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Duke Energy CORP
 Form 10-Q
 November 02, 2018

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

(Mark One)

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

For the quarterly period ended September 30, 2018

OR

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

For the transition period from _____ to _____

Commission file number	Registrant, State of Incorporation or Organization, Address of Principal Executive Offices and Telephone Number	IRS Employer Identification No.
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1-32853	DUKE ENERGY CORPORATION (a Delaware corporation) 550 South Tryon Street Charlotte, North Carolina 28202-1803 704-382-3853	20-2777218
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Commission file number	Registrant, State of Incorporation or Organization, Address of Principal Executive Offices, Telephone Number and IRS Employer Identification Number	Commission file number	Registrant, State of Incorporation or Organization, Address of Principal Executive Offices, Telephone Number and IRS Employer Identification Number
1-4928	DUKE ENERGY CAROLINAS, LLC (a North Carolina limited liability company) 526 South Church Street Charlotte, North Carolina 28202-1803 704-382-3853 56-0205520	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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

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

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

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

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

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

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

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

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

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

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exclusively to the other registrants.

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

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

These factors include, but are not limited to:

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

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

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

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

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

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

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

Advancements in technology;

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

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

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

The ability to obtain the necessary permits and approvals and to complete necessary or desirable pipeline expansion or infrastructure projects in our natural gas business;

Operational interruptions to our natural gas distribution and transmission activities;

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

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

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

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

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

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

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

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

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

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

DUKE ENERGY CORPORATION

Condensed Consolidated Statements of Operations
(Unaudited)

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

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

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY CORPORATION

Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

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

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY CORPORATION

Condensed Consolidated Balance Sheets

(Unaudited)

(in millions)

September 30, 2018 December 31, 2017

ASSETS

Current Assets

Cash and cash equivalents	\$ 303	\$ 358
Receivables (net of allowance for doubtful accounts of \$17 at 2018 and \$14 at 2017)	682	779
Receivables of VIEs (net of allowance for doubtful accounts of \$55 at 2018 and \$54 at 2017)	2,397	1,995
Inventory	3,140	3,250
Regulatory assets (includes \$52 at 2018 and \$51 at 2017 related to VIEs)	1,906	1,437
Other	1,092	634
Total current assets	9,520	8,453
Property, Plant and Equipment		
Cost	132,677	127,507
Accumulated depreciation and amortization	(43,200)	(41,537)
Generation facilities to be retired, net	388	421
Net property, plant and equipment	89,865	86,391
Other Noncurrent Assets		
Goodwill	19,303	19,396
Regulatory assets (includes \$1,055 at 2018 and \$1,091 at 2017 related to VIEs)	12,616	12,442
Nuclear decommissioning trust funds	7,421	7,097
Investments in equity method unconsolidated affiliates	1,328	1,175
Other	3,112	2,960
Total other noncurrent assets	43,780	43,070
Total Assets	\$ 143,165	\$ 137,914

LIABILITIES AND EQUITY

Current Liabilities

Accounts payable	\$ 3,234	\$ 3,043
Notes payable and commercial paper	2,891	2,163
Taxes accrued	674	551
Interest accrued	557	525
Current maturities of long-term debt (includes \$228 at 2018 and \$225 at 2017 related to VIEs)	3,455	3,244
Asset retirement obligations	902	689
Regulatory liabilities	506	402
Other	1,703	1,865
Total current liabilities	13,922	12,482
Long-Term Debt (includes \$4,015 at 2018 and \$4,306 at 2017 related to VIEs)	50,507	49,035
Other Noncurrent Liabilities		
Deferred income taxes	7,765	6,621
Asset retirement obligations	9,354	9,486
Regulatory liabilities	15,587	15,330
Accrued pension and other post-retirement benefit costs	1,001	1,103
Investment tax credits	539	539
Other	1,477	1,581

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

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY CORPORATION

Condensed Consolidated Statements of Cash Flows
(Unaudited)

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

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Notes payable and commercial paper	638	(647)
Dividends paid	(1,835)	(1,825)
Other	42	8
Net cash provided by financing activities	1,547	1,239
Net decrease in cash, cash equivalents and restricted cash	(56)	(114)
Cash, cash equivalents and restricted cash at beginning of period	505	541
Cash, cash equivalents and restricted cash at end of period	\$449	\$427
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	\$1,016	\$740
Non-cash dividends	79	—

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY CORPORATION

Condensed Consolidated Statements of Changes in Equity
(Unaudited)

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

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

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY CAROLINAS, LLC

Condensed Consolidated Statements of Operations and Comprehensive Income

(Unaudited)

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

See Notes to Condensed Consolidated Financial Statements

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PART I

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

(in millions)

September 30, 2018 December 31, 2017

ASSETS

Current Assets

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

LIABILITIES AND EQUITY

Current Liabilities

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

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

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY CAROLINAS, LLC

Condensed Consolidated Statements of Cash Flows
(Unaudited)

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

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

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY CAROLINAS, LLC

Condensed Consolidated Statements of Changes in Equity
(Unaudited)

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

See Notes to Condensed Consolidated Financial Statements

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PART I

PROGRESS ENERGY, INC.

Condensed Consolidated Statements of Operations and Comprehensive Income

(Unaudited)

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

See Notes to Condensed Consolidated Financial Statements

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PART I

PROGRESS ENERGY, INC.

Condensed Consolidated Balance Sheets

(Unaudited)

(in millions)

September 30, 2018

December 31, 2017

ASSETS

Current Assets

Cash and cash
equivalents

\$ 43

\$ 40

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

131

123

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

1,098

780

Receivables from
affiliated companies

15

31

Notes receivable from
affiliated companies

445

240

Inventory

1,473

1,592

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

1,122

741

Other

256

334

Total current assets

4,583

3,881

Property, Plant and
Equipment

Cost

49,822

47,323

Accumulated
depreciation and
amortization

(16,652

)

(15,857

)

Generation facilities to
be retired, net

388

421

Net property, plant and
equipment

33,558

31,887

Other Noncurrent Assets

Goodwill

3,655

3,655

Regulatory assets

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

5,987

6,010

Nuclear

decommissioning trust
funds

3,477

3,324

Other

1,019

931

14,138

13,920

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

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

See Notes to Condensed Consolidated Financial Statements

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PART I

PROGRESS ENERGY, INC.

Condensed Consolidated Statements of Cash Flows
(Unaudited)

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

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

See Notes to Condensed Consolidated Financial Statements

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PART I

PROGRESS ENERGY, INC.

Condensed Consolidated Statements of Changes in Equity
(Unaudited)

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

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

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

See Notes to Condensed Consolidated Financial Statements

PART I

DUKE ENERGY PROGRESS, LLC

Condensed Consolidated Statements of Operations and Comprehensive Income

(Unaudited)

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

See Notes to Condensed Consolidated Financial Statements

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PART I

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

(in millions)

September 30, 2018 December 31, 2017

ASSETS

Current Assets

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

LIABILITIES AND EQUITY

Current Liabilities

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

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

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY PROGRESS, LLC

Condensed Consolidated Statements of Cash Flows
(Unaudited)

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

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

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY PROGRESS, LLC

Condensed Consolidated Statements of Changes in Equity
(Unaudited)

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

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

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY FLORIDA, LLC

Condensed Consolidated Statements of Operations and Comprehensive Income

(Unaudited)

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

See Notes to Condensed Consolidated Financial Statements

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PART I

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

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

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

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY FLORIDA, LLC

Condensed Consolidated Statements of Cash Flows
(Unaudited)

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

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Supplemental Disclosures:

Significant non-cash transactions:

Accrued capital expenditures \$ 180 \$ 102

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY FLORIDA, LLC

Condensed Consolidated Statements of Changes in Equity
(Unaudited)

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

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

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY OHIO, INC.

Condensed Consolidated Statements of Operations and Comprehensive Income

(Unaudited)

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

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY OHIO, INC.

Condensed Consolidated Balance Sheets

(Unaudited)

(in millions)

September 30, 2018 December 31, 2017

ASSETS

Current Assets

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

LIABILITIES AND EQUITY

Current Liabilities

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

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

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

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY OHIO, INC.

Condensed Consolidated Statements of Cash Flows
(Unaudited)

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

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

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY OHIO, INC.

Condensed Consolidated Statements of Changes in Equity
(Unaudited)

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

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

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY INDIANA, LLC

Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

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

See Notes to Condensed Consolidated Financial Statements

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PART I

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

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

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

See Notes to Condensed Consolidated Financial Statements

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PART I

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

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

CASH FLOWS FROM
INVESTING
ACTIVITIES

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

CASH FLOWS FROM
FINANCING
ACTIVITIES

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

See Notes to Condensed Consolidated Financial Statements

PART I

DUKE ENERGY INDIANA, LLC

Condensed Consolidated Statements of Changes in Equity
(Unaudited)

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

Balance at December 31, 2017	\$ 4,121
Net income	317
Distributions to parent	(175)
Balance at September 30, 2018	\$ 4,263

See Notes to Condensed Consolidated Financial Statements

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PART I

PIEDMONT NATURAL GAS COMPANY, INC.

Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

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

See Notes to Condensed Consolidated Financial Statements

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PART I

PIEDMONT NATURAL GAS COMPANY, INC.

Condensed Consolidated Balance Sheets

(Unaudited)

(in millions)	September 30, 2018	December 31, 2017
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 6	\$ 19
Receivables (net of allowance for doubtful accounts of \$1 at 2018 and \$2 at 2017)	83	275
Receivables from affiliated companies	10	7
Notes receivable from affiliated companies	11	—
Inventory	51	66
Regulatory assets	38	95
Other	48	52
Total current assets	247	514
Property, Plant and Equipment		
Cost	7,265	6,725
Accumulated depreciation and amortization	(1,553)	(1,479)
Net property, plant and equipment	5,712	5,246
Other Noncurrent Assets		
Goodwill	49	49
Regulatory assets	305	283
Investments in equity method unconsolidated affiliates	63	61
Other	65	65
Total other noncurrent assets	482	458
Total Assets	\$ 6,441	\$ 6,218
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 131	\$ 125
Accounts payable to affiliated companies	27	13
	—	364

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

See Notes to Condensed Consolidated Financial Statements

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PART I

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

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

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Significant non-cash transactions:

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

See Notes to Condensed Consolidated Financial Statements

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PART I

PIEDMONT NATURAL GAS COMPANY, INC.

Condensed Consolidated Statements of Changes in Equity
(Unaudited)

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

See Notes to Condensed Consolidated Financial Statements

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PART I

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

Combined Notes to Condensed Consolidated Financial Statements – (Unaudited)

Index to Combined Notes to Condensed Consolidated Financial Statements

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

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

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

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

1. ORGANIZATION AND BASIS OF PRESENTATION

NATURE OF OPERATIONS AND BASIS OF CONSOLIDATION

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

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

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

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

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

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

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

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

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)

BASIS OF PRESENTATION

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

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

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

REVENUE

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

OTHER CURRENT ASSETS

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

CASH, CASH EQUIVALENTS AND RESTRICTED CASH

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

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

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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)

INVENTORY

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

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

EXCISE TAXES

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

(in millions)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Duke Energy	\$ 114	\$ 107	\$ 308	\$ 289
Duke Energy Carolinas	10	9	27	27
Progress Energy	71	67	181	