# TESTIMONY OF CHRIS BAUER
# DIRECTOR, CORPORATE FINANCE & ASSISTANT TREASURER
# ON BEHALF OF DUKE ENERGY INDIANA, LLC
# CAUSE NO. 45766 BEFORE THE
# INDIANA UTILITY REGULATORY COMMISSION

**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

A. My name is Chris Bauer and my business address is 400 S. Tryon Street, Charlotte, North Carolina 28202.

**Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

A. I am employed by Duke Energy Business Services LLC, a service company affiliate of Duke Energy Indiana, LLC ("Duke Energy Indiana," "Petitioner" or the "Company") and a subsidiary of Duke Energy Corporation ("Duke Energy"), as Director, Corporate Finance. I am also the Assistant Treasurer of Duke Energy Indiana.

**Q. WHAT ARE YOUR DUTIES AND RESPONSIBILITIES IN THAT POSITION?**

A. I am responsible for financing the operations of Duke Energy and its subsidiary utilities. This includes the issuance of new debt and equity securities, and obtaining other sources of external funds. My responsibilities also include financial risk management of interest rate exposure for Duke Energy and its regulated utilities. Additionally, I manage Duke Energy's relationship with the commercial banks and the debt capital markets.

**Q. PLEASE STATE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.**

A. I received a Bachelor of Arts degree from Flagler College in 2003 and a Master of Business Administration degree from the University of North Florida in 2004. I am a licensed Certified Public Accountant in the state of Florida. From 2004 to 2010, I worked in Deloitte's Audit and Enterprise Risk Services unit, providing financial statement and internal control services across various industries. In 2010, I joined Duke Energy as a Lead Audit Consultant in the Internal Audit Department. In 2015, I moved to Duke Energy's Investor Relations group where I served as a Manager responsible for communicating the company's strategic, operating, and financing plan to debt and equity investors and external stakeholders. In 2017, I moved to the Treasury department and served as both a Treasury Director and the Director of Credit & Capital Markets before assuming my current role in early 2021.

**Q. ARE YOU FAMILIAR WITH THE VERIFIED PETITION FILED WITH THE COMMISSION IN THIS PROCEEDING AND ATTACHED HERETO AS ATTACHMENT 1-A**?

A. Yes.

**Q. ARE THE STATEMENTS CONTAINED IN THE VERIFIED PETITION TRUE TO THE BEST OF YOUR INFORMATION, KNOWLEDGE AND BELIEF?**

A. Yes, they are.

**Q. WOULD YOU PLEASE DESCRIBE THE COMPANY'S FINANCING PLAN?**

A. The Company is seeking authority beginning April 1, 2023 through April 1, 2025: (1) to issue and sell up to $1.4 billion principal amount of debt securities consisting of first mortgage bonds ("First Mortgage Bonds" or "Bonds"), or senior and junior debentures ("Debentures"), or to issue other long term unsecured debt, including, but not limited to, bank loans ("Long Term Notes") in any combination thereof and in one or more series; (2) to enter into one or more loan agreements ("Loan Agreement") to borrow up to $100.0 million by means of a tax-exempt bond issue or issues to be issued by Indiana Finance Authority (the "Authority") for terms not to exceed 40 years; (3) to enter into an additional $100.0 million of capital lease obligations (sometimes referred to as "Capital Leases"); and (4) to continue to enter into interest rate management agreements to help manage interest costs and risks.

Petitioner is also seeking authority to provide certain credit enhancements for the tax-exempt revenue bonds to be issued by the Authority, including the issuance of Bonds and supporting letters of credit.

The funds from the sales of these securities, the Loan Agreements, and the capital lease transactions will be utilized by Petitioner to provide funds for: (a) the acquisition of property, material or working capital; (b) the construction, completion, extension or improvement of its facilities, including, but not limited to, systems related to solid waste disposal; (c) the improvement of its service; (d) the discharge or lawful refunding of its obligations, including, but not limited to

the possible redemption of debt; (e) the repayment or conversion of short term debt to long term debt; or (f) other general corporate purposes.

**Q. THE VERIFIED PETITION IN THIS CAUSE STATES THAT THE COMPANY HAS SUBSTANTIAL CAPITAL REQUIREMENTS FOR THE TWO-YEAR PERIOD APRIL 1, 2023 THROUGH APRIL 1, 2025. WILL YOU PLEASE FURTHER DESCRIBE SUCH CAPITAL REQUIREMENTS?**

A. Yes. Petitioner projects substantial capital expenditures during the two-year period ending April 1, 2025, including: (i) grid-related infrastructure investments on the transmission and distribution system; and (ii) the construction, improvements and maintenance of its generation and other facilities. The Company also plans to refinance debt in the amount of approximately $300 million during this two-year period.

**Q. PLEASE DESCRIBE ATTACHMENT C TO THE VERIFIED PETITION.**

A. Attachment C to the Verified Petition is Duke Energy Indiana, LLC's Quarterly Report on Form 10-Q for the period ended June 30, 2022. Duke Energy Corporation files a combined Form 10-Q. This combined Form 10-Q is filed separately by eight registrants: Duke Energy, Duke Energy Carolinas, Duke Energy Florida, Duke Energy Indiana, Duke Energy Ohio, Duke Energy Progress, Progress Energy, Inc., and Piedmont Natural Gas (collectively the Duke Energy Registrants). Information contained herein relating to any individual registrant is filed by such registrant solely on its own behalf.

**Q. THE PETITION REQUESTS AUTHORITY FOR PETITIONER TO ISSUE FIRST MORTGAGE BONDS AND DESCRIBES THE PARAMETERS FOR SUCH SECURITIES. HOW WILL THE COMMISSION BE ADVISED OF THE TERMS AND CONDITIONS OF THE SALE OF BONDS?**

A. As we have done in the past, the Company will file with the Commission the final terms and conditions of each security issued, including final copies of the prospectus and any prospectus supplement, or in the case of a direct sale to private purchasers, a copy of the purchase agreement, along with a report to the Commission about the financing.

**Q. WHAT WILL BE THE INTEREST RATE PAID ON THE BONDS?**

A. The interest rate on the Bonds will be determined by competitive bidding or by negotiation with an underwriter or group of underwriters or a direct purchaser. The interest rates on the Company's bonds will be comparable to the rates of debt securities issued by entities with a comparable credit rating and with similar maturities, terms, conditions, and features. Interest rates are largely driven by market conditions at the time of issuance. Attachment A to the Verified Petition specifies the other parameters for such securities.

**Q. THE PETITION IN THIS PROCEEDING ALSO MENTIONS DEBENTURES. WHAT IS A DEBENTURE?**

A. A debenture is an unsecured debt of the Company, such as a note or a bond. As such, it provides no lien against specific property as security for the obligation.

Debenture holders are, therefore, general creditors whose claims are protected by assets or property of Petitioner not otherwise encumbered. Most debentures are issued under an indenture of trust between the Company and a trustee, which is usually a bank. A Debenture Indenture contains terms and conditions which inure to the benefit of the Debenture holders.

**Q. WHY IS THE PETITIONER SEEKING AUTHORITY TO ISSUE DEBENTURES?**

A. Over the years Duke Energy Indiana has issued a number of series of debentures. We have found that a potential advantage of debentures is flexibility. First, debentures access a somewhat different investor base than other debt securities. Second, debentures for most investment grade companies, like Duke Energy Indiana, can be issued without as many of the restrictive covenants typically found in mortgage bonds. These covenants can include restrictions on disposition of assets and availability of leasing, and provisions such as maintenance and replacement funds and improvement and sinking funds.

**Q. HOW WILL THE INTEREST RATE BE DETERMINED ON DEBENTURES?**

A. The interest rate on the debentures will be determined by competitive bidding or by negotiation with an underwriter or group of underwriters or a direct purchaser. The interest rates on the Company's debentures will be comparable to the rates of debt securities issued by entities with a comparable credit rating and with reasonably similar maturities, terms, conditions, and features. Interest rates are

largely driven by market conditions at the time of issuance. Attachment A to the Verified Petition specifies the other parameters for such securities.

**Q. HOW WILL THE COMMISSION BE ADVISED OF THE TERMS AND CONDITIONS OF THE SALE OF THE DEBENTURES?**

A. As we have done in the past, the Company will file with the Commission the final terms and conditions of each security issued including final copies of the prospectus and any prospectus supplement, or in the case of a direct sale to private purchasers, a copy of the purchase agreement, along with a report of the financing to the Commission. We may also file a copy of the Debenture Indenture, or Supplemental Debenture Indenture, if applicable.

**Q. THE PETITION ALSO MENTIONS LONG TERM NOTES. WHAT IS A LONG TERM NOTE?**

A. By Long Term Notes, we are referring to unsecured promissory notes and/or loan agreements with a qualified financial institution or institutions, such as a bank, for a term in excess of one year. The terms and conditions will be generally similar to Debentures, except that Long Term Notes will typically be negotiated directly with one or more banks or other financial institutions, with less formality than is typical of the issuance and sale of Debentures. As noted in the Petition, the Company has entered into a credit facility, the primary purpose of which is to provide the Company with liquidity through the use of short term debt. The credit agreement provides that indebtedness under such credit agreement may be designated by the Company as long term (due in excess of one year). In the event

the Company makes such a designation, such indebtedness would fall under the requested authorization in this proceeding for long term debt (in the form of one or more Long Term Notes). Any such long term debt issued under the credit agreement in combination with other long term debt of the Company (Long Term Notes, Debentures and First Mortgage Bonds) issued pursuant to the authority of an order in this proceeding, will not exceed the maximum cap for new issuance of long-term taxable debt authorized in this proceeding.

**Q. HOW WILL THE INTEREST RATE BE DETERMINED ON LONG TERM NOTES?**

A. The interest rate on Long Term Notes will be determined by negotiations with a financial institution or institutions and will be set at a level comparable to the rates of instruments having the same or reasonably similar maturities and having reasonably similar terms, conditions and features issued by similar companies, and whose credit ratings are similar to those of the Company, issued during the period the Long Term Notes are issued. Attachment A to the Verified Petition specifies the other parameters for such securities.

**Q. HOW WILL THE COMMISSION BE ADVISED OF THE TERMS AND CONDITIONS OF ANY LONG TERM NOTES?**

A. As we have done in the past with other securities, the Company will file with the Commission the final terms and conditions of each Long Term Note issued, including final copies of the Long Term Note and any loan agreement and a report of the issuance with the Commission.

**Q. AT ANY PARTICULAR TIME, HOW WILL DUKE ENERGY INDIANA EVALUATE WHETHER TO ISSUE MORTGAGE BONDS, DEBENTURES OR LONG TERM NOTES?**

A. We are requesting the flexibility to issue Bonds, Debentures, or Long Term Notes because it is possible that under certain capital market conditions, one type of long term debt security may offer the Company more flexibility and/or better terms than other forms of long term debt. At present, the Company has a preference for the issuance of First Mortgage Bonds. This preference is due primarily to current market conditions and the lower interest costs associated with secured debt. The decision regarding which instrument to issue will be predicated largely on market conditions at the time of issuance, credit spreads of Duke Energy Indiana and long term views of Duke Energy Indiana's capital priorities.

**Q. WHAT IS THE INDIANA FINANCE AUTHORITY?**

A. The Indiana Finance Authority ("IFA" or "Authority") was created by the Indiana General Assembly to help Indiana businesses and communities grow and prosper in an evolving economy through the implementation of effective financing tools. One such financing tool consists of private activity bonds ("PABs"), Interest on qualified PABs is generally exempt from federal income taxes for investors, which generally results in lower long-term interest rates to the borrower. The IFA and other governmental entities with similar authority issue PABs to finance qualified manufacturing facilities and equipment, solid waste disposal facilities, public housing and other projects or to refund previously issued PABs.

**Q. WHY DOES DUKE ENERGY INDIANA WISH TO BORROW THE PROCEEDS OF ONE OR MORE TAX-EXEMPT BONDS ISSUED BY THE AUTHORITY?**

A. For federal income tax purposes, the interest received by the purchaser of a qualified PAB issued by the Authority would be excluded from the gross income of such investor (with certain exceptions). Therefore, investors generally would be willing to accept a lower interest rate on the Authority PABs than they would accept on a normal Duke Energy Indiana bond, the interest payments for which are fully taxable to the investor. By structuring a transaction whereby Duke Energy Indiana borrows the proceeds from a qualified Authority on a tax-exempt basis, Duke Energy Indiana (and its customers) could benefit from lower interest costs. The interest savings will also likely increase as credit enhancements are added to the proposed transaction.

**Q. DESCRIBE GENERALLY THE REQUIREMENTS FOR AND PROCESS INVOLVED IN THE ISSUANCE OF TAX-EXEMPT BONDS BY THE AUTHORITY.**

A. The requirements for issuance of tax-exempt PABs are controlled by federal laws and regulations of the Internal Revenue Service. In addition, each state has established procedures and entities similar to the IFA for the administration of tax-exempt bond issues available to each state. Because there is a limit on the amount of tax-exempt PABs that may be issued to finance new construction and/or facilities and equipment each year by each state (and its municipalities and

other governmental entities) based on the population of each state, each state has established procedures for allocation of the available capacity for qualified tax-exempt bonds. Each state's available capacity for issuing tax-exempt PABs is known as "Volume Cap." A company that is not a 501(c)(3) entity must obtain an award of Volume Cap from the applicable state authority before it can have tax-exempt bonds issued to finance its qualified project. The IFA is authorized to allocate and award Indiana's Volume Cap. However, a new award of Volume Cap is not necessary where the Authority is issuing new bonds to refund existing bonds for which Volume Cap was previously granted.

In addition to issuing tax-exempt bonds in order to raise money for new projects, the IFA is, and each other Authority generally would be, authorized to issue tax-exempt bonds for the purpose of refunding PABs previously issued by the IFA or such Authority, as applicable. The amount of the refunding bonds that an Authority may issue in any year is only limited by the principal amount of the outstanding qualified PABs that are being refunded. In either case, the Company must submit an application to the IFA, or other Indiana Authority, requesting it adopt resolutions that authorize the issuance of bonds.

Assuming that an Authority adopts a bond resolution authorizing the issuance of new money for the benefit of Duke Energy Indiana (the "Authority Bonds") and this Petition is granted, a number of steps must be taken and agreements concluded in order to close the transaction. The structure of the transaction is that the Authority Bonds would be issued by the Authority and

purchased by underwriters or other purchasers pursuant to a bond purchase agreement. The proceeds from the sale of the Authority Bonds to the underwriters or other purchasers would be borrowed by Duke Energy Indiana pursuant to the Loan Agreement with the Authority. Furthermore, the proceeds from the sale of a new money issue would be used to finance or reimburse the costs of acquiring and constructing certain solid waste disposal facilities and related facilities or other qualifying costs (collectively "Qualifying Costs") and the proceeds from the sale of a refunding issue would be used for the redemption of existing Authority bonds. In addition, the proceeds of a new money bond issue would be held in an interest-bearing escrow account administered by a Trustee pursuant to a trust indenture and would be drawn down to pay or reimburse the Qualifying Costs as incurred.

In an underwritten offering, the underwriters would market the Authority Bonds pursuant to an official statement, similar to a prospectus, describing the Authority, Duke Energy Indiana, the Authority Bonds and the conditions of their issuance. A key document referred to in the official statement is bond counsel's opinion that the interest payments on the bonds are exempt from federal income taxes (with certain limited exceptions). Although the Authority Bonds would be issued by the Authority, the Authority would have no responsibility to make payments of interest, principal or other payments; rather, those obligations would rest entirely upon Duke Energy Indiana in accordance with the Loan Agreement. Accordingly, the creditworthiness and salability of the Authority Bonds depends

entirely upon the credit rating of Duke Energy Indiana and any credit enhancements that are incorporated into the bond issue, as discussed below.

The Loan Agreement and the Authority Bonds themselves will allow for a variety of interest rate periods and modes, so as to allow Duke Energy Indiana flexibility in seeking to manage its interest costs over the term of the Authority Bonds. The price of the Authority Bonds and the interest rate and modes would each be established in conformity with the tax-exempt bond market on the date of issuance.

**Q. ARE THERE WAYS OF IMPROVING THE CREDITWORTHINESS OF TAX-EXEMPT PABS THAT MAY RESULT IN LOWER INTEREST COSTS INCURRED BY THE BORROWER?**

A. Yes. PABs can be issued with enhancements under the related loan agreement and trust indenture that improve the credit quality of the PABs. These credit enhancements include, but are not limited to, letters of credit and first mortgage bonds.

**Q. PLEASE DESCRIBE HOW PETITIONER COULD USE FIRST MORTGAGE BONDS TO PROVIDE CREDIT ENHANCEMENT TO THE AUTHORITY'S BONDS.**

A. As previously indicated, although the Authority will be the issuer of the PAB, the interest and principal payments on the Authority Bonds will be payable solely from, and secured by the assignment of the payments that Duke Energy Indiana would make to the Authority under the proposed Loan Agreement. To make the

Authority Bonds more attractive to investors, Duke Energy Indiana could issue a series of its First Mortgage Bonds to the Authority and the Authority would assign its rights to and under the First Mortgage Bonds to the trustee of the Authority Bonds. First Mortgage Bonds issued in connection with Authority Bonds would be issued in aggregate principal amounts equal to the aggregate principal amounts of Authority Bonds to which they relate. Payments made with respect to the First Mortgage Bonds would also be considered as payments under the related Loan Agreement. Accordingly, Loan Agreements secured by First Mortgage Bonds would not be separately counted as debt of Duke Energy Indiana because such First Mortgage Bonds would correspond directly with the indebtedness under the Loan Agreements. Therefore, in order to avoid duplication, the Company proposes that First Mortgage Bonds issued as security in relation to a series of the Authority Bonds be considered as part of the financing authority for the Authority Bonds and not counted against Petitioner's financing authority for First Mortgage Bonds. Thus, for clarity, if the Petitioner borrows $100 million of the proceeds from a series of the Authority Bonds which is secured by First Mortgage Bonds, such transaction would be counted as using $100 million of Duke Energy Indiana's authority for borrowing the proceeds of the Authority Bonds and would not be counted against or reduce Duke Energy Indiana's authority for the issuance of First Mortgage Bonds which are sold directly to an underwriter or other investors.

The First Mortgage Bonds will mirror the Authority Bonds with respect to principal amount, interest rate, maturity, redemption and purchase provisions. By adding First Mortgage Bonds, the Authority Bonds become a secured debt instrument, which carries less credit risk to investors than an unsecured bond. With less credit risk, investors will generally accept a lower return (interest rate), thereby reducing Duke Energy Indiana's borrowing costs.

**Q. PLEASE DESCRIBE HOW PETITIONER COULD USE LETTERS OF CREDIT TO PROVIDE CREDIT ENHANCEMENT TO THE AUTHORITY'S BONDS.**

A. The use of letters of credit is a typical method of increasing the credit quality of PABs and thereby reducing interest costs. Without credit enhancement, the credit rating assigned to PABs issued by the Authority for the benefit of Duke Energy Indiana would be based on the Company's current credit ratings (Senior Unsecured Ratings: A2, BBB+). At issuance, the interest rate would be determined based on the prevailing market rate of interest for PABs having the same or reasonably similar maturities, and having reasonably similar terms, conditions and features of bonds issued for similar purposes with the same or reasonably comparable credit ratings.

Structuring the PABs to include an irrevocable letter of credit serves to strengthen the credit rating assigned to the bonds. Generally, PABs backed with irrevocable letters of credit can achieve ratings of A+ or higher. As a result of the improvement to the credit rating assigned on the Authority Bonds, the market rate

of interest will be lower as compared to the interest rate based on the ratings of the Company. An additional benefit of credit enhancement is that PABs that are backed by letters of credit have greater liquidity during difficult market conditions.

The fees Duke Energy Indiana will pay for the letter of credit will be negotiated at the time it is anticipated that such letter of credit will be delivered in support of a series of Authority Bonds. Duke Energy Indiana will provide credit enhancement for the issuance of tax-exempt bonds only if the projected interest savings from the improvement in the rating on the PABs exceeds the costs of the credit enhancement.

**Q. HOW WILL THE COMMISSION BE ADVISED OF THE TERMS AND CONDITIONS OF THE LOAN AGREEMENTS AND ANY CREDIT ENHANCEMENTS SUCH AS THE ISSUANCE OF FIRST MORTGAGE BONDS OR SUPPORTING LETTERS OF CREDIT?**

A. As we have done in the past, we will advise the Commission of the final terms and conditions of the official statement, each Loan Agreement and any credit enhancements by filing final copies of documents and/or providing a summary of key terms.

**Q. WHAT WILL BE THE INTEREST RATE PAID UNDER A LOAN AGREEMENT?**

A. The variable or fixed interest rate payable under the Loan Agreement will be determined by the market for the interest rate period selected. It will not exceed

those rates generally obtainable at the time of pricing or re-pricing of the PABs for securities having the same or reasonably similar maturities and having reasonably similar terms, conditions and features issued under similar structures. At the time of pricing or re-pricing the tax-exempt bonds, the interest rate will generally be lower than what Duke Energy Indiana could, in the capital markets, price or re-price its taxable long-term debt with similar terms, maturity and credit enhancements.

**Q. PLEASE DESCRIBE THE PROPOSED CAPITAL LEASE FINANCINGS REFERRED TO IN THE PETITION.**

A. We have used capital leases over the past several years and plan to continue their use in the future. Capital leasing, which is another form of debt financing, is expected to be used to finance the acquisition of selected assets, if economically beneficial. Since 1999, under authority granted by this Commission, we have primarily used capital leasing to finance the acquisition of electric meters. Other assets that may be leased could include buildings, transformers, transportation equipment, coal yard heavy equipment, computers, software, and telecommunications equipment. Leasing can result in a lower overall financing cost to the Company and its customers.

Lease transactions are also very flexible. A transaction may be structured to provide for amortization of the "borrowing" or for a bullet maturity, like a bond. The term of the transaction is also specifically tailored to match, or at least not to exceed, the useful life of the equipment being acquired. At lease

expiration, Duke Energy Indiana will have a number of options open to it, depending on the terms of the lease; *e.g.*, renew the lease at a price and term mutually agreeable to Duke Energy Indiana and the lessor, terminate the lease, or purchase the equipment. Attachment B to the Verified Petition specifies the parameters for such leases.

**Q. HOW WILL THE COMMISSION BE ADVISED OF THE TERMS OF ANY CAPITAL LEASE FINANCINGS?**

A. Similar to the reporting for debt transactions, Duke Energy Indiana will report the final terms of each significant capital lease obligation by filing a summary of or the final master lease agreement and supporting schedules. Because many of the transactions may be of a high-volume but low-dollar nature, such as pagers, etc., for purposes of reporting, Duke Energy Indiana would consider a capital lease (or series of related leases) to be significant if it involves assets valued at $10 million or more.

**Q. THE PETITION REFERS TO RELATED AGREEMENTS WITH AFFILIATES INTO WHICH PETITIONER MAY ENTER. CAN YOU DESCRIBE SUCH AGREEMENTS?**

A. Yes. When leasing new equipment, the likes of which are used by all Duke Energy operating companies, such as, but not limited to, landfill and coal yard heavy equipment, transportation equipment, turbines, transformers, water pumps, exhaust stacks, substations, other generation and transmission distribution equipment, computers and office equipment, and intangible property such as

software and site licenses, it is likely to be more efficient and less costly for one of the Duke Energy companies to enter into the lease for all of the utilities. This might be accomplished by Duke Energy Business Services, LLC under the existing Service Agreement among Duke Energy Business Services, LLC and the utility operating companies. If we determine that it would be preferable to have one of the utility operating companies enter into the transactions on behalf of all utility companies, this could be accomplished under the operating companies service agreement or a new affiliate agreement that would be submitted to this Commission pursuant to Duke Energy Indiana's Affiliate Standards.

**Q. YOU STATED ABOVE THAT THE COMPANY WAS ALSO SEEKING AUTHORITY TO CONTINUE TO ENTER INTO INTEREST RATE MANAGEMENT AGREEMENTS TO HELP MANAGE INTEREST COSTS AND RISKS. WHAT TYPES OF INTEREST RATE MANAGEMENT AGREEMENTS ARE CONTEMPLATED?**

A. The Commission has authorized Duke Energy Indiana to use interest rate management agreements in recent financing Orders. We are seeking authority to continue to use these techniques with future financings. These arrangements are commonly used in today's capital markets and consist of "swaps," "caps," "collars," "floors," "options," "forwards," "futures," "forward starting swaps" or "treasury locks." It should be understood that these are transactions that would be entered into solely to hedge and manage interest rate risk. Duke Energy Indiana would not be using these instruments for speculative purposes.

**Q. HOW WILL PETITIONER TREAT SUCH GAINS OR LOSSES ASSOCIATED WITH INTEREST RATE HEDGING?**

A. Duke Energy Indiana will account for gains/losses associated with derivative transactions in accordance with generally accepted accounting principles, Accounting Standards Codification (ASC) 980; Regulated Operations and ASC 815: Derivatives and Hedging and the Uniform System of Accounts. ASC 815 generally requires that realized gains and losses resulting from the settlement of interest rate hedging activities flow through interest expense as a net increase or net decrease. The fair value of the interest rate management product will be recorded as a derivative asset or liability on the Company's Consolidated Balance Sheet as required by ASC 815 offset by a regulatory liability or asset pursuant to the guidance in ASC 980 until the period in which they are realized upon settlement whereupon, for forward starting swaps, the regulatory liability or asset will be amortized to interest expense over the life of the debt instrument.

**Q. YOU MENTIONED THE COMPANY'S CREDIT RATINGS. WHAT ARE THE COMPANY'S CREDIT RATINGS?**

A. Duke Energy Indiana's current credit ratings are summarized in the table below. A ratings outlook for an investment grade entity assesses the potential for a ratings change within the medium term. The Company maintains an active and on-going dialogue with the rating agencies to ensure that information is available for accurate and timely reviews of our ratings in the event of changes in economic or market conditions. Key rating agency focus areas include, but are not

necessarily limited to, managing our construction program, constructive regulatory outcomes, environmental compliance impacts, and maintaining sufficient liquidity and access to capital markets.

Duke Energy Indiana Credit Ratings:

| | Moody's | S&P |
|---|---|---|
| Senior Secured Debt | Aa3 | A |
| Senior Unsecured Debt | A2 | BBB+ |
| Ratings Outlook | Stable | Stable |

**Q. IS THE FINANCING AUTHORITY REQUESTED BY PETITIONER IN THIS CAUSE NECESSARY AND APPROPRIATE IN YOUR OPINION?**

A. Yes. The financing authority requested by the Company is necessary to allow Petitioner to fund significant capital expenditures budgeted for the two-year period April 1, 2023 through April 1, 2025, as well as refinancing bonds or notes that mature or to replace short term debt with long term debt, as well as the other purposes described in the Verified Petition. In my opinion, the purposes for which the financing authority is needed is in the public and our customers' interest, and the requested financing authority allows the Company to continue to provide reliable, safe, cost effective electric service to its customers. The requested financing authority, which covers secured and unsecured debt, capital leasing and tax exempt debt, as well as interest rate management agreements, provides the Company with the flexibility to consider a variety of financing scenarios and to take advantage of the type of financing that makes the most sense for the Company and its customers, based on market conditions and opportunities.

The capital structure of Petitioner after giving effect to the proposed financing will be reasonable and in the public interest. Moreover, the total amount of the proposed financing, together with Petitioner's outstanding stock, notes maturing more than twelve months from the date thereof, and other evidence of Petitioner's indebtedness will not be in excess of the fair value of Petitioner's property.

As described in the Verified Petition, the Company's existing financing authority under Cause No. 45433 expires April 1, 2023. Accordingly, Duke Energy Indiana desires to have an order in place pursuant to the Verified Petition in this Cause prior to April 1, 2023 to prevent any interruption to Petitioner's continued access to the capital markets.

**Q. DOES THIS CONCLUDE YOUR PREFILED TESTIMONY?**

A. Yes, it does.

**STATE OF INDIANA**

**INDIANA UTILITY REGULATORY COMMISSION**

| | | |
|---|---|---|
| **PETITION OF DUKE ENERGY INDIANA, LLC, AN INDIANA LIMITED LIABILITY COMPANY, FOR AUTHORITY (i) TO ISSUE UP TO $1.4 BILLION PRINCIPAL AMOUNT OF DEBT SECURITIES TO BE COMPRISED OF PETITIONER'S SECURED FIRST MORTGAGE BONDS OR UNSECURED DEBT IN ANY COMBINATION THEREOF AND IN ONE OR MORE SERIES, PROVIDED, HOWEVER, THE AGGREGATE PRINCIPAL AMOUNT OF ALL SUCH SECURITIES SHALL NOT EXCEED $1.4 BILLION, (ii) TO EXECUTE AND DELIVER LONG TERM LOAN AGREEMENTS TO BORROW UP TO $100.0 MILLION FROM THE INDIANA FINANCE AUTHORITY, (iii) TO ENTER INTO CAPITAL LEASE OBLIGATIONS NOT TO EXCEED $100.0 MILLION PRINCIPAL IN THE AGGREGATE, (iv) TO ENTER INTO INTEREST RATE MANAGEMENT AGREEMENTS, AND (v) TO APPLY THE NET PROCEEDS OBTAINED FROM SUCH SECURITIES, LOAN AGREEMENTS, AND CAPITAL LEASE TRANSACTIONS TOWARD (a) THE DISCHARGE OR LAWFUL REFUNDING OF ITS OBLIGATIONS OUTSTANDING, OR THE REIMBURSEMENT OF ITS TREASURY FOR MONEY ACTUALLY EXPENDED FROM INCOME, OR FROM ANY OTHER MONEY IN THE TREASURY FOR SUCH PURPOSES, (b) PAYING PART OF THE COSTS OF PETITIONER'S CONSTRUCTION PROGRAM AND (c) PAYING THE COSTS OF ISSUING AND SELLING SAID SECURITIES, EXECUTING SAID LOAN AGREEMENTS, TRANSACTING SAID CAPITAL LEASE TRANSACTIONS** | **)** | **CAUSE NO. 45766** |

## VERIFIED PETITION

TO THE INDIANA UTILITY REGULATORY COMMISSION:

Duke Energy Indiana, LLC ("Duke Energy Indiana" or "Petitioner") respectfully represents to this Commission as follows:

1. Petitioner's Organization and Business. Petitioner is a public utility corporation organized and existing under the laws of the State of Indiana with its principal office at 1000 East Main Street, Plainfield, Indiana, and is a wholly-owned subsidiary of Duke Energy Indiana Holdco, LLC. It has the corporate power and authority to engage, and it is engaged, in the business of supplying electric utility service to the public in the State of Indiana. Accordingly, Petitioner is a "public utility" within the meaning of that term as used in the Indiana Public Service Commission Act, as amended, Indiana Code § 8-1-2-1 (the "Act"), and is subject to the jurisdiction of this Commission in the manner and to the extent provided by the Act and other laws of the State of Indiana.

Petitioner is engaged in rendering electric public utility service in the State of Indiana, and owns, operates, manages and controls plants and equipment within the State of Indiana used for the production, transmission, delivery and furnishing of such service to the public. It supplies electric energy to approximately 860,000 customers in various municipalities and unincorporated areas of 69 counties in the central, north central and southern parts of the State of Indiana. In addition, Duke Energy Indiana serves various wholesale customers and provides steam service to an industrial customer whose manufacturing facility is located adjacent to Duke Energy Indiana's Cayuga Generating Station, as well as to Purdue University from the Purdue Combined Heat and Power facility. Substantially all of Petitioner's operating revenues are derived from the generation, transmission and distribution of electric energy.

2. Petitioner's Attorney. The name and address of Petitioner's attorney in this matter is Elizabeth A. Heneghan, 1000 East Main Street, Plainfield, Indiana 46168, who is duly authorized to accept service of papers in this proceeding on behalf of Petitioner.

3. Purpose of Filing This Petition. This Petition is filed, pursuant to provisions of the Act, for the purpose of securing authorization for and approval of the Commission for its financing program beginning April 1, 2023 through April 1, 2025, such program being to:

(a) issue and sell, from time to time over a period ending April 1, 2025, up to and including $1.4 billion principal amount of debt securities to be comprised of first mortgage bonds (the "First Mortgage Bonds"), or senior and junior debentures (the "Debentures"), or other long term unsecured indebtedness, including, but not limited to, bank loans (the "Long Term Notes") in any combination thereof and in one or more series, provided the aggregate of all such First Mortgage Bonds, Debentures and Long Term Notes shall not exceed $1.4 billion;

(b) execute and deliver, from time to time over a period ending April 1, 2025, one or more long term loan agreements (the "Loan Agreements"), to borrow from Indiana Finance Authority (the "Authority") for terms not to exceed 40 years, the proceeds of up to a maximum of $100.0 million aggregate principal amount of tax-exempt revenue bonds that may be issued in one or more series (the "Authority Bonds");

(c) enter into, from time to time over a period ending April 1, 2025, up to and including $100.0 million principal amount of additional capital lease obligations (the "Capital Leases");

(d) enter into interest rate management agreements to manage interest costs and risks on its financial obligations (the "Interest Rate Management Agreements"); and

(e) apply moneys obtained from the Securities, Loan Agreements, and Capital Lease transactions for the purposes described in this Petition, including, but not limited to, Section 7, "Use of Proceeds."

4. Background. In Cause No. 45433, the Commission authorized Petitioner, among other matters, (i) to issue and sell, from time to time over a period ending April 1, 2023, up to and including $1.0 billion principal amount of debt securities comprised of First Mortgage Bonds, Debentures, or Long Term Notes, in any combination thereof and in one or more series; (ii) to execute and deliver one or more long term loan agreements to borrow from the Indiana Finance Authority or other authorized issuer of tax-exempt bonds up to a maximum of $300.0 million aggregate principal amount of tax-exempt revenue bonds; (iii) to enter into up to $100.0 million principal amount of capital lease obligations; (iv) to enter into interest rate management agreements; and (v) to realize the benefits of an economic development incentive by entering into tax increment financing agreements with respect to the same.

To date, Duke Energy Indiana has issued a $300 million term loan and $67.025 million in tax-exempt Indiana Finance Authority bonds under Cause No. 45433. The total financing authorization granted in Cause No. 45433 is $1.4 billion ($1.0 billion in First Mortgage Bonds, Debentures and Long Term Notes, $300 million in tax-exempt debt and $100 million in capital leases), and will remain in effect until April 1, 2023. The total request for financing in this proceeding is for $1.6 billion and covers a two year period ending April 1, 2025. The need for the requested financing is further described below in Section 6, "Capital and Financing Requirements."

The Company has also entered into a credit facility primarily for purposes of short term debt, but the Company has the right to designate borrowings under such credit facility as long term debt. Any such debt designated as long term debt under the credit facility would have to meet requirements for long term debt (as a form of Notes) under Cause No. 44266 or under the authorization requested with this petition.

5. Applicable Law. Petitioner believes that Indiana Code §§ 8-1-2-76 to 8-1-2-81, inclusive, and Indiana Code § 8-1-2-83 are or may be applicable to the subject matter of this Petition.

6. Capital and Financing Requirements. Petitioner projects substantial capital expenditures from April 1, 2023 through April 1, 2025, including, but not limited to: (i) grid-related infrastructure investments on the transmission and distribution systems; and (ii) the construction, improvement and maintenance of its generation and other facilities.

The Company plans to refinance debt in the amount of approximately $300.0 million during this two-year time period.

7. Use of Proceeds. Petitioner proposes, subject to the authorization of the Commission, to issue the Securities, execute Loan Agreements and enter into the Capital Leases to provide funds for: (a) the acquisition of property, material or working capital, (b) the construction, completion, extension or improvement of its facilities, including, but not limited to, systems related to solid waste disposal, (c) the improvement of its service, (d) the discharge or lawful refunding of its obligations, including, but not limited to, the possible redemption of debt, (e) the repayment or conversion of short-term indebtedness incurred by Petitioner, for such purposes, or (f) for other general corporate purposes.

8. Proposed Securities Financings.

(a) Method of Issuance. Petitioner proposes to issue or sell the Securities to one or more purchasers or underwriters through either negotiated offerings or through the competitive bidding process.

In the event the Securities are issued or sold through a negotiated offering, the terms of each offering of the Securities will be negotiated by Petitioner either with a limited number of

purchasers or with a single purchaser for a direct sale or for a sale through agents, or with a group of underwriters headed by managing underwriters or with one or more underwriters. If the Securities are issued or sold through competitive bidding, the Securities will be sold to the bidder(s) whose proposal results in the lowest annualized cost of money, with Petitioner having the right to reject any or all bids. Each of the bidders will be required to specify the coupon rate and the price, exclusive of accrued interest, to be paid for the Securities.

After approval of the terms for each offering in accordance with Petitioner's duly authorized policy for the Approval of Business Transactions, or by persons authorized in accordance with the Delegation of Authority for Business Transactions and Petitioner's Board of Directors as may be required, or by an authorized committee thereof or by persons authorized by Petitioner's Board of Directors, it is anticipated that an agreement setting forth the terms of the Securities would be signed.

(b) Pricing Parameters. Petitioner has developed parameters under which the Securities are to be issued or sold. The parameters, as set forth in Attachment A, attached hereto and incorporated herein by this reference, are designed to provide a reasonable allowance for potential changes in financial market conditions between the time of Commission authorization and the actual issuance or sale of the Securities. The inclusion of the parameters within the Order in this Cause would allow Petitioner to issue or sell the Securities on any day when it believes it is appropriate to do so, provided the terms are within the parameters.

(c) Security and Other Agreements. If First Mortgage Bonds are issued, they will be issued under and secured by the indenture of mortgage and deed of trust, dated September 1, 1939, from Petitioner to Deutsche Bank National Trust Company (as successor to LaSalle Bank National Association), as Trustee (or any successor trustee), as previously amended and supplemented by

seventy indentures supplemental thereto and to be supplemented by one or more supplemental indentures (said original indenture as so supplemented and amended being hereinafter called "Petitioner's Mortgage").

If Debentures are issued, they will be issued under the Indenture dated as of November 15, 1996, between Petitioner and The Bank of New York Mellon Trust Company, N.A., Trustee as successor to Fifth Third Bank, Trustee, as previously supplemented by ten indentures supplemental thereto, and to be supplemented by one or more supplemental indentures, or, alternatively, the Debentures may be issued pursuant to a new indenture agreement entered into between Petitioner and The Bank of New York Mellon Trust Company, N.A. or other qualified trustee (said original indenture as so supplemented or any such new indenture being hereinafter called "Petitioner's Debenture Indenture").

If Long Term Notes are issued, the obligations will be evidenced by a promissory note and a loan agreement or similar document under terms mutually agreeable to Petitioner and a qualified financial institution in conformity with generally accepted market conventions. Long Term Notes will have a maturity date in excess of one year and the indebtedness would bear interest at either a fixed or variable rate as agreed by the parties. Long Term Notes will be issued under terms and conditions similar to Debentures, except that Long Term Notes will typically be negotiated directly with one or more banks or other financial institutions, with less formality than is typical of the issuance and sale of Debentures.

9. Proposed Execution of Loan Agreements.

(a) What is Borrowed. Petitioner proposes to borrow from the Authority, from time to time over a period ending April 1, 2025, for terms not to exceed 40 years, the proceeds of up to a maximum of $100.0 million aggregate principal amount of Authority Bonds that may be issued

from time to time during said period in multiple series. Petitioner will enter into one or more Loan Agreements with the Authority to evidence and secure its obligations to repay such loans. Petitioner will use the proceeds from the loans to finance or reimburse the costs of acquiring and constructing certain solid waste disposal facilities and related facilities and/or other qualifying costs.

(b) Petitioner's Obligations. Petitioner's primary obligations under each Loan Agreement will be to provide the Authority with sufficient revenues to enable it to pay the principal of, premium, if any, and interest on the Authority Bonds as and when any and all payments are due. Petitioner may issue First Mortgage Bonds or provide other security to secure Petitioner's obligations under each individual Loan Agreement. Alternatively, the Loan Agreements may be unsecured. First Mortgage Bonds or other security may be in aggregate principal amounts equal to the aggregate principal amounts of the Authority Bonds to which they relate (in which case the First Mortgage Bonds or other security may provide for the payment of interest at the rate borne by the Authority Bonds). Payments made with respect to the Authority Bonds would also be considered as payments on the related First Mortgage Bonds or other security. Each Loan Agreement will stand alone, allowing Petitioner the option of securing or not securing its obligations related to each Loan Agreement.

(c) Authority Bonds. Authority Bonds will be issued pursuant to one or more Indentures of Trust (the "Authority Indentures") to be entered into between the Authority and a trustee to be determined, which Authority Indentures establish the terms of each series of Authority Bonds. Authority Bonds will be special and/or limited obligations of the Authority payable out of revenues derived from the payments by or credited to Petitioner under the respective Authority Indentures and Loan Agreements.

Authority Bonds or any series thereof may be entitled to the benefits of one or more letters of credit or may be issued without the benefit of such letters of credit. If a letter of credit is obtained, Petitioner would enter into a reimbursement agreement with one or more qualified financial institutions issuing the letter of credit. Such reimbursement agreements would require Petitioner to reimburse the financial institutions for all drawings made under the letter of credit, together with the institution's expenses related thereto, and to pay annual fees not in excess of two percent (2.0%) of the amount available under the letter of credit. The reimbursement agreement may also consist of a credit facility with a group of banks, one of which would be the issuing bank for the letter of credit. The existence of a letter of credit securing payment of the Loan Agreements from a highly rated financial institution would be expected to allow the sale of the Authority Bonds with a lower interest rate than would exist without such a letter of credit.

It is expected that bond counsel will render its opinion that, under existing laws, including, but not limited to, regulations and official rulings by the Internal Revenue Service, interest on the Authority Bonds will be excluded from gross income of the recipient thereof for Federal income tax purposes, except for interest on any bond held by a substantial user or a related person as those terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended. Therefore, Petitioner generally expects the interest rate on the Authority Bonds will be less than the interest rate Petitioner would be able to obtain on taxable bonds that Petitioner could issue with similar terms and conditions in the capital markets.

The terms of each offering of Authority Bonds will be negotiated by Petitioner with underwriters. After approval of the terms by Petitioner and the Authority, Petitioner proposes to arrange for the sale of each series of Authority Bonds to the underwriters pursuant to one or more

(i) bond purchase agreements between the Authority and the underwriters, and (ii) one or more representation letters from Petitioner to the Authority and the underwriters.

Petitioner proposes that the Commission issue its order authorizing Petitioner to execute and deliver the Loan Agreements, any reimbursement agreements and letters of representation prior to the time Petitioner and the underwriters reach agreement with respect to the terms of the Authority Bonds. Petitioner will agree to a public offering price no higher than 102% nor less than 98% of the principal amount of the Authority Bonds, plus accrued interest, at an interest rate that may be either fixed or subject to adjustment at varying periods, but in either case not to be in excess of the parameters set forth in Attachment A. If a series of the Authority Bonds bears interest at a rate that is subject to adjustment, the same will also contain a feature that will allow the interest rate to become fixed under certain circumstances. Petitioner also will agree to underwriting discounts or commissions not in excess of 3.50% of the principal amount of the Authority Bonds. Petitioner proposes the Commission include such limits in its order. It is anticipated the underwriters would offer the Authority Bonds to purchasers pursuant to one or more Official Statements. The proposed sale of the Authority Bonds and the possible issuance and delivery of First Mortgage Bonds or other security as part of such a sale are exempt from registration under the Securities Act of 1933, as amended.

10. Proposed Capital Lease Financings.

(a) Purpose. Petitioner also requests authorization to enter into Capital Lease transactions. Petitioner proposes to utilize Capital Leases purely as another form of financing the capital requirements discussed in "Capital and Financing Requirements" above. The Capital Leases will have structures and terms similar to other forms of debt financing, but with the

potential, in certain instances, to lower the overall cost associated with financing property acquisitions.

Capital Leases may be used to finance the acquisition of new property or newly constructed property, in order to optimize the cost of financing commensurate with such property's expected life (such property being more fully described in "Property Expected to be Leased" below).

(b) Property Expected to Be Leased. The property expected to be leased will consist of (a) electric generating facilities and equipment used in Petitioner's operations including, but not limited to, landfill and coal yard heavy equipment, transportation equipment, turbines, transformers, water pumps, exhaust stacks, substations, meters, other generation and transmission and distribution equipment, computers and office equipment, and intangible property such as software and site licenses, and (b) real property, office buildings and other such property used in Petitioner's operations (collectively, the "Property").

(c) Amount Financed. The amount financed under each Capital Lease, excluding transaction costs, is not expected to be more than the net capitalized cost of the Property or the appraised value of the Property (in the event more than the capitalized cost is financed).

In accordance with generally accepted accounting principles, the net capitalized cost of property usually includes installation, training, allowance for funds, administrative overhead and other costs capitalized in connection with acquiring and placing the property in service. Such costs are expected to be included in the Property cost financed under each Capital Lease.

(d) Method of Transacting Capital Leases. To effectuate the lease transactions, Petitioner will obtain third-party lease financing for Property acquisitions. In connection therewith, the terms of each Capital Lease will be approved in accordance with Petitioner's policies

governing the Approval of Business Transactions, and it is anticipated that an agreement setting forth the terms of each Capital Lease will be executed.

The Lessor will either (1) pay the vendor and Petitioner for their respective costs associated with the acquisition or (2) reimburse Petitioner for the capitalized cost of the property, with Petitioner concurrently paying the vendor the invoice cost; this latter option being undertaken solely to allow administrative efficiencies.

(e) Related Agreements. Petitioner may enter into one or more participation agreements with its affiliates and the Lessor in connection with the Capital Leases, with such agreements defining Petitioner's role as principal and, as applicable, agent on behalf of its affiliates for billing and payment remittance purposes. Such arrangements will be undertaken solely for administrative efficiencies and the convenience for the parties involved and will be subject to Commission jurisdiction pursuant to Petitioner's Affiliate Standards.

(f) End of Term Options. At the end of each initial or renewal lease term, it is anticipated that Petitioner will have an option to either (a) renew each Capital Lease pursuant to arm's length negotiation with the then existing Lessor or other lessors, (b) purchase the Property, or (c) terminate the Capital Lease.

(g) Pricing Parameters. Petitioner has furnished in Attachment B, attached hereto and incorporated herein by this reference, parameters within which the final negotiated Capital Leases and rental obligations will fall, and requests authority to execute Capital Leases of the Property within such parameters. The inclusion of the parameters within the Order in this Cause would allow Petitioner to consummate transactions when it believes it is appropriate to do so provided the terms are within the parameters.

11. Proposed Interest Rate Management Techniques.

(a) Purpose. Petitioner requests that this Commission grant it authority to utilize interest rate management techniques and enter into Interest Rate Management Agreements to manage its interest costs. Such authority will allow Petitioner sufficient alternatives and flexibility when striving to effectively manage interest rate risk.

(b) Description of Interest Rate Management Agreements. The Interest Rate Management Agreements will be products commonly used in today's capital markets, consisting of "interest rate swaps," "caps," "collars," "floors," "options," or hedging products such as "forwards," "futures," "treasury locks" or "forward starting swaps," or similar products, the purpose of which being to manage interest rate risk and costs.

Petitioner expects to enter into these agreements with counter-parties that are highly rated financial institutions. The transactions will be for a fixed period and a stated notional amount, and may be for underlying fixed or variable obligations of Petitioner. Interest Rate Management Agreements would be entered into solely to hedge and manage interest rate risk, and not for speculative purposes.

(c) Pricing Parameters. Petitioner proposes that the pricing parameters for Interest Rate Management Agreements be consistent with the parameters corresponding to the underlying obligation.

Net fees and commissions in connection with any Interest Rate Management Agreement will be in addition to the above parameters and will not exceed 1.00% of the notional amount involved.

12. Financial and Periodic Reports. A balance sheet of Petitioner as of June 30, 2022, and a statement of operations of Petitioner for the period ended June 30, 2022, as filed on Form

10-Q with the United States Securities and Exchange Commission are set forth in Attachment C attached hereto and incorporated herein by this reference.

Within thirty (30) days of each issuance of Securities authorized herein, Duke Energy Indiana shall file with the Commission and serve upon the OUCC a filing that includes: (1) the amount of the issuance, (2) a description of the terms and intended purpose, (3) the type of financing, (4) a calculation of the effective interest cost (incorporating the effects of issuance expenses on the effective cost rate), (5) a *pro forma* balance sheet reflecting the reported financing by adjusting the most recently available quarterly balance sheet by adding the debt issuance obligation amount to debt outstanding and adding the net proceeds from the debt issuance to available cash, and (6) if the purpose of such financing is to refinance existing debt, the filing shall include a description of the characteristics of the debt being refinanced (e.g., amount of debt refinanced, interest rate, maturity date, and any costs involved in refinancing). Additionally, if requested by the OUCC, Duke Energy Indiana will provide an update of current interest rate market pricing conditions.

13. Petitioner's Proposed Financings and Interest Rate Management Techniques are Advantageous and in the Public Interest. The proposed financings, loan agreements, and interest rate management techniques discussed in this Petition are, in the opinion of Petitioner, necessary, advantageous and desirable in the public interest. The consummation of said financings, the execution of said loan agreements, and the utilization of said interest rate management techniques will enable Petitioner better to assure adequate, dependable and continuous service for the public. Because Petitioner's current financing authority granted by this Commission expires April 1, 2023 Petitioner respectfully requests that the Commission enter an order in this cause if possible by

February 28, 2023 to prevent any interruption in Petitioner's continued access to the capital markets.

14. Proposed Procedural Schedule. Pursuant to 170 IAC 1-1.1-9, Petitioner and the Indiana Office of Utility Consumer Counselor ("OUCC") are in agreement with the following proposed procedural schedule:

(i) September 6, 2022 – Duke Energy Indiana filed its Verified Application and case-in-chief testimony;

(ii) November 1, 2022 – OUCC and intervenors shall file their respective cases-in-chief;

(iii) November 11, 2022 – Duke Energy Indiana shall file its rebuttal testimony;

Any response to formal discovery should be made within ten (10) calendar days of the receipt of such request. Responses to formal discovery shall be made within five (5) calendar days after November 1, 2022. Any discovery requests received after noon on a Friday or before a state holiday shall be deemed received on the following business day. Petitioner and the OUCC consent to electronic discovery.

WHEREFORE, Petitioner respectfully requests that the Indiana Utility Regulatory Commission enter an order in this cause:

(i) authorizing Petitioner to:

(a) issue and sell, from time to time over a period ending April 1, 2025, up to and including $1.4 billion principal amount of debt securities comprised of the First Mortgage Bonds, Debentures, or Long Term Notes, in any combination thereof and in one or more series, and on terms consistent with the parameters set forth in this Petition,

provided that the aggregate of all such securities shall not exceed $1.4 billion (collectively, the Securities"); and/or

(b) borrow, from time to time over a period ending April 1, 2025, from the Authority, for terms not to exceed 40 years, the proceeds of up to and including $100.0 million aggregate principal amount of Authority Bonds that may be issued in one or more series, on terms consistent with the parameters set forth in this Petition, including, but not limited to, credit enhancements, such as the issuance of letters of credit and/or First Mortgage Bonds; and/or

(c) enter into, from time to time over a period ending April 1, 2025, up to and including an additional $100.0 million principal amount of Capital Leases, consistent with the parameters set forth in this Petition; and/or

(d) enter into Interest Rate Management Agreements to manage its effective interest costs on financial obligations consistent within the parameters set forth in this Petition;

(e) use the proceeds from the aforesaid Securities, Loan Agreements, and Capital Leases for the purposes specified in this Petition;

(ii) authorizing Petitioner to:

(a) execute and deliver one or more supplemental indentures, to be dated as of the date which the First Mortgage Bonds are issued, to Petitioner's Mortgage, which supplemental indenture will, among

other matters, create the First Mortgage Bonds and will be in such final form as will be hereafter submitted to this Commission; and/or

(b) execute and deliver one or more new indentures or supplemental indentures to Petitioner's Debenture Indenture, to be dated as of the date which the Debentures are issued, which will, among other matters, create the Debentures and will be in such final form as will be hereafter submitted to this Commission; and/or

(c) execute and deliver one or more notes and loan agreements and/or other financing agreements, including, but not limited to, Loan Agreements, reimbursement agreements, bond purchase agreements and letters of representation, for purposes of the issuance of Long Term Notes and/or Authority Bonds, as applicable, and which will be in such final form as will be hereafter submitted to this Commission; and/or

(d) execute and deliver one or more additional Capital Leases and other documentation related to effecting such Capital Leases; and/or

(e) execute and deliver one or more Interest Rate Management Agreements;

(iii) making such other and further orders in the premises as this Commission may deem appropriate and proper.

[Signature Page to Follow]

Dated this 6th day of September, 2022.

DUKE ENERGY INDIANA, LLC

By: _____
Karl W Newlin
Senior Vice President, Corporate Development
and Treasurer

By: _____
Robert T. Lucas, III
Assistant Secretary

Its Attorney:

_____
Elizabeth A. Heneghan, Attorney No. 24942-49
1000 East Main Street
Plainfield, Indiana 46168
Telephone: 317-838-1254
Fax: 317-838-1842

STATE OF NORTH CAROLINA )
) SS:
COUNTY OF MECKLENBURG )

Karl W Newlin, being first duly sworn, deposes and says that he is the Senior Vice President, Corporate Development and Treasurer of Duke Energy Indiana, LLC, the Petitioner in the above entitled cause; that as such officer of said limited liability company he has executed the foregoing Verified Petition and has authority so to do; that he has read said Verified Petition and knows the contents thereof; and that the statements therein contained are true to the best of his knowledge, information and belief.

Karl W Newlin

Subscribed and sworn to before me,
a notary public of said State and County,
this 29 day of August 2022

Virginia M. Adams

VIRGINIA M. ADAMS
My Comm. Expires
NOTARY
PUBLIC
October 2, 2026
MECKLENBURG COUNTY, NC

STATE OF NORTH CAROLINA )
) SS:
COUNTY OF MECKLENBURG )

ROBERT T. LUCAS III, being first duly sworn, deposes and says that he is the Assistant Secretary of Duke Energy Indiana, LLC, the Petitioner in the above entitled cause; that as such officer of said limited liability company he has executed the foregoing Verified Petition and has authority so to do; that he has read said Verified Petition and knows the contents thereof; and that the statements therein contained are true to the best of his knowledge, information and belief.

Robert T. Lucas III

Subscribed and sworn to before me a notary public of said State and County this 30 day of August, 2022.

Jenny S Pattana

My commission expires: 06/08/2025

JENNY PATTANA NOTARY PUBLIC MECKLENBURG COUNTY, NC

## Attachment A

## Duke Energy Indiana, LLC

## Securities Financing Parameter Summary

| | |
|---|---|
| Principal Amount: | Up to $1.4 billion of debt securities (collectively, the "Securities"), to be comprised of senior and junior debentures (collectively, the "Debentures"), other long term indebtedness (the "Long Term Notes"), or first mortgage bonds (the "First Mortgage Bonds"), in any combination thereof, in one or more series, provided the aggregate of all the Securities shall not exceed $1.4 billion. |
| Maturity: | Up to 40 years. |
| Redemption Premiums: | Redemption premiums, if any, with respect to the Securities will be established as a result of the negotiations with underwriters, standard market convention at the time of issuance, or as part of a competitive bidding process. |
| Underwriting Commissions or Agents' Fees: | Not to exceed 3.50% of the principal amount for the First Mortgage Bonds, the Debentures, and the Long Term Notes. |
| Price to Public: | No higher than 102% nor less than 98% of the principal amount, plus accrued interest, if any, for the First Mortgage Bonds and Debentures. |
| Interest Rate: | Not to exceed those generally obtainable at the time of pricing or re-pricing of such First Mortgage Bonds, Debentures, and Long Term Notes for securities having the same or reasonably similar maturities and having reasonably similar terms, conditions and features issued by utility companies or utility holding companies of the same or reasonably comparable credit quality.<br><br>Duke Energy Indiana agrees that the yield to maturity of Notes set at the time of pricing should not exceed the respective benchmark rate plus a spread of 500 basis points (exclusive of any increases in interest rates payable during a default). The interest rate on floating rate debt (exclusive of any increases in interest rates payable during a default) will not exceed either the London Interbank Offered Rate (LIBOR) or the Secured Overnight Financing Rate (SOFR) for U.S. dollar deposits of |

similar duration at the time of pricing by more than 500 basis points. If the yield to maturity of the fixed or floating rate debt exceeds the yield to maturity on the respective benchmark rate plus a spread of 500 basis points (exclusive of any increases in interest rates payable during a default), Petitioner agrees to meet with the OUCC and the Commission to discuss the financing.

**Authority Bonds Financing Parameter Summary**

| | |
|---|---|
| Principal Amount: | Up to $100.0 million of tax-exempt Authority Bonds, in one or more series, provided the aggregate of all Authority Bonds shall not exceed $100.0 million. |
| Maturity: | Up to 40 years, subject to Indiana Code |
| Redemption Premiums: | Redemption premiums, if any, with respect to Authority Bonds will be established as a result of the negotiations with underwriters, standard market convention at the time of issuance, or as part of a competitive bidding process. |
| Underwriting Commissions or Agents' Fees: | Not to exceed 3.50% of the principal amount for the tax-exempt Authority Bonds. |
| Price to Public: | No higher than 102% nor less than 98% of the principal amount, plus accrued interest, if any, for Authority Bonds. |
| Interest Rate: | Not to exceed those generally obtainable at the time of pricing or re-pricing of Authority Bonds for securities having the same or reasonably similar maturities and having reasonably similar terms, conditions and features issued by utility companies or utility holding companies of the same or reasonably comparable credit quality. |
| Security: | Authority Bonds may include credit enhancements such as the issuance of letters of credit and/or the pledge of First Mortgage Bonds or other security. |

## Attachment B

## Duke Energy Indiana, LLC

## Capital Lease Parameter Summary

| | |
|---|---|
| Principal Amount: | Up to $100 million, depending on the capitalized cost or appraised value of the Property, plus transaction costs. |
| Lease Term: | Will depend on available pricing but shall be for a maximum term of not more than 40 years for each initial or renewal term. |
| Lease Cost: | Aggregate cost of rental payments, commitment fees and closing costs during each initial or renewal period that results in an interest rate (implicit or otherwise) that is reasonably comparable to other financing alternatives with similar maturities. |

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

# FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2022

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 Number |
|---|---|---|
| |  | |
| 1-32853 | **DUKE ENERGY CORPORATION**<br>(a Delaware corporation)<br>526 South Church Street<br>Charlotte, North Carolina 28202-1803<br>704-382-3853 | 20-2777218 |
| 1-4928 | **DUKE ENERGY CAROLINAS, LLC**<br>(a North Carolina limited liability company)<br>526 South Church Street<br>Charlotte, North Carolina 28202-1803<br>704-382-3853 | 56-0205520 |
| 1-15929 | **PROGRESS ENERGY, INC.**<br>(a North Carolina corporation)<br>410 South Wilmington Street<br>Raleigh, North Carolina 27601-1748<br>704-382-3853 | 56-2155481 |
| 1-3382 | **DUKE ENERGY PROGRESS, LLC**<br>(a North Carolina limited liability company)<br>410 South Wilmington Street<br>Raleigh, North Carolina 27601-1748<br>704-382-3853 | 56-0165465 |
| 1-3274 | **DUKE ENERGY FLORIDA, LLC**<br>(a Florida limited liability company)<br>299 First Avenue North<br>St. Petersburg, Florida 33701<br>704-382-3853 | 59-0247770 |
| 1-1232 | **DUKE ENERGY OHIO, INC.**<br>(an Ohio corporation)<br>139 East Fourth Street<br>Cincinnati, Ohio 45202<br>704-382-3853 | 31-0240030 |
| 1-3543 | **DUKE ENERGY INDIANA, LLC**<br>(an Indiana limited liability company)<br>1000 East Main Street<br>Plainfield, Indiana 46168<br>704-382-3853 | 35-0594457 |
| 1-6196 | **PIEDMONT NATURAL GAS COMPANY, INC.**<br>(a North Carolina corporation)<br>4720 Piedmont Row Drive<br>Charlotte, North Carolina 28210<br>704-364-3120 | 56-0556998 |

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

| Registrant | Title of each class | Trading symbols | Name of each exchange on which registered |
|---|---|---|---|
| Duke Energy | Common Stock, $0.001 par value | DUK | New York Stock Exchange LLC |
| Duke Energy | 5.625% Junior Subordinated Debentures due September 15, 2078 | DUKB | New York Stock Exchange LLC |
| Duke Energy | Depositary Shares, each representing a 1/1,000th interest in a share of 5.75% Series A Cumulative Redeemable Perpetual Preferred Stock, par value $0.001 per share | DUK PR A | New York Stock Exchange LLC |
| Duke Energy | 3.10% Senior Notes due 2028 | DUK 28A | New York Stock Exchange LLC |
| Duke Energy | 3.85% Senior Notes due 2034 | DUK 34 | New York Stock Exchange LLC |

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 ☒ No ☐ | Duke Energy Florida, LLC (Duke Energy Florida) | Yes ☒ No ☐ |
| Duke Energy Carolinas, LLC (Duke Energy Carolinas) | Yes ☒ No ☐ | Duke Energy Ohio, Inc. (Duke Energy Ohio) | Yes ☒ No ☐ |
| Progress Energy, Inc. (Progress Energy) | Yes ☒ No ☐ | Duke Energy Indiana, LLC (Duke Energy Indiana) | Yes ☒ No ☐ |
| Duke Energy Progress, LLC (Duke Energy Progress) | Yes ☒ No ☐ | Piedmont Natural Gas Company, Inc. (Piedmont) | Yes ☒ No ☐ |

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

| | | | |
|---|---|---|---|
| Duke Energy | Yes ☒ No ☐ | Duke Energy Florida | Yes ☒ No ☐ |
| Duke Energy Carolinas | Yes ☒ No ☐ | Duke Energy Ohio | Yes ☒ No ☐ |
| Progress Energy | Yes ☒ No ☐ | Duke Energy Indiana | Yes ☒ No ☐ |
| Duke Energy Progress | Yes ☒ No ☐ | Piedmont | Yes ☒ No ☐ |

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

| | | | | | |
|---|---|---|---|---|---|
| Duke Energy | Large Accelerated Filer ☒ | Accelerated filer ☐ | Non-accelerated Filer ☐ | Smaller reporting company ☐ | Emerging growth company ☐ |
| Duke Energy Carolinas | Large Accelerated Filer ☐ | Accelerated filer ☐ | Non-accelerated Filer ☒ | Smaller reporting company ☐ | Emerging growth company ☐ |
| Progress Energy | Large Accelerated Filer ☐ | Accelerated filer ☐ | Non-accelerated Filer ☒ | Smaller reporting company ☐ | Emerging growth company ☐ |
| Duke Energy Progress | Large Accelerated Filer ☐ | Accelerated filer ☐ | Non-accelerated Filer ☒ | Smaller reporting company ☐ | Emerging growth company ☐ |
| Duke Energy Florida | Large Accelerated Filer ☐ | Accelerated filer ☐ | Non-accelerated Filer ☒ | Smaller reporting company ☐ | Emerging growth company ☐ |
| Duke Energy Ohio | Large Accelerated Filer ☐ | Accelerated filer ☐ | Non-accelerated Filer ☒ | Smaller reporting company ☐ | Emerging growth company ☐ |
| Duke Energy Indiana | Large Accelerated Filer ☐ | Accelerated filer ☐ | Non-accelerated Filer ☒ | Smaller reporting company ☐ | Emerging growth company ☐ |
| Piedmont | Large Accelerated Filer ☐ | Accelerated filer ☐ | Non-accelerated Filer ☒ | Smaller reporting company ☐ | Emerging growth company ☐ |

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

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

| | | | |
|---|---|---|---|
| Duke Energy | Yes ☐ No ☒ | Duke Energy Florida | Yes ☐ No ☒ |
| Duke Energy Carolinas | Yes ☐ No ☒ | Duke Energy Ohio | Yes ☐ No ☒ |
| Progress Energy | Yes ☐ No ☒ | Duke Energy Indiana | Yes ☐ No ☒ |
| Duke Energy Progress | Yes ☐ No ☒ | Piedmont | Yes ☐ No ☒ |

Number of shares of common stock outstanding at July 31, 2022:

| Registrant | Description | Shares |
|---|---|---|
| Duke Energy | Common stock, $0.001 par value | 769,968,724 |

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

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

**TABLE OF CONTENTS**

GLOSSARY OF TERMS

**Glossary of Terms**

The following terms or acronyms used in this Form 10-Q are defined below:

| Term or Acronym | Definition |
|---|---|
| 2021 Settlement | Settlement Agreement in 2021 among Duke Energy Florida, the Florida Office of Public Counsel, the Florida Industrial Power Users Group, White Springs Agricultural Chemicals, Inc. d/b/a PSC Phosphate and NUCOR Steel Florida, Inc. |
| ACP | Atlantic Coast Pipeline, LLC, a limited liability company owned by Dominion Energy, Inc. and Duke Energy |
| AFUDC | Allowance for funds used during construction |
| ARO | Asset retirement obligations |
| Bison | Bison Insurance Company Limited |
| CCR | Coal Combustion Residuals |
| the company | Duke Energy Corporation and its subsidiaries |
| COVID-19 | Coronavirus Disease 2019 |
| CRC | Cinergy Receivables Company, LLC |
| Crystal River Unit 3 | Crystal River Unit 3 Nuclear Plant |
| DEFPF | Duke Energy Florida Project Finance, LLC |
| DEFR | Duke Energy Florida Receivables, LLC |
| DEPR | Duke Energy Progress Receivables, LLC |
| DERF | Duke Energy Receivables Finance Company, LLC |
| DOE | Department of Energy |
| Duke Energy | Duke Energy Corporation (collectively with its subsidiaries) |
| Duke Energy Ohio | Duke Energy Ohio, Inc. |
| Duke Energy Progress | Duke Energy Progress, LLC |
| Duke Energy Carolinas | Duke Energy Carolinas, LLC |
| Duke Energy Florida | Duke Energy Florida, LLC |
| Duke Energy Indiana | Duke Energy Indiana, LLC |
| Duke Energy Registrants | Duke Energy, Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio, Duke Energy Indiana and Piedmont |
| EDIT | Excess deferred income tax |
| EPS | Earnings Per Share |
| ERCOT | Electric Reliability Council of Texas |
| ETR | Effective tax rate |
| Exchange Act | Securities Exchange Act of 1934 |
| FERC | Federal Energy Regulatory Commission |
| FPSC | Florida Public Service Commission |
| FTR | Financial transmission rights |
| GAAP | Generally accepted accounting principles in the U.S. |
| GAAP Reported Earnings | Net Income Available to Duke Energy Corporation Common Stockholders |
| GAAP Reported EPS | Basic Earnings Per Share Available to Duke Energy Corporation common stockholders |
| GIC | GIC Private Limited, Singapore's sovereign wealth fund and an experienced investor in U.S. infrastructure |
| GWh | Gigawatt-hours |
| IRS | Internal Revenue Service |
| Investment Trusts | NDTF investments and grantor trusts of Duke Energy Progress, Duke Energy Florida and Duke Energy Indiana |
| IURC | Indiana Utility Regulatory Commission |

## GLOSSARY OF TERMS

| | |
|---|---|
| KPSC | Kentucky Public Service Commission |
| LLC | Limited Liability Company |
| MGP | Manufactured gas plant |
| MGP Settlement | Stipulation and Recommendation filed jointly by Duke Energy Ohio the staff of the PUCO, the Office of the Ohio Consumers' Counsel and the Ohio Energy Group on August 31, 2021 |
| MW | Megawatt |
| MWh | Megawatt-hour |
| NCUC | North Carolina Utilities Commission |
| NDTF | Nuclear decommissioning trust funds |
| NPNS | Normal purchase/normal sale |
| OPEB | Other Post-Retirement Benefit Obligations |
| ORS | |
| OVEC | Ohio Valley Electric Corporation |
| Piedmont | Piedmont Natural Gas Company, Inc. |
| PJM | Pennsylvania-New Jersey-Maryland Interconnection |
| PPA | Purchase Power Agreement |
| Progress Energy | Progress Energy, Inc. |
| PSCSC | Public Service Commission of South Carolina |
| PUCO | Public Utilities Commission of Ohio |
| RTO | Regional Transmission Organization |
| Subsidiary Registrants | Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio, Duke Energy Indiana and Piedmont |
| the Tax Act | Tax Cuts and Jobs Act |
| TPUC | Tennessee Public Utility Commission |
| U.S. | United States |
| VIE | Variable Interest Entity |

FORWARD-LOOKING STATEMENTS

**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION**

This document includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are based on management's beliefs and assumptions and can often be identified by terms and phrases that include "anticipate," "believe," "intend," "estimate," "expect," "continue," "should," "could," "may," "plan," "project," "predict," "will," "potential," "forecast," "target," "guidance," "outlook" or other similar terminology. Various factors may cause actual results to be materially different than the suggested outcomes within forward-looking statements; accordingly, there is no assurance that such results will be realized. These factors include, but are not limited to:

- The impact of the COVID-19 pandemic;
- State, federal and foreign legislative and regulatory initiatives, including costs of compliance with existing and future environmental requirements, including those related to climate change, as well as rulings that affect cost and investment recovery or have an impact on rate structures or market prices;
- The extent and timing of costs and liabilities to comply with federal and state laws, regulations and legal requirements related to coal ash remediation, including amounts for required closure of certain ash impoundments, are uncertain and difficult to estimate;
- The ability to recover eligible costs, including amounts associated with coal ash impoundment retirement obligations, asset retirement and construction costs related to carbon emissions reductions, and costs related to significant weather events, and to earn an adequate return on investment through rate case proceedings and the regulatory process;
- The costs of decommissioning nuclear facilities could prove to be more extensive than amounts estimated and all costs may not be fully recoverable through the regulatory process;
- Costs and effects of legal and administrative proceedings, settlements, investigations and claims;
- Industrial, commercial and residential growth or decline in service territories or customer bases resulting from sustained downturns of the economy, reduced customer usage due to cost pressures from inflation or fuel costs, and the economic health of our service territories or variations in customer usage patterns, including energy efficiency efforts, natural gas building and appliance electrification, and use of alternative energy sources, such as self-generation and distributed generation technologies;
- Federal and state regulations, laws and other efforts designed to promote and expand the use of energy efficiency measures, natural gas electrification, and distributed generation technologies, such as private solar and battery storage, in Duke Energy service territories could result in a reduced number of customers, excess generation resources as well as stranded costs;
- Advancements in technology;
- Additional competition in electric and natural gas markets and continued industry consolidation;
- The influence of weather and other natural phenomena on operations, including the economic, operational and other effects of severe storms, hurricanes, droughts, earthquakes and tornadoes, including extreme weather associated with climate change;
- Changing investor, customer and other stakeholder expectations and demands including heightened emphasis on environmental, social and governance concerns;
- The ability to successfully operate electric generating facilities and deliver electricity to customers including direct or indirect effects to the company resulting from an incident that affects the U.S. electric grid or generating resources;
- Operational interruptions to our natural gas distribution and transmission activities;
- The availability of adequate interstate pipeline transportation capacity and natural gas supply;
- The impact on facilities and business from a terrorist attack, cybersecurity threats, data security breaches, operational accidents, information technology failures or other catastrophic events, such as fires, explosions, pandemic health events or other similar occurrences;
- The inherent risks associated with the operation of nuclear facilities, including environmental, health, safety, regulatory and financial risks, including the financial stability of third-party service providers;
- The timing and extent of changes in commodity prices and interest rates and the ability to recover such costs through the regulatory process, where appropriate, and their impact on liquidity positions and the value of underlying assets;
- The results of financing efforts, including the ability to obtain financing on favorable terms, which can be affected by various factors, including credit ratings, interest rate fluctuations, compliance with debt covenants and conditions, an individual utility's generation mix, and general market and economic conditions;
- Credit ratings of the Duke Energy Registrants may be different from what is expected;
- Declines in the market prices of equity and fixed-income securities and resultant cash funding requirements for defined benefit pension plans, other post-retirement benefit plans and nuclear decommissioning trust funds;
- Construction and development risks associated with the completion of the Duke Energy Registrants' capital investment projects, including risks related to financing, obtaining and complying with terms of permits, meeting construction budgets and schedules and satisfying operating and environmental performance standards, as well as the ability to recover costs from customers in a timely manner, or at all;
- Changes in rules for regional transmission organizations, including changes in rate designs and new and evolving capacity markets, and risks related to obligations created by the default of other participants;

## FORWARD-LOOKING STATEMENTS

- The ability to control operation and maintenance costs;
- The level of creditworthiness of counterparties to transactions;
- The ability to obtain adequate insurance at acceptable costs;
- 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 U.S. tax legislation to our financial condition, results of operations or cash flows and our credit ratings;
- The impacts from potential impairments of goodwill or equity method investment carrying values;
- Asset or business acquisitions and dispositions, including our ability to successfully consummate the second closing of the minority investment in Duke Energy Indiana, may not yield the anticipated benefits;
- The actions of activist shareholders could disrupt our operations, impact our ability to execute on our business strategy, or cause fluctuations in the trading price of our common stock; and
- The ability to implement our business strategy, including its carbon emission reduction goals.

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

**ITEM 1. FINANCIAL STATEMENTS**

DUKE ENERGY CORPORATION
**Condensed Consolidated Statements of Operations**
**(Unaudited)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **(in millions, except per share amounts)** | **2022** | **2021** | **2022** | **2021** |
| **Operating Revenues** | | | | |
| Regulated electric | **$ 6,074** | $ 5,258 | **$ 12,007** | $ 10,477 |
| Regulated natural gas | **425** | 302 | **1,427** | 1,051 |
| Nonregulated electric and other | **186** | 198 | **383** | 380 |
| Total operating revenues | **6,685** | 5,758 | **13,817** | 11,908 |
| **Operating Expenses** | | | | |
| Fuel used in electric generation and purchased power | **1,972** | 1,415 | **3,789** | 2,858 |
| Cost of natural gas | **189** | 79 | **670** | 355 |
| Operation, maintenance and other | **1,447** | 1,410 | **3,077** | 2,812 |
| Depreciation and amortization | **1,302** | 1,207 | **2,622** | 2,433 |
| Property and other taxes | **379** | 349 | **771** | 702 |
| Impairment of assets and other charges | **(9)** | 131 | **206** | 131 |
| Total operating expenses | **5,280** | 4,591 | **11,135** | 9,291 |
| **Gains on Sales of Other Assets and Other, net** | **8** | 2 | **10** | 2 |
| **Operating Income** | **1,413** | 1,169 | **2,692** | 2,619 |
| **Other Income and Expenses** | | | | |
| Equity in earnings (losses) of unconsolidated affiliates | **36** | 9 | **61** | (8) |
| Other income and expenses, net | **115** | 128 | **204** | 255 |
| Total other income and expenses | **151** | 137 | **265** | 247 |
| **Interest Expense** | **607** | 572 | **1,194** | 1,107 |
| **Income Before Income Taxes** | **957** | 734 | **1,763** | 1,759 |
| **Income Tax Expense** | **77** | 36 | **63** | 120 |
| **Net Income** | **880** | 698 | **1,700** | 1,639 |
| **Add: Net Loss Attributable to Noncontrolling Interests** | **27** | 67 | **64** | 118 |
| **Net Income Attributable to Duke Energy Corporation** | **907** | 765 | **1,764** | 1,757 |
| **Less: Preferred Dividends** | **14** | 14 | **53** | 53 |
| **Net Income Available to Duke Energy Corporation Common Stockholders** | **$ 893** | $ 751 | **$ 1,711** | $ 1,704 |
| | | | | |
| **Earnings Per Share – Basic and Diluted** | | | | |
| Net income available to Duke Energy Corporation common stockholders | | | | |
| Basic and Diluted | **$ 1.14** | $ 0.96 | **$ 2.22** | $ 2.21 |
| Weighted Average Shares Outstanding | | | | |
| Basic and Diluted | **770** | 769 | **770** | 769 |

See Notes to Condensed Consolidated Financial Statements

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **(in millions)** | **2022** | **2021** | **2022** | **2021** |
| **Net Income** | **$ 880** | $ 698 | **$ 1,700** | $ 1,639 |
| **Other Comprehensive Income (Loss), net of tax[(a)]** | | | | |
| Pension and OPEB adjustments | **2** | — | **4** | 2 |
| Net unrealized gains (losses) on cash flow hedges | **149** | (97) | **262** | (68) |
| Reclassification into earnings from cash flow hedges | **4** | 4 | **9** | 7 |
| Net unrealized losses on fair value hedges | **(12)** | — | **(12)** | — |
| Unrealized (losses) gains on available-for-sale securities | **(8)** | 4 | **(21)** | (4) |
| **Other Comprehensive Income (Loss), net of tax** | **135** | (89) | **242** | (63) |
| **Comprehensive Income** | **1,015** | 609 | **1,942** | 1,576 |
| **Add: Comprehensive Loss Attributable to Noncontrolling Interests** | **23** | 68 | **52** | 112 |
| **Comprehensive Income Attributable to Duke Energy** | **1,038** | 677 | **1,994** | 1,688 |
| **Less: Preferred Dividends** | **14** | 14 | **53** | 53 |
| **Comprehensive Income Available to Duke Energy Corporation Common Stockholders** | **$ 1,024** | $ 663 | **$ 1,941** | $ 1,635 |

(a) Net of income tax impacts of approximately $40 million and $27 million for the three months ended June 30, 2022, and 2021, respectively, and $72 million and $19 million for the six months ended June 30, 2022, and 2021, respectively.

DUKE ENERGY CORPORATION
**Condensed Consolidated Balance Sheets**
**(Unaudited)**

| (in millions) | June 30, 2022 | December 31, 2021 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents | $ 428 | $ 343 |
| Receivables (net of allowance for doubtful accounts of $44 at 2022 and $46 at 2021) | 907 | 1,173 |
| Receivables of VIEs (net of allowance for doubtful accounts of $92 at 2022 and $76 at 2021) | 3,021 | 2,437 |
| Inventory | 3,208 | 3,199 |
| Regulatory assets (includes $105 at 2022 and 2021 related to VIEs) | 2,834 | 2,150 |
| Other (includes $284 at 2022 and $256 at 2021 related to VIEs) | 1,163 | 638 |
| Total current assets | 11,561 | 9,940 |
| **Property, Plant and Equipment** | | |
| Cost | 166,004 | 161,819 |
| Accumulated depreciation and amortization | (52,252) | (50,555) |
| Facilities to be retired, net | 99 | 144 |
| Net property, plant and equipment | 113,851 | 111,408 |
| **Other Noncurrent Assets** | | |
| Goodwill | 19,303 | 19,303 |
| Regulatory assets (includes $1,774 at 2022 and $1,823 at 2021 related to VIEs) | 12,863 | 12,487 |
| Nuclear decommissioning trust funds | 8,574 | 10,401 |
| Operating lease right-of-use assets, net | 1,222 | 1,266 |
| Investments in equity method unconsolidated affiliates | 983 | 970 |
| Other (includes $120 at 2022 and $92 at 2021 related to VIEs) | 4,026 | 3,812 |
| Total other noncurrent assets | 46,971 | 48,239 |
| **Total Assets** | $ 172,383 | $ 169,587 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Accounts payable | $ 3,971 | $ 3,629 |
| Notes payable and commercial paper | 3,875 | 3,304 |
| Taxes accrued | 682 | 749 |
| Interest accrued | 554 | 533 |
| Current maturities of long-term debt (includes $633 at 2022 and $243 at 2021 related to VIEs) | 3,171 | 3,387 |
| Asset retirement obligations | 649 | 647 |
| Regulatory liabilities | 1,383 | 1,211 |
| Other | 2,259 | 2,471 |
| Total current liabilities | 16,544 | 15,931 |
| **Long-Term Debt (includes $4,435 at 2022 and $4,854 at 2021 related to VIEs)** | 63,147 | 60,448 |
| **Other Noncurrent Liabilities** | | |
| Deferred income taxes | 9,948 | 9,379 |
| Asset retirement obligations | 12,080 | 12,129 |
| Regulatory liabilities | 14,519 | 16,152 |
| Operating lease liabilities | 1,039 | 1,074 |
| Accrued pension and other post-retirement benefit costs | 799 | 855 |
| Investment tax credits | 855 | 833 |
| Other (includes $213 at 2022 and $319 at 2021 related to VIEs) | 1,868 | 1,650 |
| Total other noncurrent liabilities | 41,108 | 42,072 |
| **Commitments and Contingencies** | | |
| **Equity** | | |
| Preferred stock, Series A, $0.001 par value, 40 million depositary shares authorized and outstanding at 2022 and 2021 | 973 | 973 |
| Preferred stock, Series B, $0.001 par value, 1 million shares authorized and outstanding at 2022 and 2021 | 989 | 989 |
| Common stock, $0.001 par value, 2 billion shares authorized; 770 million shares outstanding at 2022 and 769 million shares outstanding at 2021 | 1 | 1 |
| Additional paid-in capital | 44,373 | 44,371 |
| Retained earnings | 3,457 | 3,265 |
| Accumulated other comprehensive loss | (73) | (303) |
| Total Duke Energy Corporation stockholders' equity | 49,720 | 49,296 |
| Noncontrolling interests | 1,864 | 1,840 |
| Total equity | 51,584 | 51,136 |
| **Total Liabilities and Equity** | $ 172,383 | $ 169,587 |

See Notes to Condensed Consolidated Financial Statements

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

| (in millions) | Six Months Ended June 30, 2022 | 2021 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net income | **$ 1,700** | $ 1,639 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation, amortization and accretion (including amortization of nuclear fuel) | **2,923** | 2,753 |
| Equity in (earnings) losses of unconsolidated affiliates | **(61)** | 8 |
| Equity component of AFUDC | **(99)** | (83) |
| Impairment of assets and other charges | **206** | 131 |
| Deferred income taxes | **67** | 119 |
| Payments for asset retirement obligations | **(255)** | (263) |
| Provision for rate refunds | **(65)** | (13) |
| (Increase) decrease in | | |
| Net realized and unrealized mark-to-market and hedging transactions | **351** | 15 |
| Receivables | **(180)** | 85 |
| Inventory | **(12)** | 153 |
| Other current assets | **(1,144)** | (297) |
| Increase (decrease) in | | |
| Accounts payable | **408** | (297) |
| Taxes accrued | **(49)** | 219 |
| Other current liabilities | **99** | (326) |
| Other assets | **55** | 77 |
| Other liabilities | **91** | (47) |
| Net cash provided by operating activities | **4,035** | 3,873 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Capital expenditures | **(5,117)** | (4,636) |
| Contributions to equity method investments | **(32)** | (21) |
| Purchases of debt and equity securities | **(2,184)** | (3,182) |
| Proceeds from sales and maturities of debt and equity securities | **2,225** | 3,217 |
| Disbursements to canceled equity method investments | **—** | (855) |
| Other | **(384)** | (137) |
| Net cash used in investing activities | **(5,492)** | (5,614) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from the: | | |
| Issuance of long-term debt | **5,714** | 4,627 |
| Issuance of common stock | **—** | 5 |
| Payments for the redemption of long-term debt | **(3,147)** | (2,002) |
| Proceeds from the issuance of short-term debt with original maturities greater than 90 days | **30** | 75 |
| Payments for the redemption of short-term debt with original maturities greater than 90 days | **(257)** | (959) |
| Notes payable and commercial paper | **785** | 1,299 |
| Contributions from noncontrolling interests | **126** | 318 |
| Dividends paid | **(1,574)** | (1,541) |
| Other | **(101)** | (72) |
| Net cash provided by financing activities | **1,576** | 1,750 |
| Net increase in cash, cash equivalents and restricted cash | **119** | 9 |
| **Cash, cash equivalents and restricted cash at beginning of period** | **520** | 556 |
| **Cash, cash equivalents and restricted cash at end of period** | **$ 639** | $ 565 |
| **Supplemental Disclosures:** | | |
| Significant non-cash transactions: | | |
| Accrued capital expenditures | **$ 1,264** | $ 990 |

FINANCIAL STATEMENTS

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

| | Three Months Ended June 30, 2021 and 2022 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Accumulated Other Comprehensive (Loss) Income | | | | | |
| (in millions) | Preferred Stock | Common Stock Shares | Common Stock | Additional Paid-in Capital | Retained Earnings | Net Gains (Losses) on Hedges[b] | Net Unrealized (Losses) Gains on Available-for-Sale-Securities | Pension and OPEB Adjustments | Total Duke Energy Corporation Stockholders' Equity | Non-controlling Interests | Total Equity |
| **Balance at March 31, 2021** | $ 1,962 | 769 | $ 1 | $ 43,761 | $ 2,680 | $ (142) | $ (2) | $ (74) | $ 48,186 | $ 1,472 | $ 49,658 |
| Net income (loss) | — | — | — | — | 751 | — | — | — | 751 | (67) | 684 |
| Other comprehensive (loss) income | — | — | — | — | — | (92) | 4 | — | (88) | (1) | (89) |
| Common stock issuances, including dividend reinvestment and employee benefits | — | — | — | 26 | — | — | — | — | 26 | — | 26 |
| Common stock dividends | — | — | — | — | (744) | — | — | — | (744) | — | (744) |
| Contribution from noncontrolling interests, net of transaction costs[a] | — | — | — | — | — | — | — | — | — | 15 | 15 |
| Distributions to noncontrolling interest in subsidiaries | — | — | — | — | — | — | — | — | — | (5) | (5) |
| Other | — | — | — | 1 | — | — | — | — | 1 | (1) | — |
| **Balance at June 30, 2021** | $ 1,962 | $ 769 | $ 1 | $ 43,788 | $ 2,687 | $ (234) | $ 2 | $ (74) | $ 48,132 | $ 1,413 | $ 49,545 |
| | | | | | | | | | | | |
| **Balance at March 31, 2022** | $ 1,962 | 770 | $ 1 | $ 44,364 | $ 3,323 | $ (122) | $ (15) | $ (67) | $ 49,446 | $ 1,806 | $ 51,252 |
| Net income (loss) | — | — | — | — | **893** | — | — | — | **893** | **(27)** | **866** |
| Other comprehensive income (loss) | — | — | — | — | — | **137** | **(8)** | **2** | **131** | **4** | **135** |
| Common stock issuances, including dividend reinvestment and employee benefits | — | — | — | **27** | — | — | — | — | **27** | — | **27** |
| Common stock dividends | — | — | — | — | **(761)** | — | — | — | **(761)** | — | **(761)** |
| Sale of noncontrolling interest | — | — | — | **(17)** | — | — | — | — | **(17)** | **38** | **21** |
| Contribution from noncontrolling interests, net of transaction costs[a] | — | — | — | — | — | — | — | — | — | **65** | **65** |
| Distributions to noncontrolling interest in subsidiaries | — | — | — | — | — | — | — | — | — | **(22)** | **(22)** |
| Other | — | — | — | **(1)** | **2** | — | — | — | **1** | — | **1** |
| **Balance at June 30, 2022** | **$ 1,962** | **770** | **$ 1** | **$ 44,373** | **$ 3,457** | **$ 15** | **$ (23)** | **$ (65)** | **$ 49,720** | **$ 1,864** | **$ 51,584** |

See Notes to Condensed Consolidated Financial Statements

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

| | Six Months Ended June 30, 2021 and 2022 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Accumulated Other Comprehensive (Loss) Income | | | | | | |
| (in millions) | Preferred Stock | Common Stock Shares | Common Stock | Additional Paid-in Capital | Retained Earnings | Net Gains (Losses) on Hedges[b] | Net Unrealized Gains (Losses) on Available-for-Sale-Securities | Pension and OPEB Adjustments | Total Duke Energy Corporation Stockholders' Equity | Non-controlling Interests | Total Equity |
| **Balance at December 31, 2020** | $ 1,962 | 769 | $ 1 | $ 43,767 | $ 2,471 | $ (167) | $ 6 | $ (76) | $ 47,964 | $ 1,220 | $ 49,184 |
| Net income (loss) | — | — | — | — | 1,704 | — | — | — | 1,704 | (118) | 1,586 |
| Other comprehensive (loss) income | — | — | — | — | — | (67) | (4) | 2 | (69) | 6 | (63) |
| Common stock issuances, including dividend reinvestment and employee benefits | — | — | — | 23 | — | — | — | — | 23 | — | 23 |
| Common stock dividends | — | — | — | — | (1,488) | — | — | — | (1,488) | — | (1,488) |
| Contributions from noncontrolling interests, net of transaction costs[a] | — | — | — | (3) | — | — | — | — | (3) | 318 | 315 |
| Distributions to noncontrolling interest in subsidiaries | — | — | — | — | — | — | — | — | — | (12) | (12) |
| Other[b] | — | — | — | 1 | — | — | — | — | 1 | (1) | — |
| **Balance at June 30, 2021** | $ 1,962 | 769 | $ 1 | $ 43,788 | $ 2,687 | $ (234) | $ 2 | $ (74) | $ 48,132 | $ 1,413 | $ 49,545 |
| | | | | | | | | | | | |
| **Balance at December 31, 2021** | $ 1,962 | 769 | $ 1 | $ 44,371 | $ 3,265 | $ (232) | $ (2) | $ (69) | $ 49,296 | $ 1,840 | $ 51,136 |
| Net income (loss) | — | — | — | — | **1,711** | — | — | — | **1,711** | **(64)** | **1,647** |
| Other comprehensive income (loss) | — | — | — | — | — | **247** | **(21)** | **4** | **230** | **12** | **242** |
| Common stock issuances, including dividend reinvestment and employee benefits | — | **1** | — | **20** | — | — | — | — | **20** | — | **20** |
| Common stock dividends | — | — | — | — | **(1,521)** | — | — | — | **(1,521)** | — | **(1,521)** |
| Sale of noncontrolling interest | — | — | — | **(17)** | — | — | — | — | **(17)** | **38** | **21** |
| Contributions from noncontrolling interests, net of transaction costs[a] | — | — | — | — | — | — | — | — | — | **88** | **88** |
| Distributions to noncontrolling interest in subsidiaries | — | — | — | — | — | — | — | — | — | **(50)** | **(50)** |
| Other | — | — | — | **(1)** | **2** | — | — | — | **1** | — | **1** |
| **Balance at June 30, 2022** | **$ 1,962** | **770** | **$ 1** | **$ 44,373** | **$ 3,457** | **$ 15** | **$ (23)** | **$ (65)** | **$ 49,720** | **$ 1,864** | **$ 51,584** |

(a) Relates to tax equity financing activity in the Commercial Renewables segment.
(b) See Duke Energy Condensed Consolidated Statements of Comprehensive Income for detailed activity related to Cash Flow and Fair Value hedges.

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **(in millions)** | **2022** | **2021** | **2022** | **2021** |
| **Operating Revenues** | **$ 1,781** | $ 1,610 | **$ 3,669** | $ 3,326 |
| **Operating Expenses** | | | | |
| Fuel used in electric generation and purchased power | **431** | 344 | **879** | 766 |
| Operation, maintenance and other | **462** | 435 | **974** | 876 |
| Depreciation and amortization | **384** | 363 | **763** | 722 |
| Property and other taxes | **77** | 74 | **170** | 157 |
| Impairment of assets and other charges | **(12)** | 75 | **(9)** | 75 |
| Total operating expenses | **1,342** | 1,291 | **2,777** | 2,596 |
| **Gains on Sales of Other Assets and Other, net** | **—** | 2 | **—** | 2 |
| **Operating Income** | **439** | 321 | **892** | 732 |
| **Other Income and Expenses, net** | **58** | 44 | **113** | 92 |
| **Interest Expense** | **143** | 139 | **284** | 263 |
| **Income Before Income Taxes** | **354** | 226 | **721** | 561 |
| **Income Tax Expense** | **26** | 1 | **53** | 24 |
| **Net Income and Comprehensive Income** | **$ 328** | $ 225 | **$ 668** | $ 537 |

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

| (in millions) | June 30, 2022 | December 31, 2021 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents | $ 37 | $ 7 |
| Receivables (net of allowance for doubtful accounts of $2 at 2022 and $1 at 2021) | 269 | 300 |
| Receivables of VIEs (net of allowance for doubtful accounts of $50 at 2022 and $41 at 2021) | 893 | 844 |
| Receivables from affiliated companies | 241 | 190 |
| Inventory | 1,033 | 1,026 |
| Regulatory assets (includes $12 at 2022 and 2021 related to VIEs) | 757 | 544 |
| Other (includes $8 at 2022 and $0 at 2021 related to VIEs) | 128 | 95 |
| Total current assets | 3,358 | 3,006 |
| **Property, Plant and Equipment** | | |
| Cost | 53,074 | 51,874 |
| Accumulated depreciation and amortization | (18,205) | (17,854) |
| Facilities to be retired, net | 90 | 102 |
| Net property, plant and equipment | 34,959 | 34,122 |
| **Other Noncurrent Assets** | | |
| Regulatory assets (includes $214 at 2022 and $220 at 2021 related to VIEs) | 3,339 | 2,935 |
| Nuclear decommissioning trust funds | 4,729 | 5,759 |
| Operating lease right-of-use assets, net | 84 | 92 |
| Other | 1,305 | 1,248 |
| Total other noncurrent assets | 9,457 | 10,034 |
| **Total Assets** | $ 47,774 | $ 47,162 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Accounts payable | $ 1,158 | $ 988 |
| Accounts payable to affiliated companies | 189 | 266 |
| Notes payable to affiliated companies | 29 | 226 |
| Taxes accrued | 177 | 274 |
| Interest accrued | 135 | 125 |
| Current maturities of long-term debt (includes $10 at 2022 and $5 at 2021 related to VIEs) | 1,018 | 362 |
| Asset retirement obligations | 254 | 249 |
| Regulatory liabilities | 460 | 487 |
| Other | 470 | 546 |
| Total current liabilities | 3,890 | 3,523 |
| **Long-Term Debt (includes $721 at 2022 and $703 at 2021 related to VIEs)** | 12,844 | 12,595 |
| **Long-Term Debt Payable to Affiliated Companies** | 300 | 318 |
| **Other Noncurrent Liabilities** | | |
| Deferred income taxes | 3,911 | 3,634 |
| Asset retirement obligations | 5,065 | 5,052 |
| Regulatory liabilities | 6,300 | 7,198 |
| Operating lease liabilities | 70 | 78 |
| Accrued pension and other post-retirement benefit costs | 42 | 50 |
| Investment tax credits | 285 | 287 |
| Other | 558 | 536 |
| Total other noncurrent liabilities | 16,231 | 16,835 |
| **Commitments and Contingencies** | | |
| **Equity** | | |
| Member's equity | 14,515 | 13,897 |
| Accumulated other comprehensive loss | (6) | (6) |
| Total equity | 14,509 | 13,891 |
| **Total Liabilities and Equity** | $ 47,774 | $ 47,162 |

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

| (in millions) | Six Months Ended June 30, 2022 | 2021 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net income | **$ 668** | $ 537 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization (including amortization of nuclear fuel) | **892** | 861 |
| Equity component of AFUDC | **(47)** | (30) |
| Impairment of assets and other charges | **(9)** | 75 |
| Deferred income taxes | **95** | (41) |
| Payments for asset retirement obligations | **(87)** | (93) |
| Provision for rate refunds | **(36)** | (11) |
| (Increase) decrease in | | |
| Net realized and unrealized mark-to-market and hedging transactions | **55** | 4 |
| Receivables | **23** | — |
| Receivables from affiliated companies | **(51)** | 13 |
| Inventory | **(7)** | (3) |
| Other current assets | **(514)** | (45) |
| Increase (decrease) in | | |
| Accounts payable | **124** | (266) |
| Accounts payable to affiliated companies | **(95)** | (4) |
| Taxes accrued | **(97)** | 127 |
| Other current liabilities | **151** | (152) |
| Other assets | **(9)** | 8 |
| Other liabilities | **(33)** | 18 |
| Net cash provided by operating activities | **1,023** | 998 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Capital expenditures | **(1,523)** | (1,251) |
| Purchases of debt and equity securities | **(1,073)** | (1,847) |
| Proceeds from sales and maturities of debt and equity securities | **1,073** | 1,847 |
| Other | **(118)** | (80) |
| Net cash used in investing activities | **(1,641)** | (1,331) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from the issuance of long-term debt | **1,287** | 1,298 |
| Payments for the redemption of long-term debt | **(382)** | (614) |
| Notes payable to affiliated companies | **(197)** | (35) |
| Distributions to parent | **(50)** | (300) |
| Other | **(1)** | (1) |
| Net cash provided by financing activities | **657** | 348 |
| Net increase in cash, cash equivalents and restricted cash | **39** | 15 |
| **Cash, cash equivalents and restricted cash at beginning of period** | **8** | 21 |
| **Cash, cash equivalents and restricted cash at end of period** | **$ 47** | $ 36 |
| **Supplemental Disclosures:** | | |
| Significant non-cash transactions: | | |
| Accrued capital expenditures | **$ 413** | $ 315 |

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY CAROLINAS, LLC
**Condensed Consolidated Statements of Changes in Equity**
**(Unaudited)**

| | Three Months Ended June 30, 2021 and 2022 | | |
|---|---|---|---|
| | | Accumulated Other Comprehensive Loss | |
| (in millions) | Member's Equity | Net Losses on Cash Flow Hedges | Total Equity |
| **Balance at March 31, 2021** | $ 13,473 | $ (7) | $ 13,466 |
| Net income | 225 | — | 225 |
| Distributions to parent | (300) | — | (300) |
| Other | 1 | — | 1 |
| **Balance at June 30, 2021** | $ 13,399 | $ (7) | $ 13,392 |
| | | | |
| **Balance at March 31, 2022** | $ 14,188 | $ (6) | $ 14,182 |
| Net income | **328** | **—** | **328** |
| Other | **(1)** | **—** | **(1)** |
| **Balance at June 30, 2022** | **$ 14,515** | **$ (6)** | **$ 14,509** |

| | Six Months Ended June 30, 2021 and 2022 | | |
|---|---|---|---|
| | | Accumulated Other Comprehensive Loss | |
| (in millions) | Member's Equity | Net Losses on Cash Flow Hedges | Total Equity |
| **Balance at December 31, 2020** | $ 13,161 | $ (7) | $ 13,154 |
| Net income | 537 | — | 537 |
| Distributions to parent | (300) | — | (300) |
| Other | 1 | — | 1 |
| **Balance at June 30, 2021** | $ 13,399 | $ (7) | $ 13,392 |
| | | | |
| **Balance at December 31, 2021** | $ 13,897 | $ (6) | $ 13,891 |
| Net income | **668** | **—** | **668** |
| Distributions to parent | **(50)** | **—** | **(50)** |
| **Balance at June 30, 2022** | **$ 14,515** | **$ (6)** | **$ 14,509** |

See Notes to Condensed Consolidated Financial Statements

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **(in millions)** | **2022** | **2021** | **2022** | **2021** |
| **Operating Revenues** | **$ 3,214** | $ 2,679 | **$ 6,206** | $ 5,184 |
| **Operating Expenses** | | | | |
| Fuel used in electric generation and purchased power | **1,258** | 833 | **2,322** | 1,628 |
| Operation, maintenance and other | **603** | 626 | **1,248** | 1,227 |
| Depreciation and amortization | **509** | 441 | **1,045** | 926 |
| Property and other taxes | **151** | 133 | **303** | 275 |
| Impairment of assets and other charges | **4** | 37 | **4** | 37 |
| Total operating expenses | **2,525** | 2,070 | **4,922** | 4,093 |
| **Gains on Sales of Other Assets and Other, net** | **1** | 1 | **3** | 1 |
| **Operating Income** | **690** | 610 | **1,287** | 1,092 |
| **Other Income and Expenses, net** | **70** | 38 | **105** | 81 |
| **Interest Expense** | **208** | 200 | **419** | 392 |
| **Income Before Income Taxes** | **552** | 448 | **973** | 781 |
| **Income Tax Expense** | **93** | 37 | **160** | 80 |
| **Net Income** | **459** | 411 | **813** | 701 |
| **Less: Net Income Attributable to Noncontrolling Interests** | **1** | — | **1** | — |
| **Net Income Attributable to Parent** | **$ 458** | $ 411 | **$ 812** | $ 701 |
| | | | | |
| **Net Income** | **$ 459** | $ 411 | **$ 813** | $ 701 |
| **Other Comprehensive Income, net of tax** | | | | |
| Pension and OPEB adjustments | **—** | 1 | **—** | 1 |
| Net unrealized gains on cash flow hedges | **—** | — | **1** | 1 |
| Unrealized (losses) gains on available-for-sale securities | **(1)** | 1 | **(3)** | — |
| **Other Comprehensive (Loss) Income, net of tax** | **(1)** | 2 | **(2)** | 2 |
| **Comprehensive Income** | **$ 458** | $ 413 | **$ 811** | $ 703 |

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

| (in millions) | June 30, 2022 | December 31, 2021 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents | $ 129 | $ 70 |
| Receivables (net of allowance for doubtful accounts of $12 at 2022 and $11 at 2021) | 192 | 247 |
| Receivables of VIEs (net of allowance for doubtful accounts of $40 at 2022 and $25 at 2021) | 1,352 | 1,006 |
| Receivables from affiliated companies | 22 | 121 |
| Notes receivable from affiliated companies | 108 | — |
| Inventory | 1,426 | 1,398 |
| Regulatory assets (includes $93 at 2022 and 2021 related to VIEs) | 1,406 | 1,030 |
| Other (includes $59 at 2022 and $39 at 2021 related to VIEs) | 170 | 125 |
| Total current assets | 4,805 | 3,997 |
| **Property, Plant and Equipment** | | |
| Cost | 62,609 | 60,894 |
| Accumulated depreciation and amortization | (20,082) | (19,214) |
| Facilities to be retired, net | — | 26 |
| Net property, plant and equipment | 42,527 | 41,706 |
| **Other Noncurrent Assets** | | |
| Goodwill | 3,655 | 3,655 |
| Regulatory assets (includes $1,560 at 2022 and $1,603 at 2021 related to VIEs) | 6,081 | 5,909 |
| Nuclear decommissioning trust funds | 3,845 | 4,642 |
| Operating lease right-of-use assets, net | 677 | 691 |
| Other | 1,241 | 1,242 |
| Total other noncurrent assets | 15,499 | 16,139 |
| **Total Assets** | $ 62,831 | $ 61,842 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Accounts payable | $ 1,219 | $ 1,099 |
| Accounts payable to affiliated companies | 965 | 506 |
| Notes payable to affiliated companies | 458 | 2,809 |
| Taxes accrued | 221 | 128 |
| Interest accrued | 197 | 192 |
| Current maturities of long-term debt (includes $338 at 2022 and $71 at 2021 related to VIEs) | 393 | 1,082 |
| Asset retirement obligations | 262 | 275 |
| Regulatory liabilities | 580 | 478 |
| Other | 830 | 868 |
| Total current liabilities | 5,125 | 7,437 |
| **Long-Term Debt (includes $2,047 at 2022 and $2,293 at 2021 related to VIEs)** | 20,208 | 19,591 |
| **Long-Term Debt Payable to Affiliated Companies** | 150 | 150 |
| **Other Noncurrent Liabilities** | | |
| Deferred income taxes | 4,748 | 4,564 |
| Asset retirement obligations | 5,806 | 5,837 |
| Regulatory liabilities | 5,094 | 5,566 |
| Operating lease liabilities | 600 | 606 |
| Accrued pension and other post-retirement benefit costs | 399 | 417 |
| Other | 561 | 526 |
| Total other noncurrent liabilities | 17,208 | 17,516 |
| **Commitments and Contingencies** | | |
| **Equity** | | |
| Common Stock, $0.01 par value, 100 shares authorized and outstanding at 2022 and 2021 | — | — |
| Additional paid-in capital | 9,149 | 9,149 |
| Retained earnings | 11,001 | 8,007 |
| Accumulated other comprehensive loss | (13) | (11) |
| Total Progress Energy, Inc. stockholders' equity | 20,137 | 17,145 |
| Noncontrolling interests | 3 | 3 |
| Total equity | 20,140 | 17,148 |
| **Total Liabilities and Equity** | $ 62,831 | $ 61,842 |

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

| (in millions) | Six Months Ended June 30, 2022 | 2021 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net income | **$ 813** | $ 701 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation, amortization and accretion (including amortization of nuclear fuel) | **1,209** | 1,104 |
| Equity component of AFUDC | **(33)** | (23) |
| Impairment of assets and other charges | **4** | 37 |
| Deferred income taxes | **95** | 163 |
| Payments for asset retirement obligations | **(137)** | (139) |
| Provision for rate refunds | **(30)** | (7) |
| (Increase) decrease in | | |
| Net realized and unrealized mark-to-market and hedging transactions | **314** | 16 |
| Receivables | **(246)** | (12) |
| Receivables from affiliated companies | **117** | 88 |
| Inventory | **(30)** | 76 |
| Other current assets | **(417)** | (247) |
| Increase (decrease) in | | |
| Accounts payable | **161** | 44 |
| Accounts payable to affiliated companies | **459** | 42 |
| Taxes accrued | **93** | 97 |
| Other current liabilities | **74** | (79) |
| Other assets | **(76)** | (33) |
| Other liabilities | **(2)** | (156) |
| Net cash provided by operating activities | **2,368** | 1,672 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Capital expenditures | **(1,944)** | (1,745) |
| Purchases of debt and equity securities | **(996)** | (1,160) |
| Proceeds from sales and maturities of debt and equity securities | **1,032** | 1,201 |
| Notes receivable from affiliated companies | **(108)** | — |
| Other | **(21)** | (69) |
| Net cash used in investing activities | **(2,037)** | (1,773) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from the issuance of long-term debt | **940** | 19 |
| Payments for the redemption of long-term debt | **(1,019)** | (41) |
| Notes payable to affiliated companies | **80** | 34 |
| Dividends to parent | **(250)** | — |
| Other | **(3)** | (3) |
| Net cash (used in) provided by financing activities | **(252)** | 9 |
| Net increase (decrease) in cash, cash equivalents and restricted cash | **79** | (92) |
| **Cash, cash equivalents and restricted cash at beginning of period** | **113** | 200 |
| **Cash, cash equivalents and restricted cash at end of period** | **$ 192** | $ 108 |
| **Supplemental Disclosures:** | | |
| Significant non-cash transactions: | | |
| Accrued capital expenditures | **$ 455** | $ 329 |

See Notes to Condensed Consolidated Financial Statements

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

| | Three Months Ended June 30, 2021 and 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Accumulated Other Comprehensive Loss | | | | | |
| (in millions) | Additional Paid-in Capital | Retained Earnings | Net Gains (Losses) on Cash Flow Hedges | Net Unrealized Gains (Losses) on Available-for-Sale Securities | Pension and OPEB Adjustments | Total Progress Energy, Inc. Stockholders' Equity | Noncontrolling Interests | Total Equity |
| **Balance at March 31, 2021** | $ 9,143 | $ 7,400 | $ (4) | $ (3) | $ (8) | $ 16,528 | $ 2 | $ 16,530 |
| Net income | — | 411 | — | — | — | 411 | — | 411 |
| Other comprehensive income | — | — | — | 1 | 1 | 2 | — | 2 |
| Other | — | (2) | — | — | — | (2) | 1 | (1) |
| **Balance at June 30, 2021** | $ 9,143 | $ 7,809 | $ (4) | $ (2) | $ (7) | $ 16,939 | $ 3 | $ 16,942 |
| | | | | | | | | |
| **Balance at March 31, 2022** | $ 9,149 | $ 10,543 | $ (1) | $ (4) | $ (7) | $ 19,680 | $ 2 | $ 19,682 |
| Net income | **—** | **458** | **—** | **—** | **—** | **458** | **1** | **459** |
| Other comprehensive loss | **—** | **—** | **—** | **(1)** | **—** | **(1)** | **—** | **(1)** |
| **Balance at June 30, 2022** | **$ 9,149** | **$ 11,001** | **$ (1)** | **$ (5)** | **$ (7)** | **$ 20,137** | **$ 3** | **$ 20,140** |

| | Six Months Ended June 30, 2021 and 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Accumulated Other Comprehensive Loss | | | | | |
| | Additional Paid-in Capital | Retained Earnings | Net Gains (Losses) on Cash Flow Hedges | Net Unrealized Gains (Losses) on Available-for-Sale Securities | Pension and OPEB Adjustments | Total Progress Energy, Inc. Stockholders' Equity | Noncontrolling Interests | Total Equity |
| **Balance at December 31, 2020** | $ 9,143 | $ 7,109 | $ (5) | $ (2) | $ (8) | $ 16,237 | $ 4 | $ 16,241 |
| Net income | — | 701 | — | — | — | 701 | — | 701 |
| Other comprehensive income | — | — | 1 | — | 1 | 2 | — | 2 |
| Distributions to noncontrolling interests | — | — | — | — | — | — | (1) | (1) |
| Other | — | (1) | — | — | — | (1) | — | (1) |
| **Balance at June 30, 2021** | $ 9,143 | $ 7,809 | $ (4) | $ (2) | $ (7) | $ 16,939 | $ 3 | $ 16,942 |
| | | | | | | | | |
| **Balance at December 31, 2021** | $ 9,149 | $ 8,007 | $ (2) | $ (2) | $ (7) | $ 17,145 | $ 3 | $ 17,148 |
| Net income | **—** | **812** | **—** | **—** | **—** | **812** | **1** | **813** |
| Other comprehensive income (loss) | **—** | **—** | **1** | **(3)** | **—** | **(2)** | **—** | **(2)** |
| Distributions to noncontrolling interests | **—** | **—** | **—** | **—** | **—** | **—** | **(1)** | **(1)** |
| Dividends to parent | **—** | **(250)** | **—** | **—** | **—** | **(250)** | **—** | **(250)** |
| Equitization of certain notes payable to affiliates | **—** | **2,431** | **—** | **—** | **—** | **2,431** | **—** | **2,431** |
| Other | **—** | **1** | **—** | **—** | **—** | **1** | **—** | **1** |
| **Balance at June 30, 2022** | **$ 9,149** | **$ 11,001** | **$ (1)** | **$ (5)** | **$ (7)** | **$ 20,137** | **$ 3** | **$ 20,140** |

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **(in millions)** | **2022** | **2021** | **2022** | **2021** |
| **Operating Revenues** | **$ 1,581** | $ 1,349 | **$ 3,213** | $ 2,750 |
| **Operating Expenses** | | | | |
| Fuel used in electric generation and purchased power | **593** | 409 | **1,167** | 845 |
| Operation, maintenance and other | **360** | 367 | **751** | 724 |
| Depreciation and amortization | **271** | 236 | **577** | 521 |
| Property and other taxes | **41** | 41 | **90** | 90 |
| Impairment of assets and other charges | **4** | 18 | **4** | 18 |
| Total operating expenses | **1,269** | 1,071 | **2,589** | 2,198 |
| **Gains on Sales of Other Assets and Other, net** | **—** | 1 | **1** | 1 |
| **Operating Income** | **312** | 279 | **625** | 553 |
| **Other Income and Expenses, net** | **32** | 20 | **54** | 44 |
| **Interest Expense** | **90** | 78 | **175** | 147 |
| **Income Before Income Taxes** | **254** | 221 | **504** | 450 |
| **Income Tax Expense** | **35** | 6 | **70** | 25 |
| **Net Income and Comprehensive Income** | **$ 219** | $ 215 | **$ 434** | $ 425 |

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

| (in millions) | June 30, 2022 | December 31, 2021 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents | $ 75 | $ 35 |
| Receivables (net of allowance for doubtful accounts of $4 at 2022 and 2021) | 63 | 127 |
| Receivables of VIEs (net of allowance for doubtful accounts of $27 at 2022 and $17 at 2021) | 705 | 574 |
| Receivables from affiliated companies | 20 | 65 |
| Notes receivable from affiliated companies | 154 | — |
| Inventory | 948 | 921 |
| Regulatory assets (includes $39 at 2022 and 2021 related to VIEs) | 621 | 533 |
| Other (includes $26 in 2022 related to VIEs) | 123 | 83 |
| Total current assets | 2,709 | 2,338 |
| **Property, Plant and Equipment** | | |
| Cost | 37,885 | 37,018 |
| Accumulated depreciation and amortization | (13,977) | (13,387) |
| Facilities to be retired, net | — | 26 |
| Net property, plant and equipment | 23,908 | 23,657 |
| **Other Noncurrent Assets** | | |
| Regulatory assets (includes $701 at 2022 and $720 at 2021 related to VIEs) | 4,161 | 4,118 |
| Nuclear decommissioning trust funds | 3,374 | 4,089 |
| Operating lease right-of-use assets, net | 397 | 389 |
| Other | 787 | 792 |
| Total other noncurrent assets | 8,719 | 9,388 |
| **Total Assets** | $ 35,336 | $ 35,383 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Accounts payable | $ 469 | $ 476 |
| Accounts payable to affiliated companies | 342 | 310 |
| Notes payable to affiliated companies | — | 172 |
| Taxes accrued | 114 | 163 |
| Interest accrued | 101 | 96 |
| Current maturities of long-term debt (includes $32 at 2022 and $15 at 2021 related to VIEs) | 66 | 556 |
| Asset retirement obligations | 261 | 274 |
| Regulatory liabilities | 342 | 381 |
| Other | 425 | 448 |
| Total current liabilities | 2,120 | 2,876 |
| **Long-Term Debt (includes $1,130 at 2022 and $1,097 at 2021 related to VIEs)** | 10,446 | 9,543 |
| **Long-Term Debt Payable to Affiliated Companies** | 150 | 150 |
| **Other Noncurrent Liabilities** | | |
| Deferred income taxes | 2,323 | 2,208 |
| Asset retirement obligations | 5,414 | 5,401 |
| Regulatory liabilities | 4,342 | 4,868 |
| Operating lease liabilities | 365 | 350 |
| Accrued pension and other post-retirement benefit costs | 215 | 221 |
| Investment tax credits | 126 | 128 |
| Other | 100 | 87 |
| Total other noncurrent liabilities | 12,885 | 13,263 |
| **Commitments and Contingencies** | | |
| **Equity** | | |
| **Member's Equity** | 9,735 | 9,551 |
| **Total Liabilities and Equity** | $ 35,336 | $ 35,383 |

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

| (in millions) | Six Months Ended June 30, 2022 | 2021 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net income | **$ 434** | $ 425 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization (including amortization of nuclear fuel) | **672** | 610 |
| Equity component of AFUDC | **(22)** | (15) |
| Impairment of assets and other charges | **4** | 18 |
| Deferred income taxes | **32** | 28 |
| Payments for asset retirement obligations | **(90)** | (88) |
| Provision for rate refunds | **(30)** | (7) |
| (Increase) decrease in | | |
| Net realized and unrealized mark-to-market and hedging transactions | **314** | 9 |
| Receivables | **(25)** | 31 |
| Receivables from affiliated companies | **63** | (13) |
| Inventory | **(27)** | 52 |
| Other current assets | **(83)** | (52) |
| Increase (decrease) in | | |
| Accounts payable | **(7)** | 28 |
| Accounts payable to affiliated companies | **32** | (1) |
| Taxes accrued | **(49)** | 2 |
| Other current liabilities | **(9)** | (45) |
| Other assets | **(75)** | (40) |
| Other liabilities | **9** | (43) |
| Net cash provided by operating activities | **1,143** | 899 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Capital expenditures | **(926)** | (869) |
| Purchases of debt and equity securities | **(887)** | (926) |
| Proceeds from sales and maturities of debt and equity securities | **882** | 915 |
| Notes receivable from affiliated companies | **(154)** | — |
| Other | **22** | (2) |
| Net cash used in investing activities | **(1,063)** | (882) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from the issuance of long-term debt | **939** | 19 |
| Payments for the redemption of long-term debt | **(530)** | (3) |
| Notes payable to affiliated companies | **(172)** | (25) |
| Distributions to parent | **(250)** | — |
| Other | **(1)** | (1) |
| Net cash used in financing activities | **(14)** | (10) |
| Net increase in cash, cash equivalents and restricted cash | **66** | 7 |
| **Cash, cash equivalents and restricted cash at beginning of period** | **39** | 39 |
| **Cash, cash equivalents and restricted cash at end of period** | **$ 105** | $ 46 |
| **Supplemental Disclosures:** | | |
| Significant non-cash transactions: | | |
| Accrued capital expenditures | **$ 158** | $ 97 |

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY PROGRESS, LLC
**Condensed Consolidated Statements of Changes in Equity**
**(Unaudited)**

| (in millions) | Three Months Ended June 30, 2021 and 2022 Member's Equity |
|---|---|
| **Balance at March 31, 2021** | $ 9,470 |
| Net income | 215 |
| **Balance at June 30, 2021** | $ 9,685 |
| | |
| **Balance at March 31, 2022** | $ 9,517 |
| Net income | **219** |
| Other | **(1)** |
| **Balance at June 30, 2022** | **$ 9,735** |

| (in millions) | Six Months Ended June 30, 2021 and 2022 Member's Member's Equity |
|---|---|
| **Balance at December 31, 2020** | $ 9,260 |
| Net income | 425 |
| **Balance at June 30, 2021** | $ 9,685 |
| | |
| **Balance at December 31, 2021** | $ 9,551 |
| Net income | **434** |
| Distributions to parent | **(250)** |
| **Balance at June 30, 2022** | **$ 9,735** |

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **(in millions)** | **2022** | **2021** | **2022** | **2021** |
| **Operating Revenues** | **$ 1,628** | $ 1,325 | **$ 2,983** | $ 2,426 |
| **Operating Expenses** | | | | |
| Fuel used in electric generation and purchased power | **665** | 424 | **1,155** | 783 |
| Operation, maintenance and other | **241** | 255 | **490** | 497 |
| Depreciation and amortization | **237** | 205 | **468** | 405 |
| Property and other taxes | **109** | 92 | **212** | 185 |
| Impairment of assets and other charges | **—** | 19 | **—** | 19 |
| Total operating expenses | **1,252** | 995 | **2,325** | 1,889 |
| **Gains on Sales of Other Assets and Other, net** | **1** | — | **2** | — |
| **Operating Income** | **377** | 330 | **660** | 537 |
| **Other Income and Expenses, net** | **40** | 18 | **55** | 36 |
| **Interest Expense** | **90** | 80 | **174** | 160 |
| **Income Before Income Taxes** | **327** | 268 | **541** | 413 |
| **Income Tax Expense** | **66** | 51 | **109** | 79 |
| **Net Income** | **$ 261** | $ 217 | **$ 432** | $ 334 |
| **Other Comprehensive Income (Loss), net of tax** | | | | |
| Unrealized (losses) gains on available-for-sale securities | **(1)** | 1 | **(2)** | — |
| **Comprehensive Income** | **$ 260** | $ 218 | **$ 430** | $ 334 |

See Notes to Condensed Consolidated Financial Statements

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

| (in millions) | June 30, 2022 | December 31, 2021 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents | **$ 44** | $ 23 |
| Receivables (net of allowance for doubtful accounts of $8 at 2022 and 2021) | **126** | 117 |
| Receivables of VIEs (net of allowance for doubtful accounts of $13 at 2022 and $8 at 2021) | **647** | 432 |
| Receivables from affiliated companies | **5** | 16 |
| Inventory | **478** | 477 |
| Regulatory assets (includes $54 at 2022 and 2021 related to VIEs) | **785** | 497 |
| Other (includes $33 at 2022 and $39 at 2021 related to VIEs) | **58** | 80 |
| Total current assets | **2,143** | 1,642 |
| **Property, Plant and Equipment** | | |
| Cost | **24,714** | 23,865 |
| Accumulated depreciation and amortization | **(6,097)** | (5,819) |
| Net property, plant and equipment | **18,617** | 18,046 |
| **Other Noncurrent Assets** | | |
| Regulatory assets (includes $859 at 2022 and $883 at 2021 related to VIEs) | **1,920** | 1,791 |
| Nuclear decommissioning trust funds | **470** | 553 |
| Operating lease right-of-use assets, net | **280** | 302 |
| Other | **407** | 399 |
| Total other noncurrent assets | **3,077** | 3,045 |
| **Total Assets** | **$ 23,837** | $ 22,733 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Accounts payable | **$ 750** | $ 623 |
| Accounts payable to affiliated companies | **147** | 209 |
| Notes payable to affiliated companies | **504** | 199 |
| Taxes accrued | **186** | 51 |
| Interest accrued | **72** | 68 |
| Current maturities of long-term debt (includes $306 at 2022 and $56 at 2021 related to VIEs) | **327** | 76 |
| Asset retirement obligations | **1** | 1 |
| Regulatory liabilities | **238** | 98 |
| Other | **394** | 408 |
| Total current liabilities | **2,619** | 1,733 |
| **Long-Term Debt (includes $916 at 2022 and $1,196 at 2021 related to VIEs)** | **8,120** | 8,406 |
| **Other Noncurrent Liabilities** | | |
| Deferred income taxes | **2,506** | 2,434 |
| Asset retirement obligations | **392** | 436 |
| Regulatory liabilities | **752** | 698 |
| Operating lease liabilities | **235** | 256 |
| Accrued pension and other post-retirement benefit costs | **155** | 166 |
| Other | **333** | 309 |
| Total other noncurrent liabilities | **4,373** | 4,299 |
| **Commitments and Contingencies** | | |
| **Equity** | | |
| Member's equity | **8,730** | 8,298 |
| Accumulated other comprehensive loss | **(5)** | (3) |
| Total equity | **8,725** | 8,295 |
| **Total Liabilities and Equity** | **$ 23,837** | $ 22,733 |

See Notes to Condensed Consolidated Financial Statements

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

| (in millions) | Six Months Ended June 30, 2022 | 2021 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net income | **$ 432** | $ 334 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation, amortization and accretion | **535** | 491 |
| Equity component of AFUDC | **(10)** | (8) |
| Impairment of assets and other charges | **—** | 19 |
| Deferred income taxes | **66** | 130 |
| Payments for asset retirement obligations | **(47)** | (52) |
| (Increase) decrease in | | |
| Net realized and unrealized mark-to-market and hedging transactions | **—** | 5 |
| Receivables | **(222)** | (42) |
| Receivables from affiliated companies | **11** | (5) |
| Inventory | **(4)** | 24 |
| Other current assets | **(307)** | (132) |
| Increase (decrease) in | | |
| Accounts payable | **168** | 15 |
| Accounts payable to affiliated companies | **(62)** | 44 |
| Taxes accrued | **134** | 62 |
| Other current liabilities | **87** | (35) |
| Other assets | **(3)** | 11 |
| Other liabilities | **(11)** | (94) |
| Net cash provided by operating activities | **767** | 767 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Capital expenditures | **(1,018)** | (876) |
| Purchases of debt and equity securities | **(109)** | (234) |
| Proceeds from sales and maturities of debt and equity securities | **151** | 286 |
| Other | **(43)** | (67) |
| Net cash used in investing activities | **(1,019)** | (891) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Payments for the redemption of long-term debt | **(39)** | (38) |
| Notes payable to affiliated companies | **306** | 167 |
| Net cash provided by financing activities | **267** | 129 |
| Net increase in cash, cash equivalents and restricted cash | **15** | 5 |
| **Cash, cash equivalents and restricted cash at beginning of period** | **62** | 50 |
| **Cash, cash equivalents and restricted cash at end of period** | **$ 77** | $ 55 |
| **Supplemental Disclosures:** | | |
| Significant non-cash transactions: | | |
| Accrued capital expenditures | **$ 297** | $ 232 |

See Notes to Condensed Consolidated Financial Statements

DUKE ENERGY FLORIDA, LLC
**Condensed Consolidated Statements of Changes in Equity**
**(Unaudited)**

| | Three Months Ended June 30, 2021 and 2022 | | |
|---|---|---|---|
| | | Accumulated Other Comprehensive Income (Loss) | |
| (in millions) | Member's Equity | Net Unrealized Losses on Available-for-Sale Securities | Total Equity |
| **Balance at March 31, 2021** | $ 7,677 | $ (3) | $ 7,674 |
| Net income | 217 | — | 217 |
| Other comprehensive income | — | 1 | 1 |
| Other | (1) | — | (1) |
| **Balance at June 30, 2021** | $ 7,893 | $ (2) | $ 7,891 |
| | | | |
| **Balance at March 31, 2022** | $ 8,469 | $ (4) | $ 8,465 |
| Net income | **261** | **—** | **261** |
| Other comprehensive loss | **—** | **(1)** | **(1)** |
| **Balance at June 30, 2022** | **$ 8,730** | **$ (5)** | **$ 8,725** |

| | Six Months Ended June 30, 2021 and 2022 | | |
|---|---|---|---|
| | | Accumulated Other Comprehensive Loss | |
| (in millions) | Member's Equity | Net Unrealized Losses on Available-for-Sale Securities | Total Equity |
| **Balance at December 31, 2020** | $ 7,560 | $ (2) | $ 7,558 |
| Net income | 334 | — | 334 |
| Other | (1) | — | (1) |
| **Balance at June 30, 2021** | $ 7,893 | $ (2) | $ 7,891 |
| | | | |
| **Balance at December 31, 2021** | $ 8,298 | $ (3) | $ 8,295 |
| Net income | **432** | **—** | **432** |
| Other comprehensive loss | **—** | **(2)** | **(2)** |
| **Balance at June 30, 2022** | **$ 8,730** | **$ (5)** | **$ 8,725** |

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **(in millions)** | **2022** | **2021** | **2022** | **2021** |
| **Operating Revenues** | | | | |
| Regulated electric | **$ 401** | $ 343 | **$ 813** | $ 706 |
| Regulated natural gas | **144** | 113 | **370** | 282 |
| Total operating revenues | **545** | 456 | **1,183** | 988 |
| **Operating Expenses** | | | | |
| Fuel used in electric generation and purchased power | **127** | 93 | **254** | 175 |
| Cost of natural gas | **46** | 16 | **153** | 67 |
| Operation, maintenance and other | **109** | 111 | **287** | 219 |
| Depreciation and amortization | **83** | 75 | **163** | 149 |
| Property and other taxes | **92** | 83 | **193** | 175 |
| Impairment of assets and other charges | **—** | 5 | **—** | 5 |
| Total operating expenses | **457** | 383 | **1,050** | 790 |
| **Gains on Sales of Other Assets and Other, net** | **1** | — | **1** | — |
| **Operating Income** | **89** | 73 | **134** | 198 |
| **Other Income and Expenses, net** | **6** | 5 | **12** | 10 |
| **Interest Expense** | **30** | 28 | **60** | 53 |
| **Income Before Income Taxes** | **65** | 50 | **86** | 155 |
| **Income Tax Expense (Benefit)** | **9** | 11 | **(47)** | 25 |
| **Net Income and Comprehensive Income** | **$ 56** | $ 39 | **$ 133** | $ 130 |

See Notes to Condensed Consolidated Financial Statements

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

| (in millions) | June 30, 2022 | December 31, 2021 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents | $ 15 | $ 13 |
| Receivables (net of allowance for doubtful accounts of $4 at 2022 and 2021) | 83 | 96 |
| Receivables from affiliated companies | 177 | 122 |
| Notes receivable from affiliated companies | — | 15 |
| Inventory | 112 | 116 |
| Regulatory assets | 59 | 72 |
| Other | 64 | 57 |
| Total current assets | 510 | 491 |
| **Property, Plant and Equipment** | | |
| Cost | 12,033 | 11,725 |
| Accumulated depreciation and amortization | (3,167) | (3,106) |
| Generation facilities to be retired, net | — | 6 |
| Net property, plant and equipment | 8,866 | 8,625 |
| **Other Noncurrent Assets** | | |
| Goodwill | 920 | 920 |
| Regulatory assets | 613 | 635 |
| Operating lease right-of-use assets, net | 18 | 19 |
| Other | 88 | 84 |
| Total other noncurrent assets | 1,639 | 1,658 |
| **Total Assets** | $ 11,015 | $ 10,774 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Accounts payable | $ 379 | $ 348 |
| Accounts payable to affiliated companies | 58 | 64 |
| Notes payable to affiliated companies | 301 | 103 |
| Taxes accrued | 180 | 275 |
| Interest accrued | 31 | 30 |
| Asset retirement obligations | 12 | 13 |
| Regulatory liabilities | 76 | 62 |
| Other | 112 | 82 |
| Total current liabilities | 1,149 | 977 |
| **Long-Term Debt** | 3,218 | 3,168 |
| **Long-Term Debt Payable to Affiliated Companies** | 25 | 25 |
| **Other Noncurrent Liabilities** | | |
| Deferred income taxes | 1,095 | 1,050 |
| Asset retirement obligations | 125 | 123 |
| Regulatory liabilities | 580 | 739 |
| Operating lease liabilities | 18 | 18 |
| Accrued pension and other post-retirement benefit costs | 108 | 109 |
| Other | 100 | 101 |
| Total other noncurrent liabilities | 2,026 | 2,140 |
| **Commitments and Contingencies** | | |
| **Equity** | | |
| Common Stock, $8.50 par value, 120 million shares authorized; 90 million shares outstanding at 2022 and 2021 | 762 | 762 |
| Additional paid-in capital | 3,100 | 3,100 |
| Retained earnings | 735 | 602 |
| Total equity | 4,597 | 4,464 |
| **Total Liabilities and Equity** | $ 11,015 | $ 10,774 |

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

| (in millions) | Six Months Ended June 30, 2022 | 2021 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net income | **$ 133** | $ 130 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | **165** | 151 |
| Equity component of AFUDC | **(6)** | (4) |
| Impairment of assets and other charges | **—** | 5 |
| Deferred income taxes | **(41)** | 17 |
| Payments for asset retirement obligations | **(1)** | (1) |
| Provision for rate refunds | **5** | 8 |
| (Increase) decrease in | | |
| Net realized and unrealized mark-to-market and hedging transactions | **—** | (1) |
| Receivables | **13** | 2 |
| Receivables from affiliated companies | **(3)** | (11) |
| Inventory | **3** | (1) |
| Other current assets | **13** | (12) |
| Increase (decrease) in | | |
| Accounts payable | **57** | (8) |
| Accounts payable to affiliated companies | **—** | 4 |
| Taxes accrued | **(95)** | (58) |
| Other current liabilities | **(47)** | (7) |
| Other assets | **(46)** | (33) |
| Other liabilities | **72** | 4 |
| Net cash provided by operating activities | **222** | 185 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Capital expenditures | **(406)** | (415) |
| Notes receivable from affiliated companies | **(37)** | 30 |
| Other | **(25)** | (23) |
| Net cash used in investing activities | **(468)** | (408) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from the issuance of long-term debt | **50** | — |
| Notes payable to affiliated companies | **199** | 221 |
| Other | **(1)** | — |
| Net cash provided by financing activities | **248** | 221 |
| Net increase (decrease) in cash and cash equivalents | **2** | (2) |
| **Cash and cash equivalents at beginning of period** | **13** | 14 |
| **Cash and cash equivalents at end of period** | **$ 15** | $ 12 |
| **Supplemental Disclosures:** | | |
| Significant non-cash transactions: | | |
| Accrued capital expenditures | **$ 102** | $ 88 |

DUKE ENERGY OHIO, INC.
**Condensed Consolidated Statements of Changes in Equity**
**(Unaudited)**

| | Three Months Ended June 30, 2021 and 2022 | | | |
|---|---|---|---|---|
| **(in millions)** | **Common Stock** | **Additional Paid-in Capital** | **Retained Earnings** | **Total Equity** |
| **Balance at March 31, 2021** | $ 762 | $ 2,776 | $ 488 | $ 4,026 |
| Net income | — | — | 39 | 39 |
| **Balance at June 30, 2021** | $ 762 | $ 2,776 | $ 527 | $ 4,065 |
| | | | | |
| **Balance at March 31, 2022** | $ 762 | $ 3,100 | $ 680 | $ 4,542 |
| Net income | **—** | **—** | **56** | **56** |
| Other | **—** | **—** | **(1)** | **(1)** |
| **Balance at June 30, 2022** | **$ 762** | **$ 3,100** | **$ 735** | **$ 4,597** |

| | Six Months Ended June 30, 2021 and 2022 | | | |
|---|---|---|---|---|
| **(in millions)** | **Common Stock** | **Additional Paid-in Capital** | **Retained Earnings** | **Total Equity** |
| **Balance at December 31, 2020** | $ 762 | $ 2,776 | $ 397 | $ 3,935 |
| Net income | — | — | 130 | 130 |
| **Balance at June 30, 2021** | $ 762 | $ 2,776 | $ 527 | $ 4,065 |
| | | | | |
| **Balance at December 31, 2021** | $ 762 | $ 3,100 | $ 602 | $ 4,464 |
| Net income | **—** | **—** | **133** | **133** |
| **Balance at June 30, 2022** | **$ 762** | **$ 3,100** | **$ 735** | **$ 4,597** |

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **(in millions)** | **2022** | **2021** | **2022** | **2021** |
| **Operating Revenues** | **$ 918** | $ 735 | **$ 1,740** | $ 1,480 |
| **Operating Expenses** | | | | |
| Fuel used in electric generation and purchased power | **359** | 201 | **678** | 418 |
| Operation, maintenance and other | **182** | 192 | **374** | 370 |
| Depreciation and amortization | **155** | 152 | **311** | 304 |
| Property and other taxes | **22** | 20 | **47** | 41 |
| Impairment of assets and other charges | **—** | 8 | **211** | 8 |
| Total operating expenses | **718** | 573 | **1,621** | 1,141 |
| **Losses on Sales of Other Assets and Other, net** | **—** | (1) | **—** | (1) |
| **Operating Income** | **200** | 161 | **119** | 338 |
| **Other Income and Expenses, net** | **8** | 10 | **18** | 19 |
| **Interest Expense** | **45** | 49 | **90** | 99 |
| **Income Before Income Taxes** | **163** | 122 | **47** | 258 |
| **Income Tax Expense (Benefit)** | **14** | 19 | **(23)** | 43 |
| **Net Income and Comprehensive Income** | **$ 149** | $ 103 | **$ 70** | $ 215 |

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

| (in millions) | June 30, 2022 | December 31, 2021 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents | $ 26 | $ 6 |
| Receivables (net of allowance for doubtful accounts of $3 at 2022 and 2021) | 85 | 100 |
| Receivables from affiliated companies | 221 | 98 |
| Notes receivable from affiliated companies | — | 134 |
| Inventory | 441 | 418 |
| Regulatory assets | 373 | 277 |
| Other | 237 | 68 |
| Total current assets | 1,383 | 1,101 |
| **Property, Plant and Equipment** | | |
| Cost | 17,709 | 17,343 |
| Accumulated depreciation and amortization | (5,824) | (5,583) |
| Net property, plant and equipment | 11,885 | 11,760 |
| **Other Noncurrent Assets** | | |
| Regulatory assets | 1,092 | 1,278 |
| Operating lease right-of-use assets, net | 50 | 53 |
| Other | 265 | 296 |
| Total other noncurrent assets | 1,407 | 1,627 |
| **Total Assets** | $ 14,675 | $ 14,488 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Accounts payable | $ 317 | $ 282 |
| Accounts payable to affiliated companies | 216 | 221 |
| Notes payable to affiliated companies | 275 | — |
| Taxes accrued | 76 | 73 |
| Interest accrued | 48 | 49 |
| Current maturities of long-term debt | 31 | 84 |
| Asset retirement obligations | 122 | 110 |
| Regulatory liabilities | 178 | 127 |
| Other | 179 | 105 |
| Total current liabilities | 1,442 | 1,051 |
| **Long-Term Debt** | 4,156 | 4,089 |
| **Long-Term Debt Payable to Affiliated Companies** | 150 | 150 |
| **Other Noncurrent Liabilities** | | |
| Deferred income taxes | 1,270 | 1,303 |
| Asset retirement obligations | 845 | 877 |
| Regulatory liabilities | 1,485 | 1,565 |
| Operating lease liabilities | 48 | 50 |
| Accrued pension and other post-retirement benefit costs | 167 | 167 |
| Investment tax credits | 176 | 177 |
| Other | 75 | 44 |
| Total other noncurrent liabilities | 4,066 | 4,183 |
| **Commitments and Contingencies** | | |
| **Equity** | | |
| **Member's Equity** | 4,861 | 5,015 |
| **Total Liabilities and Equity** | $ 14,675 | $ 14,488 |

See Notes to Condensed Consolidated Financial Statements

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

| (in millions) | Six Months Ended June 30, 2022 | 2021 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net (loss) income | **$ 70** | $ 215 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation, amortization and accretion | **312** | 306 |
| Equity component of AFUDC | **(10)** | (12) |
| Impairment of assets and other charges | **212** | 8 |
| Deferred income taxes | **(80)** | 1 |
| Payments for asset retirement obligations | **(31)** | (30) |
| (Increase) decrease in | | |
| Net realized and unrealized mark-to-market and hedging transactions | **(53)** | — |
| Receivables | **21** | (15) |
| Receivables from affiliated companies | **2** | (8) |
| Inventory | **(23)** | 61 |
| Other current assets | **(166)** | (31) |
| Increase (decrease) in | | |
| Accounts payable | **59** | 35 |
| Accounts payable to affiliated companies | **7** | (29) |
| Taxes accrued | **19** | 10 |
| Other current liabilities | **52** | 20 |
| Other assets | **(20)** | (3) |
| Other liabilities | **50** | 6 |
| Net cash provided by operating activities | **421** | 534 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Capital expenditures | **(433)** | (394) |
| Purchases of debt and equity securities | **(26)** | (9) |
| Proceeds from sales and maturities of debt and equity securities | **21** | 6 |
| Notes receivable from affiliated companies | **9** | 7 |
| Other | **(23)** | (8) |
| Net cash used in investing activities | **(452)** | (398) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from the issuance of long-term debt | **67** | — |
| Payments for the redemption of long-term debt | **(53)** | — |
| Notes payable to affiliated companies | **275** | (131) |
| Distributions to parent | **(237)** | — |
| Other | **(1)** | — |
| Net cash provided by (used in) financing activities | **51** | (131) |
| Net increase in cash and cash equivalents | **20** | 5 |
| **Cash and cash equivalents at beginning of period** | **6** | 7 |
| **Cash and cash equivalents at end of period** | **$ 26** | $ 12 |
| **Supplemental Disclosures:** | | |
| Significant non-cash transactions: | | |
| Accrued capital expenditures | **$ 94** | $ 85 |

DUKE ENERGY INDIANA, LLC
**Condensed Consolidated Statements of Changes in Equity**
**(Unaudited)**

| (in millions) | Three Months Ended June 30, 2021 and 2022 Member's Member's Equity |
|---|---|
| **Balance at March 31, 2021** | $ 4,896 |
| Net income | 103 |
| **Balance at June 30, 2021** | $ 4,999 |
| | |
| **Balance at March 31, 2022** | $ 4,824 |
| Net income | **149** |
| Distributions to parent | **(112)** |
| **Balance at June 30, 2022** | **$ 4,861** |

| (in millions) | Six Months Ended June 30, 2021 and 2022 Member's Member's Equity |
|---|---|
| **Balance at December 31, 2020** | $ 4,783 |
| Net income | 215 |
| Other | 1 |
| **Balance at June 30, 2021** | $ 4,999 |
| | |
| **Balance at December 31, 2021** | $ 5,015 |
| Net income | **70** |
| Distributions to parent | **(225)** |
| Other | **1** |
| **Balance at June 30, 2022** | **$ 4,861** |

PIEDMONT NATURAL GAS COMPANY, INC.
**Condensed Consolidated Statements of Operations and Comprehensive Income**
**(Unaudited)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **(in millions)** | **2022** | **2021** | **2022** | **2021** |
| **Operating Revenues** | **$ 310** | $ 215 | **$ 1,115** | $ 821 |
| **Operating Expenses** | | | | |
| Cost of natural gas | **143** | 63 | **517** | 288 |
| Operation, maintenance and other | **88** | 76 | **183** | 154 |
| Depreciation and amortization | **56** | 51 | **110** | 99 |
| Property and other taxes | **15** | 14 | **31** | 28 |
| Impairment of assets and other charges | **—** | 5 | **—** | 5 |
| Total operating expenses | **302** | 209 | **841** | 574 |
| **Gains on Sales of Other Assets and Other, net** | 4 | — | **4** | — |
| **Operating Income** | **12** | 6 | **278** | 247 |
| **Other Income and Expenses, net** | **15** | 18 | **28** | 35 |
| **Interest Expense** | **34** | 30 | **66** | 59 |
| **(Loss) Income Before Income Taxes** | **(7)** | (6) | **240** | 223 |
| **Income Tax (Benefit) Expense** | **(6)** | (2) | **27** | 24 |
| **Net (Loss) Income and Comprehensive (Loss) Income** | **$ (1)** | $ (4) | **$ 213** | $ 199 |

PIEDMONT NATURAL GAS COMPANY, INC.
**Condensed Consolidated Balance Sheets**
**(Unaudited)**

| (in millions) | June 30, 2022 | December 31, 2021 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Receivables (net of allowance for doubtful accounts of $15 at 2022 and 2021) | $ 150 | $ 318 |
| Receivables from affiliated companies | 11 | 11 |
| Inventory | 68 | 109 |
| Regulatory assets | 154 | 141 |
| Other | 61 | 9 |
| Total current assets | 444 | 588 |
| **Property, Plant and Equipment** | | |
| Cost | 10,317 | 9,918 |
| Accumulated depreciation and amortization | (1,987) | (1,899) |
| Facilities to be retired, net | 10 | 11 |
| Net property, plant and equipment | 8,340 | 8,030 |
| **Other Noncurrent Assets** | | |
| Goodwill | 49 | 49 |
| Regulatory assets | 373 | 316 |
| Operating lease right-of-use assets, net | 14 | 16 |
| Investments in equity method unconsolidated affiliates | 79 | 95 |
| Other | 324 | 288 |
| Total other noncurrent assets | 839 | 764 |
| **Total Assets** | $ 9,623 | $ 9,382 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Accounts payable | $ 254 | $ 196 |
| Accounts payable to affiliated companies | 44 | 40 |
| Notes payable to affiliated companies | 33 | 518 |
| Taxes accrued | 31 | 63 |
| Interest accrued | 39 | 37 |
| Regulatory liabilities | 89 | 56 |
| Other | 77 | 81 |
| Total current liabilities | 567 | 991 |
| **Long-Term Debt** | 3,363 | 2,968 |
| **Other Noncurrent Liabilities** | | |
| Deferred income taxes | 846 | 815 |
| Asset retirement obligations | 23 | 22 |
| Regulatory liabilities | 1,038 | 1,058 |
| Operating lease liabilities | 12 | 14 |
| Accrued pension and other post-retirement benefit costs | 7 | 7 |
| Other | 205 | 158 |
| Total other noncurrent liabilities | 2,131 | 2,074 |
| **Commitments and Contingencies** | | |
| **Equity** | | |
| Common stock, no par value: 100 shares authorized and outstanding at 2022 and 2021 | 1,635 | 1,635 |
| Retained earnings | 1,927 | 1,714 |
| Total equity | 3,562 | 3,349 |
| **Total Liabilities and Equity** | $ 9,623 | $ 9,382 |

See Notes to Condensed Consolidated Financial Statements

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

| (in millions) | Six Months Ended June 30, 2022 | 2021 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net income | **$ 213** | $ 199 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | **111** | 101 |
| Equity component of AFUDC | **(4)** | (14) |
| Losses (gains) on sales of other assets | **(4)** | — |
| Impairment of assets and other charges | **—** | 5 |
| Deferred income taxes | **(4)** | 3 |
| Equity in earnings from unconsolidated affiliates | **(4)** | (4) |
| Provision for rate refunds | **(3)** | (3) |
| (Increase) decrease in | | |
| Receivables | **168** | 137 |
| Inventory | **40** | 26 |
| Other current assets | **(63)** | 30 |
| Increase (decrease) in | | |
| Accounts payable | **31** | (70) |
| Accounts payable to affiliated companies | **4** | (35) |
| Taxes accrued | **(32)** | 3 |
| Other current liabilities | **44** | (30) |
| Other assets | **(2)** | 6 |
| Other liabilities | **(1)** | (2) |
| Net cash provided by operating activities | **494** | 352 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Capital expenditures | **(385)** | (411) |
| Contributions to equity method investments | **(8)** | — |
| Return of investment capital | **—** | 1 |
| Other | **(9)** | (17) |
| Net cash used in investing activities | **(402)** | (427) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from the issuance of long-term debt | **394** | 347 |
| Payments for the redemption of long-term debt | **—** | (160) |
| Notes payable to affiliated companies | **(485)** | (437) |
| Capital contributions from parent | **—** | 325 |
| Other | **(1)** | — |
| Net cash (used in) provided by financing activities | **(92)** | 75 |
| Net increase in cash and cash equivalents | **—** | — |
| **Cash and cash equivalents at beginning of period** | **—** | — |
| **Cash and cash equivalents at end of period** | **$ —** | $ — |
| **Supplemental Disclosures:** | | |
| Significant non-cash transactions: | | |
| Accrued capital expenditures | **$ 124** | $ 111 |

See Notes to Condensed Consolidated Financial Statements

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

| | Three Months Ended June 30, 2021 and 2022 | | |
|---|---|---|---|
| **(in millions)** | **Common Stock** | **Retained Earnings** | **Total Equity** |
| **Balance at March 31, 2021** | $ 1,635 | $ 1,608 | $ 3,243 |
| Net loss | — | (4) | (4) |
| **Balance at June 30, 2021** | $ 1,635 | $ 1,604 | $ 3,239 |
| | | | |
| **Balance at March 31, 2022** | $ 1,635 | $ 1,928 | $ 3,563 |
| Net loss | **—** | **(1)** | **(1)** |
| **Balance at June 30, 2022** | **$ 1,635** | **$ 1,927** | **$ 3,562** |

| | Six Months Ended June 30, 2021 and 2022 | | |
|---|---|---|---|
| **(in millions)** | **Common Stock** | **Retained Earnings** | **Total Equity** |
| **Balance at December 31, 2020** | $ 1,310 | $ 1,405 | $ 2,715 |
| Net income | — | 199 | 199 |
| Contribution from parent | 325 | — | 325 |
| **Balance at June 30, 2021** | $ 1,635 | $ 1,604 | $ 3,239 |
| | | | |
| **Balance at December 31, 2021** | $ 1,635 | $ 1,714 | $ 3,349 |
| Net income | **—** | **213** | **213** |
| **Balance at June 30, 2022** | **$ 1,635** | **$ 1,927** | **$ 3,562** |

**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.

| | Applicable Notes | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Registrant** | **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** | **10** | **11** | **12** | **13** | **14** | **15** | **16** |
| Duke Energy | • | • | • | • | • | • | | • | • | • | • | • | • | • | • | • |
| Duke Energy Carolinas | • | • | • | • | • | | • | • | • | • | • | • | | • | • | • |
| Progress Energy | • | • | • | • | • | • | • | • | • | • | • | • | | • | • | • |
| Duke Energy Progress | • | • | • | • | • | | • | • | • | • | • | • | | • | • | • |
| Duke Energy Florida | • | • | • | • | • | | • | • | • | • | • | • | | • | • | • |
| Duke Energy Ohio | • | • | • | • | • | • | • | • | | • | • | • | | • | • | • |
| Duke Energy Indiana | • | • | • | • | • | | • | • | • | • | • | • | | • | • | • |
| Piedmont | • | • | • | • | • | • | • | • | | • | | • | | • | • | • |

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

**1. ORGANIZATION AND BASIS OF PRESENTATION**

**BASIS OF PRESENTATION**

These Condensed Consolidated Financial Statements have been prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Regulation S-X. Accordingly, these Condensed Consolidated Financial Statements do not include all information and notes required by GAAP for annual financial statements and should be read in conjunction with the Consolidated Financial Statements in the Duke Energy Registrants' combined Annual Report on Form 10-K for the year ended December 31, 2021.

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.

**BASIS OF CONSOLIDATION**

These Condensed Consolidated Financial Statements include, after eliminating intercompany transactions and balances, the accounts of the Duke Energy Registrants and subsidiaries or VIEs where the respective Duke Energy Registrants have control. See Note 11 for additional information on VIEs. These Condensed Consolidated Financial Statements also reflect the Duke Energy Registrants' proportionate share of certain jointly owned generation and transmission facilities.

**NONCONTROLLING INTEREST**

Duke Energy maintains a controlling financial interest in certain less than wholly owned nonregulated subsidiaries. As a result, Duke Energy consolidates these subsidiaries and presents the third-party investors' portion of Duke Energy's net income (loss), net assets and comprehensive income (loss) as noncontrolling interest. Noncontrolling interest is included as a component of equity on the Condensed Consolidated Balance Sheets.

Several operating agreements of Duke Energy's subsidiaries with noncontrolling interest are subject to allocations of earnings, tax attributes and cash flows in accordance with contractual agreements that vary throughout the lives of the subsidiaries. Therefore, Duke Energy and the other investors' (the owners) interests in the subsidiaries are not fixed, and the subsidiaries apply the Hypothetical Liquidation at Book Value (HLBV) method in allocating income or loss and other comprehensive income or loss (all measured on a pretax basis) to the owners. The HLBV method measures the amounts that each owner would hypothetically claim at each balance sheet reporting date, including tax benefits realized by the owners over the IRS recapture period, upon a hypothetical liquidation of the subsidiary at the net book value of its underlying assets. The change in the amount that each owner would hypothetically receive at the reporting date compared to the amount it would have received on the previous reporting date represents the amount of income or loss allocated to each owner for the reporting period.

During September 2021, Duke Energy completed the initial minority interest investment in a portion of Duke Energy Indiana to an affiliate of GIC. GIC's ownership interest in Duke Energy Indiana represents a noncontrolling interest. See Note 2 for additional information on the sale.

Other operating agreements of Duke Energy's subsidiaries with noncontrolling interest allocate profit and loss based on their pro rata shares of the ownership interest in the respective subsidiary. Therefore, Duke Energy allocates net income or loss and other comprehensive income or loss of these subsidiaries to the owners based on their pro rata shares.

The following table presents allocated losses to noncontrolling interest for the three and six months ended June 30, 2022, and 2021.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| (in millions) | 2022 | 2021 | 2022 | 2021 |
| **Noncontrolling Interest Allocation of Income** | | | | |
| Allocated losses to noncontrolling tax equity members utilizing the HLBV method | **$ 44** | $ 55 | **$ 68** | $ 98 |
| Allocated (income) losses to noncontrolling members based on pro rata shares of ownership | **(17)** | 12 | **(4)** | 20 |
| **Total Noncontrolling Interest Allocated Losses** | **$ 27** | $ 67 | **$ 64** | $ 118 |

**CASH, CASH EQUIVALENTS AND RESTRICTED CASH**

Duke Energy, Duke Energy Carolinas, Progress Energy, Duke Energy Progress and Duke Energy Florida have restricted cash balances related primarily to collateral assets, escrow deposits and VIEs. See Notes 9 and 11 for additional information. Restricted cash amounts are included in Other within Current Assets and Other Noncurrent Assets on the Condensed Consolidated Balance Sheets. The following table presents the components of cash, cash equivalents and restricted cash included in the Condensed Consolidated Balance Sheets.

| | June 30, 2022 | | | | | December 31, 2021 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Duke Energy | Duke Energy Carolinas | Progress Energy | Duke Energy Progress | Duke Energy Florida | Duke Energy | Duke Energy Carolinas | Progress Energy | Duke Energy Progress | Duke Energy Florida |
| **Current Assets** | | | | | | | | | | |
| Cash and cash equivalents | **$ 428** | **$ 37** | **$ 129** | **$ 75** | **$ 44** | $ 343 | $ 7 | $ 70 | $ 35 | $ 23 |
| Other | **193** | **9** | **59** | **26** | **33** | 170 | — | 39 | — | 39 |
| **Other Noncurrent Assets** | | | | | | | | | | |
| Other | **18** | **1** | **4** | **4** | **—** | 7 | 1 | 4 | 4 | — |
| Total cash, cash equivalents and restricted cash | **$ 639** | **$ 47** | **$ 192** | **$ 105** | **$ 77** | $ 520 | $ 8 | $ 113 | $ 39 | $ 62 |

**INVENTORY**

Provisions for inventory write-offs were not material at June 30, 2022, and December 31, 2021. The components of inventory are presented in the tables below.

| | June 30, 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (in millions) | Duke Energy | Duke Energy Carolinas | Progress Energy | Duke Energy Progress | Duke Energy Florida | Duke Energy Ohio | Duke Energy Indiana | Piedmont |
| Materials and supplies | **$ 2,490** | **$ 817** | **$ 1,124** | **$ 769** | **$ 355** | **$ 88** | **$ 321** | **$ 13** |
| Coal | **446** | **182** | **132** | **79** | **53** | **14** | **117** | **—** |
| Natural gas, oil and other fuel | **272** | **34** | **170** | **100** | **70** | **10** | **3** | **55** |
| Total inventory | **$ 3,208** | **$ 1,033** | **$ 1,426** | **$ 948** | **$ 478** | **$ 112** | **$ 441** | **$ 68** |

| | December 31, 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (in millions) | Duke Energy | Duke Energy Carolinas | Progress Energy | Duke Energy Progress | Duke Energy Florida | Duke Energy Ohio | Duke Energy Indiana | Piedmont |
| Materials and supplies | $ 2,397 | $ 793 | $ 1,067 | $ 729 | $ 338 | $ 80 | $ 311 | $ 14 |
| Coal | 486 | 195 | 167 | 94 | 73 | 19 | 105 | — |
| Natural gas, oil and other fuel | 316 | 38 | 164 | 98 | 66 | 17 | 2 | 95 |
| Total inventory | $ 3,199 | $ 1,026 | $ 1,398 | $ 921 | $ 477 | $ 116 | $ 418 | $ 109 |

**OTHER NONCURRENT ASSETS**

Duke Energy, through a nonregulated subsidiary, was the winner of the Carolina Long Bay offshore wind auction. As a result, an asset of $150 million related to the arrangement was recorded in Other within Other noncurrent assets as of June 30, 2022.

**NEW ACCOUNTING STANDARDS**

No new accounting standards were adopted by the Duke Energy Registrants in 2022.

## 2. BUSINESS SEGMENTS

**Duke Energy**

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

The Electric Utilities and Infrastructure segment primarily includes Duke Energy's regulated electric utilities in the Carolinas, Florida and the Midwest. On January 28, 2021, Duke Energy executed an agreement providing for an investment by an affiliate of GIC in Duke Energy Indiana in exchange for a 19.9% minority interest issued by Duke Energy Indiana Holdco, LLC, the holding company for Duke Energy Indiana. The transaction will be completed following two closings for an aggregate purchase price of approximately $2 billion. The first closing, which occurred on September 8, 2021, resulted in Duke Energy Indiana Holdco, LLC issuing 11.05% of its membership interests in exchange for approximately $1,025 million or 50% of the purchase price. Duke Energy retained indirect control of these assets, and, therefore, no gain or loss was recognized on the Condensed Consolidated Statements of Operations. Duke Energy has the discretion to determine the timing of the second closing, but it will occur no later than January 2023. At the second closing, Duke Energy will issue and sell additional membership interests such that GIC will own 19.9% of the membership interests for the remaining 50% of the purchase price.

The Gas Utilities and Infrastructure segment includes Piedmont, Duke Energy's natural gas local distribution companies in Ohio and Kentucky and Duke Energy's natural gas storage, midstream pipeline and renewable natural gas investments.

The Commercial Renewables segment is primarily comprised of nonregulated utility-scale wind and solar generation assets located throughout the U.S. On August 4, 2022 Duke Energy announced a strategic review of the Commercial Renewables business segment. The review remains in the preliminary stage and there have been no binding or non-binding offers requested or submitted. Duke Energy can provide no assurance that this process will result in a transaction and there is no specific timeline for execution of a potential transaction. If the potential sale were to progress it could result in classification of the Commercial Renewables segment as assets held for sale and as discontinued operations. If Duke Energy is unable to recover its book value of these assets through a sale, it could result in an impairment.

Duke Energy continues to monitor recoverability of its renewable merchant plants located in the ERCOT West market and in the PJM West market due to fluctuating market pricing and long-term forecasted energy prices. The assets were not impaired as of June 30, 2022, because the carrying value of approximately $195 million continues to be supported by the expected cash flows. Duke Energy has a 51% ownership interest in these assets. A decline in energy market pricing or other factors unfavorably impacting the economics would likely result in a future impairment.

The remainder of Duke Energy's operations is presented as Other, which is primarily comprised of interest expense on holding company debt, unallocated corporate costs, Duke Energy's wholly owned captive insurance company, Bison, and Duke Energy's ownership interest in National Methanol Company.

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

| | Three Months Ended June 30, 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| (in millions) | Electric Utilities and Infrastructure | Gas Utilities and Infrastructure | Commercial Renewables | Total Reportable Segments | Other | Eliminations | Total |
| Unaffiliated revenues | $ 6,126 | $ 430 | $ 121 | $ 6,677 | $ 8 | $ — | $ 6,685 |
| Intersegment revenues | 9 | 23 | — | 32 | 22 | (54) | — |
| Total revenues | $ 6,135 | $ 453 | $ 121 | $ 6,709 | $ 30 | $ (54) | $ 6,685 |
| Segment income (loss)[a] | $ 974 | $ 19 | $ 30 | $ 1,023 | $ (130) | $ — | $ 893 |
| Less: Noncontrolling interests | | | | | | | 27 |
| Add: Preferred stock dividend | | | | | | | 14 |
| Net Income | | | | | | | $ 880 |
| Segment assets | $ 145,874 | $ 15,420 | $ 7,276 | $ 168,570 | $ 3,821 | $ (8) | $ 172,383 |

| | Three Months Ended June 30, 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| (in millions) | Electric Utilities and Infrastructure | Gas Utilities and Infrastructure | Commercial Renewables | Total Reportable Segments | Other | Eliminations | Total |
| Unaffiliated revenues | $ 5,328 | $ 305 | $ 119 | $ 5,752 | $ 6 | $ — | $ 5,758 |
| Intersegment revenues | 7 | 22 | — | 29 | 21 | (50) | — |
| Total revenues | $ 5,335 | $ 327 | $ 119 | $ 5,781 | $ 27 | $ (50) | $ 5,758 |
| Segment income (loss)[b] | $ 935 | $ 17 | $ 47 | $ 999 | $ (248) | $ — | $ 751 |
| Less: Noncontrolling interests | | | | | | | 67 |
| Add: Preferred stock dividend | | | | | | | 14 |
| Net Income | | | | | | | $ 698 |

(a) Electric Utilities and Infrastructure includes $2 million within Noncontrolling Interests related to the Duke Energy Indiana Supreme Court ruling on the Condensed Consolidated Statements of Operations. See Note 3 for additional information. Commercial Renewables includes a $21 million loss recorded within Nonregulated electric and other revenues related to mark-to-market derivative contracts on the Condensed Consolidated Statements of Operations.

(b) Gas Utilities and Infrastructure includes $16 million, recorded within Equity in earnings (losses) of unconsolidated affiliates on the Condensed Consolidated Statements of Operations, related to gas pipeline investments. Other includes $131 million recorded within Impairment of assets and other charges, $27 million within Operations, maintenance and other, and $17 million within Depreciation and amortization on the Condensed Consolidated Statements of Operations, related to the workplace and workplace realignment.

| | Six Months Ended June 30, 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| (in millions) | Electric Utilities and Infrastructure | Gas Utilities and Infrastructure | Commercial Renewables | Total Reportable Segments | Other | Eliminations | Total |
| Unaffiliated revenues | $ 12,121 | $ 1,439 | $ 242 | $ 13,802 | $ 15 | $ — | $ 13,817 |
| Intersegment revenues | 16 | 46 | — | 62 | 45 | (107) | — |
| Total revenues | $ 12,137 | $ 1,485 | $ 242 | $ 13,864 | $ 60 | $ (107) | $ 13,817 |
| Segment income (loss)[(a)] | $ 1,697 | $ 273 | $ 41 | $ 2,011 | $ (300) | $ — | $ 1,711 |
| Less: Noncontrolling interests | | | | | | | 64 |
| Add: Preferred stock dividend | | | | | | | 53 |
| Net Income | | | | | | | $ 1,700 |

| | Six Months Ended June 30, 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| (in millions) | Electric Utilities and Infrastructure | Gas Utilities and Infrastructure | Commercial Renewables | Total Reportable Segments | Other | Eliminations | Total |
| Unaffiliated revenues | $ 10,601 | $ 1,057 | $ 238 | $ 11,896 | $ 12 | $ — | $ 11,908 |
| Intersegment revenues | 15 | 45 | — | 60 | 41 | (101) | — |
| Total revenues | $ 10,616 | $ 1,102 | $ 238 | $ 11,956 | $ 53 | $ (101) | $ 11,908 |
| Segment income (loss)[(b)] | $ 1,755 | $ 262 | $ 74 | $ 2,091 | $ (387) | $ — | $ 1,704 |
| Less: Noncontrolling interests | | | | | | | 118 |
| Add: Preferred stock dividend | | | | | | | 53 |
| Net Income | | | | | | | $ 1,639 |

(a) Electric Utilities and Infrastructure includes $211 million recorded within Impairment of assets and other charges, $46 million within Regulated electric revenues and $20 million within Noncontrolling Interests related to the Duke Energy Indiana Supreme Court ruling on the Condensed Consolidated Statements of Operations. See Note 3 for additional information. Commercial Renewables includes a $21 million loss recorded within Nonregulated electric and other revenues related to mark-to-market derivative contracts on the Condensed Consolidated Statements of Operations.

(b) Gas Utilities and Infrastructure includes $22 million, recorded within Equity in earnings (losses) of unconsolidated affiliates on the Condensed Consolidated Statements of Operations, related to gas pipeline investments. Commercial Renewables includes a $35 million loss related to Texas Storm Uri, of which ($8 million) is recorded within Nonregulated electric and other revenues, $2 million within Operations, maintenance and other, $29 million within Equity in earnings (losses) of unconsolidated affiliates and $12 million within Loss Attributable to Noncontrolling Interests on the Condensed Consolidated Statements of Operations. See Note 4 for additional information. Other includes $131 million recorded within Impairment of assets and other charges, $27 million within Operations, maintenance and other, and $17 million within Depreciation and amortization on the Condensed Consolidated Statements of Operations, related to the workplace and workplace realignment.

**Duke Energy Ohio**

Duke Energy Ohio has two reportable segments, Electric Utilities and Infrastructure and Gas Utilities and Infrastructure. The remainder of Duke Energy Ohio's operations is presented as Other.

| | Three Months Ended June 30, 2022 | | | | | |
|---|---|---|---|---|---|---|
| (in millions) | Electric Utilities and Infrastructure | Gas Utilities and Infrastructure | Total Reportable Segments | Other | Eliminations | Total |
| Total revenues | $ 401 | $ 144 | $ 545 | $ — | $ — | $ 545 |
| Segment income/Net (loss) income | $ 37 | $ 19 | $ 56 | $ — | $ — | $ 56 |
| Segment assets | $ 7,237 | $ 3,899 | $ 11,136 | $ 14 | $ (135) | $ 11,015 |

| | Three Months Ended June 30, 2021 | | | | |
|---|---|---|---|---|---|
| (in millions) | Electric Utilities and Infrastructure | Gas Utilities and Infrastructure | Total Reportable Segments | Other | Total |
| Total revenues | $ 343 | $ 113 | $ 456 | $ — | $ 456 |
| Segment income/Net (loss) income | $ 24 | $ 23 | $ 47 | $ (8) | $ 39 |

| | Six Months Ended June 30, 2022 | | | | |
|---|---|---|---|---|---|
| (in millions) | Electric Utilities and Infrastructure | Gas Utilities and Infrastructure | Total Reportable Segments | Other | Total |
| Total revenues | **$ 813** | **$ 370** | **$ 1,183** | **$ —** | **$ 1,183** |
| Segment income/Net (loss) income | **$ 78** | **$ 57** | **$ 135** | **$ (2)** | **$ 133** |

| | Six Months Ended June 30, 2021 | | | | |
|---|---|---|---|---|---|
| (in millions) | Electric Utilities and Infrastructure | Gas Utilities and Infrastructure | Total Reportable Segments | Other | Total |
| Total revenues | $ 706 | $ 282 | $ 988 | $ — | $ 988 |
| Segment income/Net (loss) income | $ 74 | $ 66 | $ 140 | $ (10) | $ 130 |

## 3. REGULATORY MATTERS

### RATE-RELATED INFORMATION

The NCUC, PSCSC, FPSC, IURC, PUCO, TPUC and KPSC approve rates for retail electric and natural gas services within their states. The FERC approves rates for electric sales to wholesale customers served under cost-based rates (excluding Ohio and Indiana), as well as sales of transmission service. The FERC also regulates certification and siting of new interstate natural gas pipeline projects.

**Duke Energy Carolinas and Duke Energy Progress**

***Carbon Plan Proceeding***

The NCUC is required by North Carolina House Bill 951 (HB 951) to adopt an initial Carbon Plan on or before December 31, 2022. Duke Energy Carolinas and Duke Energy Progress filed their proposed Carbon Plan on May 16, 2022. The NCUC Public Staff and other parties filed their reply comments on July 15, 2022, including alternative Carbon Plans filed by some of the other parties. The NCUC is conducting public hearings across North Carolina in July 2022 and August 2022. On July 29, 2022, the NCUC issued a procedural order setting forth the issues to be addressed in expert witness hearing scheduled to begin on September 13, 2022, and the issues to be addressed by written comments. Duke Energy Carolinas and Duke Energy Progress cannot predict the outcome of this matter.

***Storm Cost Securitization Legislation***

On June 15, 2022, the South Carolina General Assembly unanimously adopted S. 1077 (Act 227) in both the House and Senate and the bill was signed into law by Governor Henry McMaster on June 17, 2022. The legislation enables the PSCSC to permit the issuance of bonds for the payment of storm costs and the creation of a storm charge for repayment.

**Duke Energy Carolinas**

***Oconee Nuclear Station Subsequent License Renewal***

On June 7, 2021, Duke Energy Carolinas filed a subsequent license renewal (SLR) application for the Oconee Nuclear Station (ONS) with the U.S. Nuclear Regulatory Commission (NRC) to renew ONS's operating license for an additional 20 years. The SLR would extend operations of the facility from 60 to 80 years. The current licenses for units 1 and 2 expire in 2033 and the license for unit 3 expires in 2034. By a Federal Register Notice dated July 28, 2021, the NRC provided a 60-day comment period for persons whose interest may be affected by the issuance of a subsequent renewed license for ONS to file a request for a hearing and a petition for leave to intervene. On September 27, 2021, Beyond Nuclear and Sierra Club (Petitioners) filed a Hearing Request and Petition to Intervene (Hearing Request) and a Petition for Waiver. The Hearing Request proposed three contentions purporting to challenge Duke Energy Carolinas' environmental report (ER). In general, the proposed contentions claimed that the ER did not consider certain information regarding the environmental aspects of severe accidents caused by a hypothetical failure of the Jocassee Dam in South Carolina and, therefore, did not satisfy the National Environmental Policy Act (NEPA) of 1969, as amended, or the NRC's NEPA-implementing regulations. Duke Energy Carolinas filed its answer to the proposed contentions on October 22, 2021, and the Petitioners filed their reply to Duke Energy Carolinas' answer on November 5, 2021. On February 11, 2022, the Atomic Safety and Licensing Board (ASLB) issued its decision on the Hearing Request and found that the Petitioners failed to establish that the proposed contentions are litigable. The ASLB also denied the Petitioners' Petition for Waiver and terminated the proceeding.

On February 24, 2022, the NRC issued a decision in the SLR appeal related to the Turkey Point nuclear generating station in Florida and ruled that the NRC's license renewal Generic Environmental Impact Statement (GEIS) does not apply to SLR because the GEIS does not address SLR. The decision overturned a 2020 NRC decision that found the GEIS applies to SLR. While Turkey Point is not owned or operated by a Duke Energy Registrant, the NRC's order applies to all SLR applicants, including ONS. The NRC order also indicated no subsequent renewed licenses will be issued until the NRC staff has completed an adequate NEPA review for each application. On April 5, 2022, the NRC approved a 24-month rulemaking plan that will enable the NRC staff to complete an adequate NEPA review. Although an SLR applicant may wait until the rulemaking is completed, the NRC also noted that an applicant may submit a revised ER providing information on environmental impacts during the SLR period prior to the rulemaking being completed. Duke Energy Carolinas is evaluating the two options to determine which is preferable for ONS. Although the NRC's decision will delay completion of the SLR proceeding, Duke Energy Carolinas does not believe it changes the probability that the ONS subsequent renewed licenses will ultimately be issued, although Duke Energy Carolinas cannot guarantee the outcome of the license application process.
Duke Energy Carolinas and Duke Energy Progress intend to seek renewal of operating licenses and 20-year license extensions for all of their nuclear stations. New depreciation rates were implemented for all of the nuclear facilities during the second quarter of 2021. Duke Energy Carolinas and Duke Energy Progress cannot predict the outcome of these additional relicensing proceedings.

**Duke Energy Progress**

***2022 North Carolina Rate Case***

On June 8, 2022, Duke Energy Progress requested initiation of the process necessary to file a performance-based regulation application (PBR Application). The request notified the NCUC that such PBR Application would be targeted for filing no earlier than October 6, 2022.

***2022 South Carolina Rate Case***

On August 1, 2022, Duke Energy Progress filed a notice with the PSCSC of the company's intent to file a base rate adjustment application no earlier than 30 days from the date of notice.

***FERC Return on Equity Complaint***

On October 16, 2020, North Carolina Electric Membership Corporation (NCEMC) filed a complaint at the FERC against Duke Energy Progress pursuant to Section 206 of the Federal Power Act (FPA), alleging that the 11% stated return on equity (ROE) component in the demand formula rate in the Power Supply and Coordination Agreement between NCEMC and Duke Energy Progress is unjust and unreasonable. On June 16, 2022, Duke Energy Progress submitted to the FERC an Offer of Settlement and Settlement Agreement (Settlement Agreement) between NCEMC and Duke Energy Progress. The Settlement Agreement provides for an ROE of 10%, effective January 1, 2022, among other contract modifications. On July 5, 2022, NCEMC filed comments in support of the Settlement Agreement. The parties are awaiting FERC approval of the Settlement Agreement. The final disposition of these proceedings is not expected to have a material effect on the results of operations, cash flows or financial position of Duke Energy Progress.

**Duke Energy Florida**

***2021 Settlement Agreement***

On January 14, 2021, Duke Energy Florida filed a Settlement Agreement (the "2021 Settlement") with the FPSC. The parties to the 2021 Settlement include Duke Energy Florida, the Office of Public Counsel (OPC), the Florida Industrial Power Users Group, White Springs Agricultural Chemicals, Inc. d/b/a PCS Phosphate and NUCOR Steel Florida, Inc. (collectively, the "Parties").

Pursuant to the 2021 Settlement, the Parties agreed to a base rate stay-out provision that expires year-end 2024; however, Duke Energy Florida is allowed an increase to its base rates of an incremental $67 million in 2022, $49 million in 2023 and $79 million in 2024, subject to adjustment in the event of tax reform during the years 2021, 2022 and 2023. The Parties also agreed to an ROE band of 8.85% to 10.85% with a midpoint of 9.85% based on a capital structure of 53% equity and 47% debt. The ROE band can be increased by 25 basis points if the average 30-year U.S. Treasury rate increases 50 basis points or more over a six-month period in which case the midpoint ROE would rise from 9.85% to 10.10%. On July 25, 2022, this provision was triggered. Duke Energy Florida has not yet made a filing to increase the ROE, but upon filing, the FPSC must rule on this matter within 60 days of the filing per the terms of the 2021 Settlement. The 2021 Settlement Agreement also provides that Duke Energy Florida will be able to retain the $173 million retail portion of the expected DOE award from its lawsuit to recover spent nuclear fuel to mitigate customer rates over the term of the 2021 Settlement. In return, Duke Energy Florida will be able to recognize the $173 million into earnings from 2022 through 2024. Duke Energy Florida settled the DOE lawsuit and received payment of approximately $180 million on June 15, 2022, of which the retail portion was approximately $154 million. The 2021 Settlement authorizes Duke Energy Florida to collect the difference between $173 million and the $154 million retail portion of the amount received through the capacity cost recovery clause.

In addition to these terms, the 2021 Settlement contained provisions related to the accelerated depreciation of Crystal River Units 4-5, the approval of approximately $1 billion in future investments in new cost-effective solar power, the implementation of a new Electric Vehicle Charging Station Program and the deferral and recovery of costs in connection with the implementation of Duke Energy Florida's Vision Florida program, which explores various emerging non-carbon emitting generation technology, distributed technologies and resiliency projects, among other things. The 2021 Settlement also resolved remaining unrecovered storm costs for Hurricane Michael and Hurricane Dorian.
The FPSC approved the 2021 Settlement on May 4, 2021, issuing an order on June 4, 2021. Revised customer rates became effective January 1, 2022, with subsequent base rate increases effective January 1, 2023, and January 1, 2024.

***Clean Energy Connection***

On July 1, 2020, Duke Energy Florida petitioned the FPSC for approval of a voluntary solar program. The program consists of 10 new solar generating facilities with combined capacity of approximately 750 MW. The program allows participants to support cost-effective solar development in Florida by paying a subscription fee based on per kilowatt subscriptions and receiving a credit on their bill based on the actual generation associated with their portion of the solar portfolio. The estimated cost of the 10 new solar generation facilities is approximately $1 billion over the next three years, and this investment will be included in base rates offset by the revenue from the subscription fees. The credits will be included for recovery in the fuel cost recovery clause. The FPSC approved the program in January 2021.

On February 24, 2021, the League of United Latin American Citizens (LULAC) filed a notice of appeal of the FPSC's order approving the Clean Energy Connection to the Supreme Court of Florida. The Supreme Court of Florida heard the oral argument on February 9, 2022. On May 27, 2022, the Supreme Court of Florida issued an order remanding the case back to the FPSC so that the FPSC can amend its order to better address some of the arguments raised by LULAC. The FPSC has not indicated a time frame in which it intends to act on revising its order. The FPSC approval order remains in effect pending the outcome of the appeal. Duke Energy Florida cannot predict the outcome of this matter.

***Storm Protection Plan***

On April 11, 2022, Duke Energy Florida filed a Storm Protection Plan for approval with the FPSC. The plan, which covers investments for the 2023-2032 time frame, reflects approximately $7 billion of capital investment in transmission and distribution meant to strengthen its infrastructure, reduce outage times associated with extreme weather events, reduce restoration costs and improve overall service reliability. The evidentiary hearing began on August 2, 2022. Duke Energy Florida cannot predict the outcome of this matter.

**Duke Energy Ohio**

***Duke Energy Ohio Electric Base Rate Case***

Duke Energy Ohio filed with the PUCO an electric distribution base rate case application on October 1, 2021, with supporting testimony filed on October 15, 2021, requesting an increase in electric distribution base rates of approximately $55 million and an ROE of 10.3%. This is an approximate 3.3% average increase in the customer's total bill across all customer classes. The drivers for this case are capital invested since Duke Energy Ohio's last electric distribution base rate case in 2017. Duke Energy Ohio is also seeking to adjust the caps on its Distribution Capital Investment Rider (DCI Rider). The Staff of the PUCO (Staff) report was issued on May 19, 2022, recommending an increase in electric distribution base rates of $2 million to $15 million with an ROE range of 8.84% to 9.85%. The procedural schedule was set with supplemental testimony to be filed August 18, 2022, and rebuttal testimony to be filed September 1, 2022. An evidentiary hearing is scheduled to begin on September 19, 2022. Depending on the matters submitted for hearing, a PUCO decision could be issued by the end of 2022. Duke Energy Ohio cannot predict the outcome of this matter.

***Energy Efficiency Cost Recovery***

In response to changes in Ohio law that eliminated Ohio's energy efficiency mandates, the PUCO issued an order on February 26, 2020, directing utilities to wind down their demand-side management programs by September 30, 2020, and to terminate the programs by December 31, 2020. Duke Energy Ohio took the following actions:

- On March 27, 2020, Duke Energy Ohio filed an application for rehearing seeking clarification on the final true up and reconciliation process after 2020. On November 18, 2020, the PUCO issued an order replacing the cost cap previously imposed upon Duke Energy Ohio with a cap on shared savings recovery. On December 18, 2020, Duke Energy Ohio filed an additional application for rehearing challenging, among other things, the imposition of the cap on shared savings. On January 13, 2021, the application for rehearing was granted for further consideration.
- On October 9, 2020, Duke Energy Ohio filed an application to implement a voluntary energy efficiency program portfolio to commence on January 1, 2021. The application proposed a mechanism for recovery of program costs and a benefit associated with avoided transmission and distribution costs. The application remains under review.
- On November 18, 2020, the PUCO issued an order directing all utilities to set their energy efficiency riders to zero effective January 1, 2021, and to file a separate application for final reconciliation of all energy efficiency costs prior to December 31, 2020. Effective January 1, 2021, Duke Energy Ohio suspended its energy efficiency programs.
- On June 14, 2021, the PUCO requested each utility to file by July 15, 2021, a proposal to reestablish low-income programs through December 31, 2021. Duke Energy Ohio filed its application on July 14, 2021.
- On February 23, 2022, the PUCO issued its Fifth Entry on Rehearing that 1) affirmed its reduction in Duke Energy Ohio's shared savings cap; 2) denied rehearing/clarification regarding lost distribution revenues and shared savings recovery for periods after December 31, 2020; and 3) directed Duke Energy Ohio to submit an updated application with exhibits.
- On March 25, 2022, Duke Energy Ohio filed its Amended Application consistent with the PUCO's order.

Duke Energy Ohio cannot predict the outcome of this matter.

***Duke Energy Ohio Natural Gas Base Rate Case***

Duke Energy Ohio filed with the PUCO a natural gas base rate case application on June 30, 2022, with supporting testimony filed on July 14, 2022, requesting an increase in natural gas base rates of approximately $49 million and an ROE of 10.3%. This is an approximate 5.6% average increase in the customer's total bill across all customer classes. The drivers for this case are capital invested since Duke Energy Ohio's last natural gas base rate case in 2012. Duke Energy Ohio is also seeking to adjust the caps on its Capital Expenditure Program Rider (CEP Rider). Duke Energy Ohio cannot predict the outcome of this matter.

***Natural Gas Pipeline Extension***

Duke Energy Ohio installed a new natural gas pipeline (the Central Corridor Project) in its Ohio service territory to increase system reliability and enable the retirement of older infrastructure. Construction of the pipeline extension was completed and placed in service on March 14, 2022. Duke Energy Ohio expects the final cost for the pipeline development and construction activities to be approximately $185 million (excluding overheads and AFUDC).

***MGP Cost Recovery***

In an order issued in 2013, the PUCO approved Duke Energy Ohio's deferral and recovery of costs related to environmental remediation at two sites (East End and West End) that housed former MGP operations. Duke Energy Ohio made annual applications with the PUCO to recover its incremental remediation costs consistent with the PUCO's directive in Duke Energy Ohio's 2012 natural gas base rate case. The Staff issued reports recommending a disallowance of MGP remediation costs incurred that the Staff believes are not eligible for recovery. The Staff interprets the PUCO's 2013 order granting Duke Energy Ohio recovery of MGP remediation as limiting the recovery to work directly on the East End and West End sites. Duke Energy Ohio filed reply comments objecting to the Staff's recommendations and explaining, among other things, the obligation Duke Energy Ohio has under Ohio law to remediate all areas impacted by the former MGPs and not just physical property that housed the former plants and equipment. Additionally, the Staff recommended that any discussion pertaining to Duke Energy Ohio's recovery of ongoing MGP costs should be directly tied to or netted against insurance proceeds collected by Duke Energy Ohio. An evidentiary hearing concluded on November 21, 2019. Initial briefs were filed on January 17, 2020, and reply briefs were filed on February 14, 2020.

The 2013 PUCO order also contained conditional deadlines for completing the MGP environmental remediation and the deferral of related remediation costs. Subsequent to the order, the deadline was extended to December 31, 2019. On May 10, 2019, Duke Energy Ohio filed an application requesting a continuation of its existing deferral authority for MGP remediation that must occur after December 31, 2019. On July 12, 2019, the Staff recommended the commission deny the deferral authority request. On September 13, 2019, intervenor comments were filed opposing Duke Energy Ohio's request for continuation of existing deferral authority and on October 2, 2019, Duke Energy Ohio filed reply comments.

A Stipulation and Recommendation was filed jointly by Duke Energy Ohio, the Staff, the Office of the Ohio Consumers' Counsel and the Ohio Energy Group on August 31, 2021, which was approved without modification by the PUCO on April 20, 2022. The Stipulation and Recommendation resolved all open issues regarding MGP remediation costs incurred between 2013 and 2019, Duke Energy Ohio's request for additional deferral authority beyond 2019 and the pending issues related to the Tax Act described below as it related to Duke Energy Ohio's natural gas operations. As a result of the approval of the Stipulation and Recommendation, Duke Energy Ohio recognized pretax charges of approximately $15 million to Operating revenues, regulated natural gas and $58 million to Operation, maintenance and other and a tax benefit of $72 million to Income Tax (Benefit) Expense in the Condensed Consolidated Statements of Operations for the six months ended June 30, 2022. The Stipulation and Recommendation further acknowledged Duke Energy Ohio's ability to file a request for additional deferral authority in the future related to environmental remediation of any MGP impacts in the Ohio River, if necessary, subject to specific conditions. On June 15, 2022, the PUCO granted the rehearing requests of Interstate Gas Supply, Inc. (IGS) and The Retail Energy Supply Association (RESA), which were filed on May 20, 2022, for further consideration. Duke Energy Ohio cannot predict the outcome of this matter.

***Tax Act – Ohio***

On December 21, 2018, Duke Energy Ohio filed an application to change its base rate tariffs and establish a new rider to implement the benefits of the Tax Act for natural gas customers. The new rider would flow through to customers the benefit of the reduction in the statutory federal tax rate from 35% to 21% since January 1, 2018, all future benefits of the lower tax rates and a full refund of deferred income taxes collected at the higher tax rates in prior years. Deferred income taxes subject to normalization rules would be refunded consistent with federal law and deferred income taxes not subject to normalization rules will be refunded over a 10-year period. An evidentiary hearing occurred on August 7, 2019. The Stipulation and Recommendation filed on August 31, 2021, and approved on April 20, 2022, disclosed in the MGP Cost Recovery matter above, resolves the outstanding issues in this proceeding by providing customers a one-time bill credit for the reduction in the statutory federal tax rate from 35% to 21% since January 1, 2018, through June 1, 2022, and reducing base rates going forward. Deferred income taxes subject to normalization rules will be refunded consistent with federal law through a new rider. Deferred income taxes not subject to normalization rules were written off. The Commission granted the rehearing requests of IGS and RESA for further consideration. Duke Energy Ohio cannot predict the outcome of this matter.

***Midwest Propane Caverns***

Duke Energy Ohio used propane stored in caverns to meet peak demand during winter for several decades. Because the Central Corridor Project is complete and placed in service, the propane peaking facilities will no longer be necessary and have been retired. On October 7, 2021, Duke Energy Ohio requested deferral treatment of the property, plant and equipment as well as costs related to propane inventory and decommissioning costs. On January 6, 2022, the Staff issued a report recommending deferral authority for costs related to propane inventory and decommissioning costs, but not for the net book value of the remaining plant assets. As a result of the Staff's report, Duke Energy Ohio recorded a $19 million charge to Impairment of assets and other charges on the Condensed Consolidated Statements of Operations and Comprehensive Income in the fourth quarter of 2021. A Stipulation and Recommendation was filed jointly by Duke Energy Ohio and the Staff on April 27, 2022, recommending, among other things, approval of deferral treatment of a portion of the net book value of the property, plant and equipment prior to the 2021 impairment at the time of the next natural gas base rate case, excluding operations and maintenance savings, decommissioning costs not to exceed $7 million and costs related to propane inventory. The Stipulation and Recommendation states that Duke Energy Ohio will seek recovery of the deferral through its next natural gas base rate case proceeding with a proposed amortization period of at least 10 years and include an independent engineering study analyzing the necessity and prudency of the incremental investments made at the facilities since March 31, 2012. Duke Energy Ohio will not seek a return on the deferred amounts. Duke Energy Ohio cannot predict the outcome of this matter.

**Duke Energy Indiana**

***2019 Indiana Rate Case***

On July 2, 2019, Duke Energy Indiana filed a general rate case with the IURC for a rate increase for retail customers of approximately $395 million. The rebuttal case, filed on December 4, 2019, updated the requested revenue requirement to result in a 15.6% or $396 million average retail rate increase, including the impacts of the Utility Receipts Tax. Hearings concluded on February 7, 2020. On June 29, 2020, the IURC issued an order in the rate case approving a revenue increase of $146 million before certain adjustments and ratemaking refinements. The order approved Duke Energy Indiana's requested forecasted rate base of $10.2 billion as of December 31, 2020, including the Edwardsport Integrated Gasification Combined Cycle (IGCC) Plant. The IURC reduced Duke Energy Indiana's request by slightly more than $200 million, when accounting for the utility receipts tax and other adjustments. Approximately 50% of the reduction was due to a prospective change in depreciation and use of regulatory asset for the end-of-life inventory at retired generating plants, approximately 20% was due to the approved ROE of 9.7% versus the requested ROE of 10.4% and approximately 20% was related to miscellaneous earnings neutral adjustments. Step one rates were estimated to be approximately 75% of the total and became effective on July 30, 2020. Step two rates estimated to be the remaining 25% of the total rate increase were approved on July 28, 2021, and implemented in August 2021.

Several groups appealed the IURC order to the Indiana Court of Appeals. Appellate briefs were filed on October 14, 2020, focusing on three issues: wholesale sales allocations, coal ash basin cost recovery and the Edwardsport IGCC operating and maintenance expense level approved. The Indiana Court of Appeals affirmed the IURC decision on May 13, 2021. The Indiana Office of Utility Consumer Counselor (OUCC) and the Duke Industrial Group filed a joint petition to transfer the rate case appeal to the Indiana Supreme Court on June 28, 2021. The Indiana Supreme Court issued its opinion on March 10, 2022, finding that the IURC erred in allowing Duke Energy Indiana to recover coal ash costs incurred before the IURC's rate case order in June 2020. The Indiana Supreme Court found that allowing Duke Energy Indiana to recover coal ash costs incurred between rate cases that exceeded the amount built into base rates violated the prohibition against retroactive ratemaking. The IURC's order has been remanded to the IURC for additional proceedings consistent with the Indiana Supreme Court's opinion. As a result of the court's opinion, Duke Energy Indiana recognized pretax charges of approximately $211 million to Impairment of assets and other charges and $46 million to Operating revenues in the Condensed Consolidated Statements of Operations for the six months ended June 30, 2022. Duke Energy Indiana filed a request for rehearing with the Supreme Court on April 11, 2022, which the court denied on May 26, 2022. Duke Energy Indiana expects to file its testimony in the remand proceeding on August 18, 2022. Duke Energy Indiana cannot predict the outcome of this matter.

***2020 Indiana Coal Ash Recovery Case***

In Duke Energy Indiana's 2019 rate case, the IURC also opened a subdocket for post-2018 coal ash related expenditures. Duke Energy Indiana filed testimony on April 15, 2020, in the coal ash subdocket requesting recovery for the post-2018 coal ash basin closure costs for plans that have been approved by the Indiana Department of Environmental Management (IDEM) as well as continuing deferral, with carrying costs, on the balance. An evidentiary hearing was held on September 14, 2020. Briefing was completed by mid-September 2021. On November 3, 2021, the IURC issued an order allowing recovery for post-2018 coal ash basin closure costs for the plans that have been approved by IDEM, as well as continuing deferral, with carrying costs, on the balance. The OUCC filed a notice of appeal to the Indiana Court of Appeals on December 3, 2021. The OUCC also argued in Duke Energy Indiana's Environmental Compliance Rider proceeding, which was filed on March 31, 2022, that coal ash related expenditures incurred prior to the subdocket order date should be disallowed and likely intends to make similar arguments in its appeal of this subdocket. Duke Energy Indiana cannot predict the outcome of this matter.

***TDSIC 2.0***

On November 23, 2021, Duke Energy Indiana filed for approval of the Transmission, Distribution, Storage Improvement Charge 2.0 investment plan for 2023-2028 (TDSIC 2.0). On June 15, 2022, the IURC approved, without modification, TDSIC 2.0, which includes approximately $2 billion in transmission and distribution investments selected to improve reliability to our customers, harden and improve resiliency of the grid, enable expansion of renewable and distributed energy projects and encourage economic development. In addition, the IURC set up a subdocket to consider the targeted economic development project, which the IURC approved on March 2, 2022. On July 15, 2022, the OUCC filed a notice of appeal in Duke Energy Indiana's TDSIC 2.0 proceeding. Other parties are currently intervening in the appeal and briefing schedule has not yet been set. Duke Energy Indiana cannot predict the outcome of this matter.

**Piedmont**

***2022 South Carolina Rate Case***

On April 1, 2022, Piedmont filed an application with the PSCSC for a rate increase for retail customers of approximately $7 million, which represents an approximate 3.4% increase in retail revenues. The rate increase is driven by customer growth and infrastructure upgrade investments (plant additions) since Piedmont's last proceeding in 2021 under South Carolina's Rate Stabilization Act. In addition, Piedmont agreed with the South Carolina Office of Regulatory Staff in 2019 to file a general rate case no later than April 1, 2022, to conduct a more comprehensive review of rates including the allocation of costs to residential, commercial and industrial customers. In addition to the South Carolina Office of Regulatory Staff, the South Carolina Department of Consumer Affairs and the South Carolina Energy Users Committee intervened in the case and filed testimony on July 12, 2022, each recommending downward adjustments relating to several issues, including return on equity, capital structure, depreciation and employee compensation. Piedmont filed rebuttal testimony on July 26, 2022. The PSCSC has scheduled an evidentiary hearing for the week of August 15, 2022. Piedmont cannot predict the outcome of this matter.

**OTHER REGULATORY MATTERS**

***Potential Coal Plant Retirements***

The Subsidiary Registrants periodically file integrated resource plans (IRPs) with their state regulatory commissions. The IRPs provide a view of forecasted energy needs over a long term (10 to 20 years) and options being considered to meet those needs. IRPs filed by the Subsidiary Registrants included planning assumptions to potentially retire certain coal-fired generating facilities in North Carolina and Indiana earlier than their current estimated useful lives. Duke Energy continues to evaluate the potential need to retire these coal-fired generating facilities earlier than the current estimated useful lives and plans to seek regulatory recovery for amounts that would not be otherwise recovered when any of these assets are retired.

The table below contains the net carrying value of generating facilities planned for retirement or included in recent IRPs as evaluated for potential retirement. Dollar amounts in the table below are included in Net property, plant and equipment on the Condensed Consolidated Balance Sheets as of June 30, 2022, and exclude capitalized asset retirement costs.

| | Capacity (in MW) | Remaining Net Book Value (in millions) |
|---|---|---|
| Duke Energy Carolinas | | |
| Allen Steam Station Unit 1[(a)] | 167 | $ 12 |
| Allen Steam Station Unit 5[(b)] | 259 | 265 |
| Cliffside Unit 5[(b)] | 546 | 362 |
| Duke Energy Progress | | |
| Mayo Unit 1[(b)] | 713 | 634 |
| Roxboro Units 3-4[(b)] | 1,409 | 443 |
| Duke Energy Florida | | |
| Crystal River Units 4-5[(c)] | 1,442 | 1,615 |
| Duke Energy Indiana | | |
| Gibson Units 1-5[(d)] | 2,845 | 2,058 |
| Cayuga Units 1-2[(d)] | 1,005 | 660 |
| Total Duke Energy | 8,386 | $ 6,049 |

(a) As part of the 2015 resolution of a lawsuit involving alleged New Source Review violations, Duke Energy Carolinas must retire Allen Steam Station Unit 1 by December 31, 2024. The long-term energy options considered in the IRP could result in retirement of this unit earlier than its current estimated useful life.

(b) These units were included in the IRP filed by Duke Energy Carolinas and Duke Energy Progress in North Carolina and South Carolina on September 1, 2020. The long-term energy options considered in the IRP could result in retirement of these units earlier than their current estimated useful lives.

(c) On January 14, 2021, Duke Energy Florida filed the 2021 Settlement agreement with the FPSC, which proposed depreciation rates reflecting retirement dates for Duke Energy Florida's last two coal-fired generating facilities, Crystal River Units 4-5, eight years ahead of schedule in 2034 rather than in 2042. The FPSC approved the 2021 Settlement on May 4, 2021.

(d) The rate case filed July 2, 2019, included proposed depreciation rates reflecting retirement dates from 2026 to 2038. The depreciation rates reflecting these updated retirement dates were approved by the IURC as part of the rate case order issued on June 29, 2020.

**4. COMMITMENTS AND CONTINGENCIES**

**ENVIRONMENTAL**

The Duke Energy Registrants are subject to federal, state and local regulations regarding air and water quality, hazardous and solid waste disposal, coal ash 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 Duke Energy Registrants.

**Remediation Activities**

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

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

| (in millions) | June 30, 2022 | December 31, 2021 |
|---|---|---|
| **Reserves for Environmental Remediation** | | |
| Duke Energy | **$ 90** | $ 88 |
| Duke Energy Carolinas | **24** | 19 |
| Progress Energy | **23** | 23 |
| Duke Energy Progress | **12** | 11 |
| Duke Energy Florida | **10** | 11 |
| Duke Energy Ohio | **33** | 34 |
| Duke Energy Indiana | **3** | 4 |
| Piedmont | **7** | 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 not material.

**LITIGATION**

**Duke Energy**

***Michael Johnson et al. v. Duke Energy Corporation et al.***

On September 23, 2020, plaintiff Michael Johnson, a former Duke Energy employee and participant in the Duke Energy Retirement Savings Plan (Plan) brought suit on his own behalf and on behalf of other participants and beneficiaries similarly situated against Duke Energy Corporation, the Duke Energy Benefits Committee, and other unnamed individual defendants. The complaint, which was subsequently amended to add a current participant as a plaintiff on November 23, 2020, alleges that the defendants breached their fiduciary duties with respect to certain fees associated with the Plan in violation of the Employee Retirement Income Security Act of 1974 and seeks certification of a class of all individuals who were participants or beneficiaries of the Plan at any time on or after September 23, 2014. The defendants filed a motion to dismiss the plaintiffs' amended complaint on December 18, 2020. On January 31, 2022, the court denied the defendants' motion to dismiss. On February 28, 2022, Duke Energy responded to the amended complaint. Discovery commenced and the parties exchanged preliminary disclosures. After review of these disclosures, the plaintiff agreed to voluntarily dismiss its suit and the parties subsequently filed a joint stipulation of voluntary dismissal with prejudice on April 29, 2022, ending this litigation.

***Texas Storm Uri Tort Litigation***

Several Duke Energy renewables project companies, located in the ERCOT market, were named in lawsuits arising out of Texas Storm Uri in mid-February 2021. Duke Energy Corporation, which had originally been named in several suits, was dismissed from the lawsuits. The lawsuits against the Duke Energy renewables project companies seek recovery for property damages, personal injury and for wrongful death allegedly caused by the power outages, which the plaintiffs claim was the result of collective failures of generators, transmission and distribution operators, retail energy providers and others, including ERCOT. The cases have been consolidated into a Texas state court multidistrict litigation (MDL) proceeding for discovery and pre-litigation purposes. Five MDL cases have been designated for motions to dismiss while all other cases are stayed. Duke Energy renewables projects are named as defendants in three of these five cases. Plaintiffs in these five cases have filed amended petitions, which are subject to renewed omnibus motions to dismiss. The parties' briefing on omnibus motions to dismiss should be completed by September 2022 and will focus on lack of duty, tariff defenses and sovereign immunity. Decisions on these motions will be applicable to all of the stayed cases. Duke Energy cannot predict the outcomes of these matters.

**Duke Energy Carolinas**

***Ruben Villano, et al. v. Duke Energy Carolinas, LLC***

On June 16, 2021, a group of nine individuals went over a low head dam adjacent to the Dan River Steam Station in Eden, North Carolina, while water tubing. Emergency personnel rescued four people and five others were confirmed deceased. On August 11, 2021, Duke Energy Carolinas was served with the complaint filed in Durham County Superior Court on behalf of four survivors, which was later amended to include all the decedents along with the survivors, except for one minor. The lawsuit alleges that Duke Energy Carolinas knew that the river was used for recreational purposes and that Duke Energy did not adequately warn about the dam, and that Duke Energy Carolinas created a dangerous and hidden hazard on the Dan River in building and maintaining the low head dam. On September 30, 2021, Duke Energy Carolinas filed its motion to dismiss and motion for transfer of venue from Durham County to Rockingham County, both of which were denied on November 15, 2021. On November 15, 2021, Duke Energy Carolinas was also served with Plaintiffs Second Amended Complaint, which added the final minor plaintiff and consolidated all the actions into one lawsuit. Duke Energy Carolinas has filed its Answer and Affirmative Defenses to the Second Amended Complaint. Mediation is scheduled for December 2022. Discovery has commenced and is scheduled to be completed on or before February 28, 2023. The case is scheduled to be trial-ready by April 24, 2023. Duke Energy Carolinas cannot predict the outcome of this matter.

***NTE Carolinas II, LLC Litigation***

In November 2017, Duke Energy Carolinas entered into a standard FERC large generator interconnection agreement (LGIA) with NTE Carolinas II, LLC (NTE), a company that proposed to build a combined-cycle natural gas plant in Rockingham County, North Carolina. On September 6, 2019, Duke Energy Carolinas filed a lawsuit in Mecklenburg County Superior Court against NTE for breach of contract, alleging that NTE's failure to pay benchmark payments for Duke Energy Carolinas' transmission system upgrades required under the interconnection agreement constituted a termination of the interconnection agreement. Duke Energy Carolinas is seeking a monetary judgment against NTE because NTE failed to make multiple milestone payments. The lawsuit was moved to federal court in North Carolina. NTE filed a motion to dismiss Duke Energy Carolinas' complaint and brought counterclaims alleging anti-competitive conduct and violations of state and federal statutes. Duke Energy Carolinas filed a motion to dismiss NTE's counterclaims.

On May 21, 2020, in response to a NTE petition challenging Duke Energy Carolinas' termination of the LGIA, FERC issued a ruling that 1) it has exclusive jurisdiction to determine whether a transmission provider may terminate a LGIA; 2) FERC approval is required to terminate a conforming LGIA if objected to by the interconnection customer; and 3) Duke Energy may not announce the termination of a conforming LGIA unless FERC has approved the termination. FERC's Office of Enforcement also initiated an investigation of Duke Energy Carolinas into matters pertaining to the LGIA. Duke Energy Carolinas is cooperating with the Office of Enforcement but cannot predict the outcome of this investigation.

On August 17, 2020, the court denied both NTE's and Duke Energy Carolinas' motions to dismiss. In October 2021, NTE filed a Second Amended Counterclaim and Complaint, and in January 2022, NTE filed a Third Amended Counterclaim and Complaint. Duke Energy Carolinas has responded to these pleadings. On December 6, 2021, Duke Energy Carolinas filed an Amended Complaint. Following completion of discovery, Duke Energy Carolinas filed a motion for summary judgment seeking a ruling in its favor as to some of its affirmative claims against NTE and to all of NTE's counterclaims. On June 24, 2022, the court issued an order partially granting Duke Energy Carolinas' motion by dismissing NTE's counterclaims that Duke Energy Carolinas engaged in anti-competitive behavior that violated various federal and state antitrust and deceptive trade practices statutes. The remaining claims in the litigation are Duke Energy Carolinas' original claims against NTE and NTE's claims for declaratory judgment and breach of contract. Trial on these remaining claims is scheduled to begin on October 11, 2022. Duke Energy Carolinas cannot predict the outcome of this matter.

***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.

Duke Energy Carolinas has recognized asbestos-related reserves of $488 million at June 30, 2022, and $501 million at December 31, 2021. These reserves are classified in Other within Other Noncurrent Liabilities and Other within Current Liabilities on the Condensed Consolidated Balance Sheets. These reserves are based upon Duke Energy Carolinas' best estimate for current and future asbestos claims through 2041 and are recorded on an undiscounted basis. 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 2041 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. Receivables for insurance recoveries were $644 million at June 30, 2022, and $644 million at December 31, 2021. These amounts are classified in Other within Other Noncurrent Assets and Receivables within Current Assets on the Condensed Consolidated Balance Sheets. Any future payments up to the policy limit will be reimbursed by the third-party insurance carrier. 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.

The reserve for credit losses for insurance receivables is $12 million for Duke Energy and Duke Energy Carolinas as of June 30, 2022, and December 31, 2021. The insurance receivable is evaluated based on the risk of default and the historical losses, current conditions and expected conditions around collectability. Management evaluates the risk of default annually based on payment history, credit rating and changes in the risk of default from credit agencies.

**Duke Energy Progress and Duke Energy Florida**

***Spent Nuclear Fuel Matters***

On June 18, 2018, Duke Energy Progress and Duke Energy Florida sued the U.S. in the U.S. Court of Federal Claims for damages incurred for the period 2014 through 2018. The lawsuit claimed the DOE breached a contract in failing to accept spent nuclear fuel under the Nuclear Waste Policy Act of 1982 and asserted damages for the cost of on-site storage in the amount of $100 million and $200 million for Duke Energy Progress and Duke Energy Florida, respectively.

On March 30, 2022, the DOE and Duke Energy Progress executed a settlement agreement, pursuant to which Duke Energy Progress will receive damages for costs incurred between 2014 and 2018, and will be able to submit future costs on a defined schedule. In April 2022, Duke Energy Progress received $87 million in proceeds that related to damages incurred in 2014 through 2018.

On May 2, 2022, the DOE and Duke Energy Florida executed a settlement agreement, pursuant to which Duke Energy Florida will receive damages for costs incurred between 2014 and 2018, and will be able to submit costs incurred in 2019 and 2020 pursuant to an audit process. In June 2022, Duke Energy Florida received $180 million in proceeds that related to damages incurred in 2014 through 2018.

**Duke Energy Indiana**

***Coal Ash Basin Closure Plan Appeal***

On January 27, 2020, Hoosier Environmental Council (HEC) filed a Petition for Administrative Review with the Indiana Office of Environmental Adjudication challenging the Indiana Department of Environmental Management's (IDEM's) December 10, 2019, partial approval of Duke Energy Indiana's ash pond closure plan at Duke Energy's Gallagher power station. After hearing oral arguments in early April 2021 on Duke Energy Indiana's and HEC's competing Motions for Summary Judgment, on May 4, 2021, the administrative court rejected all of HEC's claims and issued a ruling in favor of Duke Energy Indiana. On June 3, 2021, HEC filed an appeal in Superior Court to seek judicial review of the order. On June 25, 2021, Duke Energy Indiana filed its response to the Petition to Review. On August 30, 2021, HEC served Duke Energy Indiana with its Brief in Support of Petition for Judicial Review. On October 29, 2021, Duke Energy Indiana and IDEM filed their response briefs. On December 13, 2021, HEC filed and served its Reply Brief.

On January 11, 2022, Duke Energy Indiana received a compliance obligation letter from the Environmental Protection Agency (EPA) notifying the company that the two basins at issue in the litigation are subject to requirements of the CCR Rule. The letter does not provide a deadline for compliance. Duke Energy Indiana is evaluating the EPA letter, its potential impacts on the litigation and the extent to which this letter could apply to CCR surface impoundments at its other Indiana sites.

Following the January 11, 2022 EPA notice of compliance letter, the parties filed a joint motion to stay the litigation for 45 days, which was approved by the court. As a result, the oral argument scheduled for February 1, 2022, was postponed. Duke Energy Indiana and HEC engaged in settlement discussions, but the parties were unable to reach resolution. On April 21, 2022, HEC filed a Motion to Lift Stay and Motion for Judicial Notice. HEC also requested that the court hold a hearing within 45 days and also take judicial notice of the EPA's January 11, 2022 letter. On April 22, 2022, Duke Energy Indiana sent IDEM a letter withdrawing the closure plans for the Gallagher North Ash Pond and Primary Pond Ash Fill. After acknowledgment by IDEM of withdrawal of these closure plans, Duke Energy Indiana filed a Motion to Dismiss the litigation as moot on April 28, 2022, which IDEM supported, and the court granted the Motion to Dismiss on July 8, 2022.

***Coal Ash Insurance Coverage Litigation***

In June 2022, Duke Energy Indiana filed a civil action in Indiana Superior Court against various insurance companies seeking declaratory relief with respect to insurance coverage for coal combustion residuals-related expenses and liabilities covered by third-party liability insurance policies. The insurance policies cover the 1969-1972 and 1984-1985 periods and provide third-party liability insurance for claims and suits alleging property damage, bodily injury and personal injury (or a combination thereof). Duke Energy Indiana cannot predict the outcome of this matter.

**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. Reserves are classified on the Condensed Consolidated Balance Sheets in Other within Other Noncurrent Liabilities and Other within Current Liabilities.

**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 uncapped maximum potential payments. However, the Duke Energy Registrants do not believe these guarantees will have a material effect on their results of operations, cash flows or financial position.

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

## 5. DEBT AND CREDIT FACILITIES

### SUMMARY OF SIGNIFICANT DEBT ISSUANCES

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

| | | | Six Months Ended June 30, 2022 | | | | |
|---|---|---|---|---|---|---|---|
| Issuance Date | Maturity Date | Interest Rate | Duke Energy | Duke Energy (Parent) | Duke Energy Carolinas | Duke Energy Progress | Piedmont |
| **Unsecured Debt** | | | | | | | |
| May 2022[a] | May 2052 | 5.050 % | $ 400 | $ — | $ — | $ — | $ 400 |
| June 2022[b] | June 2028 | 4.750 % | 645 | 645 | — | — | — |
| June 2022[b] | June 2034 | 5.306 % | 537 | 537 | — | — | — |
| **First Mortgage Bonds** | | | | | | | |
| March 2022[c] | March 2032 | 2.850 % | 500 | — | 500 | — | — |
| March 2022[c] | March 2052 | 3.550 % | 650 | — | 650 | — | — |
| March 2022[c] | April 2032 | 3.400 % | 500 | — | — | 500 | — |
| March 2022[c] | April 2052 | 4.000 % | 400 | — | — | 400 | — |
| **Tax-exempt Bonds** | | | | | | | |
| June 2022[d] | September 2030 | 4.000 % | 168 | 168 | — | — | — |
| June 2022[d] | November 2039 | 4.250 % | 234 | 234 | — | — | — |
| Total issuances | | | $ 4,034 | $ 1,584 | $ 1,150 | $ 900 | $ 400 |

(a) Proceeds will be used to pay down a portion of outstanding intercompany short-term debt and for general corporate purposes
(b) Duke Energy (Parent) issued 600 million euros aggregate principal amount of 3.10% senior notes due June 2028 and 500 million euros aggregate principal amount of 3.85% senior notes due June 2034. Proceeds will be used to repay a $500 million debt maturity, pay down short-term debt and for general corporate purposes. Duke Energy's obligations under its euro-denominated fixed-rate notes were effectively converted to fixed-rate U.S. dollars at issuance through cross-currency swaps, mitigating foreign currency exchange risk associated with the interest and principal payments. See Note 8 for additional information.
(c) Proceeds will be used to finance or refinance, in whole or in part, existing or new eligible projects under the sustainable financing framework.
(d) Proceeds were used to refund the Ohio Air Quality Development Revenue Refunding bonds, previously held in treasury, which were used to finance or refinance portions of certain solid waste disposal facilities. The mandatory purchase date of these bonds is June 1, 2027.

### 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 | June 30, 2022 |
|---|---|---|---|
| **Unsecured Debt[a]** | | | |
| Duke Energy (Parent) | August 2022 | 2.400 % | **500** |
| Duke Energy (Parent) | April 2023 | 2.875 % | **350** |
| Duke Energy (Parent)[b] | June 2023 | 1.938 % | **500** |
| **First Mortgage Bonds** | | | |
| Duke Energy Carolinas | March 2023 | 2.500 % | **500** |
| Duke Energy Carolinas | March 2023 | 3.050 % | **500** |
| **Other[c]** | | | **821** |
| Current maturities of long-term debt | | | $ **3,171** |

(a) In May 2022, Duke Energy (Parent) early retired $500 million of unsecured debt with an original maturity date of August 2022.
(b) Debt has a floating interest rate.
(c) Includes finance lease obligations, amortizing debt, tax-exempt bonds with mandatory put options and small bullet maturities.

**AVAILABLE CREDIT FACILITIES**

**Master Credit Facility**

In March 2022, Duke Energy amended its existing Master Credit Facility to increase the amount of the facility from $8 billion to $9 billion and to extend the termination date to March 2027. The Duke Energy Registrants, excluding Progress Energy, have borrowing capacity under the Master Credit Facility up to a specified sublimit for each borrower. Duke Energy has the unilateral ability at any time to increase or decrease the borrowing sublimits of each borrower, subject to a maximum sublimit for each borrower. The amount available under the Master Credit Facility has been reduced to backstop issuances of commercial paper, certain letters of credit and variable-rate demand tax-exempt bonds that may be put to the Duke Energy Registrants at the option of the holder.

The table below includes the current borrowing sublimits and available capacity under these credit facilities.

| | June 30, 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (in millions) | Duke Energy | Duke Energy (Parent) | Duke Energy Carolinas | Duke Energy Progress | Duke Energy Florida | Duke Energy Ohio | Duke Energy Indiana | Piedmont |
| Facility size[a] | $ 9,000 | $ 3,150 | $ 1,225 | $ 1,200 | $ 1,100 | $ 775 | $ 750 | $ 800 |
| Reduction to backstop issuances | | | | | | | | |
| Commercial paper[b] | (3,516) | (1,853) | (326) | (150) | (458) | (299) | (400) | (30) |
| Outstanding letters of credit | (38) | (25) | (4) | (2) | (7) | — | — | — |
| Tax-exempt bonds | (81) | — | — | — | — | — | (81) | — |
| Available capacity under the Master Credit Facility | $ 5,365 | $ 1,272 | $ 895 | $ 1,048 | $ 635 | $ 476 | $ 269 | $ 770 |

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

**Other Credit Facilities**

**Duke Energy (Parent) Term Loan Facility**

On March 9, 2022, Duke Energy (Parent) entered into a Term Loan Credit Agreement (Credit Agreement) with commitments totaling $1.4 billion maturing March 9, 2024. The maturity date of the Credit Agreement may be extended for up to two years by request of Duke Energy (Parent), upon satisfaction of certain conditions contained in the Credit Agreement. Borrowings under the facility were used to repay amounts drawn under the Three-Year Revolving Credit Facility and for general corporate purposes, including repayment of a portion of Duke Energy's outstanding commercial paper. The balance is classified as Long-Term Debt on Duke Energy's Condensed Consolidated Balance Sheets. The Three-Year Revolving Credit Facility was terminated in March 2022.

**Intercompany Credit Agreements**

In March 2022, Progress Energy closed a revolving credit agreement with Duke Energy (Parent), which allowed up to $2.5 billion in intercompany borrowings.

**6. GOODWILL**

**Duke Energy**

The following table presents the goodwill by reportable segment included on Duke Energy's Condensed Consolidated Balance Sheets at June 30, 2022, and December 31, 2021.

| (in millions) | Electric Utilities and Infrastructure | Gas Utilities and Infrastructure | Commercial Renewables | Total |
|---|---|---|---|---|
| Goodwill balance | $ 17,379 | $ 1,924 | $ 122 | $ 19,425 |
| Accumulated impairment charges | — | — | (122) | (122) |
| Goodwill, adjusted for accumulated impairment charges | $ 17,379 | $ 1,924 | $ — | $ 19,303 |

**Duke Energy Ohio**

Duke Energy Ohio's Goodwill balance of $920 million, allocated $596 million to Electric Utilities and Infrastructure and $324 million to Gas Utilities and Infrastructure, is presented net of accumulated impairment charges of $216 million on the Condensed Consolidated Balance Sheets at June 30, 2022, and December 31, 2021.

**Progress Energy**

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

**Piedmont**

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

**7. RELATED PARTY TRANSACTIONS**

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| **(in millions)** | **2022** | **2021** | **2022** | **2021** |
| **Duke Energy Carolinas** | | | | |
| Corporate governance and shared service expenses[(a)] | **$ 191** | $ 243 | **$ 397** | $ 446 |
| Indemnification coverages[(b)] | **7** | 6 | **14** | 12 |
| Joint Dispatch Agreement (JDA) revenue[(c)] | **12** | 13 | **38** | 26 |
| JDA expense[(c)] | **173** | 25 | **267** | 65 |
| Intercompany natural gas purchases[(d)] | **5** | 15 | **9** | 29 |
| **Progress Energy** | | | | |
| Corporate governance and shared service expenses[(a)] | **$ 184** | $ 233 | **$ 380** | $ 414 |
| Indemnification coverages[(b)] | **11** | 11 | **22** | 21 |
| JDA revenue[(c)] | **173** | 25 | **267** | 65 |
| JDA expense[(c)] | **12** | 13 | **38** | 26 |
| Intercompany natural gas purchases[(d)] | **19** | 18 | **38** | 37 |
| **Duke Energy Progress** | | | | |
| Corporate governance and shared service expenses[(a)] | **$ 108** | $ 141 | **$ 227** | $ 246 |
| Indemnification coverages[(b)] | **5** | 5 | **10** | 10 |
| JDA revenue[(c)] | **173** | 25 | **267** | 65 |
| JDA expense[(c)] | **12** | 13 | **38** | 26 |
| Intercompany natural gas purchases[(d)] | **19** | 18 | **38** | 37 |
| **Duke Energy Florida** | | | | |
| Corporate governance and shared service expenses[(a)] | **$ 76** | $ 92 | **$ 153** | $ 168 |
| Indemnification coverages[(b)] | **6** | 6 | **12** | 11 |
| **Duke Energy Ohio** | | | | |
| Corporate governance and shared service expenses[(a)] | **$ 82** | $ 79 | **$ 164** | $ 158 |
| Indemnification coverages[(b)] | **1** | 1 | **2** | 2 |
| **Duke Energy Indiana** | | | | |
| Corporate governance and shared service expenses[(a)] | **$ 91** | $ 93 | **$ 215** | $ 206 |
| Indemnification coverages[(b)] | **2** | 2 | **4** | 4 |
| **Piedmont** | | | | |
| Corporate governance and shared service expenses[(a)] | **$ 37** | $ 36 | **$ 72** | $ 69 |
| Indemnification coverages[(b)] | **2** | 1 | **3** | 2 |
| Intercompany natural gas sales[(d)] | **24** | 33 | **47** | 66 |
| Natural gas storage and transportation costs[(e)] | **5** | 5 | **11** | 11 |

(a) The Subsidiary Registrants are charged their proportionate share of corporate governance and other shared services costs, primarily related to human resources, employee benefits, information technology, legal and accounting fees, as well as other third-party costs. These amounts are primarily recorded in Operation, maintenance and other and Impairment of assets and other charges 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 and expenses from the purchase of power pursuant to the JDA are recorded in Operating Revenues and Fuel used in electric generation and purchased power, respectively, on the Condensed Consolidated Statements of Operations and Comprehensive Income.

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

(e) Piedmont has related party transactions as a customer of its equity method investments in Pine Needle LNG Company, LLC, Hardy Storage Company, LLC and Cardinal Pipeline Company, LLC natural gas storage and transportation facilities. These expenses are included in Cost of natural gas on Piedmont's Condensed Consolidated Statements of Operations and Comprehensive Income.

In addition to the amounts presented above, the Subsidiary Registrants have other affiliate transactions, including rental of office space, participation in a money pool arrangement, other operational transactions, such as pipeline lease arrangements, and their proportionate share of certain charged expenses. These transactions of the Subsidiary Registrants are incurred in the ordinary course of business and are eliminated in consolidation.

As discussed in Note 11, 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 do include a subordinated note from CRC for a portion of the purchase price.

**Intercompany Income Taxes**

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

| (in millions) | Duke Energy Carolinas | Progress Energy | Duke Energy Progress | Duke Energy Florida | Duke Energy Ohio | Duke Energy Indiana | Piedmont |
|---|---|---|---|---|---|---|---|
| **June 30, 2022** | | | | | | | |
| Intercompany income tax receivable | **$ 17** | **$ —** | **$ —** | **$ —** | **$ 2** | **$ —** | **$ 19** |
| Intercompany income tax payable | **—** | **22** | **29** | **54** | **—** | **17** | **—** |
| | | | | | | | |
| **December 31, 2021** | | | | | | | |
| Intercompany income tax receivable | $ — | $ — | $ — | $ 40 | $ 19 | $ — | $ — |
| Intercompany income tax payable | 62 | — | 84 | — | — | 10 | 27 |

**8. DERIVATIVES AND HEDGING**

The Duke Energy Registrants use commodity, interest rate and foreign currency contracts to manage commodity price risk, interest rate risk and foreign currency exchange rate risk. The primary use of commodity derivatives is to hedge the generation portfolio against changes in the prices of electricity and natural gas. Piedmont enters into natural gas supply contracts to provide diversification, reliability and natural gas cost benefits to its customers. Interest rate derivatives are used to manage interest rate risk associated with borrowings. Foreign currency derivatives are used to manage risk related to foreign currency exchange rates on certain issuances of debt.

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

**INTEREST RATE RISK**

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

**Cash Flow Hedges**

For a derivative designated as hedging the exposure to variable cash flows of a future transaction, referred to as a cash flow hedge, the effective portion of the derivative's gain or loss is initially reported as a component of other comprehensive income and subsequently reclassified into earnings once the future transaction impacts earnings. Amounts for interest rate contracts are reclassified to earnings as interest expense over the term of the related debt. Gains and losses reclassified out of accumulated other comprehensive loss for the three and six months ended June 30, 2022, and 2021, were not material. Duke Energy's interest rate derivatives designated as hedges include interest rate swaps used to hedge existing debt within the Commercial Renewables segment and forward-starting interest rate swaps not accounted for under regulatory accounting.

**Undesignated Contracts**

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

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

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

| | June 30, 2022 | | | |
|---|---|---|---|---|
| (in millions) | Duke Energy | Duke Energy Carolinas | Duke Energy Indiana | Duke Energy Ohio |
| Cash flow hedges | $ 2,877 | $ — | $ — | $ — |
| Undesignated contracts | 577 | 250 | 300 | 27 |
| Total notional amount[a] | $ 3,454 | $ 250 | $ 300 | $ 27 |

| | December 31, 2021 | | | | | |
|---|---|---|---|---|---|---|
| (in millions) | Duke Energy | Duke Energy Carolinas | Progress Energy | Duke Energy Progress | Duke Energy Indiana | Duke Energy Ohio |
| Cash flow hedges | $ 2,415 | $ — | $ — | $ — | $ — | $ — |
| Undesignated contracts | 1,177 | 350 | 500 | 500 | 300 | 27 |
| Total notional amount[a] | $ 3,592 | $ 350 | $ 500 | $ 500 | $ 300 | $ 27 |

(a) Duke Energy includes amounts related to consolidated VIEs of $627 million and $665 million in cash flow hedges as of June 30, 2022, and December 31, 2021, respectively.

**COMMODITY PRICE RISK**

The Duke Energy Registrants are exposed to the impact of changes in the prices of electricity purchased and sold in bulk power markets and natural gas purchases, including Piedmont's natural gas supply contracts. Exposure to commodity price risk is influenced by a number of factors including the term of contracts, the liquidity of markets and delivery locations. To manage risk associated with commodity prices, the Duke Energy Registrants may enter into long-term power purchase or sales contracts and long-term natural gas supply agreements.

**Cash Flow Hedges**

For derivatives designated as hedging the exposure to variable cash flows of a future transaction, referred to as a cash flow hedge, the derivative's gain or loss is initially reported as a component of other comprehensive income and subsequently reclassified into earnings once the future transaction impacts earnings. Gains and losses reclassified out of accumulated other comprehensive loss for the three and six months ended June 30, 2022, and 2021, were not material. Duke Energy's commodity derivatives designated as hedges include long-term electricity sales in the Commercial Renewables segment.

**Undesignated Contracts**

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

For the Subsidiary Registrants, bulk power electricity and natural gas purchases flow through fuel adjustment clauses, formula-based contracts or other cost-sharing mechanisms. Differences between the costs included in rates and the incurred costs, including undesignated derivative contracts, are largely deferred as regulatory assets or regulatory liabilities. Piedmont policies allow for the use of financial instruments to hedge commodity price risks. The strategy and objective of these hedging programs are to use the financial instruments to reduce natural gas costs volatility for customers.

Duke Energy's undesignated contracts include long-term electricity sales in the Commercial Renewables segment.

**Volumes**

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

| | June 30, 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Duke Energy | Duke Energy Carolinas | Progress Energy | Duke Energy Progress | Duke Energy Ohio | Duke Energy Indiana | Piedmont |
| Electricity (GWh)[a] | 39,032 | — | — | — | 4,002 | 24,241 | — |
| Natural gas (millions of dekatherms) | 873 | 283 | 259 | 259 | — | 13 | 318 |

| | December 31, 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Duke Energy | Duke Energy Carolinas | Progress Energy | Duke Energy Progress | Duke Energy Ohio | Duke Energy Indiana | Piedmont |
| Electricity (GWh)[(a)] | 22,344 | — | — | — | 1,681 | 10,688 | — |
| Natural gas (millions of dekatherms) | 823 | 264 | 215 | 215 | — | 8 | 336 |

(a) Duke Energy includes 4,477 GWh and 9,975 GWh related to cash flow hedges as of June 30, 2022, and December 31, 2021, respectively.

**FOREIGN CURRENCY RISK**

Duke Energy may enter into foreign currency derivatives to hedge exposure to changes in foreign currency exchange rates, such as that arising from the issuance of debt denominated in a currency other than U.S. dollars.

**Fair Value Hedges**

Derivatives related to existing fixed rate securities are accounted for as fair value hedges, where the derivatives' fair value gains or losses and hedged items' fair value gains or losses are both recorded directly to earnings on the same income statement line item, including foreign currency gains or losses arising from changes in the U.S. currency exchange rates. Duke Energy has elected to exclude the cross-currency basis spread from the assessment of effectiveness in the fair value hedges of its foreign currency risk and record any difference between the change in the fair value of the excluded components and the amounts recognized in earnings as a component of OCI.

The following table shows Duke Energy's outstanding derivatives related to foreign currency risk. There were no fair value hedges in 2021.

| | June 30, 2022 | | | | | |
|---|---|---|---|---|---|---|
| | Pay Notional (in millions) | Pay Rate | Receive Notional (in millions) | Receive Rate | Hedge Maturity Date | Fair Value Gain (Loss)[(a)] (in millions) |
| Fair value hedges | | | | | | |
| | $ 645 | 4.75 % | 600 euros | 3.10 % | June 2028 | $ (16) |
| | 537 | 5.31 % | 500 euros | 3.85 % | June 2034 | (13) |
| Total notional amount | $ 1,182 | | 1,100 euros | | | $ (29) |

(a) Amounts are recorded in Other Income and expenses, net on the Condensed Consolidated Statement of Operations, which offsets an equal translation adjustment of the foreign denominated debt. See the Condensed Consolidated Statements of Comprehensive Income for amounts excluded from the assessment of effectiveness for which the difference between changes in fair value and periodic amortization is recorded.

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

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

| Derivative Assets | June 30, 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (in millions) | Duke Energy | Duke Energy Carolinas | Progress Energy | Duke Energy Progress | Duke Energy Florida | Duke Energy Ohio | Duke Energy Indiana | Piedmont |
| **Commodity Contracts** | | | | | | | | |
| ***Not Designated as Hedging Instruments*** | | | | | | | | |
| Current | $ 571 | $ 268 | $ 203 | $ 203 | $ — | $ 5 | $ 86 | $ — |
| Noncurrent | 350 | 186 | 165 | 165 | — | — | — | — |
| **Total Derivative Assets – Commodity Contracts** | $ 921 | $ 454 | $ 368 | $ 368 | $ — | $ 5 | $ 86 | $ — |
| **Interest Rate Contracts** | | | | | | | | |
| ***Designated as Hedging Instruments*** | | | | | | | | |
| Current | $ 242 | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| Noncurrent | 88 | — | — | — | — | — | — | — |
| ***Not Designated as Hedging Instruments*** | | | | | | | | |
| Current | 55 | — | — | — | — | — | 55 | — |
| Noncurrent | 30 | 30 | — | — | — | — | — | — |
| **Total Derivative Assets – Interest Rate Contracts** | $ 415 | $ 30 | $ — | $ — | $ — | $ — | $ 55 | $ — |
| **Total Derivative Assets** | $ 1,336 | $ 484 | $ 368 | $ 368 | $ — | $ 5 | $ 141 | $ — |

| Derivative Liabilities | June 30, 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (in millions) | Duke Energy | Duke Energy Carolinas | Progress Energy | Duke Energy Progress | Duke Energy Florida | Duke Energy Ohio | Duke Energy Indiana | Piedmont |
| **Commodity Contracts** | | | | | | | | |
| ***Designated as Hedging Instruments*** | | | | | | | | |
| Current | $ 35 | $ — | $ — | $ — | $ — | $ — | $ — | — |
| Noncurrent | 114 | — | — | — | — | — | — | — |
| ***Not Designated as Hedging Instruments*** | | | | | | | | |
| Current | 135 | 32 | 33 | 1 | 33 | — | 21 | 25 |
| Noncurrent | 259 | 9 | 10 | 10 | — | — | — | 168 |
| **Total Derivative Liabilities – Commodity Contracts** | $ 543 | $ 41 | $ 43 | $ 11 | $ 33 | $ — | $ 21 | $ 193 |
| **Interest Rate Contracts** | | | | | | | | |
| ***Designated as Hedging Instruments*** | | | | | | | | |
| Current | $ 1 | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| Noncurrent | 2 | — | — | — | — | — | — | — |
| ***Not Designated as Hedging Instruments*** | | | | | | | | |
| Current | 1 | — | — | — | — | 1 | — | — |
| Noncurrent | 2 | — | — | — | — | 2 | — | — |
| **Total Derivative Liabilities – Interest Rate Contracts** | $ 6 | $ — | $ — | $ — | $ — | $ 3 | $ — | $ — |
| **Foreign Currency Contracts** | | | | | | | | |
| ***Designated as Hedging Instruments*** | | | | | | | | |
| Current | $ 18 | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| Noncurrent | 26 | — | — | — | — | — | — | — |
| **Total Derivative Liabilities – Foreign Currency Contracts** | $ 44 | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| **Total Derivative Liabilities** | $ 593 | $ 41 | $ 43 | $ 11 | $ 33 | $ 3 | $ 21 | $ 193 |

| Derivative Assets | December 31, 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (in millions) | Duke Energy | Duke Energy Carolinas | Progress Energy | Duke Energy Progress | Duke Energy Florida | Duke Energy Ohio | Duke Energy Indiana | Piedmont |
| **Commodity Contracts** | | | | | | | | |
| ***Not Designated as Hedging Instruments*** | | | | | | | | |
| Current | $ 199 | $ 99 | $ 72 | $ 72 | $ — | $ 2 | $ 23 | $ 3 |
| Noncurrent | 113 | 63 | 50 | 50 | — | — | — | — |
| **Total Derivative Assets – Commodity Contracts** | $ 312 | $ 162 | $ 122 | $ 122 | $ — | $ 2 | $ 23 | $ 3 |
| **Interest Rate Contracts** | | | | | | | | |
| ***Designated as Hedging Instruments*** | | | | | | | | |
| Current | $ 3 | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| Noncurrent | 3 | — | — | — | — | — | — | — |
| ***Not Designated as Hedging Instruments*** | | | | | | | | |
| Current | 2 | — | 2 | 2 | — | — | — | — |
| **Total Derivative Assets – Interest Rate Contracts** | $ 8 | $ — | $ 2 | $ 2 | $ — | $ — | $ — | $ — |
| **Total Derivative Assets** | $ 320 | $ 162 | $ 124 | $ 124 | $ — | $ 2 | $ 23 | $ 3 |

| Derivative Liabilities | December 31, 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (in millions) | Duke Energy | Duke Energy Carolinas | Progress Energy | Duke Energy Progress | Duke Energy Florida | Duke Energy Ohio | Duke Energy Indiana | Piedmont |
| **Commodity Contracts** | | | | | | | | |
| ***Designated as Hedging Instruments*** | | | | | | | | |
| Current | $ 27 | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| Noncurrent | 117 | — | — | — | — | — | — | — |
| ***Not Designated as Hedging Instruments*** | | | | | | | | |
| Current | 72 | 18 | 19 | 5 | 14 | — | 13 | 21 |
| Noncurrent | 132 | 9 | 5 | 5 | — | — | — | 118 |
| **Total Derivative Liabilities – Commodity Contracts** | $ 348 | $ 27 | $ 24 | $ 10 | $ 14 | $ — | $ 13 | $ 139 |
| **Interest Rate Contracts** | | | | | | | | |
| ***Designated as Hedging Instruments*** | | | | | | | | |
| Current | $ 75 | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| Noncurrent | 21 | — | — | — | — | — | — | — |
| ***Not Designated as Hedging Instruments*** | | | | | | | | |
| Current | 10 | 8 | — | — | — | 1 | — | — |
| Noncurrent | 18 | — | — | — | — | 4 | 14 | — |
| **Total Derivative Liabilities – Interest Rate Contracts** | $ 124 | $ 8 | $ — | $ — | $ — | $ 5 | $ 14 | $ — |
| **Total Derivative Liabilities** | $ 472 | $ 35 | $ 24 | $ 10 | $ 14 | $ 5 | $ 27 | $ 139 |

**OFFSETTING ASSETS AND LIABILITIES**

The following tables present the line items on the Condensed Consolidated Balance Sheets where derivatives are reported. Substantially all of Duke Energy's outstanding derivative contracts are subject to enforceable master netting arrangements. The gross amounts offset in the tables below show the effect of these netting arrangements on financial position, and include cash collateral posted to offset the net position. The amounts shown are calculated by counterparty. Accounts receivable or accounts payable and letters of credit may also be available to offset exposures in the event of bankruptcy. These amounts are not included in the tables below.

| Derivative Assets | June 30, 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (in millions) | Duke Energy | Duke Energy Carolinas | Progress Energy | Duke Energy Progress | Duke Energy Florida | Duke Energy Ohio | Duke Energy Indiana | Piedmont |
| **Current** | | | | | | | | |
| Gross amounts recognized | $ 868 | $ 268 | $ 203 | $ 203 | $ — | $ 5 | $ 141 | $ — |
| Gross amounts offset | (331) | (193) | (137) | (137) | — | — | — | — |
| Net amounts presented in Current Assets: Other | $ 537 | $ 75 | $ 66 | $ 66 | $ — | $ 5 | $ 141 | $ — |
| **Noncurrent** | | | | | | | | |
| Gross amounts recognized | $ 468 | $ 216 | $ 165 | $ 165 | $ — | $ — | $ — | $ — |
| Gross amounts offset | (242) | (125) | (117) | (117) | — | — | — | — |
| Net amounts presented in Other Noncurrent Assets: Other | $ 226 | $ 91 | $ 48 | $ 48 | $ — | $ — | $ — | $ — |

| Derivative Liabilities | June 30, 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (in millions) | Duke Energy | Duke Energy Carolinas | Progress Energy | Duke Energy Progress | Duke Energy Florida | Duke Energy Ohio | Duke Energy Indiana | Piedmont |
| **Current** | | | | | | | | |
| Gross amounts recognized | $ 190 | $ 32 | $ 33 | $ 1 | $ 33 | $ 1 | $ 21 | $ 25 |
| Gross amounts offset | (19) | (1) | (1) | (1) | — | — | (17) | — |
| Net amounts presented in Current Liabilities: Other | $ 171 | $ 31 | $ 32 | $ — | $ 33 | $ 1 | $ 4 | $ 25 |
| **Noncurrent** | | | | | | | | |
| Gross amounts recognized | $ 403 | $ 9 | $ 10 | $ 10 | $ — | $ 2 | $ — | $ 168 |
| Gross amounts offset | (19) | (9) | (10) | (10) | — | — | — | — |
| Net amounts presented in Other Noncurrent Liabilities: Other | $ 384 | $ — | $ — | $ — | $ — | $ 2 | $ — | $ 168 |

| Derivative Assets | December 31, 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (in millions) | Duke Energy | Duke Energy Carolinas | Progress Energy | Duke Energy Progress | Duke Energy Florida | Duke Energy Ohio | Duke Energy Indiana | Piedmont |
| **Current** | | | | | | | | |
| Gross amounts recognized | $ 204 | $ 99 | $ 74 | $ 74 | $ — | $ 2 | $ 23 | $ 3 |
| Gross amounts offset | (25) | (16) | (9) | (9) | — | — | — | — |
| Net amounts presented in Current Assets: Other | $ 179 | $ 83 | $ 65 | $ 65 | $ — | $ 2 | $ 23 | $ 3 |
| **Noncurrent** | | | | | | | | |
| Gross amounts recognized | $ 116 | $ 63 | $ 50 | $ 50 | $ — | $ — | $ — | $ — |
| Gross amounts offset | (23) | (15) | (8) | (8) | — | — | — | — |
| Net amounts presented in Other Noncurrent Assets: Other | $ 93 | $ 48 | $ 42 | $ 42 | $ — | $ — | $ — | $ — |

| Derivative Liabilities | December 31, 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (in millions) | Duke Energy | Duke Energy Carolinas | Progress Energy | Duke Energy Progress | Duke Energy Florida | Duke Energy Ohio | Duke Energy Indiana | Piedmont |
| **Current** | | | | | | | | |
| Gross amounts recognized | $ 184 | $ 26 | $ 19 | $ 5 | $ 14 | $ 1 | $ 13 | $ 21 |
| Gross amounts offset | (11) | (6) | (5) | (5) | — | — | — | — |
| Net amounts presented in Current Liabilities: Other | $ 173 | $ 20 | $ 14 | $ — | $ 14 | $ 1 | $ 13 | $ 21 |
| **Noncurrent** | | | | | | | | |
| Gross amounts recognized | $ 288 | $ 9 | $ 5 | $ 5 | $ — | $ 4 | $ 14 | $ 118 |
| Gross amounts offset | (12) | (8) | (5) | (5) | — | — | — | — |
| Net amounts presented in Other Noncurrent Liabilities: Other | $ 276 | $ 1 | $ — | $ — | $ — | $ 4 | $ 14 | $ 118 |

**9. INVESTMENTS IN DEBT AND EQUITY SECURITIES**

Duke Energy's investments in debt and equity securities are primarily comprised of investments held in (i) the NDTF at Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida, (ii) the grantor trusts at Duke Energy Progress, Duke Energy Florida and Duke Energy Indiana related to OPEB plans and (iii) Bison. The Duke Energy Registrants classify investments in debt securities as Available for Sale (AFS) and investments in equity securities as fair value through net income (FV-NI).

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

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

**Investment Trusts**

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

**Other AFS Securities**

Unrealized gains and losses on all other AFS securities are included in other comprehensive income until realized, unless it is determined the carrying value of an investment has a credit loss. The Duke Energy Registrants analyze all investment holdings each reporting period to determine whether a decline in fair value is related to a credit loss. If a credit loss exists, the unrealized credit loss is included in earnings. There were no material credit losses as of June 30, 2022, and December 31, 2021.

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

**DUKE ENERGY**

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

| | June 30, 2022 | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|
| (in millions) | Gross Unrealized Holding Gains | Gross Unrealized Holding Losses | Estimated Fair Value | Gross Unrealized Holding Gains | Gross Unrealized Holding Losses | Estimated Fair Value |
| **NDTF** | | | | | | |
| Cash and cash equivalents | **$ —** | **$ —** | **$ 134** | $ — | $ — | $ 160 |
| Equity securities | **3,500** | **141** | **5,751** | 4,905 | 43 | 7,350 |
| Corporate debt securities | **—** | **81** | **728** | 39 | 6 | 829 |
| Municipal bonds | **—** | **32** | **334** | 14 | 1 | 314 |
| U.S. government bonds | **2** | **89** | **1,462** | 31 | 12 | 1,568 |
| Other debt securities | **—** | **14** | **170** | 3 | 1 | 180 |
| **Total NDTF Investments** | **$ 3,502** | **$ 357** | **$ 8,579** | $ 4,992 | $ 63 | $ 10,401 |
| **Other Investments** | | | | | | |
| Cash and cash equivalents | **$ —** | **$ —** | **$ 51** | $ — | $ — | $ 36 |
| Equity securities | **20** | **17** | **124** | 36 | — | 156 |
| Corporate debt securities | **—** | **13** | **108** | 2 | 1 | 119 |
| Municipal bonds | **—** | **3** | **82** | 3 | 1 | 80 |
| U.S. government bonds | **—** | **5** | **49** | — | — | 56 |
| Other debt securities | **—** | **2** | **35** | — | 1 | 45 |
| **Total Other Investments** | **$ 20** | **$ 40** | **$ 449** | $ 41 | $ 3 | $ 492 |
| **Total Investments** | **$ 3,522** | **$ 397** | **$ 9,028** | $ 5,033 | $ 66 | $ 10,893 |

Realized gains and losses, which were determined on a specific identification basis, from sales of FV-NI and AFS securities for the three and six months ended June 30, 2022, and 2021, were as follows.

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| (in millions) | June 30, 2022 | June 30, 2021 | June 30, 2022 | June 30, 2021 |
| **FV-NI:** | | | | |
| Realized gains | **$ 34** | $ 146 | **$ 145** | $ 286 |
| Realized losses | **101** | 37 | **186** | 60 |
| **AFS:** | | | | |
| Realized gains | **11** | 16 | **15** | 34 |
| Realized losses | **42** | 18 | **65** | 31 |

**DUKE ENERGY CAROLINAS**

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

| | June 30, 2022 | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|
| (in millions) | Gross Unrealized Holding Gains | Gross Unrealized Holding Losses | Estimated Fair Value | Gross Unrealized Holding Gains | Gross Unrealized Holding Losses | Estimated Fair Value |
| **NDTF** | | | | | | |
| Cash and cash equivalents | **$ —** | **$ —** | **$ 58** | $ — | $ — | $ 53 |
| Equity securities | **2,058** | **69** | **3,327** | 2,887 | 19 | 4,265 |
| Corporate debt securities | **—** | **63** | **470** | 24 | 4 | 506 |
| Municipal bonds | **—** | **9** | **63** | 2 | — | 48 |
| U.S. government bonds | **1** | **37** | **645** | 16 | 3 | 712 |
| Other debt securities | **—** | **13** | **165** | 3 | 1 | 175 |
| **Total NDTF Investments** | **$ 2,059** | **$ 191** | **$ 4,728** | $ 2,932 | $ 27 | $ 5,759 |

Realized gains and losses, which were determined on a specific identification basis, from sales of FV-NI and AFS securities for the three and six months ended June 30, 2022, and 2021, were as follows.

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| (in millions) | June 30, 2022 | June 30, 2021 | June 30, 2022 | June 30, 2021 |
| **FV-NI:** | | | | |
| Realized gains | **$ 18** | $ 90 | **$ 93** | $ 218 |
| Realized losses | **55** | 23 | **104** | 39 |
| **AFS:** | | | | |
| Realized gains | **9** | 12 | **12** | 25 |
| Realized losses | **21** | 13 | **37** | 22 |

**PROGRESS ENERGY**

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

| | June 30, 2022 | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|
| (in millions) | Gross Unrealized Holding Gains | Gross Unrealized Holding Losses | Estimated Fair Value | Gross Unrealized Holding Gains | Gross Unrealized Holding Losses | Estimated Fair Value |
| **NDTF** | | | | | | |
| Cash and cash equivalents | **$ —** | **$ —** | **$ 76** | $ — | $ — | $ 107 |
| Equity securities | **1,442** | **72** | **2,424** | 2,018 | 24 | 3,085 |
| Corporate debt securities | **—** | **18** | **258** | 15 | 2 | 323 |
| Municipal bonds | **—** | **23** | **271** | 12 | 1 | 266 |
| U.S. government bonds | **1** | **52** | **817** | 15 | 9 | 856 |
| Other debt securities | **—** | **1** | **5** | — | — | 5 |
| **Total NDTF Investments** | **$ 1,443** | **$ 166** | **$ 3,851** | $ 2,060 | $ 36 | $ 4,642 |
| **Other Investments** | | | | | | |
| Cash and cash equivalents | **$ —** | **$ —** | **$ 15** | $ — | $ — | $ 20 |
| Municipal bonds | **—** | **—** | **25** | 2 | — | 26 |
| **Total Other Investments** | **$ —** | **$ —** | **$ 40** | $ 2 | $ — | $ 46 |
| **Total Investments** | **$ 1,443** | **$ 166** | **$ 3,891** | $ 2,062 | $ 36 | $ 4,688 |

Realized gains and losses, which were determined on a specific identification basis, from sales of FV-NI and AFS securities for the three and six months ended June 30, 2022, and 2021, were as follows.

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| (in millions) | June 30, 2022 | June 30, 2021 | June 30, 2022 | June 30, 2021 |
| **FV-NI:** | | | | |
| Realized gains | **$ 16** | $ 56 | **$ 52** | $ 68 |
| Realized losses | **46** | 14 | **82** | 21 |
| **AFS:** | | | | |
| Realized gains | **2** | 3 | **3** | 7 |
| Realized losses | **17** | 3 | **23** | 6 |

**DUKE ENERGY PROGRESS**

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

| | June 30, 2022 | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|
| (in millions) | Gross Unrealized Holding Gains | Gross Unrealized Holding Losses | Estimated Fair Value | Gross Unrealized Holding Gains | Gross Unrealized Holding Losses | Estimated Fair Value |
| **NDTF** | | | | | | |
| Cash and cash equivalents | **$ —** | **$ —** | **$ 46** | $ — | $ — | $ 94 |
| Equity securities | **1,363** | **72** | **2,333** | 1,915 | 23 | 2,970 |
| Corporate debt securities | **—** | **17** | **241** | 15 | 2 | 282 |
| Municipal bonds | **—** | **23** | **271** | 12 | 1 | 266 |
| U.S. government bonds | **1** | **31** | **477** | 15 | 3 | 472 |
| Other debt securities | **—** | **1** | **5** | — | — | 5 |
| **Total NDTF Investments** | **$ 1,364** | **$ 144** | **$ 3,373** | $ 1,957 | $ 29 | $ 4,089 |
| **Other Investments** | | | | | | |
| Cash and cash equivalents | **$ —** | **$ —** | **$ 12** | $ — | $ — | $ 16 |
| **Total Other Investments** | **$ —** | **$ —** | **$ 12** | $ — | $ — | $ 16 |
| **Total Investments** | **$ 1,364** | **$ 144** | **$ 3,385** | $ 1,957 | $ 29 | $ 4,105 |

Realized gains and losses, which were determined on a specific identification basis, from sales of FV-NI and AFS securities for the three and six months ended June 30, 2022, and 2021, were as follows.

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| (in millions) | June 30, 2022 | June 30, 2021 | June 30, 2022 | June 30, 2021 |
| **FV-NI:** | | | | |
| Realized gains | **$ 15** | $ 55 | **$ 51** | $ 67 |
| Realized losses | **45** | 13 | **80** | 20 |
| **AFS:** | | | | |
| Realized gains | **2** | 3 | **3** | 7 |
| Realized losses | **15** | 3 | **20** | 6 |

**DUKE ENERGY FLORIDA**

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

| | June 30, 2022 | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|
| (in millions) | Gross Unrealized Holding Gains | Gross Unrealized Holding Losses | Estimated Fair Value | Gross Unrealized Holding Gains | Gross Unrealized Holding Losses | Estimated Fair Value |
| **NDTF** | | | | | | |
| Cash and cash equivalents | **$ —** | **$ —** | **$ 30** | $ — | $ — | $ 13 |
| Equity securities | **79** | **—** | **91** | 103 | 1 | 115 |
| Corporate debt securities | **—** | **1** | **17** | — | — | 41 |
| U.S. government bonds | **—** | **21** | **340** | — | 6 | 384 |
| **Total NDTF Investments[(a)]** | **$ 79** | **$ 22** | **$ 478** | $ 103 | $ 7 | $ 553 |
| **Other Investments** | | | | | | |
| Cash and cash equivalents | **$ —** | **$ —** | **$ 1** | $ — | $ — | $ 3 |
| Municipal bonds | **—** | **—** | **25** | 2 | — | 26 |
| **Total Other Investments** | **$ —** | **$ —** | **$ 26** | $ 2 | $ — | $ 29 |
| **Total Investments** | **$ 79** | **$ 22** | **$ 504** | $ 105 | $ 7 | $ 582 |

(a) During the six months ended June 30, 2022, and the year ended December 31, 2021, Duke Energy Florida received reimbursements from the NDTF for costs related to ongoing decommissioning activity of Crystal River Unit 3.

Realized gains and losses, which were determined on a specific identification basis, from sales of FV-NI and AFS securities for the three and six months ended June 30, 2022, and 2021, were immaterial.

**DUKE ENERGY INDIANA**

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

| | June 30, 2022 | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|
| (in millions) | Gross Unrealized Holding Gains | Gross Unrealized Holding Losses | Estimated Fair Value | Gross Unrealized Holding Gains | Gross Unrealized Holding Losses | Estimated Fair Value |
| **Investments** | | | | | | |
| Equity securities | $ 2 | $ 17 | $ 77 | $ 6 | $ — | $ 97 |
| Corporate debt securities | — | — | 8 | — | — | 6 |
| Municipal bonds | — | 3 | 48 | 1 | 1 | 46 |
| U.S. government bonds | — | — | 5 | — | — | 12 |
| **Total Investments** | $ 2 | $ 20 | $ 138 | $ 7 | $ 1 | $ 161 |

Realized gains and losses, which were determined on a specific identification basis, from sales of FV-NI and AFS securities for the three and six months ended June 30, 2022, and 2021, were immaterial.

**DEBT SECURITY MATURITIES**

The table below summarizes the maturity date for debt securities.

| | June 30, 2022 | | | | | |
|---|---|---|---|---|---|---|
| (in millions) | Duke Energy | Duke Energy Carolinas | Progress Energy | Duke Energy Progress | Duke Energy Florida | Duke Energy Indiana |
| Due in one year or less | $ 137 | $ 7 | $ 118 | $ 24 | $ 94 | $ 9 |
| Due after one through five years | 930 | 350 | 501 | 266 | 235 | 23 |
| Due after five through 10 years | 484 | 209 | 204 | 189 | 15 | 6 |
| Due after 10 years | 1,417 | 777 | 553 | 515 | 38 | 23 |
| Total | $ 2,968 | $ 1,343 | $ 1,376 | $ 994 | $ 382 | $ 61 |

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

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

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

**Investments in equity securities**

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

**Investments in debt securities**

Most investments in debt securities are valued using Level 2 measurements because the valuations use interest rate curves and credit spreads applied to the terms of the debt instrument (maturity and coupon interest rate) and consider the counterparty credit rating. If the market for a particular fixed-income security is relatively inactive or illiquid, the measurement is Level 3.

**Commodity derivatives**

Commodity derivatives with clearinghouses are classified as Level 1. Commodity derivatives with observable forward curves are classified as Level 2. If forward price curves are not observable for the full term of the contract and the unobservable period had more than an insignificant impact on the valuation, the commodity derivative is classified as Level 3. In isolation, increases (decreases) in natural gas forward prices result in favorable (unfavorable) fair value adjustments for natural gas purchase contracts; and increases (decreases) in electricity forward prices result in unfavorable (favorable) fair value adjustments for electricity sales contracts. Duke Energy regularly evaluates and validates pricing inputs used to estimate the fair value of natural gas commodity contracts by a market participant price verification procedure. This procedure provides a comparison of internal forward commodity curves to market participant generated curves.

**Interest rate derivatives**

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

**Foreign currency derivatives**

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

**Other fair value considerations**

See Note 11 in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2021, for a discussion of the valuation of goodwill and intangible 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 tables below for all Duke Energy Registrants exclude cash collateral, which is disclosed in Note 8. See Note 9 for additional information related to investments by major security type for the Duke Energy Registrants.

| | June 30, 2022 | | | | |
|---|---|---|---|---|---|
| **(in millions)** | **Total Fair Value** | **Level 1** | **Level 2** | **Level 3** | **Not Categorized** |
| NDTF cash and cash equivalents | **$ 134** | **$ 134** | **$ —** | **$ —** | **$ —** |
| NDTF equity securities | **5,751** | **5,704** | **—** | **—** | **47** |
| NDTF debt securities | **2,694** | **849** | **1,845** | **—** | **—** |
| Other equity securities | **124** | **124** | **—** | **—** | **—** |
| Other debt securities | **274** | **44** | **230** | **—** | **—** |
| Other cash and cash equivalents | **51** | **51** | **—** | **—** | **—** |
| Derivative assets | **1,336** | **2** | **1,245** | **89** | **—** |
| Total assets | **10,364** | **6,908** | **3,320** | **89** | **47** |
| Derivative liabilities | **(593)** | **(21)** | **(327)** | **(245)** | **—** |
| Net assets (liabilities) | **$ 9,771** | **$ 6,887** | **$ 2,993** | **$ (156)** | **$ 47** |

| | December 31, 2021 | | | | |
|---|---|---|---|---|---|
| **(in millions)** | **Total Fair Value** | **Level 1** | **Level 2** | **Level 3** | **Not Categorized** |
| NDTF cash and cash equivalents | $ 160 | $ 160 | $ — | $ — | $ — |
| NDTF equity securities | 7,350 | 7,300 | — | — | 50 |
| NDTF debt securities | 2,891 | 967 | 1,924 | — | — |
| Other equity securities | 156 | 156 | — | — | — |
| Other debt securities | 300 | 45 | 255 | — | — |
| Other cash and cash equivalents | 36 | 36 | — | — | — |
| Derivative assets | 320 | 3 | 293 | 24 | — |
| Total assets | 11,213 | 8,667 | 2,472 | 24 | 50 |
| Derivative liabilities | (472) | (13) | (314) | (145) | — |
| Net assets (liabilities) | $ 10,741 | $ 8,654 | $ 2,158 | $ (121) | $ 50 |

The following tables provide reconciliations of beginning and ending balances of assets and liabilities measured at fair value using Level 3 measurements.

| | Derivatives (net) | | | |
|---|---|---|---|---|
| | Three Months Ended June 30, | | Six Months Ended June 30, | |
| (in millions) | 2022 | 2021 | 2022 | 2021 |
| Balance at beginning of period | **$ (199)** | $ (126) | **$ (121)** | $ (77) |
| Total pretax realized or unrealized losses included in comprehensive income | **(42)** | (31) | **(110)** | (75) |
| Purchases, sales, issuances and settlements: | | | | |
| Purchases | **77** | 21 | **77** | 21 |
| Settlements | **21** | (1) | **18** | (8) |
| Total (losses) gains included on the Condensed Consolidated Balance Sheet | **(13)** | 6 | **(20)** | 8 |
| Balance at end of period | **$ (156)** | $ (131) | **$ (156)** | $ (131) |

**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.

| | June 30, 2022 | | | |
|---|---|---|---|---|
| (in millions) | Total Fair Value | Level 1 | Level 2 | Not Categorized |
| NDTF cash and cash equivalents | **$ 58** | **$ 58** | **$ —** | **$ —** |
| NDTF equity securities | **3,327** | **3,280** | **—** | **47** |
| NDTF debt securities | **1,343** | **304** | **1,039** | **—** |
| Derivative assets | **484** | **—** | **484** | **—** |
| Total assets | **5,212** | **3,642** | **1,523** | **47** |
| Derivative liabilities | **(41)** | **—** | **(41)** | **—** |
| Net assets | **$ 5,171** | **$ 3,642** | **$ 1,482** | **$ 47** |

| | December 31, 2021 | | | |
|---|---|---|---|---|
| (in millions) | Total Fair Value | Level 1 | Level 2 | Not Categorized |
| NDTF cash and cash equivalents | $ 53 | $ 53 | $ — | $ — |
| NDTF equity securities | 4,265 | 4,215 | — | 50 |
| NDTF debt securities | 1,441 | 339 | 1,102 | — |
| Derivative assets | 162 | — | 162 | — |
| Total assets | 5,921 | 4,607 | 1,264 | 50 |
| Derivative liabilities | (35) | — | (35) | — |
| Net assets | $ 5,886 | $ 4,607 | $ 1,229 | $ 50 |

**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.

| | June 30, 2022 | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|
| (in millions) | Total Fair Value | Level 1 | Level 2 | Total Fair Value | Level 1 | Level 2 |
| NDTF cash and cash equivalents | **$ 76** | **$ 76** | **$ —** | $ 107 | $ 107 | $ — |
| NDTF equity securities | **2,424** | **2,424** | **—** | 3,085 | 3,085 | — |
| NDTF debt securities | **1,351** | **545** | **806** | 1,450 | 628 | 822 |
| Other debt securities | **25** | **—** | **25** | 26 | — | 26 |
| Other cash and cash equivalents | **15** | **15** | **—** | 20 | 20 | — |
| Derivative assets | **368** | **—** | **368** | 124 | — | 124 |
| Total assets | **4,259** | **3,060** | **1,199** | 4,812 | 3,840 | 972 |
| Derivative liabilities | **(43)** | **—** | **(43)** | (24) | — | (24) |
| Net assets | **$ 4,216** | **$ 3,060** | **$ 1,156** | $ 4,788 | $ 3,840 | $ 948 |

**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.

| | June 30, 2022 | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|
| **(in millions)** | **Total Fair Value** | **Level 1** | **Level 2** | **Total Fair Value** | **Level 1** | **Level 2** |
| NDTF cash and cash equivalents | **$ 46** | **$ 46** | **$ —** | $ 94 | $ 94 | $ — |
| NDTF equity securities | **2,333** | **2,333** | **—** | 2,970 | 2,970 | — |
| NDTF debt securities | **994** | **253** | **741** | 1,025 | 289 | 736 |
| Other cash and cash equivalents | **12** | **12** | **—** | 16 | 16 | — |
| Derivative assets | **368** | **—** | **368** | 124 | — | 124 |
| Total assets | **3,753** | **2,644** | **1,109** | 4,229 | 3,369 | 860 |
| Derivative liabilities | **(11)** | **—** | **(11)** | (10) | — | (10) |
| Net assets | **$ 3,742** | **$ 2,644** | **$ 1,098** | $ 4,219 | $ 3,369 | $ 850 |

**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.

| | June 30, 2022 | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|
| **(in millions)** | **Total Fair Value** | **Level 1** | **Level 2** | **Total Fair Value** | **Level 1** | **Level 2** |
| NDTF cash and cash equivalents | **$ 30** | **$ 30** | **$ —** | $ 13 | $ 13 | $ — |
| NDTF equity securities | **91** | **91** | **—** | 115 | 115 | — |
| NDTF debt securities | **357** | **292** | **65** | 425 | 339 | 86 |
| Other debt securities | **25** | **—** | **25** | 26 | — | 26 |
| Other cash and cash equivalents | **1** | **1** | **—** | 3 | 3 | — |
| Total assets | **504** | **414** | **90** | 582 | 470 | 112 |
| Derivative liabilities | **(33)** | **—** | **(33)** | (14) | — | (14) |
| Net assets | **$ 471** | **$ 414** | **$ 57** | $ 568 | $ 470 | $ 98 |

**DUKE ENERGY OHIO**

The recorded balances for assets and liabilities measured at fair value on a recurring basis on the Condensed Consolidated Balance Sheets were not material at June 30, 2022, and December 31, 2021.

**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.

| | June 30, 2022 | | | | December 31, 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| **(in millions)** | **Total Fair Value** | **Level 1** | **Level 2** | **Level 3** | **Total Fair Value** | **Level 1** | **Level 2** | **Level 3** |
| Other equity securities | **$ 77** | **$ 77** | **$ —** | **$ —** | $ 97 | $ 97 | $ — | $ — |
| Other debt securities | **61** | **—** | **61** | **—** | 64 | — | 64 | — |
| Derivative assets | **141** | **2** | **55** | **84** | 23 | 1 | — | 22 |
| Total assets | **279** | **79** | **116** | **84** | 184 | 98 | 64 | 22 |
| Derivative liabilities | **(21)** | **(21)** | **—** | **—** | (27) | (13) | (14) | — |
| Net assets | **$ 258** | **$ 58** | **$ 116** | **$ 84** | $ 157 | $ 85 | $ 50 | $ 22 |

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

| | Derivatives (net) | | | |
|---|---|---|---|---|
| | Three Months Ended June 30, | | Six Months Ended June 30, | |
| (in millions) | 2022 | 2021 | 2022 | 2021 |
| Balance at beginning of period | $ 10 | $ 2 | $ 22 | $ 6 |
| Purchases, sales, issuances and settlements: | | | | |
| Purchases | 74 | 18 | 74 | 18 |
| Settlements | 16 | (3) | 10 | (9) |
| Total (losses) gains included on the Condensed Consolidated Balance Sheet | (16) | 5 | (22) | 7 |
| Balance at end of period | $ 84 | $ 22 | $ 84 | $ 22 |

**PIEDMONT**

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

| | June 30, 2022 | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|
| (in millions) | Total Fair Value | Level 1 | Level 2 | Total Fair Value | Level 1 | Level 2 |
| Derivative assets | $ — | $ — | $ — | $ 3 | $ 3 | $ — |
| Derivative liabilities | (193) | — | (193) | (139) | — | (139) |
| Net (liabilities) assets | $ (193) | $ — | $ (193) | $ (136) | $ 3 | $ (139) |

**QUANTITATIVE INFORMATION ABOUT UNOBSERVABLE INPUTS**

The following tables include quantitative information about the Duke Energy Registrants' derivatives classified as Level 3.

| | June 30, 2022 | | | | |
|---|---|---|---|---|---|
| Investment Type | Fair Value (in millions) | Valuation Technique | Unobservable Input | Range | Weighted Average Range |
| **Duke Energy** | | | | | |
| Electricity contracts | $ (245) | RTO forward pricing | Forward electricity curves – price per MWh | $23.35 - $243.21 | $ 53.28 |
| **Duke Energy Ohio** | | | | | |
| FTRs | 5 | RTO auction pricing | FTR price – per MWh | (0.29) - 2.30 | 0.89 |
| **Duke Energy Indiana** | | | | | |
| FTRs | 84 | RTO auction pricing | FTR price – per MWh | (0.61) - 24.34 | 3.69 |
| **Duke Energy** | | | | | |
| Total Level 3 derivatives | $ (156) | | | | |

| | December 31, 2021 | | | | |
|---|---|---|---|---|---|
| Investment Type | Fair Value (in millions) | Valuation Technique | Unobservable Input | Range | Weighted Average Range |
| **Duke Energy** | | | | | |
| Electricity contracts | $ (145) | RTO forward pricing | Forward electricity curves – price per MWh | $19.04 - $139.11 | $37.57 |
| **Duke Energy Ohio** | | | | | |
| FTRs | 2 | RTO auction pricing | FTR price – per MWh | 0.06 - 1.79 | 0.96 |
| **Duke Energy Indiana** | | | | | |
| FTRs | 22 | RTO auction pricing | FTR price – per MWh | (1.18) - 13.11 | 2.68 |
| **Duke Energy** | | | | | |
| Total Level 3 derivatives | $ (121) | | | | |

**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.

| | June 30, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| **(in millions)** | **Book Value** | **Fair Value** | **Book Value** | **Fair Value** |
| Duke Energy[(a)] | **$ 66,318** | **$ 61,451** | $ 63,835 | $ 69,683 |
| Duke Energy Carolinas | **14,162** | **13,501** | 13,275 | 15,101 |
| Progress Energy | **20,751** | **19,830** | 20,823 | 23,751 |
| Duke Energy Progress | **10,662** | **9,829** | 10,249 | 11,252 |
| Duke Energy Florida | **8,447** | **8,150** | 8,482 | 9,772 |
| Duke Energy Ohio | **3,243** | **3,071** | 3,193 | 3,570 |
| Duke Energy Indiana | **4,337** | **4,168** | 4,323 | 5,067 |
| Piedmont | **3,363** | **3,086** | 2,968 | 3,278 |

(a) Book value of long-term debt includes $1.21 billion and $1.25 billion at June 30, 2022, and December 31, 2021, respectively, of net unamortized debt discount and premium of purchase accounting adjustments related to the mergers with Progress Energy and Piedmont that are excluded from fair value of long-term debt.

At both June 30, 2022, and December 31, 2021, fair value of cash and cash equivalents, accounts and notes receivable, accounts payable, notes payable and commercial paper and nonrecourse notes payable of VIEs 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.

**11. VARIABLE INTEREST ENTITIES**

**CONSOLIDATED VIEs**

The obligations of the consolidated VIEs discussed in the following paragraphs are nonrecourse to the Duke Energy Registrants. The registrants have no requirement to provide liquidity to, purchase assets of or guarantee performance of these VIEs unless noted in the following paragraphs.

No financial support was provided to any of the consolidated VIEs during the six months ended June 30, 2022, and the year ended December 31, 2021, or is expected to be provided in the future that was not previously contractually required.

**Receivables Financing – DERF/DEPR/DEFR**

DERF, DEPR and DEFR are bankruptcy remote, special purpose subsidiaries of Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida, respectively. DERF, DEPR and DEFR are wholly owned LLCs with separate legal existence from their parent companies, and their assets are not generally available to creditors of their parent companies. On a revolving basis, DERF, DEPR and DEFR buy certain accounts receivable arising from the sale of electricity and related services from their parent companies.

DERF, DEPR and DEFR borrow amounts under credit facilities to buy these receivables. Borrowing availability from the credit facilities is limited to the amount of qualified receivables purchased, which generally exclude receivables past due more than a predetermined number of days and reserves for expected past-due balances. The sole source of funds to satisfy the related debt obligations is cash collections from the receivables. Amounts borrowed under the credit facilities are reflected on the Condensed Consolidated Balance Sheets as Long-Term Debt.

The most significant activity that impacts 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 are considered the primary beneficiaries and consolidate DERF, DEPR and DEFR, respectively, as they make those decisions.

**Receivables Financing – CRC**

CRC is a bankruptcy remote, special purpose entity indirectly owned by Duke Energy. On a revolving basis, CRC buys certain accounts receivable arising from the sale of electricity, natural gas and related services from Duke Energy Ohio and Duke Energy Indiana. CRC borrows amounts under a credit facility to buy the receivables from Duke Energy Ohio and Duke Energy Indiana. Borrowing availability from the credit facility is limited to the amount of qualified receivables sold to CRC, which generally exclude receivables past due more than a predetermined number of days and reserves for expected past-due balances. The sole source of funds to satisfy the related debt obligation is cash collections from the receivables. Amounts borrowed under the credit facility are reflected on Duke Energy's Condensed Consolidated Balance Sheets as Long-Term Debt.

The proceeds Duke Energy Ohio and Duke Energy Indiana receive from the sale of receivables to CRC are approximately 75% cash and 25% in the form of a subordinated note from CRC. The subordinated note is a retained interest in the receivables sold. Depending on collection experience, additional equity infusions to CRC may be required by Duke Energy to maintain a minimum equity balance of $3 million.

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 is not held by the equity holder and (iii) deficiencies in net worth of CRC are funded by Duke Energy. The most significant activities that impact the economic performance of CRC are decisions made to manage delinquent receivables. Duke Energy is considered the primary beneficiary and consolidates CRC as it makes these decisions. Neither Duke Energy Ohio nor Duke Energy Indiana consolidate CRC.

**Receivables Financing – Credit Facilities**

The following table summarizes the amounts and expiration dates of the credit facilities and associated restricted receivables described above.

| | Duke Energy | | | |
|---|---|---|---|---|
| | | Duke Energy Carolinas | Duke Energy Progress | Duke Energy Florida |
| (in millions) | CRC | DERF | DEPR | DEFR |
| Expiration date | February 2025 | January 2025 | April 2025 | April 2023 |
| Credit facility amount | $ 350 | $ 500 | $ 400 | $ 250 |
| Amounts borrowed at June 30, 2022 | **350** | **498** | **400** | **250** |
| Amounts borrowed at December 31, 2021 | 350 | 475 | 350 | 250 |
| Restricted Receivables at June 30, 2022 | **776** | **893** | **705** | **640** |
| Restricted Receivables at December 31, 2021 | 587 | 844 | 574 | 427 |

**Nuclear Asset-Recovery Bonds – DEFPF**

DEFPF is a bankruptcy remote, wholly owned special purpose subsidiary of Duke Energy Florida. DEFPF was formed in 2016 for the sole purpose of issuing nuclear asset-recovery bonds to finance Duke Energy Florida's unrecovered regulatory asset related to Crystal River Unit 3.

In 2016, DEFPF issued senior secured bonds and used the proceeds to acquire nuclear asset-recovery property from Duke Energy Florida. The nuclear asset-recovery property acquired includes the right to impose, bill, collect and adjust a non-bypassable nuclear asset-recovery charge from all Duke Energy Florida retail customers until the bonds are paid in full and all financing costs have been recovered. The nuclear asset-recovery bonds are secured by the nuclear asset-recovery property and cash collections from the nuclear asset-recovery charges are the sole source of funds to satisfy the debt obligation. The bondholders have no recourse to Duke Energy Florida.

DEFPF is considered a VIE primarily because the equity capitalization is insufficient to support its operations. Duke Energy Florida has the power to direct the significant activities of the VIE as described above and therefore Duke Energy Florida is considered the primary beneficiary and consolidates DEFPF.

The following table summarizes the impact of DEFPF on Duke Energy Florida's Condensed Consolidated Balance Sheets.

| (in millions) | June 30, 2022 | December 31, 2021 |
|---|---|---|
| Receivables of VIEs | **$ 7** | $ 5 |
| Regulatory Assets: Current | **54** | 54 |
| Current Assets: Other | **33** | 39 |
| Other Noncurrent Assets: Regulatory assets | **859** | 883 |
| Current Liabilities: Other | **9** | 9 |
| Current maturities of long-term debt | **56** | 56 |
| Long-Term Debt | **916** | 946 |

**Storm Recovery Bonds – Duke Energy Carolinas NC Storm Funding and Duke Energy Progress NC Storm Funding**

Duke Energy Carolinas NC Storm Funding, LLC (DECNCSF) and Duke Energy Progress NC Storm Funding, LLC (DEPNCSF) are bankruptcy remote, wholly owned special purpose subsidiaries of Duke Energy Carolinas and Duke Energy Progress, respectively. These entities were formed in 2021 for the sole purpose of issuing storm recovery bonds to finance certain of Duke Energy Carolinas' and Duke Energy Progress' unrecovered regulatory assets related to storm costs.

In November 2021, DECNCSF and DEPNCSF issued $237 million and $770 million of senior secured bonds, respectively and used the proceeds to acquire storm recovery property from Duke Energy Carolinas and Duke Energy Progress. The storm recovery property was created by state legislation and NCUC financing orders for the purpose of financing storm costs incurred in 2018 and 2019. The storm recovery property acquired includes the right to impose, bill, collect and adjust a non-bypassable charge from all Duke Energy Carolinas' and Duke Energy Progress' retail customers until the bonds are paid in full and all financing costs have been recovered. The storm recovery bonds are secured by the storm recovery property and cash collections from the storm recovery charges are the sole source of funds to satisfy the debt obligation. The bondholders have no recourse to Duke Energy Carolinas or Duke Energy Progress.

DECNCSF and DEPNCSF are considered VIEs primarily because the equity capitalization is insufficient to support their operations. Duke Energy Carolinas and Duke Energy Progress have the power to direct the significant activities of the VIEs as described above and therefore Duke Energy Carolinas and Duke Energy Progress are considered the primary beneficiaries and consolidate DECNCSF and DEPNCSF, respectively.

The following table summarizes the impact of these VIEs on Duke Energy Carolinas' and Duke Energy Progress' Consolidated Balance Sheets.

| | June 30, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| (in millions) | Duke Energy Carolinas | Duke Energy Progress | Duke Energy Carolinas | Duke Energy Progress |
| Regulatory Assets: Current | $ 12 | $ 39 | $ 12 | $ 39 |
| Current Assets: Other | 8 | 26 | — | — |
| Other Noncurrent Assets: Regulatory assets | 214 | 701 | 220 | 720 |
| Other Noncurrent Assets: Other | 1 | 4 | 1 | 4 |
| Current Liabilities: Other | 3 | 10 | 1 | 2 |
| Current maturities of long-term debt | 10 | 32 | 5 | 15 |
| Long-Term Debt | 224 | 731 | 228 | 747 |

**Commercial Renewables**

Certain 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. Assets are restricted and cannot be pledged as collateral or sold to third parties without prior approval of debt holders. Additionally, Duke Energy has VIEs associated with tax equity arrangements entered into with third-party investors in order to finance the cost of renewable assets eligible for tax credits. The activities that most significantly impacted the economic performance of these renewable energy facilities were decisions associated with siting, negotiating PPAs and Engineering, Procurement and Construction agreements, and decisions associated with ongoing operations and maintenance-related activities. Duke Energy is considered the primary beneficiary and consolidates the entities as it is responsible for all of these decisions.

The table below presents material balances reported on Duke Energy's Condensed Consolidated Balance Sheets related to Commercial Renewables VIEs.

| (in millions) | June 30, 2022 | December 31, 2021 |
|---|---|---|
| Current Assets: Other | $ 215 | $ 215 |
| Property, Plant and Equipment: Cost | 7,552 | 7,339 |
| Accumulated depreciation and amortization | (1,646) | (1,474) |
| Other Noncurrent Assets: Other | 75 | 62 |
| Current maturities of long-term debt | 285 | 167 |
| Long-Term Debt | 1,255 | 1,475 |
| Other Noncurrent Liabilities: AROs | 176 | 173 |
| Other Noncurrent Liabilities: Other | 213 | 319 |

**NON-CONSOLIDATED VIEs**

The following tables summarize the impact of non-consolidated VIEs on the Condensed Consolidated Balance Sheets.

| | June 30, 2022 | | | | |
|---|---|---|---|---|---|
| | Duke Energy | | | Duke Energy Ohio | Duke Energy Indiana |
| (in millions) | Pipeline Investments | Commercial Renewables | Total | | |
| Receivables from affiliated companies | $ — | $ — | $ — | $ 131 | $ 222 |
| Investments in equity method unconsolidated affiliates | 29 | 507 | 536 | — | — |
| Deferred tax asset | 62 | — | 62 | — | — |
| Total assets | $ 91 | $ 507 | $ 598 | $ 131 | $ 222 |
| Other current liabilities | 53 | 4 | 57 | — | — |
| Other noncurrent liabilities | 51 | 3 | 54 | — | — |
| Total liabilities | $ 104 | $ 7 | $ 111 | $ — | $ — |
| Net (liabilities) assets | $ (13) | $ 500 | $ 487 | $ 131 | $ 222 |

| | December 31, 2021 | | | | |
|---|---|---|---|---|---|
| | Duke Energy | | | Duke Energy Ohio | Duke Energy Indiana |
| (in millions) | Pipeline Investments | Commercial Renewables | Total | | |
| Receivables from affiliated companies | $ — | $ — | $ — | $ 79 | $ 97 |
| Investments in equity method unconsolidated affiliates | 15 | 508 | 523 | — | — |
| Other noncurrent assets | 61 | — | 61 | — | — |
| Total assets | $ 76 | $ 508 | $ 584 | $ 79 | $ 97 |
| Other current liabilities | 47 | 4 | 51 | — | — |
| Other noncurrent liabilities | 54 | 3 | 57 | — | — |
| Total liabilities | $ 101 | $ 7 | $ 108 | $ — | $ — |
| Net (liabilities) assets | $ (25) | $ 501 | $ 476 | $ 79 | $ 97 |

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 certain renewable energy project entities guarantees for debt services and operations and maintenance, as discussed below.

**Natural Gas Investments**

Duke Energy has investments in various joint ventures to construct and operate pipeline and renewable natural gas projects. These entities are considered VIEs due to having insufficient equity to finance their own activities without subordinated financial support. Duke Energy does not have the power to direct the activities that most significantly impact the economic performance, the obligation to absorb losses or the right to receive benefits of these VIEs and therefore does not consolidate these entities.

**Commercial Renewables**

Duke Energy has investments in various renewable energy project entities. Duke Energy has a 50% ownership in a VIE, which owns a portfolio of wind projects. This entity is a VIE as a result of Duke Energy issuing guarantees for debt service and operations and maintenance reserves in support of debt financings. Duke Energy does not consolidate this VIE because power to direct and control key activities is shared jointly by Duke Energy and the other owner. Duke Energy also has equity ownership in an entity, which owns a portfolio of fuel cell projects. Duke Energy does not consolidate the fuel cell portfolio as it does not have the power to direct the activities that most significantly impact the economic performance of the entity.

**OVEC**

Duke Energy Ohio's 9% ownership interest in OVEC is considered a non-consolidated VIE due to OVEC having insufficient equity to finance its activities without subordinated financial support. The activities that most significantly impact OVEC's economic performance include fuel strategy and supply activities and decisions associated with ongoing operations and maintenance-related activities. Duke Energy Ohio does not have the unilateral power to direct these activities, and therefore, does not consolidate OVEC.

As a counterparty to an Inter-Company Power Agreement (ICPA), Duke Energy Ohio has a contractual arrangement to receive entitlements to capacity and energy from OVEC's power plants through June 2040 commensurate with its power participation ratio, which is equivalent to Duke Energy Ohio's ownership interest. Costs, including fuel, operating expenses, fixed costs, debt amortization and interest expense, are allocated to counterparties to the ICPA based on their power participation ratio. The value of the ICPA is subject to variability due to fluctuation in power prices and changes in OVEC's cost of business.

**CRC**

See discussion under Consolidated VIEs for additional information related to CRC.

Amounts included in Receivables from affiliated companies 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.

The following table shows the gross and net receivables sold.

| | Duke Energy Ohio | | Duke Energy Indiana | |
|---|---|---|---|---|
| (in millions) | June 30, 2022 | December 31, 2021 | June 30, 2022 | December 31, 2021 |
| Receivables sold | **$ 313** | $ 269 | **$ 466** | $ 328 |
| Less: Retained interests | **131** | 79 | **222** | 97 |
| Net receivables sold | **$ 182** | $ 190 | **$ 244** | $ 231 |

The following table shows sales and cash flows related to receivables sold.

| | Duke Energy Ohio | | Duke Energy Indiana | |
|---|---|---|---|---|
| | Six Months Ended June 30, | | Six Months Ended June 30, | |
| (in millions) | 2022 | 2021 | 2022 | 2021 |
| **Sales** | | | | |
| Receivables sold | **$ 1,247** | $ 1,004 | **$ 1,617** | $ 1,382 |
| Loss recognized on sale | **7** | 5 | **8** | 6 |
| **Cash flows** | | | | |
| Cash proceeds from receivables sold | **$ 1,188** | $ 1,029 | **$ 1,484** | $ 1,401 |
| Collection fees received | **1** | — | **1** | — |
| Return received on retained interests | **3** | 2 | **4** | 3 |

Cash flows from sales of receivables are reflected within Cash Flows From Operating Activities and Cash Flows from Investing Activities on Duke Energy Ohio's and Duke Energy Indiana's Condensed Consolidated Statements of Cash Flows.

**12. REVENUE**

Duke Energy earns substantially all of its revenues through its reportable segments, Electric Utilities and Infrastructure, Gas Utilities and Infrastructure and Commercial Renewables.

**Electric Utilities and Infrastructure**

Electric Utilities and Infrastructure earns the majority of its revenues through retail and wholesale electric service through the generation, transmission, distribution and sale of electricity. Duke Energy generally provides retail and wholesale electric service customers with their full electric load requirements or with supplemental load requirements when the customer has other sources of electricity.

The majority of wholesale revenues are full requirements contracts where the customers purchase the substantial majority of their energy needs and do not have a fixed quantity of contractually required energy or capacity. As such, related forecasted revenues are considered optional purchases. Supplemental requirements contracts that include contracted blocks of energy and capacity at contractually fixed prices have the following estimated remaining performance obligations:

| | Remaining Performance Obligations | | | | | | |
|---|---|---|---|---|---|---|---|
| (in millions) | 2022 | 2023 | 2024 | 2025 | 2026 | Thereafter | Total |
| Progress Energy | **$ 54** | $ 53 | $ 45 | $ 7 | $ 7 | $ 43 | $ 209 |
| Duke Energy Progress | **4** | 8 | 8 | — | — | — | 20 |
| Duke Energy Florida | **50** | 45 | 37 | 7 | 7 | 43 | 189 |
| Duke Energy Indiana | **2** | 11 | 16 | 17 | 15 | 12 | 73 |

Revenues for block sales are recognized monthly as energy is delivered and stand-ready service is provided, consistent with invoiced amounts and unbilled estimates.

**Gas Utilities and Infrastructure**

Gas Utilities and Infrastructure earns its revenue through retail and wholesale natural gas service through the transportation, distribution and sale of natural gas. Duke Energy generally provides retail and wholesale natural gas service customers with all natural gas load requirements. Additionally, while natural gas can be stored, substantially all natural gas provided by Duke Energy is consumed by customers simultaneously with receipt of delivery.

Fixed-capacity payments under long-term contracts for the Gas Utilities and Infrastructure segment include minimum margin contracts and supply arrangements with municipalities and power generation facilities. Revenues for related sales are recognized monthly as natural gas is delivered and stand-ready service is provided, consistent with invoiced amounts and unbilled estimates. Estimated remaining performance obligations are as follows:

| | Remaining Performance Obligations | | | | | | |
|---|---|---|---|---|---|---|---|
| (in millions) | 2022 | 2023 | 2024 | 2025 | 2026 | Thereafter | Total |
| Piedmont | **$ 32** | $ 64 | $ 61 | $ 60 | $ 50 | $ 286 | $ 553 |

**Commercial Renewables**

Commercial Renewables earns the majority of its revenues through long-term PPAs and generally sells all of its wind and solar facility output, electricity and Renewable Energy Certificates (RECs) to customers. Some of these PPAs have been accounted for as leases. For PPAs that are not accounted for as leases, the delivery of electricity and the delivery of RECs are considered separate performance obligations.

**Other**

The remainder of Duke Energy's operations is presented as Other, which does not include material revenues from contracts with customers.

**Disaggregated Revenues**

Disaggregated revenues are presented as follows:

| | Three Months Ended June 30, 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (in millions) By market or type of customer | Duke Energy | Duke Energy Carolinas | Progress Energy | Duke Energy Progress | Duke Energy Florida | Duke Energy Ohio | Duke Energy Indiana | Piedmont |
| *Electric Utilities and Infrastructure* | | | | | | | | |
| Residential | $ 2,625 | $ 736 | $ 1,400 | $ 530 | $ 870 | $ 196 | $ 296 | $ — |
| General | 1,817 | 566 | 889 | 370 | 519 | 111 | 251 | — |
| Industrial | 824 | 296 | 274 | 184 | 90 | 33 | 220 | — |
| Wholesale | 629 | 103 | 389 | 281 | 108 | 35 | 102 | — |
| Other revenues | 202 | 92 | 247 | 210 | 37 | 20 | 23 | — |
| Total Electric Utilities and Infrastructure revenue from contracts with customers | $ 6,097 | $ 1,793 | $ 3,199 | $ 1,575 | $ 1,624 | $ 395 | $ 892 | $ — |
| *Gas Utilities and Infrastructure* | | | | | | | | |
| Residential | $ 197 | $ — | $ — | $ — | $ — | $ 94 | $ — | $ 103 |
| Commercial | 127 | — | — | — | — | 38 | — | 90 |
| Industrial | 34 | — | — | — | — | 6 | — | 28 |
| Power Generation | — | — | — | — | — | — | — | 23 |
| Other revenues | 66 | — | — | — | — | 6 | — | 44 |
| Total Gas Utilities and Infrastructure revenue from contracts with customers | $ 424 | $ — | $ — | $ — | $ — | $ 144 | $ — | $ 288 |
| *Commercial Renewables* | | | | | | | | |
| Revenue from contracts with customers | $ 77 | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| *Other* | | | | | | | | |
| Revenue from contracts with customers | $ 8 | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| Total revenue from contracts with customers | $ 6,606 | $ 1,793 | $ 3,199 | $ 1,575 | $ 1,624 | $ 539 | $ 892 | $ 288 |
| Other revenue sources[(a)] | $ 79 | $ (12) | $ 15 | $ 6 | $ 4 | $ 6 | $ 26 | $ 22 |
| Total revenues | $ 6,685 | $ 1,781 | $ 3,214 | $ 1,581 | $ 1,628 | $ 545 | $ 918 | $ 310 |

(a) Other revenue sources include revenues from leases, derivatives and alternative revenue programs that are not considered revenues from contracts with customers. Alternative revenue programs in certain jurisdictions include regulatory mechanisms that periodically adjust for over or under collection of related revenues.

| (in millions) By market or type of customer | Three Months Ended June 30, 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Duke Energy | Duke Energy Carolinas | Progress Energy | Duke Energy Progress | Duke Energy Florida | Duke Energy Ohio | Duke Energy Indiana | Piedmont |
| *Electric Utilities and Infrastructure* | | | | | | | | |
| Residential | $ 2,336 | $ 683 | $ 1,216 | $ 478 | $ 738 | $ 171 | $ 265 | $ — |
| General | 1,513 | 498 | 720 | 330 | 390 | 106 | 190 | — |
| Industrial | 705 | 256 | 229 | 160 | 69 | 33 | 189 | — |
| Wholesale | 521 | 116 | 331 | 285 | 46 | 13 | 63 | — |
| Other revenues | 234 | 62 | 151 | 71 | 80 | 22 | 23 | — |
| Total Electric Utilities and Infrastructure revenue from contracts with customers | $ 5,309 | $ 1,615 | $ 2,647 | $ 1,324 | $ 1,323 | $ 345 | $ 730 | $ — |
| *Gas Utilities and Infrastructure* | | | | | | | | |
| Residential | $ 158 | $ — | $ — | $ — | $ — | $ 69 | $ — | $ 88 |
| Commercial | 91 | — | — | — | — | 27 | — | 59 |
| Industrial | 30 | — | — | — | — | 4 | — | 27 |
| Power Generation | — | — | — | — | — | — | — | 24 |
| Other revenues | 20 | — | — | — | — | 12 | — | (1) |
| Total Gas Utilities and Infrastructure revenue from contracts with customers | $ 299 | $ — | $ — | $ — | $ — | $ 112 | $ — | $ 197 |
| *Commercial Renewables* | | | | | | | | |
| Revenue from contracts with customers | $ 53 | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| *Other* | | | | | | | | |
| Revenue from contracts with customers | $ 6 | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| Total revenue from contracts with customers | $ 5,667 | $ 1,615 | $ 2,647 | $ 1,324 | $ 1,323 | $ 457 | $ 730 | $ 197 |
| Other revenue sources[(a)] | $ 91 | $ (5) | $ 32 | $ 25 | $ 2 | $ (1) | $ 5 | $ 18 |
| Total revenues | $ 5,758 | $ 1,610 | $ 2,679 | $ 1,349 | $ 1,325 | $ 456 | $ 735 | $ 215 |

(a) Other revenue sources include revenues from leases, derivatives and alternative revenue programs that are not considered revenues from contracts with customers. Alternative revenue programs in certain jurisdictions include regulatory mechanisms that periodically adjust for over or under collection of related revenues.

| (in millions) By market or type of customer | Six Months Ended June 30, 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Duke Energy | Duke Energy Carolinas | Progress Energy | Duke Energy Progress | Duke Energy Florida | Duke Energy Ohio | Duke Energy Indiana | Piedmont |
| *Electric Utilities and Infrastructure* | | | | | | | | |
| Residential | $ 5,392 | $ 1,567 | $ 2,768 | $ 1,154 | $ 1,614 | $ 407 | $ 650 | $ — |
| General | 3,421 | 1,110 | 1,615 | 695 | 920 | 227 | 469 | — |
| Industrial | 1,596 | 572 | 544 | 378 | 166 | 68 | 412 | — |
| Wholesale | 1,255 | 216 | 800 | 630 | 170 | 58 | 181 | — |
| Other revenues | 404 | 203 | 458 | 349 | 109 | 41 | (13) | — |
| Total Electric Utilities and Infrastructure revenue from contracts with customers | $ 12,068 | $ 3,668 | $ 6,185 | $ 3,206 | $ 2,979 | $ 801 | $ 1,699 | $ — |
| *Gas Utilities and Infrastructure* | | | | | | | | |
| Residential | $ 769 | $ — | $ — | $ — | $ — | $ 243 | $ — | $ 526 |
| Commercial | 396 | — | — | — | — | 102 | — | 294 |
| Industrial | 91 | — | — | — | — | 13 | — | 78 |
| Power Generation | — | — | — | — | — | — | — | 47 |
| Other revenues | 181 | — | — | — | — | 12 | — | 137 |
| Total Gas Utilities and Infrastructure revenue from contracts with customers | $ 1,437 | $ — | $ — | $ — | $ — | $ 370 | $ — | $ 1,082 |
| *Commercial Renewables* | | | | | | | | |
| Revenue from contracts with customers | $ 128 | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| *Other* | | | | | | | | |
| Revenue from contracts with customers | $ 15 | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| Total Revenue from contracts with customers | $ 13,648 | $ 3,668 | $ 6,185 | $ 3,206 | $ 2,979 | $ 1,171 | $ 1,699 | $ 1,082 |
| Other revenue sources[(a)] | $ 169 | $ 1 | $ 21 | $ 7 | $ 4 | $ 12 | $ 41 | $ 33 |
| Total revenues | $ 13,817 | $ 3,669 | $ 6,206 | $ 3,213 | $ 2,983 | $ 1,183 | $ 1,740 | $ 1,115 |

(a) Other revenue sources include revenues from leases, derivatives and alternative revenue programs that are not considered revenues from contracts with customers. Alternative revenue programs in certain jurisdictions include regulatory mechanisms that periodically adjust for over or under collection of related revenues.

| (in millions) By market or type of customer | Six Months Ended June 30, 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Duke Energy | Duke Energy Carolinas | Progress Energy | Duke Energy Progress | Duke Energy Florida | Duke Energy Ohio | Duke Energy Indiana | Piedmont |
| *Electric Utilities and Infrastructure* | | | | | | | | |
| Residential | $ 4,798 | $ 1,476 | $ 2,378 | $ 1,038 | $ 1,340 | $ 366 | $ 578 | $ — |
| General | 2,932 | 1,000 | 1,344 | 636 | 708 | 210 | 379 | — |
| Industrial | 1,367 | 512 | 436 | 305 | 131 | 64 | 356 | — |
| Wholesale | 1,025 | 230 | 657 | 577 | 80 | 26 | 113 | — |
| Other revenues | 460 | 136 | 311 | 154 | 157 | 44 | 41 | — |
| Total Electric Utilities and Infrastructure revenue from contracts with customers | $ 10,582 | $ 3,354 | $ 5,126 | $ 2,710 | $ 2,416 | $ 710 | $ 1,467 | $ — |
| *Gas Utilities and Infrastructure* | | | | | | | | |
| Residential | $ 618 | $ — | $ — | $ — | $ — | $ 179 | $ — | $ 439 |
| Commercial | 295 | — | — | — | — | 75 | — | 215 |
| Industrial | 80 | — | — | — | — | 11 | — | 70 |
| Power Generation | — | — | — | — | — | — | — | 46 |
| Other revenues | 67 | — | — | — | — | 17 | — | 25 |
| Total Gas Utilities and Infrastructure revenue from contracts with customers | $ 1,060 | $ — | $ — | $ — | $ — | $ 282 | $ — | $ 795 |
| *Commercial Renewables* | | | | | | | | |
| Revenue from contracts with customers | $ 107 | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| *Other* | | | | | | | | |
| Revenue from contracts with customers | $ 12 | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| Total Revenue from contracts with customers | $ 11,761 | $ 3,354 | $ 5,126 | $ 2,710 | $ 2,416 | $ 992 | $ 1,467 | $ 795 |
| Other revenue sources[(a)] | $ 147 | $ (28) | $ 58 | $ 40 | $ 10 | $ (4) | $ 13 | $ 26 |
| Total revenues | $ 11,908 | $ 3,326 | $ 5,184 | $ 2,750 | $ 2,426 | $ 988 | $ 1,480 | $ 821 |

(a) Other revenue sources include revenues from leases, derivatives and alternative revenue programs that are not considered revenues from contracts with customers. Alternative revenue programs in certain jurisdictions include regulatory mechanisms that periodically adjust for over or under collection of related revenues.

Duke Energy adopted the new guidance for credit losses effective January 1, 2020, using the modified retrospective method of adoption, which does not require restatement of prior year reported results. The following table presents the reserve for credit losses for trade and other receivables based on adoption of the new standard.

| | Three Months Ended June 30, 2021 and 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (in millions) | Duke Energy | Duke Energy Carolinas | Progress Energy | Duke Energy Progress | Duke Energy Florida | Duke Energy Ohio | Duke Energy Indiana | Piedmont |
| Balance at March 31, 2021 | $ 147 | $ 34 | $ 37 | $ 23 | $ 15 | $ 4 | $ 3 | $ 14 |
| Write-Offs | (5) | 1 | (4) | (3) | (1) | — | — | (2) |
| Credit Loss Expense | 12 | 6 | 6 | 4 | 2 | — | — | 1 |
| Other Adjustments | (31) | 1 | (3) | (3) | — | — | — | — |
| **Balance at June 30, 2021** | **$ 123** | **$ 42** | **$ 36** | **$ 21** | **$ 16** | **$ 4** | **$ 3** | **$ 13** |
| | | | | | | | | |
| Balance at March 31, 2022 | $ 140 | $ 52 | $ 51 | $ 31 | $ 21 | $ 4 | $ 3 | $ 17 |
| Write-Offs | (31) | (16) | (9) | (5) | (5) | — | — | (5) |
| Credit Loss Expense | 20 | 8 | 7 | 2 | 5 | — | — | 3 |
| Other Adjustments | 7 | 8 | 3 | 3 | — | — | — | — |
| **Balance at June 30, 2022** | **$ 136** | **$ 52** | **$ 52** | **$ 31** | **$ 21** | **$ 4** | **$ 3** | **$ 15** |

| | Six Months Ended June 30, 2021 and 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (in millions) | Duke Energy | Duke Energy Carolinas | Progress Energy | Duke Energy Progress | Duke Energy Florida | Duke Energy Ohio | Duke Energy Indiana | Piedmont |
| **Balance at December 31, 2020** | $ 146 | $ 23 | $ 37 | $ 23 | $ 14 | $ 4 | $ 3 | $ 12 |
| Write-Offs | (26) | (7) | (14) | (8) | (6) | — | — | (3) |
| Credit Loss Expense | 29 | 16 | 13 | 6 | 7 | — | — | 4 |
| Other Adjustments | (26) | 10 | — | — | 1 | — | — | — |
| **Balance at June 30, 2021** | $ 123 | $ 42 | $ 36 | $ 21 | $ 16 | $ 4 | $ 3 | $ 13 |
| | | | | | | | | |
| **Balance at December 31, 2021** | $ 122 | $ 42 | $ 36 | $ 21 | $ 16 | $ 4 | $ 3 | $ 15 |
| Write-Offs | **(54)** | **(25)** | **(19)** | **(7)** | **(13)** | **—** | **—** | **(6)** |
| Credit Loss Expense | **44** | **13** | **19** | **6** | **13** | **—** | **—** | **6** |
| Other Adjustments | **24** | **22** | **16** | **11** | **5** | **—** | **—** | **—** |
| **Balance at June 30, 2022** | **$ 136** | **$ 52** | **$ 52** | **$ 31** | **$ 21** | **$ 4** | **$ 3** | **$ 15** |

Trade and other receivables are evaluated based on an estimate of the risk of loss over the life of the receivable and current and historical conditions using supportable assumptions. Management evaluates the risk of loss for trade and other receivables by comparing the historical write-off amounts to total revenue over a specified period. Historical loss rates are adjusted due to the impact of current conditions, as well as forecasted conditions over a reasonable time period. The calculated write-off rate can be applied to the receivable balance for which an established reserve does not already exist. Management reviews the assumptions and risk of loss periodically for trade and other receivables.

The aging of trade receivables is presented in the table below. Duke Energy considers receivables greater than 30 days outstanding past due.

| | June 30, 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (in millions) | Duke Energy | Duke Energy Carolinas | Progress Energy | Duke Energy Progress | Duke Energy Florida | Duke Energy Ohio | Duke Energy Indiana | Piedmont |
| Unbilled Revenue[a][b] | **$ 1,175** | **$ 412** | **$ 359** | **$ 205** | **$ 154** | **$ 8** | **$ 24** | **$ 10** |
| 0-30 days | **2,202** | **592** | **946** | **451** | **492** | **32** | **41** | **127** |
| 30-60 days | **177** | **52** | **90** | **41** | **49** | **2** | **3** | **8** |
| 60-90 days | **88** | **16** | **44** | **20** | **24** | **1** | **6** | **5** |
| 90+ days | **274** | **80** | **96** | **46** | **50** | **43** | **14** | **11** |
| Deferred Payment Arrangements[c] | **148** | **62** | **61** | **36** | **25** | **1** | **—** | **4** |
| **Trade and Other Receivables** | **$ 4,064** | **$ 1,214** | **$ 1,596** | **$ 799** | **$ 794** | **$ 87** | **$ 88** | **$ 165** |

| | December 31, 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (in millions) | Duke Energy | Duke Energy Carolinas | Progress Energy | Duke Energy Progress | Duke Energy Florida | Duke Energy Ohio | Duke Energy Indiana | Piedmont |
| Unbilled Revenue[a][b] | $ 964 | $ 316 | $ 266 | $ 193 | $ 73 | $ 4 | $ 27 | $ 106 |
| 0-30 days | 2,104 | 595 | 800 | 405 | 393 | 42 | 51 | 202 |
| 30-60 days | 212 | 77 | 72 | 44 | 28 | 4 | 13 | 12 |
| 60-90 days | 88 | 37 | 41 | 21 | 20 | 1 | 1 | 2 |
| 90+ days | 249 | 106 | 65 | 37 | 28 | 47 | 11 | 7 |
| Deferred Payment Arrangements[c] | 115 | 55 | 45 | 22 | 23 | 2 | — | 4 |
| **Trade and Other Receivables** | $ 3,732 | $ 1,186 | $ 1,289 | $ 722 | $ 565 | $ 100 | $ 103 | $ 333 |

(a) Unbilled revenues are recognized by applying customer billing rates to the estimated volumes of energy or natural gas delivered but not yet billed and are included within Receivables and Receivables of VIEs on the Condensed Consolidated Balance Sheets.

(b) 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, 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 11 for further information. These receivables for unbilled revenues are $102 million and $199 million for Duke Energy Ohio and Duke Energy Indiana, respectively, as of June 30, 2022, and $82 million and $121 million for Duke Energy Ohio and Duke Energy Indiana, respectively, as of December 31, 2021.

(c) Due to certain customer financial hardships created by the COVID-19 pandemic and resulting stay-at-home orders, Duke Energy permitted customers to defer payment of past-due amounts through an installment payment plan over a period of several months.

**13. STOCKHOLDERS' EQUITY**

Basic EPS is computed by dividing net income available to Duke Energy common stockholders, as adjusted for distributed and undistributed earnings allocated to participating securities and accumulated preferred dividends, by the weighted average number of common shares outstanding during the period. Diluted EPS is computed by dividing net income available to Duke Energy common stockholders, as adjusted for distributed and undistributed earnings allocated to participating securities and accumulated preferred dividends, 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 equity forward sale agreements, were exercised or settled. Duke Energy's participating securities are restricted stock units that are entitled to dividends declared on Duke Energy common stock during the restricted stock unit's vesting periods. Dividends declared on preferred stock are recorded on the Condensed Consolidated Statements of Operations as a reduction of net income to arrive at net income available to Duke Energy common stockholders. Dividends accumulated on preferred stock are an adjustment to net income used in the calculation of basic and diluted EPS.

The following table presents Duke Energy's basic and diluted EPS calculations, the weighted average number of common shares outstanding and common and preferred share dividends declared.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| (in millions, except per share amounts) | 2022 | 2021 | 2022 | 2021 |
| Net income available to Duke Energy common stockholders | **$ 893** | $ 751 | **$ 1,711** | $ 1,704 |
| Accumulated preferred stock dividends adjustment | **(12)** | (12) | **—** | — |
| Less: Impact of participating securities | **—** | 1 | **1** | 1 |
| Income from continuing operations available to Duke Energy common stockholders | **$ 881** | $ 738 | **$ 1,710** | $ 1,703 |
| Weighted average common shares outstanding – basic and diluted | **770** | 769 | **770** | 769 |
| EPS available to Duke Energy common stockholders | | | | |
| Basic and diluted | **$ 1.14** | $ 0.96 | **$ 2.22** | $ 2.21 |
| Potentially dilutive items excluded from the calculation[a] | **2** | 2 | **2** | 2 |
| Dividends declared per common share | **$ 0.985** | $ 0.965 | **$ 1.970** | $ 1.930 |
| Dividends declared on Series A preferred stock per depositary share[b] | **$ 0.359** | $ 0.359 | **$ 0.719** | $ 0.719 |
| Dividends declared on Series B preferred stock per share[c] | **$ —** | $ — | **$ 24.375** | $ 24.375 |

(a) Performance stock awards were not included in the dilutive securities calculation because the performance measures related to the awards had not been met.

(b) 5.75% Series A Cumulative Redeemable Perpetual Preferred Stock dividends are payable quarterly in arrears on the 16th day of March, June, September and December. The preferred stock has a $25 liquidation preference per depositary share.

(c) 4.875% Series B Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Stock dividends are payable semiannually in arrears on the 16th day of March and September. The preferred stock has a $1,000 liquidation preference per share.

## 14. EMPLOYEE BENEFIT PLANS

### DEFINED BENEFIT RETIREMENT PLANS

Duke Energy and certain subsidiaries maintain, and the Subsidiary Registrants participate in, qualified and non-qualified, non-contributory defined benefit retirement plans. 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.

***QUALIFIED PENSION PLANS***

The following tables include the components of net periodic pension costs for qualified pension plans.

| | Three Months Ended June 30, 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (in millions) | Duke Energy | Duke Energy Carolinas | Progress Energy | Duke Energy Progress | Duke Energy Florida | Duke Energy Ohio | Duke Energy Indiana | Piedmont |
| Service cost | $ 41 | $ 14 | $ 11 | $ 7 | $ 6 | $ 1 | $ 2 | $ 2 |
| Interest cost on projected benefit obligation | 59 | 13 | 18 | 8 | 10 | 3 | 5 | 2 |
| Expected return on plan assets | (141) | (38) | (47) | (22) | (24) | (6) | (10) | (6) |
| Amortization of actuarial loss | 23 | 5 | 7 | 4 | 3 | 1 | 3 | 1 |
| Amortization of prior service credit | (4) | (1) | — | — | — | — | (1) | (2) |
| Amortization of settlement charges | 2 | 2 | — | 1 | — | — | — | — |
| Net periodic pension costs | $ (20) | $ (5) | $ (11) | $ (2) | $ (5) | $ (1) | $ (1) | $ (3) |

| | Three Months Ended June 30, 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (in millions) | Duke Energy | Duke Energy Carolinas | Progress Energy | Duke Energy Progress | Duke Energy Florida | Duke Energy Ohio | Duke Energy Indiana | Piedmont |
| Service cost | $ 44 | $ 14 | $ 12 | $ 8 | $ 6 | $ 1 | $ 3 | $ 2 |
| Interest cost on projected benefit obligation | 55 | 12 | 18 | 8 | 9 | 4 | 4 | 2 |
| Expected return on plan assets | (140) | (35) | (47) | (21) | (25) | (7) | (10) | (5) |
| Amortization of actuarial loss | 34 | 8 | 9 | 4 | 5 | 1 | 4 | 3 |
| Amortization of prior service credit | (8) | (2) | — | (1) | — | — | (1) | (4) |
| Amortization of settlement charges | 2 | 2 | — | 1 | — | — | — | — |
| Net periodic pension costs | $ (13) | $ (1) | $ (8) | $ (1) | $ (5) | $ (1) | $ — | $ (2) |

| | Six Months Ended June 30, 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (in millions) | Duke Energy | Duke Energy Carolinas | Progress Energy | Duke Energy Progress | Duke Energy Florida | Duke Energy Ohio | Duke Energy Indiana | Piedmont |
| Service cost | $ 81 | $ 26 | $ 23 | $ 14 | $ 10 | $ 2 | $ 4 | $ 3 |
| Interest cost on projected benefit obligation | 117 | 27 | 36 | 16 | 20 | 6 | 10 | 4 |
| Expected return on plan assets | (281) | (76) | (93) | (44) | (48) | (11) | (19) | (12) |
| Amortization of actuarial loss | 47 | 10 | 13 | 7 | 6 | 2 | 5 | 3 |
| Amortization of prior service credit | (9) | (2) | — | — | — | — | (1) | (4) |
| Amortization of settlement charges | 4 | 3 | 1 | 1 | — | — | — | — |
| Net periodic pension costs | $ (41) | $ (12) | $ (20) | $ (6) | $ (12) | $ (1) | $ (1) | $ (6) |

| | Six Months Ended June 30, 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (in millions) | Duke Energy | Duke Energy Carolinas | Progress Energy | Duke Energy Progress | Duke Energy Florida | Duke Energy Ohio | Duke Energy Indiana | Piedmont |
| Service cost | $ 88 | $ 28 | $ 25 | $ 15 | $ 11 | $ 2 | $ 5 | $ 3 |
| Interest cost on projected benefit obligation | 110 | 25 | 35 | 15 | 19 | 7 | 9 | 4 |
| Expected return on plan assets | (279) | (70) | (94) | (42) | (51) | (14) | (20) | (10) |
| Amortization of actuarial loss | 67 | 15 | 19 | 9 | 10 | 3 | 7 | 5 |
| Amortization of prior service credit | (15) | (4) | (1) | (1) | — | — | (1) | (5) |
| Amortization of settlement charges | 4 | 3 | 1 | 1 | — | — | — | — |
| Net periodic pension costs | $ (25) | $ (3) | $ (15) | $ (3) | $ (11) | $ (2) | $ — | $ (3) |

***NON-QUALIFIED PENSION PLANS***

Net periodic pension costs for non-qualified pension plans were not material for the three and six months ended June 30, 2022, and 2021.

***OTHER POST-RETIREMENT BENEFIT PLANS***

Net periodic costs for OPEB plans were not material for the three and six months ended June 30, 2022, and 2021.

**15. INCOME TAXES**

**EFFECTIVE TAX RATES**

The ETRs from continuing operations for each of the Duke Energy Registrants are included in the following table.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Duke Energy | **8.0 %** | 4.9 % | **3.6 %** | 6.8 % |
| Duke Energy Carolinas | **7.3 %** | 0.4 % | **7.4 %** | 4.3 % |
| Progress Energy | **16.8 %** | 8.3 % | **16.4 %** | 10.2 % |
| Duke Energy Progress | **13.8 %** | 2.7 % | **13.9 %** | 5.6 % |
| Duke Energy Florida | **20.2 %** | 19.0 % | **20.1 %** | 19.1 % |
| Duke Energy Ohio | **13.8 %** | 22.0 % | **(54.7)%** | 16.1 % |
| Duke Energy Indiana | **8.6 %** | 15.6 % | **(48.9)%** | 16.7 % |
| Piedmont | **85.7 %** | 33.3 % | **11.4 %** | 10.8 % |

The increase in the ETR for Duke Energy for the three months ended June 30, 2022, was primarily due to the amortization of excess deferred taxes in relation to higher pretax income.

The decrease in the ETR for Duke Energy for the six months ended June 30, 2022, was primarily due to an increase in the amortization of excess deferred taxes related to the Duke Energy Ohio MGP Settlement.

The increase in the ETR for Duke Energy Carolinas for the three and six months ended June 30, 2022, was primarily due to the amortization of excess deferred taxes in relation to higher pretax income.

The increase in the ETR for Progress Energy for the three and six months ended June 30, 2022, was primarily due to a decrease in the amortization of excess deferred taxes.

The increase in the ETR for Duke Energy Progress for the three and six months ended June 30, 2022, was primarily due to a decrease in the amortization of excess deferred taxes.

The increase in the ETR for Duke Energy Florida for the three months ended June 30, 2022, was primarily due to the amortization of excess deferred taxes in relation to higher pretax income.

The decrease in the ETR for Duke Energy Ohio for the three months ended June 30, 2022, was primarily due to an increase in the amortization of excess deferred taxes.

The decrease in the ETR for Duke Energy Ohio for the six months ended June 30, 2022, was primarily due to an increase in the amortization of excess deferred taxes related to the MGP Settlement.

The decrease in the ETR for Duke Energy Indiana for the three months ended June 30, 2022, was primarily due to an increase in the amortization of excess deferred taxes from the coal ash impairment based on the Indiana Supreme Court Opinion.

The decrease in the ETR for Duke Energy Indiana for the six months ended June 30, 2022, was primarily due to the coal ash impairment based on the Indiana Supreme Court Opinion and the associated amortization of excess deferred taxes.

The increase in the ETR for Piedmont for the three months ended June 30, 2022, was primarily due to certain favorable tax credits, in relation to pretax losses.

**16. SUBSEQUENT EVENTS**

For information on subsequent events related to business segments, regulatory matters, and commitments and contingencies, see Notes 2, 3 and 4.

**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 and Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio, Duke Energy Indiana and Piedmont. However, none of the registrants make 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 U.S. primarily through its subsidiaries, Duke Energy Carolinas, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio, Duke Energy Indiana and Piedmont. 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 should be read in conjunction with the Condensed Consolidated Financial Statements and Notes for the six months ended June 30, 2022, and with Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2021.

**Executive Overview**

***Advancing Our Clean Energy Transformation***

During the second quarter of 2022, we continued to execute on our clean energy transformation, delivering strong, sustainable value for shareholders, customers, communities and employees.

- In June 2022, Duke Energy Florida completed The Fort Green Renewable Energy Center, the first of 10 solar sites, totaling 750 MW, that are part of the Duke Energy Florida's new community solar program, Clean Energy Connection. Through the program, Duke Energy Florida customers can subscribe to solar power and earn credits toward their electricity bills without having to install or maintain their own equipment.
- In May 2022, we were awarded one of two North Carolina offshore wind lease sites held by the Bureau of Ocean Energy Management. The approximately 55,000-acre site in the Atlantic Ocean east of Wilmington could support up to 1.6 gigawatts of potential offshore wind energy, enough to power nearly 375,000 homes. Securing this lease creates optionality for future offshore wind if the NCUC determines it's part of the least cost path to achieve North Carolina's interim and long-term carbon reduction goals.

***Regulatory Activity.*** During the second quarter of 2022, we continued to monitor developments while moving our regulatory strategy forward. See Note 3 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

- In June 2022, Duke Energy Ohio filed an application with the PUCO for a regulatory review of our natural gas base rates. Since our last Ohio natural gas rate case, which we filed in 2012, Duke Energy Ohio has invested $1.4 billion in a variety of capital investments, including the installation of new infrastructure to enable a robust system for customers.
- In June 2022, bipartisan legislation was signed into law that gives the PSCSC authority to approve securitization of storm costs in South Carolina. This is an important tool to provide our customers significant savings while helping our company recover storm restoration costs.
- In June 2022, the IURC approved Duke Energy Indiana's TDSIC 2.0 plan in its entirety, with no modifications. This six-year plan will continue to build upon electric grid modernization efforts to improve the reliability and resilience of the statewide network of power lines and infrastructure to improve service to more than 870,000 customers.
- In May 2022, Duke Energy Carolinas and Duke Energy Progress filed a proposed Carbon Plan with the NCUC. In keeping with the framework of HB 951, the proposed plan presents two pathways consisting of several different portfolios and includes a path to achieve 70% carbon dioxide emissions reduction by 2030, while offering regulators multiple options that balance affordability and reliability for customers. All portfolios plan for the retirement of all remaining coal generation resources by the end of 2035 and include significant expansion of zero-carbon resources, such as renewable technologies including solar, onshore and offshore wind, greater integration of battery and pumped-hydro energy storage, expanded energy efficiency and demand response and the deployment of new zero-emitting load-following resources such as new small modular nuclear resources as well as hydrogen solutions in later years to achieve carbon neutrality from electric generating facilities by 2050.

**Matters Impacting Future Results**

The matters discussed herein could materially impact the future operating results, financial condition and cash flows of the Duke Energy Registrants and Business Segments.

**Regulatory Matters**

***Coal Ash Costs***

Future spending of coal ash costs, including amounts recorded for depreciation and liability accretion, is expected to continue to be deferred and recovered in future rate cases or rider filings. The majority of spend is expected to occur over the next 15-20 years.

Duke Energy Indiana has interpreted the CCR 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. In 2020, the Hoosier Environmental Council filed a petition challenging the Indiana Department of Environmental Management's (IDEM) partial approval of five of Duke Energy Indiana's ash pond site closure plans at Gallagher Station. The petition does not challenge the other basin closures approved by IDEM at other Indiana stations. Interpretation of the requirements of the CCR rule is subject to further legal challenges and regulatory approvals, which could result in additional ash basin closure requirements, higher costs of compliance and greater AROs. Additionally, Duke Energy Indiana has retired facilities that are not subject to the CCR rule. Duke Energy Indiana may incur costs at these facilities to comply with environmental regulations or to mitigate risks associated with on-site storage of coal ash. In January 2022, Duke Energy Indiana received a letter from the EPA regarding interpretation of the CCR rule. See Note 4 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies" for more information.

**Commercial Renewables**

On August 4, 2022 Duke Energy announced a strategic review of the Commercial Renewables business segment. The review remains in the preliminary stage and there have been no binding or non-binding offers requested or submitted. Duke Energy can provide no assurance that this process will result in a transaction and there is no specific timeline for execution of a potential transaction. If the potential sale were to progress it could result in classification of the Commercial Renewables segment as assets held for sale and as discontinued operations. If Duke Energy is unable to recover its book value of these assets through a sale, it could result in an impairment.

Duke Energy continues to monitor recoverability of renewable merchant plants located in the ERCOT West market and in the PJM West market, due to fluctuating market pricing and long-term forecasted energy prices. Based on the most recent recoverability test, the carrying value for the assets under review continues to be supported by the expected cash flows. A decline in energy market pricing or other factors unfavorably impacting the economics would likely result in a future impairment. Impairment of these assets could result in adverse impacts. For additional information, see Note 2 to the Condensed Consolidated Financial Statements, "Business Segments."

In February 2021, a severe winter storm impacted certain Commercial Renewables assets in Texas. Extreme weather conditions limited the ability for these solar and wind facilities to generate and sell electricity into the ERCOT market. Duke Energy has been named in multiple lawsuits arising out of this winter storm. For more information, see Note 4 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies."

**Supply Chain**

Duke Energy is monitoring supply chain disruptions, which could impact the timing of in service or economics of projects and may result in adverse impacts on operating results.

The company is also monitoring the impacts on future financial results and clean energy goals due to the availability of solar panels as a result of the U.S. Department of Commerce investigation into the potential circumvention of anti-dumping and countervailing duties by certain Chinese companies. In June 2022, in response to the uncertainty of solar supplies resulting from the investigation, a 24-month tariff exemption for solar panels from four Southeast Asian nations was declared.

**Results of Operations**

***Non-GAAP Measures***

Management's Discussion and Analysis includes financial information prepared in accordance with GAAP in the U.S., as well as certain non-GAAP financial measures such as adjusted earnings and adjusted EPS 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. 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 may not be comparable to similarly titled measures used by other companies because other companies may not calculate the measures in the same manner.

Management evaluates financial performance in part based on non-GAAP financial measures, including adjusted earnings and adjusted EPS. Adjusted earnings and adjusted EPS represent income from continuing operations available to Duke Energy Corporation common stockholders in dollar and per share amounts, adjusted for the dollar and per share impact of special items. As discussed below, special items represent certain charges and credits, which management believes are not indicative of Duke Energy's ongoing performance. The most directly comparable GAAP measures for adjusted earnings and adjusted EPS are GAAP Reported Earnings (Loss) and GAAP Reported Earnings (Loss) Per Share, respectively.

Special items included in the periods presented below include the following, which management believes do not reflect ongoing costs:

- Regulatory Matters represents the net impact of charges related to the 2022 Indiana Supreme Court ruling on coal ash.
- Mark-to-Market represents the income statement impact of derivative instruments that do not qualify for hedge accounting or regulatory accounting.
- Workplace and workforce realignment represents costs attributable to business transformation, including long-term real estate strategy changes and workforce realignment.
- Gas Pipeline Investments represents additional exit obligations related to ACP.

***Three Months Ended June 30, 2022, as compared to June 30, 2021***

GAAP reported EPS was $1.14 for the second quarter of 2022 compared to $0.96 in the second quarter of 2021. In addition to the drivers below, GAAP reported EPS increased primarily due to workplace and workforce realignment costs in the prior year.

As discussed above, management also evaluates financial performance based on adjusted EPS. Duke Energy's second quarter 2022 adjusted EPS was $1.14 compared to $1.15 for the second quarter of 2021. The decrease in adjusted EPS was primarily due to higher operation and maintenance expense due to plant outage timing, higher interest expense and the impact of GIC minority interest, partially offset by favorable weather, volumes and positive rate case contributions.

The following table reconciles non-GAAP measures, including adjusted EPS, to their most directly comparable GAAP measures.

| | Three Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| (in millions, except per share amounts) | Earnings | EPS | Earnings | EPS |
| GAAP Reported Earnings/GAAP Reported EPS | **$ 893** | **$ 1.14** | $ 751 | $ 0.96 |
| Adjustments: | | | | |
| Regulatory Matters[(a)] | **(16)** | **(0.02)** | — | — |
| Mark-to-Market[(b)] | **16** | **0.02** | — | — |
| Workplace and Workforce Realignment[(c)] | **—** | **—** | 135 | 0.18 |
| Gas Pipeline Investments[(d)] | **—** | **—** | 12 | 0.01 |
| Adjusted Earnings/Adjusted EPS | **$ 893** | **$ 1.14** | $ 898 | $ 1.15 |

(a) Net of $2 million in noncontrolling interests.
(b) Net of tax benefit of $5 million.
(c) Net of tax benefit of $40 million.
(d) Net of tax benefit of $4 million.

***Six Months Ended June 30, 2022, as compared to June 30, 2021***

GAAP Reported EPS was $2.22 for the six months ended June 30, 2022, compared to $2.21 for the six months ended June 30, 2021. In addition to the drivers below, GAAP reported EPS increased due to workplace and workforce realignment costs in the prior year, partially offset by the net impact of charges related to the 2022 Indiana Supreme Court ruling on coal ash.

As discussed above, management also evaluates financial performance based on adjusted EPS. Duke Energy's adjusted EPS was $2.45 for the six months ended June 30, 2022, compared to $2.41 for the six months ended June 30, 2021. The increase in adjusted EPS was primarily due to higher volumes, positive rate case contributions and favorable weather, partially offset by higher operations and maintenance expense, including storm costs, higher interest expense, the impact of GIC minority interest sale and lower returns on investments.

The following table reconciles non-GAAP measures, including adjusted EPS, to their most directly comparable GAAP measures.

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| (in millions, except per share amounts) | Earnings | EPS | Earnings | EPS |
| GAAP Reported Earnings/GAAP Reported EPS | **$ 1,711** | **$ 2.22** | $ 1,704 | $ 2.21 |
| Adjustments: | | | | |
| Regulatory Matters[(a)] | **157** | **0.21** | — | — |
| Mark-to-Market[(b)] | **16** | **0.02** | — | — |
| Workplace and Workforce Realignment[(c)] | **—** | **—** | 135 | 0.18 |
| Gas Pipeline Investments[(d)] | **—** | **—** | 17 | 0.02 |
| Adjusted Earnings/Adjusted EPS | **$ 1,884** | **$ 2.45** | $ 1,856 | $ 2.41 |

(a) Net of tax benefit of $80 million and $20 million in noncontrolling interests.
(b) Net of tax benefit of $5 million.
(c) Net of tax benefit of $40 million.
(d) Net of tax benefit of $5 million.

**SEGMENT RESULTS**

The remaining information presented in this discussion of results of operations is on a GAAP basis. Management evaluates segment performance based on segment income. Segment income is defined as income from continuing operations net of income attributable to noncontrolling interests and preferred stock dividends. Segment income includes intercompany revenues and expenses that are eliminated in the Condensed Consolidated Financial Statements.

Duke Energy's segment structure includes the following segments: Electric Utilities and Infrastructure, Gas Utilities and Infrastructure and Commercial Renewables. The remainder of Duke Energy's operations is presented as Other. See Note 2 to the Condensed Consolidated Financial Statements, "Business Segments," for additional information on Duke Energy's segment structure.

**Electric Utilities and Infrastructure**

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|---|---|---|---|---|---|---|
| (in millions) | 2022 | 2021 | Variance | 2022 | 2021 | Variance |
| **Operating Revenues** | **$ 6,135** | $ 5,335 | $ 800 | **$ 12,137** | $ 10,616 | $ 1,521 |
| **Operating Expenses** | | | | | | |
| Fuel used in electric generation and purchased power | **1,991** | 1,434 | 557 | **3,828** | 2,896 | 932 |
| Operation, maintenance and other | **1,328** | 1,262 | 66 | **2,754** | 2,544 | 210 |
| Depreciation and amortization | **1,110** | 1,013 | 97 | **2,241** | 2,070 | 171 |
| Property and other taxes | **331** | 308 | 23 | **668** | 619 | 49 |
| Impairment of assets and other charges | **(8)** | 1 | (9) | **206** | 1 | 205 |
| Total operating expenses | **4,752** | 4,018 | 734 | **9,697** | 8,130 | 1,567 |
| **Gains on Sales of Other Assets and Other, net** | **3** | 2 | 1 | **5** | 2 | 3 |
| **Operating Income** | **1,386** | 1,319 | 67 | **2,445** | 2,488 | (43) |
| **Other Income and Expenses, net** | **153** | 97 | 56 | **267** | 201 | 66 |
| **Interest Expense** | **391** | 361 | 30 | **767** | 701 | 66 |
| **Income Before Income Taxes** | **1,148** | 1,055 | 93 | **1,945** | 1,988 | (43) |
| **Income Tax Expense** | **158** | 120 | 38 | **241** | 233 | 8 |
| **Less: Income Attributable to Noncontrolling Interest** | **16** | — | 16 | **7** | — | 7 |
| **Segment Income** | **$ 974** | $ 935 | $ 39 | **$ 1,697** | $ 1,755 | $ (58) |
| | | | | | | |
| Duke Energy Carolinas GWh sales | 22,022 | 20,362 | 1,660 | **44,571** | 42,324 | 2,247 |
| Duke Energy Progress GWh sales | 16,915 | 15,799 | 1,116 | **34,884** | 32,336 | 2,548 |
| Duke Energy Florida GWh sales | 12,340 | 11,194 | 1,146 | **22,242** | 19,748 | 2,494 |
| Duke Energy Ohio GWh sales | 5,564 | 5,738 | (174) | **11,561** | 11,742 | (181) |
| Duke Energy Indiana GWh sales | 7,644 | 7,366 | 278 | **15,594** | 15,092 | 502 |
| Total Electric Utilities and Infrastructure GWh sales | **64,485** | 60,459 | 4,026 | **128,852** | 121,242 | 7,610 |
| Net proportional MW capacity in operation | | | | **49,459** | 49,749 | (290) |

**Three Months Ended June 30, 2022, as compared to June 30, 2021**

Electric Utilities and Infrastructure's higher segment income is due to favorable weather, favorable retail sales volumes, and a favorable spent nuclear fuel storage settlement with the Department of Energy, partially offset by higher depreciation. The following is a detailed discussion of the variance drivers by line item.

***Operating Revenues.*** The variance was driven primarily by:

- a $459 million increase in fuel revenues primarily due to higher fuel prices and retail sales volumes;
- a $108 million increase in retail base rate pricing due to general rate cases in North Carolina, net of rider impacts as well as multiyear rate adjustments in Florida;
- a $91 million increase in retail sales due to favorable weather in the current year;
- a $47 million increase in wholesale revenues primarily due to higher capacity volumes; and
- a $28 million increase in weather-normal retail sales volumes.

***Operating Expenses.*** The variance was driven primarily by:

- a $557 million increase in fuel used in electric generation and purchased power due to higher fuel prices and volumes from customer demand;
- a $97 million increase in depreciation and amortization primarily due to higher plant in service and resolution of prior year rate cases;
- a $66 million increase in operation, maintenance and other primarily driven by higher outage and maintenance costs; and
- a $23 million increase in property and other taxes primarily due to higher property taxes as well as higher revenue related taxes.

***Other Income and Expenses, net.*** The increase is primarily due to a 2022 settlement with the Department of Energy over spent nuclear fuel storage and higher AFUDC equity.

***Interest Expense.*** The variance was primarily driven by interest expense on excess deferred tax liabilities and higher outstanding debt.

***Income Tax Expense.*** The increase in tax expense was primarily due to an increase in pretax income and a decrease in the amortization of excess deferred taxes. The ETRs for the three months ended June 30, 2022, and 2021, were 13.8% and 11.4%, respectively. The increase in the ETR was primarily due to a decrease in the amortization of excess deferred taxes.

**Six Months Ended June 30, 2022, as compared to June 30, 2021**

Electric Utilities and Infrastructure's lower segment income is due to the Indiana Supreme Court ruling on recovery of certain coal ash costs and higher storm costs, partially offset by higher retail sales volumes. The following is a detailed discussion of the variance drivers by line item.

***Operating Revenues.*** The variance was driven primarily by:

- a $759 million increase in fuel revenues primarily due to higher fuel prices and retail sales volumes;
- a $271 million increase in weather-normal retail sales volumes;
- a $234 million increase in retail base rate pricing due to general rate cases in North Carolina, net of rider impacts as well as multiyear rate adjustments in Florida;
- an $82 million increase in retail sales due to favorable weather compared to prior year;
- an $81 million increase in rider revenues primarily due to higher sales volumes; and
- a $77 million increase in wholesale revenues primarily due to higher capacity volumes.

Partially offset by

- a $53 million decrease due to the Indiana Supreme Court ruling on recovery of certain coal ash costs.

***Operating Expenses.*** The variance was driven primarily by:

- a $932 million increase in fuel used in electric generation and purchased power due to higher fuel prices and volumes from customer demand;
- a $210 million increase in operation, maintenance and other primarily driven by higher storm costs and higher outage and maintenance costs;
- a $205 million increase in impairment of assets and other charges primarily due to the Indiana Supreme Court ruling on recovery of certain coal ash costs;
- a $171 million increase in depreciation and amortization primarily due to higher plant in service and resolution of prior year rate cases, partially offset by lower depreciation related to the extension of the lives of nuclear facilities; and
- a $49 million increase in property and other taxes primarily due to higher property taxes as well as higher revenue related taxes.

***Other Income and Expenses, net.*** The increase is primarily due to a 2022 settlement with the Department of Energy over spent nuclear fuel storage and higher AFUDC equity.

***Interest Expense.*** The variance was primarily driven by interest expense on excess deferred tax liabilities and higher outstanding debt.

***Income Tax Expense.*** The increase in tax expense was primarily due to a decrease in the amortization of excess deferred taxes, partially offset by a decrease in pretax income. The ETRs for the six months ended June 30, 2022, and 2021, were 12.4% and 11.7%, respectively. The increase in the ETR was primarily due to a decrease in the amortization of excess deferred taxes.

**Gas Utilities and Infrastructure**

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|---|---|---|---|---|---|---|
| **(in millions)** | **2022** | **2021** | **Variance** | **2022** | **2021** | **Variance** |
| **Operating Revenues** | **$ 453** | $ 327 | $ 126 | **$ 1,485** | $ 1,102 | $ 383 |
| **Operating Expenses** | | | | | | |
| Cost of natural gas | **189** | 79 | 110 | **670** | 355 | 315 |
| Operation, maintenance and other | **113** | 98 | 15 | **295** | 200 | 95 |
| Depreciation and amortization | **82** | 74 | 8 | **161** | 142 | 19 |
| Property and other taxes | **33** | 27 | 6 | **74** | 62 | 12 |
| Total operating expenses | **417** | 278 | 139 | **1,200** | 759 | 441 |
| **Gains on Sales of Other Assets and Other, net** | **4** | — | 4 | **4** | — | 4 |
| **Operating Income** | **40** | 49 | (9) | **289** | 343 | (54) |
| **Other Income and Expenses, Net** | **19** | 10 | 9 | **36** | 27 | 9 |
| **Interest Expense** | **42** | 35 | 7 | **82** | 68 | 14 |
| **Income Before Income Taxes** | **17** | 24 | (7) | **243** | 302 | (59) |
| **Income Tax (Benefit) Expense** | **(2)** | 7 | (9) | **(30)** | 40 | (70) |
| **Segment Income** | **$ 19** | $ 17 | $ 2 | **$ 273** | $ 262 | $ 11 |
| | | | | | | |
| Piedmont LDC throughput (dekatherms) | 126,530,274 | 106,034,615 | 20,495,659 | **306,717,375** | 255,661,197 | 51,056,178 |
| Duke Energy Midwest LDC throughput (Mcf) | 16,531,986 | 14,842,906 | 1,689,080 | **53,762,623** | 51,951,909 | 1,810,714 |

**Three Months Ended June 30, 2022, as compared to June 30, 2021**

Gas Utilities and Infrastructure's results were impacted primarily by margin growth and certain favorable tax credits, partially offset by higher operation and maintenance costs. The following is a detailed discussion of the variance drivers by line item.

***Operating Revenues.*** The variance was driven primarily by:

- a $110 million increase due to higher natural gas costs passed through to customers and increased off-system sales natural gas costs; and
- a $7 million increase due to base rate increases.

***Operating Expenses.*** The variance was driven primarily by:

- a $110 million increase due to higher natural gas costs passed through to customers and increased off-system sales natural gas costs; and
- a $15 million increase in operations, maintenance and other primarily due to higher costs for natural gas pipeline safety and integrity work, labor and benefits, customer repair plan program, and material and security purchases.

***Income Tax Benefit.*** The decrease in tax expense was primarily due to certain favorable tax credits and an increase in the amortization of excess deferred taxes. The ETRs for the three months ended June 30, 2022, and 2021, were (11.8)% and 29.2%, respectively. The decrease in the ETR was primarily due to certain favorable tax credits and an increase in the amortization of excess deferred taxes.

**Six Months Ended June 30, 2022, as compared to June 30, 2021**

Gas Utilities and Infrastructure's results were impacted primarily by margin growth partially offset by higher operation and maintenance costs. The following is a detailed discussion of the variance drivers by line item.

***Operating Revenues.*** The variance was driven primarily by:

- a $315 million increase due to higher natural gas costs passed through to customers and increased off-system sales natural gas costs, partially offset by lower residential volumes;
- a $41 million increase due to base rate increases;
- a $15 million increase due to rider revenues related to Ohio Capital Expenditure Program (CEP); and
- a $7 million increase due to customer growth.

Partially offset by:

- a $15 million decrease due to the MGP settlement.

***Operating Expenses.*** The variance was driven primarily by:

- a $315 million increase due to higher natural gas costs passed through to customers and increased off-system sales natural gas costs, partially offset by lower residential volumes;
- a $95 million increase in operations, maintenance and other primarily due to the MGP settlement and higher costs for natural gas pipeline safety and integrity work, labor and benefits, customer repair plan program, and material and security purchases;
- a $19 million increase in depreciation and amortization due to additional plant in service and lower CEP deferrals; and
- a $12 million increase in property and other taxes due to lower CEP deferrals.

**Interest Expense.** The increase was primarily due to lower AFUDC debt income and higher outstanding debt.

***Income Tax Benefit.*** The decrease in tax expense was primarily due to an increase in the amortization of excess deferred taxes related to the Ohio MGP Settlement and a decrease in pretax income. The ETRs for the six months ended June 30, 2022, and 2021, were (12.3)% and 13.2%, respectively. The decrease in the ETR was primarily due to an increase in the amortization of excess deferred taxes related to the Ohio MGP Settlement.

**Commercial Renewables**

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|---|---|---|---|---|---|---|
| **(in millions)** | **2022** | **2021** | **Variance** | **2022** | **2021** | **Variance** |
| **Operating Revenues** | **$ 121** | $ 119 | $ 2 | **$ 242** | $ 238 | $ 4 |
| **Operating Expenses** | | | | | | |
| Operation, maintenance and other | **82** | 78 | 4 | **164** | 150 | 14 |
| Depreciation and amortization | **60** | 56 | 4 | **120** | 109 | 11 |
| Property and other taxes | **10** | 9 | 1 | **20** | 18 | 2 |
| Total operating expenses | **152** | 143 | 9 | **304** | 277 | 27 |
| **Losses on Sales of Other Assets and Other, net** | **—** | — | — | **(1)** | — | (1) |
| **Operating Loss** | **(31)** | (24) | (7) | **(63)** | (39) | (24) |
| **Other Income and Expenses, net** | **—** | 3 | (3) | **—** | (22) | 22 |
| **Interest Expense** | **19** | 20 | (1) | **37** | 33 | 4 |
| **Loss Before Income Taxes** | **(50)** | (41) | (9) | **(100)** | (94) | (6) |
| **Income Tax Benefit** | **(36)** | (21) | (15) | **(69)** | (50) | (19) |
| **Add: Loss Attributable to Noncontrolling Interests** | **44** | 67 | (23) | **72** | 118 | (46) |
| **Segment Income** | **$ 30** | $ 47 | $ (17) | **$ 41** | $ 74 | $ (33) |
| | | | | | | |
| Renewable plant production, GWh | **3,430** | 2,787 | 643 | **6,418** | 5,375 | 1,043 |
| Net proportional MW capacity in operation[(a)] | | | | **4,759** | 4,474 | 285 |

(a) Certain projects are included in tax equity structures where investors have differing interests in the project's economic attributes. One hundred percent of the tax equity project's capacity is included in the table above.

**Three Months Ended June 30, 2022, as compared to June 30, 2021**

Commercial Renewables' results were unfavorable to prior year primarily driven by fewer project investments financed by tax equity being placed into service in the current year and higher operating expenses from projects placed in service since the prior year.

***Operating Expenses.*** The variance was primarily driven by an $11 million increase for higher operating expenses, depreciation, property tax expense, and other development costs from the growth of new projects, partially offset by $2 million decrease for lower operating expenses attributed to maintenance and other operating expenses.

***Income Tax Benefit.*** The increase in the tax benefit was primarily due to an increase in production tax credits generated and a decrease in taxes associated with tax equity investments.

***Loss Attributable to Noncontrolling Interests.*** The variance was driven by a decrease for fewer projects placed in service financed with tax equity in the current year and a net decrease in losses allocated to tax equity members from existing tax equity structures.

**Six Months Ended June 30, 2022, as compared to June 30, 2021**

Commercial Renewables' results were unfavorable primarily driven by fewer project investments financed by tax equity being placed into service in the current year and higher operating expenses from projects placed in service since the prior year offset by the impacts for losses experienced in the prior year from Texas Storm Uri.

***Operating Expenses.*** The variance was primarily driven by an increase for higher operating expenses, depreciation, property tax expense and other development costs from the growth of new projects.

***Other Income and Expenses, net.*** The increase was primarily due to $29 million of losses experienced in the prior year from Texas Storm Uri offset by a decrease in equity earnings.

***Income Tax Benefit.*** The increase in the tax benefit was primarily due to a decrease in taxes associated with tax equity investments and an increase in production tax credits generated.

***Loss Attributable to Noncontrolling Interests.*** The variance was driven by a $34 million decrease for fewer projects placed in service financed with tax equity in the current year and a $12 million net decrease in losses allocated to tax equity members from existing tax equity structures offset by losses experienced in the prior year from Texas Storm Uri.

**Other**

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|---|---|---|---|---|---|---|
| **(in millions)** | **2022** | **2021** | **Variance** | **2022** | **2021** | **Variance** |
| **Operating Revenues** | **$ 30** | $ 27 | $ 3 | **$ 60** | $ 53 | $ 7 |
| **Operating Expenses** | **16** | 208 | (192) | **49** | 236 | (187) |
| **Gains on Sales of Other Assets and Other, net** | **—** | — | — | **1** | — | 1 |
| **Operating Income (Loss)** | **14** | (181) | 195 | **12** | (183) | 195 |
| **Other Income and Expenses, net** | **(7)** | 32 | (39) | **(13)** | 53 | (66) |
| **Interest Expense** | **165** | 156 | 9 | **324** | 307 | 17 |
| **Loss Before Income Taxes** | **(158)** | (305) | 147 | **(325)** | (437) | 112 |
| **Income Tax Benefit** | **(43)** | (71) | 28 | **(79)** | (103) | 24 |
| **Less: Income Attributable to Noncontrolling Interests** | **1** | — | 1 | **1** | — | 1 |
| **Less: Preferred Dividends** | **14** | 14 | — | **53** | 53 | — |
| **Net Loss** | **$ (130)** | $ (248) | $ 118 | **$ (300)** | $ (387) | $ 87 |

**Three Months Ended June 30, 2022, as compared to June 30, 2021**

The lower net loss was driven by prior year asset impairments to optimize the company's real estate portfolio and reduce office space as parts of the business move to a hybrid and remote workforce strategy and by higher equity earnings from the NMC investment, partially offset by lower return on investments that fund certain employee benefit obligations.

***Operating Expenses.*** The decrease was primarily driven by prior year asset impairments to optimize the company's real estate portfolio and reduce office space as parts of the business move to a hybrid and remote workforce strategy.

***Other Income and Expenses, net.*** The variance was primarily due to lower return on investments that fund certain employee benefit obligations partially offset by higher equity earnings from the NMC investment.

***Interest Expense.*** The variance was primarily due to higher interest rates on commercial paper and higher outstanding long-term debt.

***Income Tax Benefit.*** The decrease in the tax benefit was primarily due to a decrease in pretax losses. The ETRs for the three months ended June 30, 2022, and 2021, were 27.2% and 23.3%, respectively. The increase in the ETR was primarily due to higher equity earnings from the NMC investment.

**Six Months Ended June 30, 2022, as compared to June 30, 2021**

The lower net loss was driven by prior year asset impairments to optimize the company's real estate portfolio and reduce office space as parts of the business move to a hybrid and remote workforce strategy, partially offset by lower return on investments that fund certain employee benefit obligations.

***Operating Expenses.*** The decrease was primarily driven by prior year asset impairments to optimize the company's real estate portfolio and reduce office space as parts of the business move to a hybrid and remote workforce strategy.

***Other Income and Expenses, net.*** The variance was primarily due to lower return on investments that fund certain employee benefit obligations partially offset by higher equity earnings from the NMC investment.

***Interest Expense.*** The variance was primarily due to higher outstanding long-term debt and higher interest rates on commercial paper.

***Income Tax Benefit.*** The decrease in the tax benefit was primarily due to a decrease in pretax losses.

**DUKE ENERGY CAROLINAS**

**Results of Operations**

| | Six Months Ended June 30, | | |
|---|---|---|---|
| **(in millions)** | **2022** | **2021** | **Variance** |
| **Operating Revenues** | **$ 3,669** | $ 3,326 | $ 343 |
| **Operating Expenses** | | | |
| Fuel used in electric generation and purchased power | **879** | 766 | 113 |
| Operation, maintenance and other | **974** | 876 | 98 |
| Depreciation and amortization | **763** | 722 | 41 |
| Property and other taxes | **170** | 157 | 13 |
| Impairment of assets and other charges | **(9)** | 75 | (84) |
| Total operating expenses | **2,777** | 2,596 | 181 |
| **Gains on Sales of Other Assets and Other, net** | **—** | 2 | (2) |
| **Operating Income** | **892** | 732 | 160 |
| **Other Income and Expenses, net** | **113** | 92 | 21 |
| **Interest Expense** | **284** | 263 | 21 |
| **Income Before Income Taxes** | **721** | 561 | 160 |
| **Income Tax Expense** | **53** | 24 | 29 |
| **Net Income** | **$ 668** | $ 537 | $ 131 |

The following table shows the percent changes in GWh sales and average number of customers. The percentages for retail customer classes represent billed sales only. Total sales includes billed and unbilled retail sales and wholesale sales to incorporated municipalities, public and private utilities and power marketers. Amounts are not weather-normalized.

| **Increase (Decrease) over prior year** | **2022** |
|---|---|
| Residential sales | **(0.4)%** |
| General service sales | **7.1 %** |
| Industrial sales | **8.1 %** |
| Wholesale power sales | **(1.8)%** |
| Joint dispatch sales | **(50.6)%** |
| Total sales | **5.3 %** |
| Average number of customers | **1.9 %** |

**Six Months Ended June 30, 2022, as compared to June 30, 2021**

***Operating Revenues.*** The variance was driven primarily by:

- a $150 million increase in weather-normal retail sales volumes;
- an $85 million increase in fuel revenues due to higher fuel prices and weather-normal retail sales volumes in the current year;
- a $36 million increase due to higher pricing from the North Carolina retail rate case, net of a return of EDIT to customers; and
- a $32 million increase in rider revenues primarily due to energy efficiency, storm securitization, and competitive procurement of renewable energy programs.

***Operating Expenses.*** The variance was driven primarily by:

- a $113 million increase in fuel used in electric generation and purchased power primarily due to higher natural gas prices and changes in the generation mix, partially offset by the recovery of fuel expenses and lower coal prices;
- a $98 million increase in operation, maintenance and other expense primarily due to higher storm restoration costs and higher outage and maintenance costs; and
- a $41 million increase in depreciation and amortization primarily due to an increase in assets placed into service, and new depreciation rates associated with the North Carolina rate case, partially offset by the extension of the lives of nuclear facilities.

Partially offset by:

- an $84 million decrease in impairment of assets and other charges due to the prior year optimization of the company's real estate portfolio and reduction of office space as parts of the business move to a hybrid and remote workforce strategy and an adjustment to the South Carolina Supreme Court decision on coal ash.

***Other Income and Expenses.*** The variance was driven by an increase in AFUDC equity due to higher AFUDC base.

***Interest Expense.*** The variance was driven by interest expense on excess deferred tax liabilities.

***Income Tax Expense.*** The increase in tax expense was primarily due to an increase in pretax income, partially offset by amortization of excess deferred taxes.

**PROGRESS ENERGY**

**Results of Operations**

| | Six Months Ended June 30, | | |
|---|---|---|---|
| **(in millions)** | **2022** | **2021** | **Variance** |
| **Operating Revenues** | **$ 6,206** | $ 5,184 | $ 1,022 |
| **Operating Expenses** | | | |
| Fuel used in electric generation and purchased power | **2,322** | 1,628 | 694 |
| Operation, maintenance and other | **1,248** | 1,227 | 21 |
| Depreciation and amortization | **1,045** | 926 | 119 |
| Property and other taxes | **303** | 275 | 28 |
| Impairment of assets and other charges | **4** | 37 | (33) |
| Total operating expenses | **4,922** | 4,093 | 829 |
| **Gains on Sales of Other Assets and Other, net** | **3** | 1 | 2 |
| **Operating Income** | **1,287** | 1,092 | 195 |
| **Other Income and Expenses, net** | **105** | 81 | 24 |
| **Interest Expense** | **419** | 392 | 27 |
| **Income Before Income Taxes** | **973** | 781 | 192 |
| **Income Tax Expense** | **160** | 80 | 80 |
| **Net Income** | **813** | 701 | 112 |
| **Less: Net Income Attributable to Noncontrolling Interests** | **1** | — | 1 |
| **Net Income Attributable to Parent** | **$ 812** | $ 701 | $ 111 |

**Six Months Ended June 30, 2022, as compared to June 30, 2021**

***Operating Revenues.*** The variance was driven primarily by:

- a $610 million increase in fuel cost recovery driven by higher fuel prices and volumes in the current year;
- a $198 million increase in retail pricing due to the North Carolina rate case and base rate adjustments at Duke Energy Florida related to annual increases from the 2021 Settlement Agreement and the solar base rate adjustment;
- a $97 million increase in weather-normal retail sales volumes;
- a $36 million increase in retail sales due to favorable weather; and
- a $23 million increase in wholesale revenues, net of fuel, due to higher capacity volumes at Duke Energy Florida.

Partially offset by:

- a $43 million decrease in capacity revenue primarily due to accelerated recovery of retired Crystal River coal units in 2021.

***Operating Expenses.*** The variance was driven primarily by:

- a $694 million increase in fuel used in electric generation and purchased power primarily due to higher demand and higher natural gas prices;
- a $119 million increase in depreciation and amortization primarily due to increased rates at Duke Energy Florida and higher amortization of deferred coal ash and storm costs at Duke Energy Progress, partially offset by the extension of the lives at nuclear facilities at Duke Energy Progress;
- a $28 million increase in property and other taxes primarily due to an increase in gross receipts taxes at Duke Energy Florida; and
- a $21 million increase in operation, maintenance and other expense primarily due to higher storm costs at Duke Energy Progress.

Partially offset by:

- a $33 million decrease in impairment of assets and other charges due to the prior year optimization of the company's real estate portfolio and reduction of office space as parts of the business moved to hybrid and remote workforce strategy.

***Other Income and Expenses, net.*** The increase is primarily due to a 2022 settlement with the Department of Energy over spent nuclear fuel storage.

***Interest Expense.*** The variance was driven primarily by interest expense on excess deferred tax liabilities at Duke Energy Progress and higher outstanding debt.

***Income Tax Expense***. The increase in tax expense was primarily due to an increase in pretax income and a decrease in the amortization of excess deferred taxes.

**DUKE ENERGY PROGRESS**

**Results of Operations**

| | Six Months Ended June 30, | | |
|---|---|---|---|
| **(in millions)** | **2022** | **2021** | **Variance** |
| **Operating Revenues** | **$ 3,213** | $ 2,750 | $ 463 |
| **Operating Expenses** | | | |
| Fuel used in electric generation and purchased power | **1,167** | 845 | 322 |
| Operation, maintenance and other | **751** | 724 | 27 |
| Depreciation and amortization | **577** | 521 | 56 |
| Property and other taxes | **90** | 90 | — |
| Impairment of assets and other charges | **4** | 18 | (14) |
| Total operating expenses | **2,589** | 2,198 | 391 |
| **Gains on Sales of Other Assets and Other, net** | **1** | 1 | — |
| **Operating Income** | **625** | 553 | 72 |
| **Other Income and Expenses, net** | **54** | 44 | 10 |
| **Interest Expense** | **175** | 147 | 28 |
| **Income Before Income Taxes** | **504** | 450 | 54 |
| **Income Tax Expense** | **70** | 25 | 45 |
| **Net Income** | **$ 434** | $ 425 | $ 9 |

The following table shows the percent changes in GWh sales and average number of customers. The percentages for retail customer classes represent billed sales only. Total sales includes billed and unbilled retail sales and wholesale sales to incorporated municipalities, public and private utilities and power marketers. Amounts are not weather-normalized.

| **Increase (Decrease) over prior period** | **2022** |
|---|---|
| Residential sales | **(0.9)%** |
| General service sales | **8.4 %** |
| Industrial sales | **16.3 %** |
| Wholesale power sales | **2.8 %** |
| Joint dispatch sales | **61.4 %** |
| Total sales | **7.9 %** |
| Average number of customers | **2.0 %** |

**Six Months Ended June 30, 2022, as compared to June 30, 2021**

***Operating Revenues.*** The variance was driven primarily by:

- a $291 million increase in fuel revenues due to higher fuel prices and retail sales volumes in the current year;
- a $111 million increase due to higher pricing from the North Carolina retail rate case, net of a return of EDIT to customers;
- a $19 million increase in weather-normal retail sales volumes; and
- a $10 million increase in retail sales due to favorable weather compared to prior year.

***Operating Expenses***. The variance was driven primarily by:

- a $322 million increase in fuel used in electric generation and purchased power primarily due to higher natural gas prices and changes in the generation mix, partially offset by the recovery of fuel expenses and lower coal prices;
- a $56 million increase in depreciation and amortization due to higher amortization of deferred coal ash costs and amortization related to deferred storm costs, partially offset by lower depreciation related to the extension of the lives of nuclear facilities; and
- a $27 million increase in operation, maintenance and other expense primarily due to higher storm costs.

Partially offset by:

- a $14 million decrease in impairment of assets and other charges due to the prior year optimization of the company's real estate portfolio and reduction of office space as parts of the business moved to hybrid and remote workforce strategy.

***Interest Expense.*** The variance was driven primarily by interest expense on excess deferred tax liabilities and higher outstanding debt.

***Income Tax Expense.*** The increase in tax expense was primarily due to an increase in pretax income and a decrease in the amortization of excess deferred taxes.

**DUKE ENERGY FLORIDA**

**Results of Operations**

| | Six Months Ended June 30, | | |
|---|---|---|---|
| **(in millions)** | **2022** | **2021** | **Variance** |
| **Operating Revenues** | **$ 2,983** | $ 2,426 | $ 557 |
| **Operating Expenses** | | | |
| Fuel used in electric generation and purchased power | **1,155** | 783 | 372 |
| Operation, maintenance and other | **490** | 497 | (7) |
| Depreciation and amortization | **468** | 405 | 63 |
| Property and other taxes | **212** | 185 | 27 |
| Impairment of assets and other charges | **—** | 19 | (19) |
| Total operating expenses | **2,325** | 1,889 | 436 |
| **Gains on Sales of Other Assets and Other, net** | **2** | — | 2 |
| **Operating Income** | **660** | 537 | 123 |
| **Other Income and Expenses, net** | **55** | 36 | 19 |
| **Interest Expense** | **174** | 160 | 14 |
| **Income Before Income Taxes** | **541** | 413 | 128 |
| **Income Tax Expense** | **109** | 79 | 30 |
| **Net Income** | **$ 432** | $ 334 | $ 98 |

The following table shows the percent changes in GWh sales and average number of customers. The 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, public and private utilities and power marketers. Amounts are not weather-normalized.

| **Increase (Decrease) over prior period** | **2022** |
|---|---|
| Residential sales | **2.1 %** |
| General service sales | **4.0 %** |
| Industrial sales | **6.2 %** |
| Wholesale and other | **63.3 %** |
| Total sales | **12.6 %** |
| Average number of customers | **1.8 %** |

**Six Months Ended June 30, 2022, as compared to June 30, 2021**

***Operating Revenues.*** The variance was driven primarily by:

- a $319 million increase in fuel revenue primarily due to higher retail sales volumes and a higher fuel rate in the current year in response to an increase in natural gas prices;
- an $87 million increase in retail pricing due to base rate adjustments related to annual increases from the 2021 Settlement Agreement and the solar base rate adjustment;
- a $78 million increase in weather-normal retail sales volumes;
- a $37 million increase in rider revenues primarily due to increased Storm Protection Plan rider revenue driven by higher debt and equity returns from increased capital expenditures in the current year;
- a $26 million increase in retail sales due to favorable weather in the current year; and
- a $23 million increase in wholesale power revenues, net of fuel, primarily due to higher capacity revenues and bulk power sales.

Partially offset by:

- a $43 million decrease in capacity revenue primarily due to accelerated recovery of the retired coal units Crystal River 1 and 2 in 2021.

***Operating Expenses.*** The variance was driven primarily by:

- a $372 million increase in fuel used in electric generation and purchased power primarily due to higher natural gas prices;
- a $63 million increase in depreciation and amortization primarily due to an increase in depreciation rates starting in January 2022; and
- a $27 million increase in property and other taxes primarily due to an increase in gross receipts taxes.

Partially offset by:

- a $19 million decrease in impairment of assets and other charges due to the prior year optimization of the company's real estate portfolio and reduction of office space as parts of the business moved to hybrid and remote workforce strategy.

***Other Income and Expense, net.*** The increase is primarily due to a 2022 settlement with the Department of Energy over spent nuclear fuel storage.

***Interest Expense.*** The increase in interest expense was primarily due to higher outstanding debt.

***Income Tax Expense.*** The increase in tax expense was primarily due to an increase in pretax income.

**DUKE ENERGY OHIO**

**Results of Operations**

| | Six Months Ended June 30, | | |
|---|---|---|---|
| **(in millions)** | **2022** | **2021** | **Variance** |
| **Operating Revenues** | | | |
| Regulated electric | **$ 813** | $ 706 | $ 107 |
| Regulated natural gas | **370** | 282 | 88 |
| Total operating revenues | **1,183** | 988 | 195 |
| **Operating Expenses** | | | |
| Fuel used in electric generation and purchased power | **254** | 175 | 79 |
| Cost of natural gas | **153** | 67 | 86 |
| Operation, maintenance and other | **287** | 219 | 68 |
| Depreciation and amortization | **163** | 149 | 14 |
| Property and other taxes | **193** | 175 | 18 |
| Impairment of assets and other charges | **—** | 5 | (5) |
| Total operating expenses | **1,050** | 790 | 260 |
| **Gains on Sales of Other Assets and Other, net** | **1** | — | 1 |
| **Operating Income** | **134** | 198 | (64) |
| **Other Income and Expenses, net** | **12** | 10 | 2 |
| **Interest Expense** | **60** | 53 | 7 |
| **Income Before Income Taxes** | **86** | 155 | (69) |
| **Income Tax (Benefit) Expense** | **(47)** | 25 | (72) |
| **Net Income** | **$ 133** | $ 130 | $ 3 |

The following table shows the percent changes in GWh sales of electricity, dekatherms of natural gas delivered and average number of electric and natural gas customers. The percentages for retail customer classes represent billed sales only. Total sales includes billed and unbilled retail sales and wholesale sales to incorporated municipalities, public and private utilities and power marketers. Amounts are not weather-normalized.

| | Electric | Natural Gas |
|---|---|---|
| **Increase (Decrease) over prior year** | **2022** | **2022** |
| Residential sales | **0.2 %** | **5.4 %** |
| General service sales | **(9.7)%** | **6.0 %** |
| Industrial sales | **(16.5)%** | **5.7 %** |
| Wholesale electric power sales | **(18.5)%** | **n/a** |
| Other natural gas sales | **n/a** | **(4.6)%** |
| Total sales | **(1.5)%** | **3.5 %** |
| Average number of customers | **1.2 %** | **1.7 %** |

**Six Months Ended June 30, 2022, as compared to June 30, 2021**

***Operating Revenues***. The variance was driven primarily by:

- a $139 million increase in fuel related revenues primarily due to higher natural gas prices and increased natural gas volumes;
- a $21 million increase in other electric revenues primarily due to Distribution Decoupling rider adjustments recorded in 2021;
- an $18 million increase in retail revenue riders, primarily due to the Ohio CEP, Distribution Capital Investment Rider (DCI);
- a $13 million increase in revenues related to OVEC collections and OVEC sales into PJM; and
- an $8 million increase in PJM transmission revenues as a result of increased capital spend.

Partially offset by:

- a $15 million decrease due to the MGP settlement.

***Operating Expenses.*** The variance was driven primarily by:

- a $165 million increase in fuel expense primarily driven by higher retail prices and increased volumes for natural gas and purchased power;
- a $68 million increase in operation, maintenance and other expense primarily due to the MGP settlement and higher storm costs;
- an $18 million increase in property and other taxes primarily due to increased plant in service, higher kilowatt and natural gas distribution taxes due to increased usage and a lower Network Integration Transmission Service tax deferral partially offset by Sales and Use Tax and the Ohio Kilowatt Tax; and
- a $14 million increase in depreciation and amortization primarily driven by lower CEP deferrals and an increase in distribution plant in service.

***Income Tax Benefit.*** The decrease in tax expense was primarily due to an increase in the amortization of excess deferred taxes related to the MGP Settlement and a decrease in pretax income.

**DUKE ENERGY INDIANA**

**Results of Operations**

| | Six Months Ended June 30, | | |
|---|---|---|---|
| **(in millions)** | **2022** | **2021** | **Variance** |
| **Operating Revenues** | **$ 1,740** | $ 1,480 | $ 260 |
| **Operating Expenses** | | | |
| Fuel used in electric generation and purchased power | **678** | 418 | 260 |
| Operation, maintenance and other | **374** | 370 | 4 |
| Depreciation and amortization | **311** | 304 | 7 |
| Property and other taxes | **47** | 41 | 6 |
| Impairment of assets and other charges | **211** | 8 | 203 |
| Total operating expenses | **1,621** | 1,141 | 480 |
| **Losses on Sales of Other Assets and Other, net** | **—** | (1) | 1 |
| **Operating Income** | **119** | 338 | (219) |
| **Other Income and Expenses, net** | **18** | 19 | (1) |
| **Interest Expense** | **90** | 99 | (9) |
| **Income Before Income Taxes** | **47** | 258 | (211) |
| **Income Tax (Benefit) Expense** | **(23)** | 43 | (66) |
| **Net Income** | **$ 70** | $ 215 | $ (145) |

The following table shows the percent changes in GWh sales and average number of customers. The percentages for retail customer classes represent billed sales only. Total sales includes billed and unbilled retail sales and wholesale sales to incorporated municipalities, public and private utilities and power marketers. Amounts are not weather-normalized.

| **Increase (Decrease) over prior year** | **2022** |
|---|---|
| Residential sales | **0.8 %** |
| General service sales | **4.4 %** |
| Industrial sales | **(14.6)%** |
| Wholesale power sales | **16.6 %** |
| Total sales | **3.3 %** |
| Average number of customers | **1.4 %** |

**Six Months Ended June 30, 2022, as compared to June 30, 2021**

***Operating Revenues.*** The variance was driven primarily by:

- a $221 million increase in fuel revenues primarily due to higher fuel cost recovery driven by retail sales volumes and fuel prices;
- a $54 million increase in wholesale revenues primarily driven by higher fuel rates and BPM sharing provision;
- an $18 million increase in weather-normal retail sales volumes driven by higher nonresidential customer demand;
- a $12 million increase primarily due to Energy Efficiency and Renewables riders; and
- an $11 million increase in retail sales due to favorable weather in the current year.

Partially offset by:

- a $53 million decrease due to the Indiana Supreme Court ruling on recovery of certain coal ash costs.

***Operating Expenses.*** The variance was driven primarily by:

- a $260 million increase in fuel used in electric generation and purchased power expense primarily due to higher purchased power expense and higher coal and natural gas costs; and
- a $203 million increase in impairment of assets and other charges primarily due to the Indiana Supreme Court ruling on recovery of certain coal ash costs.

***Income Tax Benefit.*** The decrease in tax expense was primarily due the change in pretax income and excess deferred income taxes from the coal ash impairment.

**PIEDMONT**

**Results of Operations**

| | Six Months Ended June 30, | | |
|---|---|---|---|
| **(in millions)** | **2022** | **2021** | **Variance** |
| **Operating Revenues** | **$ 1,115** | $ 821 | $ 294 |
| **Operating Expenses** | | | |
| Cost of natural gas | **517** | 288 | 229 |
| Operation, maintenance and other | **183** | 154 | 29 |
| Depreciation and amortization | **110** | 99 | 11 |
| Property and other taxes | **31** | 28 | 3 |
| Impairment of assets and other charges | **—** | 5 | (5) |
| Total operating expenses | **841** | 574 | 267 |
| **Gains on Sales of Other Assets and Other, net** | **4** | — | 4 |
| **Operating Income** | **278** | 247 | 31 |
| **Other Income and Expenses, net** | **28** | 35 | (7) |
| **Interest Expense** | **66** | 59 | 7 |
| **Income Before Income Taxes** | **240** | 223 | 17 |
| **Income Tax Expense** | **27** | 24 | 3 |
| **Net Income** | **$ 213** | $ 199 | $ 14 |

The following table shows the percent changes in dekatherms delivered and average number of customers. The percentages for all throughput deliveries represent billed and unbilled sales. Amounts are not weather-normalized.

| **Increase (Decrease) over prior year** | **2022** |
|---|---|
| Residential deliveries | **(5.0)%** |
| Commercial deliveries | **0.7 %** |
| Industrial deliveries | **0.8 %** |
| Power generation deliveries | **38.2 %** |
| For resale | **(3.9)%** |
| Total throughput deliveries | **20.0 %** |
| Secondary market volumes | **28.8 %** |
| Average number of customers | **1.5 %** |

The margin decoupling mechanism adjusts for variations in residential and commercial use per customer, including those due to weather and conservation. The weather normalization adjustment mechanisms mostly offset the impact of weather on bills rendered, but do not ensure full recovery of approved margin during periods when winter weather is significantly warmer or colder than normal.

**Six Months Ended June 30, 2022, as compared to June 30, 2021**

***Operating Revenues.*** The variance was driven primarily by:

- a $229 million increase due to higher natural gas costs passed through to customers and increased off-system natural sales gas costs, partially offset by lower volumes billed;
- a $41 million increase due to base rate increases; and
- a $7 million increase due to customer growth.

***Operating Expenses.*** The variance was driven primarily by:

- a $229 million increase due to higher natural gas costs passed through to customers and increased off-system sales natural gas costs, partially offset by lower volumes billed;
- a $29 million increase in operation, maintenance and other due higher costs for natural gas pipeline safety and integrity work, labor and benefits, customer repair plan program, and material and security purchases; and
- an $11 million increase in depreciation and amortization due to additional plant in service.

**Other Income and Expenses, net.** The decrease was primarily due to lower AFUDC equity income.

**Interest Expense.** The increase was primarily due to lower AFUDC debt income and higher outstanding debt.

***Income Tax Expense.*** The increase in tax expense was primarily due to an increase in pretax income.

**LIQUIDITY AND CAPITAL RESOURCES**

**Sources and Uses of Cash**

Duke Energy relies primarily upon cash flows from operations, debt and equity issuances and its existing cash and cash equivalents to fund its 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. Additionally, due to its existing tax attributes, Duke Energy does not expect to be a significant federal cash taxpayer until around 2030. Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2021, included a summary and detailed discussion of projected primary sources and uses of cash for 2022 to 2024.

As of June 30, 2022, Duke Energy had approximately $428 million of cash on hand and $5.4 billion available under its $9 billion Master Credit Facility. Duke Energy expects to have sufficient liquidity in the form of cash on hand, cash from operations and available credit capacity to support its funding needs. Refer to Note 5 to the Condensed Consolidated Financial Statements, "Debt and Credit Facilities," for information regarding Duke Energy's debt issuances and maturities, and available credit facilities including the Master Credit Facility.

**Cash Flow Information**

The following table summarizes Duke Energy's cash flows.

| | Six Months Ended June 30, | |
|---|---|---|
| **(in millions)** | **2022** | **2021** |
| Cash flows provided by (used in): | | |
| Operating activities | **$ 4,035** | $ 3,873 |
| Investing activities | **(5,492)** | (5,614) |
| Financing activities | **1,576** | 1,750 |
| Net increase in cash, cash equivalents and restricted cash | **119** | 9 |
| Cash, cash equivalents and restricted cash at beginning of period | **520** | 556 |
| Cash, cash equivalents and restricted cash at end of period | **$ 639** | $ 565 |

**OPERATING CASH FLOWS**

The following table summarizes key components of Duke Energy's operating cash flows.

| | Six Months Ended June 30, | | |
|---|---|---|---|
| **(in millions)** | **2022** | **2021** | **Variance** |
| Net income | **$ 1,700** | $ 1,639 | $ 61 |
| Non-cash adjustments to net income | **2,971** | 2,915 | 56 |
| Payments for asset retirement obligations | **(255)** | (263) | 8 |
| Working capital | **(381)** | (418) | 37 |
| Net cash provided by operating activities | **$ 4,035** | $ 3,873 | $ 162 |

The variance is primarily due to a 2022 settlement with the Department of Energy over spent nuclear fuel storage as well as timing of accruals and payments in working capital accounts.

**INVESTING CASH FLOWS**

The following table summarizes key components of Duke Energy's investing cash flows.

| | Six Months Ended June 30, | | |
|---|---|---|---|
| **(in millions)** | **2022** | **2021** | **Variance** |
| Capital, investment and acquisition expenditures | **$ (5,149)** | $ (4,657) | $ (492) |
| Other investing items | **(343)** | (957) | 614 |
| Net cash used in investing activities | **$ (5,492)** | $ (5,614) | $ 122 |

The variance relates primarily to payment made in 2021 to fund ACP's outstanding debt and lower overall investments in the Gas Utilities and Infrastructure and Commercial Renewables segments, partially offset by increases in capital expenditures due to higher overall investments in the Electric Utilities and Infrastructure segment.

**FINANCING CASH FLOWS**

The following table summarizes key components of Duke Energy's financing cash flows.

| | Six Months Ended June 30, | | |
|---|---|---|---|
| **(in millions)** | **2022** | **2021** | **Variance** |
| Issuances of long-term debt, net | **$ 2,567** | $ 2,625 | $ (58) |
| Issuances of common stock | **—** | 5 | (5) |
| Notes payable, commercial paper and other short-term borrowings | **558** | 415 | 143 |
| Dividends paid | **(1,574)** | (1,541) | (33) |
| Contributions from noncontrolling interests | **126** | 318 | (192) |
| Other financing items | **(101)** | (72) | (29) |
| Net cash provided by financing activities | **$ 1,576** | $ 1,750 | $ (174) |

The variance was primarily due to:

- a $192 million decrease in contributions from noncontrolling interests due to fewer project investments financed by tax equity being placed into service in the current year; and
- a $58 million decrease in net proceeds from issuances of long-term debt, primarily due to timing of issuances and redemptions of long-term debt.

Partially offset by:

- a $143 million increase in net borrowings from notes payable and commercial paper.

**OTHER MATTERS**

**Environmental Regulations**

The Duke Energy Registrants are subject to federal, state and local regulations regarding air and water quality, hazardous and solid waste disposal, coal ash and other environmental matters. These regulations can be changed from time to time and result in new obligations of the Duke Energy Registrants. Refer to Note 3 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for further information regarding potential plant retirements and regulatory filings related to the Duke Energy Registrants.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

For an in-depth discussion of the Duke Energy Registrants' market risks, see "Quantitative and Qualitative Disclosures about Market Risk" in Item 7 of the Annual Report on Form 10-K for the Duke Energy Registrants.

**Foreign Currency Exchange Risk**

Duke Energy is exposed to risk resulting from changes in the foreign currency exchange rates as a result of its issuances of long-term debt denominated in a foreign currency. Duke Energy manages foreign currency exchange risk exposure by entering into cross-currency swaps, a type of financial derivative instrument, which mitigate foreign currency exchange exposure. See Notes 5, 8 and 10 to the Condensed Consolidated Financial Statements, "Debt and Credit Facilities," "Derivatives and Hedging" and "Fair Value Measurements," respectively.

**Credit Risk**

Duke Energy is subject to credit risk from transactions with counterparties to cross-currency swaps related to future interest and principal payments. The credit exposure to such counterparties may take the form of higher costs to meet Duke Energy's future Euro-denominated interest and principal payments in the event of counterparty default. Duke Energy selects highly-rated banks as counterparties and allocates the hedge for each debt issuance across multiple counterparties. The master agreements with the counterparties impose collateral requirements on the parties in certain circumstances indicative of material deterioration in a party's creditworthiness.

**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 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 June 30, 2022, 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 and 15d-15 under the Exchange Act) that occurred during the fiscal quarter ended June 30, 2022, 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 material legal proceedings, including regulatory and environmental matters, see Note 3, "Regulatory Matters," and Note 4, "Commitments and Contingencies," to the Condensed Consolidated Financial Statements. For additional information, see Item 3, "Legal Proceedings," in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2021.

**ITEM 1A. RISK FACTORS**

In addition to the other information set forth in this report, careful consideration should be given to the factors discussed in Part I, “Item 1A. Risk Factors” in the Duke Energy Registrants' Annual Report on Form 10-K for the year ended December 31, 2021, which could materially affect the Duke Energy Registrants’ financial condition or future results. The information presented below updates, and should be read in conjunction with, the risk factors and information disclosed in the Annual Report on Form 10-K for the year ended December 31, 2021.

**The Duke Energy Registrants rely on access to short-term borrowings and longer-term debt and equity markets to finance their capital requirements and support their liquidity needs. Access to those markets can be adversely affected by a number of conditions, many of which are beyond the Duke Energy Registrants’ control.**

The Duke Energy Registrants’ businesses are significantly financed through issuances of debt and equity. The maturity and repayment profile of debt used to finance investments often does not correlate to cash flows from their assets. Accordingly, as a source of liquidity for capital requirements not satisfied by the cash flows from their operations and to fund investments originally financed through debt instruments with disparate maturities, the Duke Energy Registrants rely on access to short-term money markets as well as longer-term capital markets. The Subsidiary Registrants also rely on access to short-term intercompany borrowings. If the Duke Energy Registrants are not able to access debt or equity at competitive rates or at all, the ability to finance their operations and implement their strategy and business plan as scheduled could be adversely affected. An inability to access debt and equity may limit the Duke Energy Registrants’ ability to pursue improvements or acquisitions that they may otherwise rely on for future growth.

Market disruptions may increase the cost of borrowing or adversely affect the ability to access one or more financial markets. Such disruptions could include: economic downturns, unfavorable capital market conditions, market prices for natural gas and coal, geopolitical risks, actual or threatened terrorist attacks, or the overall health of the energy industry. Additionally, rapidly rising interest rates could impact the ability to affordably finance the capital plan or increase rates to customers and could have an impact on our ability to execute on our clean energy strategy. The availability of credit under Duke Energy’s Master Credit Facility depends upon the ability of the banks providing commitments under the facility to provide funds when their obligations to do so arise. Systemic risk of the banking system and the financial markets could prevent a bank from meeting its obligations under the facility agreement.

Duke Energy maintains a revolving credit facility to provide backup for its commercial paper program and letters of credit to support variable rate demand tax-exempt bonds that may be put to the Duke Energy Registrant issuer at the option of the holder. The facility includes borrowing sublimits for the Duke Energy Registrants, each of whom is a party to the credit facility, and financial covenants that limit the amount of debt that can be outstanding as a percentage of the total capital for the specific entity. Failure to maintain these covenants at a particular entity could preclude Duke Energy from issuing commercial paper or the Duke Energy Registrants from issuing letters of credit or borrowing under the Master Credit Facility.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None.

EXHIBITS

**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 | Piedmont |
|---|---|---|---|---|---|---|---|---|---|
| 4.1 | Twenty-seventh Supplemental Indenture, dated as of June 15, 2022, to the indenture, dated as of June 3, 2008, between Duke Energy Corporation and The Bank of New York Mellon Trust Company, N.A., as Trustee (incorporated by reference to Exhibit 4.1 to registrant's Current Report on Form 8-K filed on June 16, 2022, File No. 1-32853). | X | | | | | | | |
| 4.2 | Twelfth Supplemental Indenture dated as of May 13, 2022 between Piedmont Natural Gas Company, Inc. and The Bank of New York Mellon Trust Company, N.A., as successor to Citibank, N.A. and form of global notes (incorporated by reference to Exhibit 4.1 to registrant's Current Report on Form 8-K filed on May 13, 2022, File No. 1-6196). | | | | | | | | 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 | |
| *31.1.8 | 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 | | |

**EXHIBITS**

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| *31.2.7 | Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | | | | | | | X | |
| *31.2.8 | 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 | |
| *32.1.8 | 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 | |
| *32.2.8 | 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 (this does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document). | X | X | X | X | X | X | X | X |

**EXHIBITS**

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| *101.SCH | XBRL Taxonomy Extension Schema Document. | X | X | X | X | X | X | X | X |
| *101.CAL | XBRL Taxonomy Calculation Linkbase Document. | X | X | X | X | X | X | X | X |
| *101.LAB | XBRL Taxonomy Label Linkbase Document. | X | X | X | X | X | X | X | X |
| *101.PRE | XBRL Taxonomy Presentation Linkbase Document. | X | X | X | X | X | X | X | X |
| *101.DEF | XBRL Taxonomy Definition Linkbase Document. | X | X | X | X | X | X | X | X |
| *104 | Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101). | X | 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% 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

**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, LLC
PIEDMONT NATURAL GAS COMPANY, INC.

Date: August 4, 2022

/s/ STEVEN K. YOUNG
Steven K. Young
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: August 4, 2022

/s/ CYNTHIA S. LEE
Cynthia S. Lee
Vice President, Chief Accounting Officer
and Controller
(Principal Accounting Officer)

## CERTIFICATE OF SERVICE

The undersigned, attorney for the Petitioner herein, certifies that a copy of the foregoing Verified Petition has been served via electronic mail this 6th day of September, 2022, upon the following:

Randy Helmen
Office of the Utility Consumer Counselor
115 W. Washington Suite 1500 South
Indianapolis, Indiana 46204
rhelmen@oucc.in.gov
infomgt@oucc.in.gov

Elizabeth A. Heneghan

Elizabeth A. Heneghan, Atty. No. 24942-49
Duke Energy Business Services, LLC
1000 East Main Street
Plainfield, Indiana 46168
Telephone: 317-838-1254
Fax: 317-838-1842
beth.heneghan@duke-energy.com

**VERIFICATION**

I hereby verify under the penalties of perjury that the foregoing representations are true to the best of my knowledge, information and belief.

Signed: _____ Dated: Sept. 6, 2022

Chris Bauer