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Duke Energy CORP
Form 10-Q
August 03, 2017

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

(Mark One)

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

For the quarterly period ended June 30, 2017

OR

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

For the transition period from _____ to _____

Commission file number	Registrant, State of Incorporation or Organization, Address of Principal Executive Offices and Telephone Number	IRS Employer Identification No.
1-32853	DUKE ENERGY CORPORATION (a Delaware corporation) 550 South Tryon Street Charlotte, North Carolina 28202-1803 704-382-3853	20-2777218
1-4928	DUKE ENERGY CAROLINAS, LLC (a North Carolina limited liability company) 526 South Church Street Charlotte, North Carolina 28202-1803 704-382-3853 56-0205520 PROGRESS ENERGY, INC. (a North Carolina corporation) 410 South Wilmington Street Raleigh, North Carolina 27601-1748 704-382-3853 56-2155481 DUKE ENERGY PROGRESS, LLC (a North Carolina limited liability company)	1-3274 DUKE ENERGY FLORIDA, LLC (a Florida limited liability company) 299 First Avenue North St. Petersburg, Florida 33701 704-382-3853 59-0247770 DUKE ENERGY OHIO, INC. (an Ohio corporation) 139 East Fourth Street Cincinnati, Ohio 45202 704-382-3853 31-0240030 DUKE ENERGY INDIANA, LLC (an Indiana limited liability company) 1000 East Main Street Plainfield, Indiana 46168 704-382-3853 35-0594457
1-15929		1-1232
1-3382		1-3543
1-6196		

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

These factors include, but are not limited to:

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

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

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

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

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

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

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

Advancements in technology;

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

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

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

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

Operational interruptions to our gas distribution and transmission activities;

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

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

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

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

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

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

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

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

The impact of potential goodwill impairments;

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

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

The ability to implement our business strategy.

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

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

DUKE ENERGY CORPORATION

Condensed Consolidated Statements of Operations

(Unaudited)

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

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

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY CORPORATION

Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

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

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY CORPORATION

Condensed Consolidated Balance Sheets

(Unaudited)

(in millions)

June 30, 2017 December 31, 2016

ASSETS

Current Assets

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

LIABILITIES AND EQUITY

Current Liabilities

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

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Commitments and Contingencies

Equity

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

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY CORPORATION

Condensed Consolidated Statements of Cash Flows
(Unaudited)

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

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

See Notes to Condensed Consolidated Financial Statements

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

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY CAROLINAS, LLC

Condensed Consolidated Statements of Operations and Comprehensive Income

(Unaudited)

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

See Notes to Condensed Consolidated Financial Statements

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PART I

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

(in millions)	June 30, 2017	December 31, 2016
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 16	\$ 14
Receivables (net of allowance for doubtful accounts of \$2 at 2017 and 2016)	165	160
Receivables of VIEs (net of allowance for doubtful accounts of \$7 at 2017 and 2016)	611	645
Receivables from affiliated companies	85	163
Notes receivable from affiliated companies	—	66
Inventory	1,066	1,055
Regulatory assets	249	238
Other	34	37
Total current assets	2,226	2,378
Property, Plant and Equipment		
Cost	41,881	41,127
Accumulated depreciation and amortization	(14,632)	(14,365)
Net property, plant and equipment	27,249	26,762
Other Noncurrent Assets		
Regulatory assets	3,060	3,159
Nuclear decommissioning trust funds	3,499	3,273
Other	929	943
Total other noncurrent assets	7,488	7,375
Total Assets	\$ 36,963	\$ 36,515
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 639	\$ 833
Accounts payable to affiliated companies	127	247
Notes payable to affiliated companies	534	—
Taxes accrued	162	143
Interest accrued	104	102
Current maturities of long-term debt	704	116
Asset retirement obligations	227	222
Regulatory liabilities	115	161
Other	409	468
Total current liabilities	3,021	2,292
Long-Term Debt	8,520	9,187
Long-Term Debt Payable to Affiliated Companies	300	300
Other Noncurrent Liabilities		
Deferred income taxes	6,742	6,544
Asset retirement obligations	3,644	3,673
Regulatory liabilities	2,885	2,840
Accrued pension and other post-retirement benefit costs	103	97
Investment tax credits	235	203
Other	574	607
Total other noncurrent liabilities	14,183	13,964

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Commitments and Contingencies

Equity

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

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY CAROLINAS, LLC

Condensed Consolidated Statements of Cash Flows
(Unaudited)

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

Accrued capital expenditures

\$200 \$228

See Notes to Condensed Consolidated Financial Statements

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PART I

DUKE ENERGY CAROLINAS, LLC

Condensed Consolidated Statements of Changes in Equity
(Unaudited)

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

See Notes to Condensed Consolidated Financial Statements

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PART I

PROGRESS ENERGY, INC.

Condensed Consolidated Statements of Operations and Comprehensive Income

(Unaudited)

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

See Notes to Condensed Consolidated Financial Statements

PART I

PROGRESS ENERGY, INC.

Condensed Consolidated Balance Sheets

(Unaudited)

(in millions)

June 30, 2017 December 31, 2016

ASSETS

Current Assets

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

LIABILITIES AND EQUITY

Current Liabilities

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

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

See Notes to Condensed Consolidated Financial Statements

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PART I

PROGRESS ENERGY, INC.

Condensed Consolidated Statements of Cash Flows
(Unaudited)

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

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

See Notes to Condensed Consolidated Financial Statements

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PART I

PROGRESS ENERGY, INC.

Condensed Consolidated Statements of Changes in Equity
(Unaudited)

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

See Notes to Condensed Consolidated Financial Statements

PART I

DUKE ENERGY PROGRESS, LLC

Condensed Consolidated Statements of Operations and Comprehensive Income

(Unaudited)

	Three Months		Six Months	
	Ended		Ended	
	June 30,		June 30,	
(in millions)	2017	2016	2017	2016
Operating Revenues	\$1,199	\$1,213	\$2,418	\$2,520
Operating Expenses				
Fuel used in electric generation and purchased power	375	424	739	872
Operation, maintenance and other	330	321	680	707
Depreciation and amortization	173	175		