

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

IN RE:)
)
APPLICATION OF DUKE ENERGY)
CORPORATION AND PIEDMONT)
NATURAL GAS COMPANY, INC. FOR) Docket No. 16- 00006
APPROVAL OF A CHANGE IN CONTROL)
PURSUANT TO T.C.A § 65-4-113)
)

**APPLICATION OF DUKE ENERGY CORPORATION AND
PIEDMONT NATURAL GAS COMPANY, INC, FOR APPROVAL
OF A CHANGE IN CONTROL PURSUANT TO T.C.A. § 65-4-113**

Piedmont Natural Gas Company, Inc. ("Piedmont" or the "Company") and Duke Energy Corporation ("Duke Energy") (collectively, the "Parties"), through counsel and pursuant to Tennessee Code Annotated § 65-4-113, hereby request approval by the Tennessee Regulatory Authority ("Authority" or "TRA") of a change in control of Piedmont that will result from a proposed merger with and acquisition of Piedmont by Duke Energy. In support of this Petition, the Parties respectfully show unto the Authority as follows:

THE PARTIES

1. Piedmont is incorporated under the laws of the state of North Carolina and is engaged in the business of transporting, distributing and selling natural gas in the states of Tennessee, North Carolina and South Carolina.
2. Piedmont is a natural gas public utility under the laws of this State and its natural gas distribution business in Tennessee is subject to regulation and supervision by the Authority pursuant to Chapter 4 of Title 65 of the Tennessee Code Annotated.
3. Piedmont has its principal offices in Tennessee at 83 Century Boulevard, Nashville, Tennessee, and is engaged in the business of furnishing natural gas to customers located in Nashville and the remainder of Davidson County as well as portions of the counties of Cheatham, Dickson, Robertson,

Rutherford, Sumner, Trousdale, Williamson, and Wilson and in certain incorporated towns and cities located therein.

4. Duke Energy is an investor-owned publicly traded corporation organized and existing under the laws of the State of Delaware. Its principal office is located at 550 S. Tryon Street, Charlotte, North Carolina. Duke Energy is a public utility holding company and owns and operates, through various subsidiaries, electric and/or natural gas public utilities within the states of North Carolina, South Carolina, Florida, Indiana, Ohio and Kentucky. Its public utility operations are regulated, in various parts, by the Federal Energy Regulatory Commission as well as the state public service commissions of the states identified above. In addition to its public utility operations, Duke Energy also owns and operates a variety of non-regulated utility properties and companies. In the aggregate, Duke Energy is the largest electric utility in the United States serving more than 7 million electric customers and approximately 500,000 natural gas customers. It is a Fortune 250 company with a market capitalization of approximately \$50 billion.

PROPOSED MERGER TRANSACTION

5. Piedmont and Duke Energy have entered into an Agreement of Merger ("Agreement") dated as of October 24, 2015, which has been approved and its execution authorized by resolutions of the boards of directors of both Piedmont and Duke Energy. A copy of the Agreement is attached hereto as Exhibit A. The Agreement contemplates Duke Energy's acquisition of Piedmont on the Effective Date specified in the Agreement by the following sequence of corporate transactions:

- (a) Duke Energy will form a merger subsidiary by the name of Forest Subsidiary, Inc. ("Forest");
- (b) Piedmont will merge with the Forest at which time Forest will cease to exist;
- (c) Piedmont shareholders will receive \$60 per share for each share of Piedmont stock which consideration will be in cash;
- (d) Piedmont will be the surviving corporation in the merger with Forest, and will become a direct, wholly-owned subsidiary of Duke Energy.

6. Following the proposed merger of Piedmont with Duke Energy, Piedmont shall remain a fully functional operating subsidiary of Duke Energy and shall continue to provide natural gas sales and distribution service to its Tennessee customers pursuant to the tariffs, service schedules, franchise rights and other authorizations under which Piedmont currently provides such service. Piedmont seeks no change in any of these authorizations in conjunction with the proposed merger and the sole difference between Piedmont's operations in Tennessee prior to the merger and following the merger will be the identity of the owner of its common stock.

AUTHORITY JURISDICTION AND APPROVAL

7. The merger of Piedmont and Forest does not require approval of the Authority under T.C.A. § 65-4-112 because it will not be a merger of the property, rights and franchises of one public utility with the property, rights and franchises of another such public utility.

8. Notwithstanding the inapplicability of T.C.A. § 65-4-112 to the proposed merger, the Authority previously has asserted jurisdiction over Tennessee public utility mergers similar in form to the proposed merger between Piedmont and Duke Energy pursuant to the certificate transfer provisions of T.C.A. § 65-4-113 on the basis that these mergers constituted a change in control transaction of the regulated utility.¹

9. Consistent with the precedent cited above, Piedmont and Duke Energy respectfully seek Authority approval of their proposed merger transaction pursuant to T.C.A. § 65-4-113.

FACTORS AND EVIDENCE SUPPORTING APPROVAL OF THE PROPOSED MERGER

10. Pursuant to T.C.A. § 65-4-113, in evaluating a utility change of control transaction, the Authority is required to "take into consideration all relevant factors, including, but not limited to, the

¹ See e.g. *In Re Petition of Americatel Corporation d/b/a 1010 123 Americatel, Ametex, Ametel and 1 800 3030 123 Americatel Collect to Complete a Transfer of Control of an Authorized Carrier*, Docket No. 06-00120, Order (June 28, 2006); *Joint Filing of AT&T Inc. and BellSouth Corporation Together with its Certificated Tennessee Subsidiaries Regarding Change of Control of the Operating Authority of BellSouth Corporation's Tennessee Subsidiaries*, Docket No. 06-00093, Order (November 1, 2007); and *Joint Petition of Level 3 Communications, Inc., Apollo Amalgamation Sub, Ltd., Level 3 Communications, LLC, Broadwing Communications, LLC, Wiltel Communications, LLC, Telcove Operations, LLC, and Global Crossing North America, Inc., Global Crossing Telecommunications, Inc., and GlobalCrossing Local Services, Inc. for Approval of the Transfer of Control and Related Transactions Including Certain Financing Arrangements*, Docket No. 11-00054, Order (October 5, 2011).

suitability, the financial responsibility, and capability of the proposed transferee to perform efficiently the utility services to be transferred and the benefit to the consuming public to be gained from the transfer.” The statute goes on to provide that the Authority “shall approve the transfer after consideration of all relevant factors and upon finding that such transfer furthers the public interest.”

11. In this case, the proposed acquisition and merger are demonstrably in the public interest and are supported by the following factors:

a. Duke Energy is an experienced public utility holding company. As noted above, Duke Energy is the largest electric public utility company in the United States and through its operating subsidiaries provides retail electric service to more than 7 million customers in the states of North Carolina, South Carolina, Florida, Indiana, Ohio and Kentucky. It also provides natural gas utility sales and distribution service to more than 500,000 customers in Ohio and Kentucky through subsidiary gas utilities in those states. Duke Energy has been in operation and engaged in the provision of public utility services for more than 110 years.² Duke Energy is regulated by the Federal Energy Regulatory Commission as well as the following state public service commissions: the North Carolina Utilities Commission, the Public Service Commission of South Carolina, the Florida Public Service Commission, the Indiana Utility Regulatory Commission, the Public Utilities Commission of Ohio and the Kentucky Public Service Commission. Duke Energy’s experience in operating natural gas and electric public utility companies is unparalleled and the management that will be involved in that process, at both the holding company and gas distribution company level, is highly qualified for those tasks. A chart of the Duke Energy holding company structure reflecting its operating divisions and subsidiaries (and Piedmont’s place in that structure) is attached hereto as Exhibit B. A summary of the management experience of its key officers, at both the holding company and gas distribution levels is attached hereto as Exhibit C. Each of the managers identified at the gas distribution company level on Exhibit C is a current officer of Piedmont and the majority of these officers will continue to work for Piedmont post-closing.

² In addition to its utility operations, Duke Energy also has substantial experience in the ownership and operation of non-utility energy operations both domestically and internationally.

b. Duke Energy has the requisite financial stability and responsibility to ensure Piedmont's continuing efficient operation in Tennessee. Duke Energy is a Fortune 250 company with a market capitalization of approximately \$50 billion – roughly ten times the size of Piedmont. It maintains creditworthy ratings amongst the various corporate ratings agencies and has more than adequate access to capital to fund both its acquisition of Piedmont as well as the ongoing capital investment needs of its various operating subsidiaries. There is no question concerning Duke Energy's financial ability to support the continued operations and expansion of the Piedmont system in Tennessee and it commits to do so in a responsible and sufficient manner. A copy of Duke Energy's most recent audited financial statements, reflecting its financial stability and creditworthiness, is attached hereto as Exhibit D.

c. There will effectively be no change in the identity of Piedmont as the provider of natural gas distribution service in the State of Tennessee following the merger. As is reflected in the Agreement, and has been repeated in multiple public statements regarding the merger, Duke Energy has agreed and intends to operate Piedmont as a separate operating subsidiary. Mr. Frank Yoho, Piedmont's current Senior Vice President of Commercial Operations, has been designated the leader of all natural gas operations within the merged company, including Duke Energy's existing gas distribution operations in Ohio and Kentucky.³ Other key management and operational positions will remain intact at Piedmont and the Company will continue to provide service under the same name and on the same basis as prior to the merger. From the perspective of Piedmont's Tennessee customers, the merger will be seamless and they will observe no difference in the quality or character of service provided by the merged Company, which will continue to provide services pursuant to Piedmont's existing rates, tariffs, franchises, easements, and other authorizations.

d. The merger will provide benefits to Piedmont, its customers and the state of Tennessee. The proposed merger will provide both qualitative and quantitative benefits to Piedmont's Tennessee customers. A summary of those benefits is attached hereto as Exhibit E. The benefits

³ Mr. Thomas Skains, Piedmont's current Chairman, President and CEO has announced that he will retire upon the closing of the merger transaction and will take a position on Duke Energy's board of directors.

described on Exhibit E represent both quantifiable economic benefits to the Company (which will be passed through to customers in future rate proceedings) as well as less readily quantifiable benefits. In many categories the effort to define and quantify these benefits is just beginning as the pre-merger “integration” process through which the combined companies operations and business practices will be optimized has just started. As that process moves forward, Piedmont and Duke Energy anticipate that the benefits of the merger will be further defined and quantified. Based on Exhibit E and the fact that the proposed merger will be seamless to customers and regulators, it is clear that it will have no detrimental impact on Piedmont’s customers and instead will provide net benefits.

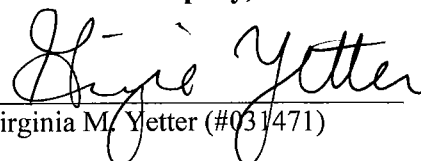
REQUEST FOR EXPEDITED APPROVAL

12. The proposed merger also requires approval from Piedmont shareholders, the North Carolina Utility Commission and the United States Federal Trade Commission and in December 2015, the Federal Trade Commission granted early termination of the 30-day waiting period under the federal Hart-Scott-Rodino Antitrust Improvements Act with regard to the acquisition. Piedmont and Duke Energy respectfully request expedited review and approval of the proposed transfer of control transaction by the Authority in order to facilitate the closing of the proposed merger on a timely and efficient basis. Piedmont and Duke Energy specifically request Authority approval on or before April 30, 2016.

WHEREFORE, based on the foregoing, the Parties respectfully request that the Authority approve the proposed transfer of control transaction described herein pursuant to the authority of T.C.A. § 65-4-113 on or before April 30, 2016.

Respectfully submitted this __th day of January, 2016.

**Counsel for Duke Energy Corporation and
Piedmont Natural Gas Company, Inc.**

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EXHIBIT A

EXECUTION VERSION

AGREEMENT AND PLAN OF MERGER

Dated as of October 24, 2015

by and among

DUKE ENERGY CORPORATION,

FOREST SUBSIDIARY, INC.

and

PIEDMONT NATURAL GAS COMPANY, INC.

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AGREEMENT AND PLAN OF MERGER

This AGREEMENT AND PLAN OF MERGER, dated as of October 24, 2015 (this “Agreement”), is entered into by and among Duke Energy Corporation, a Delaware corporation (“Parent”), Forest Subsidiary, Inc., a North Carolina corporation and a wholly owned Subsidiary of Parent (“Merger Sub”), and Piedmont Natural Gas Company, Inc., a North Carolina corporation (the “Company”). Defined terms used herein have the respective meanings set forth in Section 8.13.

WITNESSETH

WHEREAS, the parties intend that, at the Effective Time, Merger Sub will, in accordance with the North Carolina Business Corporation Act (the “NCBCA”), merge with and into the Company, with the Company continuing as the surviving corporation (the “Merger”) on the terms and subject to the conditions set forth in this Agreement;

WHEREAS, the board of directors of the Company (the “Company Board”) has (a) determined that it is in the best interests of the Company and its shareholders for the Company to enter into this Agreement, (b) adopted this Agreement and approved the Company’s execution, delivery and performance of this Agreement and the consummation of the transactions contemplated by this Agreement (including the consummation of the Merger upon the terms and subject to the conditions set forth in this Agreement and in accordance with the relevant provisions of the NCBCA) and (c) resolved to submit this Agreement to the Company’s shareholders and recommend that the Company’s shareholders approve this Agreement;

WHEREAS, the board of directors of Parent has (a) determined that it is in the best interests of Parent and its stockholders for Parent to enter into this Agreement and (b) adopted this Agreement and approved Parent's execution, delivery and performance of this Agreement and the consummation of the transactions contemplated by this Agreement (including the consummation of the Merger upon the terms and subject to the conditions set forth in this Agreement and in accordance with the relevant provisions of the NCBCA);

WHEREAS, the board of directors of Merger Sub has (a) determined that it is in the best interests of Merger Sub and its sole shareholder for Merger Sub to enter into this Agreement, (b) adopted this Agreement and approved Merger Sub's execution, delivery and performance of this Agreement and the consummation of the transactions contemplated by this Agreement (including the consummation of the Merger upon the terms and subject to the conditions set forth in this Agreement and in accordance with the relevant provisions of the NCBCA) and (c) resolved to submit this Agreement to Parent and recommend that Parent, in its capacity as Merger Sub's sole shareholder, approve this Agreement;

WHEREAS, Parent, in its capacity as the sole shareholder of Merger Sub, has approved this Agreement by written consent; and

WHEREAS, Parent, Merger Sub and the Company desire to make certain representations, warranties, covenants and agreements specified herein in connection with this Agreement.

NOW, THEREFORE, in consideration of the representations, warranties, covenants and agreements contained in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, Parent, Merger Sub and the Company hereby agree as follows:

ARTICLE I

THE MERGER

Section 1.1 The Merger. Upon the terms and subject to the conditions set forth in this Agreement, and in accordance with the NCBCA, at the Effective Time, Merger Sub shall be merged with and into the Company, and the separate existence of Merger Sub shall thereupon cease, and the Company shall be the surviving corporation in the Merger (the "Surviving Corporation") and shall become, as a result of the Merger, a direct, wholly-owned subsidiary of Parent. At the Effective Time, as a result of the Merger, the name of the Surviving Corporation shall be Piedmont Natural Gas Company, Inc.

Section 1.2 Closing. The consummation of the Merger (the "Closing") shall take place at the offices of Kirkland & Ellis LLP, 655 Fifteenth Street, N.W., Washington, D.C. 20005 at 10:00 a.m. (local time) on the date that is two (2) Business Days following the satisfaction or waiver (to the extent permitted by applicable Law) of the conditions set forth in Article VI (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of those conditions at such time), or on such other date and at such other time or place as is agreed to in writing by the parties hereto. The date on which the Closing occurs is referred to herein as the "Closing Date."

Section 1.3 Effective Time. Subject to the provisions of this Agreement, on the Closing Date the parties hereto shall file with the Secretary of State of the State of North Carolina articles of merger (the "Articles of Merger") executed in accordance with, and containing such information as is required by, Section 55-11-05 of the NCBCA and on or after the Closing Date shall make all other filings or recordings required under the NCBCA to effectuate the Merger. The Merger shall become effective at such time as the Articles of Merger are duly filed with the Secretary of State of the State of North Carolina or at such later time as is permissible under the NCBCA and is specified in the Articles of Merger (the time the Merger becomes effective being hereinafter referred to as the "Effective Time").

Section 1.4 Effects of the Merger. The Merger shall have the effects set forth in this Agreement, the Articles of Merger and the applicable provisions of the NCBCA.

Section 1.5 Articles of Incorporation and Bylaws of the Surviving Corporation. At the Effective Time, the

Exhibit A.

articles of incorporation and bylaws of the Company, in each case as amended to date and as in effect immediately prior to the Effective Time (the "Company Charter Documents"), shall be amended as of the Effective Time to be in the form of (except with respect to the name of the Company (which shall be "Piedmont Natural Gas Company, Inc.") the articles of incorporation and bylaws of Merger Sub as of the date hereof and as so amended shall be the articles of incorporation and bylaws of Surviving Corporation until thereafter amended as provided therein or by applicable Law.

Section 1.6 Directors and Officers of the Surviving Corporation.

(a) The directors of Merger Sub immediately prior to the Effective Time shall be the directors of the Surviving Corporation immediately following the Effective Time, to serve until their respective successors are duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the articles of incorporation and bylaws of the Surviving Corporation.

(b) The officers of the Company immediately prior to the Effective Time shall be the officers of the Surviving Corporation immediately following the Effective Time, to serve until their respective successors are duly appointed and qualified or until their earlier death, resignation or removal in accordance with the articles of incorporation and bylaws of the Surviving Corporation.

Section 1.7 Post-Merger Commitments. Parent hereby confirms that, subject to the occurrence of the Effective Time, it:

(a) intends to cause the Surviving Corporation to maintain its headquarters in 4720 Piedmont Row Drive, Charlotte, North Carolina 28210 and to maintain a significant presence in the immediate location of such headquarters;

(b) intends to cause each of its Subsidiaries that is regulated as a public utility or gas utility under applicable Law of the State of North Carolina, the State of South Carolina or the State of Tennessee or is subject to such regulation by any other state to maintain its headquarters in the location of its headquarters as of immediately prior to the Closing and to maintain a significant presence in the immediate location of such headquarters;

(c) will take all necessary action so that, as soon as practicable after the Effective Time, Parent will expand the size of its board of directors by one seat and appoint a mutually agreeable current member of the Company Board as a director to serve on Parent's board of directors;

(d) intends to offer to retain the existing executive operating management team of the Company to manage Parent's and the Company's combined natural gas operations and to offer other senior Company executives the opportunity to join Parent's executive leadership team, and expects the head of such combined operations to report directly to the Chief Executive Officer of Parent and serve on Parent's Senior Management Committee;

(e) intends to establish a newly formed advisory board for its operations (the "Advisory Board"), which would meet several times a year to receive information and provide feedback on financial and operating results, customer service performance, community and government relations and economic development and investment opportunities that affect Parent's and the Company's local stakeholders;

(f) intends to nominate a minimum of six (6) current members of the Company Board for election to the Advisory Board;

(g) intends to cause the Surviving Corporation and its Subsidiaries to maintain the Company brand

and continue to operate their business thereunder.

(h) intends to cause the Surviving Corporation and its Subsidiaries to maintain historic levels of community involvement, charitable contributions, low income funding, economic development and support efforts in the existing service territories of the Company and its Subsidiaries; and

(i) intends to maintain historic levels of community involvement, charitable contributions, low income funding, economic development and support efforts in the existing service territories of the Parent and its Subsidiaries.

Section 1.8 Plan of Merger. This Article I and Article II and, solely to the extent necessary under the NCBCA, the other provisions of this Agreement shall constitute a “plan of merger” for the purposes of the NCBCA, including Section 55-11-01 thereof.

ARTICLE II

EFFECT OF THE MERGER ON CAPITAL STOCK

Section 2.1 Effect on Capital Stock. At the Effective Time, by virtue of the Merger and without any action on the part of the Company, Parent or Merger Sub or any holder of any shares of common stock, no par value per share, of the Company (“Company Common Stock”) or any shares of capital stock of Merger Sub:

(a) Capital Stock of Merger Sub. Each issued and outstanding share of capital stock of Merger Sub shall be converted into and become one validly issued, fully paid and non-assessable share of common stock, no par value per share, of the Surviving Corporation.

(b) Cancellation of Parent-Owned Stock. Any shares of Company Common Stock that are owned by Parent or Merger Sub or any of their respective wholly-owned Subsidiaries, in each case immediately prior to the Effective Time, shall be automatically canceled and shall cease to exist and no consideration shall be delivered in exchange therefor.

(c) Conversion of Company Common Stock. Each issued and outstanding share of Company Common Stock (other than shares to be canceled in accordance with Section 2.1(b)) shall thereupon be converted automatically into and shall thereafter represent solely the right to receive an amount in cash equal to \$60.00 without interest (the “Merger Consideration”). As of the Effective Time, all such shares of Company Common Stock shall no longer be outstanding and shall automatically be canceled and shall cease to exist, and the holders immediately prior to the Effective Time of shares of Company Common Stock not represented by certificates (“Book-Entry Shares”) and the holders of certificates that immediately prior to the Effective Time represented any such shares of Company Common Stock (each, a “Certificate”) shall cease to have any rights with respect thereto, except the right to receive the Merger Consideration to be paid in consideration therefor upon surrender of such Book-Entry Share or Certificate in accordance with Section 2.2(b) without interest (subject to any applicable withholding Tax).

Section 2.2 Exchange of Certificates.

(a) Paying Agent; Investment by Paying Agent of Funds. Prior to the Effective Time, Parent shall designate a bank or trust company reasonably acceptable to the Company (the “Paying Agent”) for the purpose of exchanging shares of Company Common Stock for the Merger Consideration and enter into an agreement reasonably acceptable to the Company with the Paying Agent relating to the services to be performed by the Paying Agent. Parent shall deposit, or cause to be deposited, the aggregate Merger Consideration with respect to all shares of Company Common Stock (other than shares to be cancelled in accordance with Section 2.1(b)) with the Paying Agent at or prior to the Effective Time. The aggregate Merger Consideration deposited with the Paying Agent shall, pending its disbursement to such holders, be invested by the Paying Agent in (i) short-term commercial paper obligations of issuers organized under the Laws of a state of the United States of America, rated A-1 or P-1 or better by Moody’s Investors Service, Inc. or Standard & Poor’s Ratings Service, respectively, or in certificates of deposit, bank repurchase agreements or bankers’ acceptances of commercial banks

Exhibit A

with capital exceeding \$10,000,000,000, or in mutual funds investing in such assets, or (ii) short-term obligations for which the full faith and credit of the United States of America is pledged to provide for the payment of principal and interest, or in mutual funds investing in such assets. Any interest and other income from such investments shall become part of the funds held by the Paying Agent for purposes of paying the Merger Consideration. No investment or investment losses resulting from such investment by the Paying Agent of the aggregate Merger Consideration shall relieve Parent, the Surviving Corporation or the Paying Agent from making the payments required by this Article II and Parent shall promptly replace any funds deposited with the Paying Agent lost through any investment made pursuant to this Section 2.2(a). No investment by the Paying Agent of the aggregate Merger Consideration shall have maturities that could prevent or delay payments to be made pursuant to this Agreement. Following the Effective Time, Parent agrees to make available to the Paying Agent, from time to time as needed, additional cash to pay the Merger Consideration as contemplated by this Article II without interest.

(b) Payment Procedures. As promptly as practicable after the Effective Time (but in no event more than three (3) Business Days thereafter), the Surviving Corporation shall cause the Paying Agent to mail to each holder of record of Company Common Stock (i) a letter of transmittal (which, in the case of shares of Company Common Stock represented by Certificates, shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Paying Agent, and shall be in such form and have such other provisions as Parent and the Company may reasonably agree and shall be prepared prior to Closing) and (ii) instructions for use in effecting the surrender of the Certificates or Book-Entry Shares in exchange for payment of the Merger Consideration. Upon surrender of Certificates for cancellation to the Paying Agent or, in the case of Book-Entry Shares, receipt of an "agent's message" by the Paying Agent (or such other evidence, if any, of transfer as the Paying Agent may reasonably request), together with such letter of transmittal, duly completed and validly executed in accordance with the instructions (and such other customary documents as may reasonably be required by the Paying Agent), the holder of such Certificates or Book-Entry Shares shall be entitled to receive in exchange therefor, subject to any required withholding Taxes, the Merger Consideration, without interest, for each share of Company Common Stock surrendered, and any Certificates surrendered shall forthwith be

canceled. If payment of the Merger Consideration is to be made to a Person other than the Person in whose name the surrendered Certificate or Book-Entry Share in exchange therefor is registered, it shall be a condition of payment that (A) the Person requesting such exchange present proper evidence of transfer or shall otherwise be in proper form for transfer and (B) the Person requesting such payment shall have paid any transfer and other Taxes required by reason of the payment of the Merger Consideration to a Person other than the registered holder of such Certificate or Book-Entry Share surrendered or shall have established to the reasonable satisfaction of the Surviving Corporation and the Paying Agent that such Tax either has been paid or is not applicable. Until surrendered as contemplated by this Section 2.2, each Certificate and Book-Entry Share shall be deemed at any time after the Effective Time to represent only the right to receive the Merger Consideration as contemplated by this Article II, without interest.

(c) Transfer Books; No Further Ownership Rights in Company Stock. The Merger Consideration paid in respect of shares of Company Common Stock upon the surrender for exchange in accordance with the terms of this Article II shall be deemed to have been paid in full satisfaction of all rights pertaining to the shares of Company Common Stock, and at the Effective Time, the stock transfer books of the Company shall be closed and thereafter there shall be no further registration of transfers on the stock transfer books of the Surviving Corporation of the shares of Company Common Stock that were outstanding immediately prior to the Effective Time. From and after the Effective Time, the holders of Certificates or Book-Entry Shares that evidenced ownership of shares of Company Common Stock outstanding immediately prior to the Effective Time shall cease to have any rights with respect to such shares of Company Common Stock other than the right to receive the Merger Consideration, except as otherwise provided for herein or by applicable Law. If, at any time after the Effective Time, Certificates are presented to the Surviving Corporation for any reason, they shall be canceled and exchanged as provided in this Article II.

(d) Lost, Stolen or Destroyed Certificates. If any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such Certificate to be lost, stolen or destroyed and, if required by the Surviving Corporation or the Paying Agent, the posting by such Person of a bond, in such reasonable amount as Parent may direct, as indemnity against any claim with respect to such Certificate, the Paying Agent will pay, in exchange for such lost, stolen or destroyed Certificate, the applicable Merger Consideration to be paid in respect of the shares of Company Common Stock formerly represented by such Certificate, as contemplated by this Article II.

(e) Termination of Fund. At any time following the first (1st) anniversary of the Closing Date, the Surviving Corporation shall be entitled to require the Paying Agent to deliver to it any funds (including any interest received with respect thereto) that had been made available to the Paying Agent and which have not been disbursed in accordance with this Article II, and thereafter Persons entitled to receive payment pursuant to this Article II shall be entitled to look only to the Surviving Corporation (subject to abandoned property, escheat or other similar Laws) as general creditors thereof with respect to the payment of any Merger Consideration that may be payable upon surrender of any Company Common Stock held by such holders, as determined pursuant to this Agreement, without any interest thereon. Any amounts remaining unclaimed by such holders at such time at which such amounts would otherwise escheat to or become property of any Governmental Authority shall become, to the extent

permitted by applicable Law, the property of the Surviving Corporation, free and clear of all claims or interest of any Person previously entitled thereto.

(f) No Liability. Notwithstanding any other provision of this Agreement, none of Parent, the Merger Sub, the Surviving Corporation, the Company or the Paying Agent shall be liable to any Person for Merger Consideration delivered to a public official pursuant to any applicable abandoned property, escheat or similar Law.

(g) Withholding Taxes. Parent, the Company, the Surviving Corporation and the Paying Agent shall be entitled to deduct and withhold from the consideration otherwise payable to a holder of shares of Company Common Stock, Company RSUs or Company Performance Share Awards pursuant to this Agreement such amounts as may be required to be deducted and withheld with respect to the making of such payment under the Internal Revenue Code of 1986 (the "Code"), or under any applicable provision of state, local or foreign Law related to Taxes. To the extent amounts are so withheld and timely paid over to the appropriate Taxing authority, the withheld amounts shall be treated for all purposes of this Agreement as having been paid to the Person in respect of which such deduction and withholding was made. Parent, the Company, the Surviving Corporation, and the Paying Agent shall reasonably cooperate with such holders in all reasonable respects, and in compliance with applicable Law, at their request and expense to minimize the amount of any applicable withholding.

Section 2.3 Treatment of Equity Awards.

(a) Company RSUs. Immediately prior to the Effective Time, each (x) Company RSU that was granted prior to the date of this Agreement and is outstanding immediately prior to the Effective Time and (y) each Company RSU that would result, pursuant to the terms of the applicable Company RSU award agreement, from crediting to an award recipient's account the amount of cash dividends accrued, but not yet credited, in respect of each share of Company Common Stock subject to such Company RSU, shall be converted into a vested right to receive cash in an amount equal to the Merger Consideration.

(b) Currently Outstanding Company Performance Share Awards. Immediately prior to the Effective Time, each Company Performance Share Award that was granted prior to the date of this Agreement and is outstanding and subject to an incomplete performance period immediately prior to the Effective Time shall be converted into a vested right to receive cash in an amount equal to the target number of shares of Company Common Stock subject to such Company Performance Share Award, multiplied by the Merger Consideration, subject to proration consistent with past practice with respect to Applicable Retired Company Employees. In addition, to the extent that the Effective Time occurs within 2½ months following the end of the applicable performance period with respect to a Company Performance Share Award but prior to settlement of such Company Performance Share Award, such Company Performance Share Award shall be converted into a vested right to receive cash in an amount equal to the greater of (x) the target number of shares of Company Common Stock subject to such Company Performance Share Award, multiplied by the Merger Consideration and (y) the actual number of shares of Company Common Stock to which the holder of such Company Performance Share Award would be entitled based on actual performance with respect to the applicable performance

period, multiplied by the Merger Consideration, subject to proration consistent with past practice with respect to Applicable Retired Company Employees.

(c) **Future Company Performance Share Awards.** Each Company Performance Share Award that is granted after the date of this Agreement and is outstanding immediately prior to the Effective Time shall cease to represent an award that can be settled in shares of Company Common Stock, shall be assumed by Parent and shall be converted into a Parent restricted stock unit award (a "Parent RSU Award"), with the number of Parent Shares subject to such Parent RSU Award being equal to the product (rounded down to the nearest whole number) of (x) one hundred twenty-five percent (125%) of the target number of shares of Company Common Stock subject to such Company Performance Share Award immediately prior to the Effective Time multiplied by (y) the Equity Award Conversion Ratio. Any performance-related vesting conditions applicable to each such Company Performance Share Award shall cease to apply upon the conversion to Parent RSU Awards and the Parent RSU Awards shall be subject to time-based vesting only and shall fully vest at the time the incomplete performance period applicable to such Company Performance Share Awards would otherwise have ended (the "Parent RSU Award Vesting Date"), subject to the holder of the Parent RSU Award (the "Parent RSU Award Recipient") remaining continuously employed by the Surviving Corporation or its affiliates through the applicable Parent RSU Award Vesting Date; provided that in the event, at any time prior to the Parent RSU Award Vesting Date, a Parent RSU Award Recipient is terminated by the Surviving Corporation without "Cause" or resigns for "Good Reason," each as defined in the Company Stock Plan, any Parent RSU Awards held by the Parent RSU Award Recipient that would have vested on such Parent RSU Award Vesting Date shall fully and immediately vest as of the termination date. Except as provided herein, including with respect to vesting conditions, each such Company Performance Share Award that is assumed by Parent hereunder shall continue to be subject to the same terms and conditions that apply to such Company Performance Share Award immediately prior to the Effective Time; provided, however, that the compensation committee of Parent's board of directors shall succeed to the authority and responsibility of the Company Board or any committee thereof with respect to such Company Performance Share Award and such Company Performance Share Award shall be subject to administrative procedures consistent with those in effect under Parent's equity compensation plan. Parent shall register on a Form S-8 (or other appropriate form) all Parent Shares subject to the Parent RSU Awards.

(d) The Surviving Corporation shall be entitled to deduct and withhold from the amounts otherwise payable pursuant to this Section 2.3 to any holder of Company RSUs or Company Performance Share Awards such amounts as the Surviving Corporation is required to deduct and withhold with respect to the making of such payment under the Code, or any applicable provision of state, or local Law related to Tax, and the Surviving Corporation shall timely make any required filings and payments to Tax authorities relating to any such deduction or withholding. To the extent that amounts are so deducted and withheld by the Surviving Corporation, such withheld amounts shall be treated for the purposes of this Agreement as having been paid to the holder of Company RSUs or Company Performance Share Awards in respect of which such deduction and withholding was made by the Surviving Corporation.

(e) No later than the Effective Time, Parent shall provide, or shall cause to be provided, to the Surviving Corporation all funds necessary to fulfill the obligations under this

Section 2.3. All payments required under this Section 2.3 shall be made through the Company's payroll not later than the first payroll date following the Effective Time.

Section 2.4 **Treatment of Employee Stock Purchase Plan.** Except as otherwise provided in this Section 2.4, each current "Payroll Deduction Period" (as defined in the Company ESPP) (a "Payroll Deduction Period") in progress as of the date of this Agreement under the Company ESPP will continue, and the shares of Company Common Stock will be issued to participants thereunder on the next currently scheduled purchase dates thereunder occurring after the date of this Agreement as provided under, and subject to the terms and conditions of, the Company ESPP. New Payroll Deduction Periods under the Company ESPP will be permitted to commence following the date of this Agreement in the ordinary course of business. Any Payroll Deduction Period in progress as of the Effective Time will be shortened, and the last day of each such Payroll Deduction Period will be a date specified by Parent that is not more than thirty (30) days preceding the Effective

Time or such other time as the parties otherwise agree, at which time each participant in the Company ESPP shall have purchased for his or her account as many shares of Company Common Stock as his or her payroll deductions that have accumulated during the relevant Payroll Deduction Period can purchase under the terms of the Company ESPP. Notwithstanding any restrictions on transfer of stock in the Company ESPP, the treatment in the Merger of any shares of Company Common Stock under this provision will be in accordance with Section 2.1. The Company will terminate the Company ESPP as of or prior to the Effective Time. The Company will, promptly after the date of this Agreement, take all actions (including, if appropriate, amending the terms of the Company ESPP) that are necessary to give effect to the transactions contemplated by this Section 2.4.

Section 2.5 Adjustments. If at any time during the period between the date of this Agreement and the Effective Time, any change in the outstanding shares of capital stock of the Company (or any other securities convertible or exchangeable therefor) shall occur as a result of any reclassification, stock split (including a reverse stock split) or combination, exchange or readjustment of shares, or any stock dividend or stock distribution with a record date during such period, or any similar event, the Merger Consideration shall be equitably adjusted; provided, however, that nothing in this Section 2.5 shall be deemed to permit or authorize any party hereto to effect any such change that it is not otherwise authorized or permitted to undertake pursuant to this Agreement.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Except (a) as set forth in the disclosure schedule delivered by the Company to Parent simultaneously with the execution of this Agreement (the "Company Disclosure Schedule") (which schedule sets forth, among other things, items the disclosure of which is necessary or appropriate either in response to an express disclosure requirement contained in a provision hereof or as an exception to one or more representations or warranties contained in this Article III, or to one or more of the Company's covenants contained in Article V, except that any information set forth in one section of the Company Disclosure Schedule will be deemed to apply to all other sections or subsections thereof to the extent that such information is reasonably applicable) or (b) as set forth in any of the Company SEC Documents filed prior to the date of

this Agreement, but excluding in the case of this clause (b) any risk factor disclosure under the headings "Risk Factors" or "Forward Looking Statements", the Company represents and warrants to Parent and Merger Sub as follows:

Section 3.1 Organization, Standing and Corporate Power.

(a) The Company is a corporation duly organized, validly existing and in good standing under the Laws of the State of North Carolina and has all requisite corporate power and authority necessary to own or lease all of its properties and assets and to carry on its business as it is now being conducted. The Company is duly qualified to do business and is in good standing in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned or leased by it makes such qualification necessary, except where the failure to be so qualified or in good standing would not reasonably be expected to have, a Company Material Adverse Effect. The Company has made available to Parent true and complete copies of the Company Charter Documents as in effect on the date of this Agreement.

(b) Each of the Company's subsidiaries that constitutes a "significant subsidiary" of the Company within the meaning of Rule 1-02 of Regulation S-X under the Exchange Act (each, a "Significant Subsidiary") is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, except in each case as would not reasonably be expected to have a Company Material Adverse Effect. Each of the Significant Subsidiaries is duly qualified to do business and is in good standing in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned or leased by it makes such qualification necessary, except where the failure to be so qualified or in good standing would not reasonably be expected to have a Company Material Adverse Effect. All the outstanding shares of capital stock of, or other equity interests in, each Subsidiary of the Company have been validly issued and are fully paid and non-assessable and are owned directly or indirectly by the Company free and clear of all liens, pledges, security interests and transfer restrictions, except for such transfer restrictions as are contained in the articles of incorporation or bylaws (or any equivalent constituent documents) of such Subsidiary of the Company or for such transfer

restrictions of general applicability as may be provided under the Securities Act of 1933 (the "Securities Act") and other applicable Laws. The Company has made available to Parent true and complete copies of the articles of incorporation and bylaws (or equivalent constituent documents) of each Significant Subsidiary as in effect on the date of this Agreement. Exhibit A

(c) Each of the Company and the Significant Subsidiaries has all requisite entity power and authority to enable it to own, operate, lease or otherwise hold its properties and assets and to conduct its businesses as presently conducted, except where the failure to have such power or authority would not reasonably be expected to have a Company Material Adverse Effect.

(d) Section 3.1(d) of the Company Disclosure Schedule sets forth a list of the Company Joint Ventures, including the name of each such entity and the Company's percentage ownership interest thereof. The Company has made available to Parent true and complete copies

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of the articles of formation and limited liability company agreement (or equivalent constituent documents) of each Company Joint Venture.

Section 3.2 Capitalization.

(a) The authorized capital stock of the Company consists of 200,000,000 shares of Company Common Stock and 175,000 shares of preferred stock (the "Company Preferred Stock"). At the close of business on October 22, 2015, (a) 79,354,828 shares of Company Common Stock were issued and outstanding, (b) no shares of Company Preferred Stock were issued and outstanding, (c) Company RSUs with respect to an aggregate of 59,769 shares of Company Common Stock were issued and outstanding (including shares of Company Common Stock issuable in respect of dividends declared through such date), and (d) Company Performance Share Awards with respect to an aggregate of 500,478 shares of Company Common Stock based on achievement of applicable performance criteria at target level were issued and outstanding. From October 22, 2015 through the date of this Agreement, the Company has not issued any shares of Company Common Stock, shares of Company Preferred Stock, Company RSUs, Company Performance Share Awards or any other Equity Securities.

(b) All outstanding shares of Company Common Stock are, and all shares of Company Common Stock that may be issued upon the settlement of Company RSUs and Company Performance Share Awards will be, when issued, duly authorized, validly issued, fully paid and nonassessable and not subject to, or issued in violation of, any preemptive right. Except as set forth in (x) Section 3.2(b) of the Company Disclosure Schedule, (y) in Section 3.2(a), or (z) pursuant to the terms of this Agreement, as of the date hereof, there are not issued, reserved for issuance or outstanding, and there are not any outstanding obligations of the Company or any Subsidiary of the Company to issue, deliver or sell, or cause to be issued, delivered or sold, (i) any capital stock of the Company or any Subsidiary of the Company or any securities of the Company or any Subsidiary of the Company convertible into or exchangeable or exercisable for shares of capital stock or voting securities of, or other equity interests in, the Company or any Subsidiary of the Company or (ii) any warrants, calls, options or other rights to acquire from the Company or any Subsidiary of the Company, or any other obligation of the Company or any Subsidiary of the Company to issue, deliver or sell, or cause to be issued, delivered or sold, any capital stock or voting securities of, or other equity interests in, the Company or any Subsidiary of the Company (the foregoing clauses (i) and (ii), collectively, "Equity Securities"). Except pursuant to the Company Stock Plan, there are not any outstanding obligations of the Company or any Subsidiary of the Company to repurchase, redeem or otherwise acquire any Equity Securities. There is no outstanding Indebtedness of the Company having the right to vote (or convertible into, or exchangeable for, securities having the right to vote) on any matters on which shareholders of the Company may vote.

(c) Section 3.2(c) of the Company Disclosure Schedule sets forth a complete and accurate list of the following information with respect to each Company RSU and each Company Performance Share Award outstanding as of the date of this Agreement: (i) the name of the holder of each Company RSU or Company Performance Share Award; (ii) the number of shares of Company Common Stock subject to each such Company RSU or Company Performance Share Award, with the number of such shares subject to Company Performance Share Awards listed at both target and maximum levels; (iii) the grant date of each such

Company RSU or Company Performance Share Award and (iv) the Company Stock Plan pursuant to which each such Company RSU or Company Performance Share Award was granted.

Section 3.3 Authority; Non-contravention.

(a) The Company has all necessary corporate power and authority to execute and deliver this Agreement and, subject to obtaining the Company Shareholder Approval, to perform its obligations hereunder and to consummate the Transactions. The Company Board, at a meeting duly called and held, unanimously adopted resolutions (i) determining that it is in the best interests of the Company and its shareholders for the Company to enter into this Agreement, (ii) adopting this Agreement and approving the Company's execution, delivery and performance of this Agreement and the consummation of the Transactions, and (iii) resolving to recommend that the shareholders of the Company approve this Agreement and directing that this Agreement be submitted to the shareholders of the Company for approval at a duly held meeting of such shareholders for such purpose (the "Company Board Recommendation"). As of the date of this Agreement, such resolutions have not been amended or withdrawn. Except for obtaining the Company Shareholder Approval, no other corporate action on the part of the Company is necessary to authorize the execution and delivery of and performance by the Company under this Agreement and the consummation by it of the Transactions. This Agreement has been duly executed and delivered by the Company and, assuming due authorization, execution and delivery hereof by the other parties hereto, constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except that such enforceability (i) may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other similar laws of general application affecting or relating to the enforcement of creditors' rights generally and (ii) is subject to general principles of equity, whether considered in a proceeding at law or in equity (the "Bankruptcy and Equity Exception").

(b) The execution and delivery of this Agreement by the Company does not, and neither the consummation by the Company of the Transactions nor compliance by the Company with any of the terms or provisions hereof will, (i) assuming the Company Shareholder Approval is obtained, conflict with or violate any provision of the Company Charter Documents or the organizational documents of any Subsidiary of the Company, (ii) assuming that each of the consents, authorizations and approvals referred to in Section 3.4 and the Company Shareholder Approval are obtained (and any condition precedent to any such consent, authorization or approval has been satisfied) and each of the filings referred to in Section 3.4 are made and any applicable waiting periods referred to therein have expired, violate any Law applicable to the Company or any of its Subsidiaries or (iii) assuming that each of the consents and notices specified in Section 3.3(b)(iii) of the Company Disclosure Schedule is obtained or given, as applicable, result in any breach of, or constitute a default (with or without notice or lapse of time, or both) under, or give rise to any right of termination, amendment, acceleration or cancellation of or payment under, any Company Material Contract to which the Company or any of its Subsidiaries is a party or any Company Permit, or result in the creation of a Lien (other than any Permitted Lien) upon any of the properties or assets of the Company or any of its Subsidiaries, other than, in the case of clauses (ii) and (iii), as would not reasonably be expected to have a Company Material Adverse Effect.

Section 3.4 Governmental Approvals. Except for (a) the filing with the SEC of a proxy statement, in preliminary and definitive form, relating to the Company Shareholders Meeting (as amended or supplemented from time to time, the "Proxy Statement"), and other filings required under, and compliance with other applicable requirements of, the Securities Exchange Act of 1934 (the "Exchange Act") and the rules of the NYSE in connection with this Agreement and the Merger, (b) the filing of the Articles of Merger with the Secretary of State of the State of North Carolina pursuant to the NCBCA, (c) approvals or filings required under, and compliance with other applicable requirements of, the NCUC (such approvals and filings described in this clause (c), the "Required Statutory Approvals"), (d) the approvals or filings set forth on Section 3.4(d) of the Company Disclosure Schedule, and (e) filings required under, and compliance with other applicable requirements of, the HSR Act, no consents or approvals of, or filings, declarations or registrations with, any Governmental Authority are necessary for the execution and delivery of this Agreement by the Company and the consummation by the

Section 3.5 Company SEC Documents; Undisclosed Liabilities.

(a) The Company has filed with or furnished to the SEC, on a timely basis, all registration statements, reports, proxy statements and other documents with the SEC required to be filed or furnished since October 31, 2013 (collectively, and in each case including all exhibits and schedules thereto and documents incorporated by reference therein, as such statements, reports and documents may have been amended since the date of their filing, the “Company SEC Documents”). As of their respective effective dates (in the case of Company SEC Documents that are registration statements filed pursuant to the requirements of the Securities Act) and as of their respective filing dates (in the case of all other Company SEC Documents), or in the case of amendments thereto, as of the date of the last such amendment (but only amendments prior to the date of this Agreement in the case of any Company SEC Document with a filing or effective date prior to the date of this Agreement), the Company SEC Documents complied in all material respects with the requirements of the Exchange Act, the Securities Act or the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”), as the case may be, and the rules and regulations of the SEC promulgated thereunder, applicable to such Company SEC Documents, and none of the Company SEC Documents as of such respective dates (or, if amended, the date of the filing of such amendment, with respect to the disclosures that are amended) contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(b) Except to the extent updated, amended, restated or corrected by a subsequent Company SEC Document (but only amendments, restatements or corrections prior to the date of this Agreement in the case of any Company SEC Document with a filing or effective date prior to the date of this Agreement), as of their respective dates of filing with the SEC, the consolidated financial statements of the Company included in the Company SEC Documents (i) complied as to form in all material respects with all applicable accounting requirements and with the published rules and regulations of the SEC with respect thereto (except, in the case of unaudited statements, as permitted by Form 10-Q of the SEC), (ii) have been prepared in accordance with GAAP applied on a consistent basis during the periods involved (except (A) as

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may be indicated in the notes thereto or (B) as permitted by Regulation S-X) and (iii) present fairly, in all material respects, the consolidated financial position of the Company and its Subsidiaries, and the consolidated results of their operations and cash flows, as of each of the dates and for the periods shown, as applicable, in conformity with GAAP.

(c) The Company has established and maintains disclosure controls and procedures and internal control over financial reporting (as such terms are defined in paragraphs (e) and (f), respectively, of Rule 13a-15 under the Exchange Act) as required by Rule 13a-15 under the Exchange Act. The Company’s disclosure controls and procedures are reasonably designed to ensure that all material information required to be disclosed by the Company in the reports that it files or furnishes under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that all such material information is accumulated and communicated to the Company’s management as appropriate to allow timely decisions regarding required disclosure and to make the certifications required pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act.

(d) Neither the Company nor any of its Subsidiaries has any liabilities which would be required to be reflected or reserved against on a consolidated balance sheet of the Company prepared in accordance with GAAP or the notes thereto, except for liabilities (i) reflected or reserved against on the balance sheet of the Company and its Subsidiaries as of July 31, 2015 (the “Balance Sheet Date”) (including the notes thereto) included in the Company SEC Documents, (ii) incurred after the Balance Sheet Date in the ordinary course of business, (iii) as contemplated by this Agreement or otherwise arising in connection with the Transactions or (iv) as would not reasonably be expected to have a Company Material Adverse Effect.

(e) All filings (other than immaterial filings) required to be made by the Company or any of its Subsidiaries since January 1, 2014 under applicable state Laws specifically governing the regulation of public utilities have, to the Knowledge of the Company, been filed with the applicable state public utility commissions (including, to the extent required, the North Carolina Utilities Commission (“NCUC”), the South Carolina Public Service Commission and the

Tennessee Regulatory Authority as the case may be, including all forms, statements, reports, agreements (oral or written) and all documents, exhibits, amendments and supplements appertaining thereto (collectively, "Regulatory Filings"), and all such Regulatory Filings complied, in all material respects, as of their respective dates, with all applicable requirements of the applicable statute and the rules and regulations thereunder, except for Regulatory Filings the failure of which to make or the failure of which to make in compliance with all applicable requirements of the applicable statute and the rules and regulations thereunder have not had and would not reasonably be expected to have a Company Material Adverse Effect. Exhibit A

Section 3.6 **Absence of Certain Changes.** From November 1, 2014 to the date of this Agreement, (a) except in connection with the Transactions, the business of the Company and its Subsidiaries has been conducted in all material respects in the ordinary course of business consistent with past practice and (b) there has not been any fact, circumstance, change, event, development, occurrence or effect that has had or would reasonably be expected to have a Company Material Adverse Effect.

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Section 3.7 **Legal Proceedings.** There is no pending or, to the Knowledge of the Company, threatened, Claim against the Company or any of its Subsidiaries, nor is there any injunction, order, judgment, ruling or decree imposed upon the Company or any of its Subsidiaries, in each case, by or before any Governmental Authority, that would reasonably be expected to have a Company Material Adverse Effect.

Section 3.8 **Compliance With Laws; Permits.** The Company and its Subsidiaries are in compliance with all laws, statutes, ordinances, codes, rules, regulations, rulings, decrees, judgments, injunctions and orders of Governmental Authorities (collectively, "Laws") applicable to the Company or any of its Subsidiaries, except for instances of non-compliance as would not reasonably be expected to have a Company Material Adverse Effect. The Company and each of its Subsidiaries hold, and are in compliance with, all licenses, franchises, permits, certificates, approvals and authorizations from Governmental Authorities required by Law for the conduct of their respective businesses as they are now being conducted (collectively, "Company Permits"), except as would not reasonably be expected to have a Company Material Adverse Effect.

Section 3.9 **Tax Matters.**

(a) Each of the Company and its Subsidiaries has timely filed, or has caused to be timely filed on its behalf (taking into account any extension of time within which to file), all Tax Returns required to be filed by it, and all such filed Tax Returns are correct and complete, except as would not reasonably be expected to have a Company Material Adverse Effect. Each of the Company and its Subsidiaries has paid all Taxes that are required to be paid by it (whether or not shown or required to be shown as due on any Tax Returns), except as would not reasonably be expected to have a Company Material Adverse Effect. Each of the Company and its Subsidiaries has withheld and timely remitted to the appropriate Governmental Authority all material Taxes required to be withheld from amounts owing to any employee, creditor or third party. No material deficiency with respect to Taxes has been proposed, asserted or assessed against the Company or any of its Subsidiaries which has not been fully paid or otherwise finally resolved or adequately reserved for in the Company's financial statements included in the Company SEC Documents. No material audit or other administrative or court proceedings are pending with any Governmental Authority with respect to Taxes of the Company or any of its Subsidiaries, and no written notice thereof has been received. With respect to any Tax years open for audit, neither the Company nor any of its Subsidiaries has granted in writing any material waiver of any statute of limitations with respect to, or any extension of a period for the assessment of, any Tax, except, with respect to the federal income tax return for the 2011 tax year, for the extension of the statute of limitations to June 30, 2016. Neither the Company nor any of its Subsidiaries has incurred any liability for Taxes since the Balance Sheet Date except in the ordinary course of business.

(b) Neither the Company nor any of its Subsidiaries has any material liability for Taxes of any Person (except for the Company or any of its Subsidiaries) arising from the application of Treasury Regulation Section 1.1502-6 or any analogous provision of state, local or foreign Law, or as a transferee or successor, by contract or otherwise.

(c) Neither the Company nor any of its Subsidiaries is a party to or is otherwise bound by any material Tax sharing, allocation or indemnification agreement or

arrangement, except for such an agreement or arrangement (1) exclusively between or among the Company and its Subsidiaries, or (2) with customers, vendors, lessors or other third parties entered into in the ordinary course of business and not primarily related to Taxes.

(d) No closing agreements, private letter rulings, technical advice memoranda, advance Tax rulings, advance pricing agreements, or similar written agreements or rulings have been entered into or issued by any Governmental Authority with respect to Taxes of the Company or any of its Subsidiaries in each case that could reasonably be expected to have a material effect on the Tax liability of the Company or any of its Subsidiaries after the Closing Date.

(e) There are no material Liens on any of the assets of the Company or any of its Subsidiaries that arose in connection with any failure (or alleged failure) to pay any Tax.

(f) In any Taxable period ending after the Closing Date, neither the Company nor any of its Subsidiaries will be required to include or accelerate the recognition of any material item of income, or exclude or defer any material item of deduction or other Tax benefit, in either case as a result of any change in method of Tax accounting made prior to the Closing Date, any installment sale prior to the Closing Date, any closing agreement entered into prior to the Closing Date, or any prepaid amount received prior to the Closing Date.

(g) Within the past three (3) years, neither the Company nor any of its Subsidiaries has been a "distributing corporation" or a "controlled corporation" in a distribution intended to qualify for tax-free treatment under Section 355 of the Code.

(h) Neither the Company nor any of its Subsidiaries has engaged in any "listed transaction" as defined in Treasury Regulations Section 1.6011-4(b)(2) or Treasury Regulations Section 301.6111-2(b) in any Tax year for which the statute of limitations has not expired.

(i) This Section 3.9 and Section 3.10 constitute the sole and exclusive representations and warranties of the Company regarding Tax matters.

(j) For purposes of this Agreement: (i) "Taxes" shall mean all federal, state, local or foreign taxes, customs, tariffs, duties, charges, fees, imposts, levies or other assessments imposed by a Governmental Authority, including all income, gross receipts, franchise, estimated, alternative minimum, add on minimum, sales, use, transfer, value added, excise, severance, stamp, customs, duties, escheat, unclaimed property, real property, personal property, capital stock, social security, unemployment, payroll, employee, withholding, or other tax imposed by a Governmental Authority, including any interest, penalties or additions to tax imposed by any Governmental Authority in connection with any of the foregoing and (ii) "Tax Returns" shall mean any return, report, claim for refund, estimate, information return or statement or other similar document relating to or required to be filed with any Governmental Authority with respect to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

Section 3.10 Employee Benefits Matters. Section 3.10(a) of the Company Disclosure Schedule sets forth a complete and accurate list, as of the date of this Agreement, of each

material Company Plan. The Company has made available to Parent correct and complete copies of (a) the current plan document for each material Company Plan (or, if such Company Plan is not in writing, a written description of the material terms thereof), (b) the most recent annual reports on Form 5500 required to be filed with the Department of Labor with respect to each Company Plan (if any such report was required), (c) the most recent summary plan description for each material Company Plan for which such summary plan description is required, (d) each trust agreement relating to any Company Plan, (e) the most recent audited financial statement and the actuarial or other valuation report prepared for the most recently completed plan year with respect thereto and (f) any material and non-routine correspondence with a

Exhibit A

Governmental Authority regarding any pending audit, investigation, claim or dispute under any Company Plan. Each Company Plan is in compliance with its terms and the applicable provisions of ERISA, the Code and all other applicable laws, except where such noncompliance would not reasonably be expected to have a Company Material Adverse Effect. There are no pending or, to the Knowledge of the Company, threatened claims (other than claims for benefits in the ordinary course) with respect to any Company Plans, nor is any Company Plan under (and the Company has received no notice that there is any threatened) audit or administrative proceeding by the IRS, the Department of Labor, or any other Governmental Authority with respect to any Company Plan that, in each case, would reasonably be expected to have a Company Material Adverse Effect. All Company Plans that are "employee pension plans" (as defined in Section 3(3) of ERISA) that are intended to be tax qualified under Section 401(a) of the Code (each, a "Company Pension Plan") have received a favorable determination letter from the IRS or has filed a timely application therefor and, to the Knowledge of the Company, such Company Pension Plan qualifies in all material respects under Section 401(a) of the Code in operation. The Company has made available to Parent a correct and complete copy of the most recent determination letter received with respect to each Company Pension Plan, as well as a correct and complete copy of each pending application for a determination letter, if any. Except as set forth on Section 3.10(b) of the Company Disclosure Schedule, neither the Company nor any ERISA Affiliate sponsors, maintains or contributes to, nor has any liability with respect to, a multiemployer plan (as defined in Section 3(37) of ERISA) or a plan subject to section 302 or Title IV of ERISA or section 412 of the Code. With respect to each Company Pension Plan set forth on Section 3.10(b) of the Company Disclosure Schedule, (i) no proceeding has been initiated to terminate such plan under Sections 4041 or 4042 of ERISA; (ii) there has been no "reportable event" (as such term is defined in Section 4043(b) of ERISA) for which a reporting waiver does not apply that would reasonably be expected to have a Company Material Adverse Effect; (iii) no such plan has been required to file information pursuant to Section 4010 of ERISA for the current or most recently completed year; (iv) each required installment or any other payment required under Section 412 of the Code or Section 303 of ERISA has been made before the applicable due date except as would not reasonably be expected to have a Company Material Adverse Effect; (v) no such plan has applied for or received a waiver of the minimum funding standards or an extension of any amortization period within the meaning of Section 412 of the Code or Sections 302 or 303 of ERISA that is currently in effect; and (vi) there are no funding-based benefit limitations (within the meaning of Section 436 of the Code) currently in effect. Other than as would not reasonably be expected to have a Company Material Adverse Effect, the Company and its Subsidiaries have reserved the right and power to terminate, suspend, discontinue and amend all Company Plans that provide for post-termination health, medical or other welfare benefits. Except as set forth on Section 3.10(c) of the Company

Disclosure Schedule, the consummation of the Transactions will not, either alone or in combination with another event, except as expressly provided in this Agreement, (i) entitle any employee of the Company to severance pay, unemployment compensation or any other payment, or (ii) accelerate the time of payment or vesting, or increase the amount of compensation due any such employee or officer. Except as set forth on Section 3.10(d) of the Company Disclosure Schedule, no amounts payable under the Company Plans will fail to be deductible for federal income tax purposes by virtue of section 280G of the Code. This Section 3.10 constitutes the sole and exclusive representation and warranty of the Company regarding pension and employee benefit liabilities, obligations, or compliance with Laws.

Section 3.11 Environmental Matters. Except for those matters that would not reasonably be expected to have a Company Material Adverse Effect, (a) each of the Company and its Subsidiaries is and for the last five (5) years has been in compliance with all applicable Environmental Laws, which compliance includes obtaining, maintaining or complying with all Company Permits required under Environmental Laws for the operation of their respective businesses, and all such Company Permits are valid and in full force and effect, (b) (i) there is no Claim relating to or arising under Environmental Laws (including, without limitation, relating to or arising from the Release, threatened Release or exposure to any Hazardous Material or alleging violation of or challenging the validity of any environmental Company Permit) that is pending or, to the Knowledge of the Company, threatened against the Company or any of its Subsidiaries, or any real property currently owned or operated by the Company or any of its Subsidiaries, and (ii) to the Knowledge of the Company, there is no Claim relating to or arising under Environmental Laws (including, without limitation, relating to or arising from the Release, threatened Release or exposure to any Hazardous Material) that is pending or threatened against any real property currently leased by the Company or any of its Subsidiaries or formerly owned, operated or leased by the Company or any of its Subsidiaries, (c) neither the Company nor any of its Subsidiaries has received any written notice of, or entered into any order, settlement, judgment, injunction or decree involving uncompleted, outstanding or unresolved liabilities or corrective or remedial obligations relating to or arising under Environmental Laws (including, without limitation, relating to or arising

from the Release, threatened Release or exposure to any Hazardous Material) and to the Knowledge of the Company, there are no facts or conditions relating to the Company's or any of its Subsidiaries' properties or operations that would reasonably be expected to give rise to any such liability or corrective or remedial obligation, (d) there have been no ruptures or explosions in the Company's or any Company Subsidiary's natural gas, liquefied natural gas, natural gas liquid and other pipelines, lateral lines, pumps, pump stations, storage facilities, terminals and other related operations, assets, machinery and equipment (collectively, "Systems") that have resulted in Claims, including Claims for personal injury, loss of life or property damage, except to the extent any such Claims have been resolved, and (e) there are no defects, corrosion or other damage to any of the Company's or any Company Subsidiary's Systems that would reasonably be expected to result in a pipeline integrity failure, and the Company is in compliance in all material respects with all appropriate inspection and recordkeeping requirements relating thereto. Section 3.4, Section 3.5, Section 3.6 and this Section 3.11 constitute the exclusive representations and warranties of the Company regarding environmental matters, including without limitation all matters arising under Environmental Laws.

Section 3.12 Intellectual Property. Except as would not reasonably be expected to have a Company Material Adverse Effect, (a) (i) the conduct of the Company's business as currently conducted does not infringe or otherwise violate any Person's Intellectual Property and (ii) there is no Claim of such infringement or other violation pending, or to the Knowledge of the Company, threatened in writing, against the Company, and (b) (i) to the Knowledge of the Company, no Person is infringing or otherwise violating any Intellectual Property owned by the Company and (ii) no Claims of such infringement or other violation are pending or, to the Knowledge of the Company, threatened in writing against any Person by the Company. This Section 3.12 constitutes the sole and exclusive representation and warranty of the Company with respect to any actual or alleged infringement or other violation of any Intellectual Property of any other Person.

Section 3.13 Articles 9 and 9A of the NCBCA Not Applicable; Other Takeover Statutes; Appraisal Rights. The Company is not subject to the prohibitions on certain business combinations set forth in Article 9 or Article 9A of the NCBCA. Assuming that the representations and warranties of Parent and Merger Sub contained in Section 4.7 are true and correct, the Company has taken all necessary actions, if any, so that the Transactions are not subject to any "fair price," "moratorium," control share acquisition," interested shareholder," "affiliated transaction" or similar anti-takeover Law (each, a "Takeover Statute") or any similar provision (including any supermajority shareholder approval requirement) in the Company Charter Documents. No holder of Company Common Stock is entitled to appraisal or dissenters' rights under the NCBCA in connection with the Transactions.

Section 3.14 Real Property. Except as would not reasonably be expected to have a Company Material Adverse Effect, the Company or a Subsidiary of the Company owns and has either good and valid title, in fee, or valid leasehold, easement or other rights, to the land, buildings, structures and other improvements thereon and fixtures thereto necessary to permit it to conduct its business as currently conducted, in each case free and clear of all Liens (except in all cases for Permitted Liens). Except as would not reasonably be expected to have a Company Material Adverse Effect and except as may be limited by the Bankruptcy and Equity Exception, all leases, easements or other agreements under which the Company or any of its Subsidiaries lease, access or use real property are valid, binding and in full force and effect against the Company or any of its Subsidiaries and, to the Knowledge of the Company, the counterparties thereto, in accordance with their respective terms, and neither the Company nor any of its Subsidiaries are in default under any of such leases, easements or other agreements.

Section 3.15 Contracts.

(a) For purposes of this Agreement, "Company Material Contract" means any Contract which is required to be filed by the Company as a "material contract" pursuant to Item 601(b)(10) of Regulation S-K under the Securities Act.

(b) Each Company Material Contract is valid and binding on the Company and any of its Subsidiaries to the extent the Company or such Subsidiary is a party thereto, as applicable, and to the Knowledge of the Company, each other party thereto, and is in full force and effect and enforceable in accordance with its terms (subject to the Bankruptcy and Equity Exception), except where the failure to be valid, binding, enforceable and in full force and effect,

would not reasonably be expected to have a Company Material Adverse Effect. The Company and each of its Subsidiaries, and, to the Knowledge of the Company, any other party thereto, has performed all obligations required to be performed by it under each Company Material Contract, except where such noncompliance would not reasonably be expected to have a Company Material Adverse Effect.

Section 3.16 Labor. Except as set forth in Section 3.16 of the Company Disclosure Schedule, neither the Company nor any of its Subsidiaries is party to any collective bargaining agreement. Since September 30, 2013, there has been no labor strike, lockout, work stoppage, or picketing, or, to the Knowledge of the Company, threat thereof, by or with respect to any employee of the Company or any of its Subsidiaries, except where such strike, lockout, work stoppage, or picketing has not had or would not reasonably be expected to have a Company Material Adverse Effect. Except as set forth in Section 3.16 of the Company Disclosure Schedule or as has not had and would not reasonably be expected to have a Company Material Adverse Effect, since September 30, 2013, the Company and each of its Subsidiaries (a) has complied and is in compliance with all applicable legal, administrative and regulatory requirements relating to wages, hours, employee and independent contractor classification, immigration, discrimination in employment, collective bargaining, as well as the Workers Adjustment and Retraining Notification Act and comparable local, state, and federal Laws ("WARN"), and all other local, state, and federal Laws pertaining to employment and labor, and (b) are not liable for any arrears of wages or any taxes or penalties for failure to comply with any of the foregoing. Furthermore, except as set forth in Section 3.16 of the Company Disclosure Schedule or as has not had and would not reasonably be expected to have a Company Material Adverse Effect, there are no actions, charges, arbitrations, complaints, or investigations pending or, to the Knowledge of the Company, threatened by or on behalf of any employee or group of employees of the Company or any of its Subsidiaries alleging violations of local, state, or federal Laws pertaining to employment and labor or WARN.

Section 3.17 Opinion of Financial Advisor. The Company Board has received the opinion of Goldman, Sachs & Co., dated as of the date of this Agreement, to the effect that, as of such date, and subject to the various assumptions and qualifications set forth therein, the Merger Consideration to be received in the Merger by holders of the Company Common Stock is fair from a financial point of view to the holders of the Company Common Stock.

Section 3.18 Brokers and Other Advisors. Except for Goldman, Sachs & Co. (the "Company Financial Advisor"), no broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or other similar fee, in connection with the Transactions based upon arrangements made by or on behalf of the Company or any of its Subsidiaries.

Section 3.19 Company Shareholder Approval. Assuming the accuracy of the representations and warranties of Parent and Merger Sub set forth in Section 4.7, approval of this Agreement by the affirmative vote (in person or by proxy) of the holders of a majority of the outstanding shares of Company Common Stock entitled to vote at the Company Shareholders Meeting (the "Company Shareholder Approval") is the only vote or approval of the holders of any class or series of capital stock of the Company necessary to adopt or approve this Agreement and the Transactions.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF PARENT AND MERGER SUB

Parent and Merger Sub jointly and severally represent and warrant to the Company as follows:

Section 4.1 Organization, Standing and Corporate Power. Parent is a corporation duly organized, validly existing and in good standing under the Laws of Delaware and Merger Sub is a corporation duly organized, validly existing and in good standing under the Laws of North Carolina. Each of Parent and Merger Sub has all requisite corporate power and authority necessary to own or lease all of its properties and assets and to carry on its business as it is now being

conducted. Parent is duly qualified to do business and is in good standing in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned or leased by it makes such qualification necessary, except where the failure to be so qualified or in good standing would not reasonably be expected to have a Parent Material Adverse Effect. Exhibit A

Section 4.2 Authority; Noncontravention.

(a) Each of Parent and Merger Sub has all necessary corporate power and authority to execute and deliver this Agreement, to perform their respective obligations hereunder and to consummate the Transactions. The execution and delivery of and performance by Parent and Merger Sub under this Agreement, and the consummation by Parent and Merger Sub of the Transactions, have been duly authorized and approved by all necessary corporate action by Parent and Merger Sub (including by the Parent Board and the board of directors of Merger Sub) and, promptly after the execution and delivery hereof, approved by Parent as the sole shareholder of Merger Sub, and no other corporate action on the part of Parent and Merger Sub is necessary to authorize the execution and delivery of and performance by Parent and Merger Sub under this Agreement and the consummation by them of the Transactions. This Agreement has been duly executed and delivered by Parent and Merger Sub and, assuming due authorization, execution and delivery hereof by the Company, constitutes a legal, valid and binding obligation of each of Parent and Merger Sub, enforceable against each of them in accordance with its terms, subject to the Bankruptcy and Equity Exception. No vote or approval of the holders of any class or series of capital stock of Parent is necessary to adopt or approve this Agreement and the Transactions.

(b) The execution and delivery of this Agreement by Parent and Merger Sub do not and neither the consummation by Parent or Merger Sub of the Transactions, nor compliance by Parent or Merger Sub with any of the terms or provisions hereof, will (i) conflict with or violate any provision of the certificate of incorporation and bylaws of Parent, in each case as amended to the date of this Agreement or (ii) assuming that each of the consents, authorizations and approvals referred to in Section 4.3 (and any condition precedent to any such consent, authorization or approval has been satisfied) is obtained or given, as applicable, and each of the filings referred to in Section 4.3 are made and any applicable waiting periods referred to therein have expired, violate any Law applicable to Parent, Merger Sub or any of their respective Subsidiaries or (iii) result in any breach of, or constitute a default (with or without

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notice or lapse of time or both) under, or give rise to any right of termination, amendment, acceleration or cancellation of, any permit or Contract to which Parent, Merger Sub or any of their respective Subsidiaries is a party, except, in the case of clauses (ii) and (iii), as would not reasonably be expected to have a Parent Material Adverse Effect.

Section 4.3 Governmental Approvals. Except for (a) the filing with the SEC of the Proxy Statement, in preliminary and definitive form, and other filings required under, and compliance with other applicable requirements of, the Exchange Act and the rules of the NYSE in connection with this Agreement and the Merger, (b) the filing of the Articles of Merger with the Secretary of State of the State of North Carolina pursuant to the NCBCA, (c) the Required Statutory Approvals, (d) the approvals or filings set forth on Section 3.4(d) of the Company Disclosure Schedule and (e) filings required under, and compliance with other applicable requirements of, the HSR Act, no consents or approvals of, or filings, declarations or registrations with, any Governmental Authority are necessary for the execution and delivery of this Agreement by Parent and Merger Sub and the consummation by Parent and Merger Sub of the Transactions, other than as would not reasonably be expected to have a Parent Material Adverse Effect.

Section 4.4 Brokers and Other Advisors. Except for Barclays Capital Inc., the fees of which will be paid by Parent, no broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or other similar fee, in connection with the Transactions based upon arrangements made by or on behalf of Parent or any of its Subsidiaries.

Section 4.5 Ownership and Operations of Merger Sub. Parent owns beneficially and of record all of the outstanding capital stock of Merger Sub, all of which is duly authorized, validly issued, fully paid and non-assessable. Merger Sub was formed solely for the purpose of engaging in the Transactions. Merger Sub has no assets, liabilities or obligations and, since the date of its formation has not engaged in any business activities or conducted any operations except, in each case as arising from the execution of this Agreement and the performance of its covenants and agreements

hereunder.

Exhibit A

Section 4.6 **Sufficient Funds.** Parent and Merger Sub shall have available at or before the Effective Time, sufficient cash and cash equivalents and other sources of immediately available funds to deliver the aggregate Merger Consideration and make the payments required under Section 2.3, and any other amounts incurred or otherwise payable by Parent, Merger Sub or the Surviving Corporation in connection with the Transactions, and there is no restriction on the use of such cash for such purposes. Parent has, or shall have, the financial resources and capabilities to fully perform its obligations under this Agreement. Parent and Merger Sub acknowledge and agree that their obligations hereunder are not subject to any conditions regarding Parent's, Merger Sub's or any other Person's ability to obtain financing for the consummation of the Transactions.

Section 4.7 **Share Ownership.** Neither Parent nor Merger Sub "beneficially owns" (as such term is defined for purposes of Article 7 of the articles of incorporation of the Company) a number of shares of Company Common Stock equal to or greater than five percent (5%) of the number of issued and outstanding shares of Company Common Stock.

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Section 4.8 **Legal Proceedings.** There is no pending or, to the Knowledge of Parent, threatened, Claim against Parent, Merger Sub or any of their respective Subsidiaries, nor is there any injunction, order, judgment, ruling or decree imposed upon Parent, Merger Sub or any of their respective Subsidiaries, in each case, by or before any Governmental Authority, that would reasonably be expected to have a Parent Material Adverse Effect.

Section 4.9 **Non-Reliance on Company Estimates, Projections, Forecasts, Forward-Looking Statements and Business Plans.** In connection with the due diligence investigation of the Company by Parent and Merger Sub, Parent and Merger Sub have received and may continue to receive from the Company certain estimates, projections, forecasts and other forward-looking information, as well as certain business plans and cost-related plan information, regarding the Company, its Subsidiaries and their respective businesses and operations. Parent and Merger Sub hereby acknowledge that there are uncertainties inherent in attempting to make such estimates, projections, forecasts and other forward-looking information, with which Parent and Merger Sub are familiar, that Parent and Merger Sub are taking full responsibility for making their own evaluation of the adequacy and accuracy of all estimates, projections, forecasts and other forward-looking information, as well as such business plans and cost-related plans, furnished to them (including the reasonableness of the assumptions underlying such estimates, projections, forecasts, forward-looking information, business plans or cost-related plans based on current state and federal rules and regulations), and that neither Parent nor Merger Sub has relied upon or will have any claim against the Company or any of its Subsidiaries, or any of their respective shareholders, directors, officers, employees, Affiliates, advisors, agents or representatives, or any other Person, with respect thereto. Accordingly, each of Parent and Merger Sub hereby acknowledge that neither the Company nor any of its Subsidiaries, nor any of their respective shareholders, directors, officers, employees, Affiliates, advisors, agents or representatives, nor any other Person, has made or is making any representation or warranty or has or shall have any liability (whether pursuant to this Agreement, in tort or otherwise) with respect to such estimates, projections, forecasts, forward-looking information, business plans or cost-related plans (including the reasonableness of the assumptions underlying such estimates, projections, forecasts, forward-looking information, business plans or cost-related plans based on current state and federal rules and regulations).

ARTICLE V

COVENANTS

Section 5.1 **Conduct of Business.**

(a) Except as contemplated or permitted by this Agreement, as required by applicable Laws, as contemplated by any of the matters set forth in Section 5.1(a) of the Company Disclosure Schedule, or with the prior written consent of Parent (which consent shall not be unreasonably withheld, delayed or conditioned), during the period from the date of this Agreement until the earlier of the Effective Time and the termination of this Agreement in accordance with Article VII, (x) the Company shall, and shall cause each of its Subsidiaries to, use reasonable best efforts to conduct its business in all material respects in the ordinary course and to preserve intact its present lines of business, maintain its rights and franchises and preserve

satisfactory relationships with Governmental Authorities, employees, customers and suppliers, and (y) the Company shall not, and shall not permit any of its Subsidiaries to:

(i) issue, sell, or grant any shares of its capital stock, or any securities or rights convertible into, exchangeable or exercisable for, or evidencing the right to subscribe for any shares of its capital stock, or any rights, warrants or options to purchase any shares of its capital stock, or any securities or rights convertible into, exchangeable or exercisable for, or evidencing the right to subscribe for, any shares of its capital stock, except as set forth on Section 5.1(a)(i) of the Company Disclosure Schedule;

(ii) redeem, purchase or otherwise acquire any of its outstanding shares of capital stock, or any rights, warrants or options to acquire any shares of its capital stock, except (A) pursuant to Company Material Contracts set forth on Section 5.1(a)(ii) of the Company Disclosure Schedule as in effect as of the date hereof or (B) in connection with withholding to satisfy Tax obligations with respect to Company RSUs or Company Performance Share Awards, acquisitions in connection with the forfeiture of equity awards, or acquisitions in connection with the settlement of Company RSUs or Company Performance Share Awards;

(iii) (A) declare, authorize, set aside for payment or pay any dividend on, or make any other distribution in respect of, any shares of its capital stock, other than (1) dividends paid by any Subsidiary of the Company to the Company or to any wholly-owned Subsidiary of the Company, (2) quarterly cash dividends with respect to the Company Common Stock not to exceed the current annual per share dividend rate by more than \$0.04 per fiscal year, with record dates and payment dates consistent with the Company's current dividend practice, or (3) a "stub period" dividend to holders of record of Company Common Stock as of immediately prior to the Effective Time equal to the product of (x) the number of days from the record date for payment of the last quarterly dividend paid by the Company prior to the Effective Time, multiplied by (y) a daily dividend rate determined by dividing the amount of the last quarterly dividend prior to the Effective Time by ninety-one (91) or (B) adjust, split, combine, subdivide or reclassify any shares of its capital stock;

(iv) incur any Indebtedness (or amend any Contract relating to Indebtedness) except for Indebtedness (1) incurred to replace, renew, extend, refinance or refund any existing Indebtedness, in the same principal amount of such existing Indebtedness and upon the maturity of such existing Indebtedness in accordance with its terms (2) incurred in accordance with Section 5.1(a)(iv) of the Company Disclosure Schedule, or (3) among the Company and any of its wholly-owned Subsidiaries or among any of such wholly-owned Subsidiaries; provided that, in no event shall any Indebtedness incurred pursuant hereto (or any Contract relating to such Indebtedness) include any term or provision pursuant to which the consummation of the Merger or the other transactions contemplated by this Agreement would reasonably be expected to result in a breach, default or event of default with respect to such Indebtedness (or any Contract relating to such Indebtedness) or permit the holders of any Indebtedness of the Company or any of its Subsidiaries to accelerate the payment of any Indebtedness or require the Company or

any of its Subsidiaries to, voluntarily or involuntarily, redeem, repurchase or repay any Indebtedness prior to its scheduled maturity;

(v) sell, pledge, dispose of, transfer, lease, license or encumber any of its properties, assets or business (including by merger, consolidation or disposition of stock or assets), other than (A) immaterial assets in the ordinary course of business consistent with past practice, (B) pursuant to Company Material Contracts set forth on Section 5.1(a)(v) of the Company Disclosure Schedule as in effect on the date of this Agreement, or (C) transfers among the Company and its wholly owned Subsidiaries;

- (vi) make capital expenditures except as budgeted in the Company's current long term plan (plus a 20% variance) that was made available to Parent;
- (vii) make any acquisition (including by merger or share exchange) of the capital stock, equity securities, membership interests or a material portion of the assets of any other Person, or make any loans, advances or capital contributions to, or investments in, any other person (other than any wholly owned Subsidiary of the Company), except (A) acquisitions not in excess of \$25,000,000 individually or \$50,000,000 in the aggregate or (B) pursuant to Company Material Contracts set forth on Section 5.1(a)(vii) of the Company Disclosure Schedule as in effect on the date of this Agreement;
- (viii) increase in any respect the compensation of any of its directors or employees (provided that payments of bonuses and other grants and awards made in the ordinary course consistent with past practice shall not constitute an increase in compensation), except (A) as required pursuant to applicable Law or the terms of Company Plans or other employee benefit plans or arrangements in effect on the date of this Agreement and (B) increases in salaries, wages and benefits of employees and director fees made in the ordinary course of business;
- (ix) adopt or amend any Company Plan except as required by Law or for immaterial or ministerial amendments;
- (x) make any material change to its methods of accounting, except as required by GAAP (or any interpretation thereof), Regulation S-X of the Exchange Act, as required by a Governmental Authority or quasi-Governmental Authority (including the Financial Accounting Standards Board or any similar organization) or as required by applicable Law;
- (xi) amend the Company Charter Documents, amend the organizational documents of any Subsidiary, or exercise any approval or consent right within its discretion to amend any organizational documents of any Company Joint Venture;
- (xii) adopt a plan or agreement of complete or partial liquidation or dissolution;
- (xiii) enter into, modify or amend in any material respect, or terminate or waive any material right under, any Company Material Contract, except for any new

agreement, modification, amendment, termination or waiver in the ordinary course of business consistent with past practice;

- (xiv) waive, release, assign, settle or compromise any material Claim against the Company or any of its Subsidiaries, other than waivers, releases, assignments, settlements or compromises that (A) with respect to the payment of monetary damages, involve only the payment of monetary damages (i) equal to or less than the amounts specifically reserved with respect thereto on the consolidated financial statements of the Company included in the Company SEC Documents (including the notes thereto) or (ii) do not exceed \$5,000,000 in the aggregate during any consecutive twelve-month period, and (B) except as contemplated by Section 5.9, with respect to any non-monetary terms and conditions therein, impose or require actions that would not reasonably be expected to be material and adverse to the Company and its Subsidiaries, taken as a whole;
- (xv) make or change any material Tax election, change any material method of Tax accounting (except as required by applicable Law including the adoption of the tangible property regulations and disposition rules), settle or compromise any material Tax liability or refund, amend any material Tax Return (except that the Company and its Subsidiaries may amend any Tax Return in order to effectuate the carryback of specified liability losses, net operating losses, capital losses or tax credits), enter into any written agreement with a Governmental Authority with respect to Taxes, consent to the extension or waiver of the limitation period applicable to any Tax matter, or materially amend or change any of its methods for reporting income, deductions or

accounting for Tax purposes, except, in each case, as required in relation to the items referenced in ^{Exhibit A}Section 3.9 of the Company Disclosure Schedule;

- (xvi) effectuate a "plant closing" or "mass layoff," as those terms are defined in WARN;
- (xvii) enter into a new line of business;
- (xviii) materially change any of its energy price risk management and marketing of energy parameters, limits and guidelines (the "Company Risk Management Guidelines") or enter into any physical commodity transactions, exchange-traded futures and options transactions, over-the-counter transactions and derivatives thereof or similar transactions other than as permitted by the Company Risk Management Guidelines;
- (xix) take any action that would reasonably be expected to prevent or materially impede, interfere with, hinder or delay the consummation by Parent or any of its Subsidiaries of the Transactions; or
- (xx) agree or commit to take any of the foregoing actions.

(b) During the period from the date of this Agreement until the Effective Time, Parent and Merger Sub shall not, and Parent shall cause its Subsidiaries not to, take any action that would reasonably be expected to prevent or materially impede, interfere with, or delay the consummation by Parent or Merger Sub of the Transactions.

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(c) Notwithstanding anything to the contrary herein, the Company may, and may cause any of its Subsidiaries to, take reasonable actions in compliance with applicable Law with respect to any operational emergencies (including any restoration measures in response to any hurricane, tornado, tsunami, flood, earthquake or other natural disaster or weather-related event, circumstance or development), equipment failures, outages or an immediate and material threat to the health or safety of natural Persons.

(d) Notwithstanding anything to the contrary contained herein, between the date of this Agreement and the Effective Time, the Company and its Subsidiaries may (i) continue to make Regulatory Filings in the ordinary course of business, including without limitation those filings described on Section 5.1(d) of the Company Disclosure Schedule, and (ii) take any other action contemplated by or described in any such state or federal filings or other submissions filed or submitted in connection with such Regulatory Filings prior to the date of this Agreement in the ordinary course of business.

Section 5.2 Preparation of the Proxy Statement; Shareholders Meeting.

(a) As promptly as reasonably practicable following the date of this Agreement, the Company shall prepare and file with the SEC the Proxy Statement, and Parent shall cooperate with the Company with the preparation of the foregoing. The Company, with Parent's cooperation, shall use commercially reasonable efforts to respond as promptly as reasonably practicable to and resolve all comments received from the SEC or its staff concerning the Proxy Statement. The Company agrees that (i) except with respect to any information supplied in writing to the Company by Parent or Merger Sub for inclusion or incorporation by reference in the Proxy Statement, the Proxy Statement will comply in all material respects with the applicable provisions of the Exchange Act and the rules and regulations thereunder and (ii) none of the information supplied or to be supplied by the Company for inclusion or incorporation by reference in the Proxy Statement will, on the date it is first mailed to shareholders of the Company or at the time of the Company Shareholders Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The Company will cause the Proxy Statement to be mailed to the Company's shareholders, as promptly as reasonably practicable after the SEC confirms that it has no further comments on the Proxy Statement. No filing of, or amendment or supplement to, or correspondence with the SEC with respect to, the Proxy Statement will be made by the Company without providing Parent a reasonable opportunity to review and comment thereon and with the Company considering in good faith such comments; provided, however, that the foregoing shall not apply with respect to a Takeover Proposal, a Superior Proposal, a Company Adverse Recommendation Change or any matters relating thereto. Each of Parent and Merger Sub shall cooperate with the Company in connection with the preparation and filing of the Proxy Statement, including promptly furnishing to the

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Company in writing upon request any and all information relating to it as may be required to be set forth in the Proxy Statement under applicable Law. Each of the Parent and Merger Sub agrees that such information supplied by it in writing for inclusion (or incorporation by reference) in the Proxy Statement will not, on the date it is first mailed to shareholders of the Company and at the time of the Company Shareholders Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in

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light of the circumstances under which they were made, not misleading. If, at any time prior to the Effective Time, any information relating to Parent or Merger Sub or any of their respective Affiliates, officers or directors, should be discovered by Parent or Merger Sub which should be set forth in an amendment or supplement to the Proxy Statement so that the Proxy Statement would not include any misstatement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, Parent (or Merger Sub, as the case may be) shall promptly notify the Company so that it may file with the SEC an appropriate amendment or supplement describing such information and, to the extent required by Law, disseminate such amendment or supplement to the shareholders of the Company. If, at any time prior to the Effective Time, any information relating to the Company or any of its respective Affiliates, officers or directors, should be discovered by the Company which should be set forth in an amendment or supplement to the Proxy Statement so that the Proxy Statement would not include any misstatement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the Company shall promptly notify Parent and the Company shall file with the SEC an appropriate amendment or supplement describing such information and, to the extent required by Law, disseminate such amendment or supplement to the shareholders of the Company.

(b) The Company shall, as promptly as reasonably practicable after the date of the mailing of the definitive Proxy Statement to the Company's shareholders, in accordance with applicable Law, the Company Charter Documents and the NYSE rules, duly give notice of, convene and hold a meeting of its shareholders to consider the approval of this Agreement and such other matters as may be then reasonably required (including any adjournment or postponement thereof, the "Company Shareholders Meeting"); provided, however, that the Company shall be permitted to delay or postpone convening the Company Shareholders Meeting (i) with the consent of Parent, (ii) for the absence of a quorum, (iii) to allow reasonable additional time for any supplemental or amended disclosure which the Company has determined in good faith (after consultation with outside legal counsel) is necessary under applicable Law and for such supplemental or amended disclosure to be disseminated and reviewed by the Company's shareholders prior to the Company Shareholders Meeting as necessary under applicable Law or (iv) to allow additional solicitation of votes in order to obtain the Company Shareholder Approval. Except if there has been a Company Adverse Recommendation Change in accordance with Section 5.3(d), the Company shall use its reasonable best efforts to solicit and secure the Company Shareholder Approval as promptly as practicable.

(c) Subject to Section 5.3 and the right of the Company Board to make a Company Adverse Recommendation Change pursuant thereto, unless and until there has been a Company Adverse Recommendation Change in accordance with Section 5.3, the Company shall include the Company Board Recommendation in the preliminary and definitive Proxy Statement. The Company agrees that, unless this Agreement has been terminated pursuant to Section 7.1, a Company Adverse Recommendation Change shall not relieve the Company of its obligation hereunder to submit this Agreement to the Company's shareholders at the Company Shareholders Meeting.

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Section 5.3 No Solicitation; Change in Recommendation.

(a) The Company agrees that it shall, and shall cause its Subsidiaries and its and its Subsidiaries' directors, officers and employees to, and shall use its reasonable best efforts to cause its other Representatives to, immediately cease all existing discussions or negotiations with any Person conducted heretofore with respect to any Takeover Proposal, immediately request the prompt return or destruction of all confidential information previously furnished and immediately

terminate all physical and electronic data room access previously granted to any such Person or its Representatives. Except as otherwise provided in this Agreement, from the date of this Agreement until the earlier of the Effective Time or the date, if any, on which this Agreement is terminated pursuant to Section 7.1, the Company shall not, and shall cause its Subsidiaries and its and its Subsidiaries' directors, officers and employees not to, and shall use its reasonable best efforts to cause its other Representatives not to, directly or indirectly, (i) solicit, initiate, knowingly encourage or knowingly facilitate any Takeover Proposal or the making or consummation thereof or (ii) enter into, or otherwise participate in any discussions (except to notify such Person of the existence of the provisions of this Section 5.3) or negotiations regarding, or furnish to any Person any information in connection with, any Takeover Proposal.

(b) Notwithstanding anything to the contrary contained in this Agreement, if the Company or any of its Subsidiaries, or any of its or their respective Representatives receives an unsolicited *bona fide* written Takeover Proposal made after the date of this Agreement, the Company, the Company Board (or a duly authorized committee thereof) and the Company's Representatives may engage in negotiations and discussions with, or furnish any information and other access to, any Person making such Takeover Proposal and any of its Representatives or potential sources of financing if the Company Board determines in good faith, after consultation with the Company's outside legal and financial advisors, that such Takeover Proposal is or could reasonably be expected to lead to a Superior Proposal; provided that prior to engaging in any negotiations or discussions with, or furnishing any information to, any such Person or its Representatives, the Company and the Person making such Takeover Proposal shall have entered into an Acceptable Confidentiality Agreement. The Company will promptly (and in any event within the later of twenty-four (24) hours or 5:00 p.m. New York City time on the next Business Day) notify Parent in writing of the receipt of such Takeover Proposal, the material terms and conditions of any such Takeover Proposal and the identity of the Person making such Takeover Proposal. The Company will keep Parent informed in all material respects on a prompt basis (and in any event within the later of twenty-four (24) hours or 5:00 p.m. New York City time on the next Business Day) of the material terms and status of such Takeover Proposal (including any change in the price or any other material terms thereof). The Company shall not terminate, amend, modify, waive or fail to enforce any provision of any "standstill" or similar obligation of any Person unless the Company Board (or a duly authorized committee thereof) determines in good faith, after consultation with its outside legal counsel, that the failure to take such action would reasonably be expected to be inconsistent with its fiduciary duties under applicable Law.

(c) Except as otherwise provided in this Agreement, neither the Company Board nor any committee thereof shall (i)(A) withdraw, change, qualify, withhold or modify, or publicly propose to withdraw, change, qualify, withhold or modify, in a manner adverse to Parent, the Company Board Recommendation, (B) adopt, approve or recommend, or publicly propose to adopt, approve or recommend, any Takeover Proposal, (C) fail to include in the Proxy Statement the Company Board Recommendation, (D) fail to recommend against any Takeover

Proposal subject to Regulation 14D under the Exchange Act in any solicitation or recommendation statement made on Schedule 14D-9 within ten (10) Business Days after Parent so requests reaffirmation in writing (provided, that Parent shall be entitled to make such a written request for reaffirmation only once for each Takeover Proposal and once for each material amendment to such Takeover Proposal), or (E) resolve or publicly propose to do any of the foregoing (any action described in this clause (i) being referred to herein as a "Company Adverse Recommendation Change") or (ii) cause or permit the Company or any of its Affiliates to execute or enter into, any letter of intent, memorandum of understanding, agreement in principle, agreement or commitment (other than an Acceptable Confidentiality Agreement) constituting, or that would reasonably be expected to lead to, any Takeover Proposal (a "Company Acquisition Agreement").

(d) Notwithstanding anything to the contrary in this Agreement, at any time prior to obtaining the Company Shareholder Approval, the Company Board (or a duly authorized committee thereof) may make a Company Adverse Recommendation Change (and, solely with respect to a Superior Proposal, terminate this Agreement pursuant to Section 7.1(d)(ii)), if (i) (A) a Company Intervening Event has occurred or (B) the Company has received a Superior Proposal other than as a result of a breach of this Section 5.3 (other than immaterial breach), in each case, if the Company Board (or a duly authorized committee thereof) determines in good faith, after consultation with its outside legal counsel, that the failure to make a Company Adverse Recommendation Change as a result of the occurrence of such Company Intervening Event or in response to the receipt of such Superior Proposal, as the case may be, would reasonably be expected to be inconsistent with its fiduciary duties under applicable Law and (ii) (A) the Company provides Parent prior written notice of its intent to make any Company Adverse Recommendation Change or terminate this Agreement pursuant to Section 7.1(d)(ii) at least

four (4) Business Days prior to taking such action to the effect that, absent any modification to the terms and conditions of this Agreement, the Company Board has resolved to effect a Company Adverse Recommendation Change or to terminate this Agreement pursuant to Section 7.1(d)(ii), which notice shall specify the basis for such Company Adverse Recommendation Change or termination and attaching the most current draft of any Company Acquisition Agreement with respect to, the Superior Proposal (or, if no such draft exists, a summary of the material terms and conditions of such Superior Proposal), if applicable (a “Notice of Recommendation Change”) (it being understood that such Notice of Recommendation Change shall not in itself be deemed a Company Adverse Recommendation Change and that any change in price or material revision or amendment to the terms of a Superior Proposal, if applicable, shall require a new notice to which the provisions of clauses (ii) (A), (B) and (C) of this Section 5.3(d) shall apply *mutatis mutandis* except that, in the case of such a new notice, all references to four (4) Business Days in this Section 5.3(d) shall be deemed to be two (2) Business Days); (B) during such four (4) Business Day period, if requested by Parent, the Company shall make its Representatives available to negotiate in good faith with Parent and its Representatives regarding any modifications to the terms and conditions of this Agreement that Parent proposes to make; and (C) at the end of such four (4) Business Day period and taking into account any modifications to the terms of this Agreement proposed by Parent, if any, in a written, binding and irrevocable offer, the Company Board determines in good faith (after consultation with outside legal counsel) that the failure to make such a Company Adverse Recommendation Change would reasonably be expected to be inconsistent with its fiduciary duties under applicable Law, and that, in the case of a Company

Adverse Recommendation Change with respect to a Takeover Proposal, such Takeover Proposal still constitutes a Superior Proposal.

(e) Nothing contained in this Agreement shall prohibit the Company or the Company Board (or a duly authorized committee thereof) from (i) taking and disclosing to the shareholders of the Company a position contemplated by Rule 14e-2(a) under the Exchange Act or making a statement contemplated by Item 1012(a) of Regulation M-A or Rule 14d-9 under the Exchange Act, (ii) making any disclosure to the shareholders of the Company if the Company Board (or a duly authorized committee thereof) determines in good faith, after consultation with its outside legal counsel, that the failure to make such disclosure would be reasonably likely to be inconsistent with applicable Law, (iii) informing any Person of the existence of the provisions contained in this Section 5.3 or (iv) making any “stop, look and listen” communication to the shareholders of the Company pursuant to Rule 14d-9(f) under the Exchange Act.

(f) As used in this Agreement, “Takeover Proposal” shall mean any inquiry, proposal or offer (whether or not in writing) from any Person (other than Parent, Merger Sub and any of its Affiliates thereof) to purchase or otherwise acquire, directly or indirectly, in a single transaction or series of related transactions, (a) assets of the Company and its Subsidiaries (including securities of Subsidiaries) that account for 15% or more of the Company’s consolidated assets or from which 15% or more of the Company’s revenues or earnings on a consolidated basis are derived or (b) 15% or more of the outstanding Company Common Stock pursuant to a merger, consolidation or other business combination, sale or issuance of shares of capital stock, tender offer, share exchange, other business combination, recapitalization, liquidation, dissolution or similar transaction involving the Company, in each case other than the Merger.

(g) As used in this Agreement, “Superior Proposal” shall mean any unsolicited *bona fide* written Takeover Proposal on terms which the Company Board (or a duly authorized committee thereof) determines in good faith, after consultation with the Company’s outside legal counsel and independent financial advisors, to be more favorable to the holders of Company Common Stock than the Transaction (after taking into account any revisions to the terms of this Agreement that are proposed by Parent pursuant to Section 5.3(d)), taking into account, to the extent applicable, the legal, financial, regulatory and other aspects of such proposal and this Agreement that the Company Board considers relevant; provided that for purposes of the definition of Superior Proposal, the references to “15%” in the definition of Takeover Proposal shall be deemed to be references to “50%.”

(h) As used in this Agreement, “Company Intervening Event” means any fact, circumstance, effect, change, event, occurrence or development that (1) is unknown to or by the Company Board as of the date hereof (or if known, the magnitude or material consequences of which were not known by the Company Board as of the date of this Agreement) and (2) becomes known to or by the Company Board prior to obtaining the Company Shareholder Approval.

(a) Subject to the terms and conditions of this Agreement, each of the Company, Parent and Merger Sub shall use its respective reasonable best efforts to (i) cause the

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Transactions to be consummated as soon as practicable, (ii) make promptly any required submissions and filings under applicable Antitrust Laws or to Governmental Authorities with respect to the Transactions, (iii) cooperate with the other parties and promptly furnish information required in connection with such submissions and filing to such Governmental Authorities or under such Antitrust Laws, (iv) keep the other parties reasonably informed with respect to the status of any such submissions and filings to such Governmental Authorities or under Antitrust Laws, including with respect to: (A) the receipt of any non-action, action, clearance, consent, approval or waiver, (B) the expiration of any waiting period, (C) the commencement or proposed or threatened commencement of any investigation, litigation or administrative or judicial action or proceeding under Antitrust Laws or other applicable Laws, and (D) the nature and status of any objections raised or proposed or threatened to be raised under Antitrust Laws or other applicable Laws with respect to the Transactions and (v) obtain all actions or non-actions, approvals, consents, waivers, registrations, permits, authorizations and other confirmations from any third party and/or Governmental Authority necessary to consummate the Transactions as soon as practicable. For purposes hereof, "Antitrust Laws" means the Sherman Act, the Clayton Act, the HSR Act, the Federal Trade Commission Act, and all applicable foreign Antitrust Laws and all other applicable Laws issued by a Governmental Authority that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade or lessening of competition through merger or acquisition.

(b) In furtherance and not in limitation of the foregoing: (i) each party hereto agrees to (A) make an appropriate filing of a Notification and Report Form pursuant to the HSR Act with respect to the Transactions as soon as reasonably practicable after the date hereof (and in any event within twenty-one (21) days after the date hereof, unless the parties otherwise agree to a different date), (B) supply as soon as practicable any additional information and documentary material that may be requested pursuant to the HSR Act and (C) use its reasonable best efforts to take, or cause to be taken, all other actions consistent with this Section 5.4 necessary to cause the expiration or termination of the applicable waiting periods under the HSR Act (including any extensions thereof) as soon as practicable, and (ii) each party agrees to (A) make or cause to be made the appropriate filings as soon as practicable with the NCUC relating to the Merger, (B) supply as soon as practical any additional information and documentary material that may be required or requested by the NCUC and (C) use its reasonable best efforts to take or cause to be taken all other actions consistent with this Section 5.4 as necessary to obtain any necessary approvals, consents, waivers, permits, authorizations or other actions or non-actions from the NCUC as soon as practicable.

(c) The Company, Parent and Merger Sub shall, subject to applicable Law relating to the exchange of information: (i) promptly notify the other parties hereto of (and if in writing, furnish the other parties with copies of) any communication to such Person from a Governmental Authority regarding the filings and submissions described in Section 5.4(a) and permit the others to review and discuss in advance (and to consider in good faith any comments made by the others in relation to) any proposed written response to any communication from a Governmental Authority regarding the filings and submissions described in Section 5.4(a), (ii) keep the others reasonably informed of any developments, meetings or discussions with any Governmental Authority in respect of any filings, investigation, or inquiry concerning the Transactions and (iii) not independently participate in any meeting or discussions with a

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Governmental Authority in respect of any filings, investigation or inquiry concerning the Transactions without giving the other party prior notice of such meeting or discussions and, unless prohibited by such Governmental Authority, the opportunity to attend or participate; provided, that the parties shall be permitted to redact any correspondence, filing, submission or communication to the extent such correspondence, filing, submission or communication contains competitively or commercially sensitive information, including information relating to the valuation of the Transactions.

(d) In furtherance and not in limitation of the foregoing, but subject to the other terms and conditions of this Section 5.4, Parent and Merger Sub agree to take promptly any and all steps necessary to avoid, eliminate or resolve each and every impediment and obtain all clearances, consents, approvals and waivers under Antitrust Laws or other applicable Laws that may be required by any Governmental Authority, so as to enable the parties to close the Transactions as soon as practicable (and in any event no later than three (3) Business Days prior to the End Date), including committing to and effecting, by consent decree, hold separate orders, trust, or otherwise, (i) the sale, license, holding separate or other disposition of assets or businesses of Parent or Company or any of their respective Subsidiaries, (ii) terminating, relinquishing, modifying, or waiving existing relationships, ventures, contractual rights, obligations or other arrangements of Parent or Company or their respective Subsidiaries and (iii) creating any relationships, ventures, contractual rights, obligations or other arrangements of Parent or Company or their respective Subsidiaries (each a "Remedial Action"); provided, however, that any Remedial Action may, at the discretion of the Company or Parent, be conditioned upon consummation of the Transactions.

(e) In furtherance and not in limitation of the foregoing, but subject to the other terms and conditions of this Section 5.4, in the event that any litigation or other administrative or judicial action or proceeding is commenced, threatened or is reasonably foreseeable challenging any of the Transactions and such litigation, action or proceeding seeks, or would reasonably be expected to seek, to prevent, materially impede or materially delay the consummation of the Transactions, Parent shall use reasonable best efforts to take any and all action, including a Remedial Action, to avoid or resolve any such litigation, action or proceeding as promptly as practicable and in any event no later than three (3) Business Days prior to the End Date. In addition, each of the Company, Parent and Merger Sub shall cooperate with each other and use its respective reasonable best efforts to contest, defend and resist any litigation, action or proceeding and to have vacated, lifted, reversed or overturned any ruling, decree, judgment, injunction or other order, whether temporary, preliminary or permanent, that is in effect and that prohibits, prevents, delays, interferes with or restricts consummation of the Transactions as promptly as practicable and in any event no later than three (3) Business Days prior to the End Date.

(f) From the date hereof until the earlier of the Effective Time and the date this Agreement is terminated pursuant to Article VII, neither Parent nor Merger Sub shall, nor shall they permit their respective Subsidiaries to, acquire or agree to acquire any rights, assets, business, Person or division thereof (through acquisition, license, joint venture, collaboration or otherwise), if such acquisition, would reasonably be expected to materially increase the risk of not obtaining any applicable clearance, consent, approval or waiver under Antitrust Laws or other applicable Laws with respect to the Transactions, or would reasonably be expected to

materially prevent or prohibit or impede, interfere with or delay obtaining any applicable clearance, consent, approval or waiver under Antitrust Laws or other applicable laws with respect to the Transactions.

(g) Notwithstanding the obligations set forth in this Agreement, Parent and its Affiliates shall not be required to, and, without the prior written consent of Parent (which consent may be withheld at Parent's sole discretion) the Company shall not, and shall cause its Subsidiaries not to, in connection with obtaining any consent or approval of any Governmental Authority in connection with this Agreement or the transactions contemplated hereby, offer or accept, or agree, commit to agree or consent to, any undertaking, term, condition, liability, obligation, commitment, sanction or other measure (including any Remedial Action), that constitutes a Burdensome Condition. For purposes of this Agreement, "Burdensome Condition" shall mean any undertakings, terms, conditions, liabilities, obligations, commitments, sanctions or other measures (including any Remedial Action) that, in the aggregate, would have or would be reasonably likely to have, a material adverse effect on the financial condition, assets, liabilities, businesses or results of operations of the Company and its Subsidiaries, taken as a whole, or of Parent and its Subsidiaries, taken as a whole (and after giving effect to the Merger such that Parent and its Subsidiaries for this purpose shall be deemed to be a consolidated group of entities of the size and scale of a hypothetical company that is 100% of the size and scale of the Company and its Subsidiaries, taken as a whole); provided, however, that any such undertakings, terms, conditions, liabilities, obligations, commitments, sanctions or other measures shall not constitute or be taken into account in determining whether there has been or is such a material adverse effect to the extent such undertakings, terms, conditions, liabilities, obligations, commitments, sanctions or other measures are described in Section 1.7.

(h) Parent shall promptly notify the Company and the Company shall notify Parent of any notice or other communication from any Governmental Authority alleging that such Governmental Authority's consent is or may be required in connection with or as a condition of the Merger.

Section 5.5 Public Announcements. The initial press release with respect to the execution of this Agreement shall be a joint press release to be reasonably agreed upon by Parent and the Company. Following such initial press release, Parent and the Company shall consult with each other before issuing, and give each other the opportunity to review and comment upon, any press release or other public statements with respect to the Transactions and shall not issue any such press release or make any such public statement prior to such consultation, except as such party may reasonably conclude may be required by applicable Law, court process or by obligations pursuant to any listing agreement with any national securities exchange or national securities quotation system (and then only after as much advance notice and consultation as is feasible); provided, however, that the restrictions set forth in this Section 5.5 shall not apply to any release or public statement (a) made or proposed to be made by the Company in connection with a Takeover Proposal, a Superior Proposal or a Company Adverse Recommendation Change or any action taken pursuant thereto, (b) in connection with any dispute between the parties regarding this Agreement or the Transactions or (c) not inconsistent in any material respects with the prior public disclosures regarding the Transactions.

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Section 5.6 Access to Information; Confidentiality.

(a) From the date hereof until the earlier of the Effective Time or the date on which this Agreement is terminated in accordance with its terms, the Company shall afford to the Parent and its Representatives reasonable access (at Parent's sole cost and expense) during normal business hours and upon reasonable advance notice to the Company's properties (but excluding for the conduct of Phase I or Phase II environmental assessments or testing), books, Contracts and records and the Company shall furnish promptly to the other party such information concerning its business and properties as such party may reasonably request (other than any publicly available document filed by it pursuant to the requirements of federal or state securities Laws); provided that the Parent and its Representatives shall conduct any such activities in such a manner as not to interfere unreasonably with the business or operations of the other party; provided, further, (x) that the Company shall not be obligated to provide such access or information if the Company determines, in its reasonable judgment, that doing so would violate applicable Law or a Contract or obligation of confidentiality owing to a third party, jeopardize the protection of the attorney-client privilege, or expose such party to risk of liability for disclosure of sensitive or personal information (provided that the Company shall use its reasonable best efforts to provide such access or information (or as much of it as possible) in a manner that does not result in the events set out in this clause (x)), and (y) the conduct of such activities shall be subject to the rights and obligations of the Company referred to in the final proviso of the final sentence of Section 5.4(c) hereof. Until the Effective Time, the information provided will be subject to the terms of the confidentiality letter agreement, dated as of October 2, 2015, between Parent and the Company (as it may be amended from time to time, the "Confidentiality Agreement").

(b) If this Agreement is terminated pursuant to Section 7.1, the Confidentiality Agreement shall automatically be deemed to be amended and restated such that (i) the "Restricted Period" for all purposes of the Confidentiality Agreement shall be the period of eighteen (18) months from the date of such termination, as if the Parties had never entered into this Agreement, and (ii) the other provisions of the Confidentiality Agreement shall remain in force and effect for a period of two (2) years after such termination, as if the parties hereto had never entered into this Agreement.

Section 5.7 Takeover Laws. If any Takeover Statute or similar statute or regulation becomes applicable to the Transactions, the Company and the Company Board will use reasonable best efforts to ensure that such Transactions may be consummated as promptly as practicable on the terms contemplated by this Agreement and otherwise to minimize the effect of such statute or regulation on the Transactions.

Section 5.8 Indemnification and Insurance.

(a) From and after the Effective Time, Parent shall, and shall cause the Surviving Corporation to, (i) indemnify, defend and hold harmless each current and former director, officer and employee of the Company and any of its Subsidiaries and each person who served as a director, officer, member, trustee or fiduciary of another corporation,

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partnership, joint venture, trust, pension or other employee benefit plan or enterprise if such service was at the request or for the benefit of the Company or any of its Subsidiaries (each, an “Indemnitee” and, collectively, the “Indemnitees”) against all claims, liabilities, losses, damages, judgments, fines, penalties, costs (including amounts paid in settlement or compromise) and expenses

(including fees and expenses of legal counsel) in connection with any actual or threatened claim, suit, action, proceeding or investigation (whether civil, criminal, administrative or investigative) (each, a “Claim”), whenever asserted, arising out of, relating to or in connection with any action or omission relating to their position with the Company or its Subsidiaries occurring or alleged to have occurred before or at the Effective Time (including any Claim relating in whole or in part to this Agreement or the Transactions), to the fullest extent permitted under applicable Law and (ii) assume all obligations of the Company and its Subsidiaries to the Indemnitees in respect of limitation of liability, exculpation, indemnification and advancement of expenses as provided in (A) the Company Charter Documents and the respective organizational documents of each of the Company’s Subsidiaries as currently in effect and (B) any indemnification agreements with an Indemnitee (but only to the extent such indemnification agreement was made available to Parent prior to the date hereof), which shall in each case survive the Transactions and continue in full force and effect to the extent permitted by applicable Law.

(b) From and after the Effective Time, Parent shall, and shall cause the Surviving Corporation to, pay and advance to an Indemnitee any expenses (including fees and expenses of legal counsel) in connection with any Claim relating to any acts or omissions covered under this Section 5.8 or the enforcement of an Indemnitee’s rights under this Section 5.8 as and when incurred to the fullest extent permitted under applicable Law, provided that the person to whom expenses are advanced provides an undertaking in accordance with applicable Law to repay such expenses if it is ultimately determined by a court of competent jurisdiction that such Indemnitee is not entitled to indemnification for such matter (but only to the extent such repayment is required by applicable Law, the Company Charter Documents, applicable organizational documents of Subsidiaries of the Company or applicable indemnification agreements).

(c) For a period of six (6) years from the Effective Time, Parent shall cause to be maintained in effect coverage not materially less favorable than the coverage provided by the policies of directors’ and officers’ liability insurance and fiduciary liability insurance in effect as of the date hereof maintained by the Company and its Subsidiaries with respect to matters arising on or before the Effective Time either through the Company’s existing insurance provider or another provider reasonably selected by Parent; provided, however, that, after the Effective Time, Parent shall not be required to pay annual premiums in excess of 300% of the annual premium currently paid by the Company in respect of the coverages required to be obtained pursuant hereto, but in such case shall purchase as much coverage as reasonably practicable for such amount; provided, further, that in lieu of the foregoing insurance coverage, the Company may purchase “tail” insurance coverage, at a cost no greater than the aggregate amount which Parent would be required to spend during the six—year period provided for in this Section 5.8(c), that provides coverage not materially less favorable than the coverage described above to the insured persons than the directors’ and officers’ liability insurance and fiduciary liability insurance coverage currently maintained by the Company and its Subsidiaries as of the date hereof with respect to matters arising on or before the Effective Time.

(d) The provisions of this Section 5.8 are (i) intended to be for the benefit of, and shall be enforceable by, each Indemnitee, his or her heirs and his or her representatives from and after the Effective Time, and (ii) in addition to, and not in substitution for or limitation of, any other rights to indemnification or contribution that any such Person may have by contract or

otherwise. The obligations of Parent and the Surviving Corporation under this Section 5.8 shall not be terminated or modified in such a manner as to adversely affect the rights of any Indemnitee to whom this Section 5.8 applies unless (A) such termination or modification is required by applicable Law or (B) the affected Indemnitee shall have consented in writing to such termination or modification (it being expressly agreed that the Indemnitees to whom this Section 5.8 applies

shall be third party beneficiaries of this Section 5.8).

(e) In the event that Parent, the Surviving Corporation or any of their respective successors or assigns (i) consolidates with or merges into any other Person and is not the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfers or conveys all or substantially all of its properties and assets to any Person, then, and in each such case, proper provision shall be made so that the successors and assigns of Parent and the Surviving Corporation shall assume all of the obligations thereof set forth in this Section 5.8.

Section 5.9 Transaction Litigation. Each of Parent and the Company shall notify the other promptly of the commencement of any shareholder litigation relating to this Agreement or the Transactions of which it has received notice ("Transaction Litigation"). The Company shall give Parent the opportunity to participate in, but not control, the defense or settlement of any shareholder litigation against the Company or any of its directors or officers relating to this Agreement or the Transactions, and no such settlement of any shareholder litigation shall be agreed to by the Company or any of its Representatives without Parent's prior written consent, such consent not to be unreasonably withheld, conditioned or delayed.

Section 5.10 Section 16. Prior to the Effective Time, each of the Company, Parent and Merger Sub shall take all such steps reasonably necessary to cause any dispositions of Company Common Stock (including derivative securities with respect to Company Common Stock) directly resulting from the Merger by each individual who will be subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to the Company immediately prior to the Effective Time to be exempt under Rule 16b-3 promulgated under the Exchange Act.

Section 5.11 Employee Matters.

(a) Until the later of twelve (12) months from the Closing Date or December 31, 2017 (the "Continuation Period"), Parent shall provide, or shall cause to be provided, to each individual who is employed by the Company or any of its Subsidiaries (including the Surviving Corporation and its Subsidiaries) immediately prior to the Effective Time (each, a "Company Employee"), annual base salary and base wages, annual target bonus opportunities (based on target amounts calculated as an applicable percentage of annual base salary for the bonus opportunities established for the most recent Company fiscal year commencing before the Effective Time), and the target value (based on target amounts calculated as an applicable percentage of annual base salary) of the annual Company Performance Share Award granted during the most recent Company fiscal year commencing before the Effective Time (without taking into account any discount to the value of Company Stock for purposes of applying such target value to a long-term incentive compensation opportunity granted by Parent) (the "LTIP Target Amount"), provided that the LTIP Target Amount may be paid in cash rather than granted in equity, and aggregate employee benefits, in each case, that are no less favorable than such annual base salary and base wages, annual target bonus opportunities, LTIP Target Amounts and

aggregate employee benefits provided to the Company Employees immediately prior to the Effective Time. Notwithstanding any other provision of this Agreement to the contrary and without limiting the generality of the foregoing, Parent shall or shall cause the Surviving Corporation to provide any Company Employee whose employment terminates following the Effective Time and during the applicable protected period, as described on Section 5.11(b) of the Company Disclosure Schedule, either without "Cause" or for "Good Reason," in each case as defined on Section 5.11(a) of the Company Disclosure Schedule, with severance benefits no less favorable than as set forth on Section 5.11(a) of the Company Disclosure Schedule.

(b) For all purposes (including purposes of vesting, eligibility to participate and level of benefits, but not for purposes of defined benefit pension plan accrual or, for the avoidance of doubt, with respect to the vesting or restoration of any otherwise forfeited benefits accrued prior to the Effective Time under a defined benefit pension plan maintained by Parent or its Subsidiaries (except as required by Law)) under the employee benefit plans of Parent and its Subsidiaries providing benefits to any Company Employee after the Effective Time (including the Company Plans) (the "New Plans"), each Company Employee shall be credited with his or her years of service with the Company and its Subsidiaries and their respective predecessors before the Effective Time, to the same extent as such Company Employee was entitled, before the Effective Time, to credit for such service under any Company Plan in which such Company Employee

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participated or was eligible to participate immediately prior to the Effective Time, provided that the foregoing shall not apply to the extent that its application would result in a duplication of benefits with respect to the same period of service. Furthermore, to the extent a Company Employee or a "Company Retired Employee" (as defined below) becomes eligible to participant in Parent's retiree medical plan, for all purposes (including purposes of vesting, eligibility to participate and level of benefits) under the retiree medical plan of Parent and its Subsidiaries, each (x) Company Employee and (y) former employee of the Company or any of its Subsidiaries whose employment with the Company or any of its Subsidiaries ended as a result of such former employee's retirement and who is eligible to participate in the Company's retiree medical plan as of the Effective Time (the "Company Retired Employees"), shall be credited with his or her years of service with the Company and its Subsidiaries and their respective predecessors before the Effective Time, to the same extent as such Company Employee or Company Retired Employee was entitled, immediately before the Effective Time, to credit for such service under the Company's retiree medical plan as of the Effective Time. Parent shall, or shall cause an Affiliate to, provide post-retirement medical benefits to Eligible Retirees (as defined below) that are no less favorable than those provided (i) under the Company's post-retirement medical program in effect as of January 1, 2016 (the "Company's Retiree Health Plan") or (ii) to similarly situated, as applicable, employees and retirees who participate in the post-retirement programs of Parent or its Subsidiaries (other than the Surviving Corporation). "Eligible Retirees" means Company Retired Employees and Company Employees who are or become eligible to participant in the Company's Retiree Health Plan as in effect on January 1, 2016. In addition, and without limiting the generality of the foregoing, (i) each Company Employee shall be immediately eligible to participate, without any waiting time, in any and all New Plans to the extent coverage under such New Plan is replacing comparable coverage under a Company Plan in which such Company Employee participated immediately before the Effective Time (such plans, collectively, the "Old Plans"), and (ii) for purposes of each New Plan providing medical, dental, pharmaceutical and/or vision benefits to any Company Employee, Parent shall cause all pre-existing condition exclusions and actively-at-work

requirements of such New Plan to be waived for such Company Employee and his or her covered dependents, to the extent such conditions were inapplicable or waived under the comparable Old Plans of the Company or its Subsidiaries in which such Company Employee participated immediately prior to the Effective Time. Parent shall cause any eligible expenses incurred by any Company Employee and his or her covered dependents during the portion of the plan year of the Old Plan ending on the date such Company Employee's participation in the corresponding New Plan begins to be taken into account under such New Plan for purposes of satisfying all deductible, coinsurance and maximum out-of-pocket requirements applicable to such Company Employee and his or her covered dependents for the applicable plan year as if such amounts had been paid in accordance with such New Plan.

(c) Without limiting the generality of Section 5.11(a), from and after the Effective Time, Parent shall cause the Surviving Corporation and its Subsidiaries to assume, honor, and continue all obligations under the Company Plans and compensation and severance arrangements and agreements in accordance with their terms as in effect immediately before the Effective Time and the Transactions shall be deemed to constitute a "change in control," "change of control", "corporate transaction" or similar words to such effect under such Company Plans, arrangements or agreements.

(d) At the Effective Time, Parent shall cause the Surviving Corporation to pay to each Company Employee and each Applicable Retired Company Employee a pro-rata portion of any bonus that such Company Employee or Applicable Retired Company Employee would have been entitled to receive under the Company's Annual Incentive Plans and any other applicable annual bonus plan for the performance period during which the Effective Time occurs, consistent with past practice and based on achievement of applicable performance criteria at target level. In addition, to the extent that the Effective Time occurs within 2.5 months following the end of a performance period with respect to the Annual Incentive Plans or any other applicable annual bonus plan, but prior to payment of the bonuses for such completed performance, Parent shall cause the Surviving Corporation to pay to each Company Employee, and to each Applicable Retired Company Employee on a prorated basis consistent with past practice, the greater of (i) the Company Employee's or Applicable Retired Company Employee's, as applicable, target bonus for such performance period and (ii) the bonus to which the Company Employee or Applicable Retired Company Employee, as applicable, would be entitled for such performance period based on actual performance.

(e) Notwithstanding anything to the contrary herein, the provisions of this Section 5.11 are solely for the benefit of the parties to this Agreement, and no provision of this Section 5.11 is intended to, or shall, constitute the

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establishment or adoption of or an amendment to any Company Plans for purposes of ERISA or otherwise and no Company Employee or any other individual associated therewith shall be regarded for any purpose as a third-party beneficiary of this Agreement or have the right to enforce the provisions hereof including in respect of continued employment (or resumed employment). Nothing contained herein shall alter the at-will employment relationship of any Company Employee.

(f) Without limiting the generality of the foregoing provisions of this Section 5.11, the parties hereby agree to take the additional actions set forth in Section 5.11(f) of the Company Disclosure Schedule.

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Section 5.12 Merger Sub and Surviving Corporation. Parent shall take all actions necessary to (a) cause Merger Sub and the Surviving Corporation to perform promptly their respective obligations under this Agreement and (b) cause Merger Sub to consummate the Merger on the terms and conditions set forth in this Agreement. Prior to the Effective Time, Merger Sub shall not engage in any activity of any nature except for activities related to or in furtherance of the Transactions.

Section 5.13 No Control of Other Party's Business. Nothing contained in this Agreement is intended to give Parent or Merger Sub, directly or indirectly, the right to control or direct the Company's or its Subsidiaries' operations prior to the Effective Time. Prior to the Effective Time, the Company shall exercise, consistent with the terms and conditions of this Agreement, complete control and supervision over its and its Subsidiaries' respective operations.

Section 5.14 Financing Cooperation.

(a) The Company shall, and shall cause the Subsidiaries of the Company to, (i) provide commercially reasonable assistance with the preparation of and any discussions regarding the business, financial statements, projections, and management discussion and analysis of the Company and the Subsidiaries of the Company, all for use in connection with any debt financing to be obtained by Parent in connection with the Merger (the "Financing"), and (ii) request that its independent accountants provide customary and reasonable assistance to Parent in connection with providing customary comfort letters in connection with the Financing; provided, further, that nothing in this Agreement shall require the Company to cause the delivery of (1) legal opinions or reliance letters or any certificate as to solvency or any other certificate necessary for the Financing, other than as allowed by the preceding clause (ii), (2) any audited financial information or any financial information prepared in accordance with Regulation S-K or Regulation S-X under the Securities Act of 1933, as amended, or any financial information in a form not customarily prepared by the Company with respect to any period or (3) any financial information with respect to a month or fiscal period that has not yet ended or has ended less than forty-five (45) days prior to the date of such request.

(b) Notwithstanding anything to the contrary contained in this Agreement (including this Section 5.14): (i) nothing in this Agreement (including this Section 5.14) shall require any such cooperation to the extent that it would (1) require the Company to pay any commitment or other fees, reimburse any expenses or otherwise incur any liabilities or give any indemnities prior to the Closing, (2) unreasonably interfere with the ongoing business or operations of the Company or any of the Subsidiaries of the Company, (3) require the Company or any of the Subsidiaries of the Company to enter into or approve any agreement or other documentation effective prior to the Closing or agree to any change or modification of any existing agreement or other documentation that would be effective prior to the Closing, (4) require the Company to provide *pro forma* financial statements or *pro forma* adjustments reflecting the Financing or any description of all or any component of the Financing (it being understood that the Company shall use reasonable best efforts to assist in preparation of *pro forma* financial adjustments to the extent otherwise relating to the Company and required by the Financing), (5) require the Company or the Subsidiaries of the Company to provide *pro forma* financial statements or *pro forma* adjustments reflecting transactions contemplated or required hereunder (it being understood that the Company shall use reasonable best efforts to assist in

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preparation of *pro forma* financial adjustments to the extent otherwise relating to the Company and required by the Financing), or (6) require the Company, any of the Subsidiaries of the Company or any of their respective boards of directors (or equivalent bodies) to approve or authorize the Financing, and (ii) no action, liability or obligation (including any obligation to pay any commitment or other fees or reimburse any expenses) of the Company, the Subsidiaries of the Company, or any of their respective Representatives under any certificate, agreement, arrangement, document or instrument relating to the Financing shall be effective until the Closing.

(c) Parent shall (i) promptly reimburse the Company for all reasonable and out-of-pocket costs or expenses (including reasonable and documented costs and expenses of counsel and accountants) incurred by the Company the Subsidiaries of the Company and any of its or their Representatives in connection with any cooperation provided for in this Section 5.14, and (ii) indemnify and hold harmless the Company, the Subsidiaries of the Company and any of its and their Representatives against any claim, loss, damage, injury, liability, judgment, award, penalty, fine, Tax, cost (including cost of investigation), expense (including fees and expenses of counsel and accountants) or settlement payment incurred as a result of, or in connection with, any cooperation provided for in this Section 5.14 or the Financing and any information used in connection therewith, unless the Company acted in bad faith or with gross negligence and other than in the case of fraud.

(d) Without limiting the generality of the foregoing, promptly following Parent's request, the Company shall deliver to each of the lenders under the Existing Indebtedness (the "Existing Loan Lenders") a notice (an "Existing Loan Notice") prepared by Parent, in form and substance reasonably acceptable to the Company, notifying each of the Existing Loan Lenders of this Agreement and the contemplated Merger. At Parent's election, the Existing Loan Notice with respect to one or more of the Existing Loan Documents may include a request for a consent, in form and substance reasonably acceptable to the Company (an "Existing Loan Consent"), to (1) the consummation of the Merger and the other transactions contemplated by this Agreement, and (2) certain modifications of (or waivers under or other changes to) the Existing Loan Documents; provided, that no such modifications, waivers or changes shall be effective prior to the Effective Time.

Section 5.15 Fiscal Year. From the date of the receipt of the of the Company Shareholder Approval until the Effective Time, promptly following Parent's request, the Company shall cooperate with Parent to take all actions reasonably requested by Parent to prepare to change the fiscal year of the Company and its Subsidiaries to end on December 31, effective immediately following the Effective Time. Parent shall, promptly upon request by the Company, reimburse the Company for all documented and reasonable out-of-pocket costs incurred by the Company or any of its Subsidiaries in connection with such cooperation under this Section 5.15.

ARTICLE VI

CONDITIONS PRECEDENT

Section 6.1 Conditions to Each Party's Obligation to Effect the Merger. The respective obligations of each party hereto to effect the Closing shall be subject to the satisfaction (or waiver, if permissible under applicable Law) on or prior to the Closing Date of the following conditions:

(a) Company Shareholder Approval. The Company Shareholder Approval shall have been obtained.

(b) Regulatory Approvals. All waiting periods (and any extensions thereof) applicable to the Merger under the HSR Act shall have been terminated or shall have expired and the Required Statutory Approvals shall have been obtained at or prior to the Effective Time (the termination or expiration of such waiting periods and extensions thereof, together with the obtaining of the Required Statutory Approvals, the "Regulatory Approvals").

(c) No Injunctions. No Law enacted, promulgated, issued, entered, amended or enforced by any Governmental Authority shall be in effect enjoining, restraining, preventing or prohibiting consummation of the Merger or making the consummation of the Merger illegal.

Section 6.2 Conditions to Obligations of Parent and Merger Sub. The obligations of Parent and Merger Sub

to effect the Closing are further subject to the satisfaction (or waiver, if permissible under applicable Law) ^{Exhibit A} on or prior to the Closing Date of the following conditions:

(a) Representations and Warranties. (i) Each of the representations and warranties of the Company set forth in this Agreement (other than the representations and warranties of the Company set forth in Section 3.2(a), Section 3.2(b), Section 3.3(a), Section 3.6(b) and Section 3.19) shall be true and correct (without giving effect to any limitation as to “materiality” or “Company Material Adverse Effect” set forth therein), except where the failure to be true and correct has not had or would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect; (ii) each of the representations and warranties of the Company set forth in Section 3.2(a), Section 3.2(b), Section 3.3(a) and Section 3.19 shall be true and correct in all material respects; and (iii) the representations and warranties set forth in Section 3.6(b) shall be true and correct in all respects; in the case of each of clause (i), (ii) and (iii), as of the Effective Time as though made at and as of the Effective Time (except to the extent that such representation and warranty is expressly made as of a specified date, in which case such representation and warranty shall be true and correct as of such specific date).

(b) Performance of Covenants and Agreements of the Company. The Company shall have performed in all material respects all covenants and agreements required to be performed by it under this Agreement at or prior to the Closing Date.

(c) Officer’s Certificate. Parent shall have received a certificate signed on behalf of the Company by an executive officer of the Company certifying the satisfaction by the Company of the conditions set forth in Section 6.2(a) and Section 6.2(b).

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(d) Absence of Company Material Adverse Effect. Since the date of this Agreement, no circumstance, change, event, development, occurrence or effect that, individually or in the aggregate, has had or would reasonably be expected to have a Company Material Adverse Effect, shall have occurred and be continuing.

(e) Absence of Burdensome Effect. The Regulatory Approvals shall not impose or require any undertakings, terms, conditions, liabilities, obligations, commitments or sanctions, or any structural or remedial actions (including any Remedial Actions), that constitute a Burdensome Condition.

Section 6.3 Conditions to Obligations of the Company. The obligation of the Company to effect the Closing is further subject to the satisfaction (or waiver, if permissible under applicable Law) on or prior to the Closing Date of the following conditions:

(a) Representations and Warranties. The representations and warranties of Parent and Merger Sub set forth in this Agreement shall be true and correct (without giving effect to any limitation as to “materiality” or “Parent Material Adverse Effect” set forth therein) as of the Effective Time with the same effect as though made on and as of the Effective Time (except to the extent that such representation and warranty expressly speaks as of an earlier date, in which case such representation and warranty shall be true and correct as of such earlier date), except where the failure to be true and correct has not had and would not reasonably be expected to have a Parent Material Adverse Effect.

(b) Performance of Covenants and Agreements of Parent and Merger Sub. Parent and Merger Sub shall have performed in all material respects all covenants and agreements required to be performed by them under this Agreement at or prior to the Closing Date.

(c) Officer’s Certificate. The Company shall have received a certificate signed on behalf of Parent by an executive officer of Parent certifying the satisfaction by Parent and Merger Sub of the conditions set forth in Section 6.3(a) and Section 6.3(b).

Section 6.4 Frustration of Closing Conditions. None of the Company, Parent or Merger Sub may rely on the failure of any condition set forth in Section 6.1, Section 6.2 or Section 6.3, as the case may be, to be satisfied if such failure was caused by such party’s failure to use its reasonable best efforts to consummate the Merger and the other Transactions or

due to the failure of such party to perform any of its other obligations under this Agreement.

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ARTICLE VII TERMINATION

Section 7.1 Termination. This Agreement may be terminated and the Transactions abandoned at any time prior to the Effective Time:

- (a) by the mutual written consent of the Company and Parent; or
- (b) by either of the Company or Parent:

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(i) if the Merger shall not have been consummated on or before October 31, 2016 (the "End Date"); provided that if, prior to the End Date, all of the conditions to the Closing set forth in Article VI have been satisfied or waived, as applicable, or shall then be capable of being satisfied (except for any condition set forth in Section 6.1(b), Section 6.1(c) or Section 6.2(e)), either the Company or Parent may, prior to 5:00 p.m. Charlotte, North Carolina time on the End Date, extend the End Date to a date that is not later than six (6) months after the End Date (and if so extended, such later date shall then, for all purposes under this Agreement, be the "End Date"); provided, further, that neither the Company nor Parent may terminate this Agreement or extend the End Date pursuant to this Section 7.1(b)(i) if it (or, in the case of Parent, Merger Sub) is in breach of any of its covenants or agreements and such breach has primarily caused or resulted in either (1) the failure to satisfy the conditions to its obligations to consummate the Closing set forth in Article VI prior to the End Date or (2) the failure of the Closing to have occurred prior to the End Date;

(ii) if any Law having the effect set forth in Section 6.1(c) shall not have been reversed, stayed, enjoined, set aside, annulled or suspended and shall be in full force and effect and, in the case of any ruling, decree, judgment, injunction or order of any Governmental Authority (each, a "Restraint"), shall have become final and non-appealable; provided, however, that the right to terminate this Agreement under this Section 7.1(b)(ii) shall not be available to a party if the issuance of such final, non-appealable Restraint was primarily due to the failure of such party to perform any of its obligations under this Agreement, including under Section 5.4:

(iii) the Company Shareholder Approval is not obtained at the Company Shareholders Meeting duly convened (unless such Company Shareholders Meeting has been adjourned, in which case at the final adjournment thereof); or

- (c) by Parent:

(i) if the Company shall have breached or failed to perform any of its representations, warranties, covenants or agreements set forth in this Agreement, which breach or failure to perform (A) would give rise to the failure of a condition set forth in Section 6.2(a) or Section 6.2(b), respectively, and (B) cannot be cured by the Company by the End Date or, if capable of being cured, shall not have been cured within thirty (30) calendar days following receipt of written notice from the Parent stating the Parent's intention to terminate this Agreement pursuant to this Section 7.1(c)(i) and the basis for such termination; provided that Parent shall not have the right to terminate this Agreement pursuant to this Section 7.1(c)(i) if it or Merger Sub is then in material breach of any of its representations, warranties, covenants or other agreements hereunder; or

(ii) if the Company Board (or a duly authorized committee thereof) shall have effected a Company Adverse Recommendation Change; provided, however, that Parent shall not have the right to terminate this Agreement under this Section 7.1(c)(ii) if the Company Shareholder Approval shall have been obtained; or

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(d) by the Company:

(i) if Parent or Merger Sub shall have breached or failed to perform any of its representations, warranties, covenants or agreements set forth in this Agreement, which breach or failure to perform (A) would give rise to the failure of a condition set forth in Section 6.3(a) or Section 6.3(b), respectively, and (B) cannot be cured by Parent or Merger Sub by the End Date or, if capable of being cured, shall not have been cured within thirty (30) calendar days following receipt of written notice from the Company stating the Company's intention to terminate this Agreement pursuant to this Section 7.1(d)(i) and the basis for such termination; provided that, Company shall not have the right to terminate this Agreement pursuant to this Section 7.1(d)(i) if it is then in material breach of any of its representations, warranties, covenants or other agreements hereunder; or

(ii) prior to the receipt of the Company Shareholder Approval, if the Company Board shall have effected a Company Adverse Recommendation Change with respect to a Superior Proposal in accordance with Section 5.3 and shall have approved, and concurrently with the termination hereunder, the Company shall have entered into, a Company Acquisition Agreement providing for the implementation of such Superior Proposal; provided that such termination pursuant to this Section 7.1(d)(ii) shall not be effective and the Company shall not enter into any such Company Acquisition Agreement, unless the Company has paid the Company Termination Fee to Parent or causes the Company Termination Fee to be paid to Parent substantially concurrently with such termination in accordance with Section 7.3; provided that Parent shall have provided wiring instructions for such payment or, if not, then such payment shall be paid promptly following delivery of such instructions).

Section 7.2 Effect of Termination. In the event of the termination of this Agreement as provided in Section 7.1, written notice thereof shall be given to the other party or parties, specifying the provision hereof pursuant to which such termination is made, and this Agreement shall forthwith become null and void and have no further force or effect (other than Section 5.6(b), Section 7.2 and Section 7.3, and Article VIII, all of which shall survive termination of this Agreement), and there shall be no liability on the part of Parent, Merger Sub or the Company or their respective directors, officers, other Representatives or Affiliates, whether arising before or after such termination, based on, arising out of or relating to this Agreement or the negotiation, execution, performance or subject matter hereof (whether in contract or in tort or otherwise, or whether at law (including at common law or by statute) or in equity); provided, however, that, subject to Section 7.3 (including the limitations on liability contained therein), no party shall be relieved or released from any liabilities or damages arising out of any willful and material breach of this Agreement prior to such termination that gave rise to the failure of a condition set forth in Article VI. The Confidentiality Agreement shall survive in accordance with its terms following termination of this Agreement. Without limiting the meaning of a willful and material breach, the parties acknowledge and agree that any failure by a party hereto to consummate the Merger and the other transactions contemplated hereby after the applicable conditions to the Closing set forth in Article VI have been satisfied or waived (except for those conditions that by their nature are to be satisfied at the Closing, which conditions would be capable of being satisfied at the time of such failure to consummate the Merger) shall constitute a willful and material breach of this Agreement.

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Section 7.3 Company Termination Fee; Parent Termination Fee.

(a) In the event that this Agreement is terminated by the Company pursuant to Section 7.1(d)(ii), the Company shall pay or cause to be paid as directed by Parent the Company Termination Fee substantially concurrently with the termination of this Agreement.

(b) In the event that this Agreement is terminated by Parent pursuant to Section 7.1(c)(ii), the Company shall pay or cause to be paid as directed by Parent the Company Termination Fee within two (2) Business Days of such termination.

(c) In the event that (i) this Agreement is terminated (A) by Parent or the Company pursuant to Section 7.1(b)(i) or Section 7.1(b)(iii) or (B) by Parent pursuant to Section 7.1(c)(i) (solely with respect to a breach or failure

to perform a covenant), (ii) a Takeover Proposal shall have been publicly disclosed or made to the Company after the date hereof (x) in the case of termination pursuant to Section 7.1(b)(i) or Section 7.1(c)(i), prior to the date of such termination, or (y) in the case of termination pursuant to Section 7.1(b)(iii), prior to the date of the Company Shareholder Meeting, and (iii) within twelve (12) months of the date this Agreement is terminated, the Company enters into a Company Acquisition Agreement which is subsequently consummated or consummates a Takeover Proposal (provided that for purposes of clause (iii) of this Section 7.3(c), the references to "15%" in the definition of Takeover Proposal shall be deemed to be references to "50%"), then the Company shall pay or cause to be paid as directed by Parent the Company Termination Fee on the date of consummation of such transaction.

(d) For purposes of this Agreement, "Company Termination Fee" shall mean an amount equal to \$125,000,000 in cash.

(e) Parent shall pay to the Company a fee of \$250,000,000 in cash (the "Parent Termination Fee") if each of the following clauses (i), (ii) and (iii) of this Section 7.3(e) is true:

(i) this Agreement is terminated by Parent or the Company:

(A) pursuant to Section 7.1(b)(i) and, at the time of such termination, any of the conditions set forth in Section 6.1(b) or Section 6.1(c) (in the case of Section 6.1(c), if and only if the applicable Restraint giving rise to termination arises in connection with the Regulatory Approvals), shall have not been satisfied; or

(B) pursuant to Section 7.1(b)(ii), (if, and only if, the applicable Restraint giving rise to such termination arises in connection with the Regulatory Approvals); or

(ii) this Agreement is terminated by the Company pursuant to Section 7.1(d)(i) because of a failure by Parent or Merger Sub to comply with its obligations under Section 5.4; and

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(iii) at the time of such termination, the conditions to the Closing set forth in Section 6.1(a) and Section 6.2 (other than Section 6.2(c) and Section 6.2(e)) shall have been satisfied or waived (except for any such conditions that have not been satisfied as a result of a breach by Parent or Merger Sub of its respective obligations under this Agreement).

Parent shall pay the Parent Termination Fee to the Company (to an account designated in writing by the Company) no later than three (3) Business Days after the date of the applicable termination.

(f) Notwithstanding the foregoing, in no event shall the Company be required to pay the Company Termination Fee on more than one occasion. Notwithstanding anything to the contrary in this Agreement, the parties agree that if this Agreement is terminated under circumstances in which the Company is obligated to pay the Company Termination Fee under this Section 7.3 and the Company Termination Fee is paid, the payment of the Company Termination Fee shall be the sole and exclusive remedy available to Parent and Merger Sub with respect to this Agreement and the Transactions, and, upon payment of the Company Termination Fee pursuant to this Section 7.3, the Company (and the Company's Affiliates and its and their respective directors, officers, employees, shareholders and other Representatives) shall have no further liability with respect to this Agreement or the Transactions to Parent, Merger Sub or any of their respective Affiliates or Representatives; provided, that regardless of whether the Company pays or is obligated to pay the Company Termination Fee, nothing in this Section 7.3(f) shall release the Company from liability for a willful and material breach of this Agreement. In no event shall Parent be required to pay the Parent Termination Fee on more than one occasion. Notwithstanding anything to the contrary in this Agreement, the parties agree that if this Agreement is terminated under circumstances in which Parent is obligated to pay the Parent Termination Fee under this Section 7.3 and the Parent Termination Fee is paid, the payment of the Parent Termination Fee shall be the sole and exclusive remedy available to the Company with respect to this Agreement and the Transactions, and, upon payment of the Parent Termination Fee pursuant to this Section 7.3, Parent, Merger Sub and the Persons providing the Financing (the "Financing Parties") (and Parent's, Merger Sub's and the Financing Parties' Affiliates and their respective directors, officers, employees, shareholders and other

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Representatives) shall have no further liability with respect to this Agreement or the Transactions to the Company or any of their respective Affiliates or Representatives; provided, that regardless of whether Parent pays or is obligated to pay the Parent Termination Fee, nothing in this Section 7.3(f) shall release Parent from liability for a willful and material breach of this Agreement.

(g) Any amount that becomes payable pursuant to Section 7.3 shall be paid by wire transfer of immediately available funds to an account designated by Parent or the Company, as applicable, and shall be reduced by any amounts required to be deducted or withheld therefrom under applicable Law in respect of Taxes.

ARTICLE VIII MISCELLANEOUS

Section 8.1 No Survival of Representations and Warranties. None of the representations and warranties in this Agreement or in any instrument delivered pursuant to this Agreement shall survive the Effective Time and all rights, claims and causes of action (whether

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in contract or in tort or otherwise, or whether at Law (including at common law or by statute) or in equity) with respect thereto shall terminate at, the Effective Time. This Section 8.1 shall not limit any covenant or agreement of the parties that by its terms contemplates performance in whole or in part after the Effective Time. The Confidentiality Agreement shall (a) survive termination of this Agreement in accordance with its terms and (b) terminate as of the Effective Time.

Section 8.2 Fees and Expenses. Except as otherwise provided in Section 5.8 and Section 7.3, whether or not the Transactions are consummated, all fees and expenses incurred in connection with the Transactions and this Agreement shall be paid by the party incurring or required to incur such fees or expenses.

Section 8.3 Amendment or Supplement. At any time prior to the Effective Time, this Agreement may be amended or supplemented in any and all respects, whether before or after receipt of the Company Shareholder Approval, by written agreement of the parties hereto and delivered by duly authorized officers of the respective parties; provided, however, that (a) following receipt of the Company Shareholder Approval, there shall be no amendment or change to the provisions hereof which by Law would require further approval by the shareholders of the Company without such approval and (b) after the Effective Time, this Agreement may not be amended or supplemented in any respect.

Section 8.4 Waiver. At any time prior to the Effective Time, any party may, subject to applicable Law, (a) waive any inaccuracies in the representations and warranties of any other party hereto, (b) extend the time for the performance of any of the obligations or acts of any other party hereto or (c) waive compliance by the other party with any of the agreements contained herein or, except as otherwise provided herein, waive any of such party's conditions. Notwithstanding the foregoing, no failure or delay by the Company, Parent or Merger Sub in exercising any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right hereunder. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party.

Section 8.5 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned, in whole or in part, by operation of Law or otherwise, by any of the parties without the prior written consent of the other parties. Subject to the preceding sentence, this Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the parties hereto and their respective successors and permitted assigns. Any purported assignment not permitted under this Section shall be null and void.

Section 8.6 Counterparts. This Agreement may be executed in counterparts (each of which shall be deemed to be an original but all of which taken together shall constitute one and the same agreement) and shall become effective when one or more counterparts have been signed by each of the parties and delivered (by electronic communication, facsimile or otherwise) to the other parties.

Section 8.7 Entire Agreement; Third-Party Beneficiaries. This Agreement, including the Company

instruments referred to herein, including the Confidentiality Agreement (a) constitute the entire agreement, and supersede all other prior agreements and understandings, both written and oral, among the parties, or any of them, with respect to the subject matter hereof and thereof and (b) except for (i) the rights of the Company's shareholders and holders of Company RSUs and Company Performance Share Awards to receive the Merger Consideration and payments pursuant to Article II, respectively, after the Effective Time, (ii) the right of the Company, on behalf of its shareholders, to pursue damages in the event of Parent or Merger Sub's willful and material breach of this Agreement, in which event the damages recoverable by the Company for itself and on behalf of its shareholders (without duplication) shall be determined by reference to the total amount that would have been recoverable by the holders of the Company Common Stock (including, "lost premium" and time value of money) if all such holders brought an action against Parent and Merger Sub and were recognized as intended third party beneficiaries hereunder, which right is hereby acknowledged and agreed by Parent and Merger Sub, and (iii) the provisions of Section 5.8, is not intended to and shall not confer upon any Person other than the parties hereto any rights or remedies hereunder. Each of Parent, Merger Sub, and the Company hereby acknowledges and agrees that, except for the representations and warranties contained in this Agreement (as modified by the Company Disclosure Schedule, in the case of the representations and warranties of the Company), none of them, or any of their respective Affiliates or Representatives, or any other Person acting on behalf of any of them, makes, and none of them or any of their respective Representatives relies on or has been induced by any other representations, warranties, information (including estimates, projections, forecasts and other forward-looking information, business plans and cost-related plan information) or inducements, and each of the parties to this Agreement, on behalf of itself, its Affiliates, and its and their respective Representatives, hereby disclaims any other representations, warranties or inducements, express or implied, as to the accuracy or completeness of any information, made by, or made available by, itself, any of its Affiliates or any of its or their respective Representatives, with respect to, or in connection with, the negotiation, execution or delivery of this Agreement or the Transactions contemplated hereby, notwithstanding the delivery or disclosure to the other or the other's Representatives of any documentation or other information with respect to any one or more of the foregoing.

Section 8.8 Governing Law: Jurisdiction.

(a) This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, without giving effect to any choice or conflict of laws provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of the Laws of any jurisdiction other than the State of Delaware, except that matters related to the fiduciary obligations of the Company Board shall be governed by the laws of the State of North Carolina.

(b) Each of the parties (i) irrevocably submits itself to the personal jurisdiction of each state or federal court sitting in the State of Delaware, as well as to the jurisdiction of all courts to which an appeal may be taken from such courts, in any suit, action or proceeding arising out of or relating to this Agreement or any of the transactions contemplated herein, (ii) agrees that every such suit, action or proceeding shall be brought, heard and determined exclusively in the Court of Chancery of the State of Delaware (provided that, in the event subject matter jurisdiction is unavailable in or declined by the Court of Chancery, then all

such claims shall be brought, heard and determined exclusively in any other state or federal court sitting in the State of Delaware), (iii) agrees that it shall not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from such court, (iv) agrees not to bring any suit, action or proceeding arising out of or relating to this Agreement or any of the transactions contemplated herein in any other court, and (v) waives any defense of inconvenient forum to the maintenance of any suit, action or proceeding so brought.

(c) Each party irrevocably consents to the service of process outside the territorial jurisdiction of the

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courts referred to in this Section 8.8 in any such action or proceeding by mailing copies thereof by registered or certified United States mail, postage prepaid, return receipt requested, to its address as specified in or pursuant to this Article VIII. However, the foregoing shall not limit the right of a party to effect service of process on the other party by any other legally available method.

Section 8.9 Specific Enforcement

(a) The parties agree that immediate, extensive and irreparable damage would occur for which monetary damages would not be an adequate remedy in the event that any of the provisions of this Agreement are not performed in accordance with their specific terms or are otherwise breached. Accordingly, the parties agree that, if for any reason Parent, Merger Sub or the Company shall have failed to perform its obligations under this Agreement or otherwise breached this Agreement, then the party seeking to enforce this Agreement against such nonperforming party under this Agreement shall be entitled to specific performance and the issuance of immediate injunctive and other equitable relief without the necessity of proving the inadequacy of money damages as a remedy, and the parties further agree to waive any requirement for the securing or posting of any bond in connection with the obtaining of any such injunctive or other equitable relief, this being in addition to and not in limitation of any other remedy to which they are entitled at Law or in equity. If any party hereto brings any Claim to enforce specifically the performance of the terms and provisions of this Agreement when expressly available to such party pursuant to the terms of this Agreement, then, notwithstanding anything to the contrary herein, the End Date shall automatically be extended by the period of time between the commencement of such Claim and ten (10) Business Days following the date on which such Claim is fully and finally resolved.

Section 8.10 WAIVER OF JURY TRIAL. Each party hereto hereby waives, to the fullest extent permitted by applicable Law, any right it may have to a trial by jury in respect of any suit, action or other proceeding arising out of this Agreement or the Transactions. Each Party (a) certifies that no representative, agent or attorney of any other party has represented, expressly or otherwise, that such party would not, in the event of any action, suit or proceeding, seek to enforce the foregoing waiver and (b) acknowledges that it and the other Parties have been induced to enter into this Agreement by, among other things, the mutual waiver and certifications in this Section 8.10.

Section 8.11 Notices. All notices, requests and other communications to any party hereunder shall be in writing and shall be deemed given if delivered personally, facsimiled (which is confirmed) or sent by overnight courier (providing proof of delivery) to the parties at the following addresses:

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If to Parent or Merger Sub, to:

Duke Energy Corporation
550 South Tryon Street, DEC-45A
Charlotte, North Carolina 28202
Attention: Greer Mendelow, Deputy General Counsel
Facsimile: (980) 373-9962

with a copy (which shall not constitute notice) to:

Sidley Austin LLP
One South Dearborn
Chicago, Illinois 60603
Attention: Thomas A. Cole
Imad I. Qasim
Facsimile: (312) 853-7036

If to the Company, to:

Piedmont Natural Gas Company, Inc.
4720 Piedmont Row Drive

Charlotte, North Carolina 28210
 Attention: Thomas E. Skains, Jane R. Lewis-Raymond
 Facsimile: (704) 731-4099

with a copy (which shall not constitute notice) to:

Kirkland & Ellis LLP
 655 Fifteenth Street, N.W., Suite 1200
 Washington, D.C. 20005
 Attention: George P. Stamas
 Facsimile: (202) 879-5200

or such other address or facsimile number as such party may hereafter specify by like notice to the other parties hereto. All such notices, requests and other communications shall be deemed received on the date of receipt by the recipient thereof if received prior to 5 p.m. in the place of receipt and such day is a Business Day in the place of receipt. Otherwise, any such notice, request or communication shall be deemed not to have been received until the next succeeding Business Day in the place of receipt.

Section 8.12 Severability. If any term or other provision of this Agreement is determined by a court of competent jurisdiction to be invalid, illegal or incapable of being enforced by any rule of law or public policy, all other terms, provisions and conditions of this Agreement shall nevertheless remain in full force and effect. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible to the fullest extent permitted by applicable law in an acceptable manner to the end that the Transactions are fulfilled to the extent possible.

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Section 8.13 Definitions. As used in this Agreement, the following terms shall have the meanings ascribed to them below:

"Acceptable Confidentiality Agreement" shall mean a confidentiality agreement (which need not prohibit the making of a Takeover Proposal) that contains provisions that are not materially less favorable in the aggregate to the Company than those contained in the Confidentiality Agreement.

"Advisory Board" shall have the meaning set forth in Section 1.7.

"Affiliate" shall mean, as to any Person, any other Person that, directly or indirectly, controls, or is controlled by, or is under common control with, such Person. For this purpose, "control" (including, with its correlative meanings, "controlled by" and "under common control with") shall mean the possession, directly or indirectly, of the power to direct or cause the direction of management or policies of a Person, whether through the ownership of securities or partnership or other ownership interests, by contract or otherwise.

"Agreement" shall have the meaning set forth in the Preamble.

"Annual Incentive Plans" shall mean the Company's Short-Term Incentive Plan and the Company's Mission, Values and Performance Plan.

"Antitrust Laws" shall have the meaning set forth in Section 5.4(a).

"Applicable Retired Company Employee" shall mean an individual who was employed by the Company or any of its Subsidiaries (i) at any time during the performance period under the Company Stock Plan, Annual Incentive Plans, and any other applicable bonus plan during which the Effective Time occurs, or (ii) at any time during the performance period under the Company Stock Plan, Annual Incentive Plans, and any other applicable bonus plan that was completed prior to the Effective Time, but with respect to which Company Performance Share Awards have not been settled or bonuses have not

been paid, as applicable, as of the Effective Time, but who in each case is no longer employed by the Company or any of its Subsidiaries as of the Effective Time due to such individual's retirement in accordance with Company policy.

"Articles of Merger" shall have the meaning set forth in Section 1.3.

"Balance Sheet Date" shall have the meaning set forth in Section 3.5(d).

"Bankruptcy and Equity Exception" shall have the meaning set forth in Section 3.3(a).

"Book-Entry Shares" shall have the meaning set forth in Section 2.1(c).

"Burdensome Condition" shall have the meaning set forth in Section 5.4(g).

"Business Day" shall mean a day except a Saturday, a Sunday or other day on which the SEC or banks in the cities of Charlotte, North Carolina or New York, New York are authorized or required by Law to be closed.

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"Certificate" shall have the meaning set forth in Section 2.1(c).

"Claim" shall have the meaning set forth in Section 5.8(a).

"Clayton Act" shall mean the Clayton Act of 1914.

"Closing" shall have the meaning set forth in Section 1.2.

"Closing Date" shall have the meaning set forth in Section 1.2.

"Code" shall have the meaning set forth in Section 2.2(g).

"Company" shall have the meaning set forth in the Preamble.

"Company Adverse Recommendation Change" shall have the meaning set forth in Section 5.3(c).

"Company Acquisition Agreement" shall have the meaning set forth in Section 5.3(c).

"Company Board" shall have the meaning set forth in the recitals.

"Company Board Recommendation" shall have the meaning set forth in Section 3.3(a).

"Company Charter Documents" shall have the meaning set forth in Section 1.5.

"Company Common Stock" shall have the meaning set forth in Section 2.1.

"Company Disclosure Schedule" shall have the meaning set forth in the Article III Preamble.

"Company Employee" shall have the meaning set forth in Section 5.11(a).

"Company ESPP" shall mean the Company Employee Stock Purchase Plan, amended and restated as of April 1, 2009, as amended from time to time.

"Company Financial Advisor" shall have the meaning set forth in Section 3.18.

"Company Intervening Event" shall have the meaning set forth in Section 5.3(h).

“Company Joint Venture” shall mean any Joint Venture of the Company.

“Company Material Adverse Effect” shall mean any circumstance, change, event, development, occurrence or effect that (a) has, individually or in the aggregate, a material adverse effect on the business, properties, assets, results of operations or financial condition of the Company and its Subsidiaries taken as a whole; provided that no circumstance, change, event, development, occurrence or effect, directly or indirectly, arising out of, resulting from or relating to the following, individually or in the aggregate, shall constitute or be taken into account in determining whether a Company Material Adverse Effect has occurred: (i) any condition, change, event, occurrence or effect in any of the industries or markets in which the

Company or its Subsidiaries operates, including natural gas distribution or transmission industries (including, in each case, any changes in the operations thereof or with respect to system-wide changes or developments in natural gas transmission or distribution systems); (ii) any enactment of, change in, or change in interpretation of, any Law or GAAP or governmental policy; (iii) general economic, regulatory or political conditions (or changes therein) or conditions (or changes therein) in the financial, credit or securities markets (including changes in interest or currency exchange rates) in any country or region in which the Company or any of its Subsidiaries conducts business; (iv) any change in the price of natural gas or any other raw material, mineral or commodity used or sold by the Company or any of its Subsidiaries or in the cost of hedges relating to such prices, any change in the price of interstate natural gas transportation services or any change in customer usage patterns or customer selection of third-party suppliers for natural gas; (v) any acts of God, natural disasters, terrorism, armed hostilities, sabotage, war or any escalation or worsening of acts of terrorism, armed hostilities or war; (vi) the announcement, pendency of or performance of the Transactions, including by reason of the identity of Parent or any communication by Parent regarding the plans or intentions of Parent with respect to the conduct of the business of the Company or any of its Subsidiaries and including the impact of any of the foregoing on any relationships, contractual or otherwise, with customers, suppliers, distributors, collaboration partners, joint venture partners, employees or regulators; (vii) any action taken by the Company or any of its Subsidiaries that is required or expressly permitted by the terms of this Agreement or with the consent or at the direction of Parent or Merger Sub; (viii) any change in the market price, or change in trading volume, of the capital stock of the Company (it being understood that the facts or occurrences giving rise or contributing to such change shall be taken into account in determining whether there has been a Company Material Adverse Effect); (ix) any failure by the Company or its Subsidiaries to meet internal, analysts’ or other earnings estimates or financial projections or forecasts for any period, or any changes in credit ratings and any changes in any analysts recommendations or ratings with respect to the Company or any of its Subsidiaries (it being understood that the underlying facts or occurrences giving rise to such failure shall be taken into account in determining whether there has been a Company Material Adverse Effect if not otherwise falling within any of the exceptions set forth in clauses (a)(i) through (a)(viii) or (a)(x) through (a)(xi) of this proviso); (x) any fact, circumstance, effect, change, event or development that results from any shutdown or suspension of operations at any third-party facilities from which the Company or any of its Subsidiaries obtains natural gas (excluding the Company Joint Ventures); (xi) any pending, initiated or threatened Transaction Litigation, in each case to the extent, in each of clauses (i) through (v), that such change, event, occurrence or effect does not affect the Company and its Subsidiaries, taken as a whole, in a materially disproportionate manner relative to other similarly situated participants in the business and industries in which the Company and its Subsidiaries operate; or (b) would, individually or in the aggregate, reasonably be expected to prevent or materially impede, interfere with or delay the consummation by the Company of the Transactions.

“Company Material Contract” shall have the meaning set forth in Section 3.15(a).

“Company Pension Plan” shall have the meaning set forth in Section 3.10.

“Company Performance Share Awards” means all performance share awards payable in shares of Company Common Stock subject to performance-based vesting or delivery requirements, whether granted under a Company Stock Plan or otherwise.

“Company Permits” shall have the meaning set forth in Section 3.8.

“Company Plans” shall mean (a) each “employee benefit plan” (as such term is defined in Section 3(3) of ERISA) that the Company or any of its Subsidiaries sponsors, participates in, is a party or contributes to, or with respect to which the Company or any of its Subsidiaries could reasonably be expected to have any material liability and (b) each other employee benefit plan, program or arrangement, including without limitation, any stock option, stock purchase, stock appreciation right or other stock or stock-based incentive plan, cash bonus or incentive compensation arrangement, retirement or deferred compensation plan, profit sharing plan, unemployment or severance compensation plan, that the Company or any of its Subsidiaries sponsors, participates in, is a party or contributes to, or with respect to which the Company or any of its Subsidiaries could reasonably be expected to have any material liability.

“Company Preferred Stock” shall have the meaning set forth in Section 3.2.

“Company Retired Employees” shall have the meaning set forth in Section 5.11(b).

“Company Risk Management Guidelines” shall have the meaning set forth in Section 5.1(a)(xviii).

“Company RSUs” means any share unit payable in shares of Company Common Stock or whose value is determined with reference to the value of shares of Company Common Stock, whether granted under a Company Stock Plan or otherwise.

“Company SEC Documents” shall have the meaning set forth in Section 3.5(a).

“Company Stock Plan” shall mean the Company’s Incentive Compensation Plan.

“Company Shareholder Approval” shall have the meaning set forth in Section 3.19.

“Company Shareholders Meeting” shall have the meaning set forth in Section 5.2(b).

“Company Termination Fee” shall have the meaning set forth in Section 7.3(d).

“Company’s Retiree Health Plan” shall have the meaning set forth in Section 5.11(b).

“Confidentiality Agreement” shall have the meaning set forth in Section 5.6(a).

“Continuation Period” shall have the meaning set forth in Section 5.11(a).

“Contract” means any loan or credit agreement, debenture, note, bond, mortgage, indenture, deed of trust, lease, license, contract or other agreement.

“Effective Time” shall have the meaning set forth in Section 1.3.

“Eligible Retirees” shall have the meaning set forth in Section 5.11(b).

“Encumbrances” shall mean any mortgage, deed of trust, lease, license, restriction, hypothecation, option to purchase or lease or otherwise acquire any interest, right of first refusal or offer, conditional sales or other title retention agreement, adverse claim of ownership or use, easement, encroachment, right of way or other title defect, or encumbrance of any kind or nature.

“End Date” shall have the meaning set forth in Section 7.1(b)(i).

“Environmental Laws” means all Laws relating to workplace safety or health, safety in respect of the transportation,

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storage and delivery of hazardous liquids and natural gas, and pollution or protection of the environment and natural resources, including without limitation, Laws (including common law) relating to the exposure to, or Releases or threatened Releases of, natural gas, asbestos and any hazardous or toxic materials, substances or wastes, as the foregoing are enacted or in effect on or prior to Closing.

“Equity Award Conversion Ratio” means the quotient of (i) the Merger Consideration divided by (ii) the average of the volume weighted averages of the trading prices of Parent Shares on the NYSE, on each of the five (5) consecutive trading days ending on (and including) the trading day that is two (2) trading days prior to the Closing Date.

“Equity Securities” shall have the meaning set forth in Section 3.2.

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

“ERISA Affiliate” means each corporation or trade or business that would be treated as a single employer with the Company pursuant to Section 4001(b)(1) of ERISA.

“Exchange Act” shall have the meaning set forth in Section 3.4.

“Existing Indebtedness” means the Indebtedness evidenced by the Existing Loan Documents.

“Existing Loan Consent” shall have the meaning set forth in Section 5.14(d).

“Existing Loan Documents” means the Contracts (and all amendments thereto) to which the Company or any of its Subsidiaries is a party or by which it is bound or to which any of their respective assets are subject (other than any of the foregoing solely between the Company and any of its wholly owned Subsidiaries or solely between any of the Company’s wholly owned Subsidiaries) that evidences Indebtedness for borrowed money in excess of \$5,000,000 of the Company or any of its Subsidiaries, whether unsecured or secured.

“Existing Loan Lenders” shall have the meaning set forth in Section 5.14(d).

“Existing Loan Notice” shall have the meaning set forth in Section 5.14(d).

“Federal Trade Commission Act” shall mean the Federal Trade Commission Act of 1914.

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“Financing” shall have the meaning set forth in Section 5.14(a).

“Financing Parties” shall have the meaning set forth in Section 7.3(f).

“GAAP” shall mean generally accepted accounting principles in the United States.

“Governmental Authority” shall mean any federal, state or local, domestic, foreign or multinational government, court, regulatory or administrative agency, commission, authority or other governmental instrumentality.

“Hazardous Materials” means any materials or substances or wastes which are limited, controlled or otherwise regulated under, or as to which liability or standards of conduct may be imposed under any Environmental Law.

“HSR Act” shall mean the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

“Indebtedness” shall mean, with respect to any Person, without duplication, (a) all obligations of such Person for borrowed money (other than intercompany indebtedness), (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person evidenced by letters of credit, bankers’ acceptances or similar facilities to the extent drawn upon by the counterparty thereto, (d) all capitalized lease obligations of such Person and (e) all guarantees or other assumptions of liability for any of the foregoing.

"Indemnitee(s)" shall have the meaning set forth in Section 5.8(a).

"Intellectual Property" shall mean all intellectual property and industrial property rights of any kind or nature to the extent recognized in any and all jurisdictions throughout the world, including all (a) patents all related continuations, continuations-in-part, divisionals, reissues, reexaminations, substitutions, and extensions thereof, and pending applications for any of the foregoing, (b) registered and unregistered trademarks, trade names, service marks, logos, corporate names, internet domain names, and any applications for registration of any of the foregoing, together with all goodwill associated with each of the foregoing, (c) registered and unregistered copyrights and works of authorship, including copyrights in computer software, mask works and databases, and any applications for registration of any of the foregoing, and (d) trade secrets and other proprietary rights in know-how, customer lists, databases, technical information, invention disclosures, research and development, computer software, data, formulas, algorithms, methods, systems, processes and technology.

"IRS" means the U.S. Internal Revenue Service.

"Joint Venture" of a Person shall mean any Person that is not a Subsidiary of such first Person, in which such first Person owns directly or indirectly an equity interest.

"Knowledge" shall mean, (a) in the case of the Company, the actual knowledge, as of the date of this Agreement, of the individuals listed on Section 8.13 of the Company Disclosure Schedule and (b) in the case of Parent and Merger Sub, the actual knowledge, as of the date of this Agreement, of Patricia C. Smith and Julia S. Janson.

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"Laws" shall have the meaning set forth in Section 3.8.

"Liens" shall mean any pledges, liens, charges, Encumbrances, options to purchase or lease or otherwise acquire any interest, and security interests of any kind or nature whatsoever.

"LTIP Target Amount" shall have the meaning set forth in Section 5.11(a).

"Merger" shall have the meaning set forth in the recitals.

"Merger Consideration" shall have the meaning set forth in Section 2.1(c).

"Merger Sub" shall have the meaning set forth in the Preamble.

"NCBCA" shall have the meaning set forth in the recitals.

"NCUC" shall have the meaning set forth in Section 3.5(e).

"New Plans" shall have the meaning set forth in Section 5.11(b).

"Notice of Recommendation Change" shall have the meaning set forth in Section 5.3(d).

"NYSE" shall mean the New York Stock Exchange.

"Old Plans" shall have the meaning set forth in Section 5.11(b).

"Parent" shall have the meaning set forth in the Preamble.

"Parent Board" shall mean the board of directors of Parent.

"Parent Material Adverse Effect" shall mean any change, event, occurrence or effect that, individually or in the aggregate, has had or would reasonably be expected to have a material and adverse effect on the ability of Parent or Merger

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Sub to consummate, or that would reasonably be expected to prevent or materially impede, interfere with or delay the consummation by Parent or Merger Sub of the Transactions.

“Parent RSU Award” shall have the meaning set forth in Section 2.3(c).

“Parent RSU Award Recipient” shall have the meaning set forth in Section 2.3(c).

“Parent RSU Award Vesting Date” shall have the meaning set forth in Section 2.3(c).

“Parent Shares” means shares of Parent common stock, par value \$0.001 per share.

“Parent Termination Fee” shall have the meaning set forth in Section 7.3(c).

“Paying Agent” shall have the meaning set forth in Section 2.2(a).

“Payroll Deduction Period” shall have the meaning set forth in Section 2.4.

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“Permitted Encumbrances” shall mean (a) zoning, building codes and other state and federal land use Laws regulating the use or occupancy of such real property or the activities conducted thereon which are imposed by any Governmental Authority having jurisdiction over such real property and (b) easements, rights-of-way, encroachments, restrictions, covenants, conditions and other similar Encumbrances that (i) are disclosed in the public records, (ii) would be set forth in a title policy, title report or survey with respect to the applicable real property or (iii) individually or in the aggregate, (A) are not substantial in character, amount or extent in relation to the applicable real property and (B) do not materially and adversely impact the Company’s current or contemplated use, utility or value of the applicable real property or otherwise materially and adversely impair the Company’s present or contemplated business operations at such location.

“Permitted Liens” shall mean (a) statutory Liens for Taxes, assessments or other charges by Governmental Authorities not yet due and payable or the amount or validity of which is being contested in good faith and by appropriate proceedings, (b) mechanics’, materialmen’s, carriers’, workmen’s, warehouseman’s, repairmen’s, landlords’ and similar Liens granted or which arise in the ordinary course of business, (c) Liens reflected in the Company SEC Documents, (d) Permitted Encumbrances, (e) Liens permitted under or pursuant to any Contracts relating to Indebtedness and (f) such other Liens that would not have a Company Material Adverse Effect.

“Person” means an individual, corporation, limited liability company, partnership, association, trust, unincorporated organization, other entity or group (as defined in the Exchange Act), including a Governmental Authority.

“Proxy Statement” shall have the meaning set forth in Section 3.4.

“Regulatory Filings” shall have the meaning set forth in Section 3.5(e).

“Release” means any release, spill, emission, discharge, leaking, pumping, injection, deposit, disposal, dispersal, leaching or migration into the indoor or outdoor environment (including, without limitation, ambient air, surface water, groundwater and surface or subsurface strata) or into or out of any property, including the migration of released Hazardous Materials through or in the soil, surface water or groundwater.

“Regulatory Approvals” shall have the meaning set forth in Section 6.1(b).

“Remedial Action” shall have the meaning set forth in Section 5.4(d).

“Representatives” means, with respect to any Person, the professional (including financial) advisors, attorneys, accountants, consultants or other representatives (acting in such capacity) retained by such Person or any of its controlled Affiliates, together with directors, officers, employees, agents and representatives of such Person and its Subsidiaries.

“Required Statutory Approvals” shall have the meaning set forth in Section 3.4.

“Restraint” shall have the meaning set forth in Section 7.1(b)(ii).

“Sarbanes-Oxley Act” shall have the meaning set forth in Section 3.5(a).

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“SEC” means the U.S. Securities and Exchange Commission.

“Securities Act” shall have the meaning set forth in Section 3.1(b).

“Sherman Act” means the Sherman Antitrust Act of 1890.

“Significant Subsidiary” shall have the meaning set forth in Section 3.1(b).

“Subsidiary” when used with respect to any party, shall mean any corporation, limited liability company, partnership, association, trust or other entity of which securities or other ownership interests representing more than 50% of the equity and more than 50% of the ordinary voting power (or, in the case of a limited partnership, more than 50% of the general partnership interests) are, as of such date, owned by such party or one or more Subsidiaries of such party or by such party and one or more Subsidiaries of such party. For the avoidance of doubt, the Company Joint Ventures are not Subsidiaries of the Company.

“Superior Proposal” shall have the meaning set forth in Section 5.3(g).

“Surviving Corporation” shall have the meaning set forth in Section 1.1.

“Systems” shall have the meaning set forth in Section 3.11.

“Takeover Statute” shall have the meaning set forth in Section 3.13.

“Takeover Proposal” shall have the meaning set forth in Section 5.3(f).

“Tax Returns” shall have the meaning set forth in Section 3.9(j).

“Taxes” shall have the meaning set forth in Section 3.9(j).

“Transaction Litigation” shall have the meaning set forth in Section 5.9.

“Transactions” refers collectively to this Agreement and the transactions contemplated hereby, including the Merger.

“WARN” shall have the meaning set forth in Section 3.16.

Section 8.14 Interpretation.

(a) Time Periods. When calculating the period of time before which, within which or following which any act is to be done or step taken pursuant to this Agreement, (i) the date that is the reference date in calculating such period shall be excluded and (ii) if the last day of such period is a not a Business Day, the period in question shall end on the next succeeding Business Day.

(b) Dollars. Unless otherwise specifically indicated, any reference herein to \$ means U.S. dollars.

(c) Gender and Number. Any reference herein to gender shall include all genders, and words imparting the singular number only shall include the plural and vice versa.

(d) Articles, Sections and Headings. When a reference is made herein to an Article or a Section, such reference shall be to an Article or a Section of this Agreement unless otherwise indicated. The table of contents and headings contained herein are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

(e) Include. Whenever the words "include", "includes" or "including" are used herein, they shall be deemed to be followed by the words "without limitation."

(f) Hereof, Defined Terms. The words "hereof," "hereto," "hereby," "herein" and "hereunder" and words of similar import when used herein shall refer to this Agreement as a whole and not to any particular provision of this Agreement. All terms defined in this Agreement shall have the defined meanings when used in any document made or delivered pursuant hereto unless otherwise defined therein.

(g) Contracts; Laws. Any Contract or Law defined or referred to herein means such Contract or Law as from time to time amended, modified or supplemented, unless otherwise specifically indicated.

(h) Persons. References to a Person are also to its successors and permitted assigns.

(i) Exhibits and Disclosure Schedules. The Exhibits to this Agreement and the Company Disclosure Schedules are hereby incorporated and made a part hereof. The Company may include in the Company Disclosure Schedule items that are not material in order to avoid any misunderstanding, and such inclusion, or any references to dollar amounts herein or in the Company Disclosure Schedule, shall not be deemed to be an acknowledgement or representation that such items are material, to establish any standard of materiality or to define further the meaning of such terms for purposes of this Agreement or otherwise. Any capitalized term used in any Exhibit or any Company Disclosure Schedule but not otherwise defined therein shall have the meaning given to such term herein.

(j) Construction. Each of the parties hereto have participated jointly in the negotiation and drafting of this Agreement and, in the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as jointly drafted by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provision of this Agreement.

[Signature page follows]

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

PIEDMONT NATURAL GAS COMPANY, INC.

By: /s/ Thomas E. Skains

Name: Thomas E. Skains

Title: Chairman of the Board, President and Chief
Executive Officer

FOREST SUBSIDIARY, INC.

Exhibit A

By: /s/ Julia S. Janson
Name: Julia S. Janson
Title: President

DUKE ENERGY CORPORATION

By: /s/ Lynn J. Good
Name: Lynn J. Good
Title: President, CEO and Vice Chair

[Signature Page to Agreement and Plan of Merger]

EXHIBIT B

Simplified Post-Close Corporate Structure

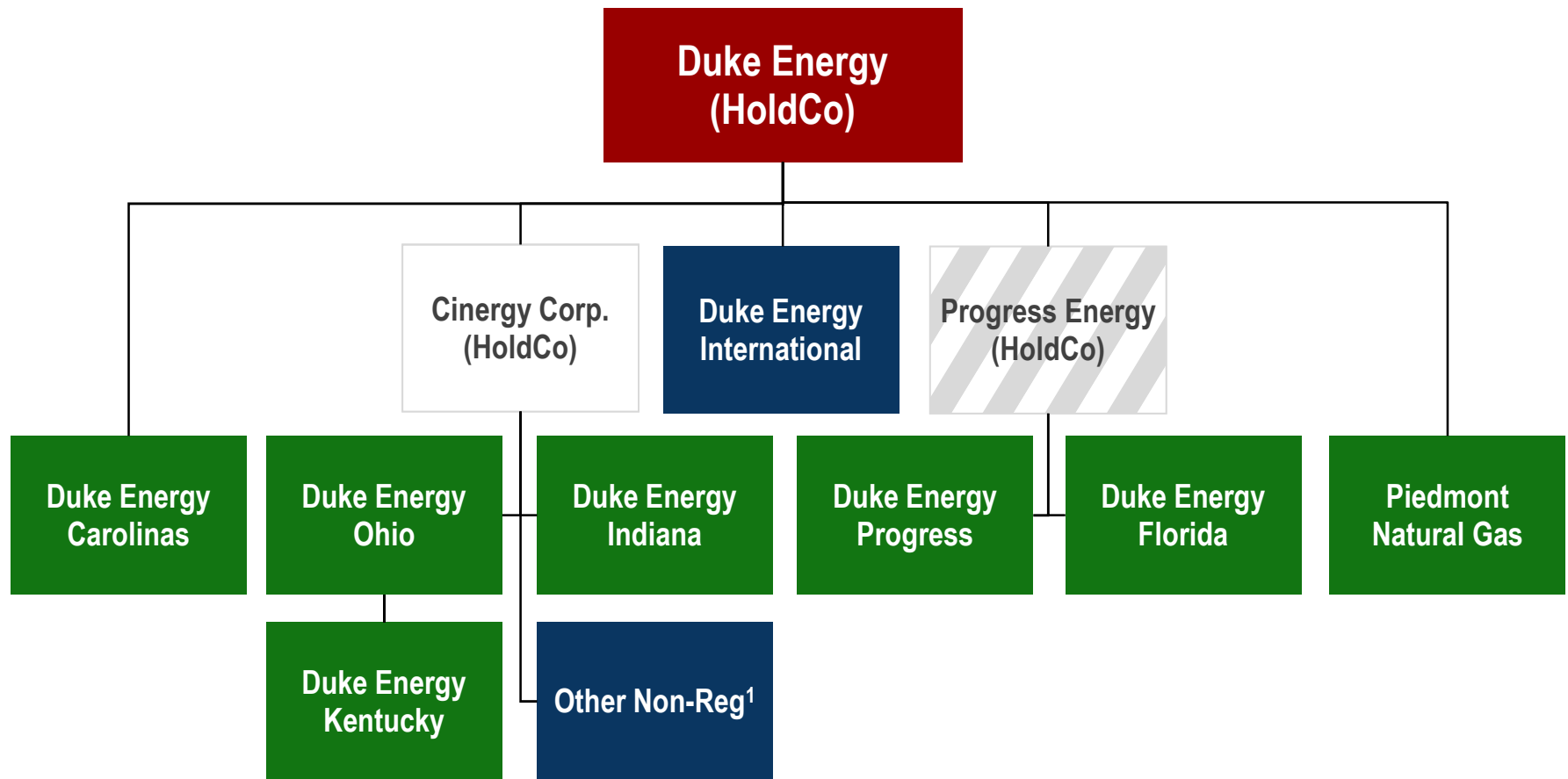


EXHIBIT C

Lynn J. Good

Chairman, President and Chief Executive Officer



Lynn Good is chairman, president and chief executive officer of Duke Energy, America's largest electric power company. Under her leadership, Duke Energy has intensified its focus on serving its customers and communities well today while leading the way to a safe, secure and responsible energy future.

Before becoming CEO in 2013, she served as Duke Energy's chief financial officer, and earlier led the company's commercial energy businesses during its initial development of renewable energy projects. She began her utility career in 2003 with Cincinnati-based Cinergy, which merged with Duke Energy three years later. Prior to 2003, she was a partner at two international accounting firms, including a long career with Arthur Anderson.

In 2014 and 2015, Fortune magazine listed Good as 13th among the "Most Powerful Women in Business." And, in 2013, she was named as one of the 10 most influential people in the energy sector by SNL Energy.

Under Good's leadership, Duke Energy is embracing new technologies and forward-thinking strategies that strengthen the company's environmental stewardship. In addition to developing industry-leading solutions for managing coal ash, Duke Energy has increased its investment in solar and wind facilities to \$4 billion, and the company has become a top-10 U.S. wind power producer. In 2014, 35 percent of the company's delivered energy was produced from carbon-free sources. Duke Energy was named as one of the "Global 100 Most Sustainable Corporations" by Corporate Knights, while Newsweek listed it as one of "America's Greenest Companies."

2014 was the 88th consecutive year Duke Energy has paid a quarterly cash dividend on its common stock. That same year, Duke Energy was listed as one of the "50 Best Companies to Work for in America" by Business Insider and DailyWorth named it as one of the "25 Best Companies for Women."

Good is a member of the Boeing board of directors and serves on its audit and finance committees. She is also a board member of the Institute of Nuclear Power Operations, serves on the executive committee of the Edison Electric Institute's board, and is part of the executive committee of the Nuclear Energy Institute. She is a member of the Business Council and the Business Roundtable. She also serves on the boards of the Bechtler Museum of Modern Art and the Foundation for the Carolinas in Charlotte. Good holds Bachelor of Science degrees in systems analysis and accounting from Miami University in Oxford, Ohio. She and her husband, Brian, live in Charlotte, N.C.

Duke Energy, the largest electric power company in the United States, supplies and delivers electricity to approximately 7 million customers in the Southeast and Midwest. The company also distributes natural gas in Ohio and Kentucky. Its commercial power and international businesses operate diverse power generation assets in North America and Latin America, including a growing renewable energy portfolio. Headquartered in Charlotte, N.C., Duke Energy is a Fortune 250 company traded on the New York Stock Exchange under the symbol DUK.

Steven K. Young

Executive Vice President and Chief Financial Officer



Steve Young is executive vice president and chief financial officer for Duke Energy. He leads the financial function, which includes the controller's office, treasury, tax, risk management and insurance, as well as corporate strategy and development. These duties include accounting, cash management and overseeing risk control policies.

Young joined Duke Power in 1980 as a financial assistant. After a series of promotions within the controller's department, he was named manager of bulk power agreements in system planning and operating in 1991, and manager of the rate department in 1993. In April 1998, Young was appointed vice president of rates and regulatory affairs, with responsibility for Duke Power's regulatory strategies and policies in rate, financial and accounting matters. He was also accountable for the company's interaction with the utility commissions of North Carolina and South Carolina, and the Federal Energy Regulatory Commission. He was named senior vice president and chief financial officer for Duke Power in February 2003, group vice president and chief financial officer in March 2004, and vice president and controller in June 2005.

In December 2006, Young was named senior vice president and controller for Duke Energy. In addition to maintaining that role at the close of the merger between Duke Energy and Progress Energy in July 2012, he also became the company's chief accounting officer. He was named executive vice president and chief financial officer of Duke Energy in August 2013.

A native of Denver, Colo., Young earned a Bachelor of Arts degree in business administration from the University of North Carolina at Chapel Hill. He also completed the Advanced Management Program at the Wharton School of Business.

Young is a certified public accountant and a certified managerial accountant in North Carolina. He is a member of the American Institute of Certified Public Accountants, Institute of Managerial Accountants and National Association of Accountants. He is also a member of the Edison Electric Institute Accounting Executive Advisory Committee and the Southeastern Electric Exchange Accounting and Finance Section.

Young was born in 1958. He and his wife, Lilly, have a daughter and a son.

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Julie S. Janson

Executive Vice President, Chief Legal Officer and Corporate Secretary



Julie Janson is executive vice president, chief legal officer and corporate secretary for Duke Energy. She is the primary legal advisor to Duke Energy's senior management and leads the Office of the General Counsel, which includes the company's legal and corporate governance functions.

Previously, Janson served as president of Duke Energy's utility operations in Ohio and Kentucky, serving approximately 1 million gas and electric customers in southwest Ohio and approximately 230,000 customers in six northern Kentucky counties. Having led the Ohio/Kentucky utility operations since 2008, Janson assumed her current position in December 2012.

Prior to that, she served as senior vice president of ethics and compliance, and corporate secretary for Duke Energy, a position she held since 2006. Before that, she served as corporate secretary and chief compliance officer for Cinergy Corp. She was appointed chief compliance officer in 2004 and corporate secretary in 2000.

From 1998 to 2004, Janson served as senior counsel, providing advice on general corporate, corporate governance and securities-related matters. From 1996 to 1998, Janson served as counsel for Cinergy, providing research, advice and support for divestitures, mergers and acquisitions, and several internal clients including investor relations, shareholder services, corporate communications and government and regulatory affairs. She also served as corporate counsel to the international business unit. She was manager of investor relations for Cinergy from 1995 to 1996.

Prior to joining Cinergy, Janson was corporate attorney for The Cincinnati Gas & Electric Company (CG&E), playing a role in the merger of CG&E and PSI Energy, which formed Cinergy Corp. Before joining CG&E, she served as a law clerk with Adams, Brooking, Stepler, Wolterman & Dusing in Covington, Ky.

She earned a Juris Doctor degree from the University of Cincinnati College of Law. She also holds a Bachelor of Arts degree in American Studies from Georgetown College in Georgetown, Ky.

Janson is a member of the bar associations of Ohio and Kentucky, with legal experience that spans nearly 30 years. She is a member of the DirectWomen Board Institute Class of 2011, a program designed to identify and promote accomplished female lawyers to serve on corporate boards of public companies.

Janson is active in a number of community and professional activities. She is a member of the Edison Electric Institute (EEI) Legal Committee and a director of the North Carolina Chamber Legal Institute. She is also a member of the Cincinnati Women's Executive Forum and the Commercial Club of Cincinnati, and serves as a trustee for the Duke Energy Foundation.

Janson chaired the Cincinnati Business Committee and co-chaired the Economic Development Task Force. She chaired the board of directors and the executive committee of the Cincinnati USA Regional Chamber. She was also a member of the board of directors and executive committee of the Ohio Business Roundtable, the Kentucky Chamber of Commerce and a member of the Vision 2015 CEO Roundtable in Northern Kentucky.

Janson served on the Climate Protection Steering Committee, appointed by the Cincinnati City Council, and was a board member of the Cincinnati Center City Development Corporation (3CDC), the University of Cincinnati Foundation and Cintrifuse. She served as vice chair of the 2012 World Choir Games and chaired the city of Cincinnati's 2010 Fine Arts Fund Campaign. She has also served on the boards of directors of Northern Kentucky Tri-County Economic Development Corporation (Tri-ED), Vision 2015 Regional Stewardship Council, United Way of Greater Cincinnati and Lighthouse Youth Services.

Janson and her husband, Chip, have two daughters.

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Lloyd M. Yates

Executive Vice President – Market Solutions & President – Carolinas Region



Lloyd Yates serves as executive vice president of market solutions and president of Duke Energy's Carolinas Region. He is responsible for aligning customer-focused products and services to deliver a personalized end-to-end customer experience that positions Duke Energy for long-term growth. In addition, he has responsibility for the profit/loss, strategic direction and performance of the company's regulated utilities in North Carolina and South Carolina.

Yates has more than 30 years of experience in the energy industry, including the areas of nuclear generation, fossil generation and energy delivery. He previously served as executive vice president of regulated utilities for Duke Energy, where he had responsibility for the company's utility operations in six states. He also had responsibility for federal government affairs, as well as environmental and energy policy at the state and federal levels. As executive vice president of customer operations for Duke Energy, he led the transmission, distribution, customer services, gas operations and grid modernization functions to approximately 7.2 million electric customers and 500,000 gas customers.

Prior to the Duke Energy/Progress Energy merger in July 2012, Yates served as president and chief executive officer for Progress Energy Carolinas. He was promoted to that position in July 2007, after serving for more than two years as senior vice president of energy delivery for Progress Energy Carolinas. Prior to that, he served as vice president of transmission for Progress Energy Carolinas. Yates joined Progress Energy predecessor, Carolina Power & Light, in 1998, and served for five years as vice president of fossil generation. Before joining Progress Energy, he worked for PECO Energy for 16 years in several line operations and management positions.

Yates earned a bachelor's degree in mechanical engineering from the University of Pittsburgh and a master's degree in business administration from St. Joseph's University in Philadelphia. He attended the Advanced Management Program at the University of Pennsylvania Wharton School and the Executive Management Program at the Harvard Business School.

Yates serves on several community, state and industry boards. In 2014, he was elected president and chairman of the Association of Edison Illuminating Companies. He is also a director for Marsh & McLennan Companies Inc., a global professional services firm. Yates and his wife, Monica, have two daughters.

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Dhiaa M. Jamil

Executive Vice President and President – Regulated Generation and Transmission



As executive vice president and president of regulated generation and transmission, Dhiaa Jamil is responsible for all power generation in the regulated utilities, including nuclear, fossil and hydro generation; coal ash management; environmental, health and safety; and fuels and system optimization. In addition, he has responsibility for companywide project management and construction, and new plant development. He is also

responsible for electric transmission for all of Duke Energy's regulated utilities.

Jamil has 34 years of experience in the energy industry. Previously, he served as executive vice president and president of Duke Energy Nuclear. In that role, he had overall responsibility for the safe and efficient operation of the largest regulated nuclear generation fleet in the U.S.

Jamil joined Duke Power in 1981 as a design engineer in the design engineering department. After a series of promotions, he was named electrical systems engineering supervisor of Oconee Nuclear Station in 1989 and electrical systems engineering manager in 1994. He was named maintenance manager of McGuire Nuclear Station in 1997, station manager in 1999 and site vice president of McGuire in 2002. In 2003, he was named site vice president of Catawba Nuclear Station. In 2006, Jamil was named senior vice president of nuclear support. He led the organization responsible for plant support, major projects and fuel management for Duke Energy's nuclear fleet. In addition, he was responsible for regulatory support, nuclear oversight and safety analysis functions. He was named chief nuclear officer in 2008 and chief generation officer in 2009. Following the Duke Energy/Progress Energy merger in July 2012, he was named executive vice president and chief nuclear officer before assuming the role of executive vice president and president of Duke Energy Nuclear in March 2013.

Jamil received a Bachelor of Science degree in electrical engineering from the University of North Carolina at Charlotte. He has completed the Harvard Business School Advanced Management Program and Duke Energy's technical nuclear certification program. He is also a registered professional engineer in North Carolina and South Carolina.

Jamil currently serves on the board of directors for Nuclear Electric Insurance Limited (NEIL) and is a member of the National Nuclear Training Accrediting Board. He is a former member of the Institute of Nuclear Power Operations' Executive Advisory Group and the Nuclear Energy Institute's Nuclear Strategic Issues Advisory Committee Steering Group. He was also a member of the Dominion Energy Management Safety Review Advisory Committee, TVA Nuclear Safety Review Board and Pacific Gas & Electric Nuclear Safety Oversight Committee.

Jamil is currently a trustee at the University of North Carolina at Charlotte and serves as chair of the Energy Production and Infrastructure Center at UNC Charlotte. He also serves as a trustee of The Duke Energy Foundation.

Jamil and his wife, Hope, have a daughter and two sons.

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Douglas F Esamann

Executive Vice President and President – Midwest and Florida Regions



Doug Esamann serves as executive vice president and president of Duke Energy's Midwest and Florida regions. He has responsibility for the profit/loss, strategic direction and performance of the company's regulated utilities in Indiana, Ohio, Kentucky and Florida, including the natural gas distribution business in the Midwest. He assumed his current position in June 2015.

Previously, Esamann served as president of Duke Energy's Indiana operations, the state's largest electric utility, serving approximately 810,000 customers in 69 of the state's 92 counties. He was responsible for the company's regulatory, governmental relations, economic development and community affairs work in Indiana. Esamann served as president of Duke Energy Indiana since November 2010.

Prior to that, Esamann was senior vice president of corporate strategy for Duke Energy, a position he held since July 2009. In that role, he led the company's strategy development and business planning efforts, including load forecasting and market fundamentals. He has also served as senior vice president of strategy and planning, with additional responsibilities for integrated resource planning, environmental compliance planning, transactional support, customer market analytics, load research and renewable energy compliance.

Immediately following the merger between Duke Energy and Cinergy in April 2006, Esamann served as group vice president of strategy and planning for Duke Energy's U.S. Franchised Electric and Gas organization.

Prior to the merger, he served as senior vice president of energy portfolio strategy and management for Cinergy's commercial business unit. He was responsible for fuel management, environmental risk management, generation dispatch, power purchases and sales, portfolio analytics, load forecasting, generation asset planning, demand-side management planning and environmental compliance planning.

Esamann began his employment with Public Service Indiana (predecessor of PSI Energy) in 1979. In the course of his PSI/Cinergy career, he held a variety of leadership roles, including tax manager for PSI Energy until 1994, general manager of finance and business development for Cinergy's commercial business unit until 1999, vice president and chief financial officer of the commercial business unit until 2001, and president of PSI Energy until 2004.

Active in the community, Esamann currently serves on the boards of directors of the Indy Chamber and the Indiana Chamber of Commerce. He is a board member of the United Way of Central Indiana, Special Olympics Indiana and the Central Indiana Corporate Partnership. He also serves on the advisory boards of the University of Missouri Financial Research Institute and the Richard G. Lugar Center for Renewable Energy.

A native of Plainfield, Ind., Esamann earned a Bachelor of Science degree in accounting from Indiana University. He and his wife, Kimberly, have two daughters, a son and three granddaughters.

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Franklin H. Yoho
Senior Vice President and Chief Commercial Officer

Mr. Yoho joined Piedmont Natural Gas in 2002 and is responsible for Sales and Marketing, Transportation Services, Supply Planning, Gas Supply, Wholesale Marketing, Field Customer Service and Customer Service.

Prior to joining Piedmont, Mr. Yoho was Vice President, Business Development for CT Communications, and Senior Vice President - Marketing and Gas Supply for the former Public Service Company of North Carolina (PSNC), now a division of SCANA Corporation.

Mr. Yoho received his MBA from Ohio State University and a Bachelor's degree in Economics from Washington and Jefferson College. Mr. Yoho serves as board chair of The Southern Gas Association. He also serves on the Advisory Board of the Energy Production and Infrastructure Center (EPIC) at UNC Charlotte. He has served as First Vice President of the Southeastern Gas Association and was formerly on the Board of Trustees of the Institute of Gas Technology.



Karl W. Newlin
Senior Vice President and Chief Financial Officer

Mr. Newlin joined Piedmont Natural Gas in 2010 to manage Piedmont's strategic planning functions, new business development activities and joint venture investments. In November 2011, Mr. Newlin was appointed to the position of chief financial officer, assuming responsibility for Piedmont's accounting, controller, finance, treasurer, investor relations, risk insurance, credit policy, risk management and state regulatory affairs areas.

Mr. Newlin previously served as Managing Director, Investment Banking with Merrill Lynch & Co. in its New York and Los Angeles offices. He has extensive experience in the energy industry leading teams in corporate financings and business transactions for natural gas distribution and midstream companies, electric utilities, independent power producers and clean energy companies. He serves on the Board of Trustees of the Mint Museum and is a former board chair of the Arts & Science Council.

Mr. Newlin is a Chartered Financial Analyst (CFA), and he earned his Bachelor of Business Administration degree from Southern Methodist University and his MBA from UCLA Anderson School of Management.



Victor M. Gaglio

Senior Vice President and Chief Utility Operations Officer

Mr. Gaglio joined Piedmont Natural Gas in 2012 and is responsible for Distribution and Utility Operations. He also oversees Engineering Services, which includes Construction, Operations Support & Services, Codes and Standards, Measurement, System Design and Modeling, Pipeline Integrity, GIS, Gas Control/SCADA and Enterprise Quality Management.

Mr. Gaglio has more than 30 years of experience in the natural gas industry in a variety of positions with Columbia Gas Transmission and NiSource Gas Transmission and Storage. Prior to joining Piedmont, Mr. Gaglio served as Senior Vice President of Operations for NiSource Gas Transmission and Storage, where he was responsible for Field Operations and Maintenance, Storage, Land Services, and Health, Safety and Environmental programs.

Mr. Gaglio received a Bachelor of Science degree in Engineering Science and Mechanics from Virginia Polytechnic Institute and State University. He has attended executive development programs at the University of Virginia's Darden School of Business, University of Pennsylvania's Wharton School of Business and the University of Michigan's Ross School of Business.



Jane R. Lewis-Raymond

Senior Vice President and Chief Legal, Compliance and External Relations Officer

Mrs. Lewis-Raymond joined Piedmont Natural Gas in 2006 and is responsible for the Company's Legal Affairs, Legislative and Community Affairs, Piedmont Natural Gas Foundation, Sustainability and Carbon Management, Company Security and Facilities Management, Corporate Secretary and Corporate Compliance, Safety and Security matters.

Prior to joining Piedmont, Mrs. Lewis-Raymond was Vice President - Regulatory Affairs for the American Gas Association (AGA) in Washington, D.C.

Mrs. Lewis-Raymond received her Bachelor's degree and her law degree from the University of Maryland. She serves on the Teach for America Charlotte Board, the Keystone Energy Board and the Charlotte Chamber of Commerce Board of Directors. She is a member of the Energy Bar Association as well as other professional organizations.

EXHIBIT D

**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, 2015
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

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 (formerly DUKE ENERGY FLORIDA, INC.) (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 (formerly DUKE ENERGY PROGRESS, INC.) (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, INC. (an Indiana corporation) 1000 East Main Street Plainfield, Indiana 46168 704-382-3853 35-0594457

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

Duke Energy Corporation (Duke Energy)	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Duke Energy Florida, LLC (Duke Energy Florida)	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Duke Energy Carolinas, LLC (Duke Energy Carolinas)	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Duke Energy Ohio, Inc. (Duke Energy Ohio)	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Progress Energy, Inc. (Progress Energy)	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Duke Energy Indiana, Inc. (Duke Energy Indiana)	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Duke Energy Progress, LLC (Duke Energy Progress)	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>		

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 <input checked="" type="checkbox"/>	No <input type="checkbox"/>	Duke Energy Florida	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Duke Energy Carolinas	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	Duke Energy Ohio	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Progress Energy	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	Duke Energy Indiana	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Duke Energy Progress	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>			

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

Duke Energy	Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting 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"/>
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"/>
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"/>
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"/>
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"/>
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"/>

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

Duke Energy	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	Duke Energy Florida	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Duke Energy Carolinas	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	Duke Energy Ohio	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Progress Energy	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>	Duke Energy Indiana	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Duke Energy Progress	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>			

Number of shares of Common stock outstanding at November 3, 2015:

Registrant	Description	Shares
Duke Energy	Common stock, \$0.001 par value	688,334,378
Duke Energy Carolinas	All of the registrant's limited liability company member interests are directly owned by Duke Energy.	
Progress Energy	All of the registrant's common stock is directly owned by Duke Energy.	
Duke Energy Progress	All of the registrant's limited liability company member interests are indirectly owned by Duke Energy.	
Duke Energy Florida	All of the registrant's limited liability company member interests are indirectly owned by Duke Energy.	
Duke Energy Ohio	All of the registrant's common stock is indirectly owned by Duke Energy.	
Duke Energy Indiana	All of the registrant's common stock is indirectly owned by Duke Energy.	

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

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

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This document includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are based on management's beliefs and assumptions. These forward-looking statements are identified by terms and phrases such as "anticipate," "believe," "intend," "estimate," "expect," "continue," "should," "could," "may," "plan," "project," "predict," "will," "potential," "forecast," "target," "guidance," "outlook," and similar expressions. Forward-looking statements involve risks and uncertainties that may cause actual results to be materially different from the results predicted. Factors that could cause actual results to differ materially from those indicated in any forward-looking statement include, but are not limited to:

- State, federal and foreign legislative and regulatory initiatives, including costs of compliance with existing and future environmental requirements or climate change, as well as rulings that affect cost and investment recovery or have an impact on rate structures or market prices;
- The extent and timing of the costs and liabilities relating to the Dan River ash basin release and compliance with current regulations and any future regulatory changes related to the management of coal ash;
- The ability to recover eligible costs, including those associated with future significant weather events, and earn an adequate return on investment through the regulatory process;
- The costs of decommissioning Crystal River Unit 3 could prove to be more extensive than amounts estimated and all costs may not be fully recoverable through the regulatory process;
- Credit ratings of the Duke Energy Registrants may be different from what is expected;
- Costs and effects of legal and administrative proceedings, settlements, investigations and claims;
- Industrial, commercial and residential growth or decline in service territories or customer bases resulting from customer usage patterns, including energy efficiency efforts and use of alternative energy sources, including self-generation and distributed generation technologies;
- Additional competition in electric markets and continued industry consolidation;
- Political and regulatory uncertainty in other countries in which Duke Energy conducts business;
- The influence of weather and other natural phenomena on operations, including the economic, operational and other effects of severe storms, hurricanes, droughts and tornadoes;
- The ability to successfully operate electric generating facilities and deliver electricity to customers;
- The impact on facilities and business from a terrorist attack, cybersecurity threats, data security breaches and other catastrophic events;
- The inherent risks associated with the operation and potential construction of nuclear facilities, including environmental, health, safety, regulatory and financial risks;
- The timing and extent of changes in commodity prices, interest rates and foreign currency exchange rates and the ability to recover such costs through the regulatory process, where appropriate, and their impact on liquidity positions and the value of underlying assets;
- The results of financing efforts, including the ability to obtain financing on favorable terms, which can be affected by various factors, including credit ratings and general economic conditions;
- Declines in the market prices of equity and fixed income securities and resultant cash funding requirements for defined benefit pension plans, other post-retirement benefit plans and nuclear decommissioning trust funds;
- Construction and development risks associated with the completion of Duke Energy Registrants' capital investment projects in existing and new generation facilities, including risks related to financing, obtaining and complying with terms of permits, meeting construction budgets and schedules, and satisfying operating and environmental performance standards, as well as the ability to recover costs from customers in a timely manner or at all;
- Changes in rules for regional transmission organizations, including changes in rate designs and new and evolving capacity markets, and risks related to obligations created by the default of other participants;
- The ability to control operation and maintenance costs;
- The level of creditworthiness of counterparties to transactions;
- Employee workforce factors, including the potential inability to attract and retain key personnel;
- The ability of subsidiaries to pay dividends or distributions to Duke Energy Corporation holding company (the Parent);
- The performance of projects undertaken by our nonregulated businesses and the success of efforts to invest in and develop new opportunities;
- The effect of accounting pronouncements issued periodically by accounting standard-setting bodies;
- The impact of potential goodwill impairments;
- The ability to reinvest prospective undistributed earnings of foreign subsidiaries or repatriate such earnings on a tax-efficient basis;

- The expected timing and likelihood of completion of the proposed acquisition of Piedmont Natural Gas Company, Inc. (Piedmont), including the timing, receipt and terms and conditions of any required governmental and regulatory approvals of the proposed acquisition that could reduce anticipated benefits or cause the parties to abandon the acquisition, as well as the ability to successfully integrate the businesses and realize anticipated benefits and the risk that the credit ratings of the combined company or its subsidiaries may be different from what the companies expect; and
- The ability to successfully complete future merger, acquisition or divestiture plans.

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; the Duke Energy Registrants undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise that occur after that date.

ITEM 1. FINANCIAL STATEMENTS
DUKE ENERGY CORPORATION
Condensed Consolidated Statements of Operations
(Unaudited)

(in millions, except per-share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Operating Revenues				
Regulated electric	\$ 6,017	\$ 5,861	\$ 16,564	\$ 16,549
Nonregulated electric and other	377	449	1,157	1,403
Regulated natural gas	89	85	416	414
Total operating revenues	6,483	6,395	18,137	18,366
Operating Expenses				
Fuel used in electric generation and purchased power – regulated	2,113	2,132	5,775	5,940
Fuel used in electric generation and purchased power – nonregulated	61	148	283	410
Cost of natural gas and other	21	27	158	181
Operation, maintenance and other	1,426	1,409	4,274	4,254
Depreciation and amortization	774	788	2,341	2,305
Property and other taxes	293	275	836	936
Impairment charges	111	1	111	81
Total operating expenses	4,799	4,780	13,778	14,107
Gains on Sales of Other Assets and Other, net	4	4	31	11
Operating Income	1,688	1,619	4,390	4,270
Other Income and Expenses				
Equity in earnings of unconsolidated affiliates	17	28	53	97
Other income and expenses, net	57	109	203	293
Total other income and expenses	74	137	256	390
Interest Expense	402	405	1,208	1,212
Income From Continuing Operations Before Income Taxes	1,360	1,351	3,438	3,448
Income Tax Expense from Continuing Operations	420	460	1,118	1,081
Income From Continuing Operations	940	891	2,320	2,367
(Loss) Income From Discontinued Operations, net of tax	(5)	378	29	(578)
Net Income	935	1,269	2,349	1,789
Less: Net Income (Loss) Attributable to Noncontrolling Interests	3	(5)	10	3
Net Income Attributable to Duke Energy Corporation	\$ 932	\$ 1,274	\$ 2,339	\$ 1,786
Earnings Per Share – Basic and Diluted				
Income from continuing operations attributable to Duke Energy Corporation common stockholders				
Basic	\$ 1.36	\$ 1.25	\$ 3.31	\$ 3.33
Diluted	\$ 1.36	\$ 1.25	\$ 3.31	\$ 3.33
(Loss) Income from discontinued operations attributable to Duke Energy Corporation common stockholders				
Basic	\$ (0.01)	\$ 0.55	\$ 0.05	\$ (0.81)
Diluted	\$ (0.01)	\$ 0.55	\$ 0.05	\$ (0.81)
Net income attributable to Duke Energy Corporation common stockholders				
Basic	\$ 1.35	\$ 1.80	\$ 3.36	\$ 2.52
Diluted	\$ 1.35	\$ 1.80	\$ 3.36	\$ 2.52
Weighted-average shares outstanding				
Basic	688	707	696	707
Diluted	688	707	696	707

See Notes to Condensed Consolidated Financial Statements

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

(in millions)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Net Income	\$ 935	\$ 1,269	\$ 2,349	\$ 1,789
Other Comprehensive Loss, net of tax				
Foreign currency translation adjustments	(122)	(102)	(238)	(50)
Pension and OPEB adjustments	(3)	1	(1)	1
Net unrealized (losses) gains on cash flow hedges	(9)	2	(7)	(10)
Reclassification into earnings from cash flow hedges	1	2	6	5
Unrealized (losses) gains on available-for-sale securities	(2)	—	(5)	2
Other Comprehensive Loss, net of tax	(135)	(97)	(245)	(52)
Comprehensive Income	800	1,172	2,104	1,737
Less: Comprehensive (Loss) Income Attributable to Noncontrolling Interests	(2)	(1)	—	8
Comprehensive Income Attributable to Duke Energy Corporation	\$ 802	\$ 1,173	\$ 2,104	\$ 1,729

DUKE ENERGY CORPORATION
Condensed Consolidated Balance Sheets
(Unaudited)

(in millions)	September 30, 2015	December 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,370	\$ 2,036
Receivables (net of allowance for doubtful accounts of \$17 at September 30, 2015 and December 31, 2014)	722	791
Restricted receivables of variable interest entities (net of allowance for doubtful accounts of \$54 at September 30, 2015 and \$51 at December 31, 2014)	2,037	1,973
Inventory	3,537	3,459
Assets held for sale	—	364
Regulatory assets	963	1,115
Other	1,566	1,837
Total current assets	10,195	11,575
Investments and Other Assets		
Investments in equity method unconsolidated affiliates	501	358
Nuclear decommissioning trust funds	5,566	5,546
Goodwill	16,312	16,321
Assets held for sale	—	2,642
Other	3,205	3,008
Total investments and other assets	25,584	27,875
Property, Plant and Equipment		
Cost	110,795	104,861
Accumulated depreciation and amortization	(37,479)	(34,824)
Generation facilities to be retired, net	460	9
Net property, plant and equipment	73,776	70,046
Regulatory Assets and Deferred Debits		
Regulatory assets	11,290	11,042
Other	188	171
Total regulatory assets and deferred debits	11,478	11,213
Total Assets	\$ 121,033	\$ 120,709
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 2,078	\$ 2,271
Notes payable and commercial paper	2,419	2,514
Taxes accrued	628	569
Interest accrued	483	418
Current maturities of long-term debt	2,536	2,807
Liabilities associated with assets held for sale	—	262
Regulatory liabilities	320	204
Other	2,052	2,188
Total current liabilities	10,516	11,233
Long-Term Debt		
	37,667	37,213
Deferred Credits and Other Liabilities		
Deferred income taxes	13,999	13,423
Investment tax credits	416	427
Accrued pension and other post-retirement benefit costs	1,130	1,145
Liabilities associated with assets held for sale	—	35
Asset retirement obligations	9,713	8,466
Regulatory liabilities	6,129	6,193
Other	1,595	1,675
Total deferred credits and other liabilities	32,982	31,364
Commitments and Contingencies		
Equity		
Common stock, \$0.001 par value, 2 billion shares authorized; 688 million and 707 million shares outstanding at September 30, 2015 and December 31, 2014, respectively	1	1
Additional paid-in capital	37,953	39,405
Retained earnings	2,656	2,012
Accumulated other comprehensive loss	(778)	(543)
Total Duke Energy Corporation stockholders' equity	39,832	40,875
Noncontrolling interests	36	24
Total equity	39,868	40,899
Total Liabilities and Equity	\$ 121,033	\$ 120,709

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

(in millions)	Nine Months Ended September 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 2,349	\$ 1,789
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion (including amortization of nuclear fuel)	2,680	2,641
Equity component of AFUDC	(123)	(99)
Gains on sales of other assets	(44)	(27)
Impairment charges	145	848
Deferred income taxes	1,104	562
Equity in earnings of unconsolidated affiliates	(53)	(97)
Accrued pension and other post-retirement benefit costs	53	81
Contributions to qualified pension plans	(143)	—
Payments for asset retirement obligations	(208)	(52)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	(23)	128
Receivables	67	(24)
Inventory	(13)	(17)
Other current assets	(119)	(315)
Increase (decrease) in		
Accounts payable	(182)	(303)
Taxes accrued	41	37
Other current liabilities	79	(99)
Other assets	(143)	(100)
Other liabilities	(71)	214
Net cash provided by operating activities	5,396	5,167
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(4,642)	(3,755)
Investment expenditures	(209)	(65)
Acquisitions	(1,317)	(16)
Purchases of available-for-sale securities	(3,017)	(2,424)
Proceeds from sales and maturities of available-for-sale securities	3,037	2,445
Net proceeds from the sale of Midwest generation business and sales of equity investments and other assets	2,916	172
Change in restricted cash	(49)	(15)
Other	(10)	(76)
Net cash used in investing activities	(3,291)	(3,734)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the:		
Issuance of long-term debt	1,780	2,217
Issuance of common stock related to employee benefit plans	16	24
Payments for the redemption of long-term debt	(1,264)	(2,503)
Proceeds from the issuance of short-term debt with original maturities greater than 90 days	287	—
Payments for the redemption of short-term debt with original maturities greater than 90 days	(931)	—
Notes payable and commercial paper	531	941
Distributions to noncontrolling interests	(7)	(45)
Dividends paid	(1,685)	(1,670)
Repurchase of common shares	(1,500)	—
Other	2	33
Net cash used in financing activities	(2,771)	(1,003)
Net (decrease) increase in cash and cash equivalents	(666)	430
Cash and cash equivalents at beginning of period	2,036	1,501
Cash and cash equivalents at end of period	\$ 1,370	\$ 1,931
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	\$ 610	\$ 466

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

(in millions)	Common Stock Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss							Noncontrolling Interests	Total Equity
					Foreign Currency Translation Adjustments	Net Losses on Cash Flow Hedges	Net Gains (Losses) on Available- for-Sale- Securities	Pension and OPEB Adjustments	Common Stockholders' Equity				
Balance at December 31, 2013	706	\$ 1	\$ 39,365	\$ 2,363	\$ (307)	\$ (40)	\$ —	\$ (52)	\$ 41,330	\$ 78	\$ 41,408		
Net income	—	—	—	1,786	—	—	—	—	1,786	3	1,789		
Other comprehensive (loss) income	—	—	—	—	(55)	(5)	2	1	(57)	5	(52)		
Common stock issuances, including dividend reinvestment and employee benefits	1	—	23	—	—	—	—	—	23	—	23		
Common stock dividends	—	—	—	(1,670)	—	—	—	—	(1,670)	—	(1,670)		
Distributions to noncontrolling interest in subsidiaries	—	—	—	—	—	—	—	—	—	(45)	(45)		
Balance at September 30, 2014	707	\$ 1	\$ 39,388	\$ 2,479	\$ (362)	\$ (45)	\$ 2	\$ (51)	\$ 41,412	\$ 41	\$ 41,453		
Balance at December 31, 2014	707	\$ 1	\$ 39,405	\$ 2,012	\$ (439)	\$ (59)	\$ 3	\$ (48)	\$ 40,875	\$ 24	\$ 40,899		
Net income	—	—	—	2,339	—	—	—	—	2,339	10	2,349		
Other comprehensive loss	—	—	—	—	(228)	(1)	(5)	(1)	(235)	(10)	(245)		
Common stock issuances, including dividend reinvestment and employee benefits	1	—	48	—	—	—	—	—	48	—	48		
Stock repurchase	(20)	—	(1,500)	—	—	—	—	—	(1,500)	—	(1,500)		
Common stock dividends	—	—	—	(1,685)	—	—	—	—	(1,685)	—	(1,685)		
Distributions to noncontrolling interest in subsidiaries	—	—	—	—	—	—	—	—	—	(7)	(7)		
Other ^(a)	—	—	—	(10)	—	—	—	—	(10)	19	9		
Balance at September 30, 2015	688	\$ 1	\$ 37,953	\$ 2,656	\$ (667)	\$ (60)	\$ (2)	\$ (49)	\$ 39,832	\$ 36	\$ 39,868		

(a) The \$19 million change in Noncontrolling Interests is primarily related to an acquisition of majority interest in a solar company for an insignificant amount of cash consideration.

See Notes to Condensed Consolidated Financial Statements

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

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Operating Revenues	\$ 2,061	\$ 1,938	\$ 5,669	\$ 5,693
Operating Expenses				
Fuel used in electric generation and purchased power	548	524	1,553	1,685
Operation, maintenance and other	511	465	1,469	1,415
Depreciation and amortization	269	260	779	750
Property and other taxes	67	59	204	263
Impairment charges	—	—	—	3
Total operating expenses	1,395	1,308	4,005	4,116
Operating Income	666	630	1,664	1,577
Other Income and Expenses, net	42	44	125	137
Interest Expense	105	104	313	307
Income Before Income Taxes	603	570	1,476	1,407
Income Tax Expense	220	193	536	474
Net Income	\$ 383	\$ 377	\$ 940	\$ 933
Other Comprehensive Income, net of tax				
Reclassification into earnings from cash flow hedges	1	—	1	2
Unrealized gains on available-for-sale securities	1	—	1	—
Other Comprehensive Income, net of tax	2	—	2	2
Comprehensive Income	\$ 385	\$ 377	\$ 942	\$ 935

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

(in millions)	September 30, 2015	December 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 198	\$ 13
Receivables (net of allowance for doubtful accounts of \$3 at September 30, 2015 and December 31, 2014)	110	129
Restricted receivables of variable interest entities (net of allowance for doubtful accounts of \$6 at September 30, 2015 and December 31, 2014)	687	647
Receivables from affiliated companies	75	75
Notes receivable from affiliated companies	699	150
Inventory	1,167	1,124
Regulatory assets	322	399
Other	164	77
Total current assets	3,422	2,614
Investments and Other Assets		
Nuclear decommissioning trust funds	2,953	3,042
Other	1,018	959
Total investments and other assets	3,971	4,001
Property, Plant and Equipment		
Cost	38,653	37,372
Accumulated depreciation and amortization	(13,445)	(12,700)
Net property, plant and equipment	25,208	24,672
Regulatory Assets and Deferred Debits		
Regulatory assets	2,741	2,465
Other	43	42
Total regulatory assets and deferred debits	2,784	2,507
Total Assets	\$ 35,385	\$ 33,794
LIABILITIES AND MEMBER'S EQUITY		
Current Liabilities		
Accounts payable	\$ 623	\$ 709
Accounts payable to affiliated companies	143	154
Taxes accrued	335	146
Interest accrued	146	95
Current maturities of long-term debt	506	507
Regulatory liabilities	36	34
Other	415	434
Total current liabilities	2,204	2,079
Long-Term Debt	8,078	7,584
Long-Term Debt Payable to Affiliated Companies	300	300
Deferred Credits and Other Liabilities		
Deferred income taxes	6,067	5,812
Investment tax credits	200	204
Accrued pension and other post-retirement benefit costs	107	111
Asset retirement obligations	3,599	3,428
Regulatory liabilities	2,747	2,710
Other	618	642
Total deferred credits and other liabilities	13,338	12,907
Commitments and Contingencies		
Member's Equity		
Member's equity	11,476	10,937
Accumulated other comprehensive loss	(11)	(13)
Total member's equity	11,465	10,924
Total Liabilities and Member's Equity	\$ 35,385	\$ 33,794

See Notes to Condensed Consolidated Financial Statements

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

(in millions)	Nine Months Ended	
	September 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 940	\$ 933
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including amortization of nuclear fuel)	1,016	952
Equity component of AFUDC	(73)	(68)
Impairment charges	—	3
Deferred income taxes	183	47
Accrued pension and other post-retirement benefit costs	11	16
Contributions to qualified pension plans	(42)	—
Payments for asset retirement obligations	(104)	—
(Increase) decrease in		
Receivables	(9)	5
Receivables from affiliated companies	—	(42)
Inventory	(48)	91
Other current assets	42	(130)
Increase (decrease) in		
Accounts payable	(141)	(167)
Accounts payable to affiliated companies	(11)	15
Taxes accrued	182	173
Other current liabilities	49	7
Other assets	97	23
Other liabilities	(61)	21
Net cash provided by operating activities	2,031	1,879
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,372)	(1,289)
Purchases of available-for-sale securities	(1,926)	(1,533)
Proceeds from sales and maturities of available-for-sale securities	1,926	1,516
Notes receivable from affiliated companies	(549)	(117)
Other	(13)	(27)
Net cash used in investing activities	(1,934)	(1,450)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	496	—
Payments for the redemption of long-term debt	(3)	(42)
Distributions to parent	(401)	(376)
Other	(4)	—
Net cash provided by (used in) financing activities	88	(418)
Net increase in cash and cash equivalents	185	11
Cash and cash equivalents at beginning of period	13	23
Cash and cash equivalents at end of period	\$ 198	\$ 34
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	\$ 229	\$ 177

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

(in millions)	Member's Equity	Accumulated Other Comprehensive Loss		Total
		Net Losses on Cash Flow Hedges	Net Losses on Available-for- Sale Securities	
Balance at December 31, 2013	\$ 10,365	\$ (14)	\$ (1)	\$ 10,350
Net income	933	—	—	933
Other comprehensive income	—	2	—	2
Distributions to parent	(376)	—	—	(376)
Balance at September 30, 2014	\$ 10,922	\$ (12)	\$ (1)	\$ 10,909
Balance at December 31, 2014	\$ 10,937	\$ (12)	\$ (1)	\$ 10,924
Net income	940	—	—	940
Other comprehensive income	—	1	1	2
Distributions to parent	(401)	—	—	(401)
Balance at September 30, 2015	\$ 11,476	\$ (11)	\$ —	\$ 11,465

See Notes to Condensed Consolidated Financial Statements

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

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Operating Revenues	\$ 2,929	\$ 2,863	\$ 7,941	\$ 7,825
Operating Expenses				
Fuel used in electric generation and purchased power	1,238	1,214	3,273	3,234
Operation, maintenance and other	539	564	1,672	1,714
Depreciation and amortization	261	294	831	851
Property and other taxes	132	127	367	415
Impairment charges	7	1	7	(16)
Total operating expenses	2,177	2,200	6,150	6,198
Gains on Sales of Other Assets and Other, net	4	2	18	3
Operating Income	756	665	1,809	1,630
Other Income and Expenses, net	17	26	63	54
Interest Expense	170	166	504	502
Income From Continuing Operations Before Income Taxes	603	525	1,368	1,182
Income Tax Expense From Continuing Operations	151	195	435	441
Income From Continuing Operations	452	330	933	741
Loss From Discontinued Operations, net of tax	(1)	—	(2)	(6)
Net Income	451	330	931	735
Less: Net Income Attributable to Noncontrolling Interests	3	1	8	2
Net Income Attributable to Parent	\$ 448	\$ 329	\$ 923	\$ 733
Net Income	\$ 451	\$ 330	\$ 931	\$ 735
Other Comprehensive Income, net of tax				
Pension and OPEB adjustments	(3)	1	(1)	2
Reclassification into earnings from cash flow hedges	3	1	2	5
Unrealized gains (losses) on available-for-sale securities	—	1	(1)	1
Other Comprehensive Income, net of tax	—	3	—	8
Comprehensive Income	451	333	931	743
Less: Comprehensive Income Attributable to Noncontrolling Interests	3	1	8	2
Comprehensive Income Attributable to Parent	\$ 448	\$ 332	\$ 923	\$ 741

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

(in millions)	September 30, 2015	December 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 158	\$ 42
Receivables (net of allowance for doubtful accounts of \$6 at September 30, 2015 and \$8 at December 31, 2014)	172	129
Restricted receivables of variable interest entities (net of allowance for doubtful accounts of \$9 at September 30, 2015 and \$8 at December 31, 2014)	863	741
Receivables from affiliated companies	121	59
Notes receivable from affiliated companies	251	220
Inventory	1,604	1,590
Regulatory assets	442	491
Other	633	1,285
Total current assets	4,244	4,557
Investments and Other Assets		
Nuclear decommissioning trust funds	2,612	2,503
Goodwill	3,655	3,655
Other	850	670
Total investments and other assets	7,117	6,828
Property, Plant and Equipment		
Cost	41,940	38,650
Accumulated depreciation and amortization	(14,862)	(13,506)
Generation facilities to be retired, net	460	—
Net property, plant and equipment	27,538	25,144
Regulatory Assets and Deferred Debits		
Regulatory assets	5,535	5,408
Other	92	91
Total regulatory assets and deferred debits	5,627	5,499
Total Assets	\$ 44,526	\$ 42,028
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 697	\$ 847
Accounts payable to affiliated companies	238	203
Notes payable to affiliated companies	434	835
Taxes accrued	192	114
Interest accrued	198	184
Current maturities of long-term debt	1,265	1,507
Regulatory liabilities	193	106
Other	954	1,021
Total current liabilities	4,171	4,817
Long-Term Debt		
	14,131	13,247
Deferred Credits and Other Liabilities		
Deferred income taxes	5,001	4,759
Accrued pension and other post-retirement benefit costs	545	533
Asset retirement obligations	5,222	4,711
Regulatory liabilities	2,382	2,379
Other	345	406
Total deferred credits and other liabilities	13,495	12,788
Commitments and Contingencies		
Equity		
Common stock, \$0.01 par value, 100 shares authorized and outstanding at September 30, 2015 and December 31, 2014	—	—
Additional paid-in capital	8,092	7,467
Retained earnings	4,703	3,782
Accumulated other comprehensive loss	(41)	(41)
Total Progress Energy Inc. stockholder's equity	12,754	11,208
Noncontrolling interests	(25)	(32)
Total equity	12,729	11,176
Total Liabilities and Equity	\$ 44,526	\$ 42,028

See Notes to Condensed Consolidated Financial Statements

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

(in millions)	Nine Months Ended September 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 931	\$ 735
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion (including amortization of nuclear fuel)	962	985
Equity component of AFUDC	(40)	(18)
(Gains) losses on sales of other assets	(24)	1
Impairment charges	7	(16)
Deferred income taxes	512	231
Accrued pension and other post-retirement benefit costs	(4)	20
Contributions to qualified pension plans	(42)	—
Payments for asset retirement obligations	(90)	(52)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	6	28
Receivables	(103)	(162)
Receivables from affiliated companies	(62)	(32)
Inventory	44	(45)
Other current assets	298	(147)
Increase (decrease) in		
Accounts payable	(157)	(73)
Accounts payable to affiliated companies	35	142
Taxes accrued	75	166
Other current liabilities	115	(96)
Other assets	(116)	(126)
Other liabilities	(87)	43
Net cash provided by operating activities	2,260	1,584
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,816)	(1,383)
Acquisitions	(1,249)	—
Purchases of available-for-sale securities	(829)	(609)
Proceeds from sales and maturities of available-for-sale securities	895	594
Proceeds from the sale of nuclear fuel	81	—
Notes receivable from affiliated companies	(31)	(89)
Other	(44)	(37)
Net cash used in investing activities	(2,993)	(1,524)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	1,195	875
Payments for the redemption of long-term debt	(555)	(479)
Notes payable to affiliated companies	(401)	(391)
Distributions to noncontrolling interests	(4)	(37)
Capital contribution from parent	625	—
Other	(11)	(39)
Net cash provided by (used in) financing activities	849	(71)
Net increase (decrease) in cash and cash equivalents	116	(11)
Cash and cash equivalents at beginning of period	42	58
Cash and cash equivalents at end of period	\$ 158	\$ 47
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	\$ 276	\$ 159

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

	Accumulated Other Comprehensive Loss								Total Equity
	Common Stock	Additional Paid-in Capital	Retained Earnings	Losses on Cash Flow Hedges	Net Unrealized Gains on Available-for-Sale Securities	Pension and OPEB Adjustments	Common Stockholder's Equity	Noncontrolling Interests	
(in millions)									
Balance at December 31, 2013	\$ —	\$ 7,467	\$ 3,452	\$ (43)	\$ —	\$ (16)	\$ 10,860	\$ 4	\$ 10,864
Net income	—	—	733	—	—	—	733	2	735
Other comprehensive income	—	—	—	5	1	2	8	—	8
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(37)	(37)
Transfer of service company net assets to Duke Energy	—	—	(538)	—	—	—	(538)	—	(538)
Balance at September 30, 2014	\$ —	\$ 7,467	\$ 3,647	\$ (38)	\$ 1	\$ (14)	\$ 11,063	\$ (31)	\$ 11,032
Balance at December 31, 2014	\$ —	\$ 7,467	\$ 3,782	\$ (35)	\$ 1	\$ (7)	\$ 11,208	\$ (32)	\$ 11,176
Net income	—	—	923	—	—	—	923	8	931
Other comprehensive income (loss)	—	—	—	2	(1)	(1)	—	—	—
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(4)	(4)
Capital contribution from parent	—	625	—	—	—	—	625	—	625
Other	—	—	(2)	—	—	—	(2)	3	1
Balance at September 30, 2015	\$ —	\$ 8,092	\$ 4,703	\$ (33)	\$ —	\$ (8)	\$ 12,754	\$ (25)	\$ 12,729

See Notes to Condensed Consolidated Financial Statements

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

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Operating Revenues	\$ 1,488	\$ 1,367	\$ 4,130	\$ 3,980
Operating Expenses				
Fuel used in electric generation and purchased power	584	552	1,608	1,579
Operation, maintenance and other	329	346	1,066	1,074
Depreciation and amortization	147	155	462	441
Property and other taxes	35	29	102	150
Impairment charges	—	—	—	(18)
Total operating expenses	1,095	1,082	3,238	3,226
Gains on Sales of Other Assets and Other, net	1	—	2	1
Operating Income	394	285	894	755
Other Income and Expenses, net	14	18	49	34
Interest Expense	59	57	175	172
Income Before Income Taxes	349	246	768	617
Income Tax Expense	120	89	271	226
Net Income and Comprehensive Income	\$ 229	\$ 157	\$ 497	\$ 391

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

(in millions)	September 30, 2015	December 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 123	\$ 9
Receivables (net of allowance for doubtful accounts of \$4 at September 30, 2015 and \$7 at December 31, 2014)	63	43
Restricted receivables of variable interest entities (net of allowance for doubtful accounts of \$6 at September 30, 2015 and \$5 at December 31, 2014)	468	436
Receivables from affiliated companies	6	10
Notes receivable from affiliated companies	307	237
Inventory	986	966
Regulatory assets	333	287
Other	53	384
Total current assets	2,339	2,372
Investments and Other Assets		
Nuclear decommissioning trust funds	1,943	1,701
Other	484	412
Total investments and other assets	2,427	2,113
Property, Plant and Equipment		
Cost	26,919	24,207
Accumulated depreciation and amortization	(10,207)	(9,021)
Generation facilities to be retired, net	460	—
Net property, plant and equipment	17,172	15,186
Regulatory Assets and Deferred Debits		
Regulatory assets	2,816	2,675
Other	40	34
Total regulatory assets and deferred debits	2,856	2,709
Total Assets	\$ 24,794	\$ 22,380
LIABILITIES AND MEMBER'S/Common STOCKHOLDER'S EQUITY		
Current Liabilities		
Accounts payable	\$ 381	\$ 481
Accounts payable to affiliated companies	141	120
Taxes accrued	83	47
Interest accrued	86	81
Current maturities of long-term debt	402	945
Regulatory liabilities	80	71
Other	375	409
Total current liabilities	1,548	2,154
Long-Term Debt	6,449	5,256
Deferred Credits and Other Liabilities		
Deferred income taxes	3,097	2,908
Accrued pension and other post-retirement benefit costs	277	290
Asset retirement obligations	4,489	3,905
Regulatory liabilities	1,825	1,832
Other	120	168
Total deferred credits and other liabilities	9,808	9,103
Commitments and Contingencies		
Member's/Common Stockholder's Equity		
Member's Equity	6,989	—
Common stock, no par value, 200 million shares authorized; 160 million shares outstanding at December 31, 2014	—	2,159
Retained earnings	—	3,708
Total member's/common stockholder's equity	6,989	5,867
Total Liabilities and Member's/Common Stockholder's Equity	\$ 24,794	\$ 22,380

See Notes to Condensed Consolidated Financial Statements

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

(in millions)	Nine Months Ended September 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 497	\$ 391
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion (including amortization of nuclear fuel)	587	570
Equity component of AFUDC	(35)	(17)
Gains on sales of other assets	(5)	(1)
Impairment charges	—	(18)
Deferred income taxes	308	152
Accrued pension and other post-retirement benefit costs	(11)	(5)
Contributions to qualified pension plans	(21)	—
Payments for asset retirement obligations	(53)	—
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	(3)	9
Receivables	(51)	33
Receivables from affiliated companies	4	(7)
Inventory	37	(53)
Other current assets	187	(97)
Increase (decrease) in		
Accounts payable	(69)	(67)
Accounts payable to affiliated companies	21	102
Taxes accrued	34	95
Other current liabilities	22	(46)
Other assets	(41)	(28)
Other liabilities	(64)	(23)
Net cash provided by operating activities	1,344	990
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,120)	(871)
Acquisitions	(1,249)	—
Purchases of available-for-sale securities	(511)	(371)
Proceeds from sales and maturities of available-for-sale securities	488	351
Notes receivable from affiliated companies	(70)	—
Other	(35)	(25)
Net cash used in investing activities	(2,497)	(916)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	1,195	650
Payments for the redemption of long-term debt	(544)	(169)
Notes payable to affiliated companies	—	(340)
Capital contribution from parent	625	—
Dividends to parent	—	(224)
Other	(9)	(6)
Net cash provided by (used in) financing activities	1,267	(89)
Net increase (decrease) in cash and cash equivalents	114	(15)
Cash and cash equivalents at beginning of period	9	21
Cash and cash equivalents at end of period	\$ 123	\$ 6
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	\$ 136	\$ 107

DUKE ENERGY PROGRESS, LLC (formerly DUKE ENERGY PROGRESS, INC.)

Condensed Consolidated Statements of Changes in Member's/Common Stockholder's Equity
(Unaudited)

(in millions)	Common Stock		Retained Earnings		Member's Equity		Total Equity
Balance at December 31, 2013	\$	2,159	\$	3,466	\$	—	\$ 5,625
Net income		—		391		—	391
Dividends to parent		—		(224)		—	(224)
Balance at September 30, 2014	\$	2,159	\$	3,633	\$	—	\$ 5,792
Balance at December 31, 2014	\$	2,159	\$	3,708	\$	—	\$ 5,867
Net income		—		355		142	497
Transfer to Member's Equity		(2,159)		(4,063)		6,222	—
Contribution from parent		—		—		625	625
Balance at September 30, 2015	\$	—	\$	—	\$	6,989	\$ 6,989

See Notes to Condensed Consolidated Financial Statements

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

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Operating Revenues	\$ 1,436	\$ 1,491	\$ 3,803	\$ 3,832
Operating Expenses				
Fuel used in electric generation and purchased power	654	662	1,665	1,655
Operation, maintenance and other	208	212	598	626
Depreciation and amortization	113	139	369	410
Property and other taxes	97	99	265	266
Impairment charges	7	1	7	2
Total operating expenses	1,079	1,113	2,904	2,959
Operating Income	357	378	899	873
Other Income and Expenses, net	2	6	12	17
Interest Expense	50	51	149	150
Income Before Income Taxes	309	333	762	740
Income Tax Expense	93	128	268	285
Net Income	\$ 216	\$ 205	\$ 494	\$ 455
Other Comprehensive Income, net of tax				
Reclassification into earnings from cash flow hedges	—	—	—	1
Comprehensive Income	\$ 216	\$ 205	\$ 494	\$ 456

DUKE ENERGY FLORIDA, LLC (formerly DUKE ENERGY FLORIDA, INC.)

Condensed Consolidated Balance Sheets
(Unaudited)

(in millions)	September 30, 2015	December 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 16	\$ 8
Receivables (net of allowance for doubtful accounts of \$2 at September 30, 2015 and December 31, 2014)	107	84
Restricted receivables of variable interest entities (net of allowance for doubtful accounts of \$3 at September 30, 2015 and December 31, 2014)	395	305
Receivables from affiliated companies	98	40
Inventory	618	623
Regulatory assets	108	203
Other	179	521
Total current assets	1,521	1,784
Investments and Other Assets		
Nuclear decommissioning trust funds	669	803
Other	308	204
Total investments and other assets	977	1,007
Property, Plant and Equipment		
Cost	15,011	14,433
Accumulated depreciation and amortization	(4,648)	(4,478)
Net property, plant and equipment	10,363	9,955
Regulatory Assets and Deferred Debits		
Regulatory assets	2,719	2,733
Other	36	39
Total regulatory assets and deferred debits	2,755	2,772
Total Assets	\$ 15,616	\$ 15,518
LIABILITIES AND MEMBER'S/Common STOCKHOLDER'S EQUITY		
Current Liabilities		
Accounts payable	\$ 316	\$ 365
Accounts payable to affiliated companies	80	70
Notes payable to affiliated companies	245	84
Taxes accrued	108	65
Interest accrued	62	47
Current maturities of long-term debt	563	562
Regulatory liabilities	113	35
Other	553	586
Total current liabilities	2,040	1,814
Long-Term Debt		
	4,287	4,298
Deferred Credits and Other Liabilities		
Deferred income taxes	2,579	2,452
Accrued pension and other post-retirement benefit costs	249	221
Asset retirement obligations	732	806
Regulatory liabilities	556	547
Other	157	158
Total deferred credits and other liabilities	4,273	4,184
Commitments and Contingencies		
Member's/Common Stockholder's Equity		
Member's equity	5,016	—
Common stock, no par; 60 million shares authorized; 100 shares outstanding at December 31, 2014	—	1,762
Retained earnings	—	3,460
Total member's/common stockholder's equity	5,016	5,222
Total Liabilities and Member's/Common Stockholder's Equity	\$ 15,616	\$ 15,518

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

(in millions)	Nine Months Ended September 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 494	\$ 455
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	373	413
Equity component of AFUDC	(4)	(1)
Impairment charges	7	2
Deferred income taxes	341	194
Accrued pension and other post-retirement benefit costs	4	22
Contributions to qualified pension plans	(21)	—
Payments for asset retirement obligations	(37)	(52)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	3	13
Receivables	(52)	(118)
Receivables from affiliated companies	(58)	(37)
Inventory	7	7
Other current assets	78	(90)
Increase (decrease) in		
Accounts payable	(88)	32
Accounts payable to affiliated companies	10	29
Taxes accrued	43	68
Other current liabilities	97	(50)
Other assets	(73)	(92)
Other liabilities	(29)	(1)
Net cash provided by operating activities	1,095	794
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(696)	(513)
Purchases of available-for-sale securities	(318)	(238)
Proceeds from sales and maturities of available-for-sale securities	408	243
Proceeds from the sale of nuclear fuel	81	—
Notes receivable from affiliated companies	—	(182)
Other	(12)	(14)
Net cash used in investing activities	(537)	(704)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	—	225
Payments for the redemption of long-term debt	(11)	(10)
Notes payable to affiliated companies	161	(181)
Dividends to parent	(350)	(124)
Distribution to parent	(350)	—
Other	—	(1)
Net cash used in financing activities	(550)	(91)
Net increase (decrease) in cash and cash equivalents	8	(1)
Cash and cash equivalents at beginning of period	8	16
Cash and cash equivalents at end of period	\$ 16	\$ 15
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	\$ 140	\$ 52

DUKE ENERGY FLORIDA, LLC (formerly DUKE ENERGY FLORIDA, INC.)

Condensed Consolidated Statements of Changes in Member's/Common Stockholder's Equity
(Unaudited)

(in millions)				Accumulated Other Comprehensive Loss		Total
	Common Stock	Retained Earnings	Member's Equity	Net Loss on Cash Flow Hedges		
Balance at December 31, 2013	\$ 1,762	\$ 3,036	\$ —	\$ (1)	\$ 4,797	
Net income	—	455	—	—	455	
Other comprehensive income	—	—	—	1	1	
Dividends to parent	—	(124)	—	—	(124)	
Balance at September 30, 2014	\$ 1,762	\$ 3,367	\$ —	\$ —	\$ 5,129	
Balance at December 31, 2014	\$ 1,762	\$ 3,460	\$ —	\$ —	\$ 5,222	
Net income	—	351	143	—	494	
Dividends to parent	—	(350)	—	—	(350)	
Distribution to parent	—	—	(350)	—	(350)	
Transfer to Member's Equity	(1,762)	(3,461)	5,223	—	—	
Balance at September 30, 2015	\$ —	\$ —	\$ 5,016	\$ —	\$ 5,016	

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY OHIO, INC.

**Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited)**

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Operating Revenues				
Regulated electric	\$ 367	\$ 352	\$ 1,005	\$ 998
Nonregulated electric and other	6	6	29	17
Regulated natural gas	89	88	419	418
Total operating revenues	462	446	1,453	1,433
Operating Expenses				
Fuel used in electric generation and purchased power – regulated	128	129	350	360
Fuel used in electric generation and purchased power – nonregulated	10	5	36	24
Cost of natural gas	7	8	116	129
Operation, maintenance and other	124	134	370	378
Depreciation and amortization	57	54	172	167
Property and other taxes	60	58	187	170
Impairment charges	—	—	—	94
Total operating expenses	386	388	1,231	1,322
Gains on Sales of Other Assets and Other, net	—	—	8	—
Operating Income	76	58	230	111
Other Income and Expenses, net	—	3	(2)	9
Interest Expense	20	20	58	60
Income From Continuing Operations Before Income Taxes	56	41	170	60
Income Tax Expense From Continuing Operations	22	15	64	21
Income From Continuing Operations	34	26	106	39
(Loss) Income From Discontinued Operations, net of tax	(2)	413	23	(597)
Net Income (Loss) and Comprehensive Income (Loss)	\$ 32	\$ 439	\$ 129	\$ (558)

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

(in millions)	September 30, 2015	December 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 24	\$ 20
Receivables (net of allowance for doubtful accounts of \$3 at September 30, 2015 and \$2 at December 31, 2014)	81	93
Receivables from affiliated companies	61	107
Notes receivable from affiliated companies	—	145
Inventory	103	97
Assets held for sale	—	316
Regulatory assets	32	49
Other	167	167
Total current assets	468	994
Investments and Other Assets		
Goodwill	920	920
Assets held for sale	—	2,605
Other	17	23
Total investments and other assets	937	3,548
Property, Plant and Equipment		
Cost	7,649	7,141
Accumulated depreciation and amortization	(2,474)	(2,213)
Generation facilities to be retired, net	—	9
Net property, plant and equipment	5,175	4,937
Regulatory Assets and Deferred Debits		
Regulatory assets	495	512
Other	8	8
Total regulatory assets and deferred debits	503	520
Total Assets	\$ 7,083	\$ 9,999
LIABILITIES AND COMMON STOCKHOLDER'S EQUITY		
Current Liabilities		
Accounts payable	\$ 219	\$ 209
Accounts payable to affiliated companies	42	74
Notes payable to affiliated companies	134	491
Taxes accrued	131	163
Interest accrued	28	19
Current maturities of long-term debt	56	157
Liabilities associated with assets held for sale	—	246
Regulatory liabilities	25	10
Other	151	66
Total current liabilities	786	1,435
Long-Term Debt	1,524	1,584
Long-Term Debt Payable to Affiliated Companies	25	25
Deferred Credits and Other Liabilities		
Deferred income taxes	1,395	1,765
Accrued pension and other post-retirement benefit costs	52	48
Liabilities associated with assets held for sale	—	34
Asset retirement obligations	143	27
Regulatory liabilities	251	241
Other	165	166
Total deferred credits and other liabilities	2,006	2,281
Commitments and Contingencies		
Common Stockholder's Equity		
Common stock, \$8.50 par value, 120,000,000 shares authorized; 89,663,086 shares outstanding at September 30, 2015 and December 31, 2014	762	762
Additional paid-in capital	2,721	4,782
Accumulated deficit	(741)	(870)
Total common stockholder's equity	2,742	4,674
Total Liabilities and Common Stockholder's Equity	\$ 7,083	\$ 9,999

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

(in millions)	Nine Months Ended	
	September 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 129	\$ (558)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, amortization and accretion	175	205
Equity component of AFUDC	(2)	(3)
Gains on sales of other assets and other, net	(8)	—
Impairment charges	40	889
Deferred income taxes	127	(285)
Accrued pension and other post-retirement benefit costs	7	6
Contributions to qualified pension plans	(4)	—
Payments for asset retirement obligations	(2)	—
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	(11)	124
Receivables	8	(66)
Receivables from affiliated companies	46	62
Inventory	2	(16)
Other current assets	6	56
Increase (decrease) in		
Accounts payable	7	(42)
Accounts payable to affiliated companies	(32)	(6)
Taxes accrued	(58)	13
Other current liabilities	101	46
Other assets	28	(8)
Other liabilities	(57)	(20)
Net cash provided by operating activities	502	397
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(266)	(242)
Notes receivable from affiliated companies	145	(178)
Other	(9)	—
Net cash used in investing activities	(130)	(420)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for the redemption of long-term debt	(153)	(406)
Notes payable to affiliated companies	(64)	520
Dividends to parent	(149)	(100)
Other	(2)	1
Net cash (used in) provided by financing activities	(368)	15
Net increase (decrease) in cash and cash equivalents	4	(8)
Cash and cash equivalents at beginning of period	20	36
Cash and cash equivalents at end of period	\$ 24	\$ 28
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	\$ 24	\$ 21
Distribution of membership interest of Duke Energy SAM, LLC to parent	1,912	—

DUKE ENERGY OHIO, INC.

Condensed Consolidated Statements of Changes in Common Stockholder's Equity
(Unaudited)

(in millions)	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total
Balance at December 31, 2013	\$ 762	\$ 4,882	\$ (375)	\$ 5,269
Net loss	—	—	(558)	(558)
Dividends to parent	—	(100)	—	(100)
Balance at September 30, 2014	\$ 762	\$ 4,782	\$ (933)	\$ 4,611
Balance at December 31, 2014	\$ 762	\$ 4,782	\$ (870)	\$ 4,674
Net income	—	—	129	129
Dividends to parent	—	(149)	—	(149)
Distribution of membership interest of Duke Energy SAM, LLC to parent	—	(1,912)	—	(1,912)
Balance at September 30, 2015	\$ 762	\$ 2,721	\$ (741)	\$ 2,742

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

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Operating Revenues	\$ 749	\$ 790	\$ 2,223	\$ 2,383
Operating Expenses				
Fuel used in electric generation and purchased power	250	319	779	945
Operation, maintenance and other	164	160	525	485
Depreciation and amortization	109	104	320	309
Property and other taxes	23	25	41	69
Impairment charges	85	—	85	—
Total operating expenses	631	608	1,750	1,808
Loss on Sale of Other Assets and Other, net	(1)	—	—	—
Operating Income	117	182	473	575
Other Income and Expenses, net	—	5	9	16
Interest Expense	44	40	132	127
Income Before Income Taxes	73	147	350	464
Income Tax Expense	27	46	128	163
Net Income	\$ 46	\$ 101	\$ 222	\$ 301
Other Comprehensive Loss, net of tax				
Reclassification into earnings from cash flow hedges	(1)	—	(2)	—
Comprehensive Income	\$ 45	\$ 101	\$ 220	\$ 301

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

(in millions)	September 30, 2015	December 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 62	\$ 6
Receivables (net of allowance for doubtful accounts of \$2 at September 30, 2015 and \$1 at December 31, 2014)	90	87
Receivables from affiliated companies	72	115
Notes receivable from affiliated companies	166	—
Inventory	564	537
Regulatory assets	97	93
Other	167	326
Total current assets	1,218	1,164
Investments and Other Assets		
	243	251
Property, Plant and Equipment		
Cost	13,765	13,034
Accumulated depreciation and amortization	(4,425)	(4,219)
Net property, plant and equipment	9,340	8,815
Regulatory Assets and Deferred Debits		
Regulatory assets	645	685
Other	22	24
Total regulatory assets and deferred debits	667	709
Total Assets	\$ 11,468	\$ 10,939
LIABILITIES AND COMMON STOCKHOLDER'S EQUITY		
Current Liabilities		
Accounts payable	\$ 149	\$ 179
Accounts payable to affiliated companies	50	58
Notes payable to affiliated companies	—	71
Taxes accrued	43	54
Interest accrued	53	56
Current maturities of long-term debt	480	5
Regulatory liabilities	67	54
Other	89	98
Total current liabilities	931	575
Long-Term Debt	3,160	3,636
Long-Term Debt Payable to Affiliated Companies	150	150
Deferred Credits and Other Liabilities		
Deferred income taxes	1,774	1,591
Investment tax credits	138	139
Accrued pension and other post-retirement benefit costs	83	82
Asset retirement obligations	449	32
Regulatory liabilities	758	796
Other	107	90
Total deferred credits and other liabilities	3,309	2,730
Commitments and Contingencies		
Common Stockholder's Equity		
Common stock, no par; \$0.01 stated value, 60,000,000 shares authorized; 53,913,701 shares outstanding at September 30, 2015 and December 31, 2014	1	1
Additional paid-in capital	1,384	1,384
Retained earnings	2,532	2,460
Accumulated other comprehensive income	1	3
Total common stockholder's equity	3,918	3,848
Total Liabilities and Common Stockholder's Equity	\$ 11,468	\$ 10,939

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

(in millions)	Nine Months Ended	
	September 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 222	\$ 301
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	323	311
Equity component of AFUDC	(9)	(10)
Impairment charges	85	—
Deferred income taxes	276	136
Accrued pension and other post-retirement benefit costs	10	12
Contributions to qualified pension plans	(9)	—
Payments for asset retirement obligations	(12)	—
(Increase) decrease in		
Receivables	(5)	(20)
Receivables from affiliated companies	43	72
Inventory	(27)	(30)
Other current assets	67	40
Increase (decrease) in		
Accounts payable	11	(44)
Accounts payable to affiliated companies	(8)	4
Taxes accrued	(11)	(36)
Other current liabilities	16	3
Other assets	(50)	(15)
Other liabilities	(1)	44
Net cash provided by operating activities	921	768
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(506)	(462)
Purchases of available-for-sale securities	(5)	(17)
Proceeds from sales and maturities of available-for-sale securities	8	13
Proceeds from the sales of other assets	14	—
Notes receivable from affiliated companies	(166)	96
Other	13	4
Net cash used in investing activities	(642)	(366)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for the redemption of long-term debt	(2)	(2)
Notes payable to affiliated companies	(71)	61
Dividends to parent	(150)	(451)
Other	—	(1)
Net cash used in financing activities	(223)	(393)
Net increase in cash and cash equivalents	56	9
Cash and cash equivalents at beginning of period	6	15
Cash and cash equivalents at end of period	\$ 62	\$ 24
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	\$ 46	\$ 64

DUKE ENERGY INDIANA, INC.

**Condensed Consolidated Statements of Changes in Common Stockholder's Equity
(Unaudited)**

(in millions)						Accumulated Other Comprehensive Income		Total
	Common Stock	Additional Paid-in Capital	Retained Earnings	Net Gains on Cash Flow Hedges				
Balance at December 31, 2013	\$ 1	\$ 1,384	\$ 2,551	\$ 3	\$		3,939	
Net income	—	—	301	—			301	
Dividends to parent	—	—	(451)	—			(451)	
Balance at September 30, 2014	\$ 1	\$ 1,384	\$ 2,401	\$ 3	\$		3,789	
Balance at December 31, 2014	\$ 1	\$ 1,384	\$ 2,460	\$ 3	\$		3,848	
Net income	—	—	222	—			222	
Other comprehensive loss	—	—	—	(2)			(2)	
Dividends to parent	—	—	(150)	—			(150)	
Balance at September 30, 2015	\$ 1	\$ 1,384	\$ 2,532	\$ 1	\$		3,918	

See Notes to Condensed Consolidated Financial Statements

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

Index to Combined Notes to Condensed Consolidated Financial Statements

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

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, Inc.	•		•	•	•	•	•		•	•	•	•	•			•	•	•

1. ORGANIZATION AND BASIS OF PRESENTATION

NATURE OF OPERATIONS AND BASIS OF CONSOLIDATION

Duke Energy Corporation (collectively with its subsidiaries, Duke Energy) is an energy company headquartered in Charlotte, North Carolina, subject to regulation by the Federal Energy Regulatory Commission (FERC). Duke Energy operates in the United States (U.S.) and Latin America primarily through its direct and indirect subsidiaries. Duke Energy's subsidiaries include its subsidiary registrants, Duke Energy Carolinas, LLC (Duke Energy Carolinas); Progress Energy, Inc. (Progress Energy); Duke Energy Progress, LLC (Duke Energy Progress, formerly Duke Energy Progress, Inc.); Duke Energy Florida, LLC (Duke Energy Florida, formerly Duke Energy Florida, Inc.); Duke Energy Ohio, Inc. (Duke Energy Ohio) and Duke Energy Indiana, Inc. (Duke Energy Indiana). When discussing Duke Energy's consolidated financial information, it necessarily includes the results of its six separate subsidiary registrants (collectively referred to as the Subsidiary Registrants), which, along with Duke Energy, are collectively referred to as the Duke Energy Registrants (Duke Energy Registrants).

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

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

Progress Energy is a public utility holding company headquartered in Raleigh, North Carolina, subject to regulation by the FERC. Progress Energy conducts operations through its wholly owned subsidiaries, Duke Energy Progress and Duke Energy Florida. Substantially all of Progress Energy's operations qualify for regulatory accounting.

Duke Energy Progress is a regulated public utility primarily engaged in the generation, transmission, distribution and sale of electricity in portions of North Carolina and South Carolina. Duke Energy Progress is subject to the regulatory provisions of the NCUC, PSCSC, NRC and FERC. Substantially all of Duke Energy Progress' operations qualify for regulatory accounting. On August 1, 2015, Duke Energy Progress, a North Carolina corporation, converted into a North Carolina limited liability company.

Duke Energy Florida is a regulated public utility primarily engaged in the generation, transmission, distribution and sale of electricity in portions of Florida. Duke Energy Florida is subject to the regulatory provisions of the Florida Public Service Commission (FPSC), NRC and FERC. Substantially all of Duke Energy Florida's operations qualify for regulatory accounting. On August 1, 2015, Duke Energy Florida, a Florida corporation, converted into a Florida limited liability company.

Duke Energy Ohio is a regulated public utility primarily engaged in the transmission and distribution of electricity in portions of Ohio and Kentucky, in 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 full requirements service price is recovered from retail customers. Operations in Kentucky are conducted through its wholly owned subsidiary, Duke Energy Kentucky, Inc. (Duke Energy Kentucky). References herein to Duke Energy Ohio collectively include Duke Energy Ohio and its subsidiaries, unless otherwise noted. Duke Energy Ohio is subject to the regulatory provisions of the Public Utilities Commission of Ohio (PUCO), Kentucky Public Service Commission (KPSC) and FERC. On April 2, 2015, Duke Energy completed the sale of its nonregulated Midwest generation business, which sold power into wholesale energy markets, to a subsidiary of Dynegy Inc. (Dynegy). See Note 2 (Midwest Generation Exit) for additional information. Substantially all of Duke Energy Ohio's operations that remain after the sale qualify for regulatory accounting.

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

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Combined Notes to Condensed Consolidated Financial Statements – (Continued)
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BASIS OF PRESENTATION

Duke Energy completed the sale of Duke Energy Ohio's nonregulated Midwest generation business and Duke Energy Retail Sales LLC (Duke Energy Retail), a retail sales business owned by Duke Energy, to Dynegy on April 2, 2015. The results of operations of these businesses prior to the date of sale have been classified as Discontinued Operations on the Condensed Consolidated Statements of Operations for all periods presented. 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, assets held for sale and liabilities associated with assets held for sale. See Note 2 (Midwest Generation Exit) for additional information.

These Condensed Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles (GAAP) in the U.S. for interim financial information and with the instructions to Form 10-Q and Regulation S-X. Accordingly, these Condensed Consolidated Financial Statements do not include all information and notes required by GAAP in the U.S. for annual financial statements. Since the interim Condensed Consolidated Financial Statements and Notes do not include all information and notes required by GAAP in the U.S. for annual financial statements, the Condensed Consolidated Financial Statements and other information included in this quarterly report should be read in conjunction with the Consolidated Financial Statements and Notes in the Duke Energy Registrants' combined Annual Report on Form 10-K for the year ended December 31, 2014.

The information in these combined notes relates to each of the Duke Energy Registrants as noted in the Index to Combined Notes to Condensed Consolidated Financial Statements. However, none of the registrants make any representations as to information related solely to Duke Energy or the subsidiaries of Duke Energy other than itself.

These Condensed Consolidated Financial Statements, in the opinion of the respective companies' management, reflect all normal recurring adjustments necessary to fairly present the financial position and results of operations of each of the Duke Energy Registrants. Amounts reported in Duke Energy's interim Condensed Consolidated Statements of Operations and each of the Subsidiary Registrants' interim Condensed Consolidated Statements of Operations and Comprehensive Income are not necessarily indicative of amounts expected for the respective annual periods due to effects of seasonal temperature variations on energy consumption, regulatory rulings, timing of maintenance on electric generating units, changes in mark-to-market valuations, changing commodity prices and other factors.

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

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

UNBILLED REVENUE

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

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

(in millions)	September 30, 2015	December 31, 2014
Duke Energy	\$ 748	\$ 827
Duke Energy Carolinas	247	295
Progress Energy	220	217
Duke Energy Progress	123	135
Duke Energy Florida	97	82
Duke Energy Ohio	6	—
Duke Energy Indiana	25	27

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

(in millions)	September 30, 2015	December 31, 2014
Duke Energy Ohio	\$ 64	\$ 79
Duke Energy Indiana	93	112

AMOUNTS ATTRIBUTABLE TO CONTROLLING INTERESTS

For the three and nine months ended September 30, 2015, the amount of Loss From Discontinued Operations, net of tax presented on the Condensed Consolidated Statements of Operations is fully attributable to controlling interests.

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During 2014, Duke Energy and Progress Energy's amount of Income (Loss) from Discontinued Operations, net of tax presented on the Condensed Consolidated Statements of Operations includes amounts attributable to noncontrolling interest. The following table presents Net Income Attributable to Duke Energy Corporation for continuing operations and discontinued operations for the three and nine months ended September 30, 2014.

(in millions)	Three Months Ended September 30, 2014		Nine Months Ended September 30, 2014	
	Duke Energy	Progress Energy	Duke Energy	Progress Energy
Income From Continuing Operations	\$ 891	\$ 330	\$ 2,367	\$ 741
Income From Continuing Operations Attributable to Noncontrolling Interests	3	1	11	2
Income From Continuing Operations Attributable to Duke Energy Corporation	\$ 888	\$ 329	\$ 2,356	\$ 739
Income (Loss) From Discontinued Operations, net of tax	\$ 378	\$ —	\$ (578)	\$ (6)
Loss From Discontinued Operations Attributable to Noncontrolling Interests, net of tax	(8)	—	(8)	—
Income (Loss) From Discontinued Operations Attributable to Duke Energy Corporation, net of tax	\$ 386	\$ —	\$ (570)	\$ (6)
Net income	\$ 1,269	\$ 330	\$ 1,789	\$ 735
Net (Loss) Income Attributable to Noncontrolling Interests	(5)	1	3	2
Net Income Attributable to Duke Energy Corporation	\$ 1,274	\$ 329	\$ 1,786	\$ 733

Other comprehensive income reported on the Condensed Consolidated Statements of Changes in Equity for Progress Energy is attributable only to controlling interests for all periods presented.

ACCUMULATED OTHER COMPREHENSIVE INCOME

For the three and nine months ended September 30, 2015 and 2014, reclassifications out of accumulated other comprehensive income (AOCI) for the Duke Energy Registrants were not material. Changes in AOCI for the Duke Energy Registrants are presented in their respective Condensed Consolidated Statements of Equity.

EXCISE TAXES

Certain excise taxes levied by state or local governments are required to be paid even if not collected from the customer. These taxes are recognized on a gross basis. Otherwise, excise taxes are accounted for net.

Excise taxes recognized on a gross basis are recorded as Operating Revenues and Property and other taxes on the Condensed Consolidated Statements of Operations. The following table provides the amount of excise taxes accounted for on a gross basis.

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Duke Energy	\$ 109	\$ 101	\$ 308	\$ 416
Duke Energy Carolinas	9	4	27	93
Progress Energy	67	63	174	214
Duke Energy Progress	4	—	12	56
Duke Energy Florida	63	63	162	158
Duke Energy Ohio	24	24	80	80
Duke Energy Indiana	9	10	27	29

During the third quarter of 2014, the North Carolina gross receipts tax was terminated due to the North Carolina Tax Simplification and Rate Reduction Act. The North Carolina gross receipts tax is no longer imposed effective July 1, 2014.

NEW ACCOUNTING STANDARDS

The new accounting standards adopted for 2015 and 2014 had no significant impact on the presentation or results of operations, cash flows or financial position of the Duke Energy Registrants. During the fourth quarter of 2015, Duke Energy will early adopt certain accounting standards not required until the first quarter of 2016. Adoption of these standards will not have a material impact on the results of operations, cash flows, financial position or disclosures of the Duke Energy Registrants.

ASC 205 – Reporting Discontinued Operations. In April 2014, the Financial Accounting Standards Board (FASB) issued revised accounting guidance for reporting discontinued operations. A discontinued operation would be either (i) a component of an entity or a group of components of an entity that represents a separate major line of business or major geographical area of operations that either has been disposed of or is part of a single coordinated plan to be classified as held for sale or (ii) a business that, upon acquisition, meets the criteria to be classified as held for sale.

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For Duke Energy, the revised accounting guidance is effective on a prospective basis for qualified disposals of components or classifications as held for sale that occur after January 1, 2015. Under the standard, the guidance is not effective for a component classified as held for sale before the effective date even if the disposal occurs after the effective date of the guidance. Duke Energy has not reported any discontinued operations under the revised accounting guidance.

The following new Accounting Standards Updates (ASUs) have been issued, but have not yet been adopted by the Duke Energy, as of September 30, 2015.

ASC 606 – Revenue from Contracts with Customers. In May 2014, the FASB issued revised accounting guidance for revenue recognition from contracts with customers. The core principle of this revised accounting guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this update also require disclosure of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

For Duke Energy, the revised accounting guidance is effective for interim and annual periods beginning January 1, 2018, although it can be early adopted for annual periods beginning as early as January 1, 2017. Duke Energy is currently evaluating the requirements. Other than increased disclosures, the revised accounting guidance and impacts to the Duke Energy Registrants have not yet been determined.

ASC 835 – Presentation of Debt Issuance Costs. In April and August 2015, the FASB issued revised accounting guidance for the presentation of debt issuance costs. The core principle of this revised accounting guidance is that debt issuance costs are not assets, but adjustments to the carrying cost of debt. For Duke Energy, this revised accounting guidance is effective retroactively beginning January 1, 2016, but can be adopted earlier.

Duke Energy intends to early adopt this accounting standard during the fourth quarter of 2015. The implementation of this accounting standard will result in a reduction of approximately \$165 million in Other within Regulatory Assets and Deferred Debits, and in Long-Term Debt, based on the amount of debt issuance costs reported on the Condensed Consolidated Balance Sheets as of September 30, 2015.

2. ACQUISITIONS AND DISPOSITIONS

ACQUISITIONS

Acquisition of Piedmont Natural Gas

On October 24, 2015, Duke Energy entered into an Agreement and Plan of Merger (Merger Agreement) with Piedmont Natural Gas Company, Inc., (Piedmont) a North Carolina corporation. Under the terms of the Merger Agreement, Duke Energy will acquire Piedmont for \$4.9 billion in cash. Upon closing, Piedmont will become a wholly-owned subsidiary of Duke Energy.

Pursuant to the Merger Agreement, upon the closing of the merger, each share of Piedmont common stock issued and outstanding immediately prior to the closing will be converted automatically into the right to receive \$60 in cash per share. In addition, Duke Energy will assume \$1.8 billion in Piedmont existing debt. Duke Energy expects to finance the transaction with a combination of debt, between \$500 million and \$750 million of newly issued equity and other cash sources. Duke Energy has a fully underwritten bridge facility to support funding of the merger.

Completion of the transaction is conditioned upon approval by the NCUC, expiration or termination of any applicable waiting period under the federal Hart-Scott-Rodino Antitrust Improvements Act of 1976, and Piedmont shareholder approval. The Merger Agreement contains certain termination rights for both Duke Energy and Piedmont, and provides that, upon termination of the Merger Agreement under specified circumstances, Duke Energy would be required to pay a termination fee of \$250 million to Piedmont and Piedmont would be required to pay Duke Energy a termination fee of \$125 million.

Subject to receipt of required regulatory approvals and meeting closing conditions, Duke Energy and Piedmont target a closing by the end of 2016.

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

Purchase of NCEMPA's Generation

On July 31, 2015, Duke Energy Progress completed the purchase of North Carolina Eastern Municipal Power Agency's (NCEMPA) ownership interests in certain generating assets, fuel and spare parts inventory jointly owned with and operated by Duke Energy Progress for approximately \$1.25 billion. This purchase was accounted for as an asset acquisition. The purchase resulted in the acquisition of a total of approximately 700 megawatts (MW) of generating capacity at Brunswick Nuclear Plant, Shearon Harris Nuclear Plant, Mayo Steam Plant and Roxboro Steam Plant. The NRC approved the transfer of control of licenses for the Brunswick Nuclear Plant and Shearon Harris Nuclear Plant from NCEMPA to Duke Energy Progress on July 6, 2015. In connection with this transaction, Duke Energy Progress and NCEMPA entered into a 30-year wholesale power agreement, whereby Duke Energy Progress will sell power to NCEMPA to continue to meet the needs of NCEMPA customers.

The purchase price exceeds the historical carrying value of the acquired assets by \$350 million, which is a purchase acquisition adjustment, recorded in property, plant and equipment. Duke Energy Progress received FERC approval for inclusion of the purchase acquisition adjustment in wholesale power formula rates on December 9, 2014. On July 8, 2015, the NCUC adopted a new rule that enables a rider mechanism for recovery of the costs to acquire, operate and maintain interests in the assets purchased as allocated to Duke Energy Progress' North Carolina retail operations, including the purchase acquisition adjustment. Duke Energy Progress filed an application with the NCUC to implement the rider to be effective December 1, 2015. Duke Energy Progress also received an order from the PSCSC to defer the recovery of the South Carolina retail allocated costs of the asset purchased until the Company's next general rate case.

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Purchase Price Allocation

The ownership interests in generating assets acquired are subject to rate-setting authority of the FERC, NCUC and PSCSC and accordingly, the assets are recorded at historical cost. The purchase price allocation is presented in the following table.

(in millions)	
Inventory	\$ 56
Net property, plant and equipment	845
Total assets	901
Purchase acquisition adjustment	350
Total purchase price	\$ 1,251

In connection with the acquisition, Duke Energy Progress acquired NCEMPA's nuclear decommissioning trust fund assets of \$287 million and assumed asset retirement obligations of \$204 million associated with NCEMPA's interest in the generation assets. The nuclear decommissioning trust fund and the asset retirement obligation are subject to regulatory accounting treatment with any difference between the trust fund assets and the asset retirement obligation accounted for within regulatory assets and liabilities.

Impact of the Acquisition

Incremental costs following the acquisition are allocated between retail and wholesale operations. Costs allocated to Duke Energy Progress' retail operations are being deferred until the costs are reflected in retail rates in North Carolina through a rate rider. Costs allocated to the South Carolina jurisdiction are being deferred until the next rate case when recovery of these costs will be considered.

The impact of the acquired NCEMPA assets and the 30-year wholesale power agreement on Duke Energy Progress' Operating Revenues and Net Income and Comprehensive Income in the Condensed Consolidated Statements of Operations was \$40 million and \$7 million, respectively, for the three and nine months ended September 30, 2015.

DISPOSITIONS

Midwest Generation Exit

Duke Energy, through indirect subsidiaries, completed the sale of the nonregulated Midwest generation business and Duke Energy Retail (Disposal Group) to a subsidiary of Dynegy on April 2, 2015, for approximately \$2.8 billion in cash. On April 1, 2015, prior to the sale, Duke Energy Ohio distributed its indirect ownership interest in the nonregulated Midwest generation business to a subsidiary of Duke Energy Corporation.

The assets and liabilities of the Disposal Group prior to the sale were included in the Commercial Portfolio (formerly Commercial Power) segment and classified as held for sale in Duke Energy's and Duke Energy Ohio's Condensed Consolidated Balance Sheet. The following table presents information related to the Duke Energy Ohio generation plants included in the Disposal Group.

Facility	Plant Type	Primary Fuel	Location	Total MW Capacity ^(d)	Owned MW Capacity ^(d)	Ownership Interest
Stuart ^{(a)(c)}	Fossil Steam	Coal	OH	2,308	900	39%
Zimmer ^(a)	Fossil Steam	Coal	OH	1,300	605	46.5%
Hanging Rock	Combined Cycle	Natural Gas	OH	1,226	1,226	100%
Miami Fort (Units 7 and 8) ^(b)	Fossil Steam	Coal	OH	1,020	652	64%
Conesville ^{(a)(c)}	Fossil Steam	Coal	OH	780	312	40%
Washington	Combined Cycle	Natural Gas	OH	617	617	100%
Fayette	Combined Cycle	Natural Gas	PA	614	614	100%
Killen ^{(b)(c)}	Fossil Steam	Coal	OH	600	198	33%
Lee	Combustion Turbine	Natural Gas	IL	568	568	100%
Dick's Creek	Combustion Turbine	Natural Gas	OH	136	136	100%
Miami Fort	Combustion Turbine	Oil	OH	56	56	100%
Total Midwest Generation				9,225	5,884	

(a) Jointly owned with America Electric Power Generation Resources and The Dayton Power & Light Company.

(b) Jointly owned with The Dayton Power & Light Company.

(c) Facility was not operated by Duke Energy Ohio.

(d) Total megawatt (MW) capacity is based on summer capacity.

The Disposal Group also included a retail sales business owned by Duke Energy. In the second quarter of 2014, Duke Energy Ohio removed Ohio Valley Electric Corporation's (OVEC) purchase power agreement from the Disposal Group as it no longer intended to sell it with the Disposal Group.

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The results of operations of the Disposal Group prior to the date of sale are classified as discontinued operations in the accompanying Condensed Consolidated Statements of Operations and Comprehensive Income. Certain immaterial costs that may be eliminated as a result of the sale have remained in continuing operations. The following table presents the results of discontinued operations.

Duke Energy

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Operating Revenues	\$ —	\$ 620	\$ 543	\$ 1,233
(Loss) Gain on disposition ^(a)	(5)	460	(42)	(847)
(Loss) Income before income taxes ^(b)	\$ (5)	\$ 623	\$ 62	\$ (864)
Income tax (benefit) expense	(1)	218	29	(321)
(Loss) Income from discontinued operations of the Disposal Group	(4)	405	33	(543)
Other, net of tax ^(c)	(1)	(27)	(4)	(35)
(Loss) Income from Discontinued Operations, net of tax	\$ (5)	\$ 378	\$ 29	\$ (578)

- (a) The (Loss) Gain on disposition includes impairments and reversals to the impairments recorded to adjust the carrying amount of the assets to the estimated fair value of the business, based on the selling price to Dynegy less cost to sell.
- (b) The (Loss) Income before income taxes includes the pretax impact of an \$81 million charge for the settlement agreement reached in a lawsuit related to the Disposal Group for the nine months ended September 30, 2015. Refer to Note 5 for further information related to the lawsuit.
- (c) Includes other discontinued operations related to prior sales of businesses and includes indemnifications provided for certain legal, tax and environmental matters, and foreign currency translation adjustments.

Duke Energy Ohio

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Operating Revenues	\$ —	\$ 536	\$ 412	\$ 853
(Loss) Gain on disposition ^(a)	(4)	466	(48)	(878)
(Loss) Income before income taxes ^(b)	\$ (4)	\$ 647	\$ 48	\$ (917)
Income tax (benefit) expense	(2)	234	25	(320)
(Loss) Income from Discontinued Operations, net of tax	\$ (2)	\$ 413	\$ 23	\$ (597)

- (a) The (Loss) Gain on disposition includes impairments and reversals to the impairments recorded to adjust the carrying amount of the assets to the estimated fair value of the business, based on the selling price to Dynegy less cost to sell.
- (b) The (Loss) Income before income taxes includes the pretax impact of an \$81 million charge for the settlement agreement reached in a lawsuit related to the Disposal Group for the nine months ended September 30, 2015, respectively. Refer to Note 5 for further information related to the lawsuit.

Commercial Portfolio has a revolving credit agreement (RCA) which was used to support the operations of the nonregulated Midwest generation business. Interest expense associated with the RCA was allocated to discontinued operations. No other interest expense related to corporate level debt was allocated to discontinued operations.

Duke Energy Ohio had a power purchase agreement with the Disposal Group for a portion of its standard service offer (SSO) supply requirement. The agreement and the SSO expired in May 2015. Duke Energy will also provide, and receive reimbursement for, transition services provided to Dynegy for a period of up to 12 months. The continuing cash flows are not considered direct cash flows and are not expected to be material. Duke Energy or Duke Energy Ohio will not significantly influence the operations of the Disposal Group during the transition service period.

See Notes 4 and 5 for a discussion of contingencies related to the Disposal Group that are retained by Duke Energy Ohio subsequent to the sale.

3. BUSINESS SEGMENTS

Operating segments are determined based on information used by the chief operating decision-maker in deciding how to allocate resources and evaluate the performance of the business.

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Duke Energy evaluates segment performance based on segment income. Segment income is defined as income from continuing operations net of income attributable to noncontrolling interests. Segment income, as discussed below, includes intercompany revenues and expenses that are eliminated in the Condensed Consolidated Financial Statements. Certain governance costs are allocated to each segment. In addition, direct interest expense and income taxes are included in segment income.

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

DUKE ENERGY

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

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

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

Commercial Portfolio builds, develops and operates wind and solar renewable generation and energy transmission projects throughout the U.S. The segment was renamed as a result of the sale of the nonregulated Midwest generation business, as discussed in Note 2. For periods subsequent to the sale, beginning in the second quarter of 2015, certain immaterial results of operations and related assets previously presented in the Commercial Portfolio segment are presented in Regulated Utilities and Other.

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

(in millions)	Three Months Ended September 30, 2015						
	Regulated Utilities	International Energy	Commercial Portfolio	Total Reportable Segments	Other	Eliminations	Consolidated
Unaffiliated revenues	\$ 6,138	\$ 281	\$ 66	\$ 6,485	\$ (2)	\$ —	\$ 6,483
Intersegment revenues	9	—	—	9	19	(28)	—
Total revenues	\$ 6,147	\$ 281	\$ 66	\$ 6,494	\$ 17	\$ (28)	\$ 6,483
Segment income (loss) ^{(a)(b)}	\$ 905	\$ 69	\$ (3)	\$ 971	\$ (34)	\$ —	\$ 937
Add back noncontrolling interests							3
Loss from discontinued operations, net of tax							(5)
Net income							\$ 935
Segment assets	\$ 110,520	\$ 3,730	\$ 3,841	\$ 118,091	\$ 2,757	\$ 185	\$ 121,033

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

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

(in millions)	Three Months Ended September 30, 2014						
	Regulated Utilities	International Energy	Commercial Portfolio	Total Reportable Segments	Other	Eliminations	Consolidated
Unaffiliated revenues	\$ 5,975	\$ 366	\$ 50	\$ 6,391	\$ 4	\$ —	\$ 6,395
Intersegment revenues	11	—	—	11	21	(32)	—
Total revenues	\$ 5,986	\$ 366	\$ 50	\$ 6,402	\$ 25	\$ (32)	\$ 6,395
Segment income (loss) ^(a)	\$ 920	\$ 80	\$ (17)	\$ 983	\$ (92)	\$ (3)	\$ 888
Add back noncontrolling interests							3
Income from discontinued operations, net of tax							378
Net income							\$ 1,269

(a) Other includes \$35 million of after-tax costs to achieve the 2012 Progress Energy merger.

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Nine Months Ended September 30, 2015								
(in millions)	Regulated	International	Commercial	Total	Other	Eliminations	Consolidated	
	Utilities	Energy	Portfolio	Reportable Segments				
Unaffiliated revenues	\$ 17,062	\$ 841	\$ 214	\$ 18,117	\$ 20	\$ —	\$ 18,137	
Intersegment revenues	28	—	—	28	58	(86)	—	
Total revenues	\$ 17,090	\$ 841	\$ 214	\$ 18,145	\$ 78	\$ (86)	\$ 18,137	
Segment income (loss) ^{(a)(b)(c)}	\$ 2,311	\$ 157	\$ (35)	\$ 2,433	\$ (119)	\$ (4)	\$ 2,310	
Add back noncontrolling interests								10
Income from discontinued operations, net of tax ^(d)								29
Net income							\$	2,349

- (a) Regulated Utilities includes an after-tax charge of \$56 million related to the Edwardsport settlement. Refer to Note 4 for further information.
- (b) Other includes \$42 million of after-tax costs to achieve the 2012 Progress Energy merger.
- (c) Commercial Portfolio includes state tax expense of \$41 million, resulting from changes to state apportionment factors due to the sale of the Disposal Group, that does not qualify for discontinued operations. Refer to Note 2 for further information related to the sale.
- (d) Includes after-tax impact of \$53 million for the settlement agreement reached in a lawsuit related to the Disposal Group. Refer to Note 5 for further information related to the lawsuit.

Nine Months Ended September 30, 2014								
(in millions)	Regulated	International	Commercial	Total	Other	Eliminations	Consolidated	
	Utilities	Energy	Portfolio	Reportable Segments				
Unaffiliated revenues	\$ 17,041	\$ 1,111	\$ 195	\$ 18,347	\$ 19	\$ —	\$ 18,366	
Intersegment revenues	33	—	—	33	60	(93)	—	
Total revenues	\$ 17,074	\$ 1,111	\$ 195	\$ 18,380	\$ 79	\$ (93)	\$ 18,366	
Segment income (loss) ^{(a)(b)}	\$ 2,346	\$ 356	\$ (70)	\$ 2,632	\$ (269)	\$ (7)	\$ 2,356	
Add back noncontrolling interest								11
Loss from discontinued operations, net of tax								(578)
Net income							\$	1,789

- (a) Commercial Portfolio includes a pretax impairment charge of \$94 million related to OVEC. Refer to Note 13 for further information.
- (b) Other includes \$107 million of after-tax costs to achieve the 2012 Progress Energy merger.

DUKE ENERGY OHIO

Duke Energy Ohio had two reportable operating segments, Regulated Utilities and Commercial Portfolio, prior to the sale of the nonregulated Midwest generation business. As a result of the sale discussed in Note 2, Commercial Portfolio no longer qualifies as a Duke Energy Ohio reportable operating segment. Therefore, for periods subsequent to the sale, beginning in the second quarter of 2015, all of the remaining assets and related results of operations previously presented in Commercial Portfolio are presented in Regulated Utilities and Other.

Regulated Utilities transmits and distributes electricity in portions of Ohio and Kentucky, and generates and sells electricity in portions of Kentucky. Regulated Utilities also transports and sells natural gas in portions of Ohio and northern Kentucky. It conducts operations primarily through Duke Energy Ohio and its wholly owned subsidiary, Duke Energy Kentucky.

Other is primarily comprised of governance costs allocated by its parent, Duke Energy, and revenues and expenses related to Duke Energy Ohio's contractual arrangement to buy power from OVEC's power plants. For additional information on related party transactions refer to Note 9.

Duke Energy Ohio had no intersegment revenues for the three and nine months ended September 30, 2015.

Three Months Ended September 30, 2015				
(in millions)	Regulated	Other	Eliminations	Consolidated
	Utilities			
Total revenues	\$ 456	\$ 6	\$ —	\$ 462
Segment income (loss)	\$ 46	\$ (12)	\$ —	\$ 34
Loss from discontinued operations, net of tax				(2)
Net income				\$ 32
Segment assets	\$ 6,961	\$ 126	\$ (4)	\$ 7,083

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Three Months Ended September 30, 2014							
(in millions)	Regulated	Commercial	Total	Other	Eliminations		Consolidated
	Utilities	Portfolio	Reportable Segments				
Unaffiliated revenues	\$ 440	\$ 6	\$ 446	\$ —	\$ —		\$ 446
Intersegment revenues	1	—	1	—	(1)		—
Total revenues	\$ 441	\$ 6	\$ 447	\$ —	\$ (1)		\$ 446
Segment income (loss)	\$ 43	\$ (13)	\$ 30	\$ (4)	\$ —		\$ 26
Income from discontinued operations, net of tax							413
Net income							\$ 439

Nine Months Ended September 30, 2015							
(in millions)	Regulated	Commercial	Total	Other	Eliminations		Consolidated
	Utilities	Portfolio	Reportable Segments				
Total revenues	\$ 1,424	\$ 14	\$ 1,438	\$ 15	\$ —		\$ 1,453
Segment income (loss)	\$ 135	\$ (9)	\$ 126	\$ (20)	\$ —		\$ 106
Income from discontinued operations, net of tax ^(a)							23
Net income							\$ 129

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

Nine Months Ended September 30, 2014							
(in millions)	Regulated	Commercial	Total	Other	Eliminations		Consolidated
	Utilities	Portfolio	Reportable Segments				
Unaffiliated revenues	\$ 1,416	\$ 17	\$ 1,433	\$ —	\$ —		\$ 1,433
Intersegment revenues	1	—	1	—	(1)		—
Total revenues	\$ 1,417	\$ 17	\$ 1,434	\$ —	\$ (1)		\$ 1,433
Segment income (loss) ^(a)	\$ 151	\$ (101)	\$ 50	\$ (11)	\$ —		\$ 39
Loss from discontinued operations, net of tax							(597)
Net loss							\$ (558)

(a) Commercial Portfolio includes a pretax impairment charge of \$94 million related to OVEC. See Note 13 for additional information.

DUKE ENERGY CAROLINAS, PROGRESS ENERGY, DUKE ENERGY PROGRESS, DUKE ENERGY FLORIDA AND DUKE ENERGY INDIANA

The remaining Subsidiary Registrants each have one reportable operating segment, Regulated Utilities, which generates, transmits, distributes and sells electricity. The remainder of each company's operations is classified as Other. While not considered a reportable segment for any of these companies, Other consists of certain unallocated corporate costs. The following table summarizes the net loss for Other at each of these registrants.

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Duke Energy Carolinas	\$ (10)	\$ (19)	\$ (28)	\$ (67)
Progress Energy ^(a)	(3)	(48)	(87)	(145)
Duke Energy Progress	(4)	(10)	(12)	(23)
Duke Energy Florida	(3)	(5)	(9)	(16)
Duke Energy Indiana	(2)	(3)	(6)	(10)

(a) Other for Progress Energy also includes interest expense on corporate debt instruments of \$61 million and \$180 million for the three and nine months ended September 30, 2015, respectively, and \$58 million and \$181 million for the three and nine months ended September 30, 2014, respectively.

The assets of Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida and Duke Energy Indiana are substantially all included within the Regulated Utilities segment at September 30, 2015 and 2014.

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4. REGULATORY MATTERS

RATE RELATED INFORMATION

The NCUC, PSCSC, FPSC, IURC, PUCO and KPSC approve rates for retail electric and natural gas services within their respective states. The FERC approves rates for electric sales to wholesale customers served under cost-based rates (excluding Ohio, Kentucky and Indiana), as well as sales of transmission service.

Duke Energy Carolinas

William States Lee Combined Cycle Facility

On April 9, 2014, the PSCSC granted Duke Energy Carolinas and North Carolina Electric Membership Corporation (NCEMC) a Certificate of Environmental Compatibility and Public Convenience and Necessity (CEPCN) for the construction and operation of a 750 MW combined-cycle natural gas-fired generating plant at Duke Energy Carolinas' existing William States Lee Generating Station in Anderson, South Carolina. Duke Energy Carolinas began construction in July 2015 and estimates a cost to build of \$600 million for its share of the facility, including allowance for funds used during construction (AFUDC). The project is expected to be commercially available in late 2017. NCEMC will own approximately 13 percent of the project. On July 3, 2014, the South Carolina Coastal Conservation League and Southern Alliance for Clean Energy jointly filed a Notice of Appeal with the Court of Appeals of South Carolina seeking the court's review of the PSCSC's decision, claiming the PSCSC did not properly consider a request related to a proposed solar facility prior to granting approval of the CEPCN. The case has been fully briefed and is pending in the Court of Appeals. Oral arguments are expected to be heard in January 2016. Duke Energy Carolinas cannot predict the outcome of this matter.

Duke Energy Progress

Sutton Black Start Combustion Turbine CPCN

On April 15, 2015, Duke Energy Progress filed a Certificate of Public Convenience and Necessity (CPCN) application with the NCUC for approval to construct an 84 MW black start combustion turbine (CT) project at the existing Sutton Plant (Sutton Black Start CT Project). The Sutton Black Start CT Project would replace three existing CTs with total capacity of 61 MW with two new 42 MW CT units with black start and fast start capability. In addition to peaking system capacity, the Sutton Black Start CT Project will provide regional black start capability and tertiary backup power services for the Brunswick Nuclear Plant. In June 2015, the Public Staff of the NCUC recommended the NCUC approve Duke Energy Progress' application. On August 3, 2015, the NCUC issued an order granting the application and requiring annual construction and cost progress reports. The new units are expected to be commercially available in the summer of 2017.

Western Carolinas Modernization Plan

In May 2015, Duke Energy Progress announced a \$1.1 billion plan to modernize the Western Carolinas energy system. The plan included retirement of the Asheville coal-fired plant, building a 650 MW combined-cycle natural gas power plant, installing solar generation at the site, building new transmission lines, a new substation and upgrades to area substations. On June 24, 2015, the North Carolina governor signed into law the North Carolina Mountain Energy Act of 2015 (Mountain Energy Act) which provides for an expedited CPCN process for the proposed Asheville combined-cycle project and extends certain North Carolina Coal Ash Management Act of 2014 (Coal Ash Act) deadlines for the coal ash basin at the Asheville Plant site.

On November 4, 2015, in response to community feedback, Duke Energy Progress announced a revised plan. The revised plan replaces the planned 650 MW plant with two 280 MW combined-cycle natural gas plants having dual fuel capability, with the option to build a third gas unit in 2023 based upon the outcome of initiatives to reduce the region's power demand. The revised plan includes upgrades to existing transmission lines and substations, but eliminates the need for a new transmission line and a new substation associated with the project in South Carolina. The revised plan has the same overall project cost as the original plan, and the plans to install solar generation remain unchanged. These investments will be made within the next five years in North Carolina. Duke Energy Progress is also working with the local natural gas distribution company to upgrade an existing natural gas pipeline to serve the natural gas plant. The plan requires various approvals including regulatory approvals in North Carolina. Duke Energy Progress plans to file for a CPCN with the NCUC for the new gas units in January 2016.

The carrying value of the 376 MW Asheville coal-fired plant, including associated ash basin closure costs, of \$460 million is included in Generation facilities to be retired, net on Duke Energy Progress' Condensed Consolidated Balance Sheet as of September 30, 2015.

Duke Energy Florida

FERC Transmission Return on Equity Complaint

Seminole Electric Cooperative, Inc. and Florida Municipal Power Agency filed multiple complaints with the FERC alleging Duke Energy Florida's current rate of return on equity in transmission formula rates of 10.8 percent is unjust and unreasonable. The latest complaint, filed on August 12, 2014, claims the rate of return on equity should be reduced to 8.69 percent. The FERC consolidated all complaints for the purposes of settlement, hearing and decision. On July 21, 2015, the parties filed with the FERC for approval of a settlement agreement under which (i) Duke Energy Florida will pay a total of \$14.1 million as refunds for all periods through December 31, 2014, (ii) the rate of return on equity will be 10 percent effective January 1, 2015, and (iii) none of the parties will seek a change in the rate of return on equity prior to January 1, 2018. Amounts to be refunded are included in Other within Current Liabilities on the Condensed Consolidated Balance Sheets as of September 30, 2015. FERC approval of the settlement is pending.

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Citrus County Combined Cycle Facility

On October 2, 2014, the FPSC granted Duke Energy Florida a Determination of Need for the construction of a 1,640 MW combined-cycle natural gas plant in Citrus County, Florida. On May 5, 2015, the Florida Department of Environmental Protection approved Duke Energy Florida's Site Certification Application. The facility is expected to be commercially available in 2018 at an estimated cost of \$1.5 billion, including AFUDC. The project has received all required permits and approvals and construction began in October 2015.

Purchase of Osprey Energy Center

In December 2014, Duke Energy Florida and Osprey Energy Center, LLC, a wholly owned subsidiary of Calpine Corporation (Calpine), entered into an Asset Purchase and Sale Agreement for the purchase of a 599 MW combined-cycle natural gas plant in Auburndale, Florida (Osprey Plant acquisition) for approximately \$166 million. On January 30, 2015, Duke Energy Florida petitioned the FPSC requesting a determination that the Osprey Plant acquisition or, alternatively, the construction of a 320 MW combustion turbine at its existing Suwannee generating facility (Suwannee project) with an estimated cost of \$197 million, is the most cost-effective generation alternative to meet Duke Energy Florida's remaining generation need prior to 2018. On July 21, 2015, the FPSC approved the Osprey Plant acquisition as the most cost-effective alternative and issued an order of approval on July 31, 2015. On July 24, 2015, the FERC issued an order approving the Osprey Plant acquisition. Closing of the acquisition is contingent upon the expiration of the Hart-Scott-Rodino waiting period and is expected to occur by the first quarter of 2017, upon the expiration of an existing Power Purchase Agreement between Calpine and Duke Energy Florida.

Crystal River Unit 3

On May 22, 2015, Duke Energy Florida petitioned the FPSC for approval to include in base rates the revenue requirement for the projected \$1.298 billion Crystal River Unit 3 regulatory asset as authorized by the 2013 Revised and Restated Stipulation and Settlement Agreement (2013 Agreement). On September 15, 2015, the FPSC approved Duke Energy Florida's motion for approval of a settlement agreement with intervenors to reduce the value of the projected Crystal River Unit 3 regulatory asset to be recovered to \$1.283 billion as of December 31, 2015. An impairment charge of \$15 million was recognized in the third quarter of 2015 to adjust the regulatory asset balance. The initial annual revenue requirement for this approved value is estimated to be \$168 million.

In June 2015, the governor of Florida signed legislation to allow utilities to petition for a financing order for securitization of certain retired nuclear generation assets. On July 27, 2015, Duke Energy Florida petitioned the FPSC for a financing order to issue nuclear asset-recovery bonds to finance the Crystal River Unit 3 regulatory asset. If the FPSC issues an acceptable financing order and Duke Energy Florida issues the bonds, the securitization would replace the base rate recovery methodology authorized by the 2013 Agreement and result in a lower rate impact to customers. The annual revenue requirement with securitization, subject to changes in assumed interest rates and timing of issuance of the securitization bonds, is estimated to be approximately \$93 million. On October 14, 2015, the FPSC approved an agreement on all securitization-related issues and is expected to issue a final financing order in the fourth quarter of 2015. If approved, Duke Energy Florida expects to issue securitization bonds in early 2016.

Levy Nuclear Project

On April 16, 2015, the FPSC approved Duke Energy Florida's petition to cease collection of the Levy Nuclear Project fixed charge beginning with the first billing cycle in May 2015. Duke Energy Florida also sought approval to defer collection of the \$54 million regulatory asset until the conclusion of litigation with Westinghouse Electric Co. The FPSC determined it was unnecessary to act on the request, finding that its previous order requiring a downward adjustment in projected costs primarily affected the timing of when the fixed charge would end and did not disallow the recovery of costs previously determined to be prudent. On August 18, 2015, the FPSC approved to leave the Levy Nuclear Project portion of the Nuclear Cost Recovery Clause charge at zero dollars for 2016 and 2017, consistent with the 2013 Settlement. Duke Energy Florida will submit by May 2017 a true-up of Levy Nuclear Project costs or credits to be recovered no earlier than January 2018. To the extent costs become known after May 2017, Duke Energy Florida will petition for recovery at that time.

Duke Energy Ohio

DE Ohio Energy Efficiency Cost Recovery

On March 28, 2014, Duke Energy Ohio filed an application for recovery of program costs, lost distribution revenue and performance incentives related to its energy efficiency and peak demand reduction programs. These programs are undertaken to comply with environmental mandates set forth in Ohio law. After a comment period, the PUCO approved Duke Energy Ohio's application, but found that Duke Energy Ohio was not permitted to use banked energy savings from previous years in order to calculate the amount of allowed incentive. This conclusion represented a change to the cost recovery mechanism that had been agreed to by intervenors and approved by the PUCO in previous cases. As a result of the PUCO's decision, Duke Energy Ohio reversed \$23 million in revenues for the period between January 2013 and April 2015 in second quarter 2015. The PUCO granted Duke Energy Ohio's application for rehearing on July 8, 2015. Substantive ruling on the application for rehearing is pending.

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2014 Electric Security Plan

In April 2015, the PUCO modified and approved Duke Energy Ohio's proposed ESP, with a three-year term and an effective date of June 1, 2015. The PUCO approved a competitive procurement process for SSO load, a distribution capital investment rider and a tracking mechanism for incremental distribution expenses caused by major storms. The PUCO order also approved a placeholder tariff for a price stabilization rider, but denied Duke Energy Ohio's specific request to include OVEC in the rider at this time; however, the order allows Duke Energy Ohio to submit additional information to request recovery in the future. On May 4, 2015, Duke Energy Ohio filed an application for rehearing requesting the PUCO to modify or amend certain aspects of the order. On May 14, 2015, Duke Energy Ohio completed a competitive bidding process to procure a portion of the supply for its SSO load for the term of the ESP. The PUCO approved the results on May 15, 2015. On May 28, 2015, the PUCO granted all applications for rehearing filed in the case for future consideration. Duke Energy Ohio cannot predict the outcome of this matter.

2012 Natural Gas Rate Case

On November 13, 2013, the PUCO issued an order approving a settlement among Duke Energy Ohio, the PUCO Staff and intervening parties (the Gas Settlement). The Gas Settlement provided for (i) no increase in base rates for natural gas distribution service and (ii) a return on equity of 9.84 percent. The Gas Settlement provided for a subsequent hearing on Duke Energy Ohio's request for rider recovery of environmental remediation costs associated with its former manufactured gas plant (MGP) sites. The PUCO authorized Duke Energy Ohio to recover \$56 million, excluding carrying costs, of environmental remediation costs. The MGP rider became effective in April 2014 for a five-year period. On March 31, 2014, Duke Energy Ohio filed an application with the PUCO to adjust the MGP rider for investigation and remediation costs incurred in 2013.

Certain consumer groups appealed the PUCO's decision authorizing the MGP rider to the Ohio Supreme Court and asked the court to stay implementation of the PUCO's order and collections under the MGP rider pending their appeal. The Ohio Supreme Court granted the motion to stay and subsequently required the posting of a bond to effectuate the stay. When the bond was not posted, the PUCO approved Duke Energy Ohio's request, in January 2015, to reinstate collections under the MGP rider and Duke Energy Ohio resumed billings. Amounts collected prior to the suspension of the rider were immaterial. On March 31, 2015, Duke Energy Ohio filed an application to adjust the MGP rider to recover remediation costs incurred in 2014. Duke Energy Ohio cannot predict the outcome of the appeal of this matter.

Regional Transmission Organization (RTO) Realignment

Duke Energy Ohio, including Duke Energy Kentucky, transferred control of its transmission assets from Midcontinent Independent System Operator, Inc. (MISO) to PJM Interconnection, LLC (PJM), effective December 31, 2011.

On December 22, 2010, the KPSC approved Duke Energy Kentucky's request to effect the RTO realignment, subject to a commitment not to seek double recovery in a future rate case of the transmission expansion fees that may be charged by MISO and PJM in the same period or overlapping periods.

On May 25, 2011, the PUCO approved a settlement between Duke Energy Ohio, Ohio Energy Group, the Office of Ohio Consumers' Counsel and the PUCO Staff related to Duke Energy Ohio's recovery of certain costs of the RTO realignment via a non-bypassable rider. Duke Energy Ohio is allowed to recover all MISO Transmission Expansion Planning (MTEP) costs, including but not limited to Multi Value Project (MVP) costs, directly or indirectly charged to Ohio customers. Duke Energy Ohio also agreed to vigorously defend against any charges for MVP projects from MISO.

Upon its exit from MISO on December 31, 2011, Duke Energy Ohio recorded a liability for its exit obligation and share of MTEP costs, excluding MVP. This liability was recorded within Other in Current liabilities and Other in Deferred credits and other liabilities on Duke Energy Ohio's Condensed Consolidated Balance Sheets.

As of September 30, 2015, Duke Energy Ohio had recorded obligations of \$91 million related to its withdrawal from MISO and a Regulatory asset of \$72 million recorded on the Condensed Consolidated Balance Sheets. MTEP costs billed by MISO are recovered by Duke Energy Ohio through a non-bypassable rider.

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

On December 29, 2011, MISO filed a tariff with the FERC providing for the allocation of MVP costs to a withdrawing owner based on monthly energy usage. The FERC set for hearing (i) whether MISO's proposed cost allocation methodology to transmission owners who withdrew from MISO prior to January 1, 2012 is consistent with the tariff at the time of their withdrawal from MISO and, (ii) if not, what the amount of and methodology for calculating any MVP cost responsibility should be. In 2012, MISO estimated Duke Energy Ohio's MVP obligation over the period from 2012 to 2071 at \$2.7 billion, on an undiscounted basis. On July 16, 2013, a FERC Administrative Law Judge (ALJ) issued an initial decision. Under this initial decision, Duke Energy Ohio would be liable for MVP costs. Duke Energy Ohio filed exceptions to the initial decision, requesting the FERC overturn the ALJ's decision.

On October 29, 2015, the FERC issued an order reversing the ALJ's decision. FERC ruled that the cost allocation methodology is not consistent with the MISO tariff and that Duke Energy Ohio has no liability for MVP costs after its withdrawal from MISO. MISO has 30 days from the date of the order to file a request for rehearing with FERC.

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FERC Transmission Return on Equity and MTEP Cost Settlement

On October 14, 2011, Duke Energy Ohio and Duke Energy Kentucky submitted with the FERC proposed modifications to the PJM Interconnection Open Access Transmission Tariff pertaining to recovery of the transmission revenue requirement as PJM transmission owners. The filing was made in connection with Duke Energy Ohio's and Duke Energy Kentucky's move from MISO to PJM effective December 31, 2011. On April 24, 2012, the FERC issued an order accepting the proposed filing effective January 1, 2012, except that the order denied a request to recover certain costs associated with the move from MISO to PJM without prejudice to the right to submit another filing seeking such recovery and including certain additional evidence, and set the rate of return on equity of 12.38 percent for settlement and hearing. On April 16, 2015, the FERC approved a settlement agreement between Duke Energy Ohio, Duke Energy Kentucky and six PJM transmission customers with load in the Duke Energy Ohio and Duke Energy Kentucky zone. The principal terms of the settlement agreement are that, effective upon the date of FERC approval, (i) the return on equity for wholesale transmission service is reduced to 11.38 percent, (ii) the settling parties agreed not to seek a change in the return on equity that would be effective prior to June 1, 2017, and (iii) Duke Energy Ohio and Duke Energy Kentucky will recover 30 percent of the wholesale portion of costs arising from their obligation to pay any portion of the costs of projects included in any MTEP that was approved prior to the date of Duke Energy Ohio's and Duke Energy Kentucky's integration into PJM.

Duke Energy Indiana

Edwardsport Integrated Gasification Combined Cycle (IGCC) Plant

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

The ninth semi-annual IGCC rider order was appealed by the Joint Intervenor. On September 8, 2014, the Indiana Court of Appeals remanded the IURC order in the ninth IGCC rider proceeding back to the IURC for further findings. On February 25, 2015, the IURC issued a new order upholding its prior decision and provided additional detailed findings. Joint Intervenor appealed this remand order to the Indiana Court of Appeals. On September 23, 2015, the Indiana Court of Appeals affirmed the IURC remand decision on one of the key financial issues. The Indiana Court of Appeals found that there was sufficient evidence for the IURC to find that the three-month delay in construction for this time period was not unreasonable and therefore the costs of such delay should be borne by Duke Energy Indiana customers. The Indiana Court of Appeals found that the IURC did not support its findings regarding the ratemaking impact of the tax in-service declaration and reversed and remanded this issue back to the IURC, with direction to hold further proceedings and issue additional findings on the issue. The Joint Intervenor has requested a rehearing of the Indiana Court of Appeals decision.

The 10th semi-annual IGCC rider order was also appealed by the Joint Intervenor. On August 21, 2014 the Indiana Court of Appeals affirmed the IURC order in the 10th IGCC rider proceeding and on October 29, 2014 denied the Joint Intervenor's request for rehearing. The Joint Intervenor requested the Indiana Supreme Court to review the decision, which was denied on April 23, 2015, concluding the appeal. Duke Energy Indiana has filed the 14th and 15th semi-annual IGCC rider proceedings.

The 11th through 15th semi-annual IGCC riders and a subdocket to Duke Energy Indiana's fuel adjustment clause are currently in various stages of approval by the IURC in the filing process. Issues in these filings include the determination whether the IGCC plant was properly declared in service for ratemaking purposes in June 2013 and a review of the operational performance of the plant. On September 17, 2015, Duke Energy Indiana, the OUCC, the Industrial Group and Nucor Steel Indiana reached a settlement agreement to resolve these pending issues. The proposed settlement will result in customers not being billed for previously incurred but deferred operating costs of \$78 million, a refund of previously recovered operating costs of \$7 million and for additional Duke Energy Indiana payments and commitments of \$5 million for attorneys' fees and to fund consumer programs. Duke Energy Indiana recorded impairment charges of \$85 million and Other Income and Expenses, net of \$5 million in the Condensed Consolidated Statements of Operations and Comprehensive Income for the three and nine months ended September 30, 2015. Duke Energy Indiana also recorded a \$78 million reduction of Regulatory assets within Regulatory Assets and Deferred Debits, an additional \$7 million of Other within Deferred Credits and Other Liabilities and \$5 million of Accounts payable within Current Liabilities on the Condensed Consolidated Balance Sheets at September 30, 2015. Additionally, under the proposed settlement, the operating and maintenance expenses and ongoing maintenance capital at the plant are subject to certain caps during the years of 2016 and 2017. Pursuant to the settlement, the in-service date used for accounting and ratemaking will remain as June 2013. Remaining deferred costs will be recovered over eight years and not earn a carrying cost. As of September 30, 2015, deferred costs related to the project are approximately \$108 million. Future IGCC riders will be filed annually, rather than every six months, with the next filing scheduled for first quarter 2017. The settlement is subject to IURC approval, which the parties hope to receive in the first half of 2016. Duke Energy Indiana cannot predict the outcome of the settlement of these matters or future IGCC rider proceedings.

FERC Transmission Return on Equity Complaint

Customer groups have filed with the FERC complaints against MISO and its transmission-owning members, including Duke Energy Indiana, alleging, among other things, that the current base rate of return on equity earned by MISO transmission owners of 12.38 percent is unjust and unreasonable. The latest complaint, filed on February 12, 2015, claims the base rate of return on equity should be reduced to 8.67 percent and requests a consolidation of complaints. On January 5, 2015, the FERC issued an order accepting the MISO transmission owners 0.50 percent adder to the base rate of return on equity based on participation in an RTO subject to it being applied to a return on equity that is shown to be just and reasonable in the pending return on equity complaint. A hearing in the base return on equity proceeding was held in August 2015. The motion to consolidate complaints was denied. A hearing on the second complaint proceeding is scheduled to begin February 16, 2016. Duke Energy Indiana cannot predict the outcome of this matter.

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Grid Infrastructure Improvement Plan

On August 29, 2014, Duke Energy Indiana filed a seven-year grid infrastructure improvement plan with the IURC with an estimated cost of \$1.9 billion, focusing on the reliability, integrity and modernization of the transmission and distribution system. In May 2015, the IURC denied the proposal due to an insufficient level of detailed projects and cost estimates in the plan. Duke Energy Indiana is evaluating the order and plans to file a revised infrastructure improvement plan by the end of 2015.

OTHER REGULATORY MATTERS

Atlantic Coast Pipeline

On September 2, 2014, Duke Energy, Dominion Resources (Dominion), Piedmont and AGL Resources announced the formation of a company, ACP, to build and own the proposed Atlantic Coast Pipeline (the pipeline), a 564-mile interstate natural gas pipeline. The pipeline is designed to meet the needs identified in requests for proposals by Duke Energy Carolinas, Duke Energy Progress and Piedmont Natural Gas. Dominion will build and operate the pipeline and has a 45 percent ownership percentage in ACP. Duke Energy has a 40 percent ownership interest in ACP through its Commercial Portfolio segment. Piedmont owns 10 percent and the remaining share is owned by AGL Resources. Duke Energy Carolinas and Duke Energy Progress, among others, will be customers of the pipeline. Purchases will be made under several 20-year supply contracts, subject to state regulatory approval. In October 2014, the NCUC and PSCSC approved the Duke Energy Carolinas and Duke Energy Progress requests to enter into certain affiliate agreements, pay compensation to ACP and to grant a waiver of certain Code of Conduct provisions relating to contractual and jurisdictional matters. On September 18, 2015, ACP filed an application with the FERC requesting a CPCN authorizing ACP to construct the pipeline. ACP requested approval of the application by July 1, 2016 to enable construction to begin by September 2016, with an in-service date of on or before November 1, 2018. ACP also requested approval of an open access tariff and the precedent agreements it entered into with future pipeline customers, including Duke Energy Carolinas and Duke Energy Progress.

On October 24, 2015, Duke Energy entered into a Merger Agreement with Piedmont. The ACP partnership agreement includes provisions to allow Dominion an option to purchase additional ownership interest in ACP to maintain a leading ownership percentage. Any change in ownership interests is not expected to be material to Duke Energy. Refer to Note 2 for further information related to Duke Energy's proposed acquisition of Piedmont.

Sabal Trail Transmission, LLC Pipeline

On May 4, 2015, Duke Energy acquired a 7.5 percent ownership interest from Spectra Energy in the proposed 500-mile Sabal Trail natural gas pipeline. Spectra Energy will continue to own 59.5 percent of the Sabal Trail pipeline and NextEra Energy will own the remaining 33 percent. The Sabal Trail pipeline will traverse Alabama, Georgia and Florida to meet rapidly growing demand for natural gas in those states. The primary customers of the Sabal Trail pipeline, Duke Energy Florida and Florida Power & Light Company, have each contracted to buy pipeline capacity for 25-year initial terms. The Sabal Trail pipeline, scheduled to begin service in 2017, requires federal and other regulatory approvals.

East Bend Station

On December 30, 2014, Duke Energy Ohio acquired The Dayton Power and Light Company's (DP&L) 31 percent interest in the jointly owned East Bend Station for approximately \$12.4 million. The purchase price, in accordance with FERC guidelines, was reflected with the net purchase amount as an increase to property, plant and equipment as of December 31, 2014 and with the DP&L's historical original cost as an increase to property, plant and equipment and accumulated depreciation as of September 30, 2015. On August 20, 2015, the KPSC approved Duke Energy Kentucky's application to use the purchase price as the value of the newly acquired interest in the East Bend Station for depreciation purposes and ratemaking.

NC WARN FERC Complaint

On December 16, 2014, North Carolina Waste Awareness and Reduction Network filed a complaint with the FERC against Duke Energy Carolinas and Duke Energy Progress that alleged (i) Duke Energy Carolinas and Duke Energy Progress manipulated the electricity market by constructing costly and unneeded generation facilities leading to unjust and unreasonable rates; (ii) Duke Energy Carolinas and Duke Energy Progress failed to comply with Order 1000 by not effectively connecting their transmission systems with neighboring utilities which also have excess capacity; (iii) the plans of Duke Energy Carolinas and Duke Energy Progress for unrealistic future growth lead to unnecessary and expensive generating plants; (iv) the FERC should investigate the practices of Duke Energy Carolinas and Duke Energy Progress and the potential benefits of having them enter into a regional transmission organization; and (v) the FERC should force Duke Energy Carolinas and Duke Energy Progress to purchase power from other utilities rather than construct wasteful and redundant power plants. NC WARN also filed a copy of the complaint with the PSCSC on January 6, 2015. In April 2015, the FERC and the PSCSC issued separate orders dismissing the NC WARN petition. On May 14, 2015, NC WARN filed with FERC a motion for reconsideration.

Potential Coal Plant Retirements

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

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

	September 30, 2015			
	Duke Energy	Progress Energy ^(b)	Duke Energy Florida ^(b)	Duke Energy Indiana ^(c)
Capacity (in MW)	1,541	873	873	668
Remaining net book value (in millions) ^(a)	\$ 207	\$ 121	\$ 121	\$ 86

(a) Remaining net book value amounts presented exclude any capitalized asset retirement costs related to closure of ash basins.

(b) Includes Crystal River Units 1 and 2.

(c) Includes Wabash River Units 2 through 6. Wabash River Unit 6 is being evaluated for potential conversion to natural gas. Duke Energy Indiana committed to retire or convert the Wabash River Units 2 through 6 by June 2018 in conjunction with a settlement agreement associated with the Edwardsport air permit.

On October 23, 2015, the EPA published in the Federal Register the Clean Power Plan (CPP) rule for regulating carbon dioxide (CO₂) emissions from existing fossil fuel-fired electric generating units (EGUs). The CPP establishes CO₂ emission rates and mass cap goals that apply to fossil fuel-fired generation. Under the CPP, states are required to develop and submit a final compliance plan, or an initial plan with an extension request, to the EPA by September 6, 2016, or no later than September 2, 2018 with an approved extension. These state plans are subject to EPA approval, with a federal plan applied to states that fail to submit a plan to the EPA or if a state plan is not approved. Legal challenges to the CPP have been filed by stakeholders and motions to stay the requirements of the rule pending the outcome of the litigation have also been filed. Final resolution of these legal challenges could take several years. Compliance with CPP could cause the industry to replace coal generation with natural gas and renewables, especially in states that have significant CO₂ reduction targets under the rule. Costs to operate coal-fired generation plants continue to grow due to increasing environmental compliance requirements, including ash management costs unrelated to CPP, and this may result in the retirement of coal-fired generation plants earlier than the current useful lives. Duke Energy continues to evaluate the need to retire generating facilities and plans to seek regulatory recovery, where appropriate, for amounts that have not been recovered upon asset retirements. However, recovery is subject to future regulatory approval, including the recovery of carrying costs on remaining book values, and therefore cannot be assured.

In addition to evaluations based on the extent facilities are equipped to comply with environmental regulations, Duke Energy continually monitors and evaluates the appropriate generation mix and fuel diversity for its generation fleet when making retirement decisions. Duke Energy Carolinas is evaluating the potential retirement of coal-fired generating units with a net carrying value of approximately \$110 million, excluding capitalized asset retirement costs related to closure of ash basins, included in Net property, plant and equipment on the Condensed Consolidated Balance Sheets. These generating units are not included in the table above.

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

5. COMMITMENTS AND CONTINGENCIES

ENVIRONMENTAL

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

The following environmental matters impact all of the Duke Energy Registrants.

Remediation Activities

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

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

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

Nine Months Ended September 30, 2014								
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	
Balance at beginning of period	\$ 79	\$ 11	\$ 27	\$ 8	\$ 19	\$ 27	\$ 7	
Provisions/adjustments	34	(1)	4	3	1	28	3	
Cash reductions	(8)	—	(6)	(4)	(2)	(1)	(1)	
Balance at end of period	\$ 105	\$ 10	\$ 25	\$ 7	\$ 18	\$ 54	\$ 9	

Additional losses in excess of recorded reserves that could be incurred for the stages of investigation, remediation and monitoring for environmental sites that have been evaluated at this time are presented in the table below.

(in millions)	
Duke Energy	\$ 79
Duke Energy Carolinas	25
Progress Energy	4
Duke Energy Progress	1
Duke Energy Florida	3
Duke Energy Ohio	43
Duke Energy Indiana	7

North Carolina and South Carolina Ash Basins

On February 2, 2014, a break in a stormwater pipe beneath an ash basin at Duke Energy Carolinas' retired Dan River Steam Station caused a release of ash basin water and ash into the Dan River. On February 8, 2014, a permanent plug was installed in the stormwater pipe, stopping the release of materials into the river. Duke Energy Carolinas estimates 30,000 to 39,000 tons of ash and 24 million to 27 million gallons of basin water were released into the river. In July 2014, Duke Energy completed remediation work identified by the EPA and continues to cooperate with the EPA's civil enforcement process. Total repairs and remediation expenses incurred by Duke Energy Carolinas related to the release were approximately \$24 million. No additional expenses were recorded in 2015. Duke Energy Carolinas will not seek recovery of these costs from ratepayers. See the "Litigation" section below for additional information on litigation, investigations and enforcement actions related to ash basins, including the Memorandum of Plea Agreement (Plea Agreements) in connection to the North Carolina Ash Basin Grand Jury Investigation. Other costs related to the Dan River release, including pending or future state or federal civil enforcement proceedings, future regulatory directives, natural resources damages, additional pending litigation, future claims or litigation and long-term environmental impact costs, cannot be reasonably estimated at this time.

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On September 20, 2014, the Coal Ash Act became law and was amended on June 24, 2015, by the Mountain Energy Act. The Coal Ash Act, as amended, (i) establishes a Coal Ash Management Commission (Coal Ash Commission) to oversee handling of coal ash within the state; (ii) prohibits construction of new and expansion of existing ash impoundments and use of existing impoundments at retired facilities; (iii) requires closure of ash impoundments at Duke Energy Progress' Asheville and Sutton plants and Duke Energy Carolinas' Riverbend and Dan River stations no later than August 1, 2019 (the Mountain Energy Act provides for the potential extension of closure of the Asheville impoundment until 2022); (iv) requires dry disposal of fly ash at active plants, excluding the Asheville Plant, not retired by December 31, 2018; (v) requires dry disposal of bottom ash at active plants, excluding the Asheville Plant, by December 31, 2019, or retirement of active plants; (vi) requires all remaining ash impoundments in North Carolina to be categorized as high-risk, intermediate-risk or low-risk no later than December 31, 2015 by the North Carolina Department of Environmental Quality (NCDEQ), formerly the North Carolina Department of Environment and Natural Resources, with the method of closure and timing to be based upon the assigned risk, with closure no later than December 31, 2029; (vii) establishes requirements to deal with groundwater and surface water impacts from impoundments; and (viii) increases the level of regulation for structural fills utilizing coal ash. The Coal Ash Act includes a variance procedure for compliance deadlines and modification of requirements regarding structural fills and compliance boundaries. Provisions of the Coal Ash Act prohibit cost recovery in customer rates for unlawful discharge of ash basin waters occurring after January 1, 2014. The Coal Ash Act leaves the decision on cost recovery determinations related to closure of coal combustion residual (CCR) surface impoundments (ash basins or impoundments) to the normal ratemaking processes before utility regulatory commissions. Duke Energy has and will periodically submit to NCDEQ site-specific coal ash impoundment closure plans or excavation plans in advance of closure plans. These plans and all associated permits must be approved by NCDEQ before any excavation or closure work can begin.

In September 2014, Duke Energy Carolinas executed a consent agreement with the South Carolina Department of Health and Environmental Control (SCDHEC) requiring the excavation of an inactive ash basin and ash fill area at the W.S. Lee Steam Station. As part of this agreement, in December 2014, Duke Energy Carolinas filed an ash removal plan and schedule with SCDHEC. In April 2015, the federal CCR rules were published and Duke Energy Carolinas subsequently executed an agreement with the conservation groups Upstate Forever and Save Our Saluda that requires Duke Energy Carolinas to remediate all active and inactive ash storage areas at the W.S. Lee Steam Station. Coal-fired generation at W.S. Lee ceased in 2014 and unit 3 was converted to natural gas in March 2015. In July 2015, Duke Energy Progress executed a consent agreement with the SCDHEC requiring the excavation of an inactive ash fill area at the Robinson Plant within eight years. The Robinson Plant and W.S. Lee Station sites are required to be closed pursuant to the recently issued CCR rule and the provisions of these consent agreements are consistent with the federal CCR closure requirements.

Asset retirement obligations recorded on the Duke Energy Carolinas and Duke Energy Progress Condensed Consolidated Balance Sheets at September 30, 2015 and December 31, 2014 include the legal obligation for closure of coal ash basins and the disposal of related ash as a result of the Coal Ash Act, the EPA's CCR rule and other agreements. Cost recovery for future expenditures will be pursued through the normal ratemaking process with federal and state utility commissions, which permit recovery of necessary and prudently incurred costs associated with Duke Energy's regulated operations. See Note 7 for additional information.

Coal Combustion Residuals

On April 17, 2015, the EPA published in the Federal Register a rule to regulate the disposal of CCR from electric utilities as solid waste. The federal regulation classifies CCR as nonhazardous waste under Subtitle D of the Resource Conservation and Recovery Act and allows beneficial use of CCRs with some restrictions. The regulation applies to all new and existing landfills, new and existing surface impoundments receiving CCR and existing surface impoundments that are no longer receiving CCR but contain liquid located at stations currently generating electricity (regardless of fuel source). The rule establishes requirements regarding landfill design, structural integrity design and assessment criteria for surface impoundments, groundwater monitoring and protection procedures and other operational and reporting procedures to ensure the safe disposal and management of CCR. In addition to the requirements of the federal CCR regulation, CCR landfills and surface impoundments will continue to be independently regulated by most states. Duke Energy records an asset retirement obligation when it has a legal obligation to incur retirement costs associated with the retirement of a long-lived asset and the obligation can be reasonably estimated.

Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Ohio and Duke Energy Indiana recorded additional asset retirement obligation amounts in the second quarter of 2015 as a result of the EPA's CCR rule. Cost recovery for future expenditures will be pursued through the normal ratemaking process with federal and state utility commissions, which permit recovery of necessary and prudently incurred costs associated with Duke Energy's regulated operations. See Note 7 for additional information.

LITIGATION

Duke Energy

Ash Basin Shareholder Derivative Litigation

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

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The Consolidated Complaint alleges the Duke Energy Defendants breached their fiduciary duties by failing to adequately oversee Duke Energy's ash basins and that these breaches of fiduciary duty may have contributed to the incident at Dan River and continued thereafter. The lawsuit also asserts claims against the Duke Energy Defendants for corporate waste (relating to the money Duke Energy has spent and will spend as a result of the fines, penalties and coal ash removal) and unjust enrichment (relating to the compensation and director remuneration that was received despite these alleged breaches of fiduciary duty). The lawsuit seeks both injunctive relief against Duke Energy and restitution from the Duke Energy Defendants. On January 21, 2015, the Duke Energy Defendants filed a Motion to Stay and an alternative Motion to Dismiss. On August 31, 2015, the court issued an order staying the case through November 15, 2015. In October 2015, the Duke Energy Defendants provided an update to the court on the related coal ash litigation.

On March 5, 2015, shareholder Judy Mesirov filed a shareholder derivative complaint (Mesirov Complaint) in North Carolina state court. The lawsuit, styled *Mesirov v. Good*, is similar to the consolidated derivative action pending in Delaware Chancery Court and was filed against the same current directors and former directors and officers as the Delaware litigation. Duke Energy Corporation, Duke Energy Progress and Duke Energy Carolinas are named as nominal defendants. The Mesirov Complaint alleges that the Duke Energy Board of Directors was aware of Clean Water Act (CWA) compliance issues and failures to maintain structures in ash basins, but that the Board of Directors did not require Duke Energy Carolinas and Duke Energy Progress to take action to remedy deficiencies. The Mesirov Complaint further alleges that the Board of Directors sanctioned activities to avoid compliance with the law by allowing improper influence of NCDEQ to minimize regulation and by opposing previously anticipated citizen suit litigation. The Mesirov Complaint seeks corporate governance reforms and damages relating to costs associated with the Dan River release, remediation of ash basins that are out of compliance with the CWA and defending and payment of fines, penalties and settlements relating to criminal and civil investigations and lawsuits.

In addition to the above derivative complaints, Duke Energy has also received two shareholder litigation demand letters. On May 28, 2014, Duke Energy received a shareholder litigation demand letter sent on behalf of shareholder Mitchell Pinsly. The letter alleges that the members of the Board of Directors and certain officers breached their fiduciary duties by allowing the company to illegally dispose of and store coal ash pollutants. The letter demands that the Board of Directors take action to recover damages associated with those breaches of fiduciary duty; otherwise, the attorney will file a shareholder derivative action. By letter dated July 3, 2014, counsel for the shareholder was informed that the Board of Directors appointed a Demand Review Committee to evaluate the allegations in the demand letter.

On March 24, 2015, Duke Energy received a shareholder litigation demand letter sent on behalf of shareholder Saul Bresalier. The letter alleges that the members of the Board of Directors and certain officers breached their fiduciary duties in their management of Duke Energy's environmental practices, as well as in their decision-making relating to the leadership changes following the close of the Progress Energy merger in July 2012. The letter demands that the Board of Directors take action to recover damages associated with those alleged breaches of fiduciary duty; otherwise, the attorney will file a shareholder derivative action. In May 2015, counsel for the shareholder was informed that the matter had been referred to the Demand Review Committee.

By letter dated September 4, 2015, attorneys for the shareholders were informed that, on the recommendation of the Demand Review Committee, the Board of Directors concluded not to pursue potential claims against individuals. Shareholder Mitchell Pinsly sent a formal demand for records and Duke Energy is responding to this request.

On October 30, 2015, shareholder Saul Bresalier filed a shareholder derivative complaint (Bresalier Complaint) in the U. S. District Court for the District of Delaware. The lawsuit alleges that the Duke Energy Defendants breached their fiduciary duties in connection with coal ash environmental issues, the post-merger change in Chief Executive Officer and oversight of political contributions. Duke Energy is named as a nominal defendant. The Bresalier Complaint contends that the Demand Review Committee failed to appropriately consider the shareholder's earlier demand for litigation and improperly decided not to pursue claims against the Duke Energy Defendants.

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

Ash Basin Shareholder Securities Litigation

On May 26, 2015, Plaintiff E.F. Greenberg (Plaintiff) filed a lawsuit against the members of the Duke Energy Board of Directors (the Board) alleging violations of Section 14(a) of the Exchange Act for false or misleading statements contained in Duke Energy's 2015 Proxy Statement. The plaintiff contends the Board caused Duke Energy to omit material facts from the 2015 Proxy Statement that a reasonable shareholder would consider important in casting a vote, especially with respect to the election of directors. Accordingly, Plaintiff alleges that shareholders were misled in casting their votes. Plaintiff seeks a determination that the 2015 Proxy Statement was false and misleading, an order from the court invalidating all votes from the Annual Meeting and requiring a revised 2015 Proxy Statement, as well as attorneys' fees. On July 31, 2015, the defendants filed a Motion to Dismiss the case. On October 2, 2015, the Plaintiff filed a Motion for Summary Judgment. On October 30, 2015, the parties signed an agreement whereby the Plaintiff will voluntarily dismiss the case. The terms of the agreement are immaterial to Duke Energy.

Progress Energy Merger Shareholder Litigation

Duke Energy, the 11 members of the Board of Directors who were also members of the pre-merger Board of Directors (Legacy Duke Energy Directors) and certain Duke Energy officers are defendants in a purported securities class action lawsuit (*Nieman v. Duke Energy Corporation, et al*). This lawsuit consolidates three lawsuits originally filed in July 2012 and is pending in the United States District Court for the Western District of North Carolina. The plaintiffs allege federal Securities Act and Exchange Act claims based on allegations of materially false and misleading representations and omissions in the Registration Statement filed on July 7, 2011, and purportedly incorporated into other documents, all in connection with the post-merger change in Chief Executive Officer (CEO).

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On August 15, 2014 the parties reached an agreement in principle to settle the litigation. On March 10, 2015, the parties filed a Stipulation of Settlement and a Motion for Preliminary Approval of the Settlement. The court issued an order for preliminary approval of the settlement on March 25, 2015. Under the terms of the agreement, Duke Energy agreed to pay \$146 million to settle the claim. On April 22, 2015, Duke Energy made a payment of \$25 million into the settlement escrow account. The remainder of \$121 million was paid by insurers into the settlement escrow account. Notice has been sent to members of the class and a final approval hearing was held on August 12, 2015. The final order approving the settlement was issued on November 2, 2015.

On May 31, 2013, the Delaware Chancery Court consolidated four shareholder derivative lawsuits filed in 2012. The Court also appointed a lead plaintiff and counsel for plaintiffs and designated the case as *In Re Duke Energy Corporation Derivative Litigation*. The lawsuit names as defendants the Legacy Duke Energy Directors. Duke Energy is named as a nominal defendant. The case alleges claims for breach of fiduciary duties of loyalty and care in connection with the post-merger change in CEO. The case is stayed pending resolution of the *Nieman v. Duke Energy Corporation, et al.* case in North Carolina.

Two shareholder Derivative Complaints, filed in 2012 in federal district court in Delaware, were consolidated as *Tansey v. Rogers, et al.* The case alleges claims for breach of fiduciary duty and waste of corporate assets, as well as claims under Section 14(a) and 20(a) of the Exchange Act. Duke Energy is named as a nominal defendant. Pursuant to an order entered on September 2, 2014, the court administratively closed this consolidated derivative action. The parties filed a status report with the court on December 1, 2014, and will continue to do so every six months thereafter until the *Nieman v. Duke Energy Corporation, et al.* case in North Carolina has been resolved.

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

Price Reporting Cases

Five lawsuits filed against a Duke Energy affiliate, Duke Energy Trading and Marketing, LLC, and other energy companies remain pending in a consolidated, single federal court proceeding in Nevada. Each of these lawsuits contains similar claims that defendants allegedly manipulated natural gas markets by various means, including providing false information to natural gas trade publications and entering into unlawful arrangements and agreements in violation of the antitrust laws of the respective states. Plaintiffs seek damages in unspecified amounts.

On July 18, 2011, the judge granted a defendant's motion for summary judgment in two of five cases. The U.S. Court of Appeals for the Ninth Circuit subsequently reversed the lower court's decision. On April 21, 2015, the Supreme Court affirmed the U.S. Court of Appeals decision. The case has been reassigned to the same consolidated federal court proceeding in Nevada for further proceedings.

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

Brazil Expansion Lawsuit

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

Brazil Generation

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

Duke Energy Carolinas and Duke Energy Progress

NCDEQ Notices of Violation (NOV)

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

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

On October 13, 2015, the SELC, representing multiple conservation groups, filed a lawsuit in North Carolina Superior Court seeking judicial review of the order approving the settlement agreement with NCDEQ. The conservation groups contend that the Administrative Judge exceeded his statutory authority in approving a settlement that provided for past, present, and future resolution of groundwater issues at facilities which were not at issue in the penalty appeal. It is not possible to predict the outcome of this matter.

NCDEQ State Enforcement Actions

In the first quarter of 2013, non-government environmental organizations sent notices of intent to sue Duke Energy Carolinas and Duke Energy Progress related to alleged groundwater violations and CWA violations from coal ash basins at two of their coal-fired power plants in North Carolina. NCDEQ filed enforcement actions against Duke Energy Carolinas and Duke Energy Progress alleging violations of water discharge permits and North Carolina groundwater standards. The case against Duke Energy Carolinas was filed in Mecklenburg County Superior Court. The case against Duke Energy Progress was filed in Wake County Superior Court. The cases are being heard before a single judge.

On October 4, 2013, Duke Energy Carolinas, Duke Energy Progress and NCDEQ negotiated a proposed consent order covering these two plants. The consent order would have assessed civil penalties and imposed a compliance schedule requiring Duke Energy Carolinas and Duke Energy Progress to undertake monitoring and data collection activities toward making appropriate corrective action to address any substantiated violations. In light of the coal ash release that occurred at Dan River on February 2, 2014, on March 21, 2014, NCDEQ withdrew its support of the consent orders and requested that the court proceed with the litigation.

On August 16, 2013, NCDEQ filed an enforcement action against Duke Energy Carolinas and Duke Energy Progress related to their remaining plants in North Carolina, alleging violations of the CWA and violations of the North Carolina groundwater standards. The case against Duke Energy Carolinas was filed in Mecklenburg County Superior Court. The case against Duke Energy Progress was filed in Wake County Superior Court. Both of these cases have been assigned to the judge handling the enforcement actions discussed above. The Southern Environmental Law Center (SELC), on behalf of several environmental groups, has been permitted to intervene in these cases.

On July 10, 2015, Duke Energy Carolinas and Duke Energy Progress filed Motions for Partial Summary Judgment in the case on the basis that there is no longer either a genuine controversy or disputed material facts about the relief for seven of the 14 North Carolina plants with coal ash basins. On September 14, 2015, the court granted the Motions for Partial Summary Judgment pending court approval of the terms through an order. The court requested the parties reach agreement on the language of the order by October 30, 2015, or submit separate proposed orders and objections on November 2, 2015. Deadlines for discovery and motions for the remaining seven plants were extended by 180 days.

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

North Carolina Declaratory Judgment Action

On October 10, 2012, the SELC, on behalf of the same environmental groups that were permitted to challenge the consent decrees discussed above, filed a petition with the North Carolina Environmental Management Commission (EMC) asking for a declaratory ruling seeking to clarify the application of the state's groundwater protection rules to coal ash basins. The petition sought to change the interpretation of regulations that permitted NCDEQ to assess the extent, cause and significance of any groundwater contamination before ordering action to eliminate the source of contamination, among other issues. Duke Energy Carolinas and Duke Energy Progress were both permitted to intervene in the matter. On December 3, 2012, the EMC affirmed this interpretation of the regulations.

On March 6, 2014, the North Carolina State Court judge overturned the ruling of the EMC holding that in the case of groundwater contamination, NCDEQ was required to issue an order to immediately eliminate the source of the contamination before an assessment of the nature, significance and extent of the contamination or the continuing damage to the groundwater was conducted. Duke Energy Carolinas, Duke Energy Progress and the EMC appealed the ruling in April 2014. On May 16, 2014, the North Carolina Court of Appeals denied a petition to stay the case during the appeal. On October 10, 2014, the parties were notified the case has been transferred to the North Carolina Supreme Court (NCSC). Oral argument was held on March 16, 2015. On June 11, 2015, the NCSC issued its opinion in favor of Duke Energy Carolinas, Duke Energy Progress and the EMC and remanded the matter to the state court judge with instructions to dismiss the case.

Federal Citizens Suits

There are currently five cases filed in various North Carolina federal courts contending that the NCDEQ state enforcement actions discussed above do not adequately address the issues raised in the notices of intent to sue related to the Riverbend, Sutton, Cape Fear, H.F. Lee and Buck plants.

On June 11, 2013, Catawba Riverkeeper Foundation, Inc. (Catawba Riverkeeper) filed a separate action in the United States Court for the Western District of North Carolina. The lawsuit contends the state enforcement action discussed above does not adequately address issues raised in Catawba Riverkeeper's notice of intent to sue relating to the Riverbend Steam Station. On April 11, 2014, the Court denied Catawba Riverkeeper's objections to the Magistrate Judge's recommendation that plaintiff's case be dismissed as well as Duke Energy Carolinas' motion to dismiss. The Court allowed limited discovery, after which Duke Energy Carolinas may file any renewed motions to dismiss. On August 13, 2015, the court issued an order suspending all proceedings until further order from the court.

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

On September 3, 2014, three cases were filed by various environmental groups: (i) a citizen suit in the United States Court for the Middle District of North Carolina alleging unpermitted discharges to surface water and groundwater violations at the Cape Fear Plant; (ii) a citizen suit in the United States Court for the Eastern District of North Carolina alleging unpermitted discharges to surface water and groundwater violations at the H.F. Lee Plant; and (iii) a citizen suit in the United States Court for the Middle District of North Carolina alleging unpermitted discharges to surface water and groundwater violations at the Buck Steam Station. Motions to Stay or Dismiss the proceedings were filed in each of the three cases. The proceedings related to Cape Fear and H.F. Lee have been stayed. On October 20, 2015, the court issued an order denying the motions in the Buck proceedings.

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

North Carolina Ash Basin Grand Jury Investigation

As a result of the Dan River ash basin water release discussed above, NCDEQ issued a Notice of Violation and Recommendation of Assessment of Civil Penalties with respect to this matter on February 28, 2014, which the company responded to on March 13, 2014. Duke Energy and certain Duke Energy employees received subpoenas issued by the United States Attorney for the Eastern District of North Carolina in connection with a criminal investigation related to all 14 of the North Carolina facilities with ash basins and the nature of Duke Energy's contacts with NCDEQ with respect to those facilities. This is a multidistrict investigation that also involves state law enforcement authorities.

On February 20, 2015, Duke Energy Carolinas, Duke Energy Progress and Duke Energy Business Services LLC (DEBS), a wholly owned subsidiary of Duke Energy, each entered into Plea Agreements in connection with the investigation initiated by the United States Department of Justice Environmental Crimes Section and the United States Attorneys for the Eastern District of North Carolina, the Middle District of North Carolina and the Western District of North Carolina (collectively, USDOJ). On May 14, 2015, the United States District Court for the Eastern District of North Carolina approved the Plea Agreements.

Under the Plea Agreements, DEBS and Duke Energy Progress pleaded guilty to four misdemeanor CWA violations related to violations at Duke Energy Progress' H.F. Lee Steam Electric Plant, Cape Fear Steam Electric Plant and Asheville Steam Electric Generating Plant. Duke Energy Carolinas and DEBS pleaded guilty to five misdemeanor CWA violations related to violations at Duke Energy Carolinas' Dan River Steam Station and Riverbend Steam Station. DEBS, Duke Energy Carolinas and Duke Energy Progress also agreed (i) to a five-year probation period, (ii) to pay a total of approximately \$68 million in fines and restitution and \$34 million for community service and mitigation (the Payments), (iii) to fund and establish environmental compliance plans subject to the oversight of a court-appointed monitor in addition to certain other conditions set out in the Plea Agreements. Duke Energy Carolinas and Duke Energy Progress also agree to each maintain \$250 million under their Master Credit Facility as security to meet their obligations under the Plea Agreements. Payments under the Plea Agreements will be borne by shareholders and are not tax deductible. Duke Energy Corporation has agreed to issue a guarantee of all payments and performance due from DEBS, Duke Energy Carolinas and Duke Energy Progress, including but not limited to payments for fines, restitution, community service, mitigation and the funding of, and obligations under, the environmental compliance plans. Payment of the amounts relating to fines and restitution were made between May and July 2015. Duke Energy Carolinas and Duke Energy Progress each have a remaining liability of \$5 million in Accounts payable within their respective Condensed Consolidated Balance Sheets as of September 30, 2015.

On May 14, 2015, Duke Energy reached an Interim Administrative Agreement with the U.S. Environmental Protection Agency Office of Suspension and Debarment that avoids debarment of DEBS, Duke Energy Carolinas or Duke Energy Progress with respect to all active generating facilities. The Interim Administrative Agreement imposes a number of requirements relating to environmental and ethical compliance, subject to the oversight of an independent monitor. The Plea Agreements do not cover pending civil claims related to the Dan River coal ash release and operations at other North Carolina coal plants.

Potential Groundwater Contamination Claims

Beginning in May 2015, a number of residents living in the vicinity of the North Carolina facilities with ash basins received letters from NCDEQ advising them not to drink water from the private wells on their land tested by NCDEQ as the samples were found to have certain substances at levels higher than the criteria set by the North Carolina Department of Health and Human Services (DHHS). The criteria, in some cases, are considerably more stringent than federal drinking water standards established to protect human health and welfare. The Coal Ash Act requires additional groundwater monitoring and assessments for each of the 14 coal-fired plants in North Carolina, including sampling of private water supply wells. The data gathered through these comprehensive groundwater assessments will be used to determine whether the water quality of these private water supply wells has been adversely impacted by the ash basins. Duke Energy has submitted Comprehensive Site Assessment Reports (CSAs) documenting the results of extensive groundwater monitoring around coal ash basins at all 14 of the plants with coal ash basins. CSAs are required by the Coal Ash Act for all North Carolina facilities with coal ash impoundments. Data from these reports will be used by NCDEQ to assess whether the private water supply wells have been impacted by contamination from ash basins. Generally, the data gathered through the installation of new monitoring wells and soil and water samples across the state have been consistent with historical data provided to state regulators over many years. The DHHS and NCDEQ sent follow-up letters on October 15, 2015 to residents near coal ash plants who have had their wells tested, stating that private well samplings at a considerable distance from coal ash impoundments, as well as some municipal water supplies, contain similar levels of vanadium and hexavalent chromium which leads investigators to believe these constituents are naturally occurring. It is not possible to estimate the maximum exposure of loss, if any, that may occur in connection with claims which might be made by these residents.

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Duke Energy Carolinas

New Source Review

In 1999-2000, the U.S. Department of Justice (DOJ) on behalf of the EPA filed a number of complaints and notices of violation against multiple utilities, including Duke Energy Carolinas, for alleged violations of the New Source Review (NSR) provisions of the Clean Air Act (CAA). The government alleges the utilities violated the CAA when undertaking certain maintenance and repair projects at certain coal plants without (i) obtaining NSR permits and (ii) installing the best available emission controls for sulfur dioxide, nitrogen oxide and particulate matter. The complaints seek the installation of pollution control technology on generating units that allegedly violated the CAA, and unspecified civil penalties in amounts of up to \$37,500 per day for each violation.

In 2000, the government sued Duke Energy Carolinas in the U.S. District Court in Greensboro, North Carolina, claiming NSR violations for 29 projects performed at 25 of Duke Energy Carolinas' coal-fired units. Duke Energy Carolinas asserts there were no CAA violations because the applicable regulations do not require NSR permitting in cases where the projects undertaken are routine or otherwise do not result in an increase in emissions. In 2011, the parties filed a stipulation agreeing to dismiss with prejudice all but 13 claims at 13 generating units, 11 of which have since been retired. On October 20, 2015, the Court approved and entered a consent decree to resolve this matter. Under the consent decree, Duke Energy Carolinas will retire by the end of 2024 the remaining units at the Allen plant that are part of the litigation as well as a third unit that is not part of the litigation. Prior to closure, Duke Energy Carolinas will comply with new, lower emissions limits at the Allen units named in the litigation. Additionally, Duke Energy Carolinas will spend approximately \$4 million on environmental projects and donations and pay a civil penalty of approximately \$1 million. The Condensed Consolidated Statements of Operations and Comprehensive Income include a charge of \$2 million in Operations, maintenance and other for the three and nine months ended September 30, 2015. The Condensed Consolidated Balance Sheets include \$3 million in Other within Investments and Other Assets and \$5 million in Accounts payable within Current Liabilities as of September 30, 2015.

Asbestos-related Injuries and Damages Claims

Duke Energy Carolinas has experienced numerous claims for indemnification and medical cost reimbursement related to asbestos exposure. These claims relate to damages for bodily injuries alleged to have arisen from exposure to or use of asbestos in connection with construction and maintenance activities conducted on its electric generation plants prior to 1985. As of September 30, 2015, there were 150 asserted claims for non-malignant cases with the cumulative relief sought of up to \$37 million, and 63 asserted claims for malignant cases with the cumulative relief sought of up to \$9 million. Based on Duke Energy Carolinas' experience, it is expected that the ultimate resolution of most of these claims likely will be less than the amount claimed.

Duke Energy Carolinas has recognized asbestos-related reserves of \$551 million at September 30, 2015 and \$575 million at December 31, 2014. These reserves are classified in Other within Deferred Credits and Other Liabilities and Other within Current Liabilities on the Condensed Consolidated Balance Sheets. These reserves are based upon the minimum amount of the range of loss for current and future asbestos claims through 2033, are recorded on an undiscounted basis and incorporate anticipated inflation. In light of the uncertainties inherent in a longer-term forecast, management does not believe they can reasonably estimate the indemnity and medical costs that might be incurred after 2033 related to such potential claims. It is possible Duke Energy Carolinas may incur asbestos liabilities in excess of the recorded reserves.

Duke Energy Carolinas has third-party insurance to cover certain losses related to asbestos-related injuries and damages above an aggregate self-insured retention. Duke Energy Carolinas' cumulative payments began to exceed the self-insurance retention in 2008. Future payments up to the policy limit will be reimbursed by the third-party insurance carrier. The insurance policy limit for potential future insurance recoveries indemnification and medical cost claim payments is \$847 million in excess of the self-insured retention. Receivables for insurance recoveries were \$599 million at September 30, 2015 and \$616 million at December 31, 2014. These amounts are classified in Other within Investments and Other Assets and Receivables on the Condensed Consolidated Balance Sheets. Duke Energy Carolinas is not aware of any uncertainties regarding the legal sufficiency of insurance claims. Duke Energy Carolinas believes the insurance recovery asset is probable of recovery as the insurance carrier continues to have a strong financial strength rating.

Duke Energy Florida

Westinghouse Contract Litigation

On March 28, 2014, Duke Energy Florida filed a lawsuit against Westinghouse in the U.S. District Court for the Western District of North Carolina. The lawsuit seeks recovery of \$54 million in milestone payments in excess of work performed under the terminated engineering, procurement and construction agreement (EPC) for Levy as well as a determination by the court of the amounts due to Westinghouse as a result of the termination of the EPC.

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

On June 9, 2014, the judge in the North Carolina case ruled that the litigation will proceed in the Western District of North Carolina. In November 2014, Westinghouse filed a Motion for Partial Judgment on the pleadings, which was denied on March 30, 2015. Trial is set for June 2016. It is not possible to predict the outcome of the litigation and whether Duke Energy Florida will incur any liability for terminating the EPC or to estimate the damages, if any, it might incur in connection with these matters. Ultimate resolution of these matters could have a material effect on the results of operations, financial position or cash flows of Duke Energy Florida. However, appropriate regulatory recovery will be pursued for the retail portion of any costs incurred in connection with such resolution.

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Duke Energy Ohio

Antitrust Lawsuit

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

On October 21, 2015, the parties received preliminary court approval for a settlement agreement. A litigation settlement reserve was recorded for the full amount of \$81 million and classified in Other within Current Liabilities on Duke Energy Ohio's Condensed Consolidated Balance Sheets as of September 30, 2015. Duke Energy Ohio recognized the full amount in (Loss) Income From Discontinued Operations, net of tax in the Condensed Consolidated Statements of Operations and Comprehensive Income for the nine months ended September 30, 2015. See Note 2 for further discussion on the Midwest Generation Exit.

W.C. Beckjord Fuel Release

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

Duke Energy Indiana

Edwardsport IGCC

On December 11, 2012, Duke Energy Indiana filed an arbitration action against General Electric Company and Bechtel Corporation in connection with their work at the Edwardsport IGCC facility. Duke Energy Indiana sought damages equaling some or all of the additional costs incurred in the construction of the project not recovered at the IURC. The arbitration hearing concluded in December 2014. On May 6, 2015, the arbitration panel issued its final decision unanimously dismissing all of Duke Energy Indiana's claims. This ruling resolves all outstanding issues in the arbitration.

Other Litigation and Legal Proceedings

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

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

(in millions)	September 30, 2015	December 31, 2014
Reserves for Legal Matters		
Duke Energy	\$ 178	\$ 323
Duke Energy Carolinas	12	72
Progress Energy	74	93
Duke Energy Progress	17	37
Duke Energy Florida	36	36
Duke Energy Ohio	81	—

OTHER COMMITMENTS AND CONTINGENCIES

General

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

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

6. DEBT AND CREDIT FACILITIES

SUMMARY OF SIGNIFICANT DEBT ISSUANCES

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

			Nine Months Ended September 30, 2015		
			Duke Energy	Duke Energy Carolinas	Duke Energy Progress
Issuance Date	Maturity Date	Interest Rate			
First Mortgage Bonds					
March 2015 ^(a)	June 2045	3.750%	\$ 500	\$ 500	\$ —
August 2015 ^(b)	August 2025	3.250%	500	—	500
August 2015 ^(b)	August 2045	4.200%	700	—	700
Total issuances			\$ 1,700	\$ 500	\$ 1,200

(a) Proceeds were used to redeem at maturity \$500 million of first mortgage bonds due October 2015.

(b) Proceeds were used to repay short-term money pool and commercial paper borrowings issued to fund a portion of the NCEMPA acquisition, see Note 2 for further information. Additionally, proceeds will be used to refinance at maturity \$400 million of first mortgage bonds due December 2015.

CURRENT MATURITIES OF LONG-TERM DEBT

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

(in millions)	Maturity Date	Interest Rate	September 30, 2015
Unsecured Debt			
Progress Energy (Parent)	January 2016	5.625%	\$ 300
Duke Energy Indiana	June 2016	6.05%	325
First Mortgage Bonds			
Duke Energy Carolinas	October 2015	5.300%	500
Duke Energy Florida	November 2015	0.650%	250
Duke Energy Florida	December 2015	5.100%	300
Duke Energy Progress	December 2015	5.250%	400
Duke Energy Indiana	July 2016	0.636%	150
Other			311
Current maturities of long-term debt			\$ 2,536

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MASTER CREDIT FACILITY

Duke Energy has a Master Credit Facility with a capacity of \$7.5 billion through January 2020. The Duke Energy Registrants, excluding Progress Energy (Parent), have borrowing capacity under the Master Credit Facility up to a specified sublimit for each borrower. Duke Energy has the unilateral ability at any time to increase or decrease the borrowing sublimits of each borrower, subject to a maximum sublimit for each borrower. The amount available under the Master Credit Facility has been reduced to backstop issuances of commercial paper, certain letters of credit, variable-rate demand tax-exempt bonds that may be put to the Duke Energy Registrants at the option of the holder and as security to meet obligations under the Plea Agreements. The table below includes the current borrowing sublimits and available capacity under the Master Credit Facility.

(in millions)	September 30, 2015						
	Duke Energy	Duke Energy (Parent)	Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Facility size ^(a)	\$ 7,500	\$ 3,300	\$ 800	\$ 1,300	\$ 1,200	\$ 400	\$ 500
Reduction to backstop issuances							
Commercial paper ^(b)	(1,793)	(1,318)	(300)	—	—	(25)	(150)
Outstanding letters of credit	(72)	(64)	(4)	(3)	(1)	—	—
Tax-exempt bonds	(116)	—	(35)	—	—	—	(81)
Coal ash set-aside ^(c)	(500)	—	(250)	(250)	—	—	—
Available capacity	\$ 5,019	\$ 1,918	\$ 211	\$ 1,047	\$ 1,199	\$ 375	\$ 269

(a) Represents the sublimit of each borrower.

(b) Duke Energy issued \$475 million of commercial paper and loaned the proceeds through the money pool to Duke Energy Carolinas, Duke Energy Ohio and Duke Energy Indiana. The balances are classified as Long-Term Debt Payable to Affiliated Companies in the Condensed Consolidated Balance Sheets.

(c) On May 14, 2015, the United States District Court for the Eastern District of North Carolina approved the separate Plea Agreements entered into by Duke Energy Carolinas, Duke Energy Progress and DEBS, a wholly owned subsidiary of Duke Energy, in connection with the investigation initiated by the USDOJ. Duke Energy Carolinas and Duke Energy Progress are required to each maintain \$250 million of available capacity under the Master Credit Facility as security to meet their obligations under the Plea Agreements, in addition to certain other conditions. See Note 5 for further details.

7. ASSET RETIREMENT OBLIGATIONS**COAL COMBUSTION RESIDUALS**

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

On April 17, 2015, the EPA published in the Federal Register a rule to regulate the disposal of CCR from electric utilities as solid waste. The federal regulation, which became effective in October 2015, classifies CCR as nonhazardous waste under Subtitle D of the Resource Conservation and Recovery Act and allows beneficial use of CCRs with some restrictions. The regulation applies to all new and existing landfills, new and existing surface impoundments receiving CCR and existing surface impoundments that are no longer receiving CCR but contain liquid located at stations currently generating electricity (regardless of fuel source). The rule establishes requirements regarding landfill design, structural integrity design and assessment criteria for surface impoundments, groundwater monitoring and protection procedures and other operational and reporting procedures to ensure the safe disposal and management of CCR. In addition to the requirements of the federal CCR regulation, CCR landfills and surface impoundments will continue to be independently regulated by most states. As a result of the EPA rule, Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Ohio and Duke Energy Indiana recorded additional asset retirement obligation amounts during the second quarter of 2015. Cost recovery is believed to be probable and will be pursued through normal ratemaking processes. See footnote 5 for additional information.

The ARO amount recorded that relates to the EPA rule was based upon estimated closure costs for ash basins at seven plants located in South Carolina, Indiana and Kentucky. The amount recorded represents the discounted cash flows for estimated closure costs of these ash basins based upon probability weightings of the potential closure methods as evaluated on a site-by-site basis. Actual costs to be incurred will be dependent upon factors that vary from site to site. The most significant factors are the method and time frame of closure at the individual sites. Closure methods considered include removing the water from the basins and capping the ash with a synthetic barrier, excavating and relocating the ash to a lined structural fill or lined landfill, or recycling the ash for concrete or some other beneficial use. The ultimate method and timetable for closure will be in compliance with standards set by the EPA rule and any state regulations. The ARO amount will be adjusted as additional information is gained through the closure process, including acceptance and approval of compliance approaches which may change management assumptions, and may result in a material change to the balance.

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

(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Balance at December 31, 2014^(a)	\$ 8,466	\$ 3,428	\$ 4,711	\$ 3,905	\$ 806	\$ 27	\$ 32
Acquisitions ^(b)	213	—	204	204	—	—	—
Accretion expense ^(c)	278	123	150	123	26	2	11
Liabilities settled ^(d)	(274)	(107)	(153)	(53)	(100)	(2)	(12)
Liabilities incurred in the current year ^(e)	983	178	270	270	—	116	418
Revisions in estimates of cash flows	47	(23)	40	40	—	—	—
Balance at September 30, 2015	\$ 9,713	\$ 3,599	\$ 5,222	\$ 4,489	\$ 732	\$ 143	\$ 449

- (a) Primarily relates to decommissioning nuclear power facilities, closure of ash basins in North Carolina and South Carolina, asbestos removal, closure of landfills at fossil generation facilities, retirement of natural gas mains and removal of renewable energy generation assets.
- (b) Primarily relates to the NCEMPA acquisition. See footnote 2 for additional information.
- (c) For the nine months ended September 30, 2015, substantially all accretion expense relates to previously established asset retirement obligations from Duke Energy's regulated electric operations and has been deferred in accordance with regulatory accounting treatment.
- (d) Primarily relates to ash basin closures in North Carolina and South Carolina and nuclear decommissioning of Crystal River Unit 3 in Florida.
- (e) Primarily relates to amounts recorded in the second quarter of 2015 as a result of the EPA's rule for disposal of CCR as solid waste.

Asset retirement costs associated with the asset retirement obligations for operating plants and retired plants are included in Net property, plant and equipment, and Regulatory assets, respectively, on the Condensed Consolidated Balance Sheets. The following table summarizes the associated long-lived assets related to ARO liabilities incurred during the nine months ended September 30, 2015.

(in millions)	September 30, 2015					
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Ohio	Duke Energy Indiana
Net property, plant and equipment	\$ 535	\$ —	\$ —	\$ —	\$ 116	\$ 418
Regulatory Assets	448	178	270	270	—	—

8. GOODWILL AND INTANGIBLE ASSETS

GOODWILL

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

Duke Energy

(in millions)	Regulated Utilities	International Energy	Commercial Portfolio	Total
Goodwill at December 31, 2014 ^(a)	15,950	307	64	16,321
Foreign exchange and other changes	—	(33)	—	(33)
Acquisitions	—	—	24	24
Goodwill at September 30, 2015	\$ 15,950	\$ 274	\$ 88	\$ 16,312

- (a) Excludes fully impaired Goodwill related to the nonregulated Midwest generation business which was sold in the second quarter of 2015. See Note 2 for further information related to the sale.

Duke Energy Ohio

Duke Energy Ohio's Goodwill balance of \$920 million is included in the Regulated Utilities operating segment and presented net of accumulated impairment charges of \$216 million on the Condensed Consolidated Balance Sheets at September 30, 2015 and December 31, 2014.

Progress Energy

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

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Impairment Testing

Duke Energy, Duke Energy Ohio and Progress Energy are required to perform an annual goodwill impairment test as of the same date each year and, accordingly, perform their annual impairment testing of goodwill as of August 31. Duke Energy, Duke Energy Ohio and Progress Energy update their test between annual tests if events or circumstances occur that would more likely than not reduce the fair value of a reporting unit below its carrying value. As the fair value of Duke Energy, Duke Energy Ohio and Progress Energy's reporting units exceeded their respective carrying values at the date of the annual impairment analysis, no impairment charges were recorded in the third quarter of 2015.

INTANGIBLE ASSETS

During 2014, Duke Energy Ohio reduced the carrying amount of OVEC to zero. A charge of \$94 million is recorded in Impairment charges on Duke Energy Ohio's Condensed Consolidated Statement of Operations for the nine months ended September 30, 2014. See Note 13 for additional information.

9. RELATED PARTY TRANSACTIONS

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

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Duke Energy Carolinas				
Corporate governance and shared service expenses ^(a)	\$ 211	\$ 199	\$ 632	\$ 638
Indemnification coverages ^(b)	6	5	18	16
Joint Dispatch Agreement (JDA) revenue ^(c)	7	13	47	125
Joint Dispatch Agreement (JDA) expense ^(c)	48	36	143	127
Progress Energy				
Corporate governance and shared service expenses ^(a)	\$ 184	\$ 182	\$ 523	\$ 560
Indemnification coverages ^(b)	10	8	29	25
JDA revenue ^(c)	48	36	143	127
JDA expense ^(c)	7	13	47	125
Duke Energy Progress				
Corporate governance and shared service expenses ^(a)	\$ 101	\$ 91	\$ 296	\$ 291
Indemnification coverages ^(b)	4	4	12	13
JDA revenue ^(c)	48	36	143	127
JDA expense ^(c)	7	13	47	125
Duke Energy Florida				
Corporate governance and shared service expenses ^(a)	\$ 83	\$ 91	\$ 227	\$ 269
Indemnification coverages ^(b)	6	4	17	12
Duke Energy Ohio				
Corporate governance and shared service expenses ^(a)	\$ 88	\$ 83	\$ 276	\$ 242
Indemnification coverages ^(b)	1	3	5	10
Duke Energy Indiana				
Corporate governance and shared service expenses ^(a)	\$ 87	\$ 94	\$ 259	\$ 293
Indemnification coverages ^(b)	2	3	6	8

- (a) The Subsidiary Registrants are charged their proportionate share of corporate governance and other shared services costs, primarily related to human resources, employee benefits, legal and accounting fees, as well as other third-party costs. These amounts are recorded in Operation, maintenance and other on the Condensed Consolidated Statements of Operations and Comprehensive Income.
- (b) The Subsidiary Registrants incur expenses related to certain indemnification coverages through Bison, Duke Energy's wholly owned captive insurance subsidiary. These expenses are recorded in Operation, maintenance and other on the Condensed Consolidated Statements of Operations and Comprehensive Income.
- (c) Duke Energy Carolinas and Duke Energy Progress participate in a JDA which allows the collective dispatch of power plants between the service territories to reduce customer rates. Revenues from the sale of power under the JDA are recorded in Operating Revenues on the Condensed Consolidated Statements of Operations and Comprehensive Income. Expenses from the purchase of power under the JDA are recorded in Fuel used in electric generation and purchased power on the Condensed Consolidated Statements of Operations and Comprehensive Income.

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In addition to the amounts presented above, the Subsidiary Registrants record the impact of other affiliate transactions in net income, including rental of office space, participation in a money pool arrangement, other operational transactions and their proportionate share of certain charged expenses. See Note 6 to the Consolidated Financial Statements in the Annual Report on Form 10-K for more information regarding money pool. The net impact of these transactions was not material for the three and nine months ended September 30, 2015 and 2014 for the Subsidiary Registrants.

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

Duke Energy Ohio's nonregulated indirect subsidiary, Duke Energy Commercial Asset Management (DECAM), owned generating plants included in the Disposal Group sold to Dynegy on April 2, 2015. On April 1, 2015, Duke Energy Ohio distributed its indirect ownership interest in DECAM to a Duke Energy subsidiary and non-cash settled DECAM's intercompany loan payable of \$294 million. The intercompany loan payable recorded in Notes payable to affiliated companies on Duke Energy Ohio's Condensed Consolidated Balance Sheets was \$459 million as of December 31, 2014.

Refer to Note 2 for further information on the sale of the Disposal Group.

10. DERIVATIVES AND HEDGING

The Duke Energy Registrants use commodity and interest rate contracts to manage commodity price and interest rate risks. The primary use of energy commodity derivatives is to hedge the generation portfolio against changes in the prices of electricity and natural gas. Interest rate swaps are used to manage interest rate risk associated with borrowings.

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

Changes in the fair value of derivative instruments that either do not qualify for or have not been designated as hedges are reflected in current earnings or as regulatory assets or liabilities.

FAIR VALUE AND CASH FLOW HEDGES

For a derivative designated as hedging the exposure to variable cash flows of a future transaction, referred to as a cash flow hedge, the effective portion of the derivative's gain or loss is initially reported as a component of other comprehensive income and subsequently reclassified into earnings once the future transaction effects earnings. Gains and losses reclassified out of AOCI for the three and nine months ended September 30, 2015 and 2014 were immaterial.

Amounts for interest rate contracts are reclassified to earnings as interest expense over the term of the related debt.

At September 30, 2015, there were no open commodity derivative instruments designated as hedges.

COMMODITY PRICE RISK

The Duke Energy Registrants are exposed to the impact of changes in the future prices of electricity, coal and natural gas. Exposure to commodity price risk is influenced by a number of factors including the term of contracts, the liquidity of markets and delivery locations.

Regulated public utilities may have cost-based rate regulations and various other cost recovery mechanisms that result in a limited exposure to market volatility of commodity fuel prices. Financial derivative contracts, where approved by the respective state regulatory commission, can be used to manage the risk of price volatility. Wholesale generating capacity used to sell electricity results in exposure to market volatility in energy-related commodity prices.

Undesignated Contracts

Undesignated contracts may include contracts not designated as a hedge because they are accounted for under Regulated Operations accounting, contracts that do not qualify for hedge accounting, derivatives that do not or no longer qualify for the NPNS scope exception, and de-designated hedge contracts.

Mark-to-market gains or losses on contracts accounted for under Regulated Operations are deferred and recorded as Regulatory Liabilities or Regulatory Assets, respectively. The Subsidiary Registrants utilize cost-tracking mechanisms, commonly referred to as fuel adjustment clauses. These clauses allow for the recovery of fuel and fuel-related costs, including settlements of undesignated derivatives for fuel commodities, and portions of purchased power costs through surcharges on customer rates. The difference between the costs incurred and the surcharge revenues is recorded as an adjustment to Fuel used in electric generation and purchased power – regulated or as Operating Revenues – Regulated electric on the Consolidated Statements of Operations with an offsetting impact on regulatory assets or liabilities. Therefore, due to the regulatory accounting followed by our Regulated Operations for undesignated derivatives, realized and unrealized gains and losses on undesignated derivatives do not have an immediate impact on reported net income.

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Mark-to-market gains and losses related to the nonregulated Midwest generation business are recorded in discontinued operations and open positions at April 2, 2015 were included in the sale of the Disposal Group. Refer to Note 2 for further information on the sale of the Disposal Group. Gains and losses on undesignated derivative contracts for nonregulated continuing operations are immaterial, including electric contracts used to hedge renewables generation in Electric Reliability Council of Texas (ERCOT), hedges for a business that is winding down by the end of 2016, and revenues during 2014 for mitigation contracts which were terminated by December 31, 2014.

Undesignated contracts expire as late as 2018.

Volumes

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

September 30, 2015							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Electricity (gigawatt-hours)	76	—	—	—	—	3	39
Natural gas (millions of decatherms)	389	61	328	110	218	—	—

December 31, 2014							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Electricity (gigawatt-hours) ^{(a)(b)}	25,370	—	—	—	—	19,141	—
Natural gas (millions of decatherms) ^(a)	676	35	328	116	212	313	—

(a) Amounts at Duke Energy Ohio include volumes related to the nonregulated Midwest generation business sold during the second quarter of 2015. Refer to Note 2 for further information on the sale.

(b) Amounts at Duke Energy Ohio include intercompany positions that eliminate at Duke Energy.

INTEREST RATE RISK

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

Duke's interest rate swaps for its Regulated Utilities operations employ Regulated Operations accounting. Regulated Operations accounting records the Mark-to-Market on the swaps as Regulatory Assets or Regulatory Liabilities. The accrual of interest on the swaps is recorded as Interest Expense. Regulatory assets and liabilities are amortized consistent with the treatment of the related costs in the ratemaking process.

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

	September 30, 2015					December 31, 2014				
(in millions)	Duke Energy	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy	Progress Energy	Duke Energy Florida	Duke Energy Ohio	
Cash flow hedges ^(a)	\$ 714	\$ —	\$ —	\$ —	\$ —	\$ 750	\$ —	\$ —	\$ —	
Undesignated contracts ^(b)	527	500	250	250	27	277	250	250	27	
Total notional amount	\$ 1,241	\$ 500	\$ 250	\$ 250	\$ 27	\$ 1,027	\$ 250	\$ 250	\$ 27	

(a) Duke Energy includes amounts related to consolidated Variable Interest Entities (VIEs) of \$509 million and \$541 million at September 30, 2015 and December 31, 2014, respectively.

(b) In January 2015, Duke Energy Progress executed fixed-to-floating rate swaps. The swaps were issued to economically convert \$250 million of fixed rate first mortgage bonds due September 15, 2021, to floating rate with an initial rate of approximately 1.75 percent.

In October 2015, Duke Energy Carolinas entered into \$400 million notional amount of forward starting interest rate swaps that was designated as a hedge of debt anticipated to be issued in 2018.

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

The following tables show the fair value of derivatives and the line items in the Condensed Consolidated Balance Sheets where they are reported. Although derivatives subject to master netting arrangements are netted on the Condensed Consolidated Balance Sheets, the fair values presented below are shown gross and cash collateral on the derivatives has not been netted against the fair values shown.

Derivative Assets		September 30, 2015							
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana		
Commodity Contracts									
Designated as Hedging Instruments									
Current Assets: Other	\$ 1	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Not Designated as Hedging Instruments									
Current Assets: Other	17	—	—	—	—	4	12		
Current Liabilities: Other	2	—	1	—	1	—	—		
Deferred Credits and Other Liabilities: Other	2	—	2	—	2	—	—		
Total Derivative Assets – Commodity Contracts	\$ 22	\$ —	\$ 3	\$ —	\$ 3	\$ 4	\$ 12		
Interest Rate Contracts									
Designated as Hedging Instruments									
Investments and Other Assets: Other	\$ 1	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Not Designated as Hedging Instruments									
Current Assets: Other	6	—	6	2	4	—	—		
Investments and Other Assets: Other	4	—	4	—	4	—	—		
Total Derivative Assets – Interest Rate Contracts	\$ 11	\$ —	\$ 10	\$ 2	\$ 8	\$ —	\$ —		
Total Derivative Assets	\$ 33	\$ —	\$ 13	\$ 2	\$ 11	\$ 4	\$ 12		

Derivative Liabilities		September 30, 2015							
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana		
Commodity Contracts									
Designated as Hedging Instruments									
Not Designated as Hedging Instruments									
Current Liabilities: Other	\$ 242	\$ 25	\$ 215	\$ 77	\$ 138	\$ —	\$ —		
Deferred Credits and Other Liabilities: Other	100	8	91	16	71	—	—		
Total Derivative Liabilities – Commodity Contracts	\$ 342	\$ 33	\$ 306	\$ 93	\$ 209	\$ —	\$ —		
Interest Rate Contracts									
Designated as Hedging Instruments									
Current Liabilities: Other	\$ 14	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —		
Deferred Credits and Other Liabilities: Other	41	—	—	—	—	—	—		
Not Designated as Hedging Instruments									
Current Liabilities: Other	1	—	—	—	—	1	—		
Deferred Credits and Other Liabilities: Other	8	—	3	2	—	6	—		
Total Derivative Liabilities – Interest Rate Contracts	\$ 64	\$ —	\$ 3	\$ 2	\$ —	\$ 7	\$ —		
Total Derivative Liabilities	\$ 406	\$ 33	\$ 309	\$ 95	\$ 209	\$ 7	\$ —		

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Derivative Assets	December 31, 2014							
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	
Commodity Contracts								
Not Designated as Hedging Instruments								
Current Assets: Other	\$ 18	\$ —	\$ —	\$ —	\$ —	\$ 1	\$ 14	
Current Assets: Assets held for sale	15	—	—	—	—	28	—	
Investments and Other Assets: Other	3	—	—	—	—	—	—	
Investments and Other Assets: Assets held for sale	15	—	—	—	—	26	—	
Current Liabilities: Other	1	—	—	—	—	—	—	
Current Liabilities: Assets held for sale	174	—	—	—	—	175	—	
Deferred Credits and Other Liabilities: Other	2	—	—	—	—	—	—	
Deferred Credits and Other Liabilities: Assets held for sale	111	—	—	—	—	111	—	
Total Derivative Assets – Commodity Contracts	\$ 339	\$ —	\$ —	\$ —	\$ —	\$ 341	\$ 14	
Interest Rate Contracts								
Designated as Hedging Instruments								
Investments and Other Assets: Other	10	—	—	—	—	—	—	
Not Designated as Hedging Instruments								
Current Assets: Other	2	—	2	—	2	—	—	
Total Derivative Assets – Interest Rate Contracts	\$ 12	\$ —	\$ 2	\$ —	\$ 2	\$ —	\$ —	
Total Derivative Assets	\$ 351	\$ —	\$ 2	\$ —	\$ 2	\$ 341	\$ 14	

Derivative Liabilities	December 31, 2014													
(in millions)	Duke Energy		Duke Energy Carolinas		Progress Energy		Duke Energy Progress		Duke Energy Florida		Duke Energy Ohio		Duke Energy Indiana	
Commodity Contracts														
<i>Designated as Hedging Instruments</i>														
Current Liabilities: Other	\$	—	\$	—	\$	1	\$	1	\$	—	\$	—	\$	—
<i>Not Designated as Hedging Instruments</i>														
Current Assets: Assets held for sale		—		—		—		—		—		4		—
Investments and Other Assets: Assets held for sale		—		—		—		—		—		4		—
Current Liabilities: Other		307		14		288		108		180		—		—
Current Liabilities: Assets held for sale		253		—		—		—		—		252		—
Deferred Credits and Other Liabilities: Other		91		5		80		23		57		—		—
Deferred Credits and Other Liabilities: Assets held for sale		208		—		—		—		—		207		—
Total Derivative Liabilities – Commodity Contracts	\$	859	\$	19	\$	369	\$	132	\$	237	\$	467	\$	—
Interest Rate Contracts														
<i>Designated as Hedging Instruments</i>														
Current Liabilities: Other	\$	13	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—
Deferred Credits and Other Liabilities: Other		29		—		—		—		—		—		—
<i>Not Designated as Hedging Instruments</i>														
Current Liabilities: Other		1		—		—		—		—		1		—
Deferred Credits and Other Liabilities: Other		7		—		2		—		2		5		—
Total Derivative Liabilities – Interest Rate Contracts	\$	50	\$	—	\$	2	\$	—	\$	2	\$	6	\$	—
Total Derivative Liabilities	\$	909	\$	19	\$	371	\$	132	\$	239	\$	473	\$	—

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OFFSETTING ASSETS AND LIABILITIES

The following tables show the balance sheet location of derivative contracts subject to enforceable master netting agreements and include collateral posted to offset the net position. This disclosure is intended to enable users to evaluate the effect of netting arrangements on financial position. The amounts shown were calculated by counterparty. Accounts receivable or accounts payable may also be available to offset exposures in the event of bankruptcy. These amounts are not included in the tables below.

Derivative Assets		September 30, 2015						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	
Current								
Gross amounts recognized	\$ 26	\$ —	\$ 7	\$ 2	\$ 5	\$ 4	\$ 12	
Gross amounts offset	(2)	—	(1)	—	(1)	—	—	
Net amounts subject to master netting	24	—	6	2	4	4	12	
Amounts not subject to master netting	—	—	—	—	—	—	—	
Net amounts recognized on the Condensed Consolidated Balance Sheet	\$ 24	\$ —	\$ 6	\$ 2	\$ 4	\$ 4	\$ 12	
Non-Current								
Gross amounts recognized	\$ 7	\$ —	\$ 6	\$ —	\$ 6	\$ —	\$ —	
Gross amounts offset	(2)	—	(2)	—	(2)	—	—	
Net amounts subject to master netting	5	—	4	—	4	—	—	
Amounts not subject to master netting	—	—	—	—	—	—	—	
Net amounts recognized on the Condensed Consolidated Balance Sheet	\$ 5	\$ —	\$ 4	\$ —	\$ 4	\$ —	\$ —	

Derivative Liabilities		September 30, 2015						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	
Current								
Gross amounts recognized	\$ 257	\$ 25	\$ 215	\$ 77	\$ 138	\$ 1	\$ —	
Gross amounts offset	(15)	—	(14)	—	(14)	—	—	
Net amounts subject to master netting	242	25	201	77	124	1	—	
Amounts not subject to master netting	—	—	—	—	—	—	—	
Net amounts recognized on the Condensed Consolidated Balance Sheet	\$ 242	\$ 25	\$ 201	\$ 77	\$ 124	\$ 1	\$ —	
Non-Current								
Gross amounts recognized	\$ 144	\$ 8	\$ 89	\$ 18	\$ 71	\$ 6	\$ —	
Gross amounts offset	(9)	—	(9)	—	(9)	—	—	
Net amounts subject to master netting	135	8	80	18	62	6	—	
Amounts not subject to master netting	5	—	5	—	—	—	—	
Net amounts recognized on the Condensed Consolidated Balance Sheet	\$ 140	\$ 8	\$ 85	\$ 18	\$ 62	\$ 6	\$ —	

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Derivative Assets	December 31, 2014							
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	
Current								
Gross amounts recognized	\$ 210	\$ —	\$ 2	\$ —	\$ 2	\$ 204	\$ 14	
Gross amounts offset	(153)	—	(2)	—	(2)	(179)	—	
Net amounts subject to master netting	57	—	—	—	—	25	14	
Amounts not subject to master netting	—	—	—	—	—	—	—	
Net amounts recognized on the Condensed Consolidated Balance Sheet	\$ 57	\$ —	\$ —	\$ —	\$ —	\$ 25	\$ 14	
Non-Current								
Gross amounts recognized	\$ 136	\$ —	\$ —	\$ —	\$ —	\$ 137	\$ —	
Gross amounts offset	(88)	—	—	—	—	(114)	—	
Net amounts subject to master netting	48	—	—	—	—	23	—	
Amounts not subject to master netting	5	—	—	—	—	—	—	
Net amounts recognized on the Condensed Consolidated Balance Sheet	\$ 53	\$ —	\$ —	\$ —	\$ —	\$ 23	\$ —	

Derivative Liabilities	December 31, 2014							
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	
Current								
Gross amounts recognized	\$ 573	\$ 14	\$ 289	\$ 109	\$ 180	\$ 257	\$ —	
Gross amounts offset	(213)	—	(17)	—	(17)	(222)	—	
Net amounts subject to master netting	360	14	272	109	163	35	—	
Amounts not subject to master netting	1	—	—	—	—	—	—	
Net amounts recognized on the Condensed Consolidated Balance Sheet	\$ 361	\$ 14	\$ 272	\$ 109	\$ 163	\$ 35	\$ —	
Non-Current								
Gross amounts recognized	\$ 319	\$ 5	\$ 82	\$ 23	\$ 59	\$ 216	\$ —	
Gross amounts offset	(173)	—	(8)	—	(8)	(193)	—	
Net amounts subject to master netting	146	5	74	23	51	23	—	
Amounts not subject to master netting	16	—	—	—	—	—	—	
Net amounts recognized on the Condensed Consolidated Balance Sheet	\$ 162	\$ 5	\$ 74	\$ 23	\$ 51	\$ 23	\$ —	

CREDIT RISK

Certain derivative contracts contain contingent credit features. These features may include (i) material adverse change clauses or payment acceleration clauses that could result in immediate payments or (ii) the posting of letters of credit or termination of the derivative contract before maturity if specific events occur, such as a credit rating downgrade below investment grade.

The following tables show information with respect to derivative contracts that are in a net liability position and contain objective credit-risk-related payment provisions. Amounts for Duke Energy Indiana were not material.

	September 30, 2015					
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio
Aggregate fair value amounts of derivative instruments in a net liability position	\$ 316	\$ 33	\$ 301	\$ 94	\$ 207	\$ —
Fair value of collateral already posted	20	—	20	—	20	—
Additional cash collateral or letters of credit in the event credit-risk-related contingent features were triggered	296	33	281	94	187	—

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(in millions)	December 31, 2014					
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio
Aggregate fair value amounts of derivative instruments in a net liability position	\$ 845	\$ 19	\$ 370	\$ 131	\$ 239	\$ 456
Fair value of collateral already posted	209	—	23	—	23	186
Additional cash collateral or letters of credit in the event credit-risk-related contingent features were triggered	407	19	347	131	216	41

The Duke Energy Registrants have elected to offset cash collateral and fair values of derivatives. For amounts to be netted, the derivative must be executed with the same counterparty under the same master netting agreement. Amounts disclosed below represent the receivables related to the right to reclaim cash collateral and payables related to the obligation to return cash collateral under master netting arrangements.

(in millions)	September 30, 2015	December 31, 2014
	Receivables	Receivables
Duke Energy		
Amounts offset against net derivative positions	\$ 20	\$ 145
Amounts not offset against net derivative positions	—	64
Progress Energy		
Amounts offset against net derivative positions	20	23
Duke Energy Florida		
Amounts offset against net derivative positions	20	23
Duke Energy Ohio		
Amounts offset against net derivative positions	—	122
Amounts not offset against net derivative positions	—	64

11. INVESTMENTS IN DEBT AND EQUITY SECURITIES

The Duke Energy Registrants classify their investments in debt and equity securities as either trading or available-for-sale.

TRADING SECURITIES

Investments in debt and equity securities held in grantor trusts associated with certain deferred compensation plans and certain other investments are classified as trading securities. These investments were sold prior to September 30, 2015. The fair value of these investments was \$7 million at December 31, 2014.

AVAILABLE-FOR-SALE SECURITIES

All other investments in debt and equity securities are classified as available-for-sale securities.

Duke Energy's available-for-sale securities are primarily comprised of investments held in (i) the Nuclear Decommissioning Trust Fund (NDTF) at Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida, (ii) grantor trusts at Duke Energy Progress, Duke Energy Florida and Duke Energy Indiana related to other post-retirement benefit obligations (OPEB) plans and deferred compensation plans, (iii) Duke Energy's captive insurance investment portfolio and (iv) Duke Energy's foreign operations investment portfolio.

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

Investment Trusts

The investments within the NDTF at Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida and the Duke Energy Progress, Duke Energy Florida and Duke Energy Indiana grantor trusts (Investment Trusts) are managed by independent investment managers with discretion to buy, sell and invest pursuant to the objectives set forth by the trust agreements. The Duke Energy Registrants have limited oversight of the day-to-day management of these investments. As a result, the ability to hold investments in unrealized loss positions is outside the control of the Duke Energy Registrants. Accordingly, all unrealized losses associated with debt and equity securities within the Investment Trusts are considered other-than-temporary impairments and are recognized immediately. Pursuant to regulatory accounting, substantially all realized and unrealized gains and losses associated with investments within the Investment Trusts are deferred as a regulatory asset or liability. As a result, there is no immediate impact on earnings of the Duke Energy Registrants.

Other Available-for-Sale Securities

Unrealized gains and losses on all other available-for-sale securities are included in other comprehensive income until realized, unless it is determined the carrying value of an investment is other-than-temporarily impaired. If an other-than-temporary impairment exists, the unrealized loss is included in earnings based on the criteria discussed below.

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The Duke Energy Registrants analyze all investment holdings each reporting period to determine whether a decline in fair value should be considered other-than-temporary. Criteria used to evaluate whether an impairment associated with equity securities is other-than-temporary includes, but is not limited to, (i) the length of time over which the market value has been lower than the cost basis of the investment, (ii) the percentage decline compared to the cost of the investment and (iii) management's intent and ability to retain its investment for a period of time sufficient to allow for any anticipated recovery in market value. If a decline in fair value is determined to be other-than-temporary, the investment is written down to its fair value through a charge to earnings.

If the entity does not have an intent to sell a debt security and it is not more likely than not management will be required to sell the debt security before the recovery of its cost basis, the impairment write-down to fair value would be recorded as a component of other comprehensive income, except for when it is determined a credit loss exists. In determining whether a credit loss exists, management considers, among other things, (i) the length of time and the extent to which the fair value has been less than the amortized cost basis, (ii) changes in the financial condition of the issuer of the security, or in the case of an asset-backed security, the financial condition of the underlying loan obligors, (iii) consideration of underlying collateral and guarantees of amounts by government entities, (iv) ability of the issuer of the security to make scheduled interest or principal payments and (v) any changes to the rating of the security by rating agencies. If a credit loss exists, the amount of impairment write-down to fair value is split between credit loss and other factors. The amount related to credit loss is recognized in earnings. The amount related to other factors is recognized in other comprehensive income. There were no credit losses as of September 30, 2015 and December 31, 2014.

DUKE ENERGY

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

(in millions)	September 30, 2015			December 31, 2014		
	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses ^(b)	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses ^(b)	Estimated Fair Value
NDTF						
Cash and cash equivalents	\$ —	\$ —	\$ 156	\$ —	\$ —	\$ 136
Equity securities	1,655	71	3,396	1,926	29	3,650
Corporate debt securities	9	7	500	14	2	454
Municipal bonds	4	2	207	5	—	184
U.S. government bonds	23	1	1,131	19	2	978
Other debt securities	1	3	172	1	2	147
Total NDTF^(c)	\$ 1,692	\$ 84	\$ 5,562	\$ 1,965	\$ 35	\$ 5,549
Other Investments						
Cash and cash equivalents	\$ —	\$ —	\$ 32	\$ —	\$ —	\$ 15
Equity securities	27	1	90	34	—	96
Corporate debt securities	1	2	98	1	1	58
Municipal bonds	3	1	73	3	1	76
U.S. government bonds	1	—	52	—	—	27
Other debt securities	—	1	69	1	1	80
Total Other Investments^(a)	\$ 32	\$ 5	\$ 414	\$ 39	\$ 3	\$ 352
Total Investments	\$ 1,724	\$ 89	\$ 5,976	\$ 2,004	\$ 38	\$ 5,901

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

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

(c) As of September 30, 2015, the estimated fair value of the NDTF includes NDTF assets acquired with the purchase of NCEMPA's ownership interest in certain generating assets. Refer to Note 2 for further information. This increase in estimated fair value compared to December 31, 2014, is partially offset due to reimbursements from the NDTF for Duke Energy Florida's costs related to ongoing decommissioning activity of the Crystal River Unit 3 Nuclear Plant.

The table below summarizes the maturity date for debt securities.

(in millions)	September 30, 2015
Due in one year or less	\$ 74
Due after one through five years	781
Due after five through 10 years	635
Due after 10 years	812
Total	\$ 2,302

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

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Realized gains	\$ 30	\$ 28	\$ 160	\$ 90
Realized losses	28	51	59	57

DUKE ENERGY CAROLINAS

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

(in millions)	September 30, 2015			December 31, 2014		
	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses ^(b)	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses ^(b)	Estimated Fair Value
NDTF						
Cash and cash equivalents	\$ —	\$ —	\$ 25	\$ —	\$ —	\$ 51
Equity securities	930	42	1,990	1,102	17	2,162
Corporate debt securities	5	6	342	8	2	316
Municipal bonds	1	1	69	1	—	62
U.S. government bonds	6	1	383	7	1	308
Other debt securities	1	3	141	1	2	133
Total NDTF	\$ 943	\$ 53	\$ 2,950	\$ 1,119	\$ 22	\$ 3,032
Other Investments						
Other debt securities	\$ —	\$ 1	\$ 3	\$ —	\$ 1	\$ 3
Total Other Investments^(a)	\$ —	\$ 1	\$ 3	\$ —	\$ 1	\$ 3
Total Investments	\$ 943	\$ 54	\$ 2,953	\$ 1,119	\$ 23	\$ 3,035

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

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

The table below summarizes the maturity date for debt securities.

(in millions)	September 30, 2015
Due in one year or less	\$ 13
Due after one through five years	209
Due after five through 10 years	293
Due after 10 years	423
Total	\$ 938

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

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Realized gains	\$ 25	\$ 20	\$ 132	\$ 72
Realized losses	24	48	47	50

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PROGRESS ENERGY

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

(in millions)	September 30, 2015			December 31, 2014		
	Gross	Gross	Estimated	Gross	Gross	Estimated
	Unrealized	Unrealized		Unrealized	Unrealized	
	Holding	Holding	Fair	Holding	Holding	Fair
	Gains	Losses ^(b)	Value	Gains	Losses ^(b)	Value
NDTF						
Cash and cash equivalents	\$ —	\$ —	\$ 131	\$ —	\$ —	\$ 85
Equity securities	725	29	1,406	824	12	1,488
Corporate debt securities	4	1	158	6	—	138
Municipal bonds	3	1	138	4	—	122
U.S. government bonds	17	—	748	12	1	670
Other debt securities	—	—	31	—	—	14
Total NDTF^(c)	\$ 749	\$ 31	\$ 2,612	\$ 846	\$ 13	\$ 2,517
Other Investments						
Cash and cash equivalents	\$ —	\$ —	\$ 23	\$ —	\$ —	\$ 15
Municipal bonds	3	—	43	3	—	43
Total Other Investments^(a)	\$ 3	\$ —	\$ 66	\$ 3	\$ —	\$ 58
Total Investments	\$ 752	\$ 31	\$ 2,678	\$ 849	\$ 13	\$ 2,575

- (a) These amounts are recorded in Other within Investments and Other Assets on the Condensed Consolidated Balance Sheets.
- (b) Substantially all these amounts represent other-than-temporary impairments on investments within Investment Trusts that have been recognized immediately as a regulatory asset.
- (c) As of September 30, 2015, the estimated fair value of the NDTF includes NDTF assets acquired with the purchase of NCEMPA's ownership interest in certain generating assets. Refer to Note 2 for further information. This increase in estimated fair value compared to December 31, 2014, is partially offset due to reimbursements from the NDTF for Duke Energy Florida's costs related to ongoing decommissioning activity of the Crystal River Unit 3 Nuclear Plant.

The table below summarizes the maturity date for debt securities.

(in millions)	September 30, 2015
Due in one year or less	\$ 38
Due after one through five years	476
Due after five through 10 years	271
Due after 10 years	333
Total	\$ 1,118

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

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Realized gains	\$ 5	\$ 8	\$ 26	\$ 17
Realized losses	4	3	10	6

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DUKE ENERGY PROGRESS

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

(in millions)	September 30, 2015			December 31, 2014		
	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses ^(b)	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses ^(b)	Estimated Fair Value
NDTF						
Cash and cash equivalents	\$ —	\$ —	\$ 87	\$ —	\$ —	\$ 50
Equity securities	535	23	1,107	612	10	1,171
Corporate debt securities	3	1	109	5	—	97
Municipal bonds	3	1	136	4	—	120
U.S. government bonds	12	—	485	9	1	265
Other debt securities	—	—	19	—	—	8
Total NDTF^(c)	\$ 553	\$ 25	\$ 1,943	\$ 630	\$ 11	\$ 1,711
Other Investments						
Cash and cash equivalents	\$ —	\$ —	\$ 1	\$ —	\$ —	\$ —
Total Other Investments^(a)	\$ —	\$ —	\$ 1	\$ —	\$ —	\$ —
Total Investments	\$ 553	\$ 25	\$ 1,944	\$ 630	\$ 11	\$ 1,711

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

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

(c) As of September 30, 2015, the estimated fair value of the NDTF includes NDTF assets acquired with the purchase of NCEMPA's ownership interest in certain generating assets. Refer to Note 2 for further information.

The table below summarizes the maturity date for debt securities.

(in millions)	September 30, 2015
Due in one year or less	\$ 12
Due after one through five years	278
Due after five through 10 years	219
Due after 10 years	240
Total	\$ 749

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

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Realized gains	\$ 4	\$ 4	\$ 21	\$ 11
Realized losses	3	2	8	4

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DUKE ENERGY FLORIDA

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

(in millions)	September 30, 2015			December 31, 2014		
	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses ^(b)	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses ^(b)	Estimated Fair Value
NDTF						
Cash and cash equivalents	\$ —	\$ —	\$ 44	\$ —	\$ —	\$ 35
Equity securities	190	6	299	212	2	317
Corporate debt securities	1	—	49	1	—	41
Municipal bonds	—	—	2	—	—	2
U.S. government bonds	5	—	263	3	—	405
Other debt securities	—	—	12	—	—	6
Total NDTF^(c)	\$ 196	\$ 6	\$ 669	\$ 216	\$ 2	\$ 806
Other Investments						
Cash and cash equivalents	\$ —	\$ —	\$ 11	\$ —	\$ —	\$ 1
Municipal bonds	3	—	43	3	—	43
Total Other Investments^(a)	\$ 3	\$ —	\$ 54	\$ 3	\$ —	\$ 44
Total Investments	\$ 199	\$ 6	\$ 723	\$ 219	\$ 2	\$ 850

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

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

(c) The estimated fair value at September 30, 2015, compared to the balance at December 31, 2014, is lower due to current year reimbursements from the NDTF for costs related to ongoing decommissioning activity of the Crystal River Unit 3 Nuclear Plant.

The table below summarizes the maturity date for debt securities.

(in millions)	September 30, 2015
Due in one year or less	\$ 26
Due after one through five years	198
Due after five through 10 years	52
Due after 10 years	93
Total	\$ 369

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

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Realized gains	\$ 1	\$ 3	\$ 5	\$ 5
Realized losses	1	1	2	2

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DUKE ENERGY INDIANA

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

(in millions)	September 30, 2015			December 31, 2014		
	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses ^(b)	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses ^(b)	Estimated Fair Value
Other Investments						
Equity securities	\$ 23	\$ —	\$ 67	\$ 28	\$ —	\$ 71
Corporate debt securities	—	—	3	—	—	—
Municipal bonds	—	1	27	—	1	30
Total Other Investments^(a)	\$ 23	\$ 1	\$ 97	\$ 28	\$ 1	\$ 101
Total Investments	\$ 23	\$ 1	\$ 97	\$ 28	\$ 1	\$ 101

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

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

The table below summarizes the maturity date for debt securities.

(in millions)	September 30, 2015
Due in one year or less	\$ 2
Due after one through five years	16
Due after five through 10 years	8
Due after 10 years	4
Total	\$ 30

Realized gains and losses, which were determined on a specific identification basis, from sales of available-for-sale securities were insignificant for the three and nine months ended September 30, 2015 and 2014.

12. FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

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Transfers between levels represent assets or liabilities that were previously (i) categorized at a higher level for which the inputs to the estimate became less observable or (ii) classified at a lower level for which the inputs became more observable during the period. The Duke Energy Registrant's policy is to recognize transfers between levels of the fair value hierarchy at the end of the period. Transfers between levels 1 and 2 during the three and nine months ended September 30, 2015 and 2014 were immaterial. Transfers out of Level 3 during the three and nine months ended September 30, 2015 are the result of forward commodity prices becoming observable due to the passage of time.

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

Investments in equity securities

The majority of investments in equity securities are valued using Level 1 measurements. Investments in equity securities are typically valued at the closing price in the principal active market as of the last business day of the quarter. Principal active markets for equity prices include published exchanges such as Nasdaq composite (NASDAQ) and New York Stock Exchange (NYSE). Foreign equity prices are translated from their trading currency using the currency exchange rate in effect at the close of the principal active market. There was no after-hours market activity that was required to be reflected in the reported fair value measurements. Investments in equity securities that are Level 2 or 3 are typically ownership interests in commingled investment funds.

Investments in debt securities

With the exception of U.S. Treasuries which are classified as Level 1, most investments in debt securities are valued using Level 2 measurements because the valuations use interest rate curves and credit spreads applied to the terms of the debt instrument (maturity and coupon interest rate) and consider the counterparty credit rating. If the market for a particular fixed income security is relatively inactive or illiquid, the measurement is Level 3.

Commodity derivatives

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

Interest rate derivatives

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

Goodwill, long-lived assets and assets held for sale

See Note 8 for a discussion of the valuation of goodwill and long-lived assets. See Note 2 related to the assets and liabilities of the Disposal Group classified as held for sale, and the purchase of NCEMPA's ownership interests in certain generating assets.

DUKE ENERGY

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Condensed Consolidated Balance Sheets. Derivative amounts in the table below exclude cash collateral, which is disclosed in Note 10. See Note 11 for additional information related to investments by major security type.

(in millions)	September 30, 2015			
	Total Fair Value	Level 1	Level 2	Level 3
Nuclear decommissioning trust fund equity securities	\$ 3,396	\$ 3,224	\$ 1	\$ 171
Nuclear decommissioning trust fund debt securities	2,166	557	1,609	—
Other trading and available-for-sale equity securities	90	90	—	—
Other trading and available-for-sale debt securities	324	85	234	5
Derivative assets	33	—	16	17
Total assets	6,009	3,956	1,860	193
Derivative liabilities	(406)	(4)	(402)	—
Net assets	\$ 5,603	\$ 3,952	\$ 1,458	\$ 193

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(in millions)	December 31, 2014			
	Total Fair Value	Level 1	Level 2	Level 3
Nuclear decommissioning trust fund equity securities	\$ 3,650	\$ 3,493	\$ 6	\$ 151
Nuclear decommissioning trust fund debt securities	1,899	648	1,251	—
Other trading and available-for-sale equity securities	96	96	—	—
Other trading and available-for-sale debt securities	263	41	217	5
Derivative assets	110	49	24	37
Total assets	6,018	4,327	1,498	193
Derivative liabilities	(668)	(162)	(468)	(38)
Net assets	\$ 5,350	\$ 4,165	\$ 1,030	\$ 155

The following tables provide reconciliations of beginning and ending balances of assets and liabilities measured at fair value using Level 3 measurements. Amounts included in earnings for derivatives are primarily included in Operating Revenues.

(in millions)	Three Months Ended September 30, 2015		
	Investments	Derivatives (net)	Total
Balance at beginning of period	\$ 173	\$ 23	\$ 196
Purchases, sales, issuances and settlements:			
Purchases	2	—	2
Sales	(3)	—	(3)
Settlements	—	(6)	(6)
Total gains (losses) included on the Condensed Consolidated Balance Sheet as regulatory assets or liabilities	4	—	4
Balance at end of period	\$ 176	\$ 17	\$ 193

(in millions)	Three Months Ended September 30, 2014		
	Investments	Derivatives (net)	Total
Balance at beginning of period	\$ 188	\$ 22	\$ 210
Total pretax realized or unrealized gains (losses) included in earnings	—	(33)	(33)
Purchases, sales, issuances and settlements:			
Purchases	13	(1)	12
Sales	(13)	—	(13)
Issuances	—	1	1
Transfers out of Level 3 due to observability of inputs	—	(1)	(1)
Total gains (losses) included on the Condensed Consolidated Balance Sheet as regulatory assets or liabilities	4	(10)	(6)
Balance at end of period	\$ 192	\$ (22)	\$ 170
Pretax amounts included in the Condensed Consolidated Statements of Comprehensive Income related to Level 3 measurements outstanding	\$ —	\$ (49)	\$ (49)

(in millions)	Nine Months Ended September 30, 2015		
	Investments	Derivatives (net)	Total
Balance at beginning of period	\$ 156	\$ (1)	\$ 155
Total pretax realized or unrealized gains (losses) included in earnings ^(a)	—	18	18
Purchases, sales, issuances and settlements:			
Purchases	14	24	38
Sales	(7)	—	(7)
Settlements	—	(28)	(28)
Total gains (losses) included on the Condensed Consolidated Balance Sheet as regulatory assets or liabilities	13	4	17
Balance at end of period	\$ 176	\$ 17	\$ 193

(a) Includes amounts related to nonregulated operations and classified as (Loss) Income From Discontinued Operations, net of tax in Duke Energy's Condensed Consolidated Statements of Operations.

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(in millions)	Nine Months Ended September 30, 2014		
	Investments	Derivatives (net)	Total
Balance at beginning of period	\$ 98	\$ 13	\$ 111
Total pretax realized or unrealized gains (losses) included in earnings	—	(21)	(21)
Purchases, sales, issuances and settlements:			
Purchases	29	50	79
Sales	(15)	—	(15)
Settlements	—	(45)	(45)
Transfers out of Level 3 due to observability of inputs	68	(4)	64
Total gains (losses) included on the Condensed Consolidated Balance Sheet as regulatory assets or liabilities	12	(15)	(3)
Balance at end of period	\$ 192	\$ (22)	\$ 170
Pretax amounts included in the Condensed Consolidated Statements of Comprehensive Income related to Level 3 measurements outstanding	\$ —	\$ (49)	\$ (49)

DUKE ENERGY CAROLINAS

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Condensed Consolidated Balance Sheets. Derivative amounts in the table below exclude cash collateral, which is disclosed in Note 10. See Note 11 for additional information related to investments by major security type.

(in millions)	September 30, 2015			
	Total Fair Value	Level 1	Level 2	Level 3
Nuclear decommissioning trust fund equity securities	\$ 1,990	\$ 1,818	\$ 1	\$ 171
Nuclear decommissioning trust fund debt securities	960	203	757	—
Other trading and available-for-sale debt securities	3	—	—	3
Total assets	2,953	2,021	758	174
Derivative liabilities	(33)	—	(33)	—
Net assets	\$ 2,920	\$ 2,021	\$ 725	\$ 174

(in millions)	December 31, 2014			
	Total Fair Value	Level 1	Level 2	Level 3
Nuclear decommissioning trust fund equity securities	\$ 2,162	\$ 2,005	\$ 6	\$ 151
Nuclear decommissioning trust fund debt securities	870	138	732	—
Other trading and available-for-sale debt securities	3	—	—	3
Total assets	3,035	2,143	738	154
Derivative liabilities	(19)	—	(19)	—
Net assets	\$ 3,016	\$ 2,143	\$ 719	\$ 154

The following tables provide reconciliations of beginning and ending balances of assets and liabilities measured at fair value using Level 3 measurements.

(in millions)	Three Months Ended September 30, 2015		
	Investments	Derivatives (net)	Total
Balance at beginning of period	\$ 171	\$ —	\$ 171
Purchases, sales, issuances and settlements:			
Purchases	2	—	2
Sales	(3)	—	(3)
Total gains (losses) included on the Condensed Consolidated Balance Sheet as regulatory assets or liabilities	4	—	4
Balance at end of period	\$ 174	\$ —	\$ 174

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(in millions)	Three Months Ended September 30, 2014		
	Investments	Derivatives (net)	Total
Balance at beginning of period	\$ 171	\$ (3)	\$ 168
Purchases, sales, issuances and settlements:			
Purchases	13	—	13
Sales	(13)	—	(13)
Settlements	—	3	3
Total gains (losses) included on the Condensed Consolidated Balance Sheet as regulatory assets or liabilities	4	—	4
Balance at end of period	\$ 175	\$ —	\$ 175

(in millions)	Nine Months Ended September 30, 2015		
	Investments	Derivatives (net)	Total
Balance at beginning of period	\$ 154	\$ —	\$ 154
Purchases, sales, issuances and settlements:			
Purchases	14	—	14
Sales	(7)	—	(7)
Total gains (losses) included on the Condensed Consolidated Balance Sheet as regulatory assets or liabilities	13	—	13
Balance at end of period	\$ 174	\$ —	\$ 174

(in millions)	Nine Months Ended September 30, 2014		
	Investments	Derivatives (net)	Total
Balance at beginning of period	\$ 81	\$ (2)	\$ 79
Purchases, sales, issuances and settlements:			
Purchases	29	—	29
Sales	(15)	—	(15)
Settlements	—	2	2
Transfers out of Level 3 to observability of inputs	68	—	68
Total gains (losses) included on the Condensed Consolidated Balance Sheet as regulatory assets or liabilities	12	—	12
Balance at end of period	\$ 175	\$ —	\$ 175

PROGRESS ENERGY

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Condensed Consolidated Balance Sheets. Derivative amounts in the table below exclude cash collateral, which is disclosed in Note 10. See Note 11 for additional information related to investments by major security type.

(in millions)	September 30, 2015			
	Total Fair Value	Level 1	Level 2	Level 3
Nuclear decommissioning trust fund equity securities	\$ 1,406	\$ 1,406	\$ —	\$ —
Nuclear decommissioning trust fund debt securities	1,206	354	852	—
Other trading and available-for-sale debt securities	66	23	43	—
Derivative assets	13	—	13	—
Total assets	2,691	1,783	908	—
Derivative liabilities	(309)	—	(309)	—
Net assets	\$ 2,382	\$ 1,783	\$ 599	\$ —

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(in millions)	December 31, 2014			
	Total Fair Value	Level 1	Level 2	Level 3
Nuclear decommissioning trust fund equity securities	\$ 1,488	\$ 1,488	\$ —	\$ —
Nuclear decommissioning trust fund debt securities	1,029	510	519	—
Other trading and available-for-sale debt securities	58	15	43	—
Derivative assets	4	—	4	—
Total assets	2,579	2,013	566	—
Derivative liabilities	(373)	—	(373)	—
Net assets	\$ 2,206	\$ 2,013	\$ 193	\$ —

DUKE ENERGY PROGRESS

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Condensed Consolidated Balance Sheets. Derivative amounts in the table below exclude cash collateral, which is disclosed in Note 10. See Note 11 for additional information related to investments by major security type.

(in millions)	September 30, 2015			
	Total Fair Value	Level 1	Level 2	Level 3
Nuclear decommissioning trust fund equity securities	\$ 1,107	\$ 1,107	\$ —	\$ —
Nuclear decommissioning trust fund debt securities	836	136	700	—
Other trading and available-for-sale debt securities	1	1	—	—
Derivative assets	2	—	2	—
Total assets	1,946	1,244	702	—
Derivative liabilities	(95)	—	(95)	—
Net assets	\$ 1,851	\$ 1,244	\$ 607	\$ —

(in millions)	December 31, 2014			
	Total Fair Value	Level 1	Level 2	Level 3
Nuclear decommissioning trust fund equity securities	\$ 1,171	\$ 1,171	\$ —	\$ —
Nuclear decommissioning trust fund debt securities	540	151	389	—
Total assets	1,711	1,322	389	—
Derivative liabilities	(132)	—	(132)	—
Net assets	\$ 1,579	\$ 1,322	\$ 257	\$ —

DUKE ENERGY FLORIDA

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Condensed Consolidated Balance Sheets. Derivative amounts in the table below exclude cash collateral, which is disclosed in Note 10. See Note 11 for additional information related to investments by major security type.

(in millions)	September 30, 2015			
	Total Fair Value	Level 1	Level 2	Level 3
Nuclear decommissioning trust fund equity securities	\$ 299	\$ 299	\$ —	\$ —
Nuclear decommissioning trust fund debt securities and other	370	219	151	—
Other trading and available-for-sale debt securities and other	54	11	43	—
Derivative assets	11	—	11	—
Total assets	734	529	205	—
Derivative liabilities	(209)	—	(209)	—
Net assets (liabilities)	\$ 525	\$ 529	\$ (4)	\$ —

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December 31, 2014				
(in millions)	Total Fair Value	Level 1	Level 2	Level 3
Nuclear decommissioning trust fund equity securities	\$ 317	\$ 317	\$ —	\$ —
Nuclear decommissioning trust fund debt securities and other	489	359	130	—
Other trading and available-for-sale debt securities and other	44	—	44	—
Derivative assets	4	—	4	—
Total assets	854	676	178	—
Derivative liabilities	(241)	—	(241)	—
Net assets (liabilities)	\$ 613	\$ 676	\$ (63)	\$ —

DUKE ENERGY OHIO

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Condensed Consolidated Balance Sheets. Derivative amounts in the table below exclude cash collateral, which is disclosed in Note 10.

September 30, 2015				
(in millions)	Total Fair Value	Level 1	Level 2	Level 3
Derivative assets	\$ 4	\$ —	\$ —	\$ 4
Derivative liabilities	(7)	—	(7)	—
Net liabilities	\$ (3)	\$ —	\$ (7)	\$ 4

December 31, 2014				
(in millions)	Total Fair Value	Level 1	Level 2	Level 3
Derivative assets	\$ 49	\$ 20	\$ 9	\$ 20
Derivative liabilities	(181)	(117)	(26)	(38)
Net liabilities	\$ (132)	\$ (97)	\$ (17)	\$ (18)

The following tables provide reconciliations of beginning and ending balances of assets and liabilities measured at fair value using Level 3 measurements.

(in millions)	Derivatives (net)			
	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Balance at beginning of period	\$ 5	\$ (28)	\$ (18)	\$ (4)
Total pretax realized or unrealized gains (losses) included in earnings ^(a)	—	(24)	21	(43)
Purchases, sales, issuances and settlements:				
Purchases	5	—	5	1
Sales	(5)	—	—	—
Settlements	(1)	(2)	(4)	(6)
Total gains included on the Condensed Consolidated Balance Sheet as regulatory assets or liabilities	—	(1)	—	1
Transfers out of Level 3 due to observability of inputs	—	—	—	(4)
Balance at end of period	\$ 4	\$ (55)	\$ 4	\$ (55)
Pretax amounts included in the Condensed Consolidated Statements of Operations and Comprehensive Income related to Level 3 measurements outstanding at September 30, 2014	\$ —	\$ —	\$ —	\$ (52)

- (a) Includes amounts related to nonregulated operations and classified as (Loss) Income From Discontinued Operations, net of tax in Duke Energy Ohio's Condensed Consolidated Statements of Operations and Comprehensive Income.

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DUKE ENERGY INDIANA

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Condensed Consolidated Balance Sheets. Derivative amounts in the table below exclude cash collateral, which is disclosed in Note 10. See Note 11 for additional information related to investments by major security type.

(in millions)	September 30, 2015			
	Total Fair Value	Level 1	Level 2	Level 3
Available-for-sale equity securities	\$ 67	\$ 67	\$ —	\$ —
Available-for-sale debt securities	30	—	30	—
Derivative assets	12	—	—	12
Net assets	\$ 109	\$ 67	\$ 30	\$ 12

(in millions)	December 31, 2014			
	Total Fair Value	Level 1	Level 2	Level 3
Available-for-sale equity securities	\$ 71	\$ 71	\$ —	\$ —
Available-for-sale debt securities	30	—	30	—
Derivative assets	14	—	—	14
Net assets	\$ 115	\$ 71	\$ 30	\$ 14

The following tables provide reconciliations of beginning and ending balances of assets and liabilities measured at fair value using Level 3 measurements.

(in millions)	Derivatives (net)			
	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Balance at beginning of period	\$ 17	\$ 45	\$ 14	\$ 12
Total pretax realized or unrealized gains (losses) included in earnings	—	(13)	—	14
Purchases, sales, issuances and settlements:				
Purchases	1	—	19	49
Settlements	(6)	—	(25)	(38)
Total gains included on the Condensed Consolidated Balance Sheet as regulatory assets or liabilities	—	(10)	4	(15)
Balance at end of period	\$ 12	\$ 22	\$ 12	\$ 22

QUANTITATIVE DISCLOSURES ABOUT UNOBSERVABLE INPUTS

The following table includes quantitative information about the Duke Energy Registrants' derivatives classified as Level 3.

Investment Type	September 30, 2015			
	Fair Value (in millions)	Valuation Technique	Unobservable Input	Range
Duke Energy				
Swing options	1	Discounted cash flow	Forward capacity option curves – price per MMBtu	\$ 18.50 – \$ 84.35
Financial transmission rights (FTRs)	16	RTO auction pricing	FTR price – per MWh	(0.81) – 7.23
Total Level 3 derivatives	\$ 17			
Duke Energy Ohio				
FTRs	4	RTO auction pricing	FTR price – per MWh	0.37 – 2.17
Duke Energy Indiana				
FTRs	\$ 12	RTO auction pricing	FTR price – per MWh	(0.81) – 7.23

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	December 31, 2014					
Investment Type	Fair Value (in millions)	Valuation Technique	Unobservable Input	Range		
Duke Energy						
Natural gas contracts	\$ (5)	Discounted cash flow	Forward natural gas curves – price per MMBtu	\$ 2.12	–\$	4.35
Financial transmission rights (FTRs)	14	RTO auction pricing	FTR price – per MWh	(1.92)	–	9.86
Electricity contracts	(1)	Discounted cash flow	Forward electricity curves – price per MWh	25.16	–	51.75
Commodity capacity option contracts	2	Discounted cash flow	Forward capacity option curves – price per MW day	21.00	–	109.00
Commodity contract reserves	(11)		Bid-ask spreads, implied volatility, probability of default			
Total Level 3 derivatives	\$ (1)					
Duke Energy Ohio						
Electricity contracts	\$ (6)	Discounted cash flow	Forward electricity curves – price per MWh	25.25	–	51.75
Natural gas contracts	(5)	Discounted cash flow	Forward natural gas curves – price per MMBtu	2.12	–	4.35
Commodity contract reserves	(7)		Bid-ask spreads, implied volatility, probability of default			
Total Level 3 derivatives	\$ (18)					
Duke Energy Indiana						
FTRs	\$ 14	RTO auction pricing	FTR price – per MWh	(1.92)	–	9.86

OTHER FAIR VALUE DISCLOSURES

The fair value and book value of long-term debt, including current maturities, is summarized in the following table. Estimates determined are not necessarily indicative of amounts that could have been settled in current markets. Fair value of long-term debt uses Level 2 measurements.

(in millions)	September 30, 2015		December 31, 2014	
	Book Value	Fair Value	Book Value	Fair Value
Duke Energy	\$ 40,203	\$ 43,864	\$ 40,020	\$ 44,566
Duke Energy Carolinas	8,884	9,860	8,391	9,626
Progress Energy	15,396	17,146	14,754	16,951
Duke Energy Progress	6,851	7,214	6,201	6,696
Duke Energy Florida	4,850	5,585	4,860	5,767
Duke Energy Ohio	1,605	1,766	1,766	1,970
Duke Energy Indiana	3,790	4,330	3,791	4,456

At both September 30, 2015 and December 31, 2014, the fair value of cash and cash equivalents, accounts and notes receivable, accounts payable, notes payable and commercial paper, and nonrecourse notes payable of variable interest entities are not materially different from their carrying amounts because of the short-term nature of these instruments and/or because the stated rates approximate market rates.

13. VARIABLE INTEREST ENTITIES

A VIE is an entity that is evaluated for consolidation using more than a simple analysis of voting control. The analysis to determine whether an entity is a VIE considers contracts with an entity, credit support for an entity, the adequacy of the equity investment of an entity and the relationship of voting power to the amount of equity invested in an entity. This analysis is performed either upon the creation of a legal entity or upon the occurrence of an event requiring reevaluation, such as a significant change in an entity's assets or activities. A qualitative analysis of control determines the party that consolidates a VIE. This assessment is based on (i) what party has the power to direct the activities of the VIE that most significantly impact its economic performance and (ii) what party has rights to receive benefits or is obligated to absorb losses that could potentially be significant to the VIE. The analysis of the party that consolidates a VIE is a continual reassessment.

No financial support was provided to any of the consolidated VIEs during the nine months ended September 30, 2015 and the year ended December 31, 2014, or is expected to be provided in the future, that was not previously contractually required.

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CONSOLIDATED VIEs

The following tables summarize the impact of VIEs consolidated by Duke Energy and the Subsidiary Registrants on the Condensed Consolidated Balance Sheets.

	September 30, 2015							
	Duke Energy							
	Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida					
(in millions)	DERF	DEPR ^(c)	DEFR ^(c)	CRC	Renewables	Other		Total
ASSETS								
Current Assets								
Cash and Cash Equivalents	\$ —	\$ —	\$ —	\$ —	\$ 2	\$ —		2
Restricted receivables of variable interest entities (net of allowance for doubtful accounts)	687	468	395	453	12	22		2,037
Other	—	1	2	—	215	4		222
Investments and Other Assets								
Other	—	—	—	—	20	5		25
Property, Plant and Equipment								
Property, plant and equipment, cost ^(a)	—	—	—	—	1,926	19		1,945
Accumulated depreciation and amortization	—	—	—	—	(302)	(5)		(307)
Regulatory Assets and Deferred Debits								
Other	—	—	—	—	37	1		38
Total assets	\$ 687	\$ 469	\$ 397	\$ 453	\$ 1,910	\$ 46		3,962
LIABILITIES AND EQUITY								
Current Liabilities								
Accounts payable	\$ —	\$ —	\$ —	\$ —	\$ 6	\$ —		6
Taxes accrued	5	3	1	—	6	—		15
Current maturities of long-term debt	—	—	—	—	73	18		91
Other	—	—	—	—	23	4		27
Long-Term Debt ^(b)	400	300	225	325	916	3		2,169
Deferred Credits and Other Liabilities								
Deferred income taxes	—	—	—	—	325	—		325
Asset retirement obligations	—	—	—	—	30	—		30
Other	—	—	—	—	42	—		42
Total liabilities	\$ 405	\$ 303	\$ 226	\$ 325	\$ 1,421	\$ 25		2,705
Net assets of consolidated variable interest entities	\$ 282	\$ 166	\$ 171	\$ 128	\$ 489	\$ 21		1,257

(a) Restricted as collateral for nonrecourse debt of VIEs.

(b) Nonrecourse to the general assets of the applicable registrant.

(c) The amount for Progress Energy is equal to the sum of the amounts for Duke Energy Progress Receivables Company, LLC (DEPR) and Duke Energy Florida Receivables Company, LLC (DEFR).

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(in millions)	December 31, 2014						
	Duke Energy						
	Duke Energy Carolinas DERF	Duke Energy Progress DEPR ^(c)	Duke Energy Florida DEFR ^(c)	CRC	Renewables	Other	Total
ASSETS							
Current Assets							
Restricted receivables of variable interest entities (net of allowance for doubtful accounts)	\$ 647	\$ 436	\$ 305	\$ 547	\$ 20	\$ 18	\$ 1,973
Other	—	—	—	—	68	6	74
Investments and Other Assets							
Other	—	—	—	—	25	25	50
Property, Plant and Equipment							
Property, plant and equipment, cost ^(a)	—	—	—	—	1,855	18	1,873
Accumulated depreciation and amortization	—	—	—	—	(250)	(5)	(255)
Regulatory Assets and Deferred Debits							
Other	—	—	—	—	34	2	36
Total assets	\$ 647	\$ 436	\$ 305	\$ 547	\$ 1,752	\$ 64	\$ 3,751
LIABILITIES AND EQUITY							
Current Liabilities							
Accounts payable	\$ —	\$ —	\$ —	\$ —	\$ 3	\$ —	\$ 3
Taxes accrued	—	—	—	—	6	—	6
Current maturities of long-term debt	—	—	—	—	68	16	84
Other	—	—	—	—	16	5	21
Long-Term Debt^(b)	400	300	225	325	967	17	2,234
Deferred Credits and Other Liabilities							
Deferred income taxes	—	—	—	—	283	—	283
Asset retirement obligations	—	—	—	—	29	—	29
Other	—	—	—	—	34	4	38
Total liabilities	\$ 400	\$ 300	\$ 225	\$ 325	\$ 1,406	\$ 42	\$ 2,698
Net assets of consolidated variable interest entities	\$ 247	\$ 136	\$ 80	\$ 222	\$ 346	\$ 22	\$ 1,053

(a) Restricted as collateral for nonrecourse debt of VIEs.

(b) Nonrecourse to the general assets of the applicable registrant.

(c) The amount for Progress Energy is equal to the sum of the amounts for DEPR and DEFR.

The obligations of these VIEs are nonrecourse to Duke Energy, Duke Energy Carolinas, Progress Energy, Duke Energy Progress and Duke Energy Florida. These entities have no requirement to provide liquidity to, purchase assets of or guarantee performance of these VIEs unless noted in the following paragraphs.

DERF / DEPR / DEFR

Duke Energy Receivables Finance Company, LLC (DERF), DEPR and DEFR are bankruptcy remote, special purpose subsidiaries of Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida, respectively. On a daily basis, DERF, DEPR and DEFR buy certain accounts receivable arising from the sale of electricity and/or related services from their parent companies. DERF, DEPR and DEFR are wholly owned limited liability companies with separate legal existence from their parents, and their assets are not generally available to creditors of their parent companies. DERF, DEPR and DEFR borrow amounts under credit facilities to buy the receivables. Borrowing availability is limited to the amount of qualified receivables sold, which is generally expected to be in excess of the credit facilities. The credit facilities are reflected on the Condensed Consolidated Balance Sheets as Long-Term Debt. The secured credit facilities were not structured to meet the criteria for sale accounting treatment under the accounting guidance for transfers and servicing of financial assets.

The following table summarizes the amounts and expiration dates of the credit facilities reflected on the Condensed Consolidated Balance Sheets as Long-Term Debt.

	DERF	DEPR	DEFR
Credit facility amount (in millions)	\$ 400	\$ 300	\$ 225
Expiration date	December 2016	December 2016	March 2017

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The activities that most significantly impact the economic performance of DERF, DEPR and DEFR are the decisions made to manage delinquent receivables. Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida consolidate DERF, DEPR and DEFR, respectively, as they are the related parties most closely associated with the VIE.

CRC

On a revolving basis, CRC buys certain accounts receivable arising from the sale of electricity and/or related services from Duke Energy Ohio and Duke Energy Indiana. Receivables sold are securitized by CRC through a credit facility managed by two unrelated third parties. The proceeds Duke Energy Ohio and Duke Energy Indiana receive from the sale of receivables to CRC are typically 75 percent cash and 25 percent in the form of a subordinated note from CRC. The subordinated note is a retained interest in the receivables sold. Cash collections from the receivables are the sole source of funds to satisfy the related debt obligation. Depending on experience with collections, additional equity infusions to CRC may be required by Duke Energy to maintain a minimum equity balance of \$3 million. Borrowing availability is limited to the amount of qualified receivables sold, which is generally expected to be in excess of the credit facility. The credit facility expires in November 2016 and is reflected on the Condensed Consolidated Balance Sheets as Long-Term Debt.

CRC is considered a VIE because (i) equity capitalization is insufficient to support its operations, (ii) power to direct the activities that most significantly impact the economic performance of the entity are not performed by the equity holder, Cinergy, and (iii) deficiencies in net worth of CRC are not funded by Cinergy, but by Duke Energy. The most significant activities of CRC are decisions made related to the management of delinquent receivables. Duke Energy consolidates CRC as it makes these decisions. Neither Duke Energy Ohio nor Duke Energy Indiana consolidate CRC.

Renewables

Certain of Duke Energy's renewable energy facilities are VIEs due to long-term fixed-price power purchase agreements. These fixed-price agreements effectively transfer commodity price risk to the buyer of the power. Certain other of Duke Energy's renewable energy facilities are VIEs due to Duke Energy issuing guarantees for debt service and operations and maintenance reserves in support of debt financings. For certain VIEs, assets are restricted and cannot be pledged as collateral or sold to third parties without prior approval of debt holders. The activities that most significantly impact the economic performance of these renewable energy facilities were decisions associated with siting, negotiating purchase power agreements, engineering, procurement and construction, and decisions associated with ongoing operations and maintenance-related activities. Duke Energy consolidates the entities as it makes all of these decisions.

NON-CONSOLIDATED VIEs

The following tables include VIEs not consolidated and how these entities impact the Condensed Consolidated Balance Sheets.

(in millions)	September 30, 2015					
	Duke Energy			Duke Energy Ohio	Duke Energy Indiana	
	Renewables	Other	Total			
Receivables	\$ —	\$ —	\$ —	\$ 43	\$ 64	
Investments in equity method unconsolidated affiliates	223	125	348	—	—	
Total assets	\$ 223	\$ 125	\$ 348	\$ 43	\$ 64	
Other current liabilities	—	2	2	—	—	
Deferred credits and other liabilities	—	14	14	—	—	
Total liabilities	\$ —	\$ 16	\$ 16	\$ —	\$ —	
Net assets	\$ 223	\$ 109	\$ 332	\$ 43	\$ 64	

(in millions)	December 31, 2014					
	Duke Energy			Duke Energy Ohio	Duke Energy Indiana	
	Renewables	Other	Total			
Receivables	\$ —	\$ —	\$ —	\$ 91	\$ 113	
Investments in equity method unconsolidated affiliates	150	38	188	—	—	
Investments and other assets	—	4	4	—	—	
Total assets	\$ 150	\$ 42	\$ 192	\$ 91	\$ 113	
Other current liabilities	—	3	3	—	—	
Deferred credits and other liabilities	—	14	14	—	—	
Total liabilities	\$ —	\$ 17	\$ 17	\$ —	\$ —	
Net assets	\$ 150	\$ 25	\$ 175	\$ 91	\$ 113	

The Duke Energy Registrants are not aware of any situations where the maximum exposure to loss significantly exceeds the carrying values shown above except for the power purchase agreement with OVEC, which is discussed below, and various guarantees, reflected in the table above as Deferred credits and other liabilities. For more information on various guarantees, refer to Note 5, "Commitments and Contingencies."

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Renewables

Duke Energy has investments in various renewable energy project entities. Some of these entities are VIEs due to long-term fixed-price power purchase agreements. These fixed-price agreements effectively transfer commodity price risk to the buyer of the power. Duke Energy does not consolidate these VIEs because power to direct and control key activities is shared jointly by Duke Energy and other owners.

Other

Duke Energy holds a 50 percent equity interest in Duke-American Transmission Company, LLC (DATC). DATC is considered a VIE due to insufficient equity at risk to permit DATC to finance its own activities without additional subordinated financial support. The activities that most significantly impact DATC's economic performance are the decisions related to investing in existing and development of new transmission facilities. The power to direct these activities is jointly and equally shared by Duke Energy and the other joint venture partner and, therefore, Duke Energy does not consolidate.

Duke Energy has a 40 percent equity interest and a 7.5 percent equity interest in ACP and Sabal Trail Transmission, LLC (Sabal Trail), respectively. These entities are considered VIEs as their equity is not sufficient to permit the entities to finance their activities without additional subordinated financial support. The activity that most significantly impacts the economic performance of both ACP and Sabal Trail is construction. Duke Energy does not control these activities and therefore does not consolidate ACP or Sabal Trail.

OVEC

Duke Energy Ohio's 9 percent ownership interest in OVEC is considered a non-consolidated VIE. Through its ownership interest in OVEC, Duke Energy Ohio has a contractual arrangement to buy power from OVEC's power plants through June 2040. Proceeds from the sale of power by OVEC to its power purchase agreement counterparties are designed to be sufficient to meet its operating expenses, fixed costs, debt amortization and interest expense, as well as earn a return on equity. Accordingly, the value of this contract is subject to variability due to fluctuations in power prices and changes in OVEC's costs of business, including costs associated with its 2,256 MW of coal-fired generation capacity. Proposed environmental rule-making could increase the costs of OVEC, which would be passed through to Duke Energy Ohio. In 2014, Duke Energy Ohio recorded a \$94 million impairment related to OVEC.

CRC

See discussion under Consolidated VIEs for additional information related to CRC.

Amounts included in Receivables in the above table for Duke Energy Ohio and Duke Energy Indiana reflect their retained interest in receivables sold to CRC. These subordinated notes held by Duke Energy Ohio and Duke Energy Indiana are stated at fair value. Carrying values of retained interests are determined by allocating carrying value of the receivables between assets sold and interests retained based on relative fair value. The allocated bases of the subordinated notes are not materially different than their face value because (i) the receivables generally turn over in less than two months, (ii) credit losses are reasonably predictable due to the broad customer base and lack of significant concentration, and (iii) the equity in CRC is subordinate to all retained interests and thus would absorb losses first. The hypothetical effect on fair value of the retained interests assuming both a 10 percent and a 20 percent unfavorable variation in credit losses or discount rates is not material due to the short turnover of receivables and historically low credit loss history. Interest accrues to Duke Energy Ohio and Duke Energy Indiana on the retained interests using the acceptable yield method. This method generally approximates the stated rate on the notes since the allocated basis and the face value are nearly equivalent. An impairment charge is recorded against the carrying value of both retained interests and purchased beneficial interest whenever it is determined that an other-than-temporary impairment has occurred.

Key assumptions used in estimating fair value are detailed in the following table.

	Duke Energy Ohio		Duke Energy Indiana	
	2015	2014	2015	2014
Anticipated credit loss ratio	0.6%	0.6%	0.3%	0.3%
Discount rate	1.2%	1.2%	1.2%	1.2%
Receivable turnover rate	12.9%	12.8%	10.6%	10.5%

The following table shows the gross and net receivables sold.

(in millions)	Duke Energy Ohio		Duke Energy Indiana	
	September 30, 2015	December 31, 2014	September 30, 2015	December 31, 2014
Receivables sold	\$ 221	\$ 273	\$ 271	\$ 310
Less: Retained interests	43	91	64	113
Net receivables sold	\$ 178	\$ 182	\$ 207	\$ 197

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The following table shows sales and cash flows related to receivables sold.

(in millions)	Duke Energy Ohio				Duke Energy Indiana			
	Three Months Ended		Nine Months Ended		Three Months Ended		Nine Months Ended	
	September 30,		September 30,		September 30,		September 30,	
	2015	2014	2015	2014	2015	2014	2015	2014
Sales								
Receivables sold	\$ 449	\$ 477	\$ 1,518	\$ 1,705	\$ 679	\$ 739	\$ 2,032	\$ 2,173
Loss recognized on sale	2	3	7	9	3	3	8	8
Cash flows								
Cash proceeds from receivables sold	461	494	1,568	1,761	692	759	2,074	2,233
Collection fees received	—	—	1	1	—	—	1	1
Return received on retained interests	—	—	2	3	1	2	4	5

Cash flows from sales of receivables are reflected within Operating Activities on Duke Energy Ohio's and Duke Energy Indiana's Condensed Consolidated Statements of Cash Flows.

Collection fees received in connection with servicing transferred accounts receivable are included in Operation, maintenance and other on Duke Energy Ohio's and Duke Energy Indiana's Condensed Consolidated Statements of Operations and Comprehensive Income. The loss recognized on sales of receivables is calculated monthly by multiplying receivables sold during the month by the required discount. The required discount is derived monthly utilizing a three-year weighted-average formula that considers charge-off history, late charge history and turnover history on the sold receivables, as well as a component for the time value of money. The discount rate, or component for the time value of money, is the prior month-end London Interbank Offered Rate (LIBOR) plus a fixed rate of 1.00 percent.

14. COMMON STOCK

Basic Earnings Per Share (EPS) is computed by dividing net income attributable to Duke Energy common shareholders, adjusted for distributed and undistributed earnings allocated to participating securities, by the weighted-average number of common shares outstanding during the period. Diluted EPS is computed by dividing net income attributable to Duke Energy common shareholders, as adjusted for distributed and undistributed earnings allocated to participating securities, by the diluted weighted-average number of common shares outstanding during the period. Diluted EPS reflects the potential dilution that could occur if securities or other agreements to issue common stock, such as stock options, were exercised or settled. Duke Energy's participating securities are restricted stock units that are entitled to dividends declared on Duke Energy common shares during the restricted stock unit's vesting periods.

The following table presents Duke Energy's basic and diluted EPS calculations and reconciles the weighted-average number of common shares outstanding to the diluted weighted-average number of common shares outstanding.

(in millions, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Income from continuing operations attributable to Duke Energy common shareholders	\$ 935	\$ 887	\$ 2,307	\$ 2,351
Weighted-average shares outstanding – basic	688	707	696	707
Weighted-average shares outstanding – diluted	688	707	696	707
Earnings per share from continuing operations attributable to Duke Energy common shareholders				
Basic	\$ 1.36	\$ 1.25	\$ 3.31	\$ 3.33
Diluted	\$ 1.36	\$ 1.25	\$ 3.31	\$ 3.33
Potentially dilutive shares excluded from the calculation ^(a)			2	2
Dividends declared per common share	\$ 0.825	\$ 0.795	\$ 2.42	\$ 2.355

- (a) Performance stock awards and certain stock options were not included in the dilutive securities calculation because either the performance measures related to the awards had not been met or the option exercise prices were greater than the average market price of the common shares during the presented periods.

On April 6, 2015, Duke Energy entered into agreements with each of Goldman, Sachs & Co. and JPMorgan Chase Bank, National Association (the Dealers) to repurchase a total of \$1.5 billion of Duke Energy common stock under an accelerated stock repurchase program (the ASR). Duke Energy made payments of \$750 million to each of the Dealers and was delivered 16.6 million shares, with a total fair value of \$1.275 billion, which represented approximately 85 percent of the total number of shares of Duke Energy common stock expected to be repurchased under the ASR. The \$225 million unsettled portion met the criteria to be accounted for as a forward contract indexed to Duke Energy's stock and qualified as an equity instrument. The company recorded the \$1.5 billion payment as a reduction to common stock as of April 6, 2015. In June 2015, the Dealers delivered 3.2 million additional shares to Duke Energy to complete the ASR. Approximately 19.8 million shares, in total, were delivered to Duke Energy and retired under the ASR at an average price of \$75.75 per share. The final number of shares repurchased was based upon the average of the daily volume weighted-average stock prices of Duke Energy's common stock during the term of the program, less a discount.

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15. STOCK-BASED COMPENSATION

For employee awards, equity classified stock-based compensation cost is measured at the service inception date or the grant date, based on the estimated achievement of certain performance metrics or the fair value of the award, and is recognized as expense or capitalized as a component of property, plant and equipment over the requisite service period.

The Duke Energy Corporation 2015 Long-Term Incentive Plan (the 2015 Plan) provides for the grant of stock-based compensation awards to employees and outside directors. The 2015 Plan reserves 10 million shares of common stock for issuance under the Plan. The 2015 Plan supersedes the 2010 Long-Term Incentive Plan, as amended (the 2010 Plan), and the Progress Energy, Inc. 2007 Equity Incentive Plan (the Progress Plan). No additional grants will be made from the 2010 Plan and the Progress Plan.

Pretax stock-based compensation costs, the tax benefit associated with stock-based compensation expense, and stock-based compensation costs capitalized are included in the following table.

(in millions)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Restricted stock unit awards	\$ 9	\$ 8	\$ 29	\$ 30
Performance awards	5	4	18	14
Pretax stock-based compensation cost	\$ 14	\$ 12	\$ 47	\$ 44
Tax benefit associated with stock-based compensation expense	\$ 6	\$ 5	\$ 18	\$ 17
Stock-based compensation costs capitalized	1	1	3	3

16. EMPLOYEE BENEFIT PLANS

DEFINED BENEFIT RETIREMENT PLANS

Duke Energy maintains, and the Subsidiary Registrants participate in, qualified, non-contributory defined benefit retirement plans. The plans cover most U.S. employees using a cash balance formula. Under a cash balance formula, a plan participant accumulates a retirement benefit consisting of pay credits equal to a percentage of current eligible earnings based on age and/or years of service, and interest credits. Certain employees are covered under plans that use a final average earnings formula. Under these average earnings formulas, a plan participant accumulates a retirement benefit equal to the sum of percentages of their (i) highest three-year or four-year average earnings, (ii) highest three-year or four-year average earnings in excess of covered compensation per year of participation (maximum of 35 years) and/or (iii) highest three-year or four-year average earnings times years of participation in excess of 35 years. Duke Energy also maintains, and the Subsidiary Registrants participate in, non-qualified, non-contributory defined benefit retirement plans which cover certain executives. The qualified and non-qualified, non-contributory defined benefit plans are closed to new and rehired non-union and certain unionized employees.

Duke Energy uses a December 31 measurement date for its defined benefit retirement plan assets and obligations. Duke Energy's policy is to fund amounts on an actuarial basis to provide assets sufficient to meet benefit payments to be paid to plan participants. The following table includes information related to the Duke Energy Registrants' contributions to its U.S. qualified defined benefit pension plans.

(in millions)	Nine Months Ended September 30, 2015						
	Duke	Duke	Progress	Duke	Duke	Duke	Duke
	Energy	Energy	Energy	Energy	Energy	Energy	Energy
		Carolinas		Progress	Florida	Ohio	Indiana
Contributions	\$ 143	\$ 42	\$ 42	\$ 21	\$ 21	\$ 4	\$ 9

Duke Energy and Duke Energy Ohio made contributions of \$11 million and \$3 million, respectively, to their U.S. qualified defined benefit pension plans during the three months ended September 30, 2015. Duke Energy did not make any contributions to its U.S. qualified defined benefit pension plans during the nine months ended September 30, 2014.

Net periodic benefit costs disclosed in the tables below represent the cost of the respective benefit plan for the periods presented. However, portions of the net periodic benefit costs disclosed in the tables below have been capitalized as a component of property, plant and equipment. Amounts presented in the tables below for the Subsidiary Registrants represent the amounts of pension and other post-retirement benefit costs allocated by Duke Energy for employees of the Subsidiary Registrants. Additionally, the Subsidiary Registrants are allocated their proportionate share of pension and post-retirement benefit costs for employees of Duke Energy's shared services affiliate that provides support to the Subsidiary Registrants. These allocated amounts are included in the governance and shared service costs discussed in Note 9.

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QUALIFIED PENSION PLANS

The following tables include the components of net periodic pension costs for qualified pension plans.

Three Months Ended September 30, 2015								
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	
Service cost	\$ 40	\$ 13	\$ 11	\$ 6	\$ 5	\$ 1	\$ 3	
Interest cost on projected benefit obligation	81	21	26	12	14	5	7	
Expected return on plan assets	(129)	(35)	(43)	(20)	(22)	(7)	(10)	
Amortization of actuarial loss	44	10	17	8	8	3	3	
Amortization of prior service credit	(4)	(2)	(1)	—	—	—	—	
Other	2	1	1	—	—	—	—	
Net periodic pension costs	\$ 34	\$ 8	\$ 11	\$ 6	\$ 5	\$ 2	\$ 3	

Three Months Ended September 30, 2014								
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	
Service cost	\$ 34	\$ 10	\$ 10	\$ 6	\$ 5	\$ 1	\$ 3	
Interest cost on projected benefit obligation	86	22	28	13	14	5	7	
Expected return on plan assets	(128)	(33)	(44)	(21)	(21)	(7)	(10)	
Amortization of actuarial loss	37	8	17	8	8	1	3	
Amortization of prior service credit	(4)	(2)	—	—	—	—	—	
Other	3	1	1	—	—	—	—	
Net periodic pension costs	\$ 28	\$ 6	\$ 12	\$ 6	\$ 6	\$ —	\$ 3	

Nine Months Ended September 30, 2015								
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	
Service cost	\$ 119	\$ 38	\$ 33	\$ 18	\$ 15	\$ 3	\$ 8	
Interest cost on projected benefit obligation	244	62	78	36	41	14	21	
Expected return on plan assets	(387)	(104)	(127)	(61)	(66)	(20)	(31)	
Amortization of actuarial loss	131	30	51	25	24	8	10	
Amortization of prior service credit	(11)	(6)	(3)	(1)	(1)	—	—	
Other	6	2	2	1	1	—	—	
Net periodic pension costs	\$ 102	\$ 22	\$ 34	\$ 18	\$ 14	\$ 5	\$ 8	

Nine Months Ended September 30, 2014								
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	
Service cost	\$ 102	\$ 31	\$ 30	\$ 16	\$ 15	\$ 3	\$ 7	
Interest cost on projected benefit obligation	258	64	84	40	43	15	22	
Expected return on plan assets	(383)	(99)	(130)	(64)	(64)	(20)	(30)	
Amortization of actuarial loss	111	26	51	24	24	3	9	
Amortization of prior service credit	(11)	(6)	(2)	(1)	(1)	—	—	
Other	6	2	2	1	1	—	—	
Net periodic pension costs	\$ 83	\$ 18	\$ 35	\$ 16	\$ 18	\$ 1	\$ 8	

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NON-QUALIFIED PENSION PLANS

The following tables include the components of net periodic pension costs for non-qualified pension plans for registrants with non-qualified pension costs.

(in millions)	Three Months Ended September 30, 2015				
	Duke	Duke	Progress	Duke	Duke
	Energy	Energy Carolinas	Energy	Energy Progress	Energy Florida
Service cost	\$ 1	\$ —	\$ —	\$ —	\$ —
Interest cost on projected benefit obligation	3	—	1	—	1
Amortization of actuarial loss	2	—	1	—	—
Net periodic pension costs	\$ 6	\$ —	\$ 2	\$ —	\$ 1

(in millions)	Three Months Ended September 30, 2014				
	Duke	Duke	Progress	Duke	Duke
	Energy	Energy Carolinas	Energy	Energy Progress	Energy Florida
Service cost	\$ 1	\$ —	\$ —	\$ 1	\$ —
Interest cost on projected benefit obligation	3	1	2	—	—
Amortization of actuarial loss	1	—	—	—	—
Amortization of prior service credit	—	—	(1)	—	—
Net periodic pension costs	\$ 5	\$ 1	\$ 1	\$ 1	\$ —

(in millions)	Nine Months Ended September 30, 2015				
	Duke	Duke	Progress	Duke	Duke
	Energy	Energy Carolinas	Energy	Energy Progress	Energy Florida
Service cost	\$ 2	\$ —	\$ 1	\$ —	\$ —
Interest cost on projected benefit obligation	10	1	3	1	2
Amortization of actuarial loss	5	—	2	—	1
Net periodic pension costs	\$ 17	\$ 1	\$ 6	\$ 1	\$ 3

(in millions)	Nine Months Ended September 30, 2014				
	Duke	Duke	Progress	Duke	Duke
	Energy	Energy Carolinas	Energy	Energy Progress	Energy Florida
Service cost	\$ 2	\$ —	\$ 1	\$ 1	\$ —
Interest cost on projected benefit obligation	10	1	4	1	1
Amortization of actuarial loss	2	—	1	—	—
Amortization of prior service cost	—	—	(1)	—	—
Net periodic pension costs	\$ 14	\$ 1	\$ 5	\$ 2	\$ 1

OTHER POST-RETIREMENT BENEFIT PLANS

Duke Energy provides, and the Subsidiary Registrants participate in, some health care and life insurance benefits for retired employees on a contributory and non-contributory basis. Employees are eligible for these benefits if they have met age and service requirements at retirement, as defined in the plans. The health care benefits include medical, dental and prescription drug coverage and are subject to certain limitations, such as deductibles and co-payments.

Duke Energy did not make any pre-funding contributions to its other post-retirement benefit plans during the nine months ended September 30, 2015 and 2014.

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The following tables include the components of net periodic other post-retirement benefit costs.

Three Months Ended September 30, 2015								
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	
Service cost	\$ 1	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	
Interest cost on accumulated post-retirement benefit obligation	9	2	4	2	2	—	1	
Expected return on plan assets	(3)	(2)	—	—	—	—	—	
Amortization of actuarial loss	6	—	7	5	3	—	—	
Amortization of prior service credit	(35)	(4)	(26)	(17)	(9)	—	—	
Net periodic other post-retirement benefit costs	\$ (22)	\$ (4)	\$ (15)	\$ (10)	\$ (4)	\$ —	\$ 1	

Three Months Ended September 30, 2014								
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	
Service cost	\$ 2	\$ —	\$ 1	\$ —	\$ —	\$ —	\$ —	
Interest cost on accumulated post-retirement benefit obligation	13	3	6	3	3	—	1	
Expected return on plan assets	(3)	(2)	—	—	—	—	—	
Amortization of actuarial loss	9	1	10	8	3	—	—	
Amortization of prior service credit	(31)	(3)	(24)	(19)	(5)	—	—	
Net periodic other post-retirement benefit costs	\$ (10)	\$ (1)	\$ (7)	\$ (8)	\$ 1	\$ —	\$ 1	

Nine Months Ended September 30, 2015								
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	
Service cost	\$ 4	\$ 1	\$ 1	\$ —	\$ —	\$ —	\$ —	
Interest cost on accumulated post-retirement benefit obligation	27	6	11	6	5	1	3	
Expected return on plan assets	(9)	(6)	—	—	—	—	—	
Amortization of actuarial loss (gain)	19	(1)	21	14	8	—	(1)	
Amortization of prior service credit	(105)	(11)	(77)	(50)	(25)	—	—	
Net periodic other post-retirement benefit costs	\$ (64)	\$ (11)	\$ (44)	\$ (30)	\$ (12)	\$ 1	\$ 2	

Nine Months Ended September 30, 2014								
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	
Service cost	\$ 7	\$ 1	\$ 3	\$ 1	\$ 2	\$ —	\$ —	
Interest cost on accumulated post-retirement benefit obligation	38	9	17	8	9	1	4	
Expected return on plan assets	(9)	(6)	—	—	—	—	(1)	
Amortization of actuarial loss (gain)	29	2	31	23	8	(1)	—	
Amortization of prior service credit	(94)	(8)	(71)	(55)	(16)	—	—	
Net periodic other post-retirement benefit costs	\$ (29)	\$ (2)	\$ (20)	\$ (23)	\$ 3	\$ —	\$ 3	

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EMPLOYEE SAVINGS PLANS

Duke Energy sponsors, and the Subsidiary Registrants participate in, employee savings plans that cover substantially all U.S. employees. Effective January 1, 2015, all then-existing employee savings plans were merged into a single plan. Most employees participate in a matching contribution formula where Duke Energy provides a matching contribution generally equal to 100 percent of employee before-tax and Roth 401(k) contributions of up to 6 percent of eligible pay per pay period. Prior to 2015, Duke Energy also provided a match on after-tax contributions for certain plans. Dividends on Duke Energy shares held by the savings plans are charged to retained earnings when declared and shares held in the plans are considered outstanding in the calculation of basic and diluted earnings per share.

For new and rehired non-union and certain unionized employees who are not eligible to participate in Duke Energy's defined benefit plans, an additional employer contribution of 4 percent of eligible pay per pay period, subject to three-year vesting, is provided to the employee's savings plan account.

The following table includes employer matching contributions, as well as the additional contribution of 4 percent of eligible pay per pay period for employees not eligible to participate in a defined benefit plan, made by Duke Energy and expensed by the Subsidiary Registrants.

(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Three Months Ended September 30,							
2015	\$ 34	\$ 11	\$ 10	\$ 7	\$ 3	\$ —	\$ 1
2014	30	10	10	7	3	—	1
Nine Months Ended September 30,							
2015	\$ 120	\$ 40	\$ 36	\$ 26	\$ 10	\$ 2	\$ 5
2014	110	36	33	23	10	2	5

17. INCOME TAXES

The effective tax rates from continuing operations for each of the Duke Energy Registrants are included in the following table.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Duke Energy	30.9%	34.0%	32.5%	31.4%
Duke Energy Carolinas	36.5%	33.9%	36.3%	33.7%
Progress Energy	25.0%	37.1%	31.8%	37.3%
Duke Energy Progress	34.4%	36.3%	35.3%	36.6%
Duke Energy Florida	30.1%	38.5%	35.2%	38.6%
Duke Energy Ohio	39.3%	38.3%	37.6%	34.9%
Duke Energy Indiana	37.0%	31.6%	36.6%	35.2%

The decrease in the effective tax rate for Duke Energy for the three months ended September 30, 2015, is primarily due to the tax benefit related to the manufacturing deduction in 2015, which was limited in the prior year due to taxable income, and a tax benefit from the legal entity restructuring of Duke Energy Florida and Duke Energy Progress. The increase in the effective tax rate for the nine months ended September 30, 2015, is primarily due to a deferred tax benefit related to the merger of two Chilean subsidiaries recorded in the second quarter of 2014 and a deferred tax charge for changes in apportionment related to state income taxes recorded in the second quarter of 2015 offset by the tax benefit related to the manufacturing deduction in 2015, which was limited in the prior year due to taxable income, and a tax benefit from the legal entity restructuring of Duke Energy Florida and Duke Energy Progress.

The increase in the effective tax rate for Duke Energy Carolinas for the three months ended September 30, 2015, is primarily due to a decrease in the tax benefit of the manufacturing deduction in 2015 as compared to 2014, partially offset by a reduction of the North Carolina statutory corporate state income tax rate. The increase in the effective tax rate for the nine months ended September 30, 2015, is primarily due to favorable prior year audit settlements and changes in apportionment related to state income tax.

The decrease in the effective tax rate for Progress Energy for the three and nine months ended September 30, 2015, is primarily due to a reduction of the North Carolina statutory corporate state income tax rate and release of tax reserves due to expired tax statutes.

The decrease in the effective tax rate for Duke Energy Progress for the three and nine months ended September 30, 2015, is primarily due to a reduction of the North Carolina statutory corporate state income tax rate.

The decrease in the effective tax rate for Duke Energy Florida for the three and nine months ended September 30, 2015, is primarily due to a release of tax reserves due to expired tax statutes.

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The increase in the effective tax rate for Duke Energy Ohio for the three months ended September 30, 2015, is primarily due to certain nondeductible book depreciation offset by the tax benefit related to the manufacturing deduction in 2014. The increase in the effective tax rate for the nine months ended September 30, 2015, is primarily due to the tax benefit related to the manufacturing deduction in 2014.

The increase in the effective tax rate for Duke Energy Indiana for the three and nine months ended September 30, 2015, is primarily due to a prior period audit settlement in 2014, partially offset by a reduction in the Indiana statutory corporate state income tax rate.

18. SUBSEQUENT EVENTS

For information on subsequent events related to acquisitions and dispositions, regulatory matters, commitments and contingencies, and derivatives and hedging see Notes 2, 4, 5 and 10, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following combined Management's Discussion and Analysis of Financial Condition and Results of Operations is separately filed by Duke Energy Corporation (collectively with its subsidiaries, Duke Energy) and Duke Energy Carolinas, LLC (Duke Energy Carolinas), Progress Energy, Inc. (Progress Energy), Duke Energy Progress, LLC (Duke Energy Progress, formerly Duke Energy Progress, Inc.), Duke Energy Florida, LLC (Duke Energy Florida, formerly Duke Energy Florida, Inc.), Duke Energy Ohio, Inc. (Duke Energy Ohio) and Duke Energy Indiana, Inc. (Duke Energy Indiana) (collectively referred to as the Subsidiary Registrants). However, none of the registrants makes any representation as to information related solely to Duke Energy or the Subsidiary Registrants of Duke Energy other than itself.

DUKE ENERGY

Duke Energy is an energy company headquartered in Charlotte, North Carolina. Duke Energy operates in the United States (U.S.) primarily through its wholly owned subsidiaries, Duke Energy Carolinas, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio and Duke Energy Indiana, as well as in Latin America.

When discussing Duke Energy's consolidated financial information, it necessarily includes the results of the Subsidiary Registrants, which, along with Duke Energy, are collectively referred to as the Duke Energy Registrants.

Management's Discussion and Analysis includes financial information prepared in accordance with generally accepted accounting principles (GAAP) in the U.S., as well as certain non-GAAP financial measures such as adjusted earnings, adjusted diluted earnings per share (EPS) and adjusted segment income, discussed below. Generally, a non-GAAP financial measure is a numerical measure of financial performance, financial position or cash flows that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP. The non-GAAP financial measures should be viewed as a supplement to, and not a substitute for, financial measures presented in accordance with GAAP. Non-GAAP measures presented herein may not be comparable to similarly titled measures used by other companies.

Management's Discussion and Analysis should be read in conjunction with the Condensed Consolidated Financial Statements and Notes for the nine months ended September 30, 2015, and with Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2014.

Acquisition of Piedmont Natural Gas

On October 24, 2015, Duke Energy entered into an Agreement and Plan of Merger (Merger Agreement) with Piedmont Natural Gas Company, Inc., (Piedmont) a North Carolina corporation. Under the terms of the Merger Agreement, Duke Energy will acquire Piedmont for \$4.9 billion in cash. Upon closing, Piedmont will become a wholly-owned subsidiary of Duke Energy.

Pursuant to the Merger Agreement, upon the closing of the merger, each share of Piedmont common stock issued and outstanding immediately prior to the closing will be converted automatically into the right to receive \$60 in cash per share. In addition, Duke Energy will assume \$1.8 billion in Piedmont existing debt. Duke Energy expects to finance the transaction with a combination of debt, between \$500 million and \$750 million of newly issued equity and other cash sources. Duke Energy has a fully underwritten bridge facility to support funding of the merger.

Completion of the transaction is conditioned upon approval by the North Carolina Utilities Commission (NCUC), expiration or termination of any applicable waiting period under the federal Hart-Scott-Rodino Antitrust Improvements Act of 1976, and Piedmont shareholder approval. The Merger Agreement contains certain termination rights for both Duke Energy and Piedmont, and provides that, upon termination of the Merger Agreement under specified circumstances, Duke Energy would be required to pay a termination fee of \$250 million to Piedmont and Piedmont would be required to pay Duke Energy a termination fee of \$125 million.

Subject to receipt of required regulatory approvals and meeting closing conditions, Duke Energy and Piedmont are targeting a closing by the end of 2016.

See Note 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information regarding Duke Energy and Piedmont's joint investment in Atlantic Coast Pipeline, LLC (ACP).

Midwest Generation Exit

Duke Energy, through indirect subsidiaries, completed the sale of the nonregulated Midwest generation business and Duke Energy Retail Sales LLC (Disposal Group) to a subsidiary of Dynegy Inc. (Dynegy) on April 2, 2015, for approximately \$2.8 billion in cash. Refer to Note 2 to the Condensed Consolidated Financial Statements, "Acquisitions and Dispositions," for additional information on this transaction.

Commercial Portfolio (formerly Commercial Power) builds, develops and operates wind and solar renewable generation and energy transmission projects throughout the U.S. The segment was renamed as a result of the sale of the nonregulated Midwest generation business, as discussed in Note 2. For periods subsequent to the sale, beginning in the second quarter of 2015, certain immaterial results of operations and related assets previously presented in the Commercial Portfolio segment are presented in Regulated Utilities and Other.

Accelerated Stock Repurchase Program

On April 6, 2015, Duke Energy entered into agreements with each of Goldman, Sachs & Co. and JPMorgan Chase Bank, National Association (the Dealers) to repurchase a total of \$1.5 billion of Duke Energy common stock under an accelerated stock repurchase program (the ASR). Duke Energy made payments of \$750 million to each of the Dealers and was delivered 16.6 million shares, with a total fair value of \$1.275 billion, which represented approximately 85 percent of the total number of shares of Duke Energy common stock expected to be repurchased under the ASR. The \$225 million unsettled portion met the criteria to be accounted for as a forward contract indexed to Duke Energy's stock and qualified as an equity instrument. The company recorded the \$1.5 billion payment as a reduction to common stock as of April 6, 2015. In June 2015, the Dealers delivered 3.2 million additional shares to Duke Energy to complete the ASR. Approximately 19.8 million shares, in total, were delivered to Duke Energy and retired under the ASR at an average price of \$75.75 per share. The final number of shares repurchased was based upon the average of the daily volume weighted-average stock prices of Duke Energy's common stock during the term of the program, less a discount.

For additional information on the details of this transaction, see Note 14 to the Condensed Consolidated Financial Statements, "Common Stock."

Results of Operations

In this section, Duke Energy provides analysis and discussion of earnings and factors affecting earnings on both a GAAP and non-GAAP basis.

Management evaluates financial performance in part based on the non-GAAP financial measures, adjusted earnings and adjusted diluted EPS. These items are measured as income from continuing operations net of income (loss) attributable to noncontrolling interests, adjusted for the dollar and per-share impact of mark-to-market impacts of economic hedges in the Commercial Portfolio segment and special items including the operating results of the Disposal Group classified as discontinued operations for GAAP purposes. Special items represent certain charges and credits, which management believes will not be recurring on a regular basis, although it is reasonably possible such charges and credits could recur. Operating results of the Disposal Group sold to Dynegy are reported as discontinued operations, including a portion of the mark-to-market adjustments associated with derivative contracts. Management believes that including the operating results of the Disposal Group reported as discontinued operations better reflects its financial performance and therefore has included these results in adjusted earnings and adjusted diluted EPS prior to the sale of the Disposal Group. Additionally, as a result of completing the sale of the Disposal Group during the second quarter of 2015, state income tax expense increased as state income tax apportionments changed. The additional tax expense was recognized in Continuing Operations on a GAAP basis. This impact to state income taxes has been reflected in Discontinued Operations in the Commercial Portfolio segment for adjusted diluted EPS purposes as management believes these impacts are incidental to the sale of the Disposal Group. Derivative contracts are used in Duke Energy's hedging of a portion of the economic value of its generation assets in the Commercial Portfolio segment. The mark-to-market impact of derivative contracts is recognized in GAAP earnings immediately and, if associated with the Disposal Group, classified as discontinued operations, as such derivative contracts do not qualify for hedge accounting or regulatory treatment. The economic value of generation assets is subject to fluctuations in fair value due to market price volatility of input and output commodities (e.g., coal, electricity, natural gas). Economic hedging involves both purchases and sales of those input and output commodities related to generation assets. Operations of the generation assets are accounted for under the accrual method. Management believes excluding impacts of mark-to-market changes of the derivative contracts from adjusted earnings until settlement better matches the financial impacts of the derivative contract with the portion of economic value of the underlying hedged asset. Management believes the presentation of adjusted earnings and adjusted diluted EPS provides useful information to investors, as it provides them an additional relevant comparison of Duke Energy's performance across periods. Management uses these non-GAAP financial measures for planning and forecasting and for reporting results to the Duke Energy Board of Directors (Board of Directors), employees, shareholders, analysts and investors concerning Duke Energy's financial performance. Adjusted diluted EPS is also used as a basis for employee incentive bonuses. The most directly comparable GAAP measures for adjusted earnings and adjusted diluted EPS are Net Income Attributable to Duke Energy Corporation and Diluted EPS Attributable to Duke Energy Corporation common shareholders, which include the dollar and per-share impact of special items, mark-to-market impacts of economic hedges in the Commercial Portfolio segment and discontinued operations.

Management evaluates segment performance based on segment income. Segment income is defined as income from continuing operations net of income attributable to noncontrolling interests. Segment income, as discussed below, includes intercompany revenues and expenses that are eliminated in the Consolidated Financial Statements. Management also uses adjusted segment income as a measure of historical and anticipated future segment performance. Adjusted segment income is a non-GAAP financial measure, as it is based upon segment income adjusted for the mark-to-market impacts of economic hedges in the Commercial Portfolio segment and special items, including the operating results of the Disposal Group classified as discontinued operations for GAAP purposes. Management believes the presentation of adjusted segment income as presented provides useful information to investors, as it provides them with an additional relevant comparison of a segment's performance across periods. The most directly comparable GAAP measure for adjusted segment income is segment income, which represents segment income from continuing operations, including any special items and the mark-to-market impacts of economic hedges in the Commercial Portfolio segment.

Duke Energy's adjusted earnings, adjusted diluted EPS and adjusted segment income may not be comparable to similarly titled measures of another company because other entities may not calculate the measures in the same manner.

See Note 3 to the Condensed Consolidated Financial Statements, "Business Segments," for a discussion of Duke Energy's segment structure.

Executive Overview

The following table reconciles non-GAAP measures to their most directly comparable GAAP measures.

Three Months Ended September 30, 2015									
(in millions, except per-share amounts)	Regulated Utilities	International Energy	Commercial Portfolio	Total Reportable Segments	Other	Eliminations/Discontinued Operations	Duke Energy	Per Diluted Share	
Adjusted segment income/Adjusted earnings	\$ 965	\$ 69	\$ (4)	\$ 1,030	\$ (19)	\$ —	\$ 1,011	\$ 1.47	
Costs to achieve Progress Energy merger	—	—	—	—	(15)	—	(15)	(0.02)	
Edwardsport Settlement	(56)	—	—	(56)	—	—	(56)	(0.08)	
Ash Basin Settlement	(4)	—	—	(4)	—	—	(4)	(0.01)	
Economic hedges (mark-to-market)	—	—	1	1	—	—	1	—	
Discontinued operations	—	—	—	—	—	(5)	(5)	(0.01)	
Segment income (loss)/Net Income Attributable to Duke Energy Corporation	\$ 905	\$ 69	\$ (3)	\$ 971	\$ (34)	\$ (5)	\$ 932	\$ 1.35	

Three Months Ended September 30, 2014									
(in millions, except per-share amounts)	Regulated Utilities	International Energy	Commercial Portfolio	Total Reportable Segments	Other	Eliminations/Discontinued Operations	Duke Energy	Per Diluted Share	
Adjusted segment income/Adjusted earnings	\$ 920	\$ 80	\$ 51	\$ 1,051	\$ (58)	\$ —	\$ 993	\$ 1.40	
Costs to achieve Progress Energy merger	—	—	—	—	(35)	—	(35)	(0.05)	
Midwest generation operations	—	—	(68)	(68)	(8)	76	—	—	
Asset sales	—	—	—	—	9	—	9	0.01	
Discontinued operations	—	—	—	—	—	307	307	0.44	
Segment income (loss)/Net Income Attributable to Duke Energy Corporation	\$ 920	\$ 80	\$ (17)	\$ 983	\$ (92)	\$ 383	\$ 1,274	\$ 1.80	

The variance in adjusted earnings for three months ended September 30, 2015, compared to the same period in 2014, was primarily due to:

- Warmer weather in 2015 compared to 2014;
- Increased retail pricing primarily due to prior-year fuel settlements and increased rider revenues resulting from energy efficiency programs;
- Increased wholesale net margins largely due to a new wholesale contract with the North Carolina Eastern Municipal Power Agency (NCEMPA) and increases in contracted amounts and prices on existing contracts;
- The impact of a lower effective income tax rate; and
- Reduction in shares outstanding due to the Duke Energy stock repurchase (only impacts per diluted share amounts in the tables above).

Partially offset by:

- The sale of the nonregulated Midwest generation business in the second quarter of 2015;
- Higher operations and maintenance expense primarily due to planned increased spending and higher storm restoration costs; and
- Lower results in Latin America primarily due to weaker foreign currency exchange rates and an asset impairment in Ecuador, partially offset by lower purchased power costs in Brazil.

Nine Months Ended September 30, 2015									
(in millions, except per-share amounts)	Regulated Utilities	International Energy	Commercial Portfolio	Total Reportable Segments	Other	Eliminations/Discontinued Operations	Duke Energy	Per Diluted Share	
Adjusted segment income/Adjusted earnings	\$ 2,371	\$ 157	\$ 99	\$ 2,627	\$ (77)	\$ —	\$ 2,550	\$ 3.66	
Midwest generation operations	—	—	(94)	(94)	—	94	—	—	
Costs to achieve Progress Energy merger	—	—	—	—	(42)	—	(42)	(0.05)	
Edwardsport Settlement	(56)	—	—	(56)	—	—	(56)	(0.08)	
Ash Basin Settlement	(4)	—	—	(4)	—	—	(4)	(0.01)	
Economic hedges (mark-to-market)	—	—	1	1	—	—	1	—	
Discontinued operations	—	—	(41)	(41)	—	(69)	(110)	(0.16)	
Segment income (loss)/Net Income Attributable to Duke Energy Corporation	\$ 2,311	\$ 157	\$ (35)	\$ 2,433	\$ (119)	\$ 25	\$ 2,339	\$ 3.36	

Nine Months Ended September 30, 2014									
(in millions, except per-share amounts)	Regulated Utilities	International Energy	Commercial Portfolio	Total Reportable Segments	Other	Eliminations/Discontinued Operations	Duke Energy	Per Diluted Share	
Adjusted segment income/Adjusted earnings	\$ 2,346	\$ 356	\$ 77	\$ 2,779	\$ (171)	\$ —	\$ 2,608	\$ 3.69	
Costs to achieve Progress Energy merger	—	—	—	—	(107)	—	(107)	(0.15)	
Midwest generation operations	—	—	(82)	(82)	—	82	—	—	
Asset impairment	—	—	(59)	(59)	—	—	(59)	(0.08)	
Economic hedges (mark-to-market)	—	—	(6)	(6)	—	—	(6)	(0.01)	
Asset sales	—	—	—	—	9	—	9	0.01	
Discontinued operations	—	—	—	—	—	(659)	(659)	(0.94)	
Segment income (loss)/Net Loss Attributable to Duke Energy Corporation	\$ 2,346	\$ 356	\$ (70)	\$ 2,632	\$ (269)	\$ (577)	\$ 1,786	\$ 2.52	

The variance in adjusted earnings for nine months ended September 30, 2015, compared to the same period in 2014, was primarily due to:

- Lower results in Latin America primarily due to unfavorable hydrology in Brazil, a prior-year tax benefit related to the reorganization of Chilean operations, weakness in foreign currency exchange rates, and lower dispatch in Central America due to increased competition;
- Higher operations and maintenance expense primarily due to planned increased spending and the prior-year benefit associated with the adoption of nuclear outage levelization, partially offset by lower storm restoration costs;
- Higher depreciation and amortization expense primarily due to higher depreciable base; and
- Lower equity in earnings of unconsolidated affiliates due to lower margins at National Methanol Company (NMC), largely driven by lower methyl tertiary butyl ether (MTBE) prices, partially offset by lower butane costs.

Partially offset by:

- Increased retail pricing primarily due to higher base rates and rate riders in certain jurisdictions, including increased revenues related to energy efficiency programs;
- Increased wholesale net margins largely due to increases in contracted amounts and prices and a new wholesale contract with NCEMPA;
- Favorable weather in 2015 compared to 2014;
- Higher results at the nonregulated Midwest generation business prior to its sale on April 2, 2015, due to higher PJM Interconnection LLC (PJM) capacity revenues and increased generation margins;
- The impact of a lower effective income tax rate; and
- Reduction in shares outstanding due to the Duke Energy stock repurchase (only impacts per diluted share amounts in the tables above).

SEGMENT RESULTS

The remaining information in this discussion of results of operations is presented on a GAAP basis.

Regulated Utilities

(in millions)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2015	2014	Variance	2015	2014	Variance
Operating Revenues	\$ 6,147	\$ 5,986	\$ 161	\$ 17,090	\$ 17,074	\$ 16
Operating Expenses	4,481	4,361	120	12,789	12,807	(18)
Gains on Sales of Other Assets and Other, net	1	1	—	10	2	8
Operating Income	1,667	1,626	41	4,311	4,269	42
Other Income and Expenses, net	56	75	(19)	187	206	(19)
Interest Expense	280	271	9	829	816	13
Income Before Income Taxes	1,443	1,430	13	3,669	3,659	10
Income Tax Expense	538	510	28	1,358	1,313	45
Segment Income	\$ 905	\$ 920	\$ (15)	\$ 2,311	\$ 2,346	\$ (35)
Duke Energy Carolinas GWh sales	23,737	22,821	916	67,511	67,350	161
Duke Energy Progress GWh sales	18,283	16,540	1,743	50,000	47,394	2,606
Duke Energy Florida GWh sales	11,513	11,550	(37)	30,788	30,051	737
Duke Energy Ohio GWh sales	6,698	6,465	233	19,698	18,768	930
Duke Energy Indiana GWh sales	8,784	8,224	560	25,217	25,553	(336)
Total Regulated Utilities GWh sales	69,015	65,600	3,415	193,214	189,116	4,098
Net proportional MW capacity in operation				50,033	49,471	562

Three Months Ended September 30, 2015 as Compared to September 30, 2014

Regulated Utilities' results were impacted by impairment expense associated with the September 2015 Edwardsport Integrated Gasification Combined Cycle (IGCC) settlement, higher operation and maintenance costs, and the impact of a higher effective tax rate. These impacts were largely offset by slightly favorable weather in 2015 compared to a mild summer in 2014 and an increase in wholesale power margins. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by:

- a \$94 million increase in electric sales (net of fuel revenue) to retail customers due to favorable weather conditions. For the three months ended September 30, 2015 in the Carolinas, cooling degree days were 4 percent above normal as compared with 11 percent below normal during the same period in 2014. For the three months ended September 30, 2015 in the Midwest, cooling degree days were 13 percent below normal as compared with 29 percent below normal during the same period in 2014. For the three months ended September 30, 2015 in Florida, cooling degree days were 2 percent below normal as compared with 1 percent below normal during the same period in 2014; and
- a \$54 million increase in wholesale power revenues, net of sharing, primarily due to additional volumes and capacity charges for customers served under long-term contracts, including the NCEMPA wholesale contract that became effective August 1, 2015.

Operating Expenses. The variance was driven primarily by:

- an \$85 million impairment charge related to the September 2015 Edwardsport IGCC settlement. See Note 4 to the Condensed Consolidated Financial Statement, "Regulatory Matters," for additional information;
- a \$54 million increase in operations and maintenance expense primarily due to higher maintenance costs at fossil generation stations, higher costs for transmission and distribution and higher storm restoration costs; and
- a \$14 million increase in property and other taxes primarily due to higher property taxes.

Partially offset by:

- a \$19 million decrease in depreciation and amortization expense primarily due to reductions in amounts recoverable at Duke Energy Florida through the nuclear cost recovery clause and the environmental cost recovery clause, partially offset by increased depreciation due to plant additions.

Other Income and Expenses, net. The variance was driven primarily by lower net returns recognized on projects and other charges related to the September 2015 Edwardsport IGCC settlement.

Income Tax Expense. The variance was primarily due to an increase in the effective tax rate. The effective tax rate for the three months ended September 30, 2015 and 2014 was 37.3 percent and 35.7 percent, respectively. The increase in the effective tax rate is primarily due to an unfavorable tax-basis balance sheet adjustment and a lower manufacturing deduction in 2015, partially offset by a reduction of tax reserves.

Nine Months Ended September 30, 2015 as Compared to September 30, 2014

Regulated Utilities' results were impacted by impairment expense associated with the September 2015 Edwardsport IGCC settlement and the impact of a higher effective tax rate. These impacts were partially offset by an increase in wholesale power margins, favorable weather and higher weather-normal sales volumes. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by:

- a \$121 million increase in wholesale power revenues, net of sharing, primarily due to additional volumes and capacity charges for customers served under long-term contracts, including the NCEMPA wholesale contract that became effective August 1, 2015;
- a \$117 million increase in electric sales (net of fuel revenue) to retail customers due to favorable weather conditions. For the nine months ended September 30, 2015 in the Carolinas, cooling degree days were 8 percent above normal as compared with 5 percent below normal during the same period in 2014, and heating degree days were 11 percent above normal as compared with 15 percent above normal during the same period in 2014. For the nine months ended September 30, 2015 in the Midwest, cooling degree days were 9 percent below normal as compared with 21 percent below normal during the same period in 2014, and heating degree days were 14 percent above normal as compared with 23 percent above normal during the same period in 2014. For the nine months ended September 30, 2015 in Florida, cooling degree days were 9 percent above normal as compared with 1 percent below normal during the same period in 2014, and heating degree days were 6 percent below normal as compared with 1 percent above normal during the same period in 2014; and
- a \$29 million increase in weather-normal sales volumes to retail customers (net of fuel revenue) reflecting increased demand.

Partially offset by:

- a \$131 million decrease in gross receipts tax revenue due to the North Carolina Tax Simplification and Rate Reduction Act, which terminated the collection of the North Carolina gross receipts tax effective July 1, 2014; and
- a \$125 million decrease in fuel revenues driven primarily by overall lower fuel rates for electric retail customers. Fuel revenues represent sales to retail and wholesale customers.

Operating Expenses. The variance was driven primarily by:

- a \$177 million decrease in fuel expense (including purchased power and natural gas purchases for resale) primarily due to (i) lower natural gas prices, and (ii) lower volumes of coal and oil used in electric generation, partially offset by (iii) higher volumes of natural gas used in electric generation; and
- a \$115 million decrease in property and other taxes primarily due to the termination of the collection of the North Carolina gross receipts tax as mentioned above, and lower sales and use tax, partially offset by a favorable 2014 Ohio gas excise tax settlement.

Partially offset by:

- a \$164 million increase in operations and maintenance expense primarily due to planned spending and the prior-year benefit of the adoption of nuclear outage levelization, higher costs for transmission and distribution, and higher maintenance costs at fossil generation stations, partially offset by lower storm restoration costs;
- an \$85 million impairment charge related to the September 2015 Edwardsport IGCC settlement. See Note 4 to the Condensed Consolidated Financial Statement, "Regulatory Matters," for additional information; and
- a \$21 million increase in depreciation and amortization expense primarily due to increases in depreciation as a result of additional plant in service.

Other Income and Expenses, net. The variance was driven primarily by a decrease in amortization of deferred returns for projects that had been completed prior to being reflected in customer rates and overall decreases within miscellaneous income, partially offset by higher allowance for funds used during construction (AFUDC) equity, primarily due to nuclear plant expenditures.

Interest Expense. The variance is primarily due to higher interest on bonds due to new issuances of debt.

Income Tax Expense. The variance was primarily due to an increase in the effective tax rate. The effective tax rate for the nine months ended September 30, 2015 and 2014 was 37.0 percent and 35.9 percent, respectively. The increase in the effective tax rate is primarily due to favorable audit settlements and changes in apportionment related to state income tax recorded in 2014.

Matters Impacting Future Regulated Utilities Results

Duke Energy is a party to multiple lawsuits and could be subject to fines and other penalties related to the Dan River coal ash release and operations at other North Carolina facilities with ash basins. The outcome of these lawsuits and potential fines and penalties could have an adverse impact to Regulated Utilities' financial position, results of operations and cash flows. See Note 5 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

An order from regulatory authorities disallowing recovery of costs related to closure of ash basins could have an adverse impact to Regulated Utilities' financial position, results of operations and cash flows. See Note 5 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

In 2013, a Federal Energy Regulatory Commission (FERC) Administrative Law Judge (ALJ) issued an initial decision that Duke Energy is responsible for costs associated with Multi Value Projects (MVP), a type of Transmission Expansion Planning (MTEP) cost, approved by Midcontinent Independent System Operator, Inc. (MISO) prior to the date of Duke Energy's withdrawal. On October 29, 2015, the FERC issued an order reversing the ALJ's decision. FERC ruled that Duke Energy has no liability for MVP costs after its withdrawal from MISO. MISO has 30 days from the date of the order in which to file a request for rehearing with FERC. If the FERC decision were appealed and Duke Energy is deemed responsible for these costs, and if the regulatory commissions disallow recovery of these costs, there would be an adverse impact to Regulated Utilities' financial position, results of operations and cash flows. See Note 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

Duke Energy Florida has a pending proceeding with the Florida Public Service Commission (FPSC) for a financing order to securitize the Crystal River Unit 3 Regulatory asset with low-cost securities. If the FPSC issues an acceptable financing order and Duke Energy Florida issues the bonds, securitization would replace the base rate recovery methodology established in the 2013 Agreement described above, and would result in a lower rate impact to customers. Securitization of the costs of the retired Crystal River Unit 3 Nuclear Plant would result in an initial acceleration of cash, followed by a reduction to Regulated Utilities' future results of operations and ongoing cash flows as it would no longer earn an equity return on these costs. Under a previous settlement agreement with the FPSC, the allowed return on equity for Crystal River Unit 3 is limited to 70 percent of the approved return on equity, which is currently 10.5 percent. On October 15, 2015, the FPSC approved an agreement on all securitization-related issues and is expected to issue a final financing order in the fourth quarter of 2015. Regulated Utilities cannot predict the outcome of this matter.

In September 2015, Duke Energy Indiana entered into a settlement agreement with multiple parties that will resolve all disputes, claims and issues from the Indiana Utility Regulatory Commission (IURC) proceedings regarding the Edwardsport IGCC generating facility. Pursuant to the terms of the agreement, Regulated Utilities recognized an impairment and related charges of \$90 million. Additionally, the agreement stipulates the recovery of the remaining regulatory asset over an eight-year period and confirms the conclusion that the in-service date for accounting and ratemaking purposes will remain June 7, 2013. The settlement agreement will also impose a cost cap for recoverable operations and maintenance retail costs of \$73 million in 2016 and \$77 million in 2017 as well as a cost cap for on-going capital expenditures through 2017. The settlement is subject to IURC approval and if approved would resolve and close a number of outstanding issues pending before the IURC related to post commercial operating performance and recovery of ongoing operating and capital costs at Edwardsport. If the settlement is not approved, outstanding issues before the IURC related to Edwardsport would resume, the ultimate resolution of which could have an adverse impact on Regulated Utilities' financial position, results of operations and cash flows. In addition, the inability to manage operating and capital costs under caps imposed under the settlement could have an adverse impact on Regulated Utilities' financial position, results of operations and cash flows. See Note 4 to the Consolidated Financial Statements, "Regulatory Matters," for additional information.

On October 23, 2015, the EPA published in the Federal Register the Clean Power Plan (CPP) rule for regulating carbon dioxide (CO₂) emissions from existing fossil fuel-fired electric generating units (EGUs). The CPP establishes CO₂ emission rates and mass cap goals that apply to fossil fuel-fired generation. Under the CPP, states are required to develop and submit a final compliance plan, or an initial plan with an extension request, to the EPA by September 6, 2016, or no later than September 2, 2018 with an approved extension. These state plans are subject to EPA approval, with a federal plan applied to states that fail to submit a plan to the EPA or if a state plan is not approved. Legal challenges to the CPP have been filed by stakeholders and motions to stay the requirements of the rule pending the outcome of the litigation have also been filed. Final resolution of these legal challenges could take several years. Compliance with CPP could cause the industry to replace coal generation with natural gas and renewables, especially in states that have significant CO₂ reduction targets under the rule. Costs to operate coal-fired generation plants continue to grow due to increasing environmental compliance requirements, including ash management costs unrelated to CPP, and this may result in the retirement of coal-fired generation plants earlier than the current useful lives. Regulated Utilities continues to evaluate the need to retire generating facilities and plans to seek regulatory recovery, where appropriate, for amounts that have not been recovered upon asset retirements. However, recovery is subject to future regulatory approval, including the recovery of carrying costs on remaining book values, and therefore cannot be assured. In addition, Regulated Utilities could incur increased fuel, purchased power, operation and maintenance, and other costs for replacement generation as a result of this rule. Regulated Utilities cannot predict the outcome of these matters.

International Energy

(in millions)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2015	2014	Variance	2015	2014	Variance
Operating Revenues	\$ 281	\$ 366	\$ (85)	\$ 841	\$ 1,111	\$ (270)
Operating Expenses	200	275	(75)	639	760	(121)
Gains (Losses) on Sales of Other Assets and Other, net	—	2	(2)	(1)	7	(8)
Operating Income	81	93	(12)	201	358	(157)
Other Income and Expense, net	24	43	(19)	69	152	(83)
Interest Expense	21	25	(4)	66	71	(5)
Income Before Income Taxes	84	111	(27)	204	439	(235)
Income Tax Expense	14	29	(15)	44	74	(30)
Less: Income Attributable to Noncontrolling Interests	1	2	(1)	3	9	(6)
Segment Income	\$ 69	\$ 80	\$ (11)	\$ 157	\$ 356	\$ (199)
Sales, GWh	4,590	4,292	298	13,580	13,814	(234)
Net proportional MW capacity in operation				4,333	4,358	(25)

Three Months Ended September 30, 2015 as Compared to September 30, 2014

International Energy's results were impacted by an impairment loss in Ecuador, lower equity earnings in NMC, and unfavorable exchange rates partially offset by lower purchased power costs in Brazil and a lower effective tax rate. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by:

- a \$48 million decrease in Brazil due to unfavorable exchange rates partially offset by higher average contract prices; and
- a \$34 million decrease in Central America due to lower average prices as a result of increased competition.

Operating Expenses. The variance was driven primarily by:

- a \$59 million decrease in Brazil due to lower purchased power costs and favorable exchange rates; and
- a \$23 million decrease in Central America due to lower fuel consumption.

Partially offset by:

- a \$19 million increase in Ecuador due to an impairment loss, higher maintenance costs and provision for asset retirement obligation.

Other Income and Expenses, net. The variance is primarily due to lower interest income in Brazil and lower equity earnings in NMC as a result of lower average MTBE prices and sales volumes, partially offset by lower butane costs.

Income Tax Expense. The variance is primarily due to lower pretax income and a lower effective tax rate. The effective tax rate for the three months ended September 30, 2015 and 2014 was 16.3 percent and 25.9 percent, respectively. The decrease in the effective tax rate was primarily due to 2015 tax return adjustments.

Nine Months Ended September 30, 2015 as Compared to September 30, 2014

International Energy's results were impacted by unfavorable hydrology and exchange rates in Brazil, the absence of a prior year merger step-up tax benefit in Chile, lower dispatch in Central America and lower equity earnings in NMC. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by:

- a \$136 million decrease in Brazil due to unfavorable exchange rates and lower spot sales, partially offset by higher average prices;
- a \$100 million decrease in Central America due to lower average prices and dispatch as a result of increased competition; and
- a \$25 million decrease in Peru due to lower average hydrocarbon prices and unfavorable exchanges rates.

Operating Expenses. The variance was driven primarily by:

- a \$61 million decrease in Central America due to lower fuel costs partially offset by higher purchased power costs;
- a \$40 million decrease in Brazil due to favorable exchange rates partially offset by higher purchased power costs; and
- a \$34 million decrease in Peru due to lower fuel consumption and purchased power costs.

Other Income and Expenses, net. The variance is primarily due to a net remeasurement loss in Latin America, lower interest income in Brazil and lower equity earnings in NMC as a result of lower average MTBE prices and sales volumes, partially offset by lower butane costs.

Income Tax Expense. The variance is primarily due to lower pretax income, partially offset by a higher effective tax rate. The effective tax rate for the nine months ended September 30, 2015 and 2014 was 21.6 percent and 16.9 percent, respectively. The increase in the effective tax rate is primarily due to a tax benefit recorded in the second quarter of 2014, as a result of the merger of two Chilean subsidiaries, partially offset by tax return adjustments recorded in the third quarter of 2015.

Matters Impacting Future International Energy Results

International Energy's operations include conventional hydroelectric power generation facilities located in Brazil where water reservoirs are at abnormally low levels due to a lack of rainfall. Weather and economic conditions within Brazil have resulted in higher energy prices, a reduction in electricity demand and the devaluation of Brazil's currency. In addition, International Energy's equity earnings from NMC reflect sales of methanol and MTBE, which generate margins that are directionally correlated with crude oil prices. These weather and economic conditions have also resulted in lawsuits brought to the Brazilian courts by certain hydroelectric generators to limit the financial exposure to the generators. International Energy's earnings and future cash flows could continue to be adversely impacted by a further sustained period of low reservoir levels, a further decline of economic conditions within Brazil, the outcome of legal matters in the Brazilian courts or from a significant decline in crude oil prices.

Commercial Portfolio

(in millions)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2015	2014	Variance	2015	2014	Variance
Operating Revenues	\$ 66	\$ 50	\$ 16	\$ 214	\$ 195	\$ 19
Operating Expenses	82	87	(5)	255	355	(100)
Gains on Sales of Other Assets and Other, net	—	—	—	6	—	6
Operating Loss	(16)	(37)	21	(35)	(160)	125
Other Income and Expense, net	(3)	5	(8)	(3)	15	(18)
Interest Expense	11	14	(3)	33	41	(8)
Loss Before Income Taxes	(30)	(46)	16	(71)	(186)	115
Income Tax Benefit	(26)	(29)	3	(35)	(116)	81
Less: Loss Attributable to Noncontrolling Interests	(1)	—	(1)	(1)	—	(1)
Segment Loss	\$ (3)	\$ (17)	\$ 14	\$ (35)	\$ (70)	\$ 35
Coal-fired plant production, GWh	—	192	(192)	—	867	(867)
Renewable plant production, GWh	1,230	1,054	176	3,913	4,112	(199)
Total Commercial Portfolio production, GWh	1,230	1,246	(16)	3,913	4,979	(1,066)
Net proportional MW capacity in operation				1,634	1,698	(64)

Three Months Ended September 30, 2015 as Compared to September 30, 2014

Commercial Portfolio's results were positively impacted by the retirement of the Beckjord Station (Beckjord) in 2014. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by a \$21 million increase in electric revenues from new solar and wind generation placed in service, partially offset by a \$6 million decrease in electric revenues due to the shift of the residual Midwest Generation business out of Commercial Portfolio following the sale of the Disposal Group.

Operating Expenses. The variance was driven primarily by a \$17 million decrease in operating and maintenance expenses due to the 2014 retirement of Beckjord, partially offset by a \$12 million increase in operating and maintenance expenses resulting from new solar portfolio activity.

Other Income and Expense, net. The variance was primarily due to a net gain recognized for the sale of certain renewable development assets in 2014 and lower equity earnings for the renewables portfolio due to lower production resulting from changing wind patterns.

Income Tax Benefit. The effective tax rate for the three months ended September 30, 2015 and 2014 was 88.8 percent and 64.1 percent, respectively. The increase in the effective tax rate is primarily due to the impact of production tax credits for the renewables portfolio with a decrease in pretax losses.

Nine Months Ended September 30, 2015 as Compared to September 30, 2014

Commercial Portfolio's results were positively impacted by the 2014 impairment recorded for an intangible asset, partially offset by the impact of changes in apportionment related to state income taxes resulting from the sale of the Disposal Group. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by:

- a \$37 million increase in electric revenues from new solar generation placed in service; and
- a \$9 million increase in mark-to-market revenues due to prior year losses that did not recur.

Partially offset by:

- a \$17 million decrease in electric revenues due to lower wind production resulting primarily from changes in wind patterns; and
- a \$12 million decrease in electric revenues due to the shift of the residual Midwest Generation business out of Commercial Portfolio following the sale of the Disposal Group.

Operating Expenses. The variance was driven primarily by the 2014 impairment related to Ohio Valley Electric Corporation (OVEC). See Note 8 to the Condensed Consolidated Financial Statements, "Goodwill and Intangible Assets," for additional information.

Other Income and Expense, net. The variance was primarily due to a net gain recognized for the sale of certain renewable development assets in 2014 and lower equity earnings in the renewables portfolio due to lower production resulting from changing wind patterns.

Income Tax Benefit. The variance is primarily due to a decrease in pretax losses. The effective tax rate for the nine months ended September 30, 2015 and 2014 was 49.1 percent and 62.4 percent, respectively. The decrease in the effective tax rate is primarily due to changes to state apportionment factors on deferred taxes due to the Disposal Group sale in the second quarter of 2015, partially offset by the impact of the production tax credits for the renewables portfolio.

Other

(in millions)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2015	2014	Variance	2015	2014	Variance
Operating Revenues	\$ 17	\$ 25	\$ (8)	\$ 78	\$ 79	\$ (1)
Operating Expenses	64	84	(20)	177	269	(92)
Gains on Sales of Other Assets and Other, net	3	1	2	16	2	14
Operating Loss	(44)	(58)	14	(83)	(188)	105
Other Income and Expense, net	(2)	18	(20)	8	33	(25)
Interest Expense	91	101	(10)	285	302	(17)
Loss Before Income Taxes	(137)	(141)	4	(360)	(457)	97
Income Tax Benefit	(106)	(50)	(56)	(249)	(190)	(59)
Less: Income Attributable to Noncontrolling Interests	3	1	2	8	2	6
Net Expense	\$ (34)	\$ (92)	\$ 58	\$ (119)	\$ (269)	\$ 150

Three Months Ended September 30, 2015 as Compared to September 30, 2014

Other's results were positively impacted by a decrease in operating expenses and an income tax benefit. The following is a detailed discussion of the variance drivers by line item.

Operating Expenses. The decrease was primarily due to lower charges related to the Progress Energy merger and higher prior-year captive insurance loss experience, partially offset by higher expenses in the current year due to the shift of the residual Midwest Generation business to Other in 2015.

Other Income and Expenses, net. The decrease was primarily due to a gain on an investment sale in the prior year and lower returns on investments that support benefit obligations.

Interest Expense. The variance was primarily due to lower interest on long-term debt.

Income Tax Benefit. The variance was primarily due to a higher effective tax rate. The effective tax rate for the three months ended September 30, 2015 and 2014 was 77.3 percent and 35.2 percent, respectively. The increase in the effective tax rate is primarily due to a higher tax benefit related to the manufacturing deduction in 2015 as the prior year was limited by taxable income, a tax benefit from the legal entity restructuring of Duke Energy Florida and Duke Energy Progress and tax levelization.

Nine Months Ended September 30, 2015 as Compared to September 30, 2014

Other's results were positively impacted by a decrease in operating expenses and an income tax benefit. The following is a detailed discussion of the variance drivers by line item.

Operating Expenses. The decrease was primarily due to lower charges related to the Progress Energy merger and higher prior year captive insurance loss experience, partially offset by higher charges in the current year due to the shift of the residual Midwest Generation business to Other in 2015 and North Carolina franchise taxes.

Gains on Sales of Other Assets and Other, net. The variance was primarily due to the benefit from the sale of telecommunication leases.

Other Income and Expenses, net. The variance was primarily due to interest income from the resolution of an income tax matter, offset by a gain on an investment sale in the prior year and lower returns on investments that support benefit obligations.

Interest Expense. The decrease was primarily due to lower interest on long-term debt.

Income Tax Benefit. The variance was primarily due to a higher effective tax rate, partially offset by a decrease in pretax losses. The effective tax rate for the nine months ended September 30, 2015 and 2014 was 69.4 percent and 41.5 percent, respectively. The increase in the effective tax rate is primarily due to the tax benefit related to the manufacturing deduction in 2015 as the prior year was limited by taxable income and tax levelization.

Matters Impacting Future Other Results

Duke Energy Ohio's retired Beckjord generating station (Beckjord) became an asset of Other after the sale of the nonregulated Midwest Generation business in the second quarter of 2015. Beckjord, a nonregulated facility retired during 2014, is not subject to the recently enacted Environmental Protection Agency (EPA) rule related to the disposal of coal combustion residuals (CCR) from electric utilities. However, if costs are incurred as a result of environmental regulations or to mitigate risk associated with coal ash, the costs could have an adverse impact on Other's financial position, results of operations and cash flows. See Note 3, "Business Segments," and Note 5, "Commitments and Contingencies," to the Condensed Consolidated Financial Statements for additional information.

INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX

Three Months Ended September 30, 2015 as Compared to September 30, 2014

Discontinued Operations, Net of Tax. The variance was primarily driven by the 2014 impairment true-up recognized and unrealized mark-to-market losses on economic hedges for the Disposal Groups. Foregone depreciation for the three months ended September 30, 2014, was approximately \$40 million.

Nine Months Ended September 30, 2015 as Compared to September 30, 2014

Discontinued Operations, Net of Tax. The variance was primarily driven by the 2014 impairment and unrealized mark-to-market losses on economic hedges, and favorable operating results in 2015, partially offset by a litigation reserve recorded in 2015, as discussed in Note 5, "Commitments and Contingencies," to the Condensed Consolidated Financial Statements. Operating results in 2015 were favorable primarily due to higher PJM capacity revenues related to higher average cleared capacity auction pricing, increased generation margins and lower depreciation expense. Included in the variance is the impact of ceasing depreciation on the assets of the Disposal Group beginning in the second quarter of 2014. The foregone depreciation for the nine months ended September 30, 2015, and September 30, 2014, was approximately \$40 million and \$82 million, respectively.

DUKE ENERGY CAROLINAS

Management's Discussion and Analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes for the nine months ended September 30, 2015 and 2014 and the Annual Report on Form 10-K for the year ended December 31, 2014.

Results of Operations

(in millions)	Nine Months Ended September 30,		
	2015	2014	Variance
Operating Revenues	\$ 5,669	\$ 5,693	\$ (24)
Operating Expenses	4,005	4,116	(111)
Operating Income	1,664	1,577	87
Other Income and Expenses, net	125	137	(12)
Interest Expense	313	307	6
Income Before Income Taxes	1,476	1,407	69
Income Tax Expense	536	474	62
Net Income	\$ 940	\$ 933	\$ 7

The following table shows the percent changes in GWh sales and average number of customers. The below percentages for retail customer classes represent billed sales only. Total sales includes billed and unbilled retail sales, and wholesale sales to incorporated municipalities and to public and private utilities and power marketers. Amounts are not weather-normalized.

(Decrease) increase over prior year	2015
Residential sales	2.3 %
General service sales	1.8 %
Industrial sales	3.1 %
Wholesale power sales	2.7 %
Joint dispatch sales	(45.8)%
Total sales	0.2 %
Average number of customers	1.3 %

Nine Months Ended September 30, 2015 as Compared to September 30, 2014

Operating Revenues. The variance was driven primarily by:

- a \$104 million decrease in fuel revenues driven primarily by lower natural gas and coal prices, as well as change in fuel mix, partially offset by an increase in demand from retail customers. Fuel revenues represent sales to retail and wholesale customers; and

- a \$78 million decrease in franchise tax revenue due to the North Carolina Tax Simplification and Rate Reduction Act, which terminated the collection of North Carolina gross receipts tax effective July 1, 2014.

Partially offset by:

- a \$68 million increase in electric sales (net of fuel revenues) to retail customers due to favorable weather conditions. Cooling degree days for the first nine months of 2015 were 10 percent above normal compared to 7 percent below normal during the same period in 2014;
- a \$57 million increase in retail pricing and rate riders, which primarily reflects increased revenues related to the energy efficiency programs and the second year base rate step-up from the 2013 South Carolina rate case; and
- a \$30 million increase in wholesale power revenues, net of sharing, primarily due to additional volumes for customers served under long-term contracts.

Operating Expenses. The variance was driven primarily by:

- a \$132 million decrease in fuel expense (including purchased power) primarily related to lower natural gas and coal prices, as well as change in fuel mix; and
- a \$59 million decrease in property and other tax expenses primarily due to lower revenue-related taxes driven by the elimination of the North Carolina gross receipts tax as mentioned above.

Partially offset by:

- a \$54 million increase in operations and maintenance expenses primarily due to higher expenses at generating plants, including the impacts of nuclear levelization, higher energy efficiency program costs and higher transmission and distribution expenses, partially offset by lower costs associated with the Progress Energy merger, lower storm costs, and repairs and remediation expenses associated with the Dan River coal ash discharge in 2014, which did not recur in 2015; and
- a \$29 million increase in depreciation and amortization expense primarily due to higher depreciation as a result of additional plant in service, partially offset by lower nuclear decommissioning costs and lower amortization of certain regulatory assets.

Other Income and Expenses, net. The variance was primarily due to a decrease in amortization of deferred returns for projects that had been completed prior to being reflected in customer rates.

Income Tax Expense. The variance was primarily due to an increase in pretax income. The effective tax rate for the nine months ended September 30, 2015 and 2014 was 36.3 percent and 33.7 percent, respectively. The increase in the effective tax rate is primarily due to favorable prior-year audit settlements and changes in apportionment related to state income tax recorded.

Matters Impacting Future Results

Duke Energy Carolinas is a party to multiple lawsuits and subject to fines and other penalties related to the Dan River coal ash release and operations at other North Carolina facilities with ash basins. The outcome of these lawsuits, fines and penalties could have an adverse impact to Duke Energy Carolinas' financial position, results of operations and cash flows. See Note 5 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

An order from regulatory authorities disallowing recovery of costs related to closure of ash basins could have an adverse impact to Duke Energy Carolinas' financial position, results of operations and cash flows. See Note 5 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

On October 23, 2015, the EPA published in the Federal Register the CPP rule for regulating CO₂ emissions from existing fossil fuel-fired EGUs. The CPP establishes CO₂ emission rates and mass cap goals that apply to fossil fuel-fired generation. Under the CPP, states are required to develop and submit a final compliance plan, or an initial plan with an extension request, to the EPA by September 6, 2016, or no later than September 2, 2018 with an approved extension. These state plans are subject to EPA approval, with a federal plan applied to states that fail to submit a plan to the EPA or if a state plan is not approved. Legal challenges to the CPP have been filed by stakeholders and motions to stay the requirements of the rule pending the outcome of the litigation have also been filed. Final resolution of these legal challenges could take several years. Compliance with CPP could cause the industry to replace coal generation with natural gas and renewables, especially in states that have significant CO₂ reduction targets under the rule. Costs to operate coal-fired generation plants continue to grow due to increasing environmental compliance requirements, including ash management costs unrelated to CPP, and this may result in the retirement of coal-fired generation plants earlier than the current useful lives. Duke Energy Carolinas continues to evaluate the need to retire generating facilities and plans to seek regulatory recovery, where appropriate, for amounts that have not been recovered upon asset retirements. However, recovery is subject to future regulatory approval, including the recovery of carrying costs on remaining book values, and therefore cannot be assured. In addition, Duke Energy Carolinas could incur increased fuel, purchased power, operation and maintenance, and other costs for replacement generation as a result of this rule. Duke Energy Carolinas cannot predict the outcome of these matters.

PROGRESS ENERGY

Management's Discussion and Analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes for the nine months ended September 30, 2015 and 2014 and the Annual Report on Form 10-K for the year ended December 31, 2014.

Results of Operations

(in millions)	Nine Months Ended September 30,		
	2015	2014	Variance
Operating Revenues	\$ 7,941	\$ 7,825	\$ 116
Operating Expenses	6,150	6,198	(48)
Gains on Sales of Other Assets and Other, net	18	3	15
Operating Income	1,809	1,630	179
Other Income and Expenses, net	63	54	9
Interest Expense	504	502	2
Income From Continuing Operations Before Taxes	1,368	1,182	186
Income Tax Expense From Continuing Operations	435	441	(6)
Income From Continuing Operations	933	741	192
Loss From Discontinued Operations, net of tax	(2)	(6)	4
Net Income	931	735	196
Less: Net Income Attributable to Noncontrolling Interest	8	2	6
Net Income Attributable to Parent	\$ 923	\$ 733	\$ 190

Nine Months Ended September 30, 2015 as Compared to September 30, 2014

Operating Revenues. The variance was driven primarily by:

- a \$93 million increase in wholesale power revenues primarily due to a new NCEMPA contract effective August 1, 2015 coupled with increased overall demand rates and higher peak demand at Duke Energy Progress and increased capacity rates on contracts at Duke Energy Florida;
- a \$72 million increase in fuel revenues and capacity revenues driven primarily by a new NCEMPA wholesale contract and increased demand from wholesale and retail customers, partially resulting from favorable weather conditions at Duke Energy Progress, and increased usage in the current year at Duke Energy Florida. Fuel revenues represent sales to retail and wholesale customers;
- a \$57 million increase in retail pricing and rate riders at Duke Energy Progress, which primarily reflect increased revenues related to the energy efficiency programs and the second year base rate step up from the 2013 North Carolina retail rate case; and
- a \$39 million increase driven by favorable weather conditions. For Duke Energy Progress, cooling degree days for the first nine months of 2015 were 6 percent above normal compared to 3 percent below normal during the same period in 2014. For Duke Energy Florida, cooling degree days for the nine months ended September 30, 2015, were 9 percent above normal compared to 1 percent below normal in the prior year.

Partially offset by:

- a \$106 million decrease in the energy conservation cost recovery clause and environmental cost recovery clause revenues due to lower recovery rates and the nuclear cost recovery clause due to suspending Levy recovery at Duke Energy Florida; and
- a \$48 million decrease in gross receipts tax revenue at Duke Energy Progress due to the North Carolina Tax Simplification and Rate Reduction Act, which terminated the collection of North Carolina gross receipts tax effective July 1, 2014.

Operating Expenses. The variance was driven primarily by:

- a \$48 million decrease in property and other taxes at Duke Energy Progress primarily due to the termination of the collection of the North Carolina gross receipts tax as mentioned above;
- a \$42 million decrease in operations and maintenance expense primarily due to lower storm restoration costs and a favorable pension expense adjustment recorded in 2015, partially offset by higher nuclear refueling outage costs, net of the impacts of levelization, due to three refueling outages in 2015 compared to one outage during the same period in 2014 at Duke Energy Progress, and to decreased expenses related to costs that were recoverable through the energy conservation clause at Duke Energy Florida; and
- a \$20 million decrease in depreciation and amortization expense primarily to reductions in amounts recovered through the nuclear cost recovery clause and the environmental cost recovery clause at Duke Energy Florida, partially offset by increased depreciation due to plant additions at Duke Energy Progress and Duke Energy Florida.

Partially offset by:

- a \$39 million increase in fuel used in electric generation and purchase power related to the acquisition of NCEMPA's ownership interests in certain generating assets on July 31, 2015, and increased retail volumes primarily due to weather, partially offset by an expense in the prior year mainly related to the disallowance of certain replacement power costs at Duke Energy Progress and to recovery of prior year under-collections of fuel and increased purchased power, partially offset by lower fuel prices at Duke Energy Florida; and
- a \$23 million increase in impairment charges due to an \$18 million prior-year reversal of an impairment at Duke Energy Progress related to planned transmission projects for which recovery is not expected, and certain costs associated with mitigation sales pursuant to merger settlement agreements with the FERC, and a \$15 million impairment charge as a result of a settlement reached on the value of the Crystal River Unit 3 retail regulatory asset in August 2015 offset by gains on the non-retail portion of certain fuel sales at Duke Energy Florida.

Gains on Sales of Other Assets and Other, net. The variance was primarily due to the benefit from the sale of telecommunication leases.

Income Tax Expense. The variance was primarily due to an increase in pretax income. The effective tax rate for the nine months ended September 30, 2015 and 2014 was 31.8 percent and 37.3 percent, respectively. The decrease in the effective tax rate was primarily due to a reduction of the North Carolina statutory corporate state income tax rate and release of tax reserves due to expired tax statutes.

Matters Impacting Future Results

Progress Energy is a party to multiple lawsuits and subject to fines and other penalties related to the Dan River coal ash release and operations at other North Carolina facilities with ash basins. The outcome of these lawsuits, fines and penalties could have an adverse impact to Progress Energy's financial position, results of operations and cash flows. See Note 5 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

An order from regulatory authorities disallowing recovery of costs related to closure of ash basins could have an adverse impact to Progress Energy's financial position, results of operations and cash flows. See Note 5 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

Duke Energy Florida has a pending proceeding with the FPSC for a financing order to securitize the Crystal River Unit 3 Regulatory asset with low-cost securities. If the FPSC issues an acceptable financing order and Duke Energy Florida issues the bonds, securitization would replace the base rate recovery methodology established in the 2013 Agreement described above and would result in a lower rate impact to customers. Securitization of the costs of the retired Crystal River Unit 3 Nuclear Plant would result in an initial acceleration of cash, followed by a reduction to Progress Energy's future results of operations and ongoing cash flows as it would no longer earn an equity return on these costs. Under a previous settlement agreement with the FPSC, the allowed return on equity for Crystal River Unit 3 is limited to 70 percent of the approved return on equity, which is currently 10.5 percent. On October 15, 2015, the FPSC approved an agreement on all securitization-related issues and is expected to issue a final financing order in the fourth quarter of 2015. Progress Energy cannot predict the outcome of this matter.

On October 23, 2015, the EPA published in the Federal Register the CPP rule for regulating CO₂ emissions from existing fossil fuel-fired EGUs. The CPP establishes CO₂ emission rates and mass cap goals that apply to fossil fuel-fired generation. Under the CPP, states are required to develop and submit a final compliance plan, or an initial plan with an extension request, to the EPA by September 6, 2016, or no later than September 2, 2018 with an approved extension. These state plans are subject to EPA approval, with a federal plan applied to states that fail to submit a plan to the EPA or if a state plan is not approved. Legal challenges to the CPP have been filed by stakeholders and motions to stay the requirements of the rule pending the outcome of the litigation have also been filed. Final resolution of these legal challenges could take several years. Compliance with CPP could cause the industry to replace coal generation with natural gas and renewables, especially in states that have significant CO₂ reduction targets under the rule. Costs to operate coal-fired generation plants continue to grow due to increasing environmental compliance requirements, including ash management costs unrelated to CPP, and this may result in the retirement of coal-fired generation plants earlier than the current useful lives. Progress Energy continues to evaluate the need to retire generating facilities and plans to seek regulatory recovery, where appropriate, for amounts that have not been recovered upon asset retirements. However, recovery is subject to future regulatory approval, including the recovery of carrying costs on remaining book values, and therefore cannot be assured. In addition, Progress Energy could incur increased fuel, purchased power, operation and maintenance, and other costs for replacement generation as a result of this rule. Progress Energy cannot predict the outcome of these matters.

DUKE ENERGY PROGRESS

Management's Discussion and Analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes for the nine months ended September 30, 2015 and 2014 and the Annual Report on Form 10-K for the year ended December 31, 2014.

Results of Operations

(in millions)	Nine Months Ended September 30,		
	2015	2014	Variance
Operating Revenues	\$ 4,130	\$ 3,980	\$ 150
Operating Expenses	3,238	3,226	12
Gains on Sales of Other Assets and Other, net	2	1	1
Operating Income	894	755	139
Other Income and Expenses, net	49	34	15
Interest Expense	175	172	3
Income Before Income Taxes	768	617	151
Income Tax Expense	271	226	45
Net Income and Comprehensive Income	\$ 497	\$ 391	\$ 106

The following table shows the percent changes in GWh sales and average number of customers. The below percentages for retail customer classes represent billed sales only. Total sales includes billed and unbilled retail sales, and wholesale sales to incorporated municipalities and to public and private utilities and power marketers. Amounts are not weather-normalized.

Increase over prior period	2015
Residential sales	1.9 %
General service sales	2.0 %
Industrial sales	(0.3)%
Wholesale power sales	10.4 %
Joint dispatch sales	36.1 %
Total sales	5.5 %
Average number of customers	1.4 %

Nine Months Ended September 30, 2015 as Compared to September 30, 2014

Operating Revenues. The variance was driven primarily by:

- a \$76 million increase in wholesale power revenues primarily due to a new NCEMPA contract effective August 1, 2015 coupled with increased overall demand rates and higher peak demand;
- a \$57 million increase in retail pricing and rate riders, which primarily reflect increased revenues related to the energy efficiency programs and the second year base rate step up from the 2013 North Carolina retail rate case;
- a \$52 million increase in fuel revenues driven primarily by a new NCEMPA wholesale contract and increased demand from wholesale and retail customers, partially resulting from favorable weather conditions; and
- an \$18 million increase in electric sales (net of fuel revenues) to retail customers due to favorable weather conditions. Cooling degree days for the first nine months of 2015 were 6 percent above normal compared to 3 percent below normal during the same period in 2014.

Partially offset by:

- a \$48 million decrease in franchise tax revenue due to the North Carolina Tax Simplification and Rate Reduction Act, which terminated the collection of North Carolina gross receipts tax effective July 1, 2014.

Operating Expenses. The variance was driven primarily by:

- a \$29 million increase in fuel expense (including purchased power) primarily due to the acquisition of NCEMPA's ownership interests in certain generating assets on July 31, 2015, and increased retail volumes primarily due to weather, partially offset by an expense in the prior year mainly related to the disallowance of certain replacement power costs;
- a \$21 million increase in depreciation and amortization expenses primarily due to higher depreciation as a result of additional plant in service; and
- an \$18 million prior-year reversal of an impairment. These charges related to planned transmission projects for which recovery is not expected, and certain costs associated with mitigation sales pursuant to merger settlement agreements with the FERC.

Partially offset by:

- a \$48 million decrease in property and other taxes primarily due to the termination of the collection of the North Carolina gross receipts tax as mentioned above; and
- an \$8 million decrease in operations and maintenance expenses, primarily due to lower storm restoration costs and a favorable pension expense adjustment recorded in 2015, partially offset by higher nuclear refueling outage costs, net of the impacts of levelization, due to three refueling outages in 2015 compared to one outage during the same period in 2014.

Other Income and Expenses, net. The variance is due to higher AFUDC equity, primarily due to nuclear plant expenditures.

Income Tax Expense. The variance was primarily due to an increase in pretax income. The effective tax rate for the nine months ended September 30, 2015 and 2014 was 35.3 percent and 36.6 percent, respectively. The decrease in the effective tax rate was primarily due to a reduction of the North Carolina statutory corporate state income tax rate.

Matters Impacting Future Results

Duke Energy Progress is a party to multiple lawsuits and subject to fines and other penalties related to the Dan River coal ash release and operations at other North Carolina facilities with ash basins. The outcome of these lawsuits, fines and penalties could have an adverse impact to Duke Energy Progress' financial position, results of operations and cash flows. See Note 5 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

An order from regulatory authorities disallowing recovery of costs related to closure of ash basins could have an adverse impact to Duke Energy Progress' financial position, results of operations and cash flows. See Note 5 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

On October 23, 2015, the EPA published in the Federal Register the CPP rule for regulating CO₂ emissions from existing fossil fuel-fired EGUs. The CPP establishes CO₂ emission rates and mass cap goals that apply to fossil fuel-fired generation. Under the CPP, states are required to develop and submit a final compliance plan, or an initial plan with an extension request, to the EPA by September 6, 2016, or no later than September 2, 2018 with an approved extension. These state plans are subject to EPA approval, with a federal plan applied to states that fail to submit a plan to the EPA or if a state plan is not approved. Legal challenges to the CPP have been filed by stakeholders and motions to stay the requirements of the rule pending the outcome of the litigation have also been filed. Final resolution of these legal challenges could take several years. Compliance with CPP could cause the industry to replace coal generation with natural gas and renewables, especially in states that have significant CO₂ reduction targets under the rule. Costs to operate coal-fired generation plants continue to grow due to increasing environmental compliance requirements, including ash management costs unrelated to CPP, and this may result in the retirement of coal-fired generation plants earlier than the current useful lives. Duke Energy Progress continues to evaluate the need to retire generating facilities and plans to seek regulatory recovery, where appropriate, for amounts that have not been recovered upon asset retirements. However, recovery is subject to future regulatory approval, including the recovery of carrying costs on remaining book values, and therefore cannot be assured. In addition, Duke Energy Progress could incur increased fuel, purchased power, operation and maintenance, and other costs for replacement generation as a result of this rule. Duke Energy Progress cannot predict the outcome of these matters.

DUKE ENERGY FLORIDA

Management's Discussion and Analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes for the nine months ended September 30, 2015 and 2014 and the Annual Report on Form 10-K for the year ended December 31, 2014.

Results of Operations

(in millions)	Nine Months Ended September 30,		
	2015	2014	Variance
Operating Revenues	\$ 3,803	\$ 3,832	\$ (29)
Operating Expenses	2,904	2,959	(55)
Operating Income	899	873	26
Other Income and Expenses, net	12	17	(5)
Interest Expense	149	150	(1)
Income Before Income Taxes	762	740	22
Income Tax Expense	268	285	(17)
Net Income	\$ 494	\$ 455	\$ 39

The following table shows the percent changes in GWh sales and average number of customers. The below percentages for retail customer classes represent billed sales only. Wholesale power sales include both billed and unbilled sales. Total sales includes billed and unbilled retail sales, and wholesale sales to incorporated municipalities and to public and private utilities and power marketers. Amounts are not weather-normalized.

Increase (decrease) over prior period	2015
Residential sales	3.7 %
General service sales	1.2 %
Industrial sales	(0.1)%
Wholesale power sales	(3.7)%
Total sales	2.5 %
Average number of customers	1.5 %

Nine Months Ended September 30, 2015 as Compared to September 30, 2014

Operating Revenues. The variance was driven primarily by:

- a \$106 million decrease in the energy conservation cost recovery clause and environmental cost recovery clause revenues due to lower recovery rates and the nuclear cost recovery clause due to suspending Levy recovery.

Partially offset by:

- a \$21 million increase driven by favorable weather conditions. Cooling degree days for the nine months ended September 30, 2015, were 9 percent above normal compared to 1 percent below normal in the prior year;
- a \$21 million increase due to weather-normal sales volumes to residential customers;
- a \$20 million increase in fuel and capacity revenues driven by increased usage in the current year. Fuel revenues represent sales to retail and wholesale customers; and
- a \$17 million increase in wholesale power revenues primarily driven by increased capacity rates on contracts.

Operating Expenses. The variance was driven primarily by:

- a \$41 million decrease in depreciation and amortization expense due to reductions in amounts recovered through the nuclear cost recovery clause and the environmental cost recovery clause, partially offset by increased depreciation due to plant additions; and
- a \$28 million decrease in operations and maintenance expense primarily due to decreased expenses related to costs that were recoverable through the energy conservation clause.

Partially offset by:

- a \$10 million increase in fuel used in electric generation and purchase power related to recovery of prior year under-collections of fuel and increased purchased power, partially offset by lower fuel prices; and
- a \$5 million increase related to a \$15 million impairment charge as a result of a settlement reached on the value of the Crystal River Unit 3 retail regulatory asset in August 2015 offset by gains on the non-retail portion of certain fuel sales.

Income Tax Expense. The variance was primarily due to a decrease in the effective tax rate. The effective tax rate for the nine months ended September 30, 2015 and 2014 was 35.2 percent and 38.6 percent, respectively. The decrease in the effective tax rate was primarily due to a release of tax reserves due to expired tax statutes.

Matters Impacting Future Results

Duke Energy Florida has a pending proceeding with the FPSC for a financing order to securitize the Crystal River Unit 3 Regulatory asset with low-cost securities. If the FPSC issues an acceptable financing order and Duke Energy Florida issues the bonds, securitization would replace the base rate recovery methodology established in the 2013 Agreement described above and would result in a lower rate impact to customers. Securitization of the costs of the retired Crystal River Unit 3 Nuclear Plant would result in an initial acceleration of cash, followed by a reduction to Duke Energy Florida's future results of operations and ongoing cash flows as it would no longer earn an equity return on these costs. Under a previous settlement agreement with the FPSC, the allowed return on equity for Crystal River Unit 3 is limited to 70 percent of the approved return on equity, which is currently 10.5 percent. On October 15, 2015, the FPSC approved an agreement on all securitization-related issues and is expected to issue a final financing order in the fourth quarter of 2015. Duke Energy Florida cannot predict the outcome of this matter.

On October 23, 2015, the EPA published in the Federal Register the CPP rule for regulating CO₂ emissions from existing fossil fuel-fired EGUs. The CPP establishes CO₂ emission rates and mass cap goals that apply to fossil fuel-fired generation. Under the CPP, states are required to develop and submit a final compliance plan, or an initial plan with an extension request, to the EPA by September 6, 2016, or no later than September 2, 2018 with an approved extension. These state plans are subject to EPA approval, with a federal plan applied to states that fail to submit a plan to the EPA or if a state plan is not approved. Legal challenges to the CPP have been filed by stakeholders and motions to stay the requirements of the rule pending the outcome of the litigation have also been filed. Final resolution of these legal challenges could take several years. Compliance with CPP could cause the industry to replace coal generation with natural gas and renewables, especially in states that have significant CO₂ reduction targets under the rule. Costs to operate coal-fired generation plants continue to grow due to increasing environmental compliance requirements, including ash management costs unrelated to CPP, and this may result in the retirement of coal-fired generation plants earlier than the current useful lives. Duke Energy Florida continues to evaluate the need to retire generating facilities and plans to seek regulatory recovery, where appropriate, for amounts that have not been recovered upon asset retirements. However, recovery is subject to future regulatory approval, including the recovery of carrying costs on remaining book values, and therefore cannot be assured. In addition, Duke Energy Florida could incur increased fuel, purchased power, operation and maintenance, and other costs for replacement generation as a result of this rule. Duke Energy Florida cannot predict the outcome of these matters.

DUKE ENERGY OHIO

Management's Discussion and Analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes for the nine months ended September 30, 2015 and 2014 and the Annual Report on Form 10-K for the year ended December 31, 2014.

Results of Operations

(in millions)	Nine Months Ended September 30,		
	2015	2014	Variance
Operating Revenues	\$ 1,453	\$ 1,433	\$ 20
Operating Expenses	1,231	1,322	(91)
Gains on Sales of Other Assets and Other, net	8	—	8
Operating Income	230	111	119
Other Income and Expenses, net	(2)	9	(11)
Interest Expense	58	60	(2)
Income from Continuing Operations Before Income Taxes	170	60	110
Income Tax Expense from Continuing Operations	64	21	43
Income from Continuing Operations	106	39	67
Income (Loss) from Discontinued Operations, net of tax	23	(597)	620
Net Income	\$ 129	\$ (558)	\$ 687

The following table shows the percent changes in Regulated Utilities' GWh sales and average number of customers. The below percentages for retail customer classes represent billed sales only. Total sales includes billed and unbilled retail sales, and wholesale sales to incorporated municipalities and to public and private utilities and power marketers. Amounts are not weather-normalized.

(Decrease) increase over prior year	2015
Residential sales	(0.5)%
General service sales	0.1 %
Industrial sales	0.1 %
Wholesale power sales	314.5 %
Total sales	5.0 %
Average number of customers	0.7 %

Nine Months Ended September 30, 2015 as Compared to September 30, 2014

Operating Revenues. The variance was driven primarily by:

- a \$25 million increase in Kentucky wholesale revenues primarily due to the purchase of the additional capacity in the East Bend Station in December 2014, the profits from which are shared with Duke Energy Kentucky retail customers;
- a \$19 million increase in regulated natural gas rate riders primarily due to rate increases;
- a \$13 million increase in electric rate riders, excluding Ohio Energy Efficiency, due to rate increases and 2014 true-ups; and
- a \$6 million increase in PJM transmission revenues.

Partially offset by:

- A \$30 million decrease in fuel revenues primarily driven by lower electric fuel and natural gas costs offset by increased sales volume; and
- A \$28 million decrease due to an unfavorable Ohio Energy Efficiency regulatory order.

Operating Expenses. The variance was driven primarily by a \$94 million impairment taken in 2014 related to OVEC.

Other Income and Expense, net. The variance is primarily driven by an accrual for the contribution to economic development programs in Ohio and lower interest income due to a 2014 favorable tax adjustment related to a federal tax audit settlement.

Income Tax Expense. The variance was primarily due to an increase in pretax income. The effective tax rate for the nine months ended September 30, 2015 and 2014 was 37.6 percent and 34.9 percent, respectively. The increase in the effective tax rate was primarily due to the tax benefit related to the manufacturing deduction in 2014.

Discontinued Operations, Net of Tax. The variance was primarily driven by the 2014 impairment and unrealized mark-to-market losses on economic hedges for the Disposal Group and favorable operating results in 2015, partially offset by a litigation reserve recorded in 2015, as discussed in Note 5, "Commitments and Contingencies," to the Condensed Consolidated Financial Statements. Operating results in 2015 were favorable primarily due to higher PJM capacity revenues related to higher average cleared capacity auction pricing, increased generation margins and lower depreciation expense. Included in the variance is the impact of ceasing depreciation on the assets of the Disposal Group beginning in the second quarter of 2014. The foregone depreciation for the nine months ended September 30, 2015, and September 30, 2014, was approximately \$40 million and \$82 million, respectively.

Matters Impacting Future Results

In 2013, a FERC ALJ issued an initial decision that Duke Energy Ohio is responsible for costs associated with certain MVP costs, a type of MTEP cost, approved by MISO prior to the date of Duke Energy Ohio's withdrawal. On October 29, 2015, the FERC issued an order reversing the ALJ's decision. FERC ruled that Duke Energy Ohio has no liability for MVP costs after its withdrawal from MISO. MISO has 30 days from the date of the order in which to file a request for rehearing with FERC. If the FERC decision were appealed and Duke Energy Ohio is deemed responsible for these costs, and if the regulatory commissions disallow recovery of these costs, there would be an adverse impact to Duke Energy Ohio's financial position, results of operations and cash flows. See Note 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

Duke Energy Ohio's nonregulated Beckjord Station, a facility retired during 2014, is not subject to the recently enacted EPA rule related to the disposal of CCR from electric utilities. However, if costs are incurred as a result of environmental regulations or to mitigate risk associated with coal ash, the costs could have an adverse impact on Duke Energy Ohio's financial position, results of operations and cash flows. See Note 5, "Commitments and Contingencies," to the Condensed Consolidated Financial Statements for additional information.

On October 23, 2015, the EPA published in the Federal Register the CPP rule for regulating CO₂ emissions from existing fossil fuel-fired EGUs. The CPP establishes CO₂ emission rates and mass cap goals that apply to fossil fuel-fired generation. Under the CPP, states are required to develop and submit a final compliance plan, or an initial plan with an extension request, to the EPA by September 6, 2016, or no later than September 2, 2018 with an approved extension. These state plans are subject to EPA approval, with a federal plan applied to states that fail to submit a plan to the EPA or if a state plan is not approved. Legal challenges to the CPP have been filed by stakeholders and motions to stay the requirements of the rule pending the outcome of the litigation have also been filed. Final resolution of these legal challenges could take several years. Compliance with CPP could cause the industry to replace coal generation with natural gas and renewables, especially in states that have significant CO₂ reduction targets under the rule. Costs to operate coal-fired generation plants continue to grow due to increasing environmental compliance requirements, including ash management costs unrelated to CPP, and this may result in the retirement of coal-fired generation plants earlier than the current useful lives. Duke Energy Ohio continues to evaluate the need to retire generating facilities and plans to seek regulatory recovery, where appropriate, for amounts that have not been recovered upon asset retirements. However, recovery is subject to future regulatory approval, including the recovery of carrying costs on remaining book values, and therefore cannot be assured. In addition, Duke Energy Ohio could incur increased fuel, purchased power, operation and maintenance, and other costs for replacement generation as a result of this rule. Duke Energy Ohio cannot predict the outcome of these matters.

DUKE ENERGY INDIANA

Management's Discussion and Analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes for the nine months ended September 30, 2015 and 2014 and the Annual Report on Form 10-K for the year ended December 31, 2014.

Results of Operations

(in millions)	Nine Months Ended September 30,		
	2015	2014	Variance
Operating Revenues	\$ 2,223	\$ 2,383	\$ (160)
Operating Expenses	1,750	1,808	(58)
Operating Income	473	575	(102)
Other Income and Expenses, net	9	16	(7)
Interest Expense	132	127	5
Income Before Income Taxes	350	464	(114)
Income Tax Expense	128	163	(35)
Net Income	\$ 222	\$ 301	\$ (79)

The following table shows the percent changes in GWh sales and average number of customers. The below percentages for retail customer classes represent billed sales only. Total sales includes billed and unbilled retail sales, and wholesale sales to incorporated municipalities and to public and private utilities and power marketers. Amounts are not weather-normalized.

(Decrease) increase over prior year	2015
Residential sales	(2.2)%
General service sales	— %
Industrial sales	(1.0)%
Wholesale power sales	(10.2)%
Total sales	(1.3)%
Average number of customers	0.8 %

Nine Months Ended September 30, 2015 as Compared to September 30, 2014

Operating Revenues. The variance was driven primarily by a \$160 million decrease in fuel revenues primarily due to a decrease in fuel rates as a result of lower fuel and purchased power costs.

Operating Expenses. The variance was driven primarily by:

- a \$166 million decrease in fuel used in electric generation and purchased power primarily due to lower fuel prices; and
- a \$28 million decrease in property and other taxes, primarily as a result of lower sales and use tax.

Partially offset by:

- an \$85 million impairment charge related to the September 2015 Edwardsport IGCC settlement. See Note 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information;
- a \$40 million increase in operations and maintenance expense primarily due to timing and increased scope of outage work at generation plants; and
- an \$11 million increase in depreciation and amortization expense primarily due to higher depreciation as a result of additional plant in service.

Income Tax Expense. The variance was primarily due to a decrease in pretax income. The effective tax rate for the nine months ended September 30, 2015 and 2014 was 36.6 percent and 35.2 percent, respectively. The increase in the effective tax rate was primarily due to a prior period audit settlement in 2014, partially offset by a reduction in the Indiana statutory corporate state income tax rate.

Matters Impacting Future Results

Duke Energy Indiana is evaluating converting Wabash River Unit 6 to a natural gas-fired unit or retiring the unit earlier than its current estimated useful life. If Duke Energy Indiana elects early retirement of the unit, recovery of remaining book values and associated carrying costs totaling approximately \$40 million could be subject to future regulatory approvals and therefore cannot be assured.

On April 17, 2015, the EPA published in the Federal Register a rule to regulate the disposal of CCR from electric utilities as solid waste. Duke Energy Indiana has interpreted the rule to identify the coal ash basin sites impacted and has assessed the amounts of coal ash subject to the rule and a method of compliance. Duke Energy Indiana's interpretation of the requirements of the CCR rule, which becomes effective in October 2015, is subject to potential legal challenges and further regulatory approvals, which could result in additional ash basin closure requirements, higher costs of compliance and greater asset retirement obligations. An order from regulatory authorities disallowing recovery of costs related to closure of ash basins could have an adverse impact to the Duke Energy Indiana's financial position, results of operations and cash flows. See Note 5 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

In September 2015, Duke Energy Indiana entered into a settlement agreement with multiple parties that will resolve all disputes, claims and issues from the IURC proceedings regarding the Edwardsport IGCC generating facility. Pursuant to the terms of the agreement, Duke Energy Indiana recognized an impairment and related charges of \$90 million. Additionally, the settlement agreement stipulates the recovery of the remaining regulatory asset over an eight-year period and confirms the conclusion that the in-service date for accounting and ratemaking purposes will remain June 7, 2013. The settlement agreement will also impose a cost cap for recoverable operations and maintenance retail costs of \$73 million in 2016 and \$77 million in 2017 as well as a cost cap for ongoing capital expenditures through 2017. The settlement is subject to IURC approval and, if approved, would resolve and close a number of outstanding issues pending before the IURC related to post commercial operating performance and recovery of ongoing operating and capital costs at Edwardsport. If the settlement is not approved, outstanding issues before the IURC related to Edwardsport would resume, the ultimate resolution of which could have an adverse impact on Duke Energy Indiana's financial position, results of operations and cash flows. In addition, the inability to manage operating and capital costs under caps imposed under the settlement could have an adverse impact on Duke Energy Indiana's financial position, results of operations and cash flows. See Note 4 to the Consolidated Financial Statements, "Regulatory Matters," for additional information.

On October 23, 2015, the EPA published in the Federal Register the CPP rule for regulating CO₂ emissions from existing fossil fuel-fired EGUs. The CPP establishes CO₂ emission rates and mass cap goals that apply to fossil fuel-fired generation. Under the CPP, states are required to develop and submit a final compliance plan, or an initial plan with an extension request, to the EPA by September 6, 2016, or no later than September 2, 2018 with an approved extension. These state plans are subject to EPA approval, with a federal plan applied to states that fail to submit a plan to the EPA or if a state plan is not approved. Legal challenges to the CPP have been filed by stakeholders and motions to stay the requirements of the rule pending the outcome of the litigation have also been filed. Final resolution of these legal challenges could take several years. Compliance with CPP could cause the industry to replace coal generation with natural gas and renewables, especially in states that have significant CO₂ reduction targets under the rule. Costs to operate coal-fired generation plants continue to grow due to increasing environmental compliance requirements, including ash management costs unrelated to CPP, and this may result in the retirement of coal-fired generation plants earlier than the current useful lives. Duke Energy Indiana continues to evaluate the need to retire generating facilities and plans to seek regulatory recovery, where appropriate, for amounts that have not been recovered upon asset retirements. However, recovery is subject to future regulatory approval, including the recovery of carrying costs on remaining book values, and therefore cannot be assured. In addition, Duke Energy Indiana could incur increased fuel, purchased power, operation and maintenance, and other costs for replacement generation as a result of this rule. Duke Energy Indiana cannot predict the outcome of these matters.

LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Cash

Duke Energy relies primarily upon cash flows from operations, debt issuances and its existing cash and cash equivalents to fund its domestic liquidity and capital requirements. Duke Energy's capital requirements arise primarily from capital and investment expenditures, repaying long-term debt and paying dividends to shareholders. See Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2014 for a summary of primary sources and uses of cash for 2015-2017 and a more detailed discussion of each.

The Subsidiary Registrants generally maintain minimal cash balances and use short-term borrowings to meet their working capital needs and other cash requirements. The Subsidiary Registrants, excluding Progress Energy (Parent), support their short-term borrowing needs through participation with Duke Energy and certain of its other subsidiaries in a money pool arrangement. The companies with short-term funds may provide short-term loans to affiliates participating under this arrangement.

Duke Energy and the Subsidiary Registrants, excluding Progress Energy (Parent), may also use short-term debt, including commercial paper and the money pool, as a bridge to long-term debt financings. The levels of borrowing may vary significantly over the course of the year due to the timing of long-term debt financings and the impact of fluctuations in cash flows from operations. Duke Energy's current liabilities may at times exceed current assets resulting from the use of short-term debt as a funding source to meet scheduled maturities of long-term debt, as well as cash needs, which can fluctuate due to the seasonality of its business.

Credit Facility and Registration Statements

Master Credit Facility Summary

Duke Energy has a Master Credit Facility with a capacity of \$7.5 billion through January 2020. The Duke Energy Registrants, excluding Progress Energy (Parent), have borrowing capacity under the Master Credit Facility up to a specified sublimit for each borrower. Duke Energy has the unilateral ability at any time to increase or decrease the borrowing sublimits of each borrower, subject to a maximum sublimit for each borrower. The amount available under the Master Credit Facility has been reduced to backstop issuances of commercial paper, certain letters of credit, variable-rate demand tax-exempt bonds that may be put to the Duke Energy Registrants at the option of the holder and as security to meet obligations under the Plea Agreements. The table below includes the current borrowing sublimits and available capacity under the Master Credit Facility.

	September 30, 2015							
(in millions)	Duke Energy	Duke Energy (Parent)	Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	
Facility size ^(a)	\$ 7,500	\$ 3,300	\$ 800	\$ 1,300	\$ 1,200	\$ 400	\$ 500	
Reduction to backstop issuances								
Commercial paper ^(b)	(1,793)	(1,318)	(300)	—	—	(25)	(150)	
Outstanding letters of credit	(72)	(64)	(4)	(3)	(1)	—	—	
Tax-exempt bonds	(116)	—	(35)	—	—	—	(81)	
Coal ash set-aside ^(c)	(500)	—	(250)	(250)	—	—	—	
Available capacity	\$ 5,019	\$ 1,918	\$ 211	\$ 1,047	\$ 1,199	\$ 375	\$ 269	

(a) Represents the sublimit of each borrower.

(b) Duke Energy issued \$475 million of commercial paper and loaned the proceeds through the money pool to Duke Energy Carolinas, Duke Energy Ohio and Duke Energy Indiana. The balances are classified as Long-Term Debt Payable to Affiliated Companies in the Condensed Consolidated Balance Sheets.

(c) On May 14, 2015, the United States District Court for the Eastern District of North Carolina approved the separate Plea Agreements entered into by Duke Energy Carolinas, Duke Energy Progress and Duke Energy Business Services LLC (DEBS), a wholly owned subsidiary of Duke Energy in connection with the investigation initiated by the USDOJ. Duke Energy Carolinas and Duke Energy Progress are required to each maintain \$250 million of available capacity under the Master Credit Facility as security to meet their obligations under the Plea Agreements, in addition to certain other conditions. See Note 5 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

PremierNotes

Duke Energy has an effective Form S-3 with the Securities and Exchange Commission (SEC) to sell up to \$3 billion of variable denomination floating-rate demand notes, called PremierNotes. The Form S-3 states that no more than \$1.5 billion of the notes will be outstanding at any particular time. The notes are offered on a continuous basis and bear interest at a floating rate per annum determined by the Duke Energy PremierNotes Committee, or its designee, on a weekly basis. The interest rate payable on notes held by an investor may vary based on the principal amount of the investment. The notes have no stated maturity date, are non-transferable and may be redeemed in whole or in part by Duke Energy or at the investor's option at any time. The balance as of September 30, 2015 and December 31, 2014 was \$1,101 million and \$968 million, respectively. The notes are short-term debt obligations of Duke Energy and are classified within Notes payable and commercial paper on Duke Energy's Condensed Consolidated Balance Sheets.

Shelf Registration

In September 2013, Duke Energy filed a Form S-3 with the SEC. Under this Form S-3, which is uncapped, the Duke Energy Registrants, excluding Progress Energy, may issue debt and other securities in the future at amounts, prices and with terms to be determined at the time of future offerings. The registration statement also allows for the issuance of common stock by Duke Energy.

DEBT MATURITIES

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

(in millions)	Maturity Date	Interest Rate	September 30, 2015
Unsecured Debt			
Progress Energy (Parent)	January 2016	5.625%	300
Duke Energy Indiana	June 2016	6.05%	325
First Mortgage Bonds			
Duke Energy Carolinas	October 2015	5.300%	500
Duke Energy Florida	November 2015	0.650%	250
Duke Energy Florida	December 2015	5.100%	300
Duke Energy Progress	December 2015	5.250%	400
Duke Energy Indiana	July 2016	0.636%	150
Other			311
Current maturities of long-term debt			\$ 2,536

CASH FLOWS FROM OPERATING ACTIVITIES

The relatively stable operating cash flows of Regulated Utilities compose a substantial portion of Duke Energy's cash flows from operations. Regulated Utilities' cash flows from operations are primarily driven by sales of electricity and natural gas and costs of operations. Weather conditions, commodity price fluctuations and unanticipated expenses, including unplanned plant outages, storms and legal costs and related settlements, can affect the timing and level of cash flows from operations.

Cash flows from operations are subject to a number of other factors, including but not limited to regulatory constraints, economic trends and market volatility (see "Item 1A. Risk Factors," in the Duke Energy Registrants' Annual Report on Form 10-K for the year ended December 31, 2014 for additional information).

At September 30, 2015, Duke Energy had cash and cash equivalents of \$1.4 billion, of which \$710 million is held by entities domiciled in foreign jurisdictions. In December 2014, Duke Energy declared a taxable dividend of historical foreign earnings in the form of notes payable to repatriate approximately \$2.7 billion of cash held and expected to be generated by International Energy over a period of up to eight years. In June 2015, approximately \$1.2 billion was remitted. The remaining amount will be remitted by 2022. The remittances will principally be used to support Duke Energy's dividend and growth in the domestic business. Duke Energy recorded U.S. income tax expense as a result of the 2014 decision to repatriate all cumulative historic undistributed foreign earnings. Duke Energy's intention is to indefinitely reinvest prospective undistributed earnings generated by Duke Energy's foreign subsidiaries. As a result, no U.S. tax is recorded on such prospective earnings. Duke Energy would be required to accrue taxes on these foreign earnings if they were to be repatriated. As of September 30, 2015, the amount of unrecognized deferred tax liability related to undistributed earnings was not material.

Restrictive Debt Covenants

The Duke Energy Registrants' debt and credit agreements contain various financial and other covenants. The Master Credit Facility contains a covenant requiring the debt-to-total capitalization ratio to not exceed 65 percent for each borrower. Failure to meet those covenants beyond applicable grace periods could result in accelerated due dates and/or termination of the agreements. As of September 30, 2015, each of the Duke Energy Registrants was in compliance with all covenants related to their significant debt agreements. In addition, some credit agreements may allow for acceleration of payments or termination of the agreements due to nonpayment, or the acceleration of other significant indebtedness of the borrower or some of its subsidiaries. None of the significant debt or credit agreements contain material adverse change clauses.

Credit Ratings

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

The Duke Energy Registrants each hold credit ratings by Fitch Ratings, Inc. (Fitch), Moody's Investors Service, Inc. (Moody's) and Standard & Poor's Rating Services (S&P). In April 2015, S&P upgraded Duke Energy's and Progress Energy's corporate credit rating to A- from BBB+ and their unsecured credit rating to BBB+ from BBB. The unsecured credit ratings of the other Subsidiary Registrants were upgraded to A- from BBB+. In June 2015, Moody's placed Duke Energy, Progress Energy and Duke Energy Progress on negative outlook from stable. In June 2015, Fitch upgraded Duke Energy Carolinas' issuer default rating to A from A-, its unsecured credit rating to A+ from A and its secured credit rating to AA- from A+. Fitch also placed Duke Energy Indiana on positive outlook from stable.

Subsequent to Duke Energy's announcement to acquire Piedmont, S&P placed the Duke Energy Registrants on negative outlook from stable. Fitch and Moody's placed the long-term ratings of Duke Energy on review for possible downgrade. Moody's also placed the long-term ratings of Progress Energy and Duke Energy Progress on review for possible downgrade. For further information related to the acquisition, see Note 2 to the Condensed Consolidated Financial Statements, "Acquisitions and Dispositions".

Cash Flow Information

The following table summarizes Duke Energy's cash flows.

(in millions)	Nine Months Ended September 30,	
	2015	2014
Cash flows provided by (used in):		
Operating activities	\$ 5,396	\$ 5,167
Investing activities	(3,291)	(3,734)
Financing activities	(2,771)	(1,003)
Net (decrease) increase in cash and cash equivalents	(666)	430
Cash and cash equivalents at beginning of period	2,036	1,501
Cash and cash equivalents at end of period	\$ 1,370	\$ 1,931

OPERATING CASH FLOWS

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

(in millions)	Nine Months Ended September 30,	
	2015	2014
Net income	\$ 2,349	\$ 1,789
Non-cash adjustments to net income	3,762	3,909
Contributions to qualified pension plans	(143)	—
Payments for asset retirement obligations	(208)	(52)
Working capital	(364)	(479)
Net cash provided by operating activities	\$ 5,396	\$ 5,167

The variance was driven primarily due to:

- a \$413 million increase in net income after non-cash adjustments, mainly due to higher PJM capacity prices and operating margins for the nonregulated Midwest generation business, higher BPM and wholesale origination results primarily due to increases in volume and capacity rates and new wholesale contract with NCEMPA, higher retail pricing and rate riders and favorable weather.

Partially offset by:

- a \$156 million increase in payments for asset retirement obligations and
- a \$143 million increase in contributions to qualified pension plans.

INVESTING CASH FLOWS

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

(in millions)	Nine Months Ended September 30,	
	2015	2014
Capital, investment and acquisition expenditures	\$ (6,168)	\$ (3,836)
Available for sale securities, net	20	21
Proceeds from sales of other assets	2,916	172
Other investing items	(59)	(91)
Net cash used in investing activities	\$ (3,291)	\$ (3,734)

The variance was primarily due to:

- a \$2,744 million increase in proceeds mainly due to sale of the nonregulated Midwest generation business to Dynegy.

Partially offset by:

- a \$2,332 million increase in capital, investment and acquisition expenditures mainly due to the acquisition of NCEMPA ownership interests in certain generating assets, fuel and spare parts inventory jointly owned with and operated by Duke Energy Progress and growth initiatives in electric and natural gas infrastructure, solar projects and natural-gas fired generation.

FINANCING CASH FLOWS

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

(in millions)	Nine Months Ended September 30,	
	2015	2014
Issuance of common stock related to employee benefit plans	\$ 16	\$ 24
Issuances (Redemptions) of long-term debt, net	516	(286)
Notes payable and commercial paper	(113)	941
Dividends paid	(1,685)	(1,670)
Repurchase of common shares	(1,500)	—
Other financing items	(5)	(12)
Net cash used in financing activities	\$ (2,771)	\$ (1,003)

The variance was due primarily to:

- a \$1,500 million increase in cash outflows due to the repurchase of 19.8 million common shares under the ASR; and
- a \$1,054 million decrease in proceeds from net issuances of notes payable and commercial paper, primarily due to the repayment of commercial paper. These cash outflows were primarily made with proceeds from the sale of the nonregulated Midwest generation business to Dynegy.

Partially offset by:

- a \$802 million increase in net issuances of long-term debt, primarily due to the timing of issuances and redemptions across years.

Summary of Significant Debt Issuances

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

Issuance Date	Maturity Date	Interest Rate	Nine Months Ended September 30,		
			Duke Energy	Duke Energy Carolinas	Duke Energy Progress
First Mortgage Bonds					
March 2015 ^(a)	June 2045	3.750%	\$ 500	\$ 500	—
August 2015 ^(b)	August 2025	3.250%	500	—	500
August 2015 ^(b)	August 2045	4.200%	700	—	700
Total issuances			\$ 1,700	\$ 500	\$ 1,200

(a) Proceeds were used to redeem \$500 million of first mortgage bonds due October 2015.

(b) Proceeds were used to repay short-term money pool and commercial paper borrowings issued to fund a portion of the NCEMPA acquisition. See Note 2 to the Condensed Consolidated Financial Statements, "Acquisitions and Dispositions," for further information. Additionally, proceeds will be used to refinance at maturity \$400 million of first mortgage bonds due December 2015.

OTHER MATTERS**Environmental Regulations**

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

The following sections outline various proposed and recently enacted regulations that may impact the Duke Energy Registrants. Refer to Note 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for further information regarding potential plant retirements and regulatory filings related to the Duke Energy Registrants.

Coal Combustion Residuals

On April 17, 2015, the EPA published in the Federal Register a rule to regulate the disposal of CCR from electric utilities as solid waste. The federal regulation, which became effective in October 2015, classifies CCR as nonhazardous waste under Subtitle D of the Resource Conservation and Recovery Act and allows for beneficial use of CCRs with some restrictions. The regulation applies to all new and existing landfills, new and existing surface impoundments receiving CCR and existing surface impoundments that are no longer receiving CCR but contain liquid located at stations currently generating electricity (regardless of fuel source). The rule establishes requirements regarding landfill design, structural integrity design and assessment criteria for surface impoundments, groundwater monitoring and protection procedures and other operational and reporting procedures to ensure the safe disposal and management of CCR. In addition to the requirements of the federal CCR regulation, CCR landfills and surface impoundments will continue to be independently regulated by most states. Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Ohio and Duke Energy Indiana recorded asset retirement obligation amounts during the second quarter of 2015. Cost recovery for future expenditures will be pursued through the normal ratemaking process with federal and state utility commissions, which permit recovery of necessary and prudently incurred costs associated with Duke Energy's regulated operations. For more information, see Note 7 to the Condensed Consolidated Financial Statements, "Asset Retirement Obligations."

Duke Energy Ohio's nonregulated Beckjord Station, a facility retired during 2014, is not subject to the recently enacted EPA rule related to the disposal of CCR from electric utilities. However, if costs are incurred as a result of environmental regulations or to mitigate risk associated with coal ash at the facility, the costs could have an adverse impact to Duke Energy Ohio's financial position, results of operations and cash flows.

Coal Ash Management Act of 2014

On September 20, 2014, the North Carolina Coal Ash Management Act (Coal Ash Act) became law and was amended on June 24, 2015, by the North Carolina Mountain Energy Act (Mountain Energy Act). The Coal Ash Act, as amended, (i) establishes a Coal Ash Management Commission (Coal Ash Commission) to oversee handling of coal ash within the state; (ii) prohibits construction of new and expansion of existing ash impoundments and use of existing impoundments at retired facilities; (iii) requires closure of ash impoundments at Duke Energy Progress' Asheville and Sutton plants and Duke Energy Carolinas' Riverbend and Dan River stations no later than August 1, 2019 (the Mountain Energy Act provides for the potential extension of closure of the Asheville impoundment until 2022); (iv) requires dry disposal of fly ash at active plants, excluding the Asheville Plant, not retired by December 31, 2018; (v) requires dry disposal of bottom ash at active plants, excluding the Asheville Plant, by December 31, 2019, or retirement of active plants; (vi) requires all remaining ash impoundments in North Carolina to be categorized as high-risk, intermediate-risk or low-risk no later than December 31, 2015 by the North Carolina Department of Environmental Quality (NCDEQ), formerly the North Carolina Department of Environment and Natural Resources, with the method of closure and timing to be based upon the assigned risk, with closure no later than December 31, 2029; (vii) establishes requirements to deal with groundwater and surface water impacts from impoundments; and (viii) increases the level of regulation for structural fills utilizing coal ash. The Coal Ash Act includes a variance procedure for compliance deadlines and modification of requirements regarding structural fills and compliance boundaries. Provisions of the Coal Ash Act prohibit cost recovery in customer rates for unlawful discharge of ash basin waters occurring after January 1, 2014. The Coal Ash Act leaves the decision on cost recovery determinations related to closure of coal combustion residual (CCR) surface impoundments (ash basins or impoundments) to the normal ratemaking processes before utility regulatory commissions. Duke Energy has and will periodically submit to NCDEQ site-specific coal ash impoundment closure plans or excavation plans in advance of closure plans. These plans and all associated permits must be approved by NCDEQ before any excavation or closure work can begin.

In September 2014, Duke Energy Carolinas executed a consent agreement with the South Carolina Department of Health and Environmental Control (SCDHEC) requiring the excavation of an inactive ash basin and ash fill area at the W.S. Lee Steam Station. As part of this agreement, in December 2014, Duke Energy Carolinas filed an ash removal plan and schedule with SCDHEC. In April 2015, the federal CCR rules were published and Duke Energy Carolinas subsequently executed an agreement with the conservation groups Upstate Forever and Save Our Saluda that requires Duke Energy Carolinas to remediate all active and inactive ash storage areas at the W.S. Lee Steam Station. Coal-fired generation at W.S. Lee ceased in 2014 and unit 3 was converted to natural gas in March 2015. In July 2015, Duke Energy Progress executed a consent agreement with the SCDHEC requiring the excavation of an inactive ash fill area at the Robinson Plant within eight years. The Robinson Plant and W.S. Lee Station sites are required to be closed pursuant to the recently issued CCR rule and the provisions of these consent agreements are consistent with the federal CCR closure requirements.

For further information, refer to Note 5 of the Condensed Consolidated Financial Statements, "Commitments and Contingencies."

Mercury and Air Toxics Standards

The final Mercury and Air Toxics Standards (MATS) rule was issued on February 16, 2012. The rule establishes emission limits for hazardous air pollutants from new and existing coal-fired and oil-fired steam electric generating units. The rule requires sources to comply with emission limits by April 16, 2015. Under the Clean Air Act (CAA), permitting authorities have the discretion to grant up to a one-year compliance extension, on a case-by-case basis, to sources that are unable to complete the installation of emission controls before the compliance deadline. The Duke Energy Registrants have requested and received compliance extensions for a number of plants. The rule requirements apply where a compliance extension was not received. Duke Energy Registrants are on track to meet the requirements. Strategies to achieve compliance include installation of new air emission control equipment, development of monitoring processes, fuel switching and acceleration of retirement for some coal-fired electric-generation units. For additional information, refer to Note 4 of the Condensed Consolidated Financial Statements, "Regulatory Matters," regarding potential plant retirements.

In April 2014, several petitions for review of the final rule were denied by the U.S. Court of Appeals for the District of Columbia (D.C. Circuit Court). On November 25, 2014, the Supreme Court granted a petition for review based on the issue of whether the EPA unreasonably refused to consider costs in determining whether it is appropriate and necessary to regulate hazardous air pollutants from coal-fired and oil-fired steam electric generating units. In June 2015, the Supreme Court reversed the D.C. Circuit Court's decision and remanded the case to the D.C. Circuit Court for further proceedings, finding that the EPA erred in refusing to consider costs when deciding whether it was appropriate and necessary to regulate emissions of hazardous air pollutants from steam electric generating units. Pending action by the D.C. Circuit Court, the rule remains in effect. The Duke Energy Registrants cannot predict the results of these proceedings.

Clean Water Act 316(b)

The EPA published the final 316(b) cooling water intake structure rule on August 15, 2014, with an effective date of October 14, 2014. The rule applies to 26 of the electric generating facilities the Duke Energy Registrants own and operate. The rule allows for several options to demonstrate compliance and provides flexibility to the state environmental permitting agencies to make determinations on controls, if any, that will be required for cooling water intake structures. Any required intake structure modifications and/or retrofits are expected to be installed in the 2019 to 2022 time frame. Petitions challenging the rule have been filed by several groups. It is unknown at this time when the courts will rule on the petitions.

Steam Electric Effluent Limitations Guidelines

On November 3, 2015, the final Steam Electric Effluent Limitations Guidelines (ELG) rule was published in the Federal Register. The rule establishes new requirements for wastewater streams associated with steam electric power generation and includes more stringent controls for any new coal plants that may be built in the future. Affected facilities must comply between 2018 and 2023, depending on timing of new Clean Water Act permits. Most, if not all, of the steam electric generating facilities the Duke Energy Registrants own are likely affected sources. The Duke Energy Registrants are well positioned to meet the requirements of the ELGs due to current efforts to convert to dry ash handling.

Estimated Cost and Impacts of Rulemakings

Duke Energy will incur capital expenditures to comply with the environmental regulations and rules discussed above. The following 5-year table provides estimated costs, excluding AFUDC, of new control equipment that may need to be installed on existing power plants primarily to comply with the Coal Ash Act requirements for conversion to dry disposal of bottom ash and fly ash, MATS, Clean Water Act 316(b) and ELGs, through December 31, 2019.

(in millions)	Estimated Cost
Duke Energy	\$ 1,450
Duke Energy Carolinas	550
Progress Energy	400
Duke Energy Progress	300
Duke Energy Florida	100
Duke Energy Ohio	100
Duke Energy Indiana	400

The table excludes ash basin closure costs recorded as Asset retirement obligations on the Condensed Consolidated Balance Sheets. For more information, see Note 7 to the Condensed Consolidated Financial Statements.

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

Cross-State Air Pollution Rule

On August 8, 2011, the final Cross-State Air Pollution Rule (CSAPR) was published in the Federal Register. The CSAPR established state-level annual sulfur dioxide (SO₂) budgets and annual and seasonal nitrogen oxide (NO_x) budgets that were to take effect on January 1, 2012.

On August 21, 2012, the D.C. Circuit Court vacated the CSAPR. The court also directed the EPA to continue administering the Clean Air Interstate Rule (CAIR), which required additional reductions in SO₂ and NO_x emissions beginning in 2015. On April 29, 2014, the U.S. Supreme Court (Supreme Court) reversed the D.C. Circuit Court's decision, finding that with CSAPR the EPA reasonably interpreted the good neighbor provision of the CAA. The case was remanded to the D.C. Circuit Court for further proceedings consistent with the Supreme Court's opinion. On October 23, 2014, the D.C. Circuit Court lifted the CSAPR stay, which allowed Phase 1 of the rule to take effect on January 1, 2015, terminating the CAIR. Where the CSAPR requirements are constraining, actions to meet the requirements could include purchasing emission allowances, power purchases, curtailing generation and utilizing low sulfur fuel. The CSAPR will not result in Duke Energy Registrants adding new emission controls.

Additional legal challenges to the CSAPR filed in 2012, not addressed by the D.C. Circuit Court decision to vacate the CSAPR, are still ongoing. Oral arguments were held February 25, 2015. On July 28, 2015, the court issued decisions finding certain Phase 1 and 2 emissions budgets invalid, which impact South Carolina, North Carolina and Florida. The court remanded the CSAPR to the EPA for reconsideration of the budgets in question. The Duke Energy Registrants cannot predict the outcome of these proceedings.

Carbon Pollution Standards for New, Modified and Reconstructed Power Plants

On October 23, 2015, the EPA published in the Federal Register rules establishing carbon dioxide (CO₂) emissions limits for new, modified and reconstructed power plants. The requirements for new plants do not apply to any facility that Duke Energy currently has in operation, but would apply to any plants that will be constructed going forward. The EPA set an emissions standard for coal units of 1,400 lbs. CO₂ per gross megawatt hour (MWh). While this limit is higher than the EPA's proposed standard of 1,100 lbs. per MWh, it would still require the application of partial carbon capture and storage (CCS) technology for a coal unit to be able to meet the limit. The final standard of 1,000 lbs. CO₂ per gross MWh for new natural gas combined-cycle units is the same as the proposed limit. Because utility-scale CCS is not currently a demonstrated and commercially available technology for coal-fired electric generating units, the final standards effectively bar the development of new coal-fired generation. The Duke Energy Registrants do not expect the impacts of the final standards will be material.

Clean Power Plan

On October 23, 2015, the EPA published in the Federal Register the Clean Power Plan (CPP) rule that regulates CO₂ emissions from existing fossil fuel-fired electric generating units (EGUs). The CPP establishes CO₂ emission rates and mass cap goals that apply to fossil fuel-fired generation. Under the CPP, states are required to develop and submit a final compliance plan, or an initial plan with an extension request, to the EPA by September 6, 2016. States that receive an extension must submit a final completed plan to the EPA by September 6, 2018. The EPA will review state plans within 12 months and approve or disapprove the plans. The CPP does not directly impose regulatory requirements on the Duke Energy Registrants. State implementation plans will include the regulatory requirements that will apply to the Duke Energy Registrants. The EPA also published a proposed federal plan for public comment. A federal plan would be applied to states that fail to submit a plan to EPA or where a state plan is not approved by the EPA. Comments on the proposed federal plan are due by January 21, 2016.

Legal challenges to the final CPP have been filed by stakeholders and motions to stay the requirements of the rule pending the outcome of the litigation have also been filed. Final resolution of these legal challenges could take several years. Compliance with CPP could cause the industry to replace coal generation with natural gas and renewables, especially in states with significant CO₂ reduction targets under the rule. Costs to operate coal-fired generation plants continue to grow due to increasing environmental compliance requirements, including ash management costs unrelated to CPP, and this may result in the retirement of coal-fired generation plants earlier than the current useful lives. The Duke Energy Registrants could incur increased fuel, purchased power, operation and maintenance, and other costs for replacement generation as a result of this rule. The Duke Energy Registrants cannot predict the outcome of these matters.

The Duke Energy Registrants cannot predict the outcome of these proceedings. The Duke Energy Registrants are studying the rule and working with states to identify the best approach for developing state plans and are unable to determine impacts of the rule until such plans are developed and approved by the EPA.

Global Climate Change

For other information on global climate change and the potential impacts on Duke Energy, see "Other Issues" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2014.

Nuclear Matters

For other information on nuclear matters and the potential impacts on Duke Energy, see "Other Issues" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2014.

New Accounting Standards

See Note 1 to the Condensed Consolidated Financial Statements, "Organization and Basis of Presentation," for a discussion of the impact of new accounting standards.

Off-Balance Sheet Arrangements

During the three and nine months ended September 30, 2015, there were no material changes to Duke Energy's off-balance sheet arrangements. For information on Duke Energy's off-balance sheet arrangements, see "Off-Balance Sheet Arrangements" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2014.

Contractual Obligations

Duke Energy enters into contracts that require payment of cash at certain specified periods, based on certain specified minimum quantities and prices. During the three and nine months ended September 30, 2015, there were no material changes in Duke Energy's contractual obligations. For an in-depth discussion of Duke Energy's contractual obligations, see "Contractual Obligations" and "Quantitative and Qualitative Disclosures about Market Risk" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2014.

Subsequent Events

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

During the three and nine months ended September 30, 2015, there were no material changes to Duke Energy's disclosures about market risk. For an in-depth discussion of Duke Energy's market risks, see "Management's Discussion and Analysis of Quantitative and Qualitative Disclosures about Market Risk" in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2014.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

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

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, the Duke Energy Registrants have evaluated the effectiveness of their disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2015, and, based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are effective in providing reasonable assurance of compliance.

Changes in Internal Control over Financial Reporting

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, the Duke Energy Registrants have evaluated changes in internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the fiscal quarter ended September 30, 2015 and have concluded no change has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

ITEM 1. LEGAL PROCEEDINGS

For information regarding legal proceedings that became reportable events or in which there were material developments in the third quarter of 2015, see Note 4 and Note 5 to the Condensed Consolidated Financial Statements, "Regulatory Matters" and "Commitments and Contingencies," respectively.

Virginia Department of Environmental Quality Civil Enforcement

In June 2015, the Virginia State Water Control Board voted to approve a consent order to resolve the civil enforcement claim of the Virginia Department of Environmental Quality (VDEQ) against Duke Energy Carolinas related to the February 2014 Dan River coal ash release. Pursuant to the terms of the \$2.5 million settlement, Duke Energy Carolinas is required to perform \$2.25 million of environmental projects that benefit Virginia communities and fund an additional \$250,000 for VDEQ to respond to environmental emergencies. Failure to perform sufficient environmental projects will require Duke Energy Carolinas to make a cash payment in the amount of the shortfall.

MTBE Litigation

On June 28, 2007, the New Jersey Department of Environmental Protection (NJDEP) filed suit against, among others, Duke Energy Merchants (DEM), alleging contamination of "waters of the state" by MTBE from leaking gasoline storage tanks. MTBE is a gasoline additive intended to increase the oxygen level in gasoline and make it burn cleaner. The case was removed to federal court and consolidated in an existing multi-district litigation docket of pending MTBE cases. DEM and NJDEP have reached an agreement in principle to settle the case for a payment by DEM of \$1.7 million. Such agreement is subject to the execution of a Consent Decree and approval of the Court.

DEM is also a defendant in a similar case filed by the Commonwealth of Pennsylvania on June 19, 2014. That case has also been moved to the consolidated multidistrict proceeding. Discovery in this case continues.

ITEM 1A. RISK FACTORS

Please see below updated risk factors affecting Duke Energy's business in addition to those presented in Part I, "Item 1A. Risk Factors" in the Duke Energy Registrants' Annual Report on Form 10-K for the year ended December 31, 2014, which could materially affect the Duke Energy Registrants' financial condition or future results. Except for the updates below, there have been no material changes in our assessment of our risk factors from those set forth in our Annual Report on Form 10-K for the year ended December 31, 2014.

Duke Energy may be unable to obtain the approvals required to complete its acquisition of Piedmont or, in order to do so, the combined company may be required to comply with material restrictions or conditions.

On October 26, 2015, Duke Energy announced the execution of a merger agreement with Piedmont. Before the acquisition may be completed, approval by the shareholders of Piedmont will have to be obtained. In addition, various filings must be made with various state utility, regulatory, antitrust and other authorities in the U.S. These governmental authorities may impose conditions on the completion, or require changes to the terms, of the transaction, including restrictions or conditions on the business, operations, or financial performance of the combined company following completion of the transaction. These conditions or changes could have the effect of delaying completion of the acquisition or imposing additional costs on or limiting the revenues of the combined company following the transaction, which could have a material adverse effect on the financial position, results of operations or cash flows of the combined company and/or cause either Duke Energy or Piedmont to abandon the transaction.

If completed, Duke Energy's acquisition of Piedmont may not achieve its intended results.

Duke Energy and Piedmont entered into the merger agreement with the expectation that the transaction would result in various benefits, including, among other things, being accretive to earnings and foundational to establishing a broader gas infrastructure business within Duke Energy. Achieving the anticipated benefits of the transaction is subject to a number of uncertainties, including whether the business of Piedmont is integrated in an efficient and effective manner. Failure to achieve these anticipated benefits could result in increased costs; decreases in the amount of expected revenues generated by the combined company and diversion of management's time and energy, all of which could have an adverse effect on the combined company's financial position, results of operations or cash flows.

Failure to complete the transaction with Piedmont could negatively impact Duke Energy's stock price and Duke Energy's future business and financial results.

If Duke Energy's acquisition of Piedmont is not completed, Duke Energy's ongoing business and financial results may be adversely affected and Duke Energy will be subject to a number of risks, including the following:

- Duke Energy may be required, under specified circumstances set forth in the Merger Agreement, to pay Piedmont a termination fee of \$250 million;
- Duke Energy will be required to pay costs relating to the transaction, including legal, accounting, financial advisory, filing and printing costs, whether or not the transaction is completed; and
- execution of Duke Energy's acquisition of Piedmont (including integration planning) may require substantial commitments of time and resources by our management, which could otherwise have been devoted to other opportunities that may have been beneficial to Duke Energy.

Duke Energy could also be subject to litigation related to any failure to complete our transaction with Piedmont. If the transaction is not completed, these risks may materialize and may adversely affect Duke Energy's financial position, results of operations or cash flows.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**ISSUER PURCHASES OF EQUITY SECURITIES**

On April 6, 2015, Duke Energy entered into agreements to repurchase a total of \$1.5 billion of Duke Energy common stock under an accelerated stock repurchase program. During the second quarter, Duke Energy repurchased and retired approximately 19.8 million shares for approximately \$1.5 billion to complete the transaction. See Note 14 for further information.

ITEM 6. EXHIBITS

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

Exhibit Number		Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
2.1	Agreement and Plan of Merger dated as of October 24, 2015 by and among Piedmont Natural Gas Company, Duke Energy Corporation, and Forest Subsidiary, Inc. (incorporated by reference to Exhibit 2.1 to Registrant's Current Report on Form 8-K filed on October 26, 2015, File No. 1-32853).	X						
4.1	Eighty-fifth Supplemental Indenture, dated as of August 1, 2015, (incorporated by reference to Exhibit 4.1 to Duke Energy Progress, LLC's Current Report on Form 8-K filed on August 13, 2015, File No. 001-3382).				X			
*12	Computation of Ratio of Earnings to Fixed Charges – DUKE ENERGY CORPORATION	X						
*31.1.1	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X						
*31.1.2	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.		X					
*31.1.3	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			X				
*31.1.4	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X			
*31.1.5	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X		
*31.1.6	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.						X	
*31.1.7	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.							X
*31.2.1	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X						
*31.2.2	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.		X					
*31.2.3	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			X				
*31.2.4	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X			
*31.2.5	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X		
*31.2.6	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.						X	
*31.2.7	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.							X
*32.1.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X						
*32.1.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.		X					

*32.1.3	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.							X
*32.1.4	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.						X	
*32.1.5	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.						X	
*32.1.6	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.						X	
*32.1.7	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.							X
*32.2.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X						
*32.2.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.		X					
*32.2.3	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			X				
*32.2.4	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X			
*32.2.5	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X		
*32.2.6	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.						X	
*32.2.7	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.							X
*101.INS	XBRL Instance Document	X	X	X	X	X	X	X
*101.SCH	XBRL Taxonomy Extension Schema Document	X	X	X	X	X	X	X
*101.CAL	XBRL Taxonomy Calculation Linkbase Document	X	X	X	X	X	X	X
*101.LAB	XBRL Taxonomy Label Linkbase Document	X	X	X	X	X	X	X
*101.PRE	XBRL Taxonomy Presentation Linkbase Document	X	X	X	X	X	X	X
*101.DEF	XBRL Taxonomy Definition Linkbase Document	X	X	X	X	X	X	X

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

SIGNATURES

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

DUKE ENERGY CORPORATION
DUKE ENERGY CAROLINAS, LLC
PROGRESS ENERGY, INC.
DUKE ENERGY PROGRESS, LLC
DUKE ENERGY FLORIDA, LLC
DUKE ENERGY OHIO, INC.
DUKE ENERGY INDIANA, INC.

Date: November 5, 2015

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

Date: November 5, 2015

/s/ BRIAN D. SAVOY

Brian D. Savoy
Senior Vice President, Chief Accounting Officer and
Controller

EXHIBIT E

Duke Energy Acquisition of Piedmont Natural Gas Company

Cost-Benefit Analysis

Page 1

INTRODUCTION

The following cost-benefit analysis was developed in relation to Duke Energy's pending merger with Piedmont Natural Gas Company. The analysis documents the expected benefits, detriments, costs and savings associated with the purchase.

ASSUMPTIONS

The following assumptions were used when developing the cost-benefit analysis:

The analysis identifies future expected benefits, detriments, costs and savings associated with the merger and is subject to change as a result of changes in economic conditions, regulatory orders, management decisions and/or operating conditions that were not known at the time this analysis was developed.

Estimates reflected herein were developed as of December 2015.

The analysis captures incremental benefits and costs resulting from the merger and includes both qualitative and quantitative benefits.

The analysis does not include federal and state income tax ramifications of the transaction.

Duke Energy Acquisition of Piedmont Natural Gas Company

Cost-Benefit Analysis

Page 2

SUMMARY OF PRESENTLY QUANTIFIABLE CUSTOMER COSTS AND BENEFITS

The following table provides a summary of the anticipated quantifiable costs and benefits applicable to customers with respect to the proposed transaction which have been identified at this time. The integration process currently underway between Piedmont and Duke Energy is anticipated to yield additional economic benefits to customers which have not yet been quantified. Additional on-going, but currently non-quantifiable, customer benefits are discussed in the pages that follow. Customers will not bear any acquisition premium or transaction costs associated with this merger, which shall be paid exclusively by shareholders.

Quantified Benefits

1. Piedmont Board Of Directors costs - \$2.1 million annually
2. CEO compensation costs - \$3.0 million annually
3. Outside counsel costs - \$0.4 million annually
4. Outside auditor costs - \$1.0 million annually
5. Transfer agent costs - \$0.55 million annually
6. Insurance costs - \$2.3 million annually
7. Stock listing fee - \$0.1 annually

Total Presently Quantifiable Benefits = \$9.45 million annually

Integration Costs

1. Integration consultant costs - \$4.75 million, one-time

Total Presently Quantifiable Costs = \$4.75 million, one-time

Duke Energy Acquisition of Piedmont Natural Gas Company

Cost-Benefit Analysis

COMPREHENSIVE IDENTIFICATION OF ALL ANTICIPATED MERGER COSTS AND BENEFITS¹

ITEM	DESCRIPTION	(BENEFIT) / DETRIMENT
BENEFITS FROM THE MERGER - Merging Piedmont into the family of Duke Energy subsidiaries will create an organization with greater financial strength, greater diversity of resources, reduced economic risks for customers and improved operational efficiencies.		
Increased Financial Strength	The combination of the two companies will increase and strengthen Piedmont's ability to access, on reasonable terms, the capital needed to expand service to new customers and to meet its obligations under federal integrity management regulations.	<p>On-going benefit</p> <p style="text-align: center;"><u>Quantification of Benefit</u></p> <p>The amount of these benefits to accrue to Duke Energy and Piedmont customers will depend upon numerous factors, including, but not limited to, conditions in the financial markets, and cannot reasonably be quantified at this time.</p>
Reduced Market Risk	The merger will produce a combined gas/electric customer mix that is more tolerant of economic downturns than either individual company. The combined customers from both companies will have greater rate protection since both will become a part of a larger aggregate customer population with shared costs.	<p>On-going benefit</p> <p style="text-align: center;"><u>Quantification of Benefit</u></p> <p>This benefit is not readily quantifiable but will accrue to Duke Energy and Piedmont customers.</p>
System Reliability and Efficiencies	The merger will provide additional opportunities to enhance the combined Duke Energy's experience and skills in the increasingly important areas of natural gas procurement, transportation and pipeline construction. Additionally, it will enhance customer service, and the safety and reliability of service provided by both companies. Finally, it will potentially enhance long-term planning and coordination of construction of natural gas infrastructure serving all customers (including power plants).	<p>On-going benefit</p> <p style="text-align: center;"><u>Quantification of Benefit</u></p> <p>This benefit will accrue to the benefit of Duke Energy and Piedmont customers, but is not readily quantifiable at this time and depends on effective implementation of measures designed to realize the potential efficiencies and enhanced reliability offered by the merger.</p>

¹ Including quantifiable customer costs and benefits from the table above.

**Duke Energy Acquisition of Piedmont Natural Gas Company
Cost-Benefit Analysis**

Page 4

ITEM	DESCRIPTION	(BENEFIT) / DETRIMENT
Impact on Access to Upstream Gas Supply and Capacity	The proposed merger will also create the potential to enhance the procurement of additional upstream interstate pipeline capacity on a more efficient basis in order to meet the combined needs of Duke Energy's electric and natural gas customers as well as Piedmont's natural gas customers.	<p>On-going Benefit</p> <p style="text-align: center;"><u>Quantification of Benefit</u></p> <p>This benefit is not quantifiable at this time but to the extent it is realized, the customers of Duke Energy and Piedmont will be the primary beneficiaries through lower upstream demand/fuel costs.</p>

Duke Energy Acquisition of Piedmont Natural Gas Company Cost-Benefit Analysis

ITEM	DESCRIPTION	(BENEFIT) / DETRIMENT
Utility Governance and Operations	<p>Duke Energy and Piedmont are in the early stages of examining the potential benefits of the integration of Piedmont into the Duke Energy family of companies. Both Duke Energy and Piedmont are experienced utility providers and have duplicative systems and practices that have the potential to be synchronized and optimized in a post-merger environment. Such synchronization and optimization should result in both qualitative and quantitative benefits to customers by improving the provision of services by both companies and by reducing costs associated with more efficient operations. The merger also presents the opportunity to consolidate systems and processes between Piedmont and Duke Energy's existing LDC operations in Ohio and Kentucky which should also result in operational best practices and economic efficiencies.</p> <p>Duke Energy has in place the corporate and administrative functions necessary to support many of the functions now performed by Piedmont. These functions include, but are not limited to, strategic planning, treasury, finance, tax, accounting, legal, investor relations, human resources, information technology and public relations. Duke Energy believes that the incremental costs of absorbing these redundant activities will be significantly less than the cost of Piedmont providing these services on a stand-alone basis.</p> <p>In addition, the integration of certain programs will provide economies of scale in areas such as shareholder services, fleet management, travel programs, supply chain, facilities management, security, insurance, advertising, professional services, payroll and benefits plan administration, and credit facilities, among others. Also, future operational expenditures in the area of information systems, which each company would otherwise make on a standalone basis, should be combined and more efficiently applied to a larger customer base.</p>	<p>On-going benefit</p> <p style="text-align: center;"><u>Quantification of Benefit</u></p> <p>Anticipated Piedmont savings identified to date of \$9.45 million include:</p> <ol style="list-style-type: none"> 1. Board Of Directors costs - \$2.1 million annually 2. CEO compensation costs - \$3.0 million annually 3. Outside counsel costs - \$0.4 million annually 4. Outside auditor costs - \$1.0 million annually 5. Transfer agent costs - \$0.55 million annually 6. Insurance costs - \$2.3 million annually 7. Stock listing fee - \$0.1 million annually

**Duke Energy Acquisition of Piedmont Natural Gas Company
Cost-Benefit Analysis**

Page 6

ITEM	DESCRIPTION	(BENEFIT) / DETRIMENT
No Change in Rates, Charges or Terms and Conditions of Service	Although Duke Energy and Piedmont believe that the proposed merger will provide most or all of the benefits identified above, it is important to note that the merger will not result in any increase to rates or charges or changes in terms or conditions of service pursuant to which Piedmont currently provides service to customers in Tennessee. Any such changes proposed in the future would, of course, be subject to the direct supervisory authority of the Authority. Based on this fact alone, it is clear that the proposed merger will have no detrimental impact on customers in Tennessee, irrespective of the various benefits listed above.	<p>Present Benefit, no detriment to customers</p> <p style="text-align: center;"><u>Quantification of Benefit</u></p> <p>There is no detriment to customers because Piedmont will not pass along to customers the acquisition premium and transaction costs set forth below.</p>

ONE-TIME TRANSACTION RELATED COSTS TO BE BORNE BY APPLICANTS AND NOT CUSTOMERS

ITEM	DESCRIPTION	(BENEFIT) / DETRIMENT
Transaction Fees	There will be one-time costs associated with this transaction. Examples of these costs include investment banker fees, transaction costs related to security issuances, legal, accounting and advisory fees.	<p>One-time cost absorbed by Duke Energy and Piedmont.</p> <p style="text-align: center;"><u>Quantification of (Benefit) / Detriment</u></p> <p>These costs are currently estimated at \$125 million.</p>
Acquisition Premium over Book Value	Excess of purchase price (market value) over book value of assets.	<p>One-time cost absorbed by Duke Energy.</p> <p style="text-align: center;"><u>Quantification of (Benefit) / Detriment</u></p> <p>Approximately \$3.4 billion as of October 31, 2015.</p> <p>This amount represents a total enterprise acquisition premium spread across all of Piedmont's businesses and jurisdictions.</p>

STATE OF NORTH CAROLINA

VERIFICATION

COUNTY OF MECKLENBURG

Bruce P. Barkley, being duly sworn, deposes and says that he is Vice-President – Regulatory Affairs, Rates and Gas Cost Accounting of Piedmont Natural Gas Company, Inc., that as such, he has read the foregoing Petition and knows the contents thereof; that the same are true of his own knowledge except as to those matters stated on information and belief and as to those he believes them to be true.

Bruce P. Barkley
Bruce P. Barkley

Mecklenburg County, North Carolina

Signed and sworn to before me this day by Bruce Barkley

Date: 1/15/2016

Jacqueline M. Berry
Notary Public

(Official Seal)

My commission expires: 11/29/2016

