allowance for doubtful accounts of \$1 at 2017 and \$4 at 2016)	32	51
Receivables of VIEs (net of allowance for doubtful accounts of \$5 at 2017 and 2016)	422	404
Receivables from affiliated companies	5	5
Notes receivable from affiliated companies	—	165
Inventory	1,053	1,076
Regulatory assets	212	188
Other	76	57
Total current assets	1,812	1,957
Property, Plant and Equipment		
Cost	28,936	28,419
Accumulated depreciation and amortization	(10,734) (10,561
Generation facilities to be retired, net	487	529
Net property, plant and equipment	18,689	18,387
Other Noncurrent Assets		
Regulatory assets	3,379	3,243
Nuclear decommissioning trust funds	2,380	2,217
Other	536	525
Total other noncurrent assets	6,295	5,985
Total Assets	\$ 26,796	\$ 26,329

LIABILITIES AND EQUITY

Current Liabilities

Accounts payable	\$ 277	\$ 589
Accounts payable to affiliated companies	169	227
Notes payable to affiliated companies	633	—
Taxes accrued	61	104
Interest accrued	101	102
Current maturities of long-term debt	203	452
Asset retirement obligations	170	189
Regulatory liabilities	113	158
Other	308	365
Total current liabilities	2,035	2,186
Long-Term Debt	6,407	6,409
Long-Term Debt Payable to Affiliated Companies	150	150
Other Noncurrent Liabilities		
Deferred income taxes	3,539	3,323
Asset retirement obligations	4,520	4,508
Regulatory liabilities	2,048	1,946
Accrued pension and other post-retirement benefit costs	246	252
Investment tax credits	145	146
Other	47	51

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Total other noncurrent liabilities	10,545	10,226
Commitments and Contingencies		
Equity		
Member's Equity	7,659	7,358
Total Liabilities and Equity	\$ 26,796	\$ 26,329

See Notes to Condensed Consolidated Financial Statements

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PART I

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

	Six Months Ended June 30,	
(in millions)	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$301	\$268
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including amortization of nuclear fuel)	453	451
Equity component of AFUDC	(26)	(20)
Gains on sales of other assets	(4)	(3)
Deferred income taxes	224	172
Accrued pension and other post-retirement benefit costs	(10)	(16)
Payments for asset retirement obligations	(101)	(100)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	(3)	(1)
Receivables	3	(19)
Receivables from affiliated companies	—	7
Inventory	23	20
Other current assets	(50)	131
Increase (decrease) in		
Accounts payable	(218)	(28)
Accounts payable to affiliated companies	(58)	(56)
Taxes accrued	(43)	56
Other current liabilities	(111)	(12)
Other assets	(37)	(26)
Other liabilities	(9)	(6)
Net cash provided by operating activities	334	818
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(840)	(704)
Purchases of available-for-sale securities	(819)	(1,299)
Proceeds from sales and maturities of available-for-sale securities	805	1,284
Notes receivable from affiliated companies	165	—
Other	(22)	(19)
Net cash used in investing activities	(711)	(738)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	15	59
Payments for the redemption of long-term debt	(269)	(15)
Notes payable to affiliated companies	633	(131)
Other	(1)	—
Net cash provided by (used in) financing activities	378	(87)
Net increase (decrease) in cash and cash equivalents	1	(7)
Cash and cash equivalents at beginning of period	11	15
Cash and cash equivalents at end of period	\$12	\$8
Supplemental Disclosures:		
Significant non-cash transactions:		

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Accrued capital expenditures	\$52	\$73
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See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY PROGRESS, LLC

Condensed Consolidated Statements of Changes in Equity
(Unaudited)

(in millions)	Member's Equity
Balance at December 31, 2015	\$ 7,059
Net income	268
Balance at June 30, 2016	\$ 7,327
Balance at December 31, 2016	\$ 7,358
Net income	301
Balance at June 30, 2017	\$ 7,659

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY FLORIDA, LLC

Condensed Consolidated Statements of Operations and Comprehensive Income

(Unaudited)

(in millions)	Three Months		Six Months	
	Ended		Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Operating Revenues	\$1,191	\$1,133	\$2,150	\$2,157
Operating Expenses				
Fuel used in electric generation and purchased power	455	429	817	841
Operation, maintenance and other	203	199	394	404
Depreciation and amortization	137	122	269	236
Property and other taxes	89	82	166	160
Impairment charges	1	1	2	3
Total operating expenses	885	833	1,648	1,644
Operating Income	306	300	502	513
Other Income and Expenses, net	14	14	30	19
Interest Expense	70	40	140	81
Income Before Income Taxes	250	274	392	451
Income Tax Expense	92	103	144	170
Net Income	\$158	\$171	\$248	\$281
Other Comprehensive Income, net of tax				
Unrealized gains on available-for-sale securities	1	—	2	1
Comprehensive Income	\$159	\$171	\$250	\$282

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY FLORIDA, LLC

Condensed Consolidated Balance Sheets

(Unaudited)

(in millions)

June 30, 2017 December 31, 2016

ASSETS

Current Assets

Cash and cash equivalents	\$ 8	\$ 16
Receivables (net of allowance for doubtful accounts of \$3 at 2017 and \$2 at 2016)	61	61
Receivables of VIEs (net of allowance for doubtful accounts of \$2 at 2017 and 2016)	354	288
Receivables from affiliated companies	1	5
Notes receivable from affiliated companies	230	—
Inventory	568	641
Regulatory assets (includes \$52 at 2017 and \$50 at 2016 related to VIEs)	321	213
Other (includes \$33 at 2017 and \$53 at 2016 related to VIEs)	50	125
Total current assets	1,593	1,349
Property, Plant and Equipment		
Cost	17,369	16,434
Accumulated depreciation and amortization	(4,910)	(4,644)
Net property, plant and equipment	12,459	11,790
Other Noncurrent Assets		
Regulatory assets (includes \$1,121 at 2017 and \$1,142 at 2016 related to VIEs)	2,474	2,480
Nuclear decommissioning trust funds	723	715
Other	279	278
Total other noncurrent assets	3,476	3,473
Total Assets	\$ 17,528	\$ 16,612

LIABILITIES AND EQUITY

Current Liabilities

Accounts payable	\$ 372	\$ 413
Accounts payable to affiliated companies	42	125
Notes payable to affiliated companies	—	297
Taxes accrued	112	33
Interest accrued	58	49
Current maturities of long-term debt (includes \$55 at 2017 and \$62 at 2016 related to VIEs)	819	326
Regulatory liabilities	7	31
Other	322	352
Total current liabilities	1,732	1,626
Long-Term Debt (includes \$1,414 at 2017 and \$1,442 at 2016 related to VIEs)	6,160	5,799
Other Noncurrent Liabilities		
Deferred income taxes	2,893	2,694
Asset retirement obligations	768	778
Regulatory liabilities	462	448
Accrued pension and other post-retirement benefit costs	258	262
Other	103	105
Total other noncurrent liabilities	4,484	4,287
Commitments and Contingencies		
Equity		
Member's equity	5,149	4,899

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Accumulated other comprehensive income	3	1
Total equity	5,152	4,900
Total Liabilities and Equity	\$ 17,528	\$ 16,612

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY FLORIDA, LLC

Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30,	
(in millions)	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$248	\$281
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	274	239
Equity component of AFUDC	(22)	(9)
Impairment charges	2	3
Deferred income taxes	186	113
Accrued pension and other post-retirement benefit costs	2	1
Payments for asset retirement obligations	(27)	(25)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	2	34
Receivables	(65)	(49)
Receivables from affiliated companies	—	23
Inventory	72	5
Other current assets	(47)	(13)
Increase (decrease) in		
Accounts payable	7	3
Accounts payable to affiliated companies	(83)	(16)
Taxes accrued	78	5
Other current liabilities	(57)	(142)
Other assets	(32)	(47)
Other liabilities	(5)	20
Net cash provided by operating activities	533	426
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(893)	(737)
Purchases of available-for-sale securities	(289)	(271)
Proceeds from sales and maturities of available-for-sale securities	318	310
Proceeds from insurance	4	58
Notes receivable from affiliated companies	(230)	—
Change in restricted cash	—	(6)
Other	(4)	5
Net cash used in investing activities	(1,094)	(641)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	908	1,278
Payments for the redemption of long-term debt	(57)	(5)
Notes payable to affiliated companies	(297)	(407)
Distributions to parent	—	(649)
Other	(1)	(2)
Net cash provided by financing activities	553	215
Net decrease in cash and cash equivalents	(8)	—
Cash and cash equivalents at beginning of period	16	8

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Cash and cash equivalents at end of period	\$8	\$8
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	\$122	\$215

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY FLORIDA, LLC

Condensed Consolidated Statements of Changes in Equity
(Unaudited)

		Accumulated Other Comprehensive Income Net Unrealized Gains on	
(in millions)	Member's Equity	Available-for-Sale Securities	Total Equity
Balance at December 31, 2015	\$ 5,121	\$ —	\$5,121
Net income	281	—	281
Other comprehensive income	—	1	1
Distribution to parent	(649)	—	(649)
Balance at June 30, 2016	\$ 4,753	\$ 1	\$4,754
Balance at December 31, 2016	\$ 4,899	\$ 1	\$4,900
Net income	248	—	248
Other comprehensive income	—	2	2
Other	2	—	2
Balance at June 30, 2017	\$ 5,149	\$ 3	\$5,152

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY OHIO, INC.

Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

(in millions)	Three Months Ended		Six Months Ended	
	June 30, 2017	2016	June 30, 2017	2016
Operating Revenues				
Regulated electric	\$328	\$323	\$665	\$663
Regulated natural gas	100	99	270	269
Nonregulated electric and other	9	6	20	12
Total operating revenues	437	428	955	944
Operating Expenses				
Fuel used in electric generation and purchased power – regulated	86	100	183	211
Fuel used in electric generation and purchased power – nonregulated	14	13	29	23
Cost of natural gas	10	9	64	58
Operation, maintenance and other	131	122	261	241
Depreciation and amortization	63	64	130	125
Property and other taxes	67	65	139	136
Impairment charges	1	—	1	—
Total operating expenses	372	373	807	794
Gains on Sales of Other Assets and Other, net	—	—	—	1
Operating Income	65	55	148	151
Other Income and Expenses, net	4	1	8	3
Interest Expense	23	21	45	41
Income From Continuing Operations Before Income Taxes	46	35	111	113
Income Tax Expense From Continuing Operations	16	12	39	33
Income From Continuing Operations	30	23	72	80
Income From Discontinued Operations, net of tax	—	—	—	2
Net Income and Comprehensive Income	\$30	\$23	\$72	\$82

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY OHIO, INC.

Condensed Consolidated Balance Sheets

(Unaudited)

(in millions)

June 30, 2017 December 31, 2016

ASSETS

Current Assets

Cash and cash equivalents	\$ 9	\$ 13
Receivables (net of allowance for doubtful accounts of \$2 at 2017 and 2016)	61	71
Receivables from affiliated companies	74	129
Notes receivable from affiliated companies	63	94
Inventory	134	137
Regulatory assets	42	37
Other	38	37
Total current assets	421	518
Property, Plant and Equipment		
Cost	8,348	8,126
Accumulated depreciation and amortization	(2,626)	(2,579)
Net property, plant and equipment	5,722	5,547
Other Noncurrent Assets		
Goodwill	920	920
Regulatory assets	519	520
Other	23	23
Total other noncurrent assets	1,462	1,463
Total Assets	\$ 7,605	\$ 7,528

LIABILITIES AND EQUITY

Current Liabilities

Accounts payable	\$ 267	\$ 282
Accounts payable to affiliated companies	47	63
Notes payable to affiliated companies	24	16
Taxes accrued	100	178
Interest accrued	19	19
Current maturities of long-term debt	1	1
Regulatory liabilities	16	21
Other	77	91
Total current liabilities	551	671
Long-Term Debt	1,951	1,858
Long-Term Debt Payable to Affiliated Companies	25	25
Other Noncurrent Liabilities		
Deferred income taxes	1,506	1,443
Asset retirement obligations	76	77
Regulatory liabilities	240	236
Accrued pension and other post-retirement benefit costs	56	56
Other	157	166
Total other noncurrent liabilities	2,035	1,978

Commitments and Contingencies

Equity

Common stock, \$8.50 par value, 120 million shares authorized; 90 million shares outstanding at 2017 and 2016	762	762
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Additional paid-in capital	2,670	2,695	
Accumulated deficit	(389) (461)
Total equity	3,043	2,996	
Total Liabilities and Equity	\$ 7,605	\$ 7,528	

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY OHIO, INC.

Condensed Consolidated Statements of Cash Flows
(Unaudited)

(in millions)	Six Months Ended June 30, 2017 2016	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$72	\$82
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	132	127
Equity component of AFUDC	(5)	(2)
Gains on sales of other assets	—	(1)
Impairment charges	1	—
Deferred income taxes	64	68
Accrued pension and other post-retirement benefit costs	2	3
Payments for asset retirement obligations	(3)	(3)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	—	(2)
Receivables	11	3
Receivables from affiliated companies	55	49
Inventory	6	(5)
Other current assets	(11)	49
Increase (decrease) in		
Accounts payable	(4)	8
Accounts payable to affiliated companies	(16)	23
Taxes accrued	(79)	(68)
Other current liabilities	(15)	(66)
Other assets	(12)	(8)
Other liabilities	(8)	(9)
Net cash provided by operating activities	190	248
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(286)	(214)
Notes receivable from affiliated companies	31	(186)
Other	(13)	(13)
Net cash used in investing activities	(268)	(413)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	93	341
Payments for the redemption of long-term debt	(1)	(52)
Notes payable to affiliated companies	8	(103)
Dividends to parent	(25)	(25)
Other	(1)	—
Net cash provided by financing activities	74	161
Net decrease in cash and cash equivalents	(4)	(4)
Cash and cash equivalents at beginning of period	13	14
Cash and cash equivalents at end of period	\$9	\$10
Supplemental Disclosures:		

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Significant non-cash transactions:

Accrued capital expenditures	\$59	\$30
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See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY OHIO, INC.

Condensed Consolidated Statements of Changes in Equity
(Unaudited)

		Additional			
(in millions)	Common	Paid-in	Accumulated	Total	
	Stock	Capital	Deficit	Equity	
Balance at December 31, 2015	\$ 762	\$ 2,720	\$ (698)	\$2,784	
Net income	—	—	82	82	
Dividends to parent	—	(25)	—	(25)	
Balance at June 30, 2016	\$ 762	\$ 2,695	\$ (616)	\$2,841	
Balance at December 31, 2016	\$ 762	\$ 2,695	\$ (461)	\$2,996	
Net income	—	—	72	72	
Dividends to parent	—	(25)	—	(25)	
Balance at June 30, 2017	\$ 762	\$ 2,670	\$ (389)	\$3,043	

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)

	Three Months Ended		Six Months Ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
(in millions)				
Operating Revenues	\$742	\$702	\$1,500	\$1,416
Operating Expenses				
Fuel used in electric generation and purchased power	234	220	485	448
Operation, maintenance and other	192	189	366	351
Depreciation and amortization	91	97	216	222
Property and other taxes	15	22	37	45
Total operating expenses	532	528	1,104	1,066
Operating Income	210	174	396	350
Other Income and Expenses, net	9	6	17	10
Interest Expense	44	47	88	91
Income Before Income Taxes	175	133	325	269
Income Tax Expense	69	48	128	89
Net Income	\$106	\$85	\$197	\$180
Other Comprehensive Loss, net of tax				
Reclassification into earnings from cash flow hedges	—	—	—	(1)
Comprehensive Income	\$106	\$85	\$197	\$179

See Notes to Condensed Consolidated Financial Statements

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PART I

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

(in millions)	June 30, 2017	December 31, 2016
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 17	\$ 17
Receivables (net of allowance for doubtful accounts of \$1 at 2017 and 2016)	45	105
Receivables from affiliated companies	87	114
Notes receivable from affiliated companies	19	86
Inventory	470	504
Regulatory assets	159	149
Other	88	45
Total current assets	885	1,020
Property, Plant and Equipment		
Cost	14,573	14,241
Accumulated depreciation and amortization	(4,484)	(4,317)
Net property, plant and equipment	10,089	9,924
Other Noncurrent Assets		
Regulatory assets	1,100	1,073
Other	159	147
Total other noncurrent assets	1,259	1,220
Total Assets	\$ 12,233	\$ 12,164
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 171	\$ 263
Accounts payable to affiliated companies	50	74
Taxes accrued	28	31
Interest accrued	59	61
Current maturities of long-term debt	3	3
Regulatory liabilities	36	40
Other	122	93

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Total current liabilities	469		565	
Long-Term Debt	3,631		3,633	
Long-Term Debt Payable to Affiliated Companies	150		150	
Other Noncurrent Liabilities				
Deferred income taxes	2,011		1,900	
Asset retirement obligations	865		866	
Regulatory liabilities	745		748	
Accrued pension and other post-retirement benefit costs	77		71	
Investment tax credits	148		137	
Other	23		27	
Total other noncurrent liabilities	3,869		3,749	
Commitments and Contingencies				
Equity				
Member's Equity	4,114		4,067	
Total Liabilities and Equity	\$ 12,233		\$ 12,164	

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY INDIANA, LLC

Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30,	
(in millions)	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$197	\$180
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	218	223
Equity component of AFUDC	(12)	(7)
Deferred income taxes	131	36
Accrued pension and other post-retirement benefit costs	3	4
Payments for asset retirement obligations	(17)	(16)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	1	—
Receivables	73	12
Receivables from affiliated companies	27	11
Inventory	34	62
Other current assets	(15)	(19)
Increase (decrease) in		
Accounts payable	(68)	(22)
Accounts payable to affiliated companies	(24)	4
Taxes accrued	(3)	(42)
Other current liabilities	(11)	(60)
Other assets	(13)	(29)
Other liabilities	(9)	44
Net cash provided by operating activities	512	381
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(397)	(325)
Purchases of available-for-sale securities	(10)	(7)
Proceeds from sales and maturities of available-for-sale securities	4	5
Notes receivable from affiliated companies	67	(64)
Other	(23)	(6)
Net cash used in investing activities	(359)	(397)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	—	495
Payments for the redemption of long-term debt	(2)	(326)
Distributions to parent	(150)	(149)
Other	(1)	(1)
Net cash (used in) provided by financing activities	(153)	19
Net increase in cash and cash equivalents	—	3
Cash and cash equivalents at beginning of period	17	9
Cash and cash equivalents at end of period	\$17	\$12
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	\$81	\$43

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 Cash Flow Hedges	Total Equity
(in millions)	Common Stock	Paid-in Capital	Retained Earnings	Member's Equity		
Balance at December 31, 2015	\$ 1	\$ 1,384	\$ 2,450	\$ —	\$ 1	\$ 3,836
Net income	—	—	—	180	—	180
Other comprehensive loss	—	—	—	—	(1)	(1)
Distributions to parent	—	—	—	(149)	—	(149)
Transfer to Member's Equity	(1)	(1,384)	(2,450)	3,835	—	—
Balance at June 30, 2016	\$ —	\$ —	\$ —	\$ 3,866	\$ —	\$ 3,866
Balance at December 31, 2016	\$ —	\$ —	\$ —	\$ 4,067	\$ —	\$ 4,067
Net income	—	—	—	197	—	197
Distributions to parent	—	—	—	(150)	—	(150)
Balance at June 30, 2017	\$ —	\$ —	\$ —	\$ 4,114	\$ —	\$ 4,114

See Notes to Condensed Consolidated Financial Statements

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PART I

PIEDMONT NATURAL GAS COMPANY, INC.

Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2017	2016	June 30, 2017	2016
Operating Revenues				
Regulated natural gas	\$198	\$179	\$696	\$660
Nonregulated natural gas and other	3	3	5	5
Total operating revenues	201	182	701	665
Operating Expenses				
Cost of natural gas	65	50	270	247
Operation, maintenance and other	76	73	153	147
Depreciation and amortization	36	34	71	68
Property and other taxes	12	11	25	22
Impairment charges	7	—	7	—
Total operating expenses	196	168	526	484
Operating Income	5	14	175	181
Equity in Earnings of Unconsolidated Affiliates	2	7	5	23
Other income and expenses, net	(1)	—	(1)	—
Total other income and expenses	1	7	4	23
Interest Expense	19	16	39	33
(Loss) Income Before Income Taxes	(13)	5	140	171
Income Tax (Benefit) Expense	(5)	2	53	65
Net (Loss) Income and Comprehensive (Loss) Income	\$(8)	\$3	\$87	\$106

See Notes to Condensed Consolidated Financial Statements

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PART I

PIEDMONT NATURAL GAS COMPANY, INC.

Condensed Consolidated Balance Sheets

(Unaudited)

(in millions) June 30, 2017 December 31, 2016

ASSETS

Current Assets

Cash and cash equivalents	\$	14		\$	25
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Receivables (net of allowance for doubtful accounts of \$4 at 2017 and \$3 at 2016)		80			232
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Receivables from affiliated companies		8			7
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Inventory		38			66
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Regulatory assets		119			124
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Other		87			21
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Total current assets		346			475
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Property, Plant and Equipment

Cost		6,430			6,174
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Accumulated depreciation and amortization		(1,424))		(1,360)
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Net property, plant and equipment		5,006			4,814
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Other Noncurrent

Assets

Goodwill		49			49
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Regulatory assets		346			373
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Investments in equity method unconsolidated affiliates		74			212
--	--	----	--	--	-----

Other		12			21
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Total other noncurrent assets		481			655
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Total Assets	\$	5,833		\$	5,944
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LIABILITIES AND EQUITY

Current Liabilities

Accounts payable	\$	105		\$	155
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Accounts payable to affiliated companies		50			8
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Notes payable and commercial paper		—			330
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Notes payable to affiliated companies		167			—
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Taxes accrued	21	67
Interest accrued	30	33
Current maturities of long-term debt	35	35
Other	67	102
Total current liabilities	475	730
Long-Term Debt	1,911	1,786
Other Noncurrent Liabilities		
Deferred income taxes	1,019	931
Asset retirement obligations	15	14
Regulatory liabilities	625	608
Accrued pension and other post-retirement benefit costs	14	14
Other	164	189
Total other noncurrent liabilities	1,837	1,756
Commitments and Contingencies		
Equity		
Common stock, no par value: 100 shares authorized and outstanding at 2017 and 2016	860	860
Retained earnings	750	812
Total equity	1,610	1,672
Total Liabilities and Equity	\$ 5,833	\$ 5,944

See Notes to Condensed Consolidated Financial Statements

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PART I

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

	Six Months Ended June 30,	
(in millions)	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$87	\$106
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	74	74
Impairment charges	7	—
Deferred income taxes	100	70
Equity in earnings from unconsolidated affiliates	(5)	(23)
Accrued pension and other post-retirement benefit costs	6	2
Payments for asset retirement obligations	—	(4)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	(39)	41
Receivables	155	90
Receivables from affiliated companies	(1)	48
Inventory	28	—
Other current assets	(64)	(93)
Increase (decrease) in		
Accounts payable	(44)	(21)
Accounts payable to affiliated companies	42	—
Taxes accrued	(46)	8
Other current liabilities	(23)	(4)
Other assets	28	49
Other liabilities	(6)	3
Net cash provided by operating activities	299	346
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(260)	(247)
Contributions to equity method investments	(12)	(22)
Other	1	(1)
Net cash used in investing activities	(271)	(270)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the:		
Issuance of long-term debt	125	—
Issuance of common stock	—	12
Payments for the redemption of long-term debt	—	(40)
Notes payable and commercial paper	(330)	(5)
Notes payable to affiliated companies	167	—
Dividends paid	—	(55)
Other	(1)	—
Net cash used in financing activities	(39)	(88)
Net decrease in cash and cash equivalents	(11)	(12)
Cash and cash equivalents at beginning of period	25	33
Cash and cash equivalents at end of period	\$14	\$21

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Supplemental Disclosures:

Significant non-cash transactions:

Accrued capital expenditures	\$45	\$50
Transfer of ownership interest of certain equity method investees to parent	149	—

See Notes to Condensed Consolidated Financial Statements

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PART I

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

			Accumulated Other Comprehensive Income Net Loss on Hedging Activities of Unconsolidated	Total
(in millions)	Common Stock	Retained Earnings	Affiliates	Equity
Balance at December 31, 2015	\$ 728	\$ 731	\$ (1)	\$1,458
Net income	—	106	—	106
Common stock issuances, including dividend reinvestments and employee benefits	12	—	—	12
Common stock dividends	—	(55)	—	(55)
Balance at June 30, 2016	\$ 740	\$ 782	\$ (1)	\$1,521
Balance at December 31, 2016	\$ 860	\$ 812	\$ —	\$1,672
Net income	—	87	—	87
Transfer of ownership interest of certain equity method investees to parent	—	(149)	—	(149)
Balance at June 30, 2017	\$ 860	\$ 750	\$ —	\$1,610

See Notes to Condensed Consolidated Financial Statements

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PART I

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

Combined Notes to Condensed Consolidated Financial Statements – (Unaudited)

Index to Combined Notes to Condensed Consolidated Financial Statements

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

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

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

1. ORGANIZATION AND BASIS OF PRESENTATION

NATURE OF OPERATIONS AND BASIS OF CONSOLIDATION

Duke Energy Corporation (collectively with its subsidiaries, Duke Energy) is an energy company headquartered in Charlotte, North Carolina, subject to regulation by the Federal Energy Regulatory Commission (FERC). Duke Energy operates in the United States (U.S.) primarily through its direct and indirect subsidiaries. Certain Duke Energy subsidiaries are also subsidiary registrants, including Duke Energy Carolinas, LLC (Duke Energy Carolinas); Progress Energy, Inc. (Progress Energy); Duke Energy Progress, LLC (Duke Energy Progress); Duke Energy Florida, LLC (Duke Energy Florida); Duke Energy Ohio, Inc. (Duke Energy Ohio), Duke Energy Indiana, LLC (Duke Energy Indiana) and Piedmont Natural Gas Company, Inc. (Piedmont). When discussing Duke Energy's consolidated financial information, it necessarily includes the results of its separate subsidiary registrants (collectively referred to as the Subsidiary Registrants), which, along with Duke Energy, are collectively referred to as the Duke Energy Registrants. On October 3, 2016, Duke Energy completed the acquisition of Piedmont. Piedmont's results of operations and cash flows are included in the accompanying condensed consolidated financial statements of Duke Energy for the three and six months ended June 30, 2017, but not for the three and six months ended June 30, 2016, as Piedmont's earnings and cash flows are only included in Duke Energy's consolidated results subsequent to the acquisition date. See Note 2 for additional information regarding the acquisition.

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

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

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

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

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

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

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

PART I

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

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

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

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

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

BASIS OF PRESENTATION

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

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

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

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

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

UNBILLED REVENUE

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

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

(in millions)	June 30, 2017	December 31, 2016
Duke Energy	\$ 761	\$ 831
Duke Energy Carolinas	310	313
Progress Energy	220	161
Duke Energy Progress	125	102
Duke Energy Florida	95	59
Duke Energy Ohio	1	2
Duke Energy Indiana	13	32
Piedmont	1	77

PART I

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

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

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 12 for further information. These receivables for unbilled revenues are shown in the table below.

(in millions) June 30, 2017 December 31, 2016

Duke Energy Ohio \$ 70 \$ 97

Duke Energy Indiana 118 123

AMOUNTS ATTRIBUTABLE TO CONTROLLING INTERESTS

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

(in millions)	Three Months Ended June 30, 2016	Six Months Ended June 30, 2016
Income from Continuing Operations	\$ 624	\$ 1,201
Income from Continuing Operations Attributable to Noncontrolling Interests	—	3
Income from Continuing Operations Attributable to Duke Energy Corporation	\$ 624	\$ 1,198
(Loss) Income from Discontinued Operations, net of tax	\$ (112)	\$ 10
Income from Discontinued Operations Attributable to Noncontrolling Interests, net of tax	3	5
(Loss) Income from Discontinued Operations Attributable to Duke Energy Corporation, net of tax	\$ (115)	\$ 5
Net Income	\$ 512	\$ 1,211
Net Income Attributable to Noncontrolling Interests	3	8
Net Income Attributable to Duke Energy Corporation	\$ 509	\$ 1,203

INVENTORY

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

June 30, 2017

(in millions)	Duke Energy	Duke Energy Progress	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Duke Energy Piedmont
Materials and supplies	\$2,368	\$ 791	\$ 1,129	\$ 782	\$ 347	\$ 85	\$ 321 \$ 2

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Coal	665	239	262	161	101	17	147	—
Natural gas, oil and other fuel	336	36	230	110	120	32	2	36
Total inventory	\$3,369	\$ 1,066	\$ 1,621	\$ 1,053	\$ 568	\$ 134	\$ 470	\$ 38
December 31, 2016								
Duke	Duke	Duke	Duke	Duke				