

DUKE ENERGY CAROLINAS, LLC

Item No. 21

Docket No. E-7, Sub 1276

NCUC Form E-1 Data Request

For the test year ended December 31, 2021

☐ **CONFIDENTIAL**

☒ **NOT CONFIDENTIAL**

Request:

Provide the most recent annual report to stockholders, latest 10 year statistical supplement (if available), and subsequent quarterly reports to stockholders, or all such reports since the last general rate case filing.

Response:

See attached files.



Duke Energy Carolinas, LLC
Docket no. E-7, Sub 1276
E1-21- Annual Reports
For the Test Year ended December
31, 2021

Earnings Review & Business Update

FIRST QUARTER 2020

Lynn Good *Chair, President and CEO*

Steve Young *Executive Vice President and CFO*

May 12, 2020

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Jan 19 2023

Safe Harbor statement

This presentation includes forward-looking statements within the meaning of the federal securities laws. Actual results could differ materially from such forward-looking statements. The factors that could cause actual results to differ are discussed herein and in Duke Energy's SEC filings, available at www.sec.gov.

Regulation G disclosure

In addition, today's discussion includes certain non-GAAP financial measures as defined under SEC Regulation G. A reconciliation of those measures to the most directly comparable GAAP measures is available in the Appendix herein and on our Investor Relations website at www.duke-energy.com/investors/.

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 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 and the economic health of our service territories or variations in customer usage patterns, including energy efficiency efforts and use of alternative energy sources, such as self-generation and distributed generation technologies; Federal and state regulations, laws and other efforts designed to promote and expand the use of energy efficiency measures and distributed generation technologies, such as private solar and battery storage, in Duke Energy service territories could result in customers leaving the electric distribution system, excess generation resources as well as stranded costs; Advancements in technology; Additional competition in electric and natural gas markets and continued industry consolidation; The influence of weather and other natural phenomena on operations, including the economic, operational and other effects of severe storms, hurricanes, droughts, earthquakes and tornadoes, including extreme weather associated with climate change; The ability to successfully operate electric generating facilities and deliver electricity to customers including direct or indirect effects to the company resulting from an incident that affects the U.S. electric grid or generating resources; The ability to obtain the necessary permits and approvals and to complete necessary or desirable pipeline expansion or infrastructure projects in our natural gas business; Operational interruptions to our natural gas distribution and transmission activities; The availability of adequate interstate pipeline transportation capacity and natural gas supply; The impact on facilities and business from a terrorist attack, cybersecurity threats, data security breaches, 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 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; 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; and the ability to implement our business strategy, including enhancing existing technology systems.

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](https://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.

BUSINESS UPDATE

Lynn Good, Chair, President & CEO

- Our community and operational response to COVID-19
- Our financial response to COVID-19
- Long-term company outlook

FINANCIAL UPDATE

Steve Young, Executive VP & CFO

- First-quarter 2020 earnings drivers
- Recent regulatory activities
- Liquidity and balance sheet strength
- Load growth and economic outlook
- Key investor considerations



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Jan 19 2023

OUR PROFOUND THANKS TO THE HEALTHCARE WORKERS ON THE FRONT LINES, AS WELL AS TO THOSE WORKING COUNTLESS HOURS PROVIDING SUPPORT TO OUR FRONTLINE COMMUNITY HEROES

EMPLOYEES



- Implemented rotating shifts and enhanced personal protective equipment, disinfectant cleaning, temperature checks and visitor restrictions to protect critical operational staff
- Our focus on operational excellence has not wavered
 - New safety protocols particularly important during spring storms and nuclear outages
- Activated work at home protocols for ~18,000 employees since mid-March
- Providing paid time off for dependent care and incremental pay for eligible employees
- Waiving cost sharing and certain insurance costs for COVID-19 care

CUSTOMERS



- Suspending service disconnections, waiving late payment and other fees
- Beginning proactive outreach to business and residential customers to offer deferred payment arrangements
- Accelerating flow back of fuel overcollections to Florida customers, resulting in ~20% residential bill reduction in May
- Supporting hunger relief, local health and human services and education initiatives with Foundation donations and grants of ~\$6 million to our communities
 - Includes bill assistance to support low-income customers in our jurisdictions

COMMUNITIES



HEALTH AND SAFETY OF EMPLOYEES, CUSTOMERS AND COMMUNITIES ARE OUR TOP PRIORITIES

ACTIVATED 2020 MITIGATION PLAN

TO SUBSTANTIALLY OFFSET
EXPECTED REVENUE
DEGRADATION

AFFIRMING

OUR 2020 ADJUSTED
EPS GUIDANCE RANGE OF
\$5.05 - \$5.45

REAFFIRMING 4%-6% GROWTH THROUGH 2024⁽¹⁾

FUNDAMENTALLY STRONG BUSINESS MODEL...

- Results for Q1 2020 on track with the exception of mild weather and storm activity
- Constructive regulatory environments are supportive over the long term
- Size, scale and diversity of operations are essential to being able to deliver shareholder value in 2020 as well as the long-term

...POSITIONS DUKE ENERGY TO RAPIDLY RESPOND TO UNCERTAIN ECONOMIC CONDITIONS

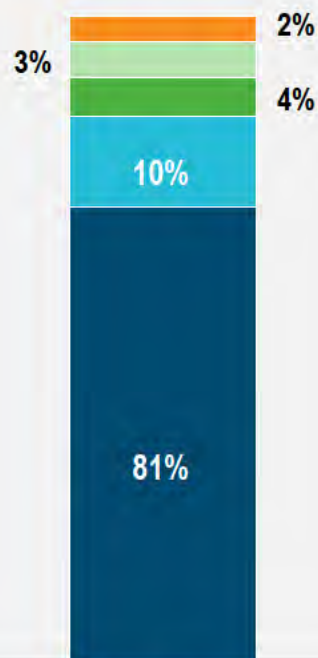
- COVID-19 expected to have some negative impact on revenues in 2020
 - C&I load decreases partially offset by residential increases
- Identified and actively managing mitigation plans
- Affirming targeted full year 2020 earnings guidance range

...AND LONG-TERM CAPITAL PLAN AND GUIDANCE REMAIN INTACT

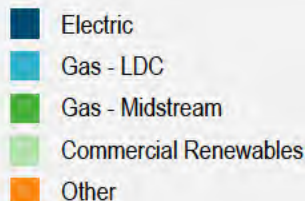
- \$56 billion, 5-year capital plan will provide important infrastructure for our communities
- Reaffirming long-term growth rate of 4%-6% through 2024⁽¹⁾

⁽¹⁾ Based on adjusted EPS off the midpoint of the 2019 guidance range (\$5.00)

5-Year \$56B Capital Plan Remains Intact



5 year Plan



GENERATE CLEANER ENERGY

- Steadfast commitment to carbon reduction goals of $\geq 50\%$ reduction in CO₂ emissions from electricity generation by 2030 and net zero by 2050
- Second Duke Energy Climate Report issued in April 2020, providing greater clarity on pathway to achieve climate goals
- Stakeholder process for North Carolina Clean Energy Plan underway
- We look forward to hosting our ESG analysts day, tentatively set for early October

MODERNIZE THE ENERGY GRID

- Florida Storm Protection Plan filed in April 2020, representing a 10-year, \$6 billion capital plan

EXPAND NATURAL GAS INFRASTRUCTURE

- Asheville combined-cycle plant brought online, enabling coal plant retirements
- Natural gas distribution upgrades progressing as planned
- Significant milestones for Atlantic Coast Pipeline expected in Q2/Q3 2020

OUR \$56 BILLION CAPITAL PLAN REMAINS INTACT AND IS ESSENTIAL TO OUR GROWING COMMUNITIES

\$56 B

FIVE YEAR CAPITAL PLAN

310 K

ELECTRIC T&D MILES

51 GWS

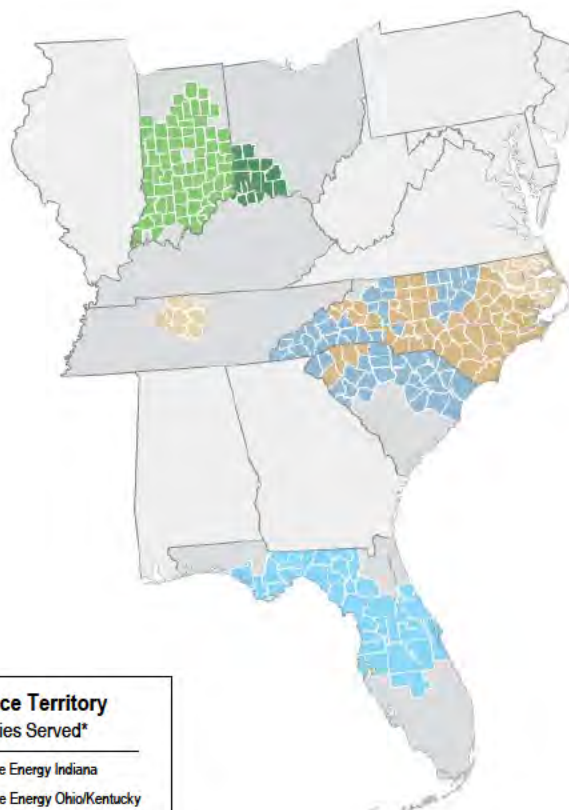
**TOTAL REGULATED
GENERATING CAPACITY**







~\$5 B

ANNUAL NON-RIDER O&M

24 M

**PEOPLE SERVED IN OUR
7 STATES**



Service Territory Counties Served*	
	Duke Energy Indiana
	Duke Energy Ohio/Kentucky
	Duke Energy Carolinas/Progress
	Piedmont Natural Gas
	Overlapping Territory
	Duke Energy Florida

- Constructive jurisdictions with strong economies
- Diversity of operations, size and scale allow us to stay nimble to drive shareholder value
 - O&M agility and capital dexterity is a core competency
 - T&D grid and regulated generation capacity are largest in the industry, driving long-term investments
 - 5 year capital plan will drive long-term benefits for customers, communities and shareholders

ADJUSTED EARNINGS PER SHARE



REPORTED EARNINGS PER SHARE



SEGMENT RESULTS VS. PRIOR YEAR QUARTER⁽¹⁾

Electric Utilities & Infrastructure, -\$45 M (-\$0.06 per share)

- ▼ Weather and storm costs (-\$0.06 per share)
- ▼ Higher depreciation and amortization, primarily due to a growing asset base
- ▲ Higher rider and other retail margins, including energy efficiency
- ▲ Contribution from base rate changes in SC and FL

Gas Utilities & Infrastructure, +\$23 M (+\$0.03 per share)

- ▲ Contribution from base rate changes in NC
- ▲ LDC margin expansion
- ▼ Favorable prior period tax adjustment

Commercial Renewables, +\$44 M (+\$0.06 per share)

- ▲ Continued benefit from 2019 projects
- ▲ Higher wind production and pricing

Other, -\$98 M (-\$0.12 per share)

- ▼ Lower investment returns in non-qualified benefit plans (-\$0.06 per share)
- ▼ Holdco financing costs

Share Dilution (-\$0.01 per share)

Q1 2020 RESULTS ARE ON PLAN WITH THE EXCEPTION OF MILD WINTER WEATHER AND STORMS OF ~\$0.15

⁽¹⁾ Detailed drivers of adjusted segment income (loss) are available in the 1Q 2020 earnings release located on our Investor Relations website

	DUKE ENERGY FLORIDA	<ul style="list-style-type: none"> Storm Protection Plan filed April 2020 Multi-year rate plan and solar base rate adjustment mechanisms provide timely recovery of grid and clean generation investments through 2021; MYRP new rates eff. Jan. 2020
	DUKE ENERGY OHIO	<ul style="list-style-type: none"> Distribution Capital Investments extended through 2025; ~\$200 million annual investment Transmission investments recovered via BTR rider; ~\$100 million annual investment
	DUKE ENERGY INDIANA	<ul style="list-style-type: none"> T&D Infrastructure Modernization Plan; 7-year \$1.4 billion investment through 2022 Base rate case: <ul style="list-style-type: none"> Hearings concluded Feb. 7, 2020; expect IURC order mid-2020 Requested new rates effective mid-2020
	DUKE ENERGY KENTUCKY	<ul style="list-style-type: none"> Order received April 27, 2020 Overall rate increase of \$24 million, or 6.6% New rates effective May 1, 2020
	DUKE ENERGY CAROLINAS	<ul style="list-style-type: none"> Initial request for new rates effective Aug. 1, 2020 Partial settlement on storm costs to be securitized and other minor accounting items Seeking to combine hearing with DEP in July 2020
	DUKE ENERGY PROGRESS	<ul style="list-style-type: none"> Initial request for new rates effective Sep. 1, 2020 Seeking to combine hearing with DEC in July 2020

OUR REGULATORY JURISDICTIONS HAVE A TRACK RECORD OF CONSTRUCTIVELY ADDRESSING EXTRAORDINARY EVENTS

\$3B NEW DEBT FINANCED 1Q 2020

AT ~2.0% WEIGHTED-AVERAGE
INTEREST RATE

~\$8.2B

OF AVAILABLE LIQUIDITY
AS OF APRIL 30, 2020

\$11B – \$12B

2020 CAPITAL PLAN
UNCHANGED,
BUT FLEXIBILITY REMAINS

WELL TIMED AND EXCELLENT EXECUTION OF CAPITAL MARKETS TRANSACTIONS

- Opportunistically priced \$2.5 billion of common equity in November 2019 pursuant to forward contract that can be settled anytime prior to the end of 2020
- Completed \$1.5 billion in Opco debt financing in Q1 prior to market dislocation
- Entered into new \$1.5 billion Holdco term loan, priced at 1-month LIBOR +60 bps

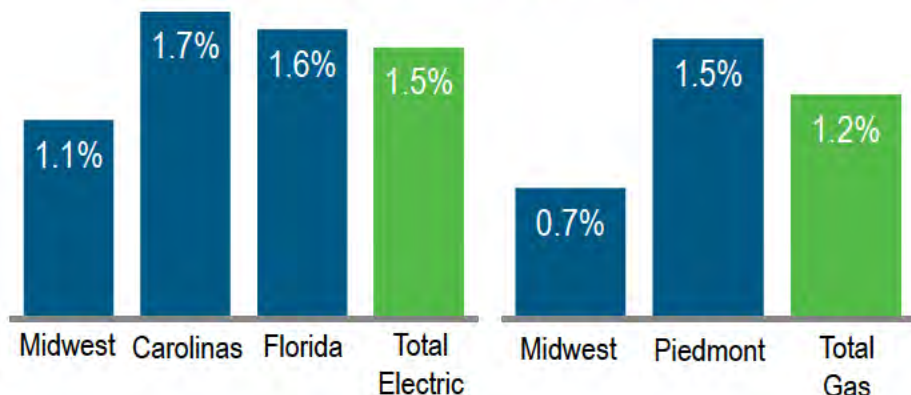
BALANCE SHEET STRENGTH AND AMPLE LIQUIDITY

- Strong liquidity position of \$8.2 billion gives company flexibility in executing its 2020 financing plan
- CARES Act provides for \$400 million of 2020 liquidity, the majority of which is related to an acceleration of remaining AMT tax credits of \$285 million into 2020, doubling the amount of AMT tax receipts for the year
- Continue to expect 2020 FFO/debt of ~15%, incorporating our current assumptions, and expense reduction mitigation plan
- Pension funded status of approximately 100% as of April 30, 2020

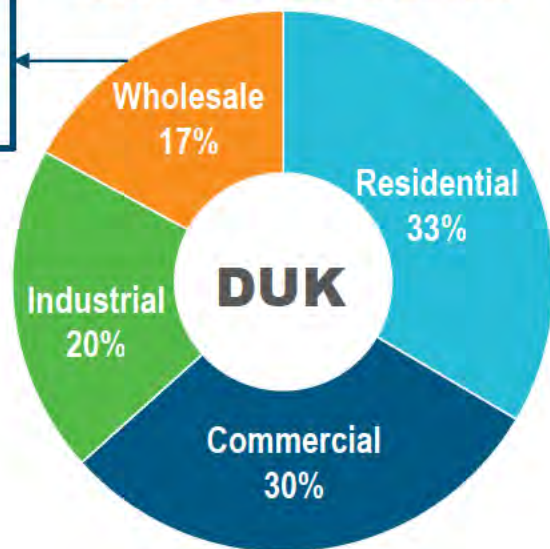
2020 FINANCING PLAN UPDATE

- No significant changes to our original debt and equity issuances plan for the year
- Remaining public debt financing needs for 2020 include ~\$1.5 billion at Holdco (to refinance term loan) and ~\$2.3 billion across various Opco's

ANNUAL GROWTH IN NUMBER OF RESIDENTIAL CUSTOMERS



TOTAL ELECTRIC SALES BY CUSTOMER CLASS



Majority in rural, heavily residential areas

RESIDENTIAL

- Strong customer growth continued through first quarter 2020
- Stay at home activities will increase residential sales, especially during summer cooling season
- Diversity of operations is a fundamental strength
 - Strong retail sales in Florida help offset declines in C&I usage in other jurisdictions

COMMERCIAL

- Expecting significant declines in the second quarter due to mandatory closure of non-essential businesses
- Data centers and essential services expected to be resilient

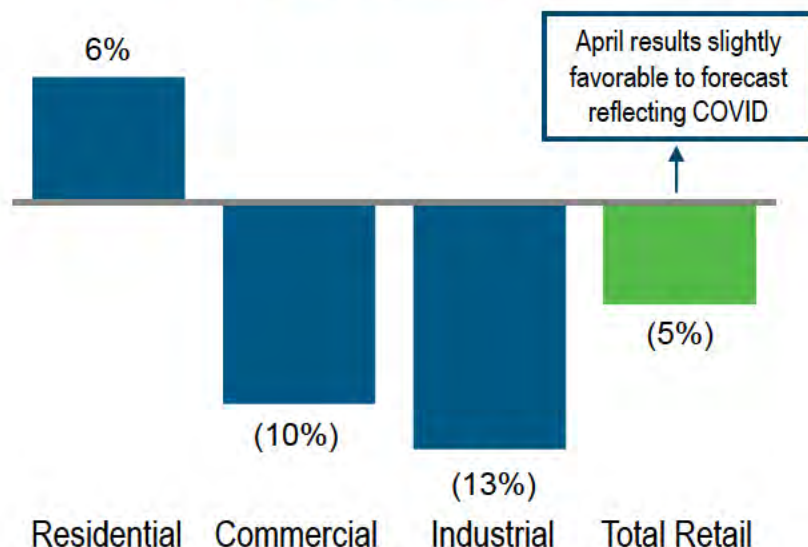
INDUSTRIAL

- Many customers announced suspension of operations in late March
- Industrial customers in the Carolinas and Midwest are beginning to resume operations

WHOLESALE

- Customer mix is heavily weighted toward residential

APRIL 2020 RETAIL ELECTRIC VOLUMES⁽¹⁾



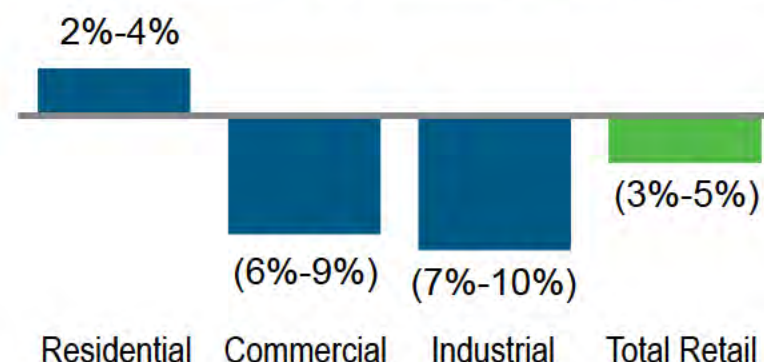
Total Company EPS sensitivities to (+ or –) 1% change in retail electric volumes	
Residential	\$0.08
Commercial	\$0.05
Industrial	\$0.02
Total Retail	\$0.15

2020 VOLUME EXPECTATIONS

- Expect declines in C&I in Q2 and Q3 with a gradual glide path towards more normal usage patterns
- Expect retail volumes to decline 3-5% for full year 2020, but with increased, higher margin residential volumes
- Forecasting ~\$0.25-\$0.35 impact to 2020 EPS due to retail load declines, based on current estimates

FORECASTED FULL YEAR 2020 RETAIL ELECTRIC VOLUMES

(based on company's current economic assumptions)



(1) Weather-normal, based on billed sales April 2020 compared to April 2019. Declines in commercial and industrial trending higher at the end of the month, along with continued strength in residential volumes.

ANTICIPATING
(\$0.25-\$0.35)
COVID IMPACTS

MITIGATION PLANS OF
\$0.35-\$0.45
OF EPS ARE UNDERWAY

AFFIRMING
OUR 2020 ADJUSTED
EPS GUIDANCE RANGE OF
\$5.05 - \$5.45

STRONG DIVIDEND
65%-75%
LONG-TERM TARGET
PAYOUT RATIO ⁽¹⁾⁽²⁾

EXPECTED EPS IMPACTS BASED ON CURRENT ASSUMPTIONS

- ~\$0.25-\$0.35 impact to 2020 EPS due to retail load declines from COVID-19 pandemic (based on current assumptions of a gradual economic recovery over the balance of the year)

MITIGATION EFFORTS EXPECTED TO PROVIDE SUBSTANTIAL BENEFITS IN 2020

- Highly confident in achieving a \$350-\$450 million reduction in O&M and other expenses in 2020, including approximately 6%-7% reduction in O&M year-over-year
- Clear line of sight of initiatives to achieve savings, including revised scope and timing of plant outages, contract and employee labor costs, reductions in overtime and employee expenses, as well as corporate costs such as IT expenditures
- Benefitting from lower interest expense due to well timed capital market transactions

STEADFAST COMMITMENT TO MAINTAINING THE DIVIDEND

- 2020 marks the 94th consecutive year of paying a cash dividend
- Committed to paying and growing the dividend consistent with our long-term target payout ratio

DEMONSTRATED TRACK RECORD OF CONSISTENTLY DELIVERING O&M AND OTHER COST SAVINGS IN AN AGILE FASHION SINCE 2015

(1) Based on adjusted EPS

(2) Subject to approval by the Board of Directors.

DUK
LISTED
NYSE

A STRONG LONG-TERM RETURN PROPOSITION

DUK
LISTED
NYSE

4.6%

DIVIDEND YIELD⁽¹⁾
WITH LONG-TERM
DIVIDEND **GROWTH**
COMMITMENT⁽²⁾



~8-10%

ATTRACTIVE
RISK-ADJUSTED
TOTAL SHAREHOLDER
RETURN⁽³⁾



4-6%

HIGHLY
ACHIEVABLE
EPS GROWTH
THROUGH 2024⁽⁴⁾

**CONSTRUCTIVE JURISDICTIONS, LOW-RISK REGULATED
INVESTMENTS AND BALANCE SHEET STRENGTH**

(1) As of May 8, 2020

(2) Subject to approval by the Board of Directors.

(3) Total shareholder return proposition at a constant P/E ratio

(4) Based on adjusted EPS off the midpoint of the 2019 guidance range (\$5.00)

Our purpose:

Power the lives of our customers and the vitality of our communities

- No significant safety incidents through April while delivering exceptional operational results
- Maintaining steadfast focus on keeping the lights on for our customers
 - Completed more than 30 generation outages, including two nuclear outages, while successfully managing COVID-19 risk
 - Restored ~900,000 customers due to storm outages in Midwest and Carolinas in April
 - Delivered strong customer services results; internal customer satisfaction scores jumped 25% from February to March in response to the company's COVID-19 actions
- Actively managing our supply chain for major projects and base operations
 - Regulated and renewable projects remain on track for 2020
 - Asheville combined-cycle facility successfully brought online
 - Palmer 60MW solar site achieved COD April 2020
- Frequently communicating with our state legislators, regulators and other stakeholders to keep them fully informed and engaged throughout the COVID-19 pandemic



**THANK YOU TO OUR 40,000+ EMPLOYEES AND CONTRACTORS
FOR THEIR TIRELESS COMMITMENT DURING COVID-19**



Appendix



STATUS UPDATE

- Minimal impact expected due to COVID-19
 - AT – SCOTUS decision – expect by June 2020
 - Biological Opinion – work continues and expect permit reissuance mid-2020
 - NWP 12– awaiting clarity on recent non-ACP ruling in Montana
- Customer negotiations – revised commercial terms with major customers finalized
- Continue to expect full in-service in the first half of 2022
- Estimated cost of approximately \$8.0 billion⁽¹⁾
 - ACP represents ~ 4% of Duke Energy’s 5-year capital plan

PERMIT STATUS

	Status/expected resolution	Agency
Appalachian Trail (AT)	SCOTUS oral arguments Feb 24 th / decision by June 2020	U.S. Forest Service
Biological Opinion	In process / reissuance mid-2020	U.S. Fish and Wildlife Service
Buckingham County	Vacated/Supplemental analysis filed / reissuance 2H2020	Virginia Air Control Board
Nationwide Twelve (NWP 12)	Voluntarily remanded / reissuance timing under evaluation	U.S. Army Corps of Engineers
Blue Ridge Crossing	Voluntarily remanded / reissuance 2H2020	U.S. National Park Service

(1) Represents total project cost, of which Duke Energy’s share is 47%. Excludes AFUDC



TRANSFORM THE
CUSTOMER EXPERIENCE



MODERNIZE THE
ENERGY GRID



GENERATE
CLEANER ENERGY



EXPAND **NATURAL GAS**
INFRASTRUCTURE



STAKEHOLDER
ENGAGEMENT

**EMPLOYEE ENGAGEMENT AND OPERATIONAL EXCELLENCE
ARE FOUNDATIONAL TO OUR SUCCESS**



2020 financial supplement

Key 2020 adjusted earnings guidance assumptions

(\$ in millions)	Original 2020 Assumptions ⁽¹⁾	2020 YTD (thru 3/31/2020)
Adjusted segment income/(expense) ⁽²⁾:		
Electric Utilities & Infrastructure	\$3,640	\$705
Gas Utilities & Infrastructure	\$530	\$249
Commercial Renewables	\$240	\$57
Other	(\$540)	(\$187)
Duke Energy Consolidated	\$3,870	\$824
Additional consolidated information:		
Effective tax rate including noncontrolling interests and preferred dividends and excluding special items	11-13%	12.2%
AFUDC equity (excludes ACP)	\$138	\$40
Capital expenditures ⁽³⁾⁽⁴⁾	\$11,825	\$2,932
Weighted-average shares outstanding – basic	~737 million	734 million

(1) Full year amounts for 2020, as disclosed on Feb. 13, 2020

(2) Adjusted net income for 2020 assumptions is based upon the midpoint of the adjusted EPS guidance range of \$5.05 to \$5.45

(3) Includes debt AFUDC and capitalized interest

(4) 2020 YTD actual (through 03/31/20) includes coal ash closure spend of ~\$130 million that was included in operating cash flows and excludes tax equity funding of Commercial Renewables projects of ~\$100 million. 2020 Assumptions include ~\$750 million of projected coal ash closure spend and \$500 million projected to be funded under the ACP revolving credit facility.

Electric utilities quarterly weather impacts

Weather segment income to normal:	2020			2019		
	Pretax impact	Weighted avg. shares	EPS impact favorable / (unfavorable)	Pretax impact	Weighted avg. shares	EPS impact favorable / (unfavorable)
First Quarter	(\$110)	734	(\$0.11)	(\$55)	727	(\$0.06)
Second Quarter				\$80	728	\$0.08
Third Quarter				\$145	729	\$0.15
Fourth Quarter				\$30	731	\$0.03
Year-to-Date ⁽¹⁾	(\$110)	734	(\$0.11)	\$200	729	\$0.20

1Q 2020	Duke Energy Carolinas		Duke Energy Progress		Duke Energy Florida		Duke Energy Indiana		Duke Energy Ohio/KY	
Heating degree days / Variance from normal	1,390	(19.6%)	1,186	(25.8%)	220	(9.8%)	2,457	10.6%	2,186	(15.1%)
Cooling degree days / Variance from normal	35	382.8%	52	349.1%	470	138%	-	-	5	45.7%
1Q 2019	Duke Energy Carolinas		Duke Energy Progress		Duke Energy Florida		Duke Energy Indiana		Duke Energy Ohio/KY	
Heating degree days / Variance from normal	1,603	(6.9%)	1,483	(7.8%)	271	(26.9%)	2,884	4.6%	2,571	0.6%
Cooling degree days / Variance from normal	4	(46.0%)	6	(45.5%)	244	27.8%	-	-	-	-

(1) Year-to-date amounts may not foot due to differences in weighted-average shares outstanding and/or rounding.

Driver		EPS Impact
Electric Utilities & Infrastructure	1% change in earned return on equity	+/- \$0.52
	\$1 billion change in rate base	+/- \$0.07
	1% change in retail volumes: Industrial +/- \$0.02 Commercial +/- \$0.05 Residential +/- \$0.08	+/- \$0.15 ⁽¹⁾
Gas Utilities & Infrastructure	1% change in earned return on equity	+/- \$0.07
	\$200 million change in rate base	+/- \$0.01
	1% change in number of new customers	+/- \$0.01
Consolidated	1% change in interest rates ⁽²⁾	+/- \$0.10

Note: EPS amounts based on forecasted 2020 basic share count of ~737 million shares

⁽¹⁾ Assumes 1% change across all customer classes; EPS impact for the industrial class is lower due to lower margins

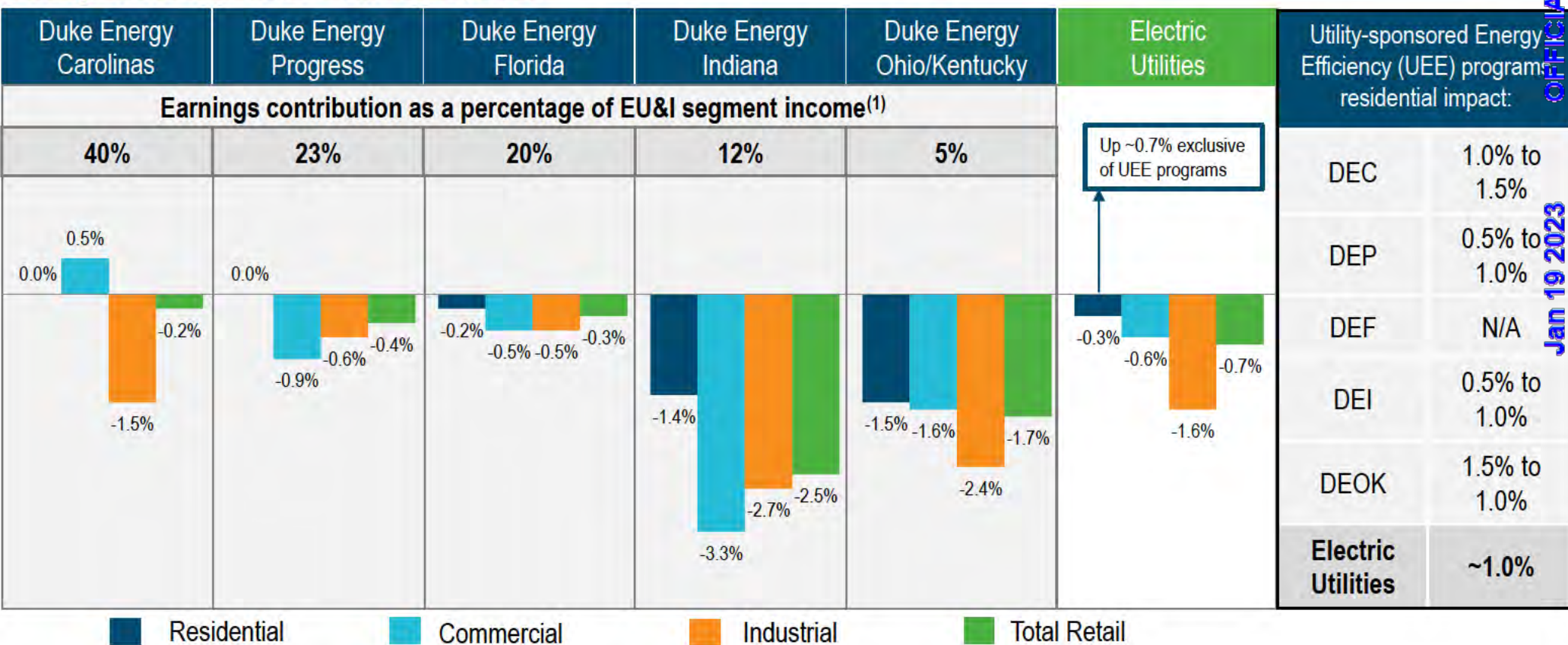
⁽²⁾ Based on average variable-rate debt outstanding throughout the year. There was \$8.6 billion in floating rate debt as of December 31, 2019.

Weather normalized volume trends, by electric jurisdiction

Rolling Twelve Months, as of March 31, 2020

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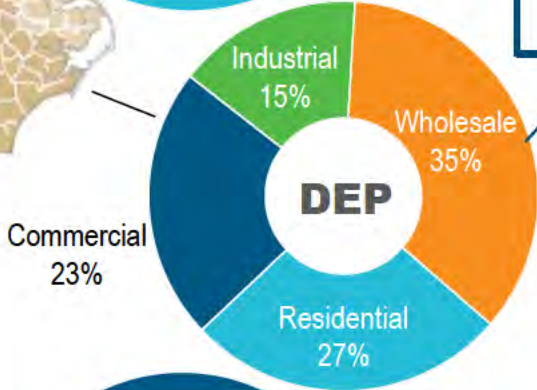
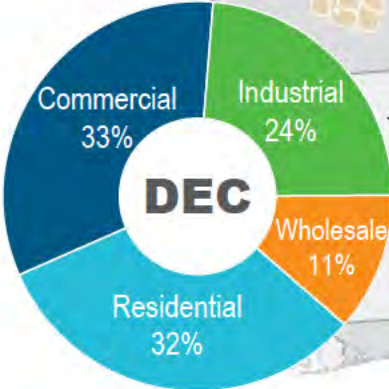
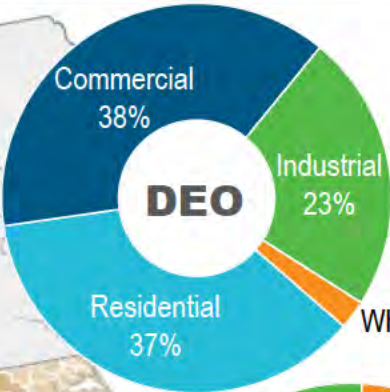
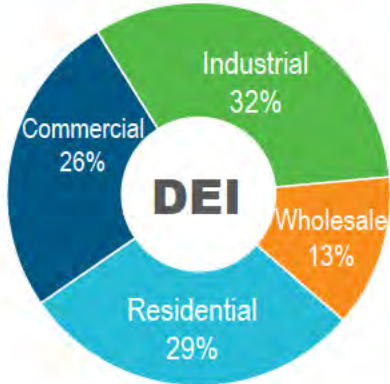
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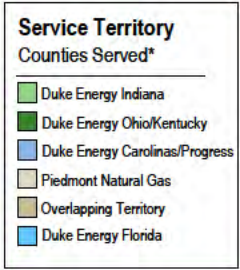
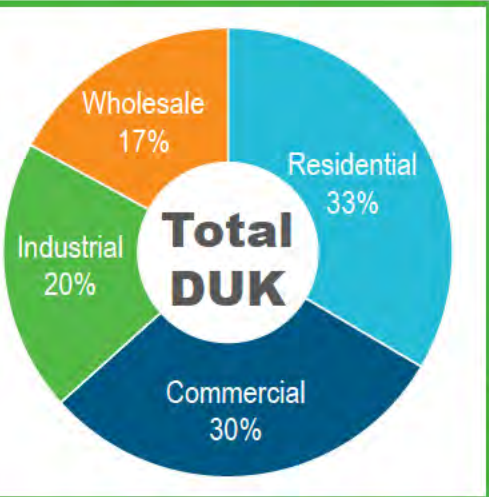
(1) Based on 2019 segment income.

LOAD RESULTS IN OUR JURISDICTIONS REPRESENTING ~83% OF SEGMENT INCOME HAVE BEEN SOLID THROUGH 1Q 2020

Diverse customer mix across our jurisdictions



Majority in rural, heavily residential areas



CUSTOMER DIVERSITY POSITIONS COMPANY WELL IN COVID-19 ENVIRONMENT

REGULATED

Site	Solar Megawatts	COD	Location
Lake Placid	45	Dec 2019	FL
Trenton	74.9	Dec 2019	FL
Columbia	74.9	Mar 2020	FL
DeBary	74.5	Q2 2020	FL
Twin Rivers	74.9	Q4 2020	FL
Santa Fe	74.9	Q4 2020	FL
Catawba County ⁽¹⁾	69	2020	NC (DEC)
Gaston County ⁽¹⁾	25	2020	NC (DEC)
PPA projects ⁽¹⁾⁽²⁾	331	2020/2021	NC/SC
Total	844		

COMMERCIAL RENEWABLES

Site	Megawatts				COD	Location
	Solar	Wind	Fuel Cell	Total		
Cleveland County ⁽¹⁾	50	-	-	50	2020	NC
Surry County ⁽¹⁾	23	-	-	23	2020	NC
Cabarrus County ⁽¹⁾	23	-	-	23	2020	NC
Rosamond	150	-	-	150	Jun 2019	CA
Lapetus	100	-	-	100	Dec 2019	TX
Palmer	60	-	-	60	Apr 2020	CO
Holstein	200	-	-	200	Mid-2020	TX
Rambler	200	-	-	200	Mid-2020	TX
Mesteno	-	200	-	200	Dec 2019	TX
Frontier II	-	350	-	350	2020	OK
Maryneal	-	180	-	180	2020	TX
Bloom Energy	-	-	37	37	2019/2020	Various
Total	806	730	37	1,573		

(1) Projects that cleared the first RFP under HB589 (521 MW in total of which Duke Energy owns 190MW). Dates may vary depending upon local approvals

(2) Projects procured on behalf of customers but not owned by Duke Energy

ANNOUNCED A NEW GOAL TO DOUBLE OUR OWNERSHIP, OPERATION OR CONTRACTING OF SOLAR, WIND AND BIOMASS TO 16,000 MEGAWATTS BY 2025



Financing plan update and current liquidity

Issuer	Planned Amount (\$ in millions)	Security	Completed (\$ in millions)	Date Issued	Term	Rate	2020 Maturities ⁽⁴⁾
Holding Company	\$1,000 - \$1,500	Senior Notes or other LT securities (excludes bank loan borrowings in Q1)	-	-	-	-	\$350 (June, 2020)
Holding Company	\$500	Common Equity (ATM/DRIP) ⁽²⁾	\$85 – ATM \$67 – DRIP	YTD	-	-	-
DE Carolinas	\$800 - \$1,000	Senior Debt	\$500 \$400	Jan. 2019	10-year 30-year ⁽³⁾	Fixed – 2.45% Fixed – 3.20%	\$450 (June, 2020)
DE Progress	\$500 - \$700	Senior Debt	-	-	-	-	\$1,000 (Sept. & Dec. 2020)
DE Florida	\$400 - \$600	Senior Debt	-	-	-	-	\$500 (Jan. & April 2020)
DE Indiana	\$450 - \$650	Senior Debt	\$550	March 2020	30-year	2.75%	\$500 (July 2020)
DE Ohio	\$300 - \$500	Senior Debt	-	-	-	-	-
Piedmont	\$300 - \$500	Senior Debt	-	-	-	-	-
DE Kentucky	\$50 - \$70	Senior Debt	-	-	-	-	-

(1) Includes expected long-term financings and excludes various planned structured / other financings at Commercial Renewables

(2) The common equity figure for 2020 represents new issuance of common stock via the company's DRIP and ATM program. Additionally, the Company intends to physically settle the ~\$2.5 billion equity forward transaction that priced in November 2019 by no later than December 31, 2020.

(3) Reopened the existing 3.20% 2049s

(4) Excludes amortization of noncash purchase accounting adjustments and CR3 securitization

Liquidity summary (as of April 30, 2020)

(\$ in millions)

	Duke Energy	Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida	Duke Energy Indiana	Duke Energy Ohio	Duke Energy Kentucky	Piedmont Natural Gas	Total
Master Credit Facility ⁽¹⁾	\$ 2,650	\$ 1,500	\$ 1,250	\$ 800	\$ 600	\$ 450	\$ 150	\$ 600	\$ 8,000
Less: Notes payable and commercial paper ⁽²⁾	(390)	(300)	(322)	(390)	(150)	(203)	(86)	(306)	(2,146)
Coal Ash Set-Aside ⁽³⁾	-	(250)	(250)	-	-	-	-	-	(500)
Outstanding letters of credit (LOCs)	(42)	(4)	(2)	-	-	-	-	(2)	(49)
Tax-exempt bonds	-	-	-	-	(81)	-	-	-	(81)
Available capacity	\$ 2,218	\$ 946	\$ 676	\$ 410	\$ 369	\$ 247	\$ 64	\$ 292	\$ 5,224
Funded Revolver and Term Loan ⁽⁴⁾	\$ 2,688		\$ 700						\$ 3,388
Less: Borrowings Under Credit Facilities	(2,688)		(700)						(3,388)
Available capacity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Equity Forwards	\$ 2,535								\$ 2,535
Cash & short-term investments									433
Total available liquidity									\$ 8,192

(1) Duke Energy's master credit facility supports Tax-Exempt Bonds, LOCs and the Duke Energy CP program of \$6 billion.

(2) Includes permanent layer of commercial paper of \$625 million, which is classified as long-term debt

(3) Duke Energy Carolinas and Duke Energy Progress are required to each maintain \$250 million of available capacity under the Master Credit Facility as security to meet obligations under plea agreements reached with the U.S. Department of Justice in 2015 related to violations at North Carolina facilities with ash basins. This requirement expires in May 2020.

(4) Duke Energy Corp 3-year funded revolver of \$1B and term loan of \$1.6875B. Borrowings under these facilities will be used for general corporate purposes.



Sustainability / Environmental Social and Governance (ESG)

PATH TO A LOW-CARBON FUTURE



Collaborate and align with our states and stakeholders as we transform



Accelerate transition to cleaner energy solutions



Modernize our electric grid



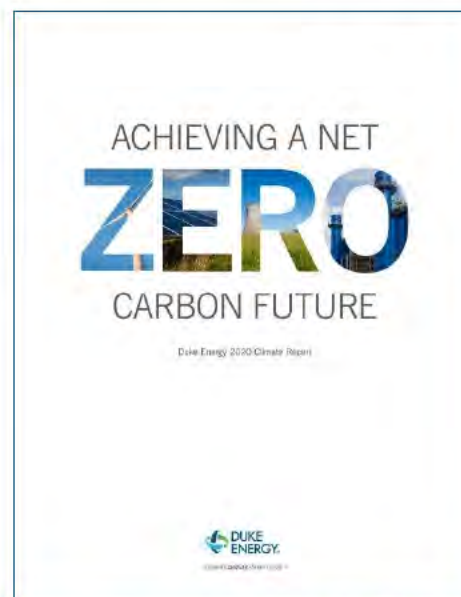
Continue to operate existing carbon-free technologies, including nuclear and renewables



Advocate for sound public policy that advances technology and innovation

DUKE ENERGY'S CLIMATE REPORT HIGHLIGHTS

- Updated report informed by new carbon reduction goals announced Sept. 2019
 - Reduce CO2 emissions by at least 50% by 2030⁽¹⁾ and achieve net zero by 2050
 - Significantly expand renewables throughout this transition
- Utilizes Task Force on Climate-related Financial Disclosures (“TCFD”) framework
- Major findings of scenario analysis show we are on track to achieve our goals



See more at: www.duke-energy.com/_/media/pdfs/our-company/climate-report-2020

(1) From 2005 levels in electricity generation. 2030 estimate and year to year reductions will be influenced by customer demand for electricity, weather, fuel and purchased power prices, and other factors

2019 SUSTAINABILITY REPORT HIGHLIGHTS



CUSTOMERS

- Reached a cumulative, multiyear reduction in customer energy consumption of ~19,000 GWH and reduction in peak demand of 6,700 MW

CHARITABLE GIVING

- The Duke Energy Foundation contributed \$31.3 million to our communities, and our employees and retirees volunteered over 136,000 hours

RENEWABLES

- Announced a new goal to own, operate or contract 16,000 megawatts of solar, wind and biomass by 2025 ⁽¹⁾

OPERATIONS

- Remained one of the electric utility industry's top leaders in safety performance for fifth year in a row with a Total Incident Case Rate of 0.38
- Since 2005, decreased CO₂ emissions by 39%, sulfur dioxide emissions by 97% and nitrogen oxides emissions by 79%

EMPLOYEES

- Increased female representation in the workforce to 23.7% and increased minority representation to 18.8%

see more at: www.duke-energy.com/our-company/sustainability

(1) Includes 100% of the capacity of majority-owned assets that Duke Energy operates.

2019/2020 RECOGNITION

- For the 14th consecutive year, Duke Energy was named to the Dow Jones Sustainability Index for North America.
- Duke Energy was named to Fortune magazine's "World's Most Admired Companies" list in 2020 for the third consecutive year.
- Forbes magazine named Duke Energy one of "America's Best Employers" in 2019.
- Labrador Advisory Services ranked Duke Energy No. 1 among U.S. utilities for investor transparency.
- Duke Energy was recognized for ethics and compliance excellence by the Ethisphere Institute with its "Compliance Leader Verification" designation for 2019 and 2020.
- Duke Energy received a "HIRE Vets Medallion Award" in 2019 from the U.S. Department of labor for recruiting, employing and retaining veterans.

Focused on health and safety as our top priority

- Activated unprecedented work at home protocols for ~18,000 employees
- Implemented rotating shifts and enhanced personal protective equipment, CDC-approved disinfectant cleaning; temperature checks and visitor restrictions to protect critical operational staff
- Implemented social distancing procedures for customer interaction and employee protection
- Delayed non-essential customer appointments in the home for customers' protection



EMPLOYEES

Augmented benefits to assist employees through this crisis

- 40 hours of paid time off for dependent care and incremental pay to certain eligible employees
- Waived cost sharing and other insurance costs for COVID-19 care and enhanced assistance to eligible employees experiencing hardship
- Sound stewardship of employee pension funds has resulted in a fully funded plan with lower risk investments



Jan 19 2023

Providing financial and other assistance to our customers and communities during the crisis

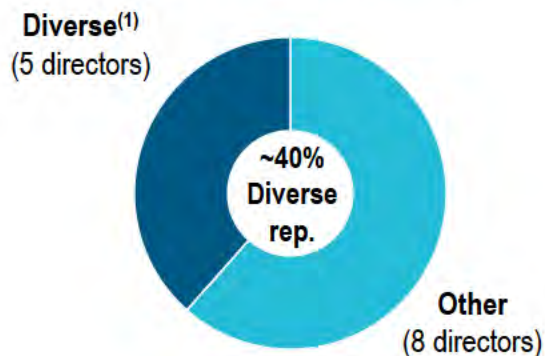
- Suspending service disconnections and waiving late payment and various fees
- Accelerating flow back of fuel overcollections to Florida customers, resulting in ~20% residential bill reduction in May
- Working with C&I customers experiencing financial hardship to potentially provide relaxed payment arrangements
- Supporting hunger relief, local health and human services and education initiatives with Foundation donations and grants of ~\$3 million
- Offering bill assistance to support low-income customers in our jurisdictions through Home Energy Fund and Share the Warmth programs



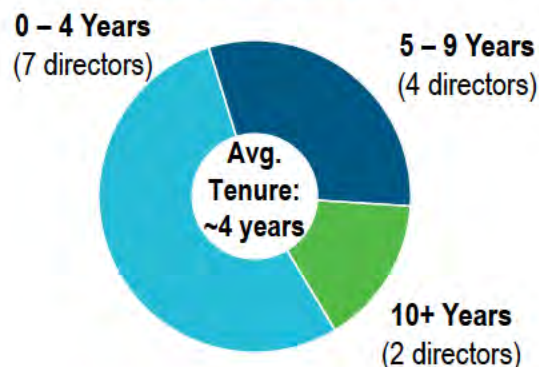
COMMUNITIES

HEALTH AND SAFETY OF EMPLOYEES, CUSTOMERS AND COMMUNITIES IS OUR TOP PRIORITY

BOARD DIVERSITY



BOARD TENURE



OTHER DISCLOSURES

- Bloomberg ESG disclosure score of 57.4, the third-best score and in the top quartile of U.S. utilities⁽²⁾
- EEI / AGA reporting template provides investors greater uniformity and consistency in reporting of ESG metrics
 - www.duke-energy.com/media/pdfs/our-company/duke-energy-eei-esg-sustainability-reporting-pilot.pdf
- Global Reporting Initiative (GRI) disclosure: www.duke-energy.com/our-company/sustainability/global-reporting-initiative-index
- Coal ash management: www.duke-energy.com/our-company/about-us/power-plants/ash-management
- Lobby and political disclosures: www.duke-energy.com/our-company/investors/corporate-governance/political-expenditures-policy

GOVERNANCE

- Duke Energy has increased its representation of women on the BOD to over 30%
- Highest possible ISS Governance score

see more at: www.duke-energy.com/our-company/sustainability

(1) Racial, gender and ethnic diversity
(2) As of January 29, 2020



Upcoming events & other

Event	Date
2Q 2020 earnings call	Early August 2020
2020 ESG Investor day	Fall 2020
3Q 2020 earnings call	Early November 2020

BRYAN BUCKLER, VICE PRESIDENT INVESTOR RELATIONS

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- (704) 382-2640

CINDY LEE, DIRECTOR INVESTOR RELATIONS

- Cynthia.Lee@duke-energy.com
- (980) 373-4077



*BUILDING A **SMARTER** ENERGY FUTURE®*

For additional information on Duke Energy,
please visit: duke-energy.com/investors

Duke Energy Corporation
Non-GAAP Reconciliations
First Quarter Earnings Review & Business Update
May 12, 2020

Adjusted Earnings per Share (EPS)

The materials for Duke Energy Corporation's (Duke Energy) First Quarter Earnings Review and Business Update on May 12, 2020, include a discussion of adjusted EPS for the quarters ended March 31, 2020 and 2019.

The non-GAAP financial measure, adjusted EPS, represents basic EPS available to Duke Energy Corporation common stockholders (GAAP reported EPS), adjusted for the 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.

Management believes the presentation of adjusted EPS provides useful information to investors, as it provides them with an additional relevant comparison of Duke Energy's performance across periods. Management uses this non-GAAP financial measure for planning and forecasting and for reporting financial results to the Duke Energy Board of Directors (Board of Directors), employees, stockholders, analysts and investors. Adjusted EPS is also used as a basis for employee incentive bonuses. The most directly comparable GAAP measure for adjusted EPS is reported basic EPS available to Duke Energy Corporation common stockholders. For the quarter ended March 31, 2019 adjusted EPS equals reported basic EPS available to Duke Energy Corporation common stockholders. Accordingly, there is no reconciliation of adjusted EPS for the quarter ended March 31, 2019, to the most directly comparable GAAP measure. A reconciliation of adjusted EPS for the quarter ended March 31, 2020, to the most directly comparable GAAP measure is included herein.

Special items for the quarter ended March 31, 2020, include the following item, which management believes does not reflect ongoing costs:

- Severance represents a reversal of 2018 severance costs which were deferred as a result of the partial settlement in the Duke Energy Carolinas 2019 North Carolina rate case.

Adjusted EPS Guidance

The materials for Duke Energy's First Quarter Earnings Review and Business Update on May 12, 2020, include a reference to the forecasted 2020 adjusted EPS guidance range of \$5.05 to \$5.45 per share and the midpoint of forecasted 2020 adjusted EPS guidance range of \$5.25. The materials also reference the long-term range of annual growth of 4% - 6% through 2024 off the original midpoint of 2019 adjusted EPS guidance range of \$5.00. The forecasted adjusted EPS is a non-GAAP financial measure as it represents basic EPS available to Duke Energy Corporation common stockholders (GAAP reported EPS), adjusted for the per share impact of special items (as discussed above under Adjusted EPS). Due to the forward-looking nature of this non-GAAP financial measure for future periods, information to reconcile it to the most directly comparable GAAP financial measure is not available at this time, as management is unable to project all special items for future periods, such as legal settlements, the impact of regulatory orders or asset impairments.

Adjusted Segment Income and Adjusted Other Net Loss

The materials for Duke Energy's First Quarter Earnings Review and Business Update on May 12, 2020, include a discussion of adjusted segment income and adjusted other net loss for the quarter ended March 31, 2020 and a discussion of 2020 forecasted adjusted segment income and forecasted adjusted other net loss.

Adjusted segment income and adjusted other net loss are non-GAAP financial measures, as they represent reported segment income and other net loss adjusted for special items (as discussed above under Adjusted EPS). Management believes the presentation of adjusted segment income and adjusted other net expense provides useful information to investors, as it provides an additional relevant comparison of a segment's or Other's performance across periods. When a per share impact is provided for a segment income driver, the after-tax driver is derived using the pretax amount of the item less income taxes based on the segment statutory tax rate of 24% for Electric Utilities and Infrastructure, 23% for Gas Utilities and Infrastructure and Other, or an effective tax rate for Commercial Renewables. The after-tax earnings drivers are divided by the Duke Energy weighted average shares outstanding for the period. The most directly comparable GAAP measures for adjusted segment income and adjusted other net loss are reported segment income and other net loss, which represents segment income and other net loss from continuing operations, including any special items. For the quarter ended March 31, 2019 adjusted segment income and adjusted other net loss equal reported segment income and reported other net loss. Accordingly, there is no reconciliation of adjusted segment income and adjusted other net loss for the quarter ended March 31, 2019, to the most directly comparable GAAP measure. A reconciliation of adjusted segment income and adjusted other net loss for the quarter ended March 31, 2020 to the most directly comparable GAAP measures is included herein. Due to the forward-looking nature of any forecasted adjusted segment income and forecasted other net loss and any related growth rates for future periods, information to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measures are not available at this time, as the company is unable to forecast all special items, as discussed above under Adjusted EPS guidance.

Effective Tax Rate Including Impacts of Noncontrolling Interests and Preferred Dividends and Excluding Special Items

The materials for Duke Energy's First Quarter Earnings Review and Business Update on May 12, 2020, include a discussion of the effective tax rate including impacts of noncontrolling interests and preferred dividends and excluding special items for the quarter ended March 31, 2020. The materials also include a discussion of the 2020 forecasted effective tax rate including impacts of noncontrolling interests and preferred dividends and excluding special items. Effective tax rate including impacts of noncontrolling interests and preferred dividends and excluding special items is a non-GAAP financial measure as the rate is calculated using pretax income and income tax expense, both adjusted for the impact of special items, noncontrolling interests and preferred dividends. The most directly comparable GAAP measure is reported effective tax rate, which includes the impact of special items and excludes the impacts of noncontrolling interests and preferred dividends. A reconciliation of this non-GAAP financial measure for the quarter ended March 31, 2020, to the most directly comparable GAAP measure is included herein. Due to the forward-looking nature of the forecasted effective tax rates including impacts of noncontrolling interests and preferred dividends and excluding special items, information to reconcile it to the most directly comparable GAAP financial measure is not available at this time, as management is unable to project all special items, as discussed above under Adjusted EPS Guidance.

Available Liquidity

The materials for Duke Energy's First Quarter Earnings Review and Business Update on May 12, 2020, include a discussion of Duke Energy's available liquidity balance. The available liquidity balance presented is a non-GAAP financial measure as it represents cash and cash equivalents, excluding certain amounts held in foreign jurisdictions and cash otherwise unavailable for operations, the remaining availability under Duke Energy's available credit facilities, including the master credit facility and available equity forwards as of April 30, 2020. The most directly comparable GAAP financial measure for available liquidity is cash and cash equivalents. A reconciliation of available liquidity as of April 30, 2020, to the most directly comparable GAAP measure is included herein.

Dividend Payout Ratio

The materials for Duke Energy's First Quarter Earnings Review and Business Update on May 12, 2020, include a discussion of Duke Energy's forecasted dividend payout ratio of 65% - 75% based upon adjusted EPS. This payout ratio is a non-GAAP financial measure as it is based upon forecasted basic EPS available to Duke Energy Corporation common stockholders (GAAP reported EPS), adjusted for the per-share impact of special items, as discussed above under Adjusted EPS. The most directly comparable GAAP measure for adjusted EPS is reported basic EPS available to Duke Energy Corporation common stockholders. Due to the forward-looking nature of this non-GAAP financial measure for future periods, information to reconcile it to the most directly comparable GAAP financial measure is not available at this time, as management is unable to project all special items, as discussed above under Adjusted EPS Guidance.

Funds From Operations ("FFO") Ratios

The materials for Duke Energy's First Quarter Earnings Review and Business Update on May 12, 2020 include a reference to expected 2020 FFO to Total Debt ratios. These ratios reflect non-GAAP financial measures. The numerator of the FFO to Total Debt ratio is calculated principally by using net cash provided by operating activities on a GAAP basis, adjusted for changes in working capital, ARO spend, depreciation and amortization of operating leases and reduced for capitalized interest (including any AFUDC interest) and AMT refunds. The denominator for the FFO to Total Debt ratio is calculated principally by using the balance of long-term debt (excluding purchase accounting adjustments and long-term debt associated with the CR3 Securitization), including current maturities, imputed operating lease liabilities, plus notes payable, commercial paper outstanding, underfunded pension, guarantees on joint-venture debt, and adjustments to hybrid debt and preferred equity issuances based on how credit rating agencies view the instruments. Due to the forward-looking nature of this non-GAAP financial measure for future periods, information to reconcile it to the most directly comparable GAAP financial measure is not available at this time, as management is unable to project all special items, as discussed above under Adjusted EPS Guidance.

Non-Rider O&M

The materials for Duke Energy's First Quarter Earnings Review and Business Update on May 12, 2020, include a discussion of Duke Energy's non-rider operating, maintenance and other expenses (O&M) for the forecasted year-to-date period ended December 31, 2020. Non-rider O&M expenses are non-GAAP financial measures, as they represent reported O&M expenses adjusted for special items and expenses recovered through riders. The most directly comparable GAAP financial measure for non-rider O&M expenses is reported operating, maintenance and other expenses. A reconciliation of non-rider O&M expenses for the forecasted year-to-date period ended December 31, 2020, to the most directly comparable GAAP measure are included here-in. Due to the forward-looking nature of this non-GAAP financial measure for future periods, information to reconcile it to the most directly comparable GAAP financial measure is not available at this time, as management is unable to project all special items, as discussed above under Adjusted EPS Guidance; however, projected non-rider O&M costs have been forecasted for the year ended December 31, 2020 and are presented in the reconciliation herein.

DUKE ENERGY CORPORATION
REPORTED TO ADJUSTED EARNINGS RECONCILIATION
Three Months Ended March 31, 2020
(Dollars in millions, except per-share amounts)

		<u>Special Item</u>		
	Reported Earnings	Severance	Total Adjustments	Adjusted Earnings
SEGMENT INCOME				
Electric Utilities and Infrastructure	\$ 705	\$	\$	\$ 705
Gas Utilities and Infrastructure	249			249
Commercial Renewables	57			57
Total Reportable Segment Income	1,011			1,011
Other	(112)	(75) A	(75)	(187)
Net Income Available to Duke Energy Corporation Common Stockholders	\$ 899	\$ (75)	\$ (75)	\$ 824
EPS AVAILABLE TO DUKE ENERGY CORPORATION COMMON STOCKHOLDERS	\$ 1.24	\$ (0.10)	\$ (0.10)	\$ 1.14

Note: Earnings Per Share amounts are adjusted for accumulated dividends for Series B Preferred Stock of \$0.02.

A Net of \$23 million on tax expense. \$98 million on reversal of 2018 charges recorded within Operations, maintenance and other on the Condensed Consolidated Statements of Operations.

Weighted Average Shares (reported and adjusted) 734 million

DUKE ENERGY CORPORATION
EFFECTIVE TAX RECONCILIATION
March 2020
(Dollars in millions)

	Three Months Ended March 31, 2020	
	Balance	Effective Tax Rate
Reported Income From Continuing Operations Before Income Taxes	\$ 1,027	
Severance	(98)	
Noncontrolling Interests	48	
Preferred Dividends	(39)	
Pretax Income Including Noncontrolling Interests and Preferred Dividends and Excluding Special Items	<u>\$ 938</u>	
Reported Income Tax Expense From Continuing Operations	\$ 137	13.3%
Severance	(23)	
Tax Expense Including Noncontrolling Interests and Preferred Dividends and Excluding Special Items	<u>\$ 114</u>	12.2%
	Three Months Ended March 31, 2019	
	Balance	Effective Tax Rate
Reported Income From Continuing Operations Before Income Taxes	\$ 988	
Noncontrolling Interests	7	
Pretax Income Including Noncontrolling Interests	<u>\$ 995</u>	
Reported Income Tax Expense From Continuing Operations	\$ 95	9.6%
Tax Expense Including Noncontrolling Interests	<u>\$ 95</u>	9.5%

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Duke Energy Corporation
Available Liquidity Reconciliation
As of April 30, 2020
(In millions)

Cash and Cash Equivalents	\$ 572	
Less: Certain Amounts Held in Foreign Jurisdictions	(10)	
Less: Unavailable Domestic Cash	<u>(129)</u>	
	433	
Plus: Remaining Availability under Master Credit Facilities and other facilities	<u>5,224</u>	
Plus: Remaining Availability from Equity Forward	2,451	
Plus: Remaining Availability from ATM Forward	<u>84</u>	
Total Available Liquidity (a), April 30, 2020	<u>\$ 8,192</u>	approximately 8.2 billion

(a) The available liquidity balance presented is a non-GAAP financial measure as it represents Cash and cash equivalents, excluding certain amounts held in foreign jurisdictions and cash otherwise unavailable for operations, and remaining availability under Duke Energy's available credit facilities, including the master credit facility and available equity forwards as of April 30, 2020. The most directly comparable GAAP financial measure for available liquidity is Cash and cash equivalents.

Duke Energy Corporation
Operations, Maintenance and Other Expense
(In millions)

	<u>Original 2020 Assumptions^(b)</u>
Operation, maintenance and other	\$ 6,061
Adjustments:	
Reagents Recoverable ^(a)	(102)
Energy Efficiency Recoverable ^(a)	(424)
Other Deferrals and Recoverable ^(a)	(382)
Margin based O&M for Commercial Businesses	(202)
Non-Rider operation, maintenance and other	<u>\$ 4,950</u>

(a) Primarily represents expenses to be deferred or recovered through rate riders.

(b) Full year amount for 2020, as disclosed on Feb. 13, 2020

Duke Energy Carolinas, LLC
Docket no. E-7, Sub 1276
E1-21- Annual Reports
For the Test Year ended December 31, 2021

May 9, 2019

FIRST QUARTER 2019

Duke Energy Earnings Review & Business Update

Lynn Good
Steve Young

Chairman, President & CEO
Executive Vice President & CFO



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Safe Harbor statement

This presentation includes forward-looking statements within the meaning of the federal securities laws. Actual results could differ materially from such forward-looking statements. The factors that could cause actual results to differ are discussed in the Appendix herein and in Duke Energy's SEC filings, available at www.sec.gov.

Regulation G disclosure

In addition, today's discussion includes certain non-GAAP financial measures as defined under SEC Regulation G. A reconciliation of those measures to the most directly comparable GAAP measures is available in the Appendix herein and on our Investor Relations website at www.duke-energy.com/investors/.

BUSINESS UPDATE

Lynn Good, Chairman, President & CEO

- First quarter 2019 update
- Carolinas legislative and regulatory update
- Progress on strategic initiatives
- North Carolina coal ash order

FINANCIAL UPDATE

Steve Young, Executive VP & CFO

- First quarter 2019 earnings drivers
- Economic conditions and load growth trends
- Financing plan update
- Key investor considerations



TRANSFORMING THE
FUTURE



\$1.24

1Q 2019 REPORTED/ADJUSTED DILUTED EPS
COMPARED TO \$0.88/\$1.28 IN 1Q 2018

ON TRACK

TO ACHIEVE 2019 EPS
GUIDANCE RANGE OF \$4.80 - \$5.20 ⁽¹⁾

AFFIRMING 4 - 6% GROWTH THROUGH 2023

OFF THE MIDPOINT OF
2019 ADJUSTED EPS
GUIDANCE RANGE (\$5.00)

QUARTER HIGHLIGHTS

- North Carolina legislation introduced that would enable alternative rate-making frameworks and storm securitization in our largest jurisdiction
- Announced 1,250 MW of regulated and commercial renewables projects that we will own or procure on behalf of customers
- Announced sale of minority interest in Commercial Renewables portfolio to John Hancock
- Second green bond issuance closed March 7 supporting sustainable investment projects
- Preferred stock offering completed March 29
- EEI named Duke Energy one of the industry leaders in safety for fourth year in a row
- Forbes named Duke Energy one of America's Best Employers

(1) Based on adjusted diluted EPS

NORTH CAROLINA LEGISLATION INTRODUCED



NORTH CAROLINA STORM COST SECURITIZATION AND ALT RATES BILL

- Identical bills introduced in Senate and House in early April
- Legislation would enable NCUC to consider:
 - Multi-year rate plans and/or ROE bands
 - Storm cost securitization
- Senate bill passed May 2; under consideration in the House

CAROLINAS REGULATORY ACTIVITY



PIEDMONT NATURAL GAS **NORTH CAROLINA** BASE RATE CASE

- Filed April 1; first NC rate case for Piedmont since 2013
- Requested 10.6% ROE and 52% equity cap. structure
- Based on North Carolina rate base of \$3.3 billion
- If approved, expect rates to be effective by the end of 2019



SOUTH CAROLINA ELECTRIC BASE RATE CASES

- Received PSCSC directives, in both cases awaiting final orders
- Intend to make a motion for rehearing by the PSCSC and, if necessary, appeal portions of the cases

Update on strategic initiatives

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HIGHLY-EFFICIENT NATURAL GAS

- \$1.1 billion WCMP combined cycle (DEP) on target for late-2019 completion

RENEWABLES

- Announced three new solar projects at DEF ⁽¹⁾
- Results issued for first renewable energy RFP under House Bill 589 in North Carolina ⁽¹⁾
- Commercial Renewables announced and forthcoming projects provide line-of-sight to ~90% of earnings targets for 2019 and 2020, ~60% of the five-year plan



FL GRID IMPROVEMENT PLAN

- \$1.1 billion grid program in FL recovered via annual base rate step-ups starting in 2019

NC EV CHARGING STATION PROGRAM

- \$76 million initiative to spur EV adoption by installing ~2,500 new charging stations
- Largest utility initiative in the Southeast
- Proposed program is subject to NCUC approval



ATLANTIC COAST PIPELINE

- Hearing at 4th Circuit Court of Appeals on Biological Opinion/ITS held May 9
- Expect to file petition this summer seeking SCOTUS review of the Appalachian Trail decision
- No change to cost or schedule; estimated cost remains \$7.0 to \$7.8 billion ⁽²⁾

⁽¹⁾ See appendix for detailed project listing

⁽²⁾ Represents total project cost, of which Duke Energy's share is 47%. Excludes AFUDC

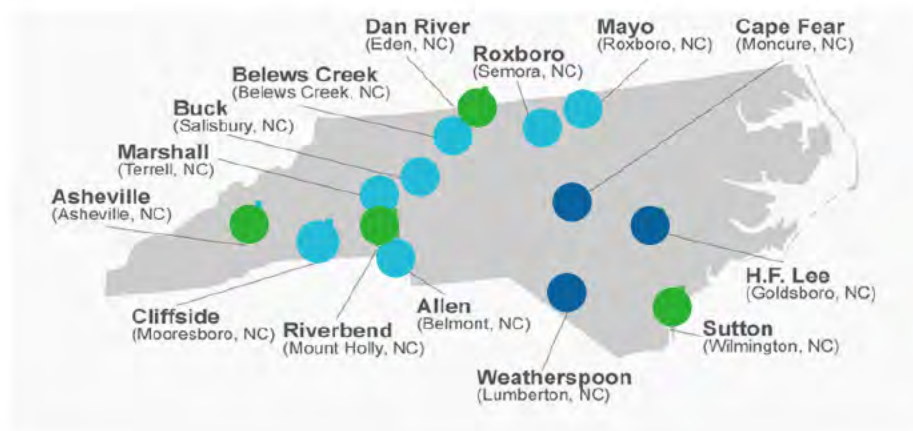
NC DEQ ORDER SUMMARY

- NC Department of Environmental Quality (DEQ) issued order April 1 requiring low priority sites be fully excavated
 - Incremental cost of \$4 - 5 billion vs. cap-in-place / hybrid closure methods would be spent over decades
 - Coal ash closure costs would increase \$200 – 400 million over 5-year plan (<1% of total capital plan)
- Company appealed the decision to the NC Office of Administrative Hearings on April 26; expect process to take 9-12 months to conclude

SIGNIFICANT PROGRESS CLOSING BASINS

- ~20 million tons of ash excavated at high priority sites in North Carolina since basin closure began
- On track to close high priority sites by 2019 deadlines⁽¹⁾
- Advanced construction of three ash reprocessing units in North Carolina
- By mid-2019, ash and wastewater will stop being sent to nearly all basins

NC COAL ASH BASINS



- High - Excavation
- Intermediate - Excavation / beneficiation
- Low - Full range of closure options

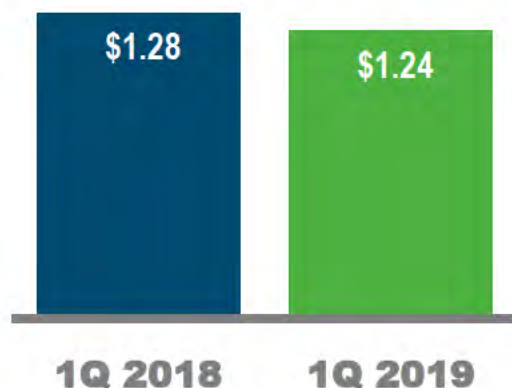
(1) Sutton, Riverbend and Dan River to be completed in 2019. Asheville deadline extended to 2022 per Mountain Energy Act.

1Q 2019 adjusted diluted EPS summary and primary drivers

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ADJUSTED DILUTED EARNINGS PER SHARE



ON TRACK

TO ACHIEVE 2019 EPS
GUIDANCE RANGE
OF \$4.80 - \$5.20 ⁽²⁾

SEGMENT RESULTS VS. PRIOR YEAR QUARTER ⁽¹⁾

Electric Utilities & Infrastructure, -\$66 M (-\$0.10 per share)

- ▼ Weather (-\$0.07) and volumes
- ▼ Higher depreciation and amortization, primarily due to a growing asset base
- ▼ Higher interest expense
- ▲ Contribution from base rate changes in NC and FL
- ▲ Higher rider revenues

Gas Utilities & Infrastructure, +\$68 M (+\$0.10 per share)

- ▲ Higher earnings from midstream, primarily due to income tax adjustment
- ▲ LDC margin expansion

Commercial Renewables, -\$7 M (-\$0.01 per share)

- ▼ Lower wind production

Other, +\$6 M (+\$0.01 per share)

Share Dilution (-\$0.04 per share)

(1) Detailed drivers of adjusted segment income (loss) are available in the 1Q 2019 earnings release located on our Investor Relations website at www.duke-energy.com/investors/

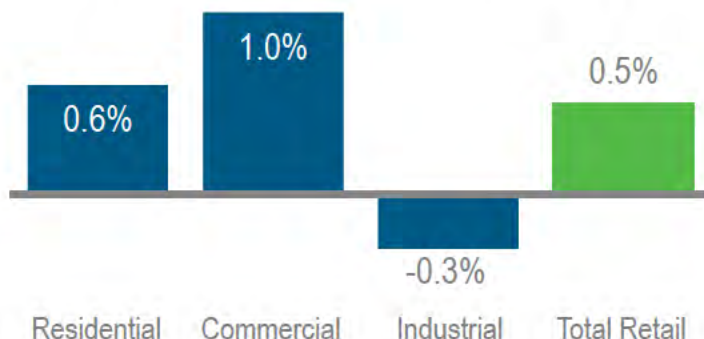
(2) Based on adjusted diluted EPS

Customer growth and weather-normal electric volume trends

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ROLLING 12-MONTH RETAIL ELECTRIC VOLUME GROWTH



RESIDENTIAL

- Increase in average number of customers drives volume growth for electric and gas utilities
- Four jurisdictions in top 15 states for job growth

COMMERCIAL

- Continued expansion of data centers
- Strength in services businesses offsets weakness in big box retail stores

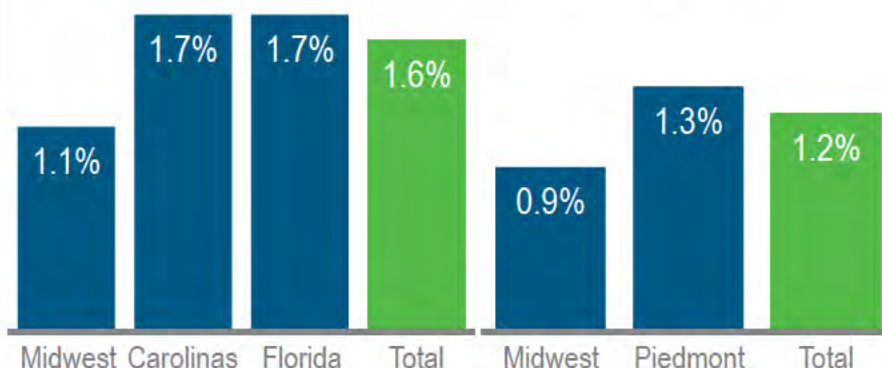
INDUSTRIAL

- Sector continues to recover from the timing of production declines and temporary outage activities in the prior year
- As curtailments continue to roll off, expect growth within the sector to continue to rebound

ANNUAL GROWTH IN NUMBER OF RESIDENTIAL CUSTOMERS

Electric Utilities

Gas Utilities



COMMERCIAL RENEWABLES MINORITY STAKE SALE

- Sale to John Hancock announced April 24
- ~\$415 million pre-tax proceeds to offset debt
- Operating assets included in the transaction:
 - 1,200 MW⁽¹⁾ (~48% of the offered portfolio)
 - Enterprise value of ~\$1.25 billion
- Duke to retain tax benefits from the projects
- Closing expected in second half 2019



2019 FINANCING PLAN STATUS

- Issued \$600 million "Green Bonds" in March at DEP
 - Follows DEC's \$1 billion green bond in 2018
- Issued \$1 billion preferred stock in March
 - Largest ever utility preferred issuance
 - 50% equity credit with rating agencies
- Continue to expect common stock issuances of \$500 million per year 2019-2023 via DRIP/ATM programs
 - Priced \$240 million of the 2019 target



COMMITTED TO MAINTAINING STRONG CREDIT QUALITY & INVESTMENT GRADE RATINGS
COMMITTED TO MAINTAINING STRONG CREDIT QUALITY & INVESTMENT GRADE RATINGS

(1) 49% of 37 operating wind, solar and battery storage assets and 33% of 11 operating solar assets across the U.S.

DUK
LISTED
NYSE

A SOLID LONG-TERM HOLDING



CONSTRUCTIVE JURISDICTIONS, LOW-RISK REGULATED INVESTMENTS AND BALANCE SHEET STRENGTH

(1) As of May 8, 2019

(2) Subject to approval by the Board of Directors.

(3) Total shareholder return proposition at a constant P/E ratio

(4) Based on adjusted diluted EPS off the midpoint of the 2019 guidance range (\$5.00)

Appendix



ITEM

SLIDES

Financial supplement

13-20

Sustainability / ESG

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Other supplemental information

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Upcoming events & other

30-34

Financial supplement



Key 2019 adjusted earnings guidance assumptions

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(\$ in millions)	Original 2019 Assumptions ⁽¹⁾	2019 YTD (thru 3/31/2019)
Adjusted segment income/(expense) ⁽²⁾:		
Electric Utilities & Infrastructure	\$3,480	\$750
Gas Utilities & Infrastructure	\$375	\$226
Commercial Renewables	\$230	\$13
Other	(\$440)	(\$89)
Duke Energy Consolidated	\$3,645	\$900
Additional consolidated information:		
Interest expense	\$2,238	\$543
Adjusted effective tax rate	12-14%	9.6%
Debt AFUDC and capitalized interest	\$151	\$34
AFUDC equity	\$168	\$31
Capital expenditures ⁽³⁾⁽⁴⁾	\$11,100	\$2,835
Weighted-average shares outstanding	~729 million	~727 million

(1) Full year amounts for 2019, as disclosed on Feb. 14, 2019

(2) Adjusted net income for 2019 assumptions is based upon the midpoint of the adjusted diluted EPS guidance range of \$4.80 to \$5.20

(3) Includes debt AFUDC and capitalized interest, except for ACP

(4) 2019 YTD (thru 3/31/2019) includes ~\$150 million of coal ash closure spend that was included in operating cash flows and \$60 million funded under the ACP revolving credit facility. 2019 Assumptions include ~\$850 million of projected coal ash closure spend and \$220 million projected to be funded under the ACP revolving credit facility

Key 2019 earnings sensitivities

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Jan 19 2023

Driver		EPS Impact
Electric Utilities & Infrastructure	1% change in earned return on equity	+/- \$0.49
	\$1 billion change in rate base	+/- \$0.07
	1% change in volumes	+/- \$0.13
Gas Utilities & Infrastructure	1% change in earned return on equity	+/- \$0.06
	\$200 million change in rate base	+/- \$0.01
	1% change in number of new customers	+/- \$0.01
Consolidated	1% change in interest rates ⁽¹⁾	+/- \$0.07

Note: EPS amounts based on forecasted 2019 share count of ~729 million shares

(1) Based on average variable-rate debt outstanding throughout the year

Electric utilities quarterly weather impacts

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Jan 19 2023

Weather segment income to normal:	2019			2018		
	Pretax impact	Weighted avg. diluted shares	EPS impact favorable / (unfavorable)	Pretax impact	Weighted avg. shares	EPS impact favorable / (unfavorable)
First Quarter	(\$55)	727	(\$0.06)	\$10	701	\$0.01
Second Quarter				\$90	704	\$0.10
Third Quarter ⁽¹⁾				\$55	714	\$0.05
Fourth Quarter				\$60	716	\$0.06
Year-to-Date ⁽¹⁾⁽²⁾	(\$55)	727	(\$0.06)	\$215	708	\$0.22

1Q 2019	Duke Energy Carolinas		Duke Energy Progress		Duke Energy Florida		Duke Energy Indiana		Duke Energy Ohio/KY	
Heating degree days / Variance from normal	1,603	(6.9%)	1,483	(7.8%)	271	(26.9%)	2,884	4.6%	2,571	0.6%
Cooling degree days / Variance from normal	4	(46.0%)	6	(45.5%)	244	27.8%	-	(100%)	-	(100%)

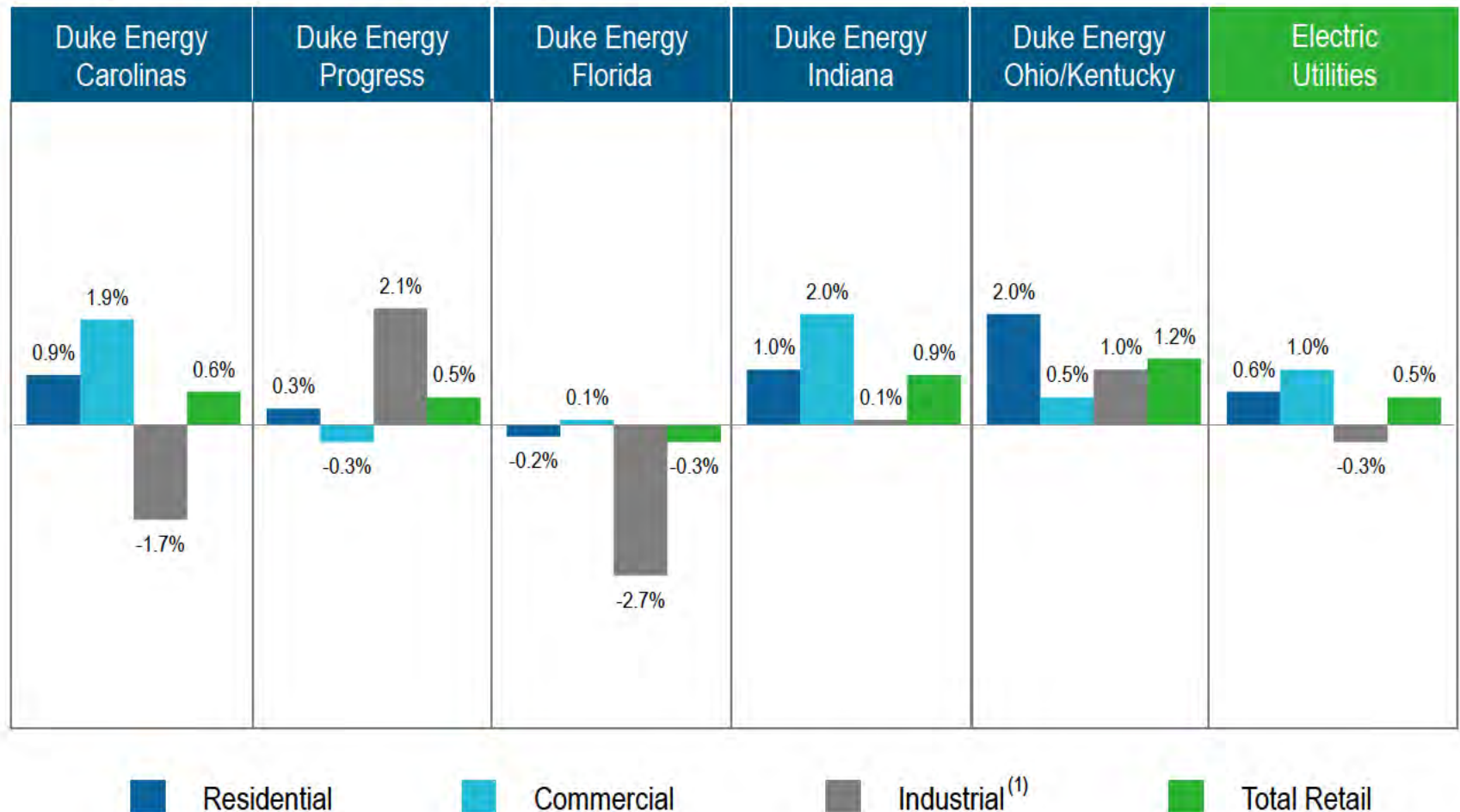
1Q 2018	Duke Energy Carolinas		Duke Energy Progress		Duke Energy Florida		Duke Energy Indiana		Duke Energy Ohio/KY	
Heating degree days / Variance from normal	1,721	(1.3%)	1,614	(0.1%)	383	1.1%	2,831	2.4%	2,569	2.6%
Cooling degree days / Variance from normal	10	56.4%	23	139.2%	264	42.7%	4	22.1%	4	(0.1%)

(1) 2018 includes an unfavorable ~\$15 million or \$0.01/share impact from Hurricane Florence

(2) Year-to-date amounts may not foot due to differences in weighted-average shares outstanding and/or rounding

Weather normalized volume trends, by electric jurisdiction

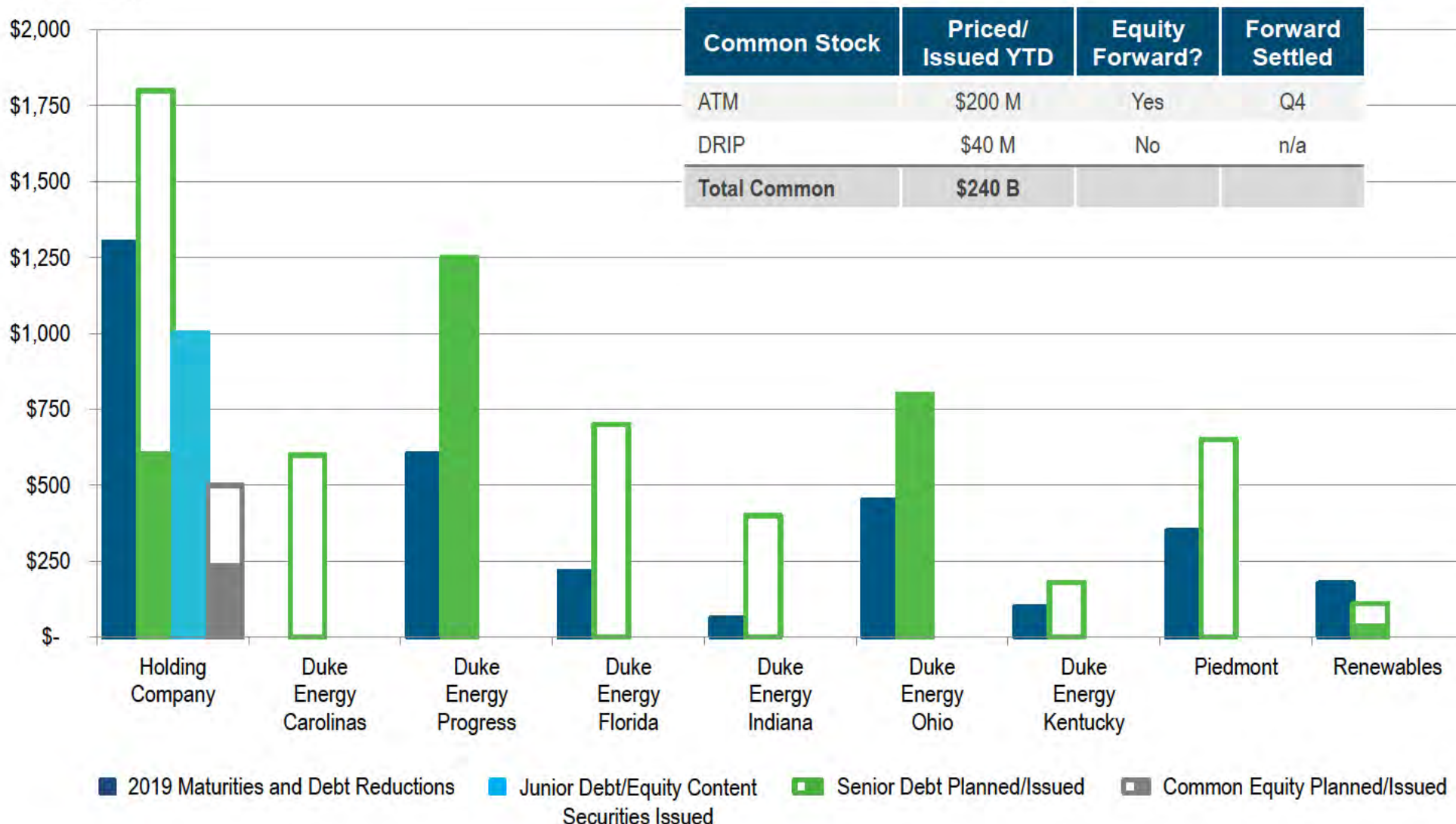
Rolling Twelve Months, as of March 31, 2019



(1) Electric Utilities industrial results have been impacted by production interruptions at a couple of large customers.

2019 financing plan as of April 5, 2019 ⁽¹⁾⁽²⁾

(\$ in millions)



(1) Represents expected long-term debt, preferred stock and common equity capital raising during 2019

(2) Approximately \$200 million of common equity priced through April 5, 2019 pursuant to forward contracts that are expected to be physically settled in Q4 2019. In addition, ~\$40 million issued through the dividend reinvestment program

2019 long-term debt and preferred stock financing activity as of April 5, 2019

Amount (\$ in millions)	Entity	Date Issued	Credit Ratings (M/S&P/F, unless otherwise noted)	Term	Type	Rate
\$400	DE Ohio	January 2019	A2/A	10-Year	First Mortgage Bond	Fixed – 3.65%
\$400	DE Ohio	January 2019	A2/A	30-Year	First Mortgage Bond	Fixed – 4.30%
\$650	DE Progress	Jan. & Feb. 2019	A2/A ⁽¹⁾	2-Year	Term Loan	Floating
\$600	DE Progress	March 2019	Aa3/A	10-year	First Mortgage Bond	Fixed – 3.45%
\$300	DE Corp.	March 2019	Baa1/BBB+	3-Year	Senior Unsecured Notes	Fixed – 3.227%
\$300	DE Corp.	March 2019	Baa1/BBB+	3-Year	Senior Unsecured Notes	Floating
\$1,000	DE Corp.	March 2019	Baa3/BBB/BBB-	Perpetual	Preferred Stock	Fixed – 5.75%

(1) Represents the Issuer/Corporate Credit Ratings

Liquidity summary as of March 31, 2019

(\$ in millions)

	Duke Energy	Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida	Duke Energy Indiana	Duke Energy Ohio	Duke Energy Kentucky	Piedmont Natural Gas	Total
Master Credit Facility ⁽¹⁾	\$ 2,650	\$ 1,750	\$ 1,400	\$ 650	\$ 600	\$ 300	\$ 150	\$ 500	\$ 8,000
Less: Notes payable and commercial paper ⁽²⁾	(884)	(859)	(150)	(299)	(252)	-	(62)	(151)	(2,657)
Coal Ash Set-Aside	-	(250)	(250)	-	-	-	-	-	(500)
Outstanding letters of credit (LOCs)	(45)	(4)	(2)	-	-	-	-	(2)	(53)
Tax-exempt bonds	-	-	-	-	(81)	-	-	-	(81)
Available capacity	\$ 1,721	\$ 637	\$ 998	\$ 351	\$ 267	\$ 300	\$ 88	\$ 347	\$ 4,709
Funded Revolver and Term Loan ⁽³⁾	\$ 1,000		\$ 700						\$ 1,700
Less: Borrowings Under Credit Facilities	(500)		(700)						(1,200)
Available capacity	\$ 500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500
Cash & short-term investments									203
Total available liquidity									\$ 5,412

Note: excludes variable denomination floating-rate demand notes, called PremierNotes. At March 31, 2019, the PremierNotes balance was \$993 million

(1) Master Credit Facility supports tax-exempt put bonds, LOCs and the Duke Energy commercial paper program of \$4.85 billion

(2) Includes permanent layer of commercial paper of \$625 million, which is classified as long-term debt

(3) Borrowings under these facilities will be used for general corporate purposes

Sustainability / Environmental Social and Governance (ESG)



CARBON AND OTHER REDUCTIONS



OTHER ESG FOCUS AREAS

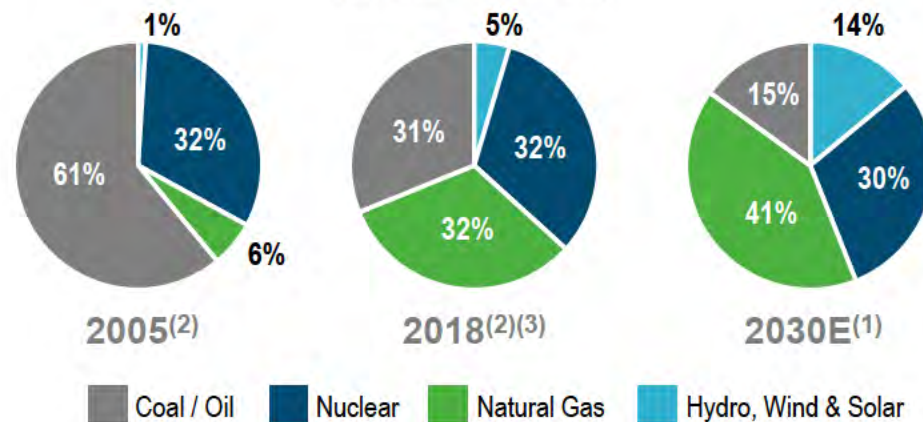


INDUSTRY LEADING DISCLOSURE



- Targeting 40% reduction in carbon dioxide (CO₂) emissions by 2030⁽¹⁾
- Since 2005, decreased CO₂ emissions by 31%, sulfur dioxide emissions by 96% and nitrogen oxides emissions by 74%
- 49 coal units retired (~6.2 GW) since 2010
- As of year-end 2018, owned or contracted 7,100 MW of renewables
- Targeting 1 trillion gallon reduction in water withdrawals by our generation fleet by 2030 (from 5.34 trillion gallons in 2016)

FUEL DIVERSITY (MWh OUTPUT)



(1) From 2005 levels. 2030 carbon reduction will be influenced by customer demand, generation mix, weather, fuel availability and prices

(2) 2005 and 2018 data based on Duke's ownership share of U.S. generation assets as of Dec. 31, 2018

(3) 2018 data excludes 8,519 GWh of purchased renewables, equivalent to ~4% of Duke's output

CARBON AND OTHER REDUCTIONS



OTHER ESG FOCUS AREAS



INDUSTRY LEADING DISCLOSURE



SAFETY – OUR NUMBER ONE PRIORITY

- Total Incident Case Rate (TICR) of 0.43 in 2018; one of the industry leaders for 4th year in a row

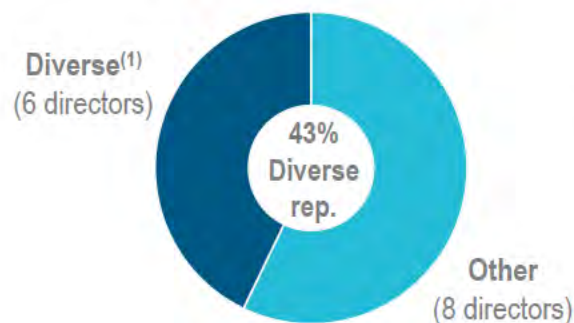
EMPLOYEES

- Targeting a companywide engagement score of 76% by 2022
- Named one of “America’s Best Employers” by Forbes
- Named one of the “50 Best Companies for Diversity” by Black Enterprise magazine

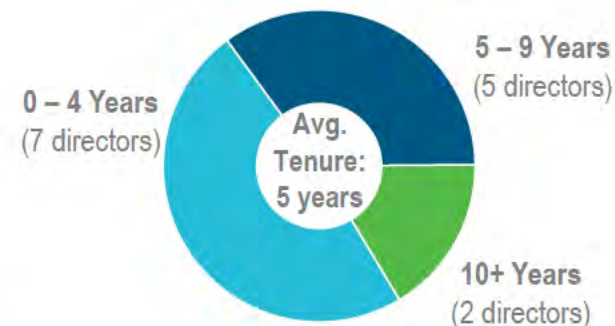
GOVERNANCE

- Oversight of sustainability formally added to Corporate Governance Committee of the Duke Energy Board of Directors charter in 2018

BOARD DIVERSITY



BOARD TENURE



(1) Racial, gender and ethnic diversity

CARBON AND OTHER REDUCTIONS



OTHER ESG FOCUS AREAS



INDUSTRY LEADING DISCLOSURE



- Dow Jones Sustainability Index for 13 years in a row
- Over a decade of annual Sustainability reports
- Climate Report issued in 2018 analyzes 2-degree scenario
 - Our 40% CO₂ reduction goal is consistent with a pathway to achieve a 2-degree target
- EEI / AGA reporting templates provide investors greater uniformity and consistency in reporting of ESG metrics
- Bloomberg ESG disclosure score of 56.6, the second-best score and in the top decile of our peer U.S. utilities⁽¹⁾



see more at: www.duke-energy.com/our-company/sustainability

(1) As of March 29, 2019

Other supplemental information





TRANSFORM THE
CUSTOMER EXPERIENCE



MODERNIZE THE
ENERGY GRID



GENERATE
CLEANER ENERGY



EXPAND **NATURAL GAS**
INFRASTRUCTURE



STAKEHOLDER
ENGAGEMENT

**EMPLOYEE ENGAGEMENT AND OPERATIONAL EXCELLENCE
ARE FOUNDATIONAL TO OUR SUCCESS**

Renewables projects detail

		Megawatts			COD	Location
		Solar	Wind	Total		
Regulated:	Lake Placid	45	-	45	Q4 2019	FL
	Trenton	74.9	-	74.9	Q4 2019	FL
	DeBary	74.5	-	74.5	Q1 2020	FL
	Catawba County ⁽¹⁾	69	-	69	2020	NC (DEC)
	Gaston County ⁽¹⁾	25	-	25	2020	NC (DEC)
	Onslow County (BOT) ⁽¹⁾⁽²⁾	80	-	80	2020	NC (DEP)
	PPA projects ⁽¹⁾⁽³⁾	333	-	333	2020	NC/SC
Subtotal – Regulated		702	-	702		
Commercial:	Cleveland County ⁽¹⁾	50	-	50	2020	NC
	Surry County ⁽¹⁾	23	-	23	2020	NC
	Cabarrus County ⁽¹⁾	23	-	23	2020	NC
	Rosamond	150	-	150	Q2 2019	CA
	Lapetus	100	-	100	Q4 2019	TX
	Mesteno	-	200	200	Q4 2019	TX
Subtotal – Commercial ⁽⁴⁾		346	200	546		
GRAND TOTAL - announced		1,048	200	1,248		
Forthcoming Commercial projects		260	530	790	2019/2020	

(1) Projects that cleared the first RFP under HB589 (602 MW in total). Dates may vary depending upon local approvals and any construction delays

(2) Duke Energy Progress to acquire this project once built (Build-Own-Transfer)

(3) Projects procured on behalf of customers but not owned by Duke Energy

(4) Approximately 1/3 of capital requirement to be funded with tax equity

PERMIT STATUS

- U.S. Fish & Wildlife Service Biological Opinion and Incidental Take Statement stayed
 - Hearing before 4th Circuit Court of Appeals – May 9
 - Order expected ~90 days
- U.S. Forest Service permit to cross national forests remanded; permission to cross Appalachian Trail vacated
 - Expect to file petition this summer seeking SCOTUS review of the Appalachian Trail decision; optimistic DOJ and Solicitor General will join appeal
 - Evaluating potential administrative and legislative options

IN-SERVICE DATES AND COST ESTIMATE UNCHANGED

- Expect construction to resume this Fall, with the full project in-service in 2021
 - Pursuing phased in-service schedule, with Phase 1 in service by late 2020 and Phase 2 in 2021
 - Advancing discussions with customers
- Estimated cost of \$7.0 to \$7.8 billion⁽¹⁾



COMMITTED TO BRINGING LOW-COST NATURAL GAS TO UNDERSERVED SOUTHEAST

(1) Represents total project cost, of which Duke Energy's share is 47%. Excludes AFUDC



North Carolina coal ash detail

Site	Ranking	Approximate Tons of Ash ⁽¹⁾	State Compliance Date	Actual/ Expected Closure Date ⁽⁵⁾
Riverbend ⁽²⁾	High	-	August 2019	March 2019
Dan River ⁽²⁾	High	1	August 2019	May 2019
Sutton ⁽²⁾	High	1	December 2019	July 2019
Asheville ⁽²⁾⁽³⁾	High	2	August 2022	
Cape Fear ⁽⁴⁾	Intermediate	6	August 2028	
H.F. Lee ⁽⁴⁾	Intermediate	6	August 2028	
Weatherspoon	Intermediate	2	August 2028	
Cliffside ⁽²⁾	Low	10	December 2029	2027 – 2029
Allen	Low	19	December 2029	2038 - 2043
Marshall	Low	32	December 2029	2042 - 2053
Buck ⁽⁴⁾	Low	7	December 2029	
Belews Creek	Low	20	December 2029	2033 - 2037
Roxboro	Low	34	December 2029	2038 - 2043
Mayo	Low	7	December 2029	2027 - 2030
Total tons of Ash		147		

(1) As of March 31, 2019. In millions

(2) The company is currently moving ash from this site to on- and off-site final fully lined storage solutions, so the figures will change periodically given this activity

(3) Basins at Asheville must be closed by Aug. 1, 2022, as a result of the Mountain Energy Act

(4) Ash beneficiation site

(5) Assuming full excavation of low-risk, low-priority sites included in NCDEQ order on April 1, 2019. Compliance dates for Allen, Marshall, Belews Creek, Roxboro and Mayo will need to be adjusted



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Upcoming events & other



Upcoming events

Event	Date
2019 AGA Financial Forum	May 20-21, 2019
2Q 2019 earnings call (tentative)	August 6, 2019
3Q 2019 earnings call (tentative)	November 8, 2019

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Safe harbor statement

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Jan 19 2023

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: State, federal and foreign legislative and regulatory initiatives, including costs of compliance with existing and future environmental requirements, including those related to climate change, as well as rulings that affect cost and investment recovery or have an impact on rate structures or market prices; The extent and timing of costs and liabilities to comply with federal and state laws, regulations and legal requirements related to coal ash remediation, including amounts for required closure of certain ash impoundments, are uncertain and difficult to estimate; The ability to recover eligible costs, including amounts associated with coal ash impoundment retirement obligations and costs related to significant weather events, and to earn an adequate return on investment through rate case proceedings and the regulatory process; The costs of decommissioning Crystal River Unit 3 and other nuclear facilities could prove to be more extensive than amounts estimated and all costs may not be fully recoverable through the regulatory process; Costs and effects of legal and administrative proceedings, settlements, investigations and claims; Industrial, commercial and residential growth or decline in service territories or customer bases resulting from sustained downturns of the economy and the economic health of our service territories or variations in customer usage patterns, including energy efficiency efforts and use of alternative energy sources, such as self-generation and distributed generation technologies; Federal and state regulations, laws and other efforts designed to promote and expand the use of energy efficiency measures and distributed generation technologies, such as private solar and battery storage, in Duke Energy service territories could result in customers leaving the electric distribution system, excess generation resources as well as stranded costs; Advancements in technology; Additional competition in electric and natural gas markets and continued industry consolidation; The influence of weather and other natural phenomena on operations, including the economic, operational and other effects of severe storms, hurricanes, droughts, earthquakes and tornadoes, including extreme weather associated with climate change; The ability to successfully operate electric generating facilities and deliver electricity to customers including direct or indirect effects to the company resulting from an incident that affects the U.S. electric grid or generating resources; The ability to obtain the necessary permits and approvals and to complete necessary or desirable pipeline expansion or infrastructure projects in our natural gas business; Operational interruptions to our natural gas distribution and transmission activities; The availability of adequate interstate pipeline transportation capacity and natural gas supply; The impact on facilities and business from a terrorist attack, cybersecurity threats, data security breaches, 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 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; The ability to control operation and maintenance costs; The level of creditworthiness of counterparties to transactions; Employee workforce factors, including the potential inability to attract and retain key personnel; The ability of subsidiaries to pay dividends or distributions to Duke Energy Corporation holding company (the Parent); The performance of projects undertaken by our nonregulated businesses and the success of efforts to invest in and develop new opportunities; The effect of accounting pronouncements issued periodically by accounting standard-setting bodies; The impact of U.S. tax legislation to our financial condition, results of operations or cash flows and our credit ratings; The impacts from potential impairments of goodwill or equity method investment carrying values; and The ability to implement our business strategy, including enhancing existing technology systems.

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.



*BUILDING A **SMARTER** ENERGY FUTURE®*

For additional information on Duke Energy,
please visit: duke-energy.com/investors

Duke Energy Corporation
Non-GAAP Reconciliations
First Quarter Earnings Review & Business Update
May 9, 2019

Adjusted Diluted Earnings per Share (EPS)

The materials for Duke Energy Corporation's (Duke Energy) First Quarter Earnings Review and Business Update on May 9, 2019, include a discussion of adjusted diluted EPS for the quarters ended March 31, 2019 and 2018.

The non-GAAP financial measure, adjusted diluted EPS, represents diluted EPS from continuing operations attributable to Duke Energy Corporation common stockholders, adjusted for the 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.

Management believes the presentation of adjusted diluted EPS provides useful information to investors, as it provides them with an additional relevant comparison of Duke Energy's performance across periods. Management uses this non-GAAP financial measure for planning and forecasting and for reporting financial results to the Duke Energy Board of Directors (Board of Directors), employees, stockholders, analysts and investors. Adjusted diluted EPS is also used as a basis for employee incentive bonuses. The most directly comparable GAAP measure for adjusted diluted EPS is reported diluted EPS attributable to Duke Energy Corporation common stockholders. For the quarter ended March 31, 2019 adjusted diluted EPS equals reported diluted EPS attributable to Duke Energy Corporation common shareholders. Accordingly, there is no reconciliation of adjusted diluted EPS for the quarter ended March 31, 2019, to the most directly comparable GAAP measure. A reconciliation of adjusted diluted EPS for the quarter ended March 31, 2018, to the most directly comparable GAAP measure is included herein.

Special items for the quarter ended March 31, 2018 include the following items, which management believes do not reflect ongoing costs:

- Costs to Achieve Piedmont Merger represents charges that result from the Piedmont acquisition.
- Regulatory Settlements represents charges related to rate case orders, settlements or other actions of regulators.
- Sale of Retired Plant represents the loss associated with selling Beckjord, a nonregulated generating facility in Ohio.
- Impairment of Equity Method Investment represents an OTTI of an investment in Constitution.
- Impacts of the Tax Act represents an AMT valuation allowance recognized related to the Tax Act.

Adjusted Diluted EPS Guidance

The materials for Duke Energy's First Quarter Earnings Review and Business Update on May 9, 2019, include a reference to adjusted diluted EPS guidance range of \$4.80 - \$5.20 per share. The materials also reference the long-term range of annual growth of 4% - 6% through 2023 off the midpoint of 2019 adjusted EPS guidance range of \$5.00. Adjusted diluted EPS is a non-GAAP financial measure as it represents diluted EPS from continuing operations attributable to Duke Energy Corporation shareholders, adjusted for the per share impact of special items (as discussed above under Adjusted Diluted EPS). Due to the forward-looking nature of this non-GAAP financial measure for future periods, information to reconcile it to the most directly comparable GAAP financial measure is not available at this time, as management is unable to project all special items for future periods, such as legal settlements, the impact of regulatory orders or asset impairments.

Adjusted Segment Income and Adjusted Other Net Loss

The materials for Duke Energy's First Quarter Earnings Review and Business Update on May 9, 2019, include a discussion of adjusted segment income and adjusted other net loss for the quarter ended March 31, 2018 and a discussion of 2019 forecasted adjusted segment income and forecasted adjusted other net loss.

Adjusted segment income and adjusted other net loss are non-GAAP financial measures, as they represent reported segment income and other net loss adjusted for special items (as discussed above under Adjusted Diluted EPS). Management believes the presentation of adjusted segment income and adjusted other net loss provides useful information to investors, as it provides an additional relevant comparison of a segment's or Other's performance across periods. When a per share impact is provided for a segment income driver, the after-tax driver is derived using the pretax amount of the item less income taxes based on the segment statutory tax rate of 24% for Electric Utilities and Infrastructure and Gas Utilities and Infrastructure, segment statutory tax rate of 23% for Other, or an effective tax rate for Commercial Renewables. The after-tax earnings drivers are divided by the Duke Energy weighted average diluted shares outstanding for the period. The most directly comparable GAAP measures for adjusted segment income and adjusted other net loss are reported segment income and other net loss, which represents segment income and other net loss from continuing operations, including any special items. For the quarter ended March 31, 2019 adjusted segment income and adjusted other net loss equal reported segment income and other net loss. Accordingly, there is no reconciliation of adjusted segment income and adjusted other net loss for the quarter ended March 31, 2019, to the most directly comparable GAAP measure. A reconciliation of adjusted segment income and adjusted other net loss for the quarter ended March 31, 2018, to the most directly comparable GAAP measures is included herein. Due to the forward-looking nature of any forecasted adjusted segment income and forecasted other net loss and any related growth rates for future periods, information to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measures are not available at this time, as the company is unable to forecast all special items, as discussed above under Adjusted Diluted EPS Guidance.

Adjusted Effective Tax Rate (ETR)

The materials for Duke Energy's First Quarter Earnings Review and Business Update on May 9, 2019 include a discussion of the adjusted ETR for the quarter ended March 31, 2019. The materials also include a discussion of the 2019 forecasted adjusted ETR. Adjusted ETR is a non-GAAP financial measure as the rate is calculated using a pretax earnings and income tax expense, both adjusted for the impact of special items, as discussed above under Adjusted Diluted EPS. The most directly comparable GAAP measure for adjusted ETR is reported effective tax rate. For the quarter ended March 31, 2019 the adjusted effective tax rate equals the effective tax rate. Accordingly, there is no reconciliation of the adjusted effective tax rate for the quarter ended March 31, 2019, to the most directly comparable GAAP measure. Due to the forward-looking nature of the 2019 forecasted adjusted ETR, information to reconcile it to the most directly comparable GAAP financial measure is not available at this time, as management is unable to project all special items, as discussed above under Adjusted Diluted EPS Guidance.

Available Liquidity

The materials for Duke Energy's First Quarter Earnings Review and Business Update on May 9, 2019 include a discussion of Duke Energy's available liquidity balance. The available liquidity balance presented is a non-GAAP financial measure as it represents cash and cash equivalents, excluding certain amounts held in foreign jurisdictions and cash otherwise unavailable for operations, and remaining availability under Duke Energy's available credit facilities, including the master credit facility. The most directly comparable GAAP financial measure for available liquidity is cash and cash equivalents. A reconciliation of available liquidity as of March 31, 2019 to the most directly comparable GAAP measure is included herein.

DUKE ENERGY CORPORATION
REPORTED TO ADJUSTED EARNINGS RECONCILIATION
Three Months Ended March 31, 2018
(Dollars in millions, except per-share amounts)

	Reported Earnings	Special Items					Total Adjustments	Adjusted Earnings
		Costs to Achieve Piedmont Merger	Regulatory Settlements	Sale of Retired Plant	Impairment of Equity Method Investment	Impacts of the Tax Act		
SEGMENT INCOME								
Electric Utilities and Infrastructure	\$ 750	\$ —	\$ 66 B	\$ —	\$ —	\$ —	\$ 66	\$ 816
Gas Utilities and Infrastructure	116	—	—	—	42 D	—	42	158
Commercial Renewables	20	—	—	—	—	—	—	20
Total Reportable Segment Income	886	—	66	—	42	—	108	994
Other	(266)	13 A	—	82 C	—	76	171	(95)
Net Income Attributable to Duke Energy Corporation	\$ 620	\$ 13	\$ 66	\$ 82	\$ 42	\$ 76 E	\$ 279	\$ 899
EPS ATTRIBUTABLE TO DUKE ENERGY CORP, DILUTED	\$ 0.88	\$ 0.02	\$ 0.09	\$ 0.12	\$ 0.06	\$ 0.11	\$ 0.40	\$ 1.28

A - Net of \$4 million tax benefit. \$17 million recorded within Operating Expenses on the Condensed Consolidated Statements of Operations.

B - Net of \$20 million tax benefit. \$45 million recorded within Impairment charges, \$35 million within Operating Expenses and \$6 million recorded within Interest Expense on the Condensed Consolidated Statements of Operations.

C - Net of \$25 million tax benefit. \$107 million recorded within Losses on Sales of Other Assets and Other, net on the Condensed Consolidated Statements of Operations.

D - Net of \$13 million tax benefit. \$55 million recorded within Other Income and Expenses on the Condensed Consolidated Statements of Operations.

E - \$76 million AMT valuation allowance within Income Tax Expense from Continuing Operations on the Condensed Consolidated Statements of Operations.

Weighted Average Shares, Diluted (reported and adjusted) - 701 million

Duke Energy Corporation
Available Liquidity Reconciliation
As of March 31, 2019
(In millions)

Cash and Cash Equivalents	\$ 377	
Less: Certain Amounts Held in Foreign Jurisdictions	(30)	
Less: Unavailable Domestic Cash	<u>(144)</u>	
	203	
Plus: Remaining Availability under Master Credit Facilities and other facilities	<u>5,209</u>	
Total Available Liquidity (a)	<u>\$ 5,412</u>	approximately 5.4 billion

(a) The available liquidity balance presented is a non-GAAP financial measure as it represents Cash and cash equivalents, excluding certain amounts held in foreign jurisdictions and cash otherwise unavailable for operations, and remaining availability under Duke Energy's available credit facilities, including the master credit facility. The most directly comparable GAAP financial measure for available liquidity is Cash and cash equivalents.

FORM 10-K

(Mark One)




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

For the f sca year ended December 31, 2021 or



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

For the trans t on per od 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) 526 South Church 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
1 15929	PROGRESS ENERGY, INC. (a North Carolina corporation) 410 South Wilmington Street Raleigh, North Carolina 27601 1748 704 382 3853	56 2155481
1 3382	DUKE ENERGY PROGRESS, LLC (a North Carolina limited liability company) 410 South Wilmington Street Raleigh, North Carolina 27601 1748 704 382 3853	56 0165465
1 3274	DUKE ENERGY FLORIDA, LLC (a Florida limited liability company) 299 First Avenue North St. Petersburg, Florida 33701 704 382 3853	59 0247770
1 1232	DUKE ENERGY OHIO, INC. (an Ohio corporation) 139 East Fourth Street Cincinnati, Ohio 45202 704 382 3853	31 0240030
1 3543	DUKE ENERGY INDIANA, LLC (an Indiana limited liability company) 1000 East Main Street Painesville, Indiana 46168 704 382 3853	35 0594457
1 6196	PIEDMONT NATURAL GAS COMPANY, INC. (a North Carolina corporation) 4720 Piedmont Row Drive Charlotte, North Carolina 28210 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 Corporation (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	Depository 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 PRA	New York Stock Exchange LLC

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒
(Response applicable to all registrants.)

Indicate by check mark whether the registrants (1) have 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. Yes ☒ No ☐

Indicate by check mark whether the registrants have submitted electronic filing 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). Yes ☒ No ☐

Indicate by check mark whether Duke Energy 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.

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 each of Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio, Duke Energy Indiana and Piedmont is a large accelerated filer, accelerated filer, non-accelerated filer, smaller reporting company, or 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.

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 has filed a report on and attest to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes Oxley Act (15 U.S.C. 7252(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether each of the registrants is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Estimated aggregate market value of the common equity held by nonaffiliates of Duke Energy at June 30, 2021.	\$ 75,871,309,901
Number of shares of Common Stock, \$0.001 par value, outstanding at January 31, 2022.	769,358,344

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Duke Energy definitive proxy statement for the 2021 Annual Meeting of the Shareholders or an amendment to this Annual Report are incorporated by reference into PART III, Items 10, 11 and 13 hereof.

This combined Form 10-K is filed separately by each registrant: 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 I(1)(a) and (b) of Form 10-K and are, therefore, filing this Form 10-K with the reduced disclosure format specified in General Instructions I(2) of Form 10-K.

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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," "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 abilities to comply with federal and state laws, regulations and regulatory 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 regulatory 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, natural gas buying 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 United States 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 the 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 Regulators may be different from what is expected;
- Differences in the market prices of equity and fixed income securities and resultant cash funding requirements for defined benefit plans on pensions, other post retirement benefit plans and nuclear decommissioning trust funds;
- Construction and development risks associated with the completion of the Duke Energy Regulators' 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;
- 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 United States tax laws on 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 emissions reduction goals.

Additional risks and uncertainties are identified and discussed in the Duke Energy Regulators' reports filed with the SEC and available at the SEC's website at [sec.gov](https://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 Regulators expressly disclaim an obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

Glossary of Terms

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

Term or Acronym	Definition
2017 Settlement	Second Revised and Restated Settlement Agreement in 2017 among Duke Energy Florida, the Florida Office of Public Counsel and other customer advocates, which replaces and supersedes the 2013 Settlement
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 and Duke Energy
ACP pipeline	The approximately 600-mile canceled interstate natural gas pipeline
AFS	Available for Sale
AFUDC	Allowance for funds used during construction
AMI	Advanced Metering Infrastructure
AMT	Alternative Minimum Tax
AOCI	Accumulated Other Comprehensive Income (Loss)
ARO	Asset Retirement Obligation
Audit Committee	Audit Committee of the Board of Directors
Beeks Creek	Beeks Creek Steam Station
Bison	Bison Insurance Company Limited
Board of Directors	Duke Energy Board of Directors
Brunswick	Brunswick Nuclear Plant
Cardona	Cardona Pipeline Company, LLC
Catawba	Catawba Nuclear Station
CC	Combined Cycle
CCR	Coal Combustion Residues
Cnergy	Cnergy Corp. (collectively with its subsidiaries)
Crutus County CC	Crutus County Combined Cycle Facility
CO ₂	Carbon Dioxide
Coal Ash Act	North Carolina Coal Ash Management Act of 2014
the company	Duke Energy Corporation and its subsidiaries
Constitution	Constitution Pipeline Company, LLC
COVID-19	Coronavirus Disease 2019
CPCN	Certificate of Public Convenience and Necessity
CRC	Cnergy Receivables Company LLC
Crystal River Unit 3	Crystal River Unit 3 Nuclear Plant
CT	Combustion Turbine
DATC	Duke American Transmission Company, LLC
DECON	A method of decommissioning in which structures, systems, and components that contain radioactive contamination are removed from a site and safely disposed at a commercially operated low-level waste disposal facility, or decontaminated to a level that permits the site to be released for unrestricted use shortly after it ceases operation
DEFR	Duke Energy Florida Receivables, LLC
Deotte	Deotte & Touche LLP, and the member firms of Deotte Touche Tohmatsu and the respective affiliates
DEPR	Duke Energy Progress Receivables, LLC
DERF	Duke Energy Receivables Finance Company, LLC
DOE	U.S. Department of Energy
Dominion	Dominion Energy, Inc.

Dth	Dekatherms
Duke Energy	Duke Energy Corporation (collectively with its subsidiaries)
Duke Energy Carolinas	Duke Energy Carolinas, LLC
Duke Energy Florida	Duke Energy Florida, LLC
Duke Energy Indiana	Duke Energy Indiana, LLC
Duke Energy Kentucky	Duke Energy Kentucky, Inc.
Duke Energy Ohio	Duke Energy Ohio, Inc.
Duke Energy Progress	Duke Energy Progress, LLC
Duke Energy Regulators	Duke Energy, Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio, Duke Energy Indiana and Piedmont
East Bend	East Bend Generating Station
EDIT	Excess deferred income tax
EE	Energy efficiency
EPA	U.S. Environmental Protection Agency
EPC	Engineering, Procurement and Construction agreement
EPS	Earnings Per Share
ETR	Effective tax rate
Exchange Act	Securities Exchange Act of 1934
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
Form S-3	Registration statement
FPSC	Florida Public Service Commission
FTR	Financial transmission rights
FVNI	Fair value through net income
GAAP	Generally Accepted Accounting Principles in the United States
GAAP Reported Earnings	Net Income Available to Duke Energy Corporation common stockholders
GAAP Reported EPS	Basic EPS Available to Duke Energy Corporation common stockholders
GHG	Greenhouse Gas
GIC	GIC Private Limited, Singapore's sovereign wealth fund and an experienced investor in U.S. infrastructure
GWh	Gigawatt hour
Hardy Storage	Hardy Storage Company, LLC
Harris	Shearon Harris Nuclear Plant
HLBV	Hypothetical Liquidation at Book Value
IMPA	Indiana Municipal Power Agency
IMR	Integrity Management Rider
IRP	Integrated Resource Plans
IRS	Internal Revenue Service
ISO	Independent System Operator
ITC	Investment Tax Credit
IURC	Indiana Utility Regulatory Commission
Investment Trusts	Grantor trusts of Duke Energy Progress, Duke Energy Florida and Duke Energy Indiana
KO Transmission	KO Transmission Company
KPSC	Kentucky Public Service Commission
LIBOR	London Interbank Offered Rate
LLC	Limited Liability Company

McGuire	McGuire Nuclear Station
MGP	Manufactured gas plant
MISO	Midcontinent Independent System Operator, Inc.
MTBE	Methyl tertiary butyl ether
MW	Megawatt
MWh	Megawatt hour
NCDEQ	North Carolina Department of Environmental Quality
NCUC	North Carolina Utilities Commission
NDTF	Nuclear decommissioning trust funds
New Source Review	Clean Air Act program that requires industrial facilities to install modern pollution control equipment when they are built or when making a change that increases emissions significantly
NMC	National Methanol Company
NOL	Net operating loss
NPNS	Normal purchase/normal sale
NRC	U.S. Nuclear Regulatory Commission
NYSE	New York Stock Exchange
Oconee	Oconee Nuclear Station
OPEB	Other Post Retirement Benefit Obligations
OTTI	Other than temporary impairment
OVEC	Ohio Valley Electric Corporation
the Parent	Duke Energy Corporation holding company
PGA	Purchased Gas Adjustments
PHMSA	Pipeline and Hazardous Materials Safety Administration
Piedmont	Piedmont Natural Gas Company, Inc.
Pine Neede	Pine Neede LNG Company, LLC
Pioneer	Pioneer Transmission, LLC
PJM	PJM Interconnection, LLC
PMPA	Piedmont Municipal Power Agency
PISCC	Post-nuclear service carrying costs
PPA	Purchase Power Agreement
Progress Energy	Progress Energy, Inc.
PSCSC	Public Service Commission of South Carolina
PTC	Production Tax Credits
PUCO	Public Utilities Commission of Ohio
PURPA	Public Utility Regulatory Policies Act of 1978
QF	Qualifying Facility
REC	Renewable Energy Certificate
Relative TSR	TSR of Duke Energy stock relative to a predefined peer group
Robinson	Robinson Nuclear Plant
ROU	Right of use
RSU	Restricted Stock Unit
RTO	Regional Transmission Organization
Saba Trail	Saba Trail Transmission, LLC
SAFSTOR	A method of decommissioning in which a nuclear facility is placed and maintained in a condition that allows the facility to be safely stored and subsequently decontaminated to levels that permit release for unrestricted use

SEC	Securities and Exchange Commission
S&P	Standard & Poor's Rating Services
State utility commissions	NCUC, PSCSC, FPSC, PUCO, IURC, KPSC and TPUC (Collectively)
State electric utility commissions	NCUC, PSCSC, FPSC, PUCO, IURC and KPSC (Collectively)
State gas utility commissions	NCUC, PSCSC, PUCO, TPUC and KPSC (Collectively)
Subsidiary Registrants	Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio, Duke Energy Indiana and Piedmont
Sutton	L.V. Sutton Combined Cycle Plant
the Tax Act	Tax Cuts and Jobs Act
TPUC	Tennessee Public Utility Commission
TSR	Total shareholder return
U.S.	United States
VIE	Variable Interest Entity
WACC	Weighted Average Cost of Capital
W.S. Lee CC	William States Lee Combined Cycle Facility
WVPA	Wabash Valley Power Association, Inc.

ITEM 1. BUSINESS

DUKE ENERGY

General

Duke Energy was incorporated on May 3, 2005, and is an energy company headquartered in Charlotte, North Carolina, subject to regulation by the FERC and other regulatory agencies listed below. Duke Energy operates in the U.S. primarily through its direct and indirect subsidiaries. Certain Duke Energy subsidiaries are also Subsidiary Registrants, including Duke Energy Carolinas, Progress Energy, 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 its separate Subsidiary Registrants, which along with Duke Energy, are collectively referred to as the Duke Energy Registrants.

The Duke Energy Registrants electronically file reports with the SEC, including Annual Reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and amendments to such reports.

The SEC maintains an internet site that contains reports, proxy and financial information statements and other information regarding issuers that file electronically with the SEC at sec.gov. Additionally, information about the Duke Energy Registrants, including reports filed with the SEC, is available through Duke Energy's website at duke-energy.com. Such reports are accessible at no charge and are made available as soon as reasonably practicable after such materials are filed with or furnished to the SEC.

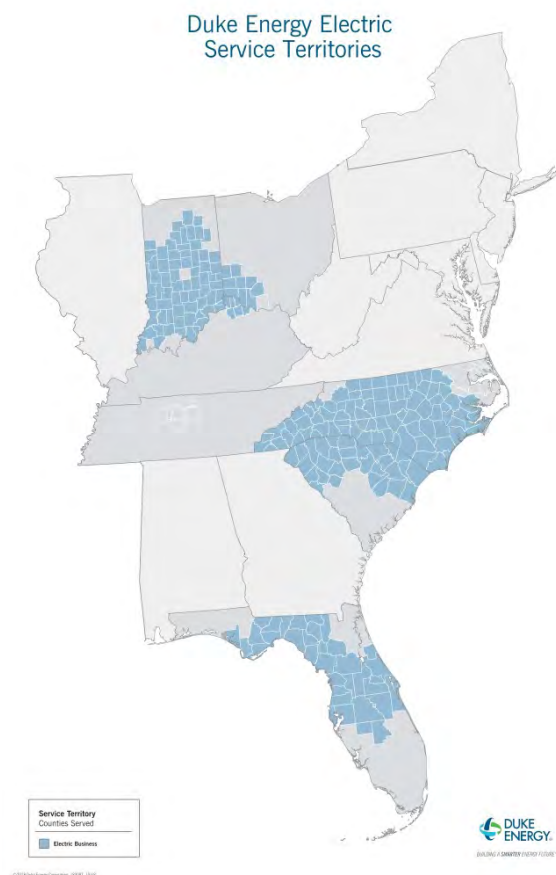
Business Segments

Duke Energy's segment structure includes three reportable business segments: Electric Utilities and Infrastructure, Gas Utilities and Infrastructure and Commercial Renewables. The remainder of Duke Energy's operations is presented as Other. Duke Energy's chief operating decisions on maker routinely reviews financial information about each of these business segments in deciding how to allocate resources and evaluate the performance of the business. For additional information on each of these business segments, including financial and geographic information, see Note 2 to the Consolidated Financial Statements, "Business Segments." The following sections describe the business and operations of each of Duke Energy's business segments, as well as Other.

ELECTRIC UTILITIES AND INFRASTRUCTURE

Electric Utilities and Infrastructure conducts operations primarily through the regulated public utilities of Duke Energy Carolinas, Duke Energy Progress, Duke Energy Florida, Duke Energy Indiana and Duke Energy Ohio. Electric Utilities and Infrastructure provides retail electric service through the generation, transmission, distribution and sale of electricity to approximately 8.2 million customers within the Southeast and Midwest regions of the U.S. The service territory is approximately 91,000 square miles across six states with a total estimated population of 26 million. The operations include electricity sold wholesale to municipalities, electric cooperative utilities and other load serving entities.

During 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 Holdco, LLC, the holding company for Duke Energy Indiana. The transaction will be completed following two closings. The first closing occurred on September 8, 2021, and resulted in Duke Energy Indiana Holdco, LLC issuing 11.05% of its membership interest to the affiliate of GIC. The second closing is expected to occur no later than January 2023. See Note 1 to the Consolidated Financial Statements, "Summary of Significant Accounting Policies," for additional information. Electric Utilities and Infrastructure is also a joint owner in certain electric transmission projects. Electric Utilities and Infrastructure has a 50% ownership interest in DATC, a partnership with American Transmission Company, formed to design, build and operate transmission infrastructure. DATC owns 72% of the transmission service rights to Path 15, an 84-mile transmission line in central California. Electric Utilities and Infrastructure also has a 50% ownership interest in Pioneer, which builds, owns and operates electric transmission facilities in North America. The following map shows the service territory for Electric Utilities and Infrastructure as of December 31, 2021.



The electric operations and investments in projects are subject to the rules and regulations of the FERC, the NRC, the NCUC, the PSCSC, the FPSC, the IURC, the PUCO and the KPSC.

The following table represents the distribution of GWh billed sales by customer class for the year ended December 31, 2021.

	Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Residential	33 %	28 %	49 %	38 %	30 %
General service	32 %	22 %	35 %	37 %	25 %
Industrial	24 %	14 %	8 %	23 %	31 %
Total sales	89 %	64 %	92 %	98 %	86 %
Wholesale and other sales	11 %	36 %	8 %	2 %	14 %
Total sales	100 %	100 %	100 %	100 %	100 %

The number of residential and general service customers within the Electric Utilities and Infrastructure service territories is expected to increase over time. Sales growth is expected within the service territory but continues to be impacted by adoption of energy efficiencies and self-generation. Residential sales increased in 2021 compared to 2020 due to customer growth and the introduction of a hybrid work environment in response to multiple waves of COVID-19 during 2021. Meanwhile, sales for general service and industrial customers recovered in 2021 from temporary closings and ramp backs experienced in 2020 due to the COVID-19 pandemic. Over the longer time frame, it is still expected that the continued adoption of more efficient housing and appliances will have a negative impact on average usage per residential customer over time.

Seasonality and the Impact of Weather

Revenues and costs are influenced by seasonal weather patterns. Peak sales of electricity occur during the summer and winter months, which results in higher revenue and cash flows during these periods. By contrast, lower sales of electricity occur during the spring and fall, allowing for scheduled plant maintenance. Residential and general service customers are more impacted by weather than industrial customers. Estimated weather impacts are based on actual current period weather compared to normal weather conditions. Normal weather conditions are defined as the long-term average of actual historical weather conditions.

The estimated impact of weather on earnings is based on the temperature variances from a normal condition and customers' historical usage patterns. The methodology used to estimate the impact of weather does not consider all variables that may impact customer response to weather conditions such as humidity in the summer or wind chill in the winter. The precision of this estimate may also be impacted by applying long-term weather trends to shorter term periods.

Heating degree days measure the variation in weather based on the extent the average daily temperature falls below a base temperature. Cooling degree days measure the variation in weather based on the extent the average daily temperature rises above the base temperature. Each degree of temperature below the base temperature counts as one heating degree day and each degree of temperature above the base temperature counts as one cooling degree day.

Competition

Retail

Electric Utilities and Infrastructure's businesses operate as the sole supplier of electricity within the respective territories, with the exception of Ohio, which has a competitive electricity supply market for generation services. Electric Utilities and Infrastructure owns and operates facilities necessary to generate, transmit, distribute and sell electricity. Services are provided by state commissions on approved rates designed to include the costs of providing these services and a reasonable return on invested capital. These regulatory policies are intended to provide safe and reliable electricity at fair prices.

In Ohio, Electric Utilities and Infrastructure conducts competitive auctions for electricity supply. The cost of energy purchased through these auctions is recovered from retail customers. Electric Utilities and Infrastructure earns retail margins in Ohio on the transmission and distribution of electricity, but not on the cost of the underlying energy.

Competition in the regulated electric distribution business is primarily from the development and deployment of alternative energy sources including on-site generation from industrial customers and distributed generation, such as private solar, at residential, general service and/or industrial customer sites.

Wholesale

Duke Energy competes with other utilities and merchant generators for bulk power sales, sales to municipalities and cooperatives and wholesale transactions under primarily cost-based contracts approved by FERC. The principal factors in competing for these sales are availability of capacity and power, reliability of service and price. Prices are influenced primarily by market conditions and fuel costs.

Increased competition in the wholesale electricity industry and the availability of transmission access could affect Electric Utilities and Infrastructure's load forecasts, plans for power supply and wholesale energy sales and related revenues. Wholesale energy sales will be impacted by the extent to which additional generation is available to sell to the wholesale market and the ability of Electric Utilities and Infrastructure to attract new customers and to retain existing customers.

Energy Capacity and Resources

Electric Utilities and Infrastructure owns approximately 50,259 MW of generation capacity. For additional information on owned generation facilities, see Item 2, "Properties."

Energy and capacity are also supplied through contracts with other generators and purchased on the open market. Factors that could cause Electric Utilities and Infrastructure to purchase power for its customers may include, but are not limited to, generating plant outages, extreme weather conditions, generation reliability, demand growth and price. Electric Utilities and Infrastructure has interconnections and arrangements with its neighboring utilities to facilitate planning, emergency assistance, sale and purchase of capacity and energy and reliability of power supply.

Electric Utilities and Infrastructure's generation portfolio is a balanced mix of energy resources having different operating characteristics and fuel sources designed to provide energy at the lowest possible cost to meet its obligation to serve retail customers. A portfolio, including owned generation resources and purchased power opportunities, are continually evaluated on a real-time basis to select and dispatch the lowest cost resources available to meet system load requirements.

Sources of Electricity

Electric Utilities and Infrastructure relies principally on natural gas, nuclear fuel and coal for its generation of electricity. The following table lists sources of electricity and fuel costs for the three years ended December 31, 2021.

	Generation by Source			Cost of Delivered Fuel per Net Kilowatt-hour Generated (Cents)		
	2021	2020	2019	2021	2020	2019
Natural gas and fuel oil ^(a)	31.8 %	31.3 %	29.2 %	3.89	2.55	2.96
Nuclear ^(a)	29.8 %	29.6 %	28.6 %	0.58	0.58	0.60
Coal ^(a)	18.2 %	18.1 %	21.6 %	2.84	2.99	3.08
All fuels (cost based on weighted average) ^(a)	79.8 %	79.0 %	79.4 %	2.42	1.91	2.14
Hydroelectric and solar ^(b)	1.5 %	1.9 %	1.2 %			
Total generation	81.3 %	80.9 %	80.6 %			
Purchased power and net interchange	18.7 %	19.1 %	19.4 %			
Total sources of energy	100.0 %	100.0 %	100.0 %			

(a) Statistics related to all fuels reflect Electric Utilities and Infrastructure's public utility ownership interest in jointly owned generation facilities.

(b) Generating figures are net of output required to replenish pumped storage facilities during off peak periods.

Natural Gas and Fuel Oil

Natural gas and fuel oil supply, transportation and storage for Electric Utilities and Infrastructure's generation facilities purchased under standard industry agreements from various suppliers, including Piedmont. Natural gas supply agreements typically provide for a percentage of forecasted burns being procured over time, with varied expiration dates. Electric Utilities and Infrastructure believes it has access to an adequate supply of natural gas and fuel oil for the reasonably foreseeable future.

Electric Utilities and Infrastructure has certain dual fuel generating facilities that can operate utilizing both natural gas and fuel oil. The cost of Electric Utilities and Infrastructure's natural gas and fuel oil is fixed price or determined by published market prices as reported in certain industry publications, plus any transportation and freight costs. Duke Energy Carolinas, Duke Energy Progress, Duke Energy Florida and Duke Energy Indiana use derivative instruments to manage a portion of the risk exposure to price fluctuations for natural gas. For Duke Energy Florida, there is currently an agreed upon moratorium with the FPSC on future hedging of natural gas prices.

Electric Utilities and Infrastructure has firm interstate and intrastate natural gas transportation agreements and storage agreements in place to support generation needed for load requirements. Electric Utilities and Infrastructure may purchase additional shorter term natural gas transportation and utilize natural gas interruptible transportation agreements to support generation needed for load requirements. The Electric Utilities and Infrastructure natural gas plants are served by various supply zones and multipipe pipelines.

Nuclear

The industrial processes for producing nuclear generating fuel generally involve the mining and milling of uranium ore to produce uranium concentrates and services to convert, enrich and fabricate fuel assemblies.

Electric Utilities and Infrastructure has contracted for uranium materials and services to fuel its nuclear reactors. Uranium concentrates, conversion services and enrichment services are primarily met through a diversified portfolio of long term supply contracts. The contracts are diversified by supplier, country of origin and pricing. Electric Utilities and Infrastructure staggers its contracting so that its portfolio of long term contracts covers the majority of its fuel requirements in the near term and decreasing portions of its fuel requirements over time thereafter. Near term requirements not met by long term supply contracts have been and are expected to be fulfilled with spot market purchases. Due to the technical complexities of changing suppliers of fuel fabrication services, Electric Utilities and Infrastructure generally source these services to a single domestic supplier on a plant by plant basis using multi-year contracts.

Electric Utilities and Infrastructure has entered into fuel contracts that cover 100% of its uranium concentrates and conversion services through at least 2022, 100% of its enrichment services through at least 2023, and 100% of its fabrication services requirements for these plants through at least 2027. For future requirements not already covered under long term contracts, Electric Utilities and Infrastructure believes it will be able to renew contracts as they expire or enter into similar contractual arrangements with other suppliers of nuclear fuel materials and services.

Coal

Electric Utilities and Infrastructure meets its coal demand through a portfolio of long term purchase contracts and short term spot market purchase agreements. Large amounts of coal are purchased under long term contracts with mining operators who mine both underground and at the surface. Electric Utilities and Infrastructure uses spot market purchases to meet coal requirements not met by long term contracts. Expiration dates for its long term contracts, which may have various price adjustment provisions and market reopeners, range from 2022 to 2026 for Duke Energy Carolinas and Duke Energy Progress and 2022 to 2025 for Duke Energy Florida, Duke Energy Ohio and Duke Energy Indiana. Electric Utilities and Infrastructure expects to renew these contracts or enter into similar contracts with other suppliers as existing contracts expire, though prices will fluctuate over time as coal markets change. Electric Utilities and Infrastructure has an adequate supply of coal under contract to meet its risk management guidelines regarding projected future consumption. As a result of volatility in natural gas prices and the associated impacts on coal-fired dispatch with the generation fleet, coal inventories will continue to fluctuate. Electric Utilities and Infrastructure continues to actively manage its portfolio and has worked with suppliers to obtain increased flexibility in its coal contracts.

Coal purchased for the Carolinas is primarily produced from mines in Central Appalachia, Northern Appalachia and the Illinois Basin. Coal purchased for Florida is primarily produced from mines in the Illinois Basin. Coal purchased for Kentucky is produced from mines along the Ohio River in Illinois, Ohio, West Virginia and Pennsylvania. Coal purchased for Indiana is primarily produced in Indiana and Illinois. There are adequate domestic coal reserves to serve Electric Utilities and Infrastructure's coal generation needs through end of life. The current average sulfur content of coal purchased by Electric Utilities and Infrastructure is between 1.5% and 2% for Duke Energy Carolinas and Duke Energy Progress, between 2.5% and 3% for Duke Energy Florida and Duke Energy Indiana, and between 3% and 3.5% for Duke Energy Ohio. Electric Utilities and Infrastructure's environmental controls, in combination with the use of sulfur dioxide (SO₂) emissions allowances, enable Electric Utilities and Infrastructure to satisfy current SO₂ emissions limitations for its existing facilities.

Purchased Power

Electric Utilities and Infrastructure purchases a portion of its capacity and system requirements through purchase obligations, leases and purchase capacity contracts. Electric Utilities and Infrastructure believes it can obtain adequate purchased power capacity to meet future system load needs. However, during periods of high demand, the price and availability of purchased power may be significantly affected.

The following table summarizes purchased power for the previous three years:

	2021	2020	2019
Purchase obligations and leases (in millions of MWh) ^(a)	36	32.7	34.8
Purchase capacity under contract (in MW) ^(b)	4,259	4,716	4,238

(a) Represents approximately 14% of total system requirements for 2021, 13% for 2020 and 14% for 2019.

(b) For 2021, 2020 and 2019, these agreements include approximately 412 MW of firm capacity under contract by Duke Energy Florida with QFs.

Inventory

Electric Utilities and Infrastructure must maintain an adequate stock of fuel and materials and supplies in order to ensure continuous operation of generating facilities and be able to deliver to customers. As of December 31, 2021, the inventory balance for Electric Utilities and Infrastructure was approximately \$3 billion. For additional information on inventory, see Note 1 to the Consolidated Financial Statements, "Summary of Significant Accounting Policies."

Ash Basin Management

During 2015, EPA issued regulations related to the management of CCR from power plants. These regulations classify CCR as nonhazardous waste under the Resource Conservation and Recovery Act (RCRA) and apply to electric generating stations with new and existing and new and existing surface impoundments and establish requirements regarding and design, structural integrity design and assessment criteria for surface impoundments, groundwater monitoring, protection and remediation procedures and other operations and reporting procedures for the disposal and management of CCR. In addition to the federal regulations, CCR and design and surface impoundments (ash basins or impoundments) will continue to be regulated by existing state laws, regulations and permits, such as the North Carolina Coal Ash Management Act of 2014 (Coal Ash Act).

Electric Utilities and Infrastructure has and will periodically submit to applicable authorities required site specific coal ash impoundment remediation or closure plans. Closure plans must be approved and associated permits issued before any work can begin. Closure activities have begun in a number of Duke Energy's jurisdictions. Excavation began in 2015 at the four sites specified as high priority by the Coal Ash Act and at the W.S. Lee Steam Station site in South Carolina in connection with other regulatory requirements. Excavation at these sites involves movement of CCR materials to appropriate engineered off-site or on-site lined and/or for reuse in an approved beneficial application. Duke Energy has completed excavation of coal ash at three of the four high priority North Carolina sites. At other sites where CCR management is required, planning and closure methods have been studied and factored into the estimated retirement and management costs, and closure activities have commenced.

The EPA CCR rule and the Coal Ash Act leave the decisions on cost recovery determinations related to closure of coal ash surface impoundments to the normal rate-making processes before utility regulatory commissions. Duke Energy's electric utilities have included compliance costs associated with federal and state requirements in their respective rate proceedings. During 2017, Duke Energy Carolinas' and Duke Energy Progress' who own contracts were amended to include the recovery of expenditures related to AROs for the closure of coal ash basins. The amended contracts have retained a cost recovery party or provisions relating to changes to CCR cost recovery actions at FERC. FERC approved the amended who own rate schedules in 2017. For additional information on the ash basins and recovery, see Item 7, "Other Matters" and Notes 3, 4 and 9 to the Consolidated Financial Statements, "Regulatory Matters," "Commitments and Contingencies" and "Asset Retirement Obligations," respectively.

Nuclear Matters

Duke Energy owns, wholly or partly, 11 operating nuclear reactors located at six operating stations. The Crystal River Unit 3 permanent shutdown occurred in February 2013. Nuclear insurance includes: nuclear liability coverage; property damage coverage; nuclear accident decontamination and premature decommissioning coverage; and accident outage coverage for losses in the event of a major accident outage. Joint owners reimburse Duke Energy for certain expenses associated with nuclear insurance in accordance with joint owner agreements. The Price Anderson Act requires plant owners to provide for public nuclear liability claims resulting from nuclear incidents to the maximum total financial protection liability, which is approximately \$13.5 billion. For additional information on nuclear insurance, see Note 4 to the Consolidated Financial Statements, "Commitments and Contingencies."

Duke Energy has a significant future financial commitment to dispose of spent nuclear fuel and decommissioning and decontamination each plant safely. The NCUC, PSCSC and FPSC require Duke Energy to update their cost estimates for decommissioning the nuclear plants every five years.

The following table summarizes the fair value of NDTF investments and the most recent site specific nuclear decommissioning cost studies. Decommissioning costs are stated in 2018 or 2019 dollars, depending on the year of the cost study, and include costs to decommission plant components not subject to radioactive contamination.

(in millions)	NDTF ^(a)		Decommissioning	
	December 31, 2021	December 31, 2020	Costs ^(a)	Year of Cost Study
Duke Energy	\$ 10,401	\$ 9,114	\$ 9,105	2018 or 2019
Duke Energy Carolinas ^{(b)(c)}	5,759	4,977	4,365	2018
Duke Energy Progress ^(d)	4,089	3,500	4,181	2019
Duke Energy Florida ^(e)	553	637	559	N/A

(a) Amounts for Progress Energy equal the sum of Duke Energy Progress and Duke Energy Florida.

(b) Decommissioning cost for Duke Energy Carolinas reflects its ownership interest in jointly owned reactors. Other joint owners are responsible for decommissioning costs related to their interest in the reactors.

(c) Duke Energy Carolinas' site specific nuclear decommissioning cost study completed in 2018 was filed with the NCUC and PSCSC in 2019. A new funding study was also completed and filed with the NCUC and PSCSC in 2019.

(d) Duke Energy Progress' site specific nuclear decommissioning cost study completed in 2019 was filed with the NCUC and PSCSC in March 2020. Duke Energy Progress also completed a funding study, which was filed with the NCUC and PSCSC in July 2020.

(e) During 2019, Duke Energy Florida reached an agreement to transfer decommissioning costs on work for Crystal River Unit 3 to a third party and decommissioning costs are based on the agreement with the third party rather than a cost study. Regulatory approval was received from the NRC and the FPSC in April 2020 and August 2020, respectively. See Note 3 to the Consolidated Financial Statements, "Regulatory Matters," for more information.

The NCUC, PSCSC, FPSC and FERC have allowed Electric Utilities and Infrastructure to recover estimated decommissioning costs through retail and wholesale rates over the expected remaining service periods of the nuclear stations. Electric Utilities and Infrastructure believes the decommissioning costs being recovered through rates, when coupled with the existing fund balances and expected fund earnings, will be sufficient to provide for the cost of future decommissioning. For additional information, see Note 9 to the Consolidated Financial Statements, "Asset Retirement Obligations."

The Nuclear Waste Policy Act of 1982 (as amended) provides the framework for development by the federal government of interim storage and permanent disposal facilities for high-level radioactive waste materials. The government has not yet developed a storage facility or disposal capacity, so Electric Utilities and Infrastructure will continue to store spent fuel on its reactor sites.

Under federal law, the DOE is responsible for the selection and construction of a facility for the permanent disposal of spent nuclear fuel and high-level radioactive waste. The DOE terminated the project to license and develop a geologic repository at Yucca Mountain, Nevada in 2010, and is currently taking no action to fulfill its responsibilities to dispose of spent fuel.

Until the DOE begins to accept the spent nuclear fuel, Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida will continue to safely manage the spent nuclear fuel. Under current regulatory guidelines, Harris has sufficient storage capacity in its spent fuel pools through the expiration of its renewed operating license. With certain modifications and approvals by the NRC to expand the on-site dry cask storage facilities, spent nuclear fuel dry storage facilities will be sufficient to provide storage space of spent fuel through the expiration of the operating licenses, including any license renewals, for Brunswick, Catawba, McGuire, Oconee and Robinson. Crystal River Unit 3 ceased operation in 2013 and was placed in a SAFSTOR condition in January 2018. As of January 2018, a spent fuel at Crystal River Unit 3 has been transferred from the spent fuel pool to dry storage at an on-site independent spent fuel storage installation. During 2020, the NRC and the FPSC approved an agreement to transfer ownership of spent fuel for Crystal River Unit 3 to a third party. See Note 3 to the Consolidated Financial Statements, "Regulatory Matters," for more information.

The nuclear power industry faces uncertainties with respect to the cost and long-term availability of disposal sites for spent nuclear fuel and other radioactive waste, compliance with changing regulatory requirements, capital outlays for modifications and new plant construction.

Electric Utilities and Infrastructure is subject to the jurisdiction of the NRC for the design, construction and operation of its nuclear generating facilities. The following table includes the current year of expiration of nuclear operating licenses for nuclear stations in operation. On June 7, 2021, Duke Energy Carolinas filed a subsequent license renewal application for the Oconee Nuclear Station (ONS) with the U.S. Nuclear Regulatory Commission to renew ONS's operating license for an additional 20 years. Duke Energy has announced its intention to seek 20-year operating license renewals for each of the reactors it operates in Duke Energy Carolinas and Duke Energy Progress. See Note 3 to the Consolidated Financial Statements, "Regulatory Matters," for additional information.

Unit	Year of Expiration
Duke Energy Carolinas	
Catawba Units 1 and 2	2043
McGuire Unit 1	2041
McGuire Unit 2	2043
Oconee Units 1 and 2	2033
Oconee Unit 3	2034
Duke Energy Progress	
Brunswick Unit 1	2036
Brunswick Unit 2	2034
Harris	2046
Robinson	2030

The NRC has acknowledged permanent cessation of operation and permanent removal of fuel from the reactor vessel at Crystal River Unit 3. Therefore, the license no longer authorizes operation of the reactor. For additional information on nuclear decommissioning activity, see Notes 3 and 9 to the Consolidated Financial Statements, "Regulatory Matters" and "Asset Retirement Obligations," respectively.

Regulation

State

The state electric utility commissions approve rates for Duke Energy's retail electric service within the respective states. The state electric utility commissions, to varying degrees, have authority over the construction and operation of Electric Utilities and Infrastructure's generating facilities. CPCNs issued by the state electric utility commissions, as applicable, authorize Electric Utilities and Infrastructure to construct and operate its electric facilities and to sell electric utility to retail and wholesale customers. Prior approval from the relevant state electric utility commissions is required for the entities within Electric Utilities and Infrastructure to issue securities. The underlying concept of utility ratemaking is to set rates at a level that allows the utility to collect revenues equal to its cost of providing service plus earn a reasonable rate of return on its invested capital, including equity.

In addition to rates approved in base rate cases, each of the state electric utility commissions allow recovery of certain costs through various cost recovery causes to the extent the respective commission determines in periodic hearings that such costs, including any past over or under recovered costs, are prudent.

Due to the associated regulatory treatment and the method allowed for recovery, changes in fuel costs from year to year have no material impact on operating results of Electric Utilities and Infrastructure, unless a commission finds a portion of such costs to have been imprudent. However, delays between the expenditure for fuel costs and recovery from customers can adversely impact the timing of cash flows of Electric Utilities and Infrastructure.

The table below reflects significant electric rate case applications approved and effective in the past three years or applications currently pending approval.

	Regulatory Body	Annual Increase (Decrease) (in millions)	Return on Equity	Equity Component of Capital Structure	Effective Date
Approved Rate Cases:					
Duke Energy Progress 2019 North Carolina Rate Case	NCUC	\$ 178	9.6 %	52 %	6/1/2021
Duke Energy Carolinas 2019 North Carolina Rate Case	NCUC	33	9.6 %	52 %	6/1/2021
Duke Energy Indiana 2019 Indiana Rate Case ^(a)	IURC	146	9.7 %	54 %	7/30/2020
Duke Energy Kentucky 2019 Kentucky Electric Rate Case	KPSC	24	9.25 %	48.23 %	5/1/2020
Duke Energy Carolinas 2018 South Carolina Rate Case	PSCSC	45	9.5 %	53 %	6/1/2019
Duke Energy Progress 2018 South Carolina Rate Case	PSCSC	29	9.5 %	53 %	6/1/2019
Duke Energy Ohio 2017 Ohio Electric Rate Case	PUCO	(19)	9.84 %	50.75 %	1/2/2019
Pending Rate Cases:					
Duke Energy Ohio 2021 Ohio Electric Rate Case	PUCO	\$ 55	10.3 %	50.5 %	7/1/2022

- (a) Step 1 rates are approximately 75% of the total and became effective July 30, 2020. Step 2 rates are approximately 25% of the total rate case increase. They were approved on July 28, 2021, and implemented in August 2021.

Additionally, in January 2021, Duke Energy Florida filed a settlement agreement with the FPSC that will allow annual increases to its base rates, an agreed upon return on equity ("ROE") and includes a base rate stay out provision through 2024, among other provisions. 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. For more information on rate matters and other regulatory proceedings, see Note 3 to the Consolidated Financial Statements, "Regulatory Matters."

Federal

The FERC approves Electric Utilities and Infrastructure's cost-based rates for electric sales to certain power and transmission wholesale customers. Regulations of FERC and the state electric utility commissions govern access to regulated electric and other data by nonregulated entities and services provided between regulated and nonregulated energy affiliates. These regulations affect the activities of nonregulated affiliates with Electric Utilities and Infrastructure.

RTOs

PJM and MISO are the ISOs and FERC approved RTOs for the regions in which Duke Energy Ohio and Duke Energy Indiana operate. PJM and MISO operate energy, capacity and other markets, and control the day-to-day operations of bulk power systems through centralized dispatch.

Duke Energy Ohio is a member of PJM and Duke Energy Indiana is a member of MISO. Transmission owners in these RTOs have turned over control of the transmission facilities and the transmission systems are currently under the dispatch control of the RTOs. Transmission services provided on a regional, open access basis using the transmission facilities of the RTO members at rates based on the costs of transmission services.

Environmental

Electric Utilities and Infrastructure is subject to the jurisdiction of the EPA and state and local environmental agencies. For a discussion of environmental regulation, see "Environmental Matters" in this section. See the "Other Matters" section of Item 7 Management's Discussion and Analysis for a discussion about potential Global Climate Change risks and other EPA regulations under development and the potential impacts such regulations and regulation could have on Duke Energy's operations.

GAS UTILITIES AND INFRASTRUCTURE

Gas Utilities and Infrastructure conducts natural gas operations primarily through the regulated public utilities of Piedmont, Duke Energy Ohio and Duke Energy Kentucky. The natural gas operations are subject to the rules and regulations of the NCUC, PSCSC, PUCO, KPSC, TPUC, PHMSA and the FERC. Gas Utilities and Infrastructure serves residential, commercial and power generation natural gas customers, including customers served by municipalities who are wholesale customers. Gas Utilities and Infrastructure has over 1.6 million total customers, including 1.1 million customers located in North Carolina, South Carolina and Tennessee, and an additional 550,000 customers located within southwestern Ohio and northern Kentucky. In the Carolinas, Ohio and Kentucky, the service areas are comprised of numerous cities, towns and communities. In Tennessee, the service area is the metropolitan area of Nashville. The following map shows the service territory and investments in operating pipelines for Gas Utilities and Infrastructure as of December 31, 2021.



The number of residential, commercial and industrial customers within the Gas Utilities and Infrastructure service territories is expected to increase over time. Average usage per residential customer is expected to remain flat or decline for the foreseeable future; however, decoupled rates in North Carolina and various rate design mechanisms in other jurisdictions partly mitigate the impact of the declining usage per customer on overall profitability.

Gas Utilities and Infrastructure also owns, operates and has investments in various pipeline transmission and natural gas storage facilities.

Natural Gas for Retail Distribution

Gas Utilities and Infrastructure is responsible for the distribution of natural gas to retail customers in its North Carolina, South Carolina, Tennessee, Ohio and Kentucky service territories. Gas Utilities and Infrastructure's natural gas procurement strategy is to contract primarily with major and independent producers and marketers for natural gas supply. It also purchases a diverse portfolio of transportation and storage services from interstate pipelines. This strategy allows Gas Utilities and Infrastructure to assure reliable natural gas supply and transportation for its firm customers during peak winter conditions. When firm pipeline services or contracted natural gas supplies are temporarily not needed due to market demand fluctuations, Gas Utilities and Infrastructure may release these services and supplies in the secondary market under FERC approved capacity release provisions or make wholesale secondary market sales. In 2021, firm supply purchase commitment agreements provided 100% of the natural gas supply for both Piedmont and Duke Energy Ohio.

Impact of Weather

Gas Utilities and Infrastructure revenues are generally protected from the impact of weather fluctuations due to the regulatory mechanisms that are available in most service territories. In North Carolina, marginal decoupling provides protection from both weather and other usage variations like conservation for residential and small and medium general service customers. Marginal decoupling provides a set marginal per customer independent of actual usage. In South Carolina, Tennessee and Kentucky, weather normalization adjusts revenues either up or down depending on how much warmer or colder than normal a given month has been. Weather normalization adjustments occur from November through March in South Carolina, from October through April in Tennessee and from November through April in Kentucky. Duke Energy Ohio collects most of its non-fuel revenue through a fixed monthly charge that is not impacted by usage fluctuations that result from weather changes or conservation.

Competition

Gas Utilities and Infrastructure's businesses operate as the sole provider of natural gas service within the retail service territories. Gas Utilities and Infrastructure owns and operates facilities necessary to transport and distribute natural gas. Gas Utilities and Infrastructure earns retail margin on the transmission and distribution of natural gas and not on the cost of the underlying commodity. Services are provided by state commissions on approved rates designed to include the costs of providing these services and a reasonable return on invested capital. These regulatory policies are intended to provide safe and reliable natural gas service at fair prices.

In residential, commercial and industrial customer markets, natural gas distribution operations compete with other companies that supply energy, primarily electric companies, propane and fuel oil dealers, renewable energy providers and coal companies in relation to sources of energy for electric power plants, as well as nuclear energy. A significant competitive factor is price. Gas Utilities and Infrastructure's primary product competition is with electricity for heating, water heating and cooking. Increases in the price of natural gas or decreases in the price of other energy sources could negatively impact competitive position by decreasing the price benefits of natural gas to the consumer. In the case of industrial customers, such as manufacturing plants, adverse economic or market conditions, including higher natural gas costs, could cause these customers to suspend business operations or to use alternative sources of energy in favor of energy sources with lower per unit costs.

Higher natural gas costs or decreases in the price of other energy sources may allow competition from alternative energy sources for applications that have traditionally used natural gas, encouraging some customers to move away from natural gas fired equipment to equipment fueled by other energy sources. Competition between natural gas and other forms of energy is also based on efficiency, performance, reliability, safety and other non-price factors. Technological improvements in other energy sources and events that impact the public perception of the non-price attributes of natural gas could erode our competitive advantage. These factors in turn could decrease the demand for natural gas, impact our ability to attract new customers and cause existing customers to switch to other forms of energy or to bypass our systems in favor of alternative competitive sources. This could result in slow or no customer growth and could cause customers to reduce or cease using our product, thereby reducing our ability to make capital expenditures and otherwise grow our business, adversely affecting our earnings.

Pipeline and Storage Investments

Duke Energy, through its Gas Utilities and Infrastructure segment, has a 7.5% equity ownership interest in Saba Trail. Saba Trail is a joint venture that owns the Saba Trail Natural Gas Pipeline (Saba Trail pipeline) to transport natural gas to Florida, regulated by FERC. The Saba Trail Phase I mainline was placed into service in July 2017 and traverses Alabama, Georgia and Florida. The remaining laterals to the Duke Energy Florida's Citrus County CC was placed into service in March 2018. Phase II of Saba Trail went into service in May 2020, adding approximately 200,000 Dth of capacity to the Saba Trail pipeline.

Gas Utilities and Infrastructure has a 47% equity ownership interest in ACP, which planned to build the ACP pipeline, an approximately 600-mile interstate natural gas pipeline. The ACP pipeline was intended to transport diverse natural gas supplies into southeastern markets and would be regulated by FERC. Dominion Energy owns 53% of ACP and was contracted to construct and operate the ACP pipeline upon completion. On July 5, 2020, Dominion announced a sale of substantial quantities of its gas transmission and storage segment assets, which were critical to the ACP pipeline. Further, permitting delays and regulatory changes had materially affected the timing and cost of the pipeline. As a result, Duke Energy determined that they would no longer invest in the construction of the ACP pipeline.

Gas Utilities and Infrastructure has a 24% equity ownership interest in Constellation, an interstate pipeline development company formed to develop, construct, own and operate a 124-mile natural gas pipeline and related facilities, regulated by FERC. Constellation was slated to transport natural gas supplies from the Marcellus supply region in northern Pennsylvania to major northeastern markets. As of February 5, 2020, the Constellation partners formally resolved to terminate the dissolution of Constellation, and to terminate the Constellation Pipeline project.

Gas Utilities and Infrastructure has a 21.49% equity ownership interest in Cardona, an intrastate pipeline located in North Carolina regulated by the NCUC, a 45% equity ownership interest in PNE Neede, an interstate liquefied natural gas storage facility located in North Carolina and a 50% equity ownership interest in Hardy Storage, an underground interstate natural gas storage facility located in Hardy and Hampshire counties in West Virginia. PNE Neede and Hardy Storage are regulated by FERC.

KO Transmission Company (KO Transmission), a wholly owned subsidiary of Duke Energy Ohio, is an interstate pipeline company engaged in the business of transporting natural gas and is subject to the rules and regulations of FERC. KO Transmission's 90-mile pipeline supplies natural gas to Duke Energy Ohio and interconnects with the Columbus Gulf Transmission pipeline and Tennessee Gas Pipeline. An approximately 70-mile portion of KO Transmission's pipeline facilities is co-owned by Columbus Gas Transmission Corporation.

See Notes 3, 12 and 17 to the Consolidated Financial Statements, "Regulatory Matters," "Investments in Unconsolidated Affiliates" and "Variable Interest Entities," respectively, for further information on Duke Energy's pipeline investments.

Inventory

Gas Utilities and Infrastructure must maintain adequate natural gas inventory in order to provide reliable delivery to customers. As of December 31, 2021, the inventory balance for Gas Utilities and Infrastructure was \$125 million. For more information on inventory, see Note 1 to the Consolidated Financial Statements, "Summary of Significant Accounting Policies."

Regulation

State

The state gas utility commissions approve rates for Duke Energy's retail natural gas service within the respective states. The state gas utility commissions, to varying degrees, have authority over the construction and operation of Gas Utilities and Infrastructure's natural gas distribution facilities. CPCNs issued by the state gas utility commissions or other government agencies, as applicable, authorize Gas Utilities and Infrastructure to construct and operate its natural gas distribution facilities and to sell natural gas to retail and wholesale customers. Prior approval from the relevant state gas utility commissions is required for Gas Utilities and Infrastructure to issue securities. The underlying concept of utility ratemaking is to set rates at a level that allows the utility to collect revenues equal to its cost of providing service plus a reasonable rate of return on its invested capital, including equity.

In addition to amounts collected from customers through approved base rates, each of the state gas utility commissions allow recovery of certain costs through various cost recovery causes to the extent the respective commission determines in periodic hearings that such costs, including any past over or under recovered costs, are prudent.

Natural gas costs are eligible for recovery by Gas Utilities and Infrastructure. Due to the associated regulatory treatment and the method allowed for recovery, changes in natural gas costs from year to year have no material impact on operating results of Gas Utilities and Infrastructure, unless a commission finds a portion of such costs to have been imprudent. However, delays between the expenditure for natural gas and recovery from customers can adversely impact the timing of cash flows of Gas Utilities and Infrastructure.

The following table summarizes certain components underlying recent y approved and effective base rates or rate stabilization filings in the last three years.

	Annual Increase (Decrease) (in millions)	Return on Equity	Equity Component of Capital Structure	Effective Date
Approved Rate Cases:				
Duke Energy Kentucky 2018 Natural Gas Base Rate Case	\$ 7	9.7 %	50.8 %	Apr 2019
Piedmont 2019 North Carolina Natural Gas Base Rate Case	109	9.7 %	52.0 %	November 2019
Piedmont 2019 South Carolina Rate Stabilization Adjustment Filing	6	9.9 %	55.4 %	November 2019
Piedmont 2020 South Carolina Rate Stabilization Adjustment Filing	7	9.8 %	52.3 %	November 2020
Piedmont 2020 Tennessee Natural Gas Base Rate Case	16	9.8 %	50.5 %	January 2021
Piedmont 2021 North Carolina Natural Gas Base Rate Case	67	9.6 %	51.6 %	November 2021
Piedmont 2021 South Carolina Rate Stabilization Adjustment Filing	7	9.8 %	52.2 %	November 2021
Duke Energy Kentucky 2021 Natural Gas Base Rate Case ^(a)	9	9.38 %	51.3 %	January 2022

(a) An ROE of 9.375% for natural gas base rates and 9.3% for natural gas riders was approved.

Gas Utilities and Infrastructure has IMR mechanisms in North Carolina and Tennessee designed to separately track and recover certain costs associated with capital investments incurred to comply with federal pipeline safety and integrity programs. The following table summarizes information related to the recently approved IMR filing.

(in millions)	Cumulative Investment	Annual Revenues	Effective Date
Piedmont 2021 IMR Filing North Carolina	\$ 61	\$ 4	December 2021

In Piedmont's Tennessee rate case settled in February 2021, the company included projected IMR investment through December 31, 2021, in its rate base. The recovery of integrity investment was requested in the rate case and not through the Tennessee IMR mechanism.

For more information on rate matters and other regulatory proceedings, see Note 3 to the Consolidated Financial Statements, "Regulatory Matters."

Federal

Gas Utilities and Infrastructure is subject to various federal regulations, including regulations that are particular to the natural gas industry. These federal regulations include but are not limited to the following:

- Regulations of the FERC affect the certification and siting of new interstate natural gas pipeline projects, the purchase and sale of, the prices paid for, and the terms and conditions of service for the interstate transportation and storage of natural gas.
- Regulations of the PHMSA affect the design, construction, operation, maintenance, integrity, safety and security of natural gas distribution and transmission systems.
- Regulations of the EPA relate to the environment including proposed emissions regulations that would expand to include emissions of methane.

Regulations of the FERC and the state gas utility commissions govern access to regulated natural gas and other data by nonregulated entities and services provided between regulated and nonregulated energy affiliates. These regulations affect the activities of nonregulated affiliates with Gas Utilities and Infrastructure.

Environmental

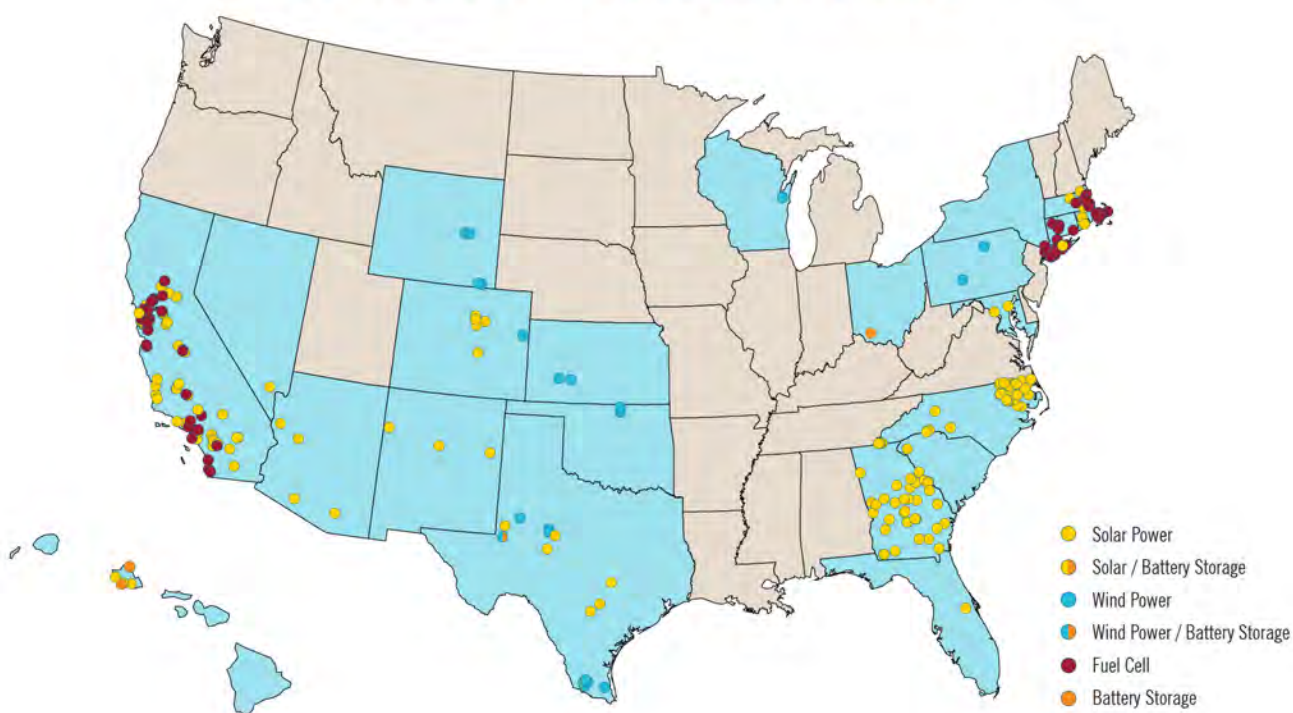
Gas Utilities and Infrastructure are subject to the jurisdiction of the EPA and state and local environmental agencies. For a discussion of environmental regulation, see "Environmental Matters" in this section. See "Other Matters" section of Item 7 Management's Discussion and Analysis for a discussion about potential Global Climate Change regulations and other EPA regulations under development and the potential impacts such regulations and regulations could have on Duke Energy's operations.

COMMERCIAL RENEWABLES

Commercial Renewables primarily acquires, develops, builds, operates and owns wind and solar renewable generation throughout the continental U.S. Commercial Renewables also enters into strategic transactions including minority ownership and tax equity structures in wind and solar generation. The portfolio includes nonregulated renewable energy and energy storage businesses.

Commercial Renewables' renewable energy includes utility-scale wind and solar generation assets, distributed solar generation assets, distributed fuel cell assets and battery storage projects, which total 3,554 MW across 22 states from 23 wind facilities, 178 solar projects, 71 fuel cell locations and two battery storage facilities. Revenues are primarily generated by selling the power produced from renewable generation through long-term contracts to utilities, electric cooperatives, municipalities and corporate customers. In most instances, these customers have obligations under state mandated renewable energy portfolio standards or similar state or local renewable energy goals. Energy and renewable energy credits generated by wind and solar projects are generally sold at contractual prices. The following map shows the locations of renewable generation facilities of which Commercial Renewables has an ownership interest as of December 31, 2021.

Commercial Renewables Portfolio



As eligible projects are placed in service, Commercial Renewables generally recognizes either PTCs as power is generated by wind projects over 10 years or ITCs over the useful life of solar or fuel cell projects. Benefits of the tax basis adjustment due to the ITC are recognized as a reduction to income tax expense in the year in which the project is placed in service. Under the current law, the ITC for solar and fuel cells is being phased down from a rate of 30% for projects that began construction before 2020 to a permanent 10% rate for solar, and no ITC is available for fuel cells if construction begins after 2023. The PTC for onshore wind is currently phased out for projects beginning construction after 2021, but remains available for projects that began construction in 2021 or earlier.

Commercial Renewables has entered into agreements for certain of its generating assets that are held by LLCs whose members include a noncontrolling tax equity investor. The allocation of tax attributes and cash flows to the tax equity investor are governed by the provisions of the LLC agreements. The GAAP earnings allocations to the tax equity investors can result in variability in earnings to Duke Energy as a result of the application of the HLBV method in allocating income or loss to the owners. As part of its growth strategy, Commercial Renewables expects to enter into these arrangements for future generating assets.

For additional information on Commercial Renewables' generation facilities, see Item 2, "Properties."

Market Environment and Competition

Commercial Renewable energy primarily competes for who else contracts for the generation and sale of electricity from generation assets either develop or acquire and owns. The market price of commodities and services, along with the quality and reliability of services provided, drive competition in the who else energy business. The number and type of competitors may vary based on location, generation type and project size. Commercial Renewable energy's main competitors include other nonregulated generators and who else power providers.

Sources of Electricity

Commercial Renewable energy relies on wind, solar, fuel cells and battery resources for its generation of electricity energy.

Regulation

Commercial Renewable energy is subject to regulation at the federal level, primarily from the FERC. Regulations of the FERC govern access to regulated market information by nonregulated entities and services provided between regulated and nonregulated utilities.

OTHER

The remainder of Duke Energy's operations is presented as Other. While it is not a business segment, Other primarily includes interest expense on holding company debt, unaudited corporate costs including costs to achieve strategic acquisitions, amounts related to certain companywide initiatives and contributions made to the Duke Energy Foundation. Other also includes Benson and an investment in NMC.

The Duke Energy Foundation is a nonprofit organization funded by Duke Energy shareholders that makes charitable contributions to selected nonprofits and government subdivisions.

Benson, a wholly owned subsidiary of Duke Energy, is a captive insurance company with the principal activity of providing Duke Energy subsidiaries with indemnification for financial losses primarily related to property, workers' compensation and general liability.

Duke Energy owns a 17.5% equity interest in NMC. The joint venture company has production facilities in Jubail, Saudi Arabia, where it manufactures certain petrochemicals and plastics. The company annually produces approximately 1 million metric tons each of MTBE and methanol and has the capacity to produce 50,000 metric tons of polyacetylene. The main feedstocks to produce these products are natural gas and butane. Duke Energy records the investment activity of NMC using the equity method of accounting and retains 25% of NMC's board of directors' representation and voting rights.

Human Capital Management

Governance

Our employees are critical to the success of our company. Our Human Resources organization is responsible for our human capital management strategy, which includes recruiting and hiring, onboarding and training, diversity and inclusion, workforce planning, talent and succession planning, performance management and employee development. Key areas of focus include fostering a high performance and inclusive culture built on strong leadership and highly engaged and diverse employees, building a pipeline of skilled workers and ensuring knowledge transfer as employees retire.

Our Board of Directors provides oversight on certain human capital management matters, primarily through the Compensation and People Development Committee, which is responsible for reviewing strategies and policies related to human capital management, including with respect to matters such as diversity and inclusion, employee engagement and talent development. The Compensation and People Development Committee also receives updates on employee engagement surveys and action plans.

Employees

On December 31, 2021, Duke Energy had a total of 27,605 full time, part time and temporary employees, the overwhelming majority of which were full time employees. The total includes 5,064 employees who are represented by labor unions under various collective bargaining agreements that generally cover wages, benefits, work practices, and other terms and conditions of employment.

Compensation

The company seeks to attract and retain an appropriately qualified workforce and leverages Duke Energy's leadership imperatives to foster a culture focused on customers, innovation, and highly engaged employees. Our compensation programs market driven and designed to link pay to performance with the goal of attracting and retaining talented employees, rewarding individual performance, and encouraging long term commitment to our business. Our market competitive pay program includes short term and long term variable pay components that help to align the interests of Duke Energy to our customers and shareholders. In addition to competitive base pay, we provide eligible employees with compensation and benefits under a variety of plans and programs, including with respect to health care benefits, retirement savings, pension, health savings and flexible spending accounts, wellness, family leaves, employee assistance, as well as other benefits including a charitable pay equity reviews, and benchmarking against peer companies to ensure our pay is competitive.

Diversity and Inclusion

Duke Energy is committed to continuing to build a diverse workforce that reflects the communities we serve while strengthening a culture of inclusion where employees and customers feel respected and valued. Our Enterprise Diversity and Inclusion Council, chaired by our Chief Operating Officer, monitors the effectiveness and execution of our diversity and inclusion strategy and programs. Employee-led councils are also embedded across the company in our business units and focus on the specific diversity and inclusion needs of the business and help drive inclusion deeper into the employee experience. Leaders and individual contributors also have the opportunity to participate in diversity and inclusion training programs and facilitated conversations on thought provoking topics offered to further our commitment to building and enabling an inclusive work environment.

Our aspirational goals include achieving workforce representation of at least 25% female and 20% racial and ethnic diversity. We continue to make strides toward reaching these aspirational goals and as of December 31, 2021, our workforce consisted of approximately 23.9% female and 19.6% racial and ethnic diversity.

The company also has a number of Employee Resource Groups (ERGs), which are networks of employees formed around a common dimension of diversity whose goals and objectives align with the company's goals and objectives. These groups focus on employee professional development and networking, community outreach, cultural awareness, recruiting and retention. They also serve as a resource to the company for advocacy and community outreach and improving customer service through innovation. ERG sponsored forums include networking events, mentoring, scholarship banquets for aspiring college students, and workshops on topics such as time management, stress reduction, career planning and work-life balance. Our ERGs are open to all employees.

Among other efforts, the company has developed partnerships with community organizations, community colleges and historically Black colleges and universities to support our strategy of building a diverse and highly skilled talent pipeline.

Operational Excellence

The foundation for our growth and success is our continued focus on operational excellence, the leading indicator of which is safety. As such, the safety of our workforce remains our top priority. The company closely monitors the total incident case rate (TICR), which is a metric based on strict OSHA definitions that measures the number of occupational injuries and illnesses per 100 employees. This objective emphasizes our focus on achieving an event free and injury free workplace. As an indication of our commitment to safety, we include safety metrics in both the short term and long term incentive plans based on the TICR for employees. Our employees delivered strong safety results in 2021, consistent with our industry leading performance levels from 2016 through 2020.

Information about Our Executive Officers

The following table sets forth the individuals who currently serve as executive officers. Executive officers serve until their successors are duly elected or appointed.

Name	Age ^(a)	Current and Recent Positions Held
Lynn J. Good	62	Chair, President and Chief Executive Officer. Ms. Good has served as Chair, President and Chief Executive Officer of Duke Energy since January 1, 2016, and was Vice Chairman, President and Chief Executive Officer of Duke Energy from July 2013 through December 2015. Prior to that, she served as Executive Vice President and Chief Financial Officer since 2009.
Steven K. Young	63	Executive Vice President and Chief Financial Officer. Mr. Young assumed his current position in August 2013. Prior to that he served as Vice President, Chief Accounting Officer and Controller, assuming the role of Chief Accounting Officer in July 2012 and the role of Controller in December 2006.
Melody Brimingham	50	Senior Vice President and Chief Administrative Officer. Ms. Brimingham assumed her current position in May 2021. Prior to that, Ms. Brimingham served as Senior Vice President, Supply Chain and Chief Procurement Officer since 2018; State President of Duke Energy Indiana's operations from 2015 to 2018, and Senior Vice President, Midwest Delivery from 2012 to 2015.
Kodwo Ghartey Tagoe	58	Executive Vice President, Chief Legal Officer and Corporate Secretary. Mr. Ghartey Tagoe assumed the position of Executive Vice President, Chief Legal Officer and Corporate Secretary in May 2020. He was appointed Executive Vice President and Chief Legal Officer in October 2019 after serving as President, South Carolina since 2017. Mr. Ghartey Tagoe joined Duke Energy in 2002, and has held numerous management positions in Duke Energy's Legal Department, including Duke Energy's Senior Vice President of State and Federal Regulatory Legal Support.
R. Alexander Genn	56	Senior Vice President and Chief Executive Officer, Duke Energy Florida and Midwest. Mr. Genn assumed his current position in May 2021. Prior to that, Mr. Genn served as Senior Vice President, State and Federal Regulatory Legal Support since 2017 and as State President of Duke Energy Florida's operations from 2012 to 2017.
Dhara M. Jam	65	Executive Vice President and Chief Operating Officer. Mr. Jam assumed the role of Chief Operating Officer in May 2016. Prior to his current position, he held the title Executive Vice President and President, Regulated Generation and Transmission since June 2015. Prior to that, he served as Executive Vice President and President, Regulated Generation since August 2014. He served as Executive Vice President and President of Duke Energy Nuclear from March 2013 to August 2014, and was Chief Nuclear Officer from February 2008 to February 2013.
Juana S. Janson	57	Executive Vice President and Chief Executive Officer, Duke Energy Carolinas. Ms. Janson assumed her current position in May 2021. Prior to that she held the position of Executive Vice President, External Affairs and President, Carolinas Region since October 2019 and the position of Executive Vice President, External Affairs and Chief Legal Officer since November 2018. She originally assumed the position of Executive Vice President, Chief Legal Officer and Corporate Secretary in December 2012, and then assumed the responsibilities for External Affairs in February 2016.
Cynthia S. Lee	55	Vice President, Chief Accounting Officer and Controller. Ms. Lee assumed her role as Vice President, Chief Accounting Officer and Controller in May 2021. Prior to that, she served as Director, Investor Relations since June 2019 and in various roles with the Corporate Controller's organization after joining the Corporation and its affiliates in 2002.
Ronald R. Resing	61	Senior Vice President and Chief Human Resources Officer. Mr. Resing assumed his current position in July 2020. Prior to that, he served as Senior Vice President of Operations Support since 2014. Prior to that he served as Chief Procurement Officer since 2006.
Louis E. Renje	48	Senior Vice President, External Affairs and Communications. Mr. Renje's current position in May 2021. Prior to that he served as Senior Vice President of Federal Government and Corporate Affairs since 2019, and as Vice President, Federal Government Affairs and Strategic Policy since he joined Duke Energy in March 2017 until 2019. Prior to joining Duke Energy, Mr. Renje served as Vice President of Strategic Infrastructure since 2009 for CSX Corp and as the Director of Environmental and Government Affairs from 2006 to 2008.
Brian D. Savoy	46	Executive Vice President, Chief Strategy and Commercial Officer. Mr. Savoy assumed the position of Executive Vice President, Chief Strategy and Commercial Officer in May 2021. Prior to that he held the position of Senior Vice President, Chief Transformation and Administrative Officer from October 2019 through April 2021; Senior Vice President, Business Transformation and Technology from May 2016 through September 2019; Senior Vice President, Controller and Chief Accounting Officer from September 2013 to May 2016; Director, Forecasting and Analytics from 2009 to September 2013; and Vice President and Controller of the Commercial Power segment from 2006 to 2009.
Harry K. Sanders	51	Executive Vice President, Customer Experience, Solutions and Services. Mr. Sanders assumed his current position in October 2019. Prior to that, he served as Senior Vice President and Chief Distribution Officer since June 2018; State President, Florida from January 2017 to June 2018; Senior Vice President of Environmental Health and Safety from August 2014 to January 2017; and Vice President of Power Generation for the company's Fossil/Hydro Operations in the western portions of North Carolina and South Carolina from July 2012 to August 2014.

(a) The ages of the officers provided are as of January 31, 2022.

There are no family relationships between any of the executive officers, nor any arrangement or understanding between any executive officer and any other person involved in officer selection.

Environmental Matters

The Duke Energy Reg strants are subject to federal, state and local laws and regulations with regard to air and water quality, hazardous and solid waste disposal and other environmental matters. Environmental laws and regulations affect the Duke Energy Reg strants' income, but are not material to:

- The Clean Air Act, as well as state laws and regulations impacting air emissions, including State Implementation Plans related to existing and new national ambient air quality standards for ozone and particulate matter. Owners and/or operators of air emissions sources are responsible for obtaining permits and for annual compliance and reporting.
- The Clean Water Act, which requires permits for facilities that discharge wastewaters into navigable waters.
- The Comprehensive Environmental Response, Compensation and Liability Act, which can require any individual or entity that currently owns or in the past owned or operated a disposal site, as well as transporters or generators of hazardous substances sent to a disposal site, to share in remediation costs.
- The National Environmental Policy Act, which requires federal agencies to consider potential environmental impacts in the permitting and licensing decisions, including siting approvals.
- Coal Ash Act, as amended, which establishes requirements regarding the use and closure of existing ash basins, the disposal of ash at active coal plants and the handling of surface water and groundwater impacts from ash basins in North Carolina.
- The Solid Waste Disposal Act, as amended by RCRA, which creates a framework for the proper management of hazardous and nonhazardous solid waste; classifies CCR as nonhazardous waste; and establishes standards for land and surface impoundment placement, design, operation and closure, groundwater monitoring, corrective action, and post closure care.
- The Toxic Substances Control Act, which gives EPA the authority to require reporting, recordkeeping and testing requirements, and to place restrictions relating to chemical substances and/or mixtures, including polychlorinated biphenyls.

For more information on environmental matters, see Notes 4 and 9 to the Consolidated Financial Statements, "Commitments and Contingencies Environmental" and "Asset Retirement Obligations," respectively, and the "Other Matters" section of Item 7 Management's Discussion and Analysis. Except as otherwise described in these sections, costs to comply with current federal, state and local provisions regulating the discharge of materials into the environment or other potential costs related to protecting the environment are incorporated into the routine cost structure of our various business segments and are not expected to have a material adverse effect on the competitive position, consolidated results of operations, cash flows or financial position of the Duke Energy Reg strants.

The "Other Matters" section of Item 7 Management's Discussion and Analysis includes more information on certain environmental regulations and a discussion of Global Climate Change including the potential impact of current and future legislation related to GHG emissions on the Duke Energy Reg strants' operations. Recently passed and potential future environmental statutes and regulations could have a significant impact on the Duke Energy Reg strants' results of operations, cash flows or financial position. However, if and when such statutes and regulations become effective, the Duke Energy Reg strants will seek appropriate regulatory recovery of costs to comply with the regulated operations.

DUKE ENERGY CAROLINAS

Duke Energy Carolinas is a regulated public utility primarily engaged in the generation, transmission, distribution and sale of electricity in portions of North Carolina and South Carolina. Duke Energy Carolinas' service area covers approximately 24,000 square miles and supplies electricity service to 2.8 million residential, commercial and industrial customers. For information about Duke Energy Carolinas' generating facilities, see Item 2, "Properties." Duke Energy Carolinas is subject to the regulatory provisions of the NCUC, PSCSC, NRC and FERC.

Substantially all of Duke Energy Carolinas' operations are regulated and qualify for regulatory accounting. Duke Energy Carolinas operates one reportable business segment, Electricity Utilities and Infrastructure. For additional information regarding this business segment, including financial information, see Note 2 to the Consolidated Financial Statements, "Business Segments."

PROGRESS ENERGY

Progress Energy is a public utility holding company primarily engaged in the regulated electricity business and is subject to regulation by the FERC. Progress Energy conducts operations through its wholly owned subsidiaries, Duke Energy Progress and Duke Energy Florida. When discussing Progress Energy's financial information, it necessarily includes the results of Duke Energy Progress and Duke Energy Florida.

Substantially all of Progress Energy's operations are regulated and qualify for regulatory accounting. Progress Energy operates one reportable business segment, Electricity Utilities and Infrastructure. For additional information regarding this business segment, including financial information, see Note 2 to the Consolidated Financial Statements, "Business Segments."

DUKE ENERGY PROGRESS

Duke Energy Progress is a regulated public utility primarily engaged in the generation, transmission, distribution and sale of electricity in portions of North Carolina and South Carolina. Duke Energy Progress' service area covers approximately 29,000 square miles and supplies electricity service to approximately 1.7 million residential, commercial and industrial customers. For information about Duke Energy Progress' generating facilities, see Item 2, "Properties." Duke Energy Progress is subject to the regulatory provisions of the NCUC, PSCSC, NRC and FERC.

Substantially all of Duke Energy Progress' operations are regulated and qualify for regulatory accounting. Duke Energy Progress operates one reportable business segment, Electricity Utilities and Infrastructure. For additional information regarding this business segment, including financial information, see Note 2 to the Consolidated Financial Statements, "Business Segments."

DUKE ENERGY FLORIDA

Duke Energy Florida is a regulated public utility primarily engaged in the generation, transmission, distribution and sale of electricity in portions of Florida. Duke Energy Florida's service area covers approximately 13,000 square miles and supplies electric service to approximately 1.9 million residential, commercial and industrial customers. For information about Duke Energy Florida's generating facilities, see Item 2, "Properties." Duke Energy Florida is subject to the regulatory provisions of the FPSC, NRC and FERC.

Substantially all of Duke Energy Florida's operations are regulated and qualify for regulatory accounting. Duke Energy Florida operates one reportable business segment, Electric Utilities and Infrastructure. For additional information regarding this business segment, including financial information, see Note 2 to the Consolidated Financial Statements, "Business Segments."

DUKE ENERGY OHIO

Duke Energy Ohio is a regulated public utility primarily engaged in the transmission and distribution of electricity in portions of Ohio and Kentucky, in the generation and sale of electricity in portions of Kentucky and the transportation and sale of natural gas in portions of Ohio and Kentucky. Duke Energy Ohio also conducts competitive auctions for retail electricity supply in Ohio whereby recovery of the energy prices from retail customers. Operations in Kentucky are conducted through its wholly owned subsidiary, Duke Energy Kentucky. References herein to Duke Energy Ohio include Duke Energy Ohio and its subsidiaries, unless otherwise noted. Duke Energy Ohio is subject to the regulatory provisions of the PUCO, KPSC, PHMSA and FERC.

Duke Energy Ohio's service area covers approximately 3,000 square miles and supplies electric service to approximately 880,000 residential, commercial and industrial customers and provides transmission and distribution services for natural gas to approximately 550,000 customers. For information about Duke Energy Ohio's generating facilities, see Item 2, "Properties."

KO Transmission, a wholly owned subsidiary of Duke Energy Ohio, is an interstate pipeline company engaged in the business of transporting natural gas and is subject to the rules and regulations of FERC. KO Transmission's 90-mile pipeline supplies natural gas to Duke Energy Ohio and interconnects with the Columbia Gulf Transmission pipeline and Tennessee Gas Pipeline. An approximately 70-mile portion of KO Transmission's pipeline facilities is co-owned by Columbia Gas Transmission Corporation.

Substantially all of Duke Energy Ohio's operations are regulated and qualify for regulatory accounting. Duke Energy Ohio has two reportable segments, Electric Utilities and Infrastructure and Gas Utilities and Infrastructure. For additional information on these business segments, including financial information, see Note 2 to the Consolidated Financial Statements, "Business Segments."

DUKE ENERGY INDIANA

Duke Energy Indiana is a regulated public utility primarily engaged in the generation, transmission, distribution and sale of electricity in portions of Indiana. Duke Energy Indiana's service area covers 23,000 square miles and supplies electric service to 870,000 residential, commercial and industrial customers. For information about Duke Energy Indiana's generating facilities, see Item 2, "Properties." Duke Energy Indiana is subject to the regulatory provisions of the IURC and FERC.

In 2021, Duke Energy completed the first phase of the investment in Duke Energy Indiana by GIC. For additional information, see Note 1 to the Consolidated Financial Statements, "Summary of Significant Accounting Policies."

Substantially all of Duke Energy Indiana's operations are regulated and qualify for regulatory accounting. Duke Energy Indiana operates one reportable business segment, Electric Utilities and Infrastructure. For additional information regarding this business segment, including financial information, see Note 2 to the Consolidated Financial Statements, "Business Segments."

PIEDMONT

Piedmont is a regulated public utility primarily engaged in the distribution of natural gas to over 1.1 million residential, commercial, industrial and power generation customers in portions of North Carolina, South Carolina and Tennessee, including customers served by municipal utilities who are wholesale customers. For information about Piedmont's natural gas distribution facilities, see Item 2, "Properties." Piedmont is subject to the regulatory provisions of the NCUC, PSCSC, TPUC, PHMSA and FERC.

Substantially all of Piedmont's operations are regulated and qualify for regulatory accounting. Piedmont operates one reportable business segment, Gas Utilities and Infrastructure. For additional information regarding this business segment, including financial information, see Note 2 to the Consolidated Financial Statements, "Business Segments."

ITEM 1A. RISK FACTORS

In addition to other disclosures within this Form 10-K, including "Management's Discussion and Analysis of Financial Condition and Results of Operations—Matters Impacting Future Results" for each registrant in Item 7, and other documents filed with the SEC from time to time, the following factors should be considered in evaluating Duke Energy and its subsidiaries. Such factors could affect actual results of operations and cause results to differ substantially from those currently expected or sought. Unless otherwise indicated, risk factors discussed below generally relate to risks associated with all of the Duke Energy Registrants. Risks identified at the Subsidiary Registrant level are generally applicable to Duke Energy.

BUSINESS STRATEGY RISKS

Duke Energy's future results could be adversely affected if it is unable to implement its business strategy including achieving its carbon emissions reduction goals.

Duke Energy's results of operations depend, in significant part, on the extent to which it can implement its business strategy successfully. Duke Energy's clean energy strategy, which includes achieving net zero carbon emissions from electricity generation by 2050, modernizing the regulatory construct, transforming the customer experience, and digital transformation, is subject to business, policy, regulatory, technology, economic and competitive uncertainties and contingencies, many of which are beyond its control and may make those goals difficult to achieve.

Federal or state policies could be enacted that restrict the availability of fuels or generation technologies, such as natural gas or nuclear power, that enable Duke Energy to reduce its carbon emissions. Supportive policies may be needed to facilitate the siting and cost recovery of transmission and distribution upgrades needed to accommodate the build out of large volumes of renewables and energy storage. Further, the approval of our state regulators will be necessary for the company to continue to retire existing carbon emitting assets or make investments in new generating capacity. The company may be constrained by the ability to procure resources or labor needed to build new generation at a reasonable price as we aim to construct projects on time. In addition, new technologies that are not yet commercially available or are unproven at utility scale will be needed. If these technologies are not developed or are not available at reasonable prices, or if we invest in early stage technologies that are then supplanted by technological breakthroughs, Duke Energy's ability to achieve a net zero target by 2050 at a cost effective price could be at risk.

Achieving our carbon reduction goals will require continued operation of our existing carbon free technologies including nuclear and renewables. The rapid transition to and expansion of certain low carbon resources, such as renewables without cost effective storage, may challenge our ability to meet customer expectations of reliability in a carbon constrained environment. Our nuclear fleet is central to our ability to meet these objectives and customer expectations. We are continuing to seek to renew the operating licenses of the 11 reactors we operate at six nuclear stations for an additional 20 years, extending the operation to and beyond midcentury. Failure to receive approval from the NRC for the relicensing of any of these reactors could affect our ability to achieve a net zero target by 2050.

As a consequence, Duke Energy may not be able to fully implement or realize the anticipated results of its strategy, which may have an adverse effect on its financial condition.

REGULATORY, LEGISLATIVE AND LEGAL RISKS

The Duke Energy Registrants' regulated utility revenues, earnings and results are dependent on state legislation and regulation that affect electric generation, electric and natural gas transmission, distribution and related activities, which may limit their ability to recover costs.

The Duke Energy Registrants' regulated electric and natural gas utility businesses are regulated on a cost of service/rate of return basis subject to statutes and regulatory commissions on rules and procedures of North Carolina, South Carolina, Florida, Ohio, Tennessee, Indiana and Kentucky. If the Duke Energy Registrants' regulated utility earnings exceed the returns established by the state utility commissions, retail electric and natural gas rates may be subject to review and possible reduction by the commissions, which may decrease the Duke Energy Registrants' earnings. Additionally, if regulatory bodies do not allow recovery of costs incurred in providing service, or do not do so on a timely basis, the Duke Energy Registrants' earnings could be negatively impacted. Differences in regulation between jurisdictions with concurrent operations, such as North Carolina and South Carolina in Duke Energy Carolinas' and Duke Energy Progress' service territory, may also result in failure to recover costs.

If existing and regulatory structures were to evolve in such a way that the Duke Energy Registrants' exclusive rights to serve the regulated customers were eroded, the earnings could be negatively impacted. Federal and state regulations, laws, commercialization and reduction of costs and other efforts designed to promote and expand the use of EE measures and distributed generation technologies, such as private solar and battery storage, in Duke Energy service territories could reduce recovery of fixed costs in Duke Energy service territories or result in customers leaving the electric distribution system and an increase in customer net energy metering, which allows customers with private solar to receive credited for surplus power at the full retail amount. Over time, customer adoption of these technologies could result in Duke Energy not being able to fully recover the costs and investment in generation.

State regulators have approved various mechanisms to stabilize natural gas utility margins, including margin decoupling in North Carolina and rate stabilization in South Carolina. State regulators have approved other margin stabilizing mechanisms that, for example, allow for recovery of margin losses associated with negotiated transactions designed to retain large volume customers that could use a alternate fuel source that may otherwise directly access natural gas supply through the own connection to an interstate pipeline. If regulators decided to discontinue the Duke Energy Registrants' use of tariff mechanisms, it would negatively impact results of operations, financial position and cash flows. In addition, regulatory authorities also review whether natural gas costs are prudently incurred and can disallow the recovery of a portion of natural gas costs that the Duke Energy Registrants seek to recover from customers, which would adversely impact earnings.

The rates that the Duke Energy Registrants' regulated utility businesses are allowed to charge are established by state utility commissions in rate case proceedings, which may limit their ability to recover costs and earn an appropriate return on investment.

The rates that the Duke Energy Registrants' regulated utility businesses are allowed to charge significantly influences the results of operations, financial position and cash flows of the Duke Energy Registrants. The regulation of the rates that the regulated utility businesses charge customers is determined, in large part, by state utility commissions in rate case proceedings. Negative decisions made by these regulators, or by any court on appeal of a rate case proceeding, could have a material adverse effect on the Duke Energy Registrants' results of operations, financial position or cash flows and affect the ability of the Duke Energy Registrants to recover costs and an appropriate return on the significant infrastructure investments being made.

Deregulation or restructuring in the electric industry may result in increased competition and unrecovered costs that could adversely affect the Duke Energy Registrants' results of operations, financial position or cash flows and their utility businesses.

Increased competition resulting from deregulation or restructuring efforts at one could have a significant adverse impact on the Duke Energy Registrants' results of operations, financial position or cash flows. If the retail jurisdictions served by the Duke Energy Registrants become subject to deregulation, the impairment of assets, loss of retail customers, lower profit margins or increased costs of capital, and recovery of stranded costs could have a significant adverse financial impact on the Duke Energy Registrants. Stranded costs primarily include the generation assets of the Duke Energy Registrants whose value in a competitive marketplace may be less than the current book value, as well as above market purchased power commitments from QFs from whom the Duke Energy Registrants are legally obligated to purchase energy at an avoided cost rate under PURPA. The Duke Energy Registrants cannot predict the extent and timing of entry by additional competitors into the electric markets. The Duke Energy Registrants cannot predict if or when they will be subject to changes in regulations or deregulation, nor can they predict the impact of these changes on the results of operations, financial position or cash flows.

The Duke Energy Registrants' businesses are subject to extensive federal regulation and a wide variety of laws and governmental policies, including taxes and environmental regulations, that may change over time in ways that affect operations and costs.

The Duke Energy Registrants are subject to regulations under a wide variety of U.S. federal and state regulations and policies, including by FERC, NRC, EPA and various other federal agencies as well as the North American Electric Reliability Corporation. Regulation affects almost every aspect of the Duke Energy Registrants' businesses, including, among other things, the ability to: take fundamental business management actions; determine the terms and rates of transmission and distribution services; make acquisitions; issue equity or debt securities; engage in transactions with other subsidiaries and affiliates; and pay dividends upstream to the Duke Energy Registrants. Changes to federal regulations are continuous and ongoing. There can be no assurance that laws, regulations and policies will not be changed in ways that result in material modifications of business models and objectives or affect returns on investment by restricting activities and products, subjecting them to escalating costs, causing delays, or prohibiting them outright.

The Duke Energy Registrants are subject to numerous environmental laws and regulations requiring significant capital expenditures that can increase the cost of operations, and which may impact or limit business plans, or cause exposure to environmental liabilities.

The Duke Energy Registrants are subject to numerous environmental laws and regulations affecting many aspects of the present and future operations, including CCRs, air emissions, water quality, wastewater discharges, solid waste and hazardous waste. These laws and regulations can result in increased capital, operating and other costs. These laws and regulations generally require the Duke Energy Registrants to obtain and comply with a wide variety of environmental licenses, permits, inspections and other approvals. Compliance with environmental laws and regulations can require significant expenditures, including expenditures for cleanup costs and damages arising from contaminated properties. Failure to comply with environmental regulations may result in the imposition of fines, penalties and injunctive measures affecting operating assets. The steps the Duke Energy Registrants could be required to take to ensure the facilities are in compliance could be prohibitive and expensive. As a result, the Duke Energy Registrants may be required to shut down or alter the operation of the facilities, which may cause the Duke Energy Registrants to incur losses. Further, the Duke Energy Registrants may not be successful in recovering capital and operating costs incurred to comply with new environmental regulations through existing regulatory rate structures and the contracts with customers. As a result, the Duke Energy Registrants may not be able to obtain or maintain from time to time a required environmental regulatory approvals for the operating assets or development projects. Delays in obtaining any required environmental regulatory approvals, failure to obtain and comply with them or changes in environmental laws or regulations to more stringent compliance levels could result in additional costs of operation for existing facilities or development of new facilities being prevented, delayed or subject to additional costs. Although it is not expected that the costs to comply with current environmental regulations will have a material adverse effect on the Duke Energy Registrants' results of operations, financial position and cash flows due to regulatory cost recovery, the Duke Energy Registrants are at risk that the costs of complying with environmental regulations in the future will have such an effect.

The EPA has enacted or proposed federal regulations governing the management of cooling water intake structures, wastewater and CO₂ emissions. New state regulations could impose carbon reduction goals that are more aggressive than the company's plans. These regulations may require the Duke Energy Registrants to make additional capital expenditures and increase operating and maintenance costs.

The Duke Energy Registrants' operations, capital expenditures and financial results may be affected by regulatory changes related to the impacts of global climate change.

There is continued concern, and increasing activism, both nationally and internationally, about climate change. The EPA and state regulators may adopt and implement regulations to restrict emissions of GHGs to address global climate change. Certain local and state jurisdictions have also enacted laws to restrict or prevent new gas infrastructure. Increased regulation of GHG emissions could impose significant additional costs on the Duke Energy Registrants' electric and natural gas operations, the suppliers and customers and affect demand for energy conservation and renewable products, which could impact both our electric and natural gas businesses. Regulatory changes could also result in generation facilities being retired earlier than planned to meet our net zero 2050 goal. Though we would plan to seek cost recovery for investments related to GHG emissions reductions through regulatory rate structures, changes in the regulatory climate could result in the failure to fully recover such costs and investment in generation.

OPERATIONAL RISKS

The Duke Energy Registrants' operations have been and may be affected by COVID-19 in ways listed below and in ways the registrants cannot predict at this time.

The COVID-19 pandemic has materially impacted and could impact the Duke Energy Registrants' business strategy, results of operations, financial position and cash flows in the future as a result of delays in rate cases or other regulatory proceedings, an inability to obtain labor or equipment necessary for the construction of large capital projects, an inability to procure satisfactory levels of fuel or other necessary equipment for the continued production of electricity and delivery of natural gas, and the health and availability of our critical personnel and the ability to perform business functions.

The Duke Energy Registrants' results of operations may be negatively affected by overall market, economic and other conditions that are beyond their control.

Sustained downturns or sluggishness in the economy generally affect the markets in which the Duke Energy Registrants operate and negatively influence operations. Decreases in demand for electricity or natural gas as a result of economic downturns in the Duke Energy Registrants' regulated service territories will reduce overall sales and lessen cash flows, especially as industrial customers reduce production and, therefore, consumption of electricity and the use of natural gas. Although the Duke Energy Registrants' regulated electric and natural gas businesses are subject to regulated allowable rates of return and recovery of certain costs, such as fuel and purchased natural gas costs, under periodic adjustment causes, overall decreases in electricity or natural gas sold as a result of economic downturn or recession could reduce revenues and cash flows, thereby diminishing results of operations. The Duke Energy Registrants also monitor the impacts of inflation on the procurement of goods and services and seek to minimize its effects in future periods through pricing strategies, productivity improvements, and cost reductions. Rapidly rising prices as a result of inflation or other factors may impact the ability of the company to recover costs timely or execute on its business strategy hindering the achievement of growth objectives. Additionally, prolonged economic downturns that negatively impact the Duke Energy Registrants' results of operations and cash flows could result in future material impairment charges to write down the carrying value of certain assets, hindering goodwill, to the respective fair values.

The Duke Energy Registrants also sell electricity into the spot market or other competitive power markets on a contractual basis. With respect to such transactions, the Duke Energy Registrants are not guaranteed any rate of return on the related investments through mandated rates, and revenues and results of operations are likely to depend, in large part, upon prevailing market prices. These market prices may fluctuate substantially over relatively short periods of time and could reduce the Duke Energy Registrants' revenues and margins, thereby diminishing results of operations.

Factors that could impact sales volumes, generation of electricity and market prices at which the Duke Energy Registrants are able to sell electricity and natural gas are as follows:

- weather conditions, hindering abnormaly mild winter or summer weather that cause lower energy or natural gas usage for heating or cooling purposes, as applicable, and periods of low rainfall that decrease the ability to operate facilities in an economical manner;
- supply of and demand for energy commodities;
- transmission or transportation constraints or inefficiencies that impact nonregulated energy operations;
- availability of competitively priced alternative energy sources, which are preferred by some customers over electricity produced from coal, nuclear or natural gas plants, and customer usage of energy efficient equipment that reduces energy demand;
- natural gas, crude oil and refined products production levels and prices;
- ability to procure satisfactory levels of inventory, hindering materials, supplies, and fuel such as coal, natural gas and uranium; and
- capacity and transmission service into, or out of, the Duke Energy Registrants' markets.

Natural disasters or operational accidents may adversely affect the Duke Energy Registrants' operating results.

Natural disasters or operational accidents with the company or industry (such as forest fires, earthquakes, hurricanes or natural gas transmission pipeline explosions) could have direct or indirect impacts to the Duke Energy Registrants or to key contractors and suppliers. Further, the generation of electricity and the transportation and storage of natural gas involve inherent operating risks that may result in accidents involving serious injury or loss of life, environmental damage or property damage. Such events could impact the Duke Energy Registrants through changes to policies, laws and regulations whose compliance costs have a significant impact on the Duke Energy Registrants' results of operations, financial position and cash flows. In addition, if a serious operational accident were to occur, existing insurance policies may not cover all of the potential exposures or the actual amount of losses incurred, hindering potential litigation awards. Any losses not covered by insurance, or any increases in the cost of applicable insurance as a result of such accident, could have a material adverse effect on the results of operations, financial position, cash flows and reputation of the Duke Energy Registrants.

The reputation and financial condition of the Duke Energy Registrants could be negatively impacted due to their obligations to comply with federal and state regulations, laws, and other legal requirements that govern the operations, assessments, storage, closure, remediation, disposal and monitoring relating to CCR, the high costs and new rate impacts associated with implementing these new CCR-related requirements and the strategies and methods necessary to implement these requirements in compliance with these legal obligations.

As a result of electricity produced for decades at coal fired power plants, the Duke Energy Registrants manage large amounts of CCR that are primarily stored in dry storage with landfills or combined with water in surface impoundments, all in compliance with applicable regulatory requirements. A CCR related operational incident could have a material adverse impact on the reputation and results of operations, financial position and cash flows of the Duke Energy Registrants.

Dur ng 2015, EPA regu at ons were enacted re ated to the management of CCR from power p ants. These regu at ons c ass fy CCR as nonhazardous waste under the RCRA and app y to e ectr c generat ng s tes w th new and ex st ng andf s and, new and ex st ng surface mpoundments, and estab sh requ rements regard ng andf des gn, structura ntegr ty des gn and assessment cr ter a for surface mpoundments, groundwater mon tor ng, protect on and remed a procedures and other operat ona and report ng procedures for the d sposa and management of CCR. In add t on to the federa regu at ons, CCR andf s and surface mpoundments w cont nue to be regu ated by ex st ng state aws, regu at ons and perm ts, as we as add t ona ega requ rements that may be mposed n the future, such as the sett ement reached w th the NCDEQ to excavate seven of the n ne rema n ng coa ash bas ns n North Caro na, and part a y excavate the rema n ng two, and EPA's January 11, 2022, ssuance of a etter nterpret ng the CCR Ru e, nc ud ng ts app cab ty and c osure prov s ons. These federa and state aws, regu at ons and other ega requ rements may requ re or resu t n add tona expend tures, nc ud ng ncreased operat ng and ma ntenance costs, wh ch cou d affect the resu ts of operat ons, financ a pos t on and cash f ows of the Duke Energy Reg strants. The Duke Energy Reg strants w cont nue to seek fu cost recovery for expend tures through the norma ratemak ng process w th state and federa ut ty comm ss ons, who perm t recovery n rates of necessary and prudent y ncurred costs assoc ated w th the Duke Energy Reg strants' regu ated operat ons, and through other who esa e contracts w th terms that contemp ate recovery of such costs, a though there s no guarantee of fu cost recovery. In add t on, the t m ng for and amount of recovery of such costs cou d have a mater a adverse mpact on Duke Energy's cash f ows.

The Duke Energy Reg strants have recogn zed s gn f cant AROs re ated to these CCR re ated requ rements. C osure act v tes began n 2015 at the four s tes spec f ed as h gh pr or ty by the Coa Ash Act and at the W.S. Lee Steam Stat on s te n South Caro na n connect on w th other ega requ rements. Excavat on at these s tes nvo ves movement of CCR mater a s to off s te ocat ons for use as structura f , to appropri ate eng neered off s te or on s te ned andf s or convers on of the ash for benef c a use. Duke Energy has comp eted excavat on of coa ash at three of the four h gh pr or ty s tes. At other s tes, p ann ng and c osure methods have been stud ed and factored nto the est mated ret ement and management costs, and c osure act v tes have commenced. As the c osure and CCR management work progresses and fina c osure p ans and correct ve act on measures are deve oped and approved at each s te, the scope and comp ex ty of work and the amount of CCR mater a cou d be greater than est mates and cou d, therefore, mater a y ncrease comp ance expend tures and rate mpacts.

The Duke Energy Registrants' results of operations, financial position and cash flows may be negatively affected by a lack of growth or slower growth in the number of customers, or decline in customer demand or number of customers.

Growth n customer accounts and growth of customer usage each d rect y nf uence demand for e ectr c ty and natura gas and the need for add tona power generat on and de very fac t es. Customer growth and customer usage are affected by severa factors outs de the contro of the Duke Energy Reg strants, such as mandated EE measures, demand s de management goa s, d str buted generat on resources and econom c and demograph c cond t ons, such as popu at on changes, job and ncome growth, hous ng starts, new bus ness format on and the overa eve of econom c act v ty.

Certa n regu atory and eg s at ve bod es have ntroduced or are cons der ng requ rements and/or ncent ves to reduce energy consumpt on by certa n dates n response to concerns re ated to c mate change. Add tona y, techno og ca advances dr ven by federa aws mandat ng new eve s of EE n end use e ectr c and natura gas dev ces or other mpvements n or app cat ons of techno ogy cou d ead to dec nes n per cap ta energy consumpt on.

Advances n d str buted generat on techno og es that produce power, nc ud ng fue ce s, m croturb nes, w nd turb nes and so ar ce s, may reduce the cost of a ternat ve methods of produc ng power to a eve compet tve w th centra power stat on e ectr c product on ut zed by the Duke Energy Reg strants. In add t on, the e ectr f cat on of bu d ngs and app ances current y re y ng on natura gas cou d reduce the number of customers n our natura gas d str but on bus ness.

Some or a of these factors cou d resu t n a ack of growth or dec ne n customer demand for e ectr c ty or number of customers and may cause the fa ure of the Duke Energy Reg strants to fu y rea ze ant c pated benef ts from s gn f cant cap ta nvestments and expend tures, wh ch cou d have a mater a adverse effect on the r resu ts of operat ons, financ a pos t on and cash f ows.

Furthermore, the Duke Energy Reg strants current y have EE r ders n p ace to recover the cost of EE programs n North Caro na, South Caro na, F or da, Ind ana, Oh o and Kentucky. Shou d the Duke Energy Reg strants be requ red to nvest n conservat on measures that resu t n reduced sa es from effect ve conservat on, regu atory ag n adjust ng rates for the mpact of these measures cou d have a negat ve financ a mpact.

The Duke Energy Registrants future results may be impacted by changing expectations and demands including heightened emphasis on environmental, social and governance concerns.

Duke Energy's ab ty to execute ts strategy and ach eve ant c pated financ a outcomes are nf uenced by the expectat ons of our customers, regu ators, nvestors, and stakeho ders. Those expectat ons are based n part on the core fundamenta s of re ab ty and affordab ty but are a so ncreas ng y focused on our ab ty to meet rap d y chang ng demands for new and var ed products, serv ces and offer ngs. Add tona y, the r sks of goba c mate change cont nues to shape our customers' susta nab ty goa s and energy needs as we as the nvestment and financ ng cr ter a of nvestors. Fa ure to meet these ncreas ng expectat ons or to adequate y address the r sks and externa pressures from regu ators, customers, nvestors and other stakeho ders may mpact Duke Energy's reputat on and affect ts ab ty to ach eve favorab e outcomes n future rate cases and the resu ts of operat ons for the Duke Energy Reg strants. Furthermore, the ncreas ng use of soc a med a may acce erate and ncrease the potent a scope of negat ve pub c ty we mght rece ve and cou d ncrease the negat ve mpact on our reputat on, bus ness, resu ts of operat ons, and financ a cond t on.

As t re ates to e ectr c generat on, a d vers f ed feet w th ncreas ng y cean generat on resources may fac tate more eff c ent financ ng and ower costs. Converse y, jur sd ct ons ut z ng more carbon ntens ve generat on such as coa may exper ence d ff cu ty attract ng certa n nvestors and obta n ng the most econom ca financ ng terms ava ab e. Furthermore, w th the ghtened emphas s on env ronmenta , soc a , and governance concerns, and c mate change n part cu ar, there s an ncreased r sk of t gat on by act v sts.

The Duke Energy Registrants' operating results may fluctuate on a seasonal and quarterly basis and can be negatively affected by changes in weather conditions and severe weather, including extreme weather conditions and changes in weather patterns from climate change.

Electric power generation and natural gas distribution are generally seasonal businesses. In most parts of the U.S., the demand for power peaks during the warmer summer months, with market prices as a typical peak at that time. In other areas, demand for power peaks during the winter. Demand for natural gas peaks during the winter months. Further, changing frequency or magnitude of extreme weather conditions such as hurricanes, droughts, heat waves, winter storms and severe weather, including from climate change, could cause these seasonal fluctuations to be more pronounced. As a result, the overall operating results of the Duke Energy Registrants' businesses may fluctuate substantially on a seasonal and quarterly basis and thus make period to period comparison less relevant.

Sustained severe drought conditions could impact generation by hydroelectric plants, as well as fossil and nuclear plant operations, as these facilities use water for cooling purposes and for the operation of environmental compliance equipment. Furthermore, destruction caused by severe weather events, such as hurricanes, flooding, tornadoes, severe thunderstorms, snow and ice storms, including from climate change, can result in lost operating revenues due to outages, property damage, including downed transmission and distribution lines, and additional and unexpected expenses to mitigate storm damage. The cost of storm restoration efforts may not be fully recoverable through the regulatory process.

The Duke Energy Registrants' sales may decrease if they are unable to gain adequate, reliable and affordable access to transmission assets.

The Duke Energy Registrants depend on transmission and distribution facilities owned and operated by utilities and other energy companies to deliver electricity to the wholesale market. In addition, the growth of renewables and energy storage will put strains on existing transmission assets and require transmission and distribution upgrades. The FERC's power transmission regulations require wholesale electricity transmission services to be offered on an open access, nondiscriminatory basis. If transmission is disrupted, or if transmission capacity is inadequate, the Duke Energy Registrants' ability to sell and deliver products may be hindered.

The different regional power markets have changing regulatory structures, which could affect growth and performance in these regions. In addition, the ISOs who oversee the transmission systems in regional power markets have imposed in the past, and may impose in the future, price mechanisms and other mechanisms to address volatility in the power markets. These types of price mechanisms and other mechanisms may adversely impact the profitability of the Duke Energy Registrants' wholesale power marketing business.

The availability of adequate interstate pipeline transportation capacity and natural gas supply may decrease.

The Duke Energy Registrants purchase a most amount of the natural gas supply from interstate sources that must be transported to the applicable service territories. Interstate pipeline companies transport the natural gas to the Duke Energy Registrants' systems under firm service agreements that are designed to meet the requirements of the core markets. A significant disruption to interstate pipeline capacity or reduction in natural gas supply due to events including, but not limited to, operational failures or disruptions, hurricanes, tornadoes, floods, freeze off of natural gas wells, terrorist or cyberattacks or other acts of war or acts of or regulatory actions or requirements, including remediation related to integrity inspections or regulations and laws enacted to address climate change, could reduce the normal interstate supply of natural gas and thereby reduce earnings. Moreover, additional natural gas infrastructure, including, but not limited to, exploration and drilling rigs and platforms, processing and gathering systems, offshore pipelines, interstate pipelines and storage, cannot be built at a pace that meets demand, then growth opportunities could be limited.

Fluctuations in commodity prices or availability may adversely affect various aspects of the Duke Energy Registrants' operations as well as their results of operations, financial position and cash flows.

The Duke Energy Registrants are exposed to the effects of market fluctuations in the price of natural gas, coal, fuel oil, nuclear fuel, electricity and other energy related commodities as a result of the ownership of energy related assets. Fuel costs are recovered primarily through cost recovery clauses, subject to the approval of state utility commissions.

In addition, the Duke Energy Registrants are exposed to risk that counterparties will not be able to fulfill the obligations. Disruption in the delivery of fuel, including disruptions as a result of, among other things, bankruptcies, transportation delays, weather, labor relations, force majeure events or environmental regulations affecting any of these fuel suppliers, could limit the Duke Energy Registrants' ability to operate the facilities. Should counterparties fail to perform, the Duke Energy Registrants might be forced to replace the underlying commitment at prevailing market prices possibly resulting in losses in addition to the amounts, if any, already paid to the counterparties.

Certain of the Duke Energy Registrants' hedge agreements may result in the receipt of, or posting of, collateral with counterparties, depending on the daily market based calculation of financial exposure of the derivative positions. Fluctuations in commodity prices that lead to the return of collateral received and/or the posting of collateral with counterparties could negatively impact liquidity. Downgrades in the Duke Energy Registrants' credit ratings could lead to additional collateral posting requirements. The Duke Energy Registrants continually monitor derivative positions in relation to market price activity.

Cyberattacks and data security breaches could adversely affect the Duke Energy Registrants' businesses.

Cybersecurity risks have increased in recent years as a result of the proliferation of new technologies and the increased sophistication, magnitude and frequency of cyberattacks and data security breaches. Duke Energy relies on the continued operation of sophisticated digital information technology systems and network infrastructure, which are part of an interconnected regional grid. Additionally, connectivity to the internet continues to increase through grid modernization and other operational excellence initiatives. Because of the critical nature of the infrastructure, increased connectivity to the internet and technology systems' inherent vulnerability to disruption or failure due to hacking, viruses, acts of war or terrorism or other types of data security breaches, the Duke Energy Registrants face a heightened risk of cyberattack from foreign or domestic sources and have been subject, and will likely continue to be subject, to attempts to gain unauthorized access to information and/or information systems or to disrupt utility operations through computer viruses and phishing attempts either directly or indirectly through its material vendors or related third parties. In the event of a significant cybersecurity breach on either the Duke Energy Registrants or with one of our material vendors or related third parties, the Duke Energy Registrants could (i) have business operations disrupted, including the disruption of the operation of our natural gas and electric assets and the power grid, theft of confidential company, employee, retiree, shareholder, vendor or customer information, and general business systems and process interruption or compromise, including preventing the Duke Energy Registrants from serving customers, collecting revenues or the recording, processing and/or reporting financial information correctly, (ii) experience substantial loss of revenues, repair and restoration costs, penalties and costs for lack of compliance with relevant regulations, implementation on costs for additional security measures to avert future cyberattacks and other financial losses and (iii) be subject to increased regulation, litigation and reputational damage. While Duke Energy maintains insurance relating to cybersecurity events, such insurance is subject to a number of exclusions and may be insufficient to offset any losses, costs or damage experienced. As such, the market for cybersecurity insurance is relatively new and coverage available for cybersecurity events is evolving as the industry matures.

The Duke Energy Registrants are subject to standards enacted by the North American Electric Reliability Corporation and enforced by FERC regarding protection of the physical and cybersecurity of critical infrastructure assets required for operating North America's bulk electric system. The Duke Energy Registrants are also subject to regulations set by the Nuclear Regulatory Commission regarding the protection of digital computer and communication systems and networks required for the operation of nuclear power plants. The Duke Energy Registrants that operate designated critical pipelines that transport natural gas are also subject to security directives issued by the Department of Homeland Security's Transportation Security Administration (TSA) requiring such registrants to implement specific cybersecurity mitigation measures. While the Duke Energy Registrants believe they are in compliance with, or, in the case of the recent TSA security directives, are in the process of implementing such standards and regulations, the Duke Energy Registrants have from time to time been, and may in the future be, found to be in violation of such standards and regulations. In addition, compliance with or changes in the applicable standards and regulations may subject the Duke Energy Registrants to higher operating costs and/or increased capital expenditures as well as substantial fines for noncompliance.

Duke Energy Ohio's and Duke Energy Indiana's membership in an RTO presents risks that could have a material adverse effect on their results of operations, financial position and cash flows.

The rules governing the various regional power markets may change, which could affect Duke Energy Ohio's and Duke Energy Indiana's costs and/or revenues. To the degree Duke Energy Ohio and Duke Energy Indiana incur significant additional fees and increased costs to participate in an RTO, the results of operations may be impacted. Duke Energy Ohio and Duke Energy Indiana may be allocated a portion of the cost of transmission facilities but by others due to changes in RTO transmission rates design. Duke Energy Ohio and Duke Energy Indiana may be required to expand the transmission system according to decisions made by an RTO rather than the own internal planning process. In addition, RTOs have been developing rules associated with the allocation and methodology of assigning costs associated with improved transmission reliability, reduced transmission congestion and firm transmission rights that may have a financial impact on the results of operations, financial position and cash flows of Duke Energy Ohio and Duke Energy Indiana.

As members of an RTO, Duke Energy Ohio and Duke Energy Indiana are subject to certain additional risks, including those associated with the allocation among RTO members, of losses caused by unremitted defaults of other participants in the RTO markets and those associated with complaint cases filed against an RTO that may seek refunds of revenues previously earned by RTO members.

The Duke Energy Registrants may not recover costs incurred to begin construction on projects that are canceled.

Duke Energy's long term strategy requires the construction of new projects, whether wholly owned or partially owned, which involve a number of risks, including construction delays, nonperformance by equipment and other third party suppliers, and increases in equipment and labor costs. To mitigate the risks of these construction projects, the Duke Energy Registrants enter into equipment purchase orders and construction contracts and incur engineering and design service costs in advance of receiving necessary regulatory approvals and/or siting or environmental permits. If any of these projects are canceled for any reason, including failure to receive necessary regulatory approvals and/or siting or environmental permits, significant cancellation penalties under the equipment purchase orders and construction contracts could occur. In addition, if any construction work or investments have been recorded as an asset, an impairment may need to be recorded in the event the project is canceled.

The Duke Energy Registrants are subject to risks associated with their ability to obtain adequate insurance at acceptable costs.

The financial condition of some insurance companies, actual or threatened physical or cyberattacks, and natural disasters, among other things, could have disruptive effects on insurance markets. The availability of insurance covering risks that the Duke Energy Registrants and their respective competitors typically insure against may decrease, and the insurance that the Duke Energy Registrants are able to obtain may have higher deductibles, higher premiums, and more restrictive policy terms. Further, the insurance policies may not cover all of the potential exposures or the actual amount of loss incurred. Any losses not covered by insurance, or any increases in the cost of applicable insurance, could adversely affect the results of operations, financial position or cash flows of the affected Duke Energy Registrant.

Our business could be negatively affected as a result of actions of activist shareholders.

When we strive to maintain constructive communications with our shareholders, activist shareholders may, from time to time, engage in proxy solicitations or advance shareholder proposals, or otherwise attempt to affect changes and assert influence on our Board and management. Perceived uncertainties as to the future direction or governance of the company may cause concern to our current or potential regulators, vendors or strategic partners, or make it more difficult to execute on our strategy or to attract and retain qualified personnel, which may have a material impact on our business and operating results.

In addition, actions such as those described above could cause fluctuations in the trading price of our common stock, based on temporary or speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals and prospects of our business.

NUCLEAR GENERATION RISKS

Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida may incur substantial costs and liabilities due to their ownership and operation of nuclear generating facilities.

Ownership interests in and operation of nuclear stations by Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida subject them to various risks. These risks include, among other things: the potential harmful effects on the environment and human health resulting from the current or past operation of nuclear facilities and the storage, handling and disposal of radioactive materials; limitations on the amounts and types of insurance commercially available to cover losses that might arise in connection with nuclear operations; and uncertainties with respect to the technological and financial aspects of decommissioning nuclear plants at the end of their licensed lives.

Ownership and operation of nuclear generating facilities requires compliance with licensing and safety related requirements imposed by the NRC. In the event of non compliance, the NRC may increase regulatory oversight, impose fines or shut down a unit depending upon its assessment of the severity of the situation. Revised security and safety requirements promulgated by the NRC, which could be prompted by, among other things, events within or outside of the control of Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida, such as a serious nuclear incident at a facility owned by a third party, could necessitate substantial capital and other expenditures, as well as assessments to cover third party losses. In addition, a serious nuclear incident were to occur, it could have a material adverse effect on the results of operations, financial position, cash flows and reputation of the Duke Energy Registrants.

LIQUIDITY, CAPITAL REQUIREMENTS AND COMMON STOCK RISKS

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 the related assets. Accordingly, as a source of liquidity for capital requirements not satisfied by the cash flows from the operations and to fund investments or generally financed through debt instruments with separate 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 the operations and implement the 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, the bankruptcy of an unrelated energy company, unfavorable capital market conditions, market prices for electricity and natural gas, the generation mix of individual utilities, actual or threatened terrorist attacks, or the overall health of the energy industry. 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 the related 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.

The Duke Energy Registrants must meet credit quality standards and there is no assurance they will maintain investment grade credit ratings. If the Duke Energy Registrants are unable to maintain investment grade credit ratings, they would be required under credit agreements to provide collateral in the form of letters of credit or cash, which may materially adversely affect their liquidity.

Each of the Duke Energy Registrants' senior long term debt issuances is currently rated investment grade by various rating agencies. The Duke Energy Registrants cannot ensure the senior long term debt will be rated investment grade in the future.

If the rating agencies were to rate the Duke Energy Registrants below investment grade, borrowing costs would increase, perhaps significantly. In addition, the potential pool of investors and funding sources would likely decrease. Further, if the short term debt rating were to fall, access to the commercial paper market could be significantly limited.

A downgrade below investment grade could also require the posting of additional collateral in the form of letters of credit or cash under various credit, commodity and capacity agreements and trigger termination clauses in some interest rate derivative agreements, which would require cash payments. Any of these events would likely reduce the Duke Energy Registrants' liquidity and profitability and could have a material effect on the results of operations, financial position and cash flows.

Non-compliance with debt covenants or conditions could adversely affect the Duke Energy Registrants' ability to execute future borrowings.

The Duke Energy Registrants' debt and credit agreements contain various financial and other covenants. Failure to meet those covenants beyond applicable grace periods could result in accelerated due dates and/or termination of the agreements.

Market performance and other changes may decrease the value of the NDTF investments of Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida, which then could require significant additional funding.

Ownership and operation of nuclear generation facilities also requires the maintenance of funded trusts that are intended to pay for the decommissioning costs of the respective nuclear power plants. The performance of the capital markets affects the values of the assets held in trust to satisfy these future obligations. Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida have significant obligations in this area and hold significant assets in these trusts. These assets are subject to market fluctuations and widely uncertain returns, which may fall below projected rates of return. Although a number of factors impact funding requirements, a decline in the market value of the assets may increase the funding requirements of the obligations for decommissioning nuclear plants. If Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida are unable to successfully manage the NDTF assets, the results of operations, financial position and cash flows could be negatively affected.

Poor investment performance of the Duke Energy pension plan holdings and other factors impacting pension plan costs could unfavorably impact the Duke Energy Registrants' liquidity and results of operations.

The costs of providing non-contributory defined benefit pensions are dependent upon a number of factors, such as the rates of return on plan assets, discount rates, the level of interest rates used to measure the required minimum funding levels of the plans, future government regulation and required or voluntary contributions made to the plans. The Subsidiary Registrants are allocated the proportionate share of the cost and obligations related to these plans. Without sustained growth in the pension investments over time to increase the value of plan assets and, depending upon the other factors impacting costs as stated above, Duke Energy could be required to fund its plans with significant amounts of cash. Such cash funding obligations, and the Subsidiary Registrants' proportionate share of such cash funding obligations, could have a material impact on the Duke Energy Registrants' results of operations, financial position and cash flows.

Duke Energy is a holding company and depends on the cash flows from its subsidiaries to meet its financial obligations.

Because Duke Energy is a holding company with no operations or cash flows of its own, its ability to meet its financial obligations, including making interest and principal payments on outstanding indebtedness and to pay dividends on its common stock, is primarily dependent on the net income and cash flows of its subsidiaries and the ability of those subsidiaries to pay upstream dividends or to repay borrowed funds. Prior to funding Duke Energy, its subsidiaries have regulatory restrictions and financial obligations that must be satisfied. These subsidiaries are separate legal entities and have no obligation to provide Duke Energy with funds. In addition, Duke Energy may provide capital contributions or debt financing to its subsidiaries under certain circumstances, which would reduce the funds available to meet its financial obligations, including making interest and principal payments on outstanding indebtedness and to pay dividends on Duke Energy's common stock.

GENERAL RISKS

The failure of Duke Energy information technology systems, or the failure to enhance existing information technology systems and implement new technology, could adversely affect the Duke Energy Registrants' businesses.

Duke Energy's operations are dependent upon the proper functioning of its internal systems, including the information technology systems that support our underlying business processes. Any significant failure or malfunction of such information technology systems may result in disruptions of our operations. In the ordinary course of business, we rely on information technology systems, including the Internet and third party hosted services, to support a variety of business processes and activities and to store sensitive data, including (i) intellectual property, (ii) proprietary business information, (iii) personally identifiable information of our customers, employees, retirees and shareholders and (iv) data with respect to invoicing and the collection of payments, accounting, procurement, and supply chain activities. Our information technology systems are dependent upon global communications and cloud service providers, as well as the respective vendors, many of whom have at some point experienced significant system failures and outages in the past and may experience such failures and outages in the future. These providers' systems are susceptible to cybersecurity and data breaches, outages from fire, floods, power loss, telecommunications failures, breakdowns and similar events. Failure to prevent or mitigate data loss from system failures or outages could materially affect the results of operations, financial position and cash flows of the Duke Energy Registrants.

In addition to maintaining our current information technology systems, Duke Energy believes the digital transformation of its business is key to driving internal efficiencies as well as providing additional capabilities to customers. Duke Energy's information technology systems are critical to cost effective, reliable day-to-day operations and our ability to effectively serve our customers. We expect our customers to continue to demand more sophisticated technology-driven solutions and we must enhance or replace our information technology systems in response. This involves significant development and implementation costs to keep pace with changing technologies and customer demand. If we fail to successfully implement critical technology, or if it does not provide the anticipated benefits or meet customer demands, such failure could materially adversely affect our business strategy as well as impact the results of operations, financial position and cash flows of the Duke Energy Registrants.

Potential terrorist activities, or military or other actions, could adversely affect the Duke Energy Registrants' businesses.

The continued threat of terrorism and the impact of retaliatory military and other action by the U.S. and its allies may lead to increased political, economic and financial market instability and volatility in prices for natural gas and oil, which may have material adverse effects in ways the Duke Energy Registrants cannot predict at this time. In addition, future acts of terrorism and possible reprisals as a consequence of action by the U.S. and its allies could be directed against companies operating in the U.S. Information technology systems, transportation systems for our fuel sources including natural gas pipelines, transmission and distribution and generation facilities such as nuclear plants could be potential targets of terrorist activities or harmful activities by individuals or groups that could have a material adverse effect on Duke Energy Registrants' businesses. In particular, the Duke Energy Registrants may experience increased capital and operating costs to implement increased security for the information technology systems, transmission and distribution and generation facilities, including nuclear power plants under the NRC's design basis threat requirements. These increased costs could include additional physical plant security and security personnel or additional capabilities for ongoing a terrorist incident.

Failure to attract and retain an appropriately qualified workforce could unfavorably impact the Duke Energy Registrants' results of operations.

Certain events, such as an aging workforce, mismatch of skill set or complement to future needs, or unavailability of contract resources may lead to operating challenges and increased costs. The challenges include lack of resources, loss of knowledge base and the lengthy time required for skill development. In this case, costs, including costs for contractors to replace employees, productivity costs and safety costs, may increase. Failure to hire and adequately train replacement employees, including the transfer of significant internal historical knowledge and expertise to new employees, or future availability and cost of contract labor may adversely affect the ability to manage and operate the business, especially considering the workforce needs associated with nuclear generation facilities and new skills required to operate a modernized, technology enabled power grid. If the Duke Energy Registrants are unable to successfully attract and retain an appropriately qualified workforce, the results of operations, financial position and cash flows could be negatively affected.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

ELECTRIC UTILITIES AND INFRASTRUCTURE

The following table provides information related to the Electric Utilities and Infrastructure's generation stations as of December 31, 2021. The MW displayed in the table below are based on summer capacity. Ownership percentage in a facility is 100% unless otherwise indicated.

Facility	Plant Type	Primary Fuel	Location	Owned MW Capacity
Duke Energy Carolinas				
Oconee	Nuclear	Uranium	SC	2,554
McGuire	Nuclear	Uranium	NC	2,316
Catawba ^(a)	Nuclear	Uranium	SC	445
Bewees Creek	Fossil	Coal/Gas	NC	2,220
Marsha	Fossil	Coal/Gas	NC	2,058
J.E. Rogers	Fossil	Coal/Gas	NC	1,388
Lenoir Combustion Turbine (CT)	Fossil	Gas/O	NC	1,161
Aiken	Fossil	Coal	NC	840
Rockingham CT	Fossil	Gas/O	NC	825
W.S. Lee Combined Cycle (CC) ^(b)	Fossil	Gas	SC	686
Buck CC	Fossil	Gas	NC	668
Dan River CC	Fossil	Gas	NC	662
Mt. Creek CT	Fossil	Gas/O	SC	563
W.S. Lee	Fossil	Gas	SC	170
W.S. Lee CT	Fossil	Gas/O	SC	84
Clemson CHP	Fossil	Gas	SC	13
Bad Creek	Hydro	Water	SC	1,520
Jocassee	Hydro	Water	SC	780
Cowans Ford	Hydro	Water	NC	324
Keowee	Hydro	Water	SC	152
Other small facilities (19 plants)	Hydro	Water	NC/SC	581
Distributed generation	Renewable	Solar	NC	71
Total Duke Energy Carolinas				20,081

Facility	Plant Type	Primary Fuel	Location	Owned MW Capacity
Duke Energy Progress				
Brunswick	Nuclear	Uranium	NC	1,870
Harris	Nuclear	Uranium	NC	964
Robinson	Nuclear	Uranium	SC	759
Roxboro	Fossil	Coal	NC	2,439
Smith CC	Fossil	Gas/O	NC	1,083
H.F. Lee CC	Fossil	Gas/O	NC	888
Wayne County CT	Fossil	Gas/O	NC	822
Smith CT	Fossil	Gas/O	NC	772
Mayo	Fossil	Coal	NC	704
L.V. Sutton CC	Fossil	Gas/O	NC	607
Asheville CC	Fossil	Gas/O	NC	476
Asheville CT	Fossil	Gas/O	NC	320
Darlington CT	Fossil	Gas/O	SC	234
Weatherspoon CT	Fossil	Gas/O	NC	124
L.V. Sutton CT (Back Start)	Fossil	Gas/O	NC	84
Bewett CT	Fossil	O	NC	52
Waters	Hydro	Water	NC	112
Other small facilities (3)	Hydro	Water	NC	116
Distributed generation	Renewable	Solar	NC	35
Asheville Rock Hill Battery	Renewable	Storage	NC	7
Total Duke Energy Progress				12,468

Facility	Plant Type	Primary Fuel	Location	Owned MW Capacity
Duke Energy Florida				
H n es CC	Foss	Gas/O	FL	2,061
C trus County CC	Foss	Gas	FL	1,610
Crysta R ver	Foss	Coa	FL	1,410
Bartow CC	Foss	Gas/O	FL	1,112
Anc ote	Foss	Gas	FL	1,013
Intercess on C ty CT	Foss	Gas/O	FL	931
Osprey CC	Foss	Gas/O	FL	583
DeBary CT	Foss	Gas/O	FL	524
T ger Bay CC	Foss	Gas/O	FL	193
Bayboro CT	Foss	O	FL	171
Bartow CT	Foss	Gas/O	FL	168
Suwannee R ver CT	Foss	Gas	FL	145
Un vers ty of F or da CoGen CT	Foss	Gas	FL	44
D str buted generat on	Renewab e	So ar	FL	323
Total Duke Energy Florida				10,288

Facility	Plant Type	Primary Fuel	Location	Owned MW Capacity
Duke Energy Ohio				
East Bend	Foss	Coa	KY	600
Woodsda e CT	Foss	Gas/Propane	OH	476
Total Duke Energy Ohio				1,076

Facility	Plant Type	Primary Fuel	Location	Owned MW Capacity
Duke Energy Indiana				
G bson ^(c)	Foss	Coa	IN	2,822
Cayuga ^(d)	Foss	Coa /O	IN	1,005
Edwardsport	Foss	Coa	IN	595
Mad son CT	Foss	Gas	OH	566
Wheat and CT	Foss	Gas	IN	444
Verm on CT ^(e)	Foss	Gas	IN	360
Nob esv e CC	Foss	Gas/O	IN	264
Henry County CT	Foss	Gas/O	IN	129
Cayuga CT	Foss	Gas/O	IN	84
Mark and	Hydro	Water	IN	54
D str buted generat on	Renewab e	So ar	IN	11
Camp Atterbury Battery	Renewab e	Storage	IN	4
Nabb Battery	Renewab e	Storage	IN	4
Crane Battery	Renewab e	Storage	IN	4
Total Duke Energy Indiana				6,346

Totals by Type	Owned MW Capacity
Total Electric Utilities	50,259
Totals by Plant Type	
Nuc ear	8,908
Foss	37,252
Hydro	3,639
Renewab e	460
Total Electric Utilities	50,259

- (a) Jointly owned with North Carolina Municipal Power Agency Number 1, NCEMC and PMPA. Duke Energy Carolinas' ownership is 19.25% of the facility.
- (b) Jointly owned with NCEMC. Duke Energy Carolinas' ownership is 87.27% of the facility.
- (c) Duke Energy Indiana owns and operates Gibson Station Units 1 through 4 and is a joint owner of unit 5 with WVPA and IMPA. Duke Energy Indiana operates unit 5 and owns 50.05%.
- (d) Includes Cayuga Internal Combustion.
- (e) Jointly owned with WVPA. Duke Energy Indiana's ownership is 62.5% of the facility.

The following table provides information related to Electric Utilities and Infrastructure's electric transmission and distribution properties as of December 31, 2021.

	Duke Energy	Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Electric Transmission Lines						
Miles of 500 to 525 kV	1,100	600	300	200		
Miles of 345 kV	1,100				400	700
Miles of 230 kV	8,500	2,700	3,400	1,700		700
Miles of 100 to 161 kV	12,400	6,800	2,600	900	700	1,400
Miles of 13 to 69 kV	8,200	2,900		2,200	600	2,500
Total conductor miles of electric transmission lines	31,300	13,000	6,300	5,000	1,700	5,300
Electric Distribution Lines						
Miles of overhead lines	173,400	66,600	46,400	25,200	13,300	21,900
Miles of underground lines	109,800	40,000	32,600	21,500	6,300	9,400
Total conductor miles of electric distribution lines	283,200	106,600	79,000	46,700	19,600	31,300
Number of electric transmission and distribution substations	3,000	1,200	500	500	500	300

Substantially all of Electric Utilities and Infrastructure's electric plant in service is mortgaged under indentures relating to Duke Energy Carolinas', Duke Energy Progress', Duke Energy Florida's, Duke Energy Ohio's and Duke Energy Indiana's various series of First Mortgage Bonds.

GAS UTILITIES AND INFRASTRUCTURE

Gas Utilities and Infrastructure owns transmission pipelines and distribution mains that are generally underground, located near public streets and highways, or on property owned by others for which Duke Energy Ohio and Piedmont have obtained the necessary easements to place and operate facilities on such property located within the Gas Utilities and Infrastructure service territories. The following table provides information related to Gas Utilities and Infrastructure's natural gas distribution.

	Duke Energy	Duke Energy Ohio	Piedmont
Miles of natural gas distribution and transmission pipelines	34,800	7,500	27,300
Miles of natural gas service lines	27,700	6,500	21,200

COMMERCIAL RENEWABLES

The following table provides information related to Commercial Renewables' electric generation facilities as of December 31, 2021. The MW displayed in the table below are based on nameplate capacity.

Facility	Plant Type	Primary Fuel	Location	Owned MW Capacity	Ownership Interest (%)
Commercial Renewables Wind					
Los Ventos (five sites)	Renewable	Wind	TX	465	51 %
Frontier Windpower II ^(a)	Renewable	Wind	OK	352	100 %
Mesteno ^(a)	Renewable	Wind	TX	202	100 %
Marynea ^(a)	Renewable	Wind	TX	182	100 %
Sweetwater IV	Renewable	Wind	TX	113	47 %
Frontier Windpower	Renewable	Wind	OK	103	51 %
Top of the World	Renewable	Wind	WY	102	51 %
Notrees	Renewable	Wind	TX	78	51 %
Mesquite Creek	Renewable	Wind	TX	54	26 %
Campbell	Renewable	Wind	WY	50	51 %
Ironwood	Renewable	Wind	KS	43	26 %
Sweetwater V	Renewable	Wind	TX	38	47 %
North Aegheny	Renewable	Wind	PA	36	51 %
Laurel	Renewable	Wind	PA	35	51 %
Carron II	Renewable	Wind	KS	34	26 %
Kitt Carson	Renewable	Wind	CO	26	51 %
Silver Sage	Renewable	Wind	WY	21	51 %
Happy Jack	Renewable	Wind	WY	15	51 %
Shirley	Renewable	Wind	WI	10	51 %
Total Renewables Wind				1,959	

Facility	Plant Type	Primary Fuel	Location	Owned MW Capacity	Ownership Interest (%)
Commercial Renewables Solar					
Houston ^(a)	Renewable	Solar	TX	200	100 %
Rambler ^(a)	Renewable	Solar	TX	200	100 %
North Rosamond ^(a)	Renewable	Solar	CA	150	100 %
Pflugerville ^(a)	Renewable	Solar	TX	144	100 %
Lapetus ^(a)	Renewable	Solar	TX	100	100 %
Conetoe II	Renewable	Solar	NC	80	100 %
Panther ^(a)	Renewable	Solar	CO	60	100 %
Broad River ^(a)	Renewable	Solar	NC	50	100 %
Sevier I & II	Renewable	Solar	CA	34	67 %
Robo Bravo I & II	Renewable	Solar	CA	27	67 %
Woodward I & II	Renewable	Solar	CA	23	67 %
Speedway ^(a)	Renewable	Solar	NC	23	100 %
Kelford	Renewable	Solar	NC	22	100 %
Dogwood	Renewable	Solar	NC	20	100 %
Hanford Report	Renewable	Solar	NC	20	100 %
Pasquotank	Renewable	Solar	NC	20	100 %
Shawboro	Renewable	Solar	NC	20	100 %
Caprock	Renewable	Solar	NM	17	67 %
Creswell Good	Renewable	Solar	NC	14	100 %
Pumpjack	Renewable	Solar	CA	13	67 %
Longboat	Renewable	Solar	CA	13	67 %
Shoreham ^(a)	Renewable	Solar	NY	13	51 %
Washington White Post	Renewable	Solar	NC	12	100 %
Whitakers	Renewable	Solar	NC	12	100 %
Hughander I & II	Renewable	Solar	CA	11	51 %
Other small solar ^(a)	Renewable	Solar	Various	233	Various
Total Renewables Solar				1,531	

Facility	Plant Type	Primary Fuel	Location	Owned MW Capacity	Ownership Interest (%)
Commercial Renewables Fuel Cells ^(a)	Renewable	Fuel Cells	Various	44	100 %
Total Renewables Fuel Cells				44	

Facility	Plant Type	Primary Fuel	Location	Owned MW Capacity	Ownership Interest (%)
Commercial Renewables Energy Storage					
Notrees Battery Storage	Renewable	Storage	TX	18	51 %
Beckjord Battery Storage	Renewable	Storage	OH	2	100 %
Total Renewables Energy Storage				20	

Totals by Type	Owned MW Capacity
Wind	1,959
Solar	1,531
Fuel Cells	44
Energy Storage	20
Total Commercial Renewables^(b)	3,554

- (a) Certain projects, including projects with the Other small solar, are in tax equity structures where investors have differing interests in the project's economic attributes. 100% of the tax equity project's capacity is included in the table above.
- (b) Net proportion of MW capacity in operation is 4,729, which represents the amount managed or owned by Duke Energy.

OTHER

Duke Energy owns approximately 8 million square feet and, after extending the Duke Energy Center in 2021, leases approximately 1.5 million square feet of corporate, regional and district office space spread throughout its service territories. See Note 10, "Property, Plant and Equipment," for further information.

ITEM 3. LEGAL PROCEEDINGS

For information regarding legal proceedings, including regulatory and environmental matters, see Note 3, "Regulatory Matters," and Note 4, "Commitments and Contingencies," to the Consolidated Financial Statements.

MTBE Litigation

On December 15, 2017, the state of Maryland filed suit in Baltimore City Circuit Court against Duke Energy Merchants and other defendants alleging contamination of state waters by MTBE leaking from gasoline storage tanks. MTBE is a gasoline additive intended to increase the oxygen level in gasoline and make it burn cleaner. The case was removed from Baltimore City Circuit Court to federal District Court. In that motion to dismiss filed by the defendants were denied by the court on September 4, 2019, and the matter is now in discovery. On December 18, 2020, the plaintiff and defendants selected 50 focus sites, none of which have any ties to Duke Energy Merchants. Discovery will be specific to those sites. At this time, Duke Energy Merchants has not engaged in settlement negotiations with the plaintiff and the plaintiff has not reached a settlement agreement with any defendant. Duke Energy cannot predict the outcome of this matter.

ITEM 4. MINE SAFETY DISCLOSURES

This is not applicable for any of the Duke Energy Regulators.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The common stock of Duke Energy is listed and traded on the NYSE (ticker symbol: DUK). As of January 31, 2022, there were 131,590 Duke Energy common stockholders of record. For information on dividends, see the "Dividend Payments" section of Management's Discussion and Analysis.

There is no market for the common equity securities of the Subsidiary Registrants, a of which are directly or indirectly owned by Duke Energy. See Note 1, "Summary of Significant Accounting Policies," to the Consolidated Financial Statements for information on the 2021 investment of a minority interest in Duke Energy Indiana.

Securities Authorized for Issuance Under Equity Compensation Plans

See Item 12 of Part III within this Annual Report for information regarding Securities Authorized for Issuance Under Equity Compensation Plans.

Issuer Purchases of Equity Securities for Fourth Quarter 2021

There were no repurchases of equity securities during the fourth quarter of 2021.

Stock Performance Graph

The following performance graph compares the cumulative TSR from Duke Energy Corporation on common stock, as compared with the Standard & Poor's 500 Stock Index (S&P 500) and the Philadelphia Utility Index for the past five years. The graph assumes an initial investment of \$100 on December 31, 2016, in Duke Energy common stock, in the S&P 500 and in the Philadelphia Utility Index and that all dividends were reinvested. The stockholder return shown below for the five-year period may not be indicative of future performance.



NYSE CEO Certification

Duke Energy has filed the certification of its Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 as exhibits to this Annual Report on Form 10-K for the year ended December 31, 2021.

ITEM 6. SELECTED FINANCIAL DATA

This is not applicable for any of the Duke Energy Registrants.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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. The non-GAAP financial measures should be viewed as a supplement to, and not a substitute for, financial measures presented in accordance with GAAP. Non-GAAP measures as presented here may not be comparable to similarly titled measures used by other companies.

The following combined Management's Discussion and Analysis of Financial Condition and Results of Operations is separately filed by Duke Energy Corporation and its subsidiaries: Duke Energy Carolinas, LLC, Progress Energy, Inc., Duke Energy Progress, LLC, Duke Energy Florida, LLC, Duke Energy Ohio, Inc., Duke Energy Indiana, LLC and Piedmont Natural Gas Company, Inc. 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.

Management's Discussion and Analysis should be read in conjunction with the Consolidated Financial Statements and Notes for the years ended December 31, 2021, 2020 and 2019.

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 25, 2021, for a discussion of variance drivers for the year ended December 31, 2020, as compared to December 31, 2019.

DUKE ENERGY

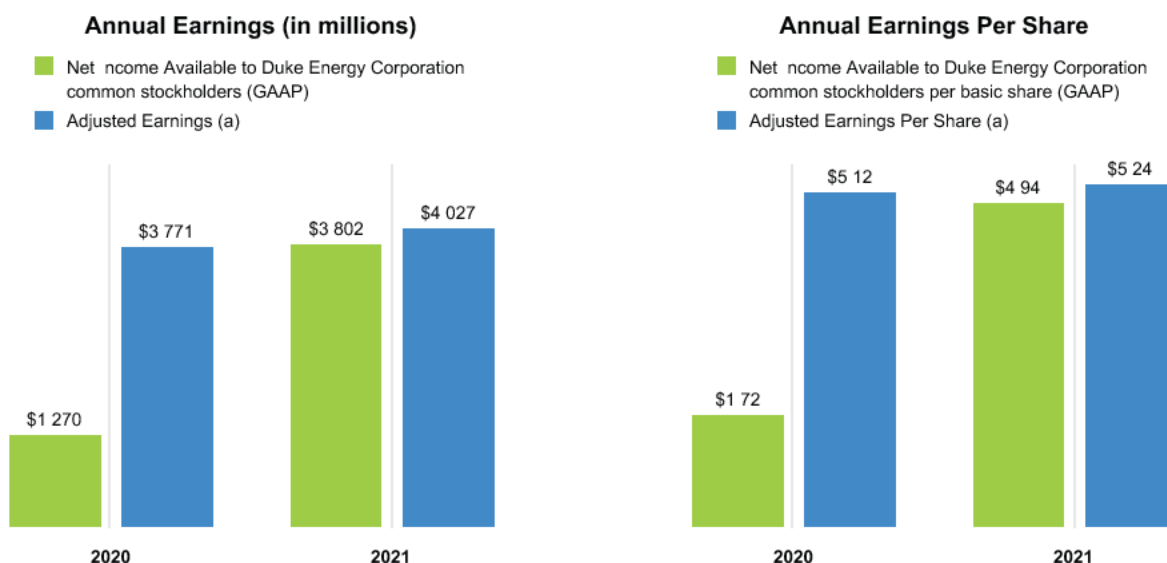
Duke Energy is an energy company headquartered in Charlotte, North Carolina. Duke Energy operates in the U.S. primarily through its direct and indirect subsidiaries, Duke Energy Carolinas, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio, Duke Energy Indiana and Piedmont. When discussing Duke 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.

Executive Overview

At Duke Energy the fundamentals of our business are strong and allow us to deliver growth in earnings and dividends in a low risk, predictable and transparent way. In 2021, we continued to make progress, meeting our near term financial commitments, executing on strategic priorities, and continuing to provide safe and reliable service while managing the ongoing impacts of the COVID-19 pandemic.

In 2021, we continued to position the company for sustainable long term growth, working with stakeholders to achieve comprehensive bipartisan energy legislation in North Carolina, executing an important North Carolina coal settlement agreement, and closing the first phase of the \$2 billion investment of a minority interest in Duke Energy Indiana. We remain focused on executing on our clean energy transformation and a business portfolio that will deliver a reliable and growing dividend with 2021 representing the 95th consecutive year Duke Energy paid a cash dividend on its common stock.

Financial Results



(a) See Results of Operations below for Duke Energy's definition of adjusted earnings and adjusted EPS as well as a reconciliation of this non-GAAP financial measure to net income available to Duke Energy and net income available to Duke Energy per basic share.

Duke Energy's 2021 Net Income Available to Duke Energy Corporation (GAAP Reported Earnings) were impacted by favorable rate case outcomes and improved volumes offset by charges which management believes are not indicative of ongoing performance, including impairments related to workplace and workforce reorganization and regulatory settlements. See "Results of Operations" below for a detailed discussion of the consolidated results of operations and a detailed discussion of financial results for each of Duke Energy's reportable business segments, as well as Other.

2021 Areas of Focus and Accomplishments

Clean Energy Transformation. Our industry has been undergoing an accelerated transformation and 2021 was a watershed year for our company where we executed on strategic priorities and delivered on our vision.

Coal Ash Settlement

In January 2021, we reached an agreement with the North Carolina Attorney General, the North Carolina Public Staff, and the Sierra Club on costs related to coal ash management and safe basin closure, resolving the last remaining major issues on coal ash management in North Carolina. This settlement is significant as it resolves pending issues in the multi-year coal ash basin closure debate in North Carolina, which is critical for paving the way toward our clean energy future. The agreement brought financial clarity to approximately \$9 billion of mitigation costs, supporting coal ash cost recovery in North Carolina for Duke Energy Carolinas and Duke Energy Progress with a rate of return for the company. We agreed to reduce North Carolina customers' costs by approximately \$1 billion, while maintaining our ability to achieve our long-term financial goals and our transition to cleaner energy. The settlement agreement resolved a coal ash prudence and cost recovery issues in connection with the 2019 rate cases filed by Duke Energy Carolinas and Duke Energy Progress with the NCUC, as well as the equitable sharing issue on remand from the 2017 Duke Energy Carolinas and Duke Energy Progress North Carolina rate cases.

Minority Interest Investment in Duke Energy Indiana

In a significant move to support the company's path to net zero strategy, in September 2021 we completed the first phase of the investment of a 19.9% minority interest in Duke Energy Indiana by an affiliate of GIC, transferring 11.05% ownership interest in exchange for approximately \$1.025 billion. The proceeds from the two phase \$2.05 billion investment are expected to partly fund the company's \$63 billion capital and investment expenditure plan. This plan includes grid improvement, investments in clean energy and an improved customer experience keys to our strategy to reduce carbon emissions from electricity generation to net zero by 2050.

North Carolina Energy Legislation

In October 2021, North Carolina House Bill 951 was signed into law after legislators announced bipartisan support for and the General Assembly passed this new legislation. House Bill 951 reflects new state policy that would accelerate a clean energy transition for generation serving customers in the Carolinas, including providing a framework for a goal of 70% carbon reduction in electricity generation in the state from 2005 levels by 2030 and carbon neutrality by 2050 while continuing to prioritize affordability and reliability for our customers, who are located in North Carolina and South Carolina. The legislation establishes a framework overseen by the NCUC to advance state CO₂ emissions reductions through the use of least cost planning, including stakeholder involvement, and also introduces modernized recovery mechanisms, including multi-year rate plans, that promote more efficient recovery of investments and a significant investment between the company and the state's energy policy objectives.

Generating Cleaner Energy

We're targeting energy generated from coal to represent less than 5% by 2030 and a further by 2035, subject to regulatory approvals. We've made strong progress to date in reducing carbon emissions from electricity generation (a 44% reduction from 2005) and have committed to do more (at least 50% reduction by 2030 and net zero by 2050). We've filed and refined comprehensive IRPs consistent with this strategy in multiple jurisdictions and updated the enterprise capital plan through 2026 to increase planned investments to \$63 billion with over 80% of this capital plan funding investments in the grid and clean energy transition. The increased capital plan will allow us to accelerate coal plant retirements, make needed grid investments to enable renewables and energy storage, increase resiliency, and allow for dynamic power flows.

Our commitment for 2030 includes retiring high greenhouse gas emitting plants, operating our existing carbon free resources and investing in renewables, our energy delivery system, and natural gas infrastructure. In 2021, we passed the milestone of 10,000 MW of solar and wind resources and plan to own or purchase 16,000 MW of renewables by 2025 and 24,000 MW by 2030. In June, we filed an application with the NRC to renew Oconee Nuclear Station's operating licenses for an additional 20 years and we intend to seek 20 year extensions and renewal of operating licenses for a 11 reactors. As we look beyond 2030, we will need additional tools to continue our progress. We will work actively to advocate for research and development and deployment of carbon free, dispatchable resources. That includes longer duration energy storage, advanced nuclear technologies, carbon capture and zero carbon fuels.

Modernizing the Power Grid and Natural Gas Infrastructure

Our grid improvement programs continue to be a key component of our growth strategy. Modernization of the electricity grid, including smart meters, storm hardening, self-healing and targeted undergrounding, helps to ensure the system is better prepared for severe weather, improves the system's reliability and flexibility, and provides better information and services for customers. We continue to expand our self-optimizing grid capabilities, and in 2021, smart, self-healing technologies helped to avoid more than 700,000 extended customer outages across our six state electricity service area, saving customers more than 1.2 million hours of lost outage time. We added 60 new self-healing networks in 2021 across our six state service area and upgraded many existing systems to improve the smart capabilities and self-healing efficiency. Additionally, we expect to invest \$100 million in electric vehicle charging over the next three years. Duke Energy has a demonstrated track record of driving high efficiency and productivity into the business and we continue to leverage new technology, digital tools and data analytics across the business in response to a transforming landscape.

Recognizing the continued importance of natural gas to our plans, we continue to work toward a net zero methane emissions goal by 2030 related to our natural gas distribution business. In August 2021, we announced a partnership with Accenture and Microsoft to develop a novel technology platform with the intent of measuring baseline methane emissions from natural gas distribution systems with a high level of accuracy in near real time. Once deployed, we expect the use of satellite technology and the new platform will increase the speed of a field response team's ability to identify and repair methane leaks along distribution lines and systems.

Constructive Regulatory and Legislative Outcomes. One of our long term strategic goals is to achieve modernized regulatory constructs in our jurisdictions. Modernized constructs provide benefits, which include improved earnings and cash flows through more timely recovery of investments, as well as stable pricing for customers. As highlighted above, House Bill 951 provides the framework for many of these benefits in North Carolina under the direction of the NCUC. Also, in October 2021, the Southeast Energy Exchange Market (SEEM) received clearance from the FERC. The new SEEM platform will facilitate sub hourly, bilateral trading, allowing participants to buy and sell power closer to the time the energy is consumed, utilizing available unreserved transmission. Southeastern electric customers are expected to see cost, reliability and environmental benefits.

In 2021, we received constructive rate case orders related to our 2019 North Carolina rate cases for both Duke Energy Carolinas and Duke Energy Progress and also reached constructive settlement agreements in our natural gas businesses in Kentucky, North Carolina, and Tennessee. In October 2021, Duke Energy Ohio filed a request to review the company's electric distribution rates. We have a multi-year rate plan in Florida and in January 2021, we reached a constructive settlement agreement with key consumer groups to bring additional certainty to rates through 2024. In addition, grid investment riders in the Midwest and Florida enable more timely cost recovery and earnings growth.

Customer Satisfaction. Duke Energy continues to transform the customer experience through our use of customer data to better inform operational priorities and performance evaluations. This data driven approach allows us to identify the investments that are the most important to the customer experience. We successfully implemented the first three jurisdictional releases of Customer Connect, a new system that consolidates four legacy billing systems into one customer service platform, allowing us to deliver the universal experience customers expect. Our work has been recognized by our customers and we have maintained our above target performance throughout the year, despite the resumption of standard billing and payment practices in most jurisdictions.

Operational Excellence, Safety and Reliability. The reliable and safe operation of our power plants, electric distribution system and natural gas infrastructure in our communities is foundational to our customers, our financial results and our credibility with stakeholders. Our regulated generation fleet and nuclear sites had strong performance throughout the year and our electric distribution system performed well. The safety of our workforce is a core value. Our employees delivered strong safety results in 2021, and we are at or near the top of our industry.

Storm activity was limited in our regulated service territories in 2021, but we supported Entergy Louisiana, sending approximately 500 workers to aid in restoring power after Hurricane Ida. The February winter storm in Texas adversely impacted Duke Energy Renewables' operations. In addition to operating at reduced capacity, we were required to purchase power at scarce prices to meet fixed volume commitments. Enterprise lessons learned were formed immediately following the Texas weather event to identify opportunities to ensure readiness for extreme weather. Our ability to effectively handle all facets of the 2021 storm response efforts, including navigating ongoing COVID 19 protocols, is a testament to our team's extensive preparation and coordination, applying lessons learned from previous storms, and to the on the ground management throughout the restoration efforts. Duke Energy has received over 20 Emergency Response Awards since EEI began recognizing storm response in 1998 (including eight for assisting other utilities, and eight in our service territories over the last decade).

Leading Through COVID-19. COVID 19 continued to impact areas that we accomplished in 2021 and demonstrated our resiliency and agility:

- In addition to achieving financial results in the upper half of our organic guidance, we have continued our cost management journey focused on driving productivity, increasing flexibility and prioritizing spend based on risk and strategic value to our customers and investors. In 2021, we maintained approximately \$200 million of O&M savings identified during the earliest days of the pandemic. We also have successfully navigated supply chain challenges and the impacts of inflation. Our procurement teams have created action plans to enhance planning, augment supply, amend operations and leverage our scale to mitigate these risks to the extent possible.
- Duke Energy kept electricity and natural gas flowing while continuing to voluntarily make significant accommodations for our customers. To continue to support our customers, we extended the COVID 19 payment flexibility policies we developed in 2020 without compromising our financial performance. We extended payment arrangements for new arrears, modified reconnect policies and increased the time customers had to restructure agreements. We analyzed each state's regulatory environment to identify additional state specific solutions. To better connect customers to federal and state assistance dollars: a dedicated Agency team was created to help local customer assistance agencies in making pledges for Duke Energy customers; a small team was established to work directly with state and federal agencies; and a team of "payment navigators" was poised to work directly with customers to connect them with available assistance dollars in their local communities.
- We implemented safety procedures designed to provide physical safety for our workers and provided support for our employees. Throughout the year, we aligned with local, state, and federal policies on COVID 19 protocols.
- In May, we announced that the Duke Energy Plaza, a 40 floor office tower currently under construction in Uptown Charlotte, will become the company's new corporate headquarters, allowing us to reduce occupied space in the Charlotte area by approximately 60% to optimize our real estate footprint. We've rolled out our new hybrid workplace mode (WorkSmart) with about 85% of our office based workforce working in the WorkSmart mode. The WorkSmart team has prepared our buildings to ensure employees return to work safely and have put in place the tools and technologies needed to ensure the most effective transition.

Duke Energy Objectives 2022 and Beyond

Duke Energy will continue to deliver exceptional value to customers, be an integral part of the communities in which we do business and provide attractive returns to investors. We have an achievable, long-term strategy in place, and it's producing tangible results, yet the industry in which we operate is becoming more and more dynamic. We are adjusting, where necessary, and accelerating our focus in key areas to ensure the company is well-positioned to be successful for many decades into the future. As we look ahead to 2022, our plans include:

- Continuing to place the customer at the center of all that we do, which includes providing customized products and solutions
- Strengthening our relationships with our stakeholders in the communities in which we operate and invest
- Generating cleaner energy and working to achieve net zero carbon emissions by 2050 and net zero methane emissions by 2030
- Modernizing and strengthening a green enabled energy grid and our natural gas infrastructure
- Maintaining the safety of our communities and employees
- Deploying digital tools across our business
- Working to encourage greenhouse gas emissions reductions in our supply chain as we implement the update to our goals to include Scope 2 and certain Scope 3 emissions in our 2050 net zero goal. The Scope 3 emissions included in our goal include emissions from upstream fossil fuel procurement, production of power purchased for resale, and from downstream use of sold products in our natural gas distribution business.

Matters Impacting Future Results

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

Regulatory Matters

Coal Ash Costs

Duke Energy Carolinas and Duke Energy Progress have approximately \$1.2 billion and \$1.4 billion, respectively, in regulatory assets related to coal ash retirement obligations as of December 31, 2021. Future spending, including amounts recorded for depreciation and liability accretion, is expected to continue to be deferred. The majority of spending is expected to occur over the next 15 to 20 years.

Duke Energy Indiana has interpreted the CCR rule to identify the coal ash basins 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 regulatory changes and regulatory approvals, which could result in additional ash basin closure requirements, higher costs of compliance and greater AROs. Additionally, Duke Energy Indiana has identified 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. Duke Energy Indiana has approximately \$749 million in regulatory assets related to coal ash asset retirement obligations as of December 31, 2021. In January 2022, Duke Energy Indiana received a letter from the EPA regarding interpretation of the CCR rule. See Note 4 to the Consolidated Financial Statements, "Commitments and Contingencies" for more information.

MGP

Duke Energy Ohio and other parties have filed with the PUCO a Stipulation and Recommendation that would resolve all open issues regarding manufactured gas plant remediation costs incurred between 2013 and 2019, including Duke Energy Ohio's request for additional deferral authority beyond 2019, and the pending issues related to the Tax Act as it relates to Duke Energy Ohio's natural gas operations. These impacts, if approved by the PUCO, are not expected to have a material impact on Duke Energy Ohio's financial statements. Duke Energy Ohio has approximately \$104 million in regulatory assets related to MGP as of December 31, 2021. Failure to approve the Stipulation and Recommendation, disclosure of costs incurred, failure to complete the work by the deadline or failure to obtain an extension from the PUCO could result in an adverse impact.

For additional information, see Note 3 to the Consolidated Financial Statements, "Regulatory Matters."

Commercial Renewables

Duke Energy continues to monitor recoverability of renewable merchant plants located in the Electric Reliability Council of Texas 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 approximated the aggregate estimated future and discounted cash flows for the assets under review. A continued decline in energy market pricing or other factors unfavorably impacting the economics would be a key result in a future impairment. Duke Energy has approximately \$200 million in property, plant and equipment related to these assets as of December 31, 2021. Impairment of these assets could result in adverse impacts. For additional information, see Note 10 to the Consolidated Financial Statements, "Property, Plant and Equipment."

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 Electric Reliability Council of Texas market. Lost revenues and higher than expected purchased power costs have negatively impacted the operating results of these generating units. In addition, Duke Energy has been named in multiple lawsuits arising out of this winter storm. For more information, see Notes 2 and 4 to the Consolidated Financial Statements, "Business Segments" and "Commitments and Contingencies," respectively.

Duke Energy's assumptions for supply chain disruptions, including the cost and availability of key components of planned generating facilities, which could impact the timing of new service or economic costs of commercial renewables projects and may result in adverse impacts on operating results.

Results of Operations

Non-GAAP Measures

Management evaluates financial performance in part based on non-GAAP financial measures, including adjusted earnings and adjusted EPS. These items represent income from continuing operations available to Duke Energy common stockholders in dollar and per share amounts, adjusted for the dollar and per share impact of special items. As discussed below, special items include certain charges and credits, which management believes are not indicative of Duke Energy's ongoing performance. Management believes the presentation of adjusted earnings and adjusted EPS provides useful information to investors, as it provides them with an additional relevant comparison of Duke Energy's performance across periods.

Management uses these non-GAAP financial measures for planning and forecasting, and for reporting financial results to the Board of Directors, employees, stockholders, analysts and investors. Adjusted EPS is also used as a basis for employee incentive bonuses. The most directly comparable GAAP measures for adjusted earnings and adjusted EPS are GAAP Reported Earnings and EPS Available to Duke Energy Corporation common stockholders (GAAP Reported EPS), respectively.

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

- Workpace and Workforce Realignment represents costs attributable to business transformation, including long-term real estate strategy changes and workforce realignment.
- Regulatory Settlements represents an impairment charge related to the South Carolina Supreme Court decision on coal ash, insurance proceeds, the Duke Energy Carolinas and Duke Energy Progress coal ash settlement and the partial settlements in the 2019 North Carolina rate cases.
- Gas Pipeline Investments represents costs related to the cancellation of the ACP investment and additional expenditures.
- Severance represents the reversal of 2018 Severance charges, which were deferred as a result of a partial settlement in the Duke Energy Carolinas and Duke Energy Progress 2019 North Carolina rate cases.

Duke Energy's adjusted earnings and adjusted EPS may not be comparable to similarly titled measures of another company because other companies may not calculate the measures in the same manner.

Reconciliation of GAAP Reported Amounts to Adjusted Amounts

The following table presents a reconciliation of adjusted earnings and adjusted EPS to the most directly comparable GAAP measures.

	Years Ended December 31,			
	2021		2020	
(in millions, except per share amounts)	Earnings	EPS	Earnings	EPS
GAAP Reported Earnings/EPS	\$ 3,802	\$ 4.94	\$ 1,270	\$ 1.72
Adjustments to Reported:				
Workpace and Workforce Realignment ^(a)	148	0.20		
Regulatory Settlements ^(b)	69	0.09	872	1.19
Gas Pipeline Investments ^(c)	15	0.02	1,711	2.32
Severance ^(d)			(75)	(0.10)
Discontinued Operations	(7)	(0.01)	(7)	(0.01)
Adjusted Earnings/Adjusted EPS	\$ 4,027	\$ 5.24	\$ 3,771	\$ 5.12

(a) Net of tax benefit of \$44 million.

(b) Net of tax benefit of \$21 million and tax benefit of \$263 million for the years ended December 31, 2021, and 2020, respectively.

(c) Net of tax benefit of \$5 million and tax benefit of \$399 million for the years ended December 31, 2021, and 2020, respectively.

(d) Net of tax expense of \$23 million.

Year Ended December 31, 2021, as compared to 2020

GAAP Reported EPS was \$4.94 for the year ended December 31, 2021, compared to \$1.72 for the year ended December 31, 2020. The increase in GAAP Reported Earnings/EPS was primarily due to prior year charges related to the cancellation of the ACP pipeline and the CCR Settlement Agreement filed with the NCUC, partially offset by workpace and workforce realignment costs in the current year.

As discussed and shown in the table above, management also evaluates financial performance based on adjusted EPS. Duke Energy's adjusted EPS was \$5.24 for the year ended December 31, 2021, compared to \$5.12 for the year ended December 31, 2020. The increase in Adjusted Earnings/Adjusted EPS was primarily due to positive rate case contributions and higher volumes, partially offset by higher operation and maintenance expenses, lower Commercial Renewables earnings and share dilution from equity issuances.

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 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 Consolidated Financial Statements, "Business Segments," for additional information on Duke Energy's segment structure.

Electric Utilities and Infrastructure

(in millions)	Years Ended December 31,		
	2021	2020	Variance
Operating Revenues	\$ 22,603	\$ 21,720	\$ 883
Operating Expenses			
Fueled in electric generation and purchased power	6,332	6,128	204
Operations, maintenance and other	5,340	5,391	(51)
Depreciation and amortization	4,251	4,068	183
Property and other taxes	1,233	1,188	45
Impairment of assets and other charges	204	971	(767)
Total operating expenses	17,360	17,746	(386)
Gains on Sales of Other Assets and Other, net	13	11	2
Operating Income	5,256	3,985	1,271
Other Income and Expenses, net	534	344	190
Interest Expense	1,432	1,320	112
Income Before Income Taxes	4,358	3,009	1,349
Income Tax Expense	494	340	154
Less: Income Attributable to Noncontrolling Interest	14		14
Segment Income	\$ 3,850	\$ 2,669	\$ 1,181
Duke Energy Carolinas GWh sales	87,796	84,574	3,222
Duke Energy Progress GWh sales	66,797	65,240	1,557
Duke Energy Florida GWh sales	42,422	42,490	(68)
Duke Energy Ohio GWh sales	24,129	23,484	645
Duke Energy Indiana GWh sales	31,388	30,528	860
Total Electric Utilities and Infrastructure GWh sales	252,532	246,316	6,216
Net proportionate MW capacity in operation	49,871	50,419	(548)

Year Ended December 31, 2021, as compared to 2020

Electric Utilities and Infrastructure's variances due to higher revenues from rate cases in various jurisdictions, higher retail sales volumes and the prior year coal settlement agreement filed with the NCUC, partially offset by an impairment charge related to the South Carolina Supreme Court decision on coal, higher depreciation and amortization and interest expense. The following is a detailed discussion of the variance drivers by item.

Operating Revenues. The variance was driven primarily by:

- a \$420 million increase in retail base rate pricing due to general rate cases in Indiana and North Carolina net of rider impacts as well as annual increases from the multi-year settlement rate adjustments in Florida;
- a \$192 million increase in weather normal retail sales volumes;
- a \$172 million increase in fuel revenues primarily driven by higher sales volumes; and
- a \$145 million increase in wholesale revenues primarily due to a prior year coal settlement agreement filed with the NCUC.

Partially offset by:

- a \$140 million decrease in storm revenues due to full recovery of Hurricane Dorian costs in the prior year.

Operating Expenses. The variance was driven primarily by:

- a \$767 million decrease in impairment of assets and other charges primarily due to the prior year CCR Settlement Agreement funded with the NCUC in January 2021, partially offset by the South Carolina Supreme Court decisions on coal ash at Duke Energy Carolinas and Duke Energy Progress in the current year; and
- a \$51 million decrease in operations, maintenance and other driven by decreased storm amortization at Duke Energy Florida and lower COVID 19 costs, partially offset by higher employee related expenses.

Partially offset by:

- a \$204 million increase in fuel used in electric generation and purchased power primarily due to higher sales volumes;
- a \$183 million increase in depreciation and amortization primarily due to resolution of rate cases and higher plant in service, partially offset by lower depreciation related to the extension of the lives of nuclear facilities at Duke Energy Carolinas and Duke Energy Progress; and
- a \$45 million increase in property and other taxes primarily due to higher property taxes at Duke Energy Carolinas and Duke Energy Ohio and a prior year sales and use tax refund at Duke Energy Carolinas.

Other Income and Expenses, net. The increase is primarily due to coal ash insurance litigation on proceeds at Duke Energy Carolinas and Duke Energy Progress and lower non service pension costs.

Interest Expense. The variance was primarily driven by interest expense on excess deferred tax liabilities removed from rate base as a result of the North Carolina rate cases, debt returns on a lower coal ash regulatory asset balance resulting from the CCR Settlement Agreement as well as lower debt returns resulting from the Indiana rate case.

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

Gas Utilities and Infrastructure

(in millions)	Years Ended December 31,		
	2021	2020	Variance
Operating Revenues	\$ 2,112	\$ 1,748	\$ 364
Operating Expenses			
Cost of natural gas	705	460	245
Operation, maintenance and other	442	430	12
Depreciation and amortization	303	258	45
Property and other taxes	120	112	8
Impairment of assets and other charges	19	7	12
Total operating expenses	1,589	1,267	322
Operating Income	523	481	42
Other Income and Expenses			
Equity in earnings (losses) of unconsolidated affiliates	8	(2,017)	2,025
Other Income and Expenses, net	62	56	6
Total other income and expenses	70	(1,961)	2,031
Interest Expense	142	135	7
Income (Loss) Before Income Taxes	451	(1,615)	2,066
Income Tax Expense (Benefit)	55	(349)	404
Segment Income (Loss)	\$ 396	\$ (1,266)	\$ 1,662
Piedmont Local Distribution Company (LDC) throughput (Dth)	542,759,891	490,071,039	52,688,852
Duke Energy Midwest LDC throughput (MCF)	85,787,624	84,160,162	1,627,462

Year Ended December 31, 2021, as compared to 2020

Gas Utilities and Infrastructure's results were impacted primarily by the cancellation of the ACP pipeline in the prior year and margin growth, partially offset by higher depreciation expense. The following is a detailed discussion of the variance drivers by item.

Operating Revenues. The variance was driven primarily by:

- a \$245 million increase due to higher natural gas costs passed through to customers, higher volumes and increased off system sales natural gas costs;
- a \$52 million increase due to base rate increases;
- a \$22 million increase due to rider revenues related to the Ohio Capital Expenditure Program (CEP);

- a \$12 m on increase due to customer growth; and
- an \$11 m on increase due to North Carolina IMR.

Operating Expenses. The variance was driven primarily by:

- a \$245 m on increase in cost of natural gas due to higher natural gas prices, higher volumes and increased off-system sales natural gas costs;
- a \$45 m on increase in depreciation due to additional plant in service and depreciation adjustments; and
- a \$12 m on increase in impairment of assets and other charges related to the propane caverns in Ohio and Kentucky, partially offset by an impairment of ACP redelivery projects in the prior year.

Equity in earnings (losses) of unconsolidated affiliates. The variance was driven primarily by the cancellation of the ACP pipeline in the prior year.

Income Tax Expense. The increase in tax expense was primarily due to the cancellation of the ACP pipeline project recorded in the prior year.

Commercial Renewables

(in millions)	Years Ended December 31,		
	2021	2020	Variance
Operating Revenues	\$ 476	\$ 502	\$ (26)
Operating Expenses			
Operation, maintenance and other	342	285	57
Depreciation and amortization	225	199	26
Property and other taxes	34	27	7
Impairment of assets and other charges		6	(6)
Total operating expenses	601	517	84
Losses on Sales of Other Assets and Other, net		(1)	1
Operating Loss	(125)	(16)	(109)
Other Income and Expenses, net	(24)	7	(31)
Interest Expense	72	66	6
Loss Before Income Taxes	(221)	(75)	(146)
Income Tax Benefit	(78)	(65)	(13)
Add: Loss Attributable to Noncontrolling Interests	344	296	48
Segment Income	\$ 201	\$ 286	\$ (85)
Renewable plant production, GWh	10,701	10,204	497
Net proportionate MW capacity in operation ^(a)	4,729	3,937	792

(a) Certain projects are included in tax equity structures where investors have differing interests in the project's economic attributes. Amounts shown represent 100% of the tax equity project's capacity.

Year Ended December 31, 2021, as compared to 2020

Commercial Renewables' results were unfavorable to prior year primarily driven by the impacts from Texas Storm Uri, which resulted in a \$35 m on pretax loss, as well as lower earnings from unfavorable wind resource and fewer projects financed with tax equity being placed in service in the current year.

Operating Revenues. The variance was primarily driven by a \$19 m on decrease due to lower wind resource and operating downtime, a \$15 m on decrease for lower market prices in the current year impacting the wind portfolio, and a \$4 m on decrease due to fewer distributed energy projects placed into service. This was partially offset by an \$8 m on increase for market sales in excess of market purchases during Texas Storm Uri and a \$6 m on increase due to growth of new projects.

Operating Expenses. The variance was primarily due to \$49 m on for higher operating expenses, depreciation expense and property tax expense as a result of the growth in new projects placed in service since prior year, \$31 m on increase for higher operating expenses attributed to maintenance at several wind and solar facilities, an \$8 m on increase for higher engineering and construction costs within the distributed energy portfolio, and a \$2 m on increase associated with Texas Storm Uri. This was partially offset by a \$6 m on decrease related to an impairment charge in the prior year for a non-contracted wind project.

Other Income and Expenses, net. The variance was primarily driven by a \$29 m on loss in equity earnings due to the impacts of Texas Storm Uri.

Income Tax Benefit. The increase in the tax benefit was primarily driven by an increase in pretax losses partially offset by an increase in taxes associated with tax equity investments and a decrease in PTCs generated.

Loss Attributable to Noncontrolling Interests. The variance was primarily driven by the net increase of losses allocated to tax equity members of \$60 m on from existing and new projects financed with tax equity, partially offset by a \$12 m on loss resulting from Texas Storm Uri.

Other

(in millions)	Years Ended December 31,		
	2021	2020	Variance
Operating Revenues	\$ 111	\$ 97	\$ 14
Operating Expenses	412	12	400
Losses on Sales of Other Assets and Other, net	(1)		(1)
Operating (Loss) Income	(302)	85	(387)
Other Income and Expenses, net	121	92	29
Interest Expense	643	657	(14)
Loss Before Income Taxes	(824)	(480)	(344)
Income Tax Benefit	(279)	(162)	(117)
Less: Net Income Attributable to Noncontrolling Interests	1	1	
Less: Preferred Dividends	106	107	(1)
Net Loss	\$ (652)	\$ (426)	\$ (226)

Year Ended December 31, 2021, as compared to 2020

The higher net loss was driven by 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 as well as a reversal of severance costs in the prior year.

Operating Expenses. The increase in operations, maintenance and other of \$248 million was primarily due to a reversal of severance costs in the prior year and higher obligations to the Duke Energy Foundation in the current year. The increase in impairment of assets and other charges of \$132 million was due to asset impairments taken in order 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 higher equity earnings from the NMC investment.

Income Tax Benefit. The increase in the tax benefit was primarily driven by an increase in pretax losses and a reduction of a valuation allowance relating to a capital loss carryforward, partially offset by lower state tax expense in the prior year.

SUBSIDIARY REGISTRANTS

Basis of Presentation

The results of operations and variance discussion for the Subsidiary Registrants is presented in a reduced disclosure format in accordance with General Instruction (I)(2)(a) of Form 10-K.

DUKE ENERGY CAROLINAS

Results of Operations

(in millions)	Years Ended December 31,		
	2021	2020	Variance
Operating Revenues	\$ 7,102	\$ 7,015	\$ 87
Operating Expenses			
Fue used in electric generation and purchased power	1,601	1,682	(81)
Operation, maintenance and other	1,833	1,743	90
Depreciation and amortization	1,468	1,462	6
Property and other taxes	320	299	21
Impairment of assets and other charges	227	476	(249)
Total operating expenses	5,449	5,662	(213)
Gains on Sales of Other Assets and Other, net	2	1	1
Operating Income	1,655	1,354	301
Other Income and Expenses, net	270	177	93
Interest Expense	538	487	51
Income Before Income Taxes	1,387	1,044	343
Income Tax Expense	51	88	(37)
Net Income	\$ 1,336	\$ 956	\$ 380

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

Increase (Decrease) over prior year	2021
Retail sales	4.6 %
General service sales	2.7 %
Industrial sales	5.2 %
Wholesale power sales	4.5 %
Joint dispatch sales	2.8 %
Total sales	3.8 %
Average number of customers	2.3 %

Year Ended December 31, 2021, as compared to 2020

Operating Revenues. The variance was driven primarily by:

- a \$98 million increase in weather-normalized retail sales volumes;
- a \$53 million increase in wholesale revenue primarily driven by the CCR Settlement Agreement filed with the NCUC in January 2021;
- a \$51 million increase due to higher pricing from the North Carolina retail rate case, net of a return of EDIT to customer; and
- a \$13 million increase in retail sales due to more favorable weather.

Partially offset by:

- an \$87 million decrease in fuel revenues due to lower prices, partially offset by higher retail sales volumes; and
- a \$26 million decrease in rider revenues primarily due to energy efficiency programs.

Operating Expenses. The variance was driven primarily by:

- a \$249 million decrease in impairment of assets and other charges due to the prior year CCR Settlement Agreement filed with the NCUC in January 2021 partially offset by the South Carolina Supreme Court decision on coal ash and 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 \$81 million decrease in fuel used in electric generation and purchased power primarily associated with the recovery of fuel expenses, partially offset by higher natural gas prices and changes in the generation mix.

Part a y offset by:

- a \$90 m on ncrease n operat on, ma ntenance and other expense pr mar y due to h gher emp oyee re ated expenses; and
- a \$21 m on ncrease n property and other taxes pr mar y due to property tax va uat on adjustments and a pr or year sa es and use tax refund, part a y offset by sa es and use tax refunds n the current year and ower payro tax due to the CARES Act emp oyee retent on cred ts.

Other Income and Expense, net. The var ance was pr mar y due to coa sh nsurance t gat on proceeds and ower non serv ce pens on costs.

Interest Expense. The var ance was dr ven by nterest expense on excess deferred tax ab tes removed from rate base as a resu t of the North Caro na rate case and debt returns on a ower coa sh regu atory asset ba ance resu t ng from the CCR Sett ement Agreement.

Income Tax Expense. The decrease n tax expense was pr mar y due to an ncrease n the amort zat on of excess deferred taxes, part a y offset by an ncrease n pretax ncome.

PROGRESS ENERGY

Results of Operations

(in millions)	Years Ended December 31,		
	2021	2020	Variance
Operating Revenues	\$ 11,057	\$ 10,627	\$ 430
Operating Expenses			
Fue used n e ctr c generat on and purchased power	3,584	3,479	105
Operat on, ma ntenance and other	2,529	2,479	50
Deprec at on and amort zat on	1,929	1,818	111
Property and other taxes	542	545	(3)
Impa rment of assets and other charges	82	495	(413)
Tota operat ng expenses	8,666	8,816	(150)
Gains on Sales of Other Assets and Other, net	14	9	5
Operating Income	2,405	1,820	585
Other Income and Expenses, net	215	129	86
Interest Expense	794	790	4
Income Before Income Taxes	1,826	1,159	667
Income Tax Expense	227	113	114
Net Income	1,599	1,046	553
Less: Net Income Attributable to Noncontrolling Interests	1	1	
Net Income Attributable to Parent	\$ 1,598	\$ 1,045	\$ 553

Year Ended December 31, 2021, as compared to 2020

Operating Revenues. The var ance was dr ven pr mar y by:

- a \$223 m on ncrease n reta pr c ng due to the North Caro na rate case and base rate adjustments at Duke Energy F or da re ated to annua ncreases from the 2017 Sett ement Agreement and the so ar base rate adjustment;
- a \$176 m on ncrease n fue cost recovery dr ven by h gher vo umes n the current year and acce erated recovery of ret red Crysta R ver coa unt s;
- a \$70 m on ncrease n weather norma reta sa es vo umes;
- a \$58 m on ncrease n who esa e revenues, net of fue , pr mar y dr ven by a pr or year coa sh sett ement and h gher capac ty vo umes at Duke Energy Progress, part a y offset by a restructured capac ty contract at Duke Energy F or da;
- a \$25 m on ncrease n other revenues at Duke Energy F or da pr mar y due to h gher transm ss on revenues and h gher customer charges that were wa ved due to COVID 19 n the pr or year; and
- a \$20 m on ncrease n r der revenues at Duke Energy F or da pr mar y due to ncreased reta sa es vo umes.

Part a y offset by:

- a \$140 m on decrease n storm revenues at Duke Energy F or da due to fu recovery of Hurr cane Dor an costs n the pr or year.

Operating Expenses. The var ance was dr ven pr mar y by:

- a \$413 m on decrease n mpa rment of assets and other charges pr mar y due to the pr or year CCR Sett ement Agreement f ed w th the NCUC n January 2021, part a y offset by the current year South Caro na Supreme Court dec s on on coa sh at Duke Energy Progress and opt m zat on of the company's rea estate portfo o and reduct on of off ce space as parts of the bus ness move to a hybr d and remote workforce strategy.

Part a y offset by:

- a \$111 m on ncrease n deprec at on and amort zat on pr mar y due to acce erated deprec at on of ret red Crysta R ver coa un ts and an ncrease n p ant base at Duke Energy F or da, part a y offset by the extens on of the ves at nuc ear fac tes at Duke Energy Progress;
- a \$105 m on ncrease n fue used n e ectrc generat on and purchased power pr mar y due to h gher demand, changes n generat on m x and recogn t on of RECs used for comp ance at Duke Energy Progress and outs de fue purchases dur ng a major p ant outage; and
- a \$50 m on ncrease n operat on, ma ntenance and other expense dr ven by h gher emp oyee re ated costs, a pr or year severance cost adjustment re ated to the 2019 North Caro na reta rate case and outage costs, part a y offset by reduced storm amort zat on at Duke Energy F or da.

Other Income and Expenses, net. The ncrease s pr mar y due to coa ash nsurance t gat on proceeds at Duke Energy Progress, ower non serv ce pens on costs and unrea zed ga ns on the nuc ear decomm ss on ng trust fund at Duke Energy F or da.

Income Tax Expense. The ncrease n tax expense was pr mar y due to an ncrease n pretax ncome, part a y offset by an ncrease n the amort zat on of excess deferred taxes.

DUKE ENERGY PROGRESS

Results of Operations

(in millions)	Years Ended December 31,		
	2021	2020	Variance
Operating Revenues	\$ 5,780	\$ 5,422	\$ 358
Operating Expenses			
Fue used n e ectrc generat on and purchased power	1,778	1,743	35
Operat on, ma ntenance and other	1,467	1,332	135
Deprec at on and amort zat on	1,097	1,116	(19)
Property and other taxes	159	167	(8)
Impa rment of assets and other charges	63	499	(436)
Tota operat ng expenses	4,564	4,857	(293)
Gains on Sales of Other Assets and Other, net	13	8	5
Operating Income	1,229	573	656
Other Income and Expenses, net	143	75	68
Interest Expense	306	269	37
Income Before Income Taxes	1,066	379	687
Income Tax Expense (Benefit)	75	(36)	111
Net Income	\$ 991	\$ 415	\$ 576

The fo ow ng tab e shows the percent changes n GWh sa es and average number of customers for Duke Energy Progress. The be ow percentages for reta customer c asses represent b ed sa es on y. Tota sa es ncudes b ed and unb ed reta sa es and who esa e sa es to ncorporated mun c pa tes, pub c and pr vate ut tes and power marketers. Amounts are not weather norma zed.

Increase (Decrease) over prior year	2021
Res dent a sa es	6.0 %
Genera serv ce sa es	(0.4)%
Industr a sa es	(7.7)%
Who esa e power sa es	4.0 %
Jo nt d spatch sa es	(2.2)%
Tota sa es	2.4 %
Average number of customers	1.5 %

Year Ended December 31, 2021, as compared to 2020

Operating Revenues. The var ance was dr ven pr mar y by:

- a \$140 m on ncrease due to h gher pr c ng from the North Caro na reta rate case, net of a return of EDIT to customers;
- an \$80 m on ncrease n who esa e revenues, net of fue , pr mar y due to a coa ash sett ement n the pr or year, and h gher capac ty vo umes, part a y offset by ower recovery of coa ash costs;
- a \$58 m on ncrease n weather norma reta sa es vo umes n the current year;

- a \$44 million increase in retail sales due to more favorable weather; and
- a \$14 million increase in fuel cost recovery driven by higher fuel prices and volumes in the current year.

Operating Expenses. The variance was driven primarily by:

- a \$436 million decrease in impairment of assets and other charges primarily due to the prior year CCR Settlement Agreement filed with the NCUC in January 2021; and
- a \$19 million decrease in depreciation and amortization expense, primarily driven by the extension of the lives of nuclear facilities.

Partially offset by:

- a \$135 million increase in operation, maintenance and other expense primarily due to higher employee related costs and a prior year severance cost adjustment related to the 2019 North Carolina retail rate case, increased outage costs and energy efficiency program costs; and
- a \$35 million increase in fuel used in electric generation and purchased power primarily due to higher demand and changes in generation mix as well as recognition of RECs used for compliance.

Other Income and Expense, net. The increase is primarily due to coal ash insurance litigation proceeds and lower non service pension costs.

Interest Expense. The variance was driven by interest expense on excess deferred tax liabilities removed from rate base as a result of the North Carolina rate case and debt returns on a lower coal ash regulatory asset balance resulting from the CCR Settlement Agreement.

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

DUKE ENERGY FLORIDA

Results of Operations

(in millions)	Years Ended December 31,		
	2021	2020	Variance
Operating Revenues	\$ 5,259	\$ 5,188	\$ 71
Operating Expenses			
Fuel used in electric generation and purchased power	1,806	1,737	69
Operation, maintenance and other	1,048	1,131	(83)
Depreciation and amortization	831	702	129
Property and other taxes	383	381	2
Impairment of assets and other charges	19	(4)	23
Total operating expenses	4,087	3,947	140
Gains on Sales of Other Assets and Other, net	1	1	
Operating Income	1,173	1,242	(69)
Other Income and Expenses, net	71	53	18
Interest Expense	319	326	(7)
Income Before Income Taxes	925	969	(44)
Income Tax Expense	187	198	(11)
Net Income	\$ 738	\$ 771	\$ (33)

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

Increase (Decrease) over prior year	2021
Residential sales	(1.2)%
General service sales	2.3 %
Industrial sales	4.6 %
Wholesale power sales	22.6 %
Total sales	(0.2)%
Average number of customers	1.5 %

Year Ended December 31, 2021, as compared to 2020

Operating Revenues. The variance was driven primarily by:

- a \$162 million increase in fuel and capacity revenues primarily due to higher retail sales volumes and accelerated recovery of the retired coal units Crystal River 1 and 2;
- an \$83 million increase in retail pricing due to base rate adjustments related to annual increases from the 2017 Settlement Agreement and the solar base rate adjustment;
- a \$25 million increase in other revenues primarily due to lower revenues in the prior year due to the moratorium on customer late payments and service charges in response to the COVID-19 pandemic, lower outdoor lighting equipment rentals in the prior year, and higher transmission revenues due to prior year customer settlement and the increased network billing rates;
- a \$20 million increase in rider revenues primarily due to increased volumes; and
- a \$12 million increase in weather normal retail sales volumes.

Partially offset by:

- a \$140 million decrease in storm revenues due to full recovery of Hurricane Dorian costs in the prior year;
- a \$63 million decrease in retail sales, net of fuel revenues, due to unfavorable weather in the current year; and
- a \$22 million decrease in wholesale power revenues, net of fuel, primarily due to a restructured capacity contract.

Operating Expenses. The variance was driven primarily by:

- a \$129 million increase in depreciation and amortization primarily due to accelerated depreciation of retired coal units Crystal River 1 and 2 and an increase in plant base;
- a \$69 million increase in fuel used in electric generation and purchased power primarily due to higher natural gas prices, and outside fuel purchases during a major plant outage at the Hanes facility; and
- a \$23 million increase in impairment of assets and other charges 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:

- an \$83 million decrease in operation, maintenance and other expense primarily due to decreased storm amortization costs, partially offset by outage maintenance costs at Hanes and the timing of Customer Connect costs including training and labor.

Other Income and Expense, net. The increases primarily due to lower non-service pension costs and gains on the nuclear decommissioning trust fund.

Income Tax Expense. The decrease in tax expense was primarily due to a decrease in pretax income.

DUKE ENERGY OHIO

Results of Operations

(in millions)	Years Ended December 31,		
	2021	2020	Variance
Operating Revenues			
Regulated electric	\$ 1,493	\$ 1,405	\$ 88
Regulated natural gas	544	453	91
Total operating revenues	2,037	1,858	179
Operating Expenses			
Fuel used in electric generation and purchased power	409	339	70
Cost of natural gas	136	73	63
Operation, maintenance and other	479	463	16
Depreciation and amortization	307	278	29
Property and other taxes	355	324	31
Impairment of assets and other charges	25		25
Total operating expenses	1,711	1,477	234
Gains on Sales of Other Assets and Other, net	1		1
Operating Income	327	381	(54)
Other Income and Expenses, net	18	16	2
Interest Expense	111	102	9
Income Before Income Taxes	234	295	(61)
Income Tax Expense	30	43	(13)
Net Income	\$ 204	\$ 252	\$ (48)

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

Increase (Decrease) over prior year	Electric	Natural Gas
	2021	2021
Residential sales	2.7 %	%
General service sales	3.0 %	4.8 %
Industrial sales	4.0 %	3.2 %
Wholesale electric power sales	45.8 %	n/a
Other natural gas sales	n/a	1.6 %
Total sales	2.7 %	1.9 %
Average number of customers	0.6 %	0.8 %

Year Ended December 31, 2021, as compared to 2020

Operating Revenues. The variance was driven primarily by:

- an \$88 million increase in fuel related revenues primarily due to higher natural gas prices and increased volumes;
- a \$35 million increase in revenues related to OVEC contracts and OVEC sales into PJM;
- a \$22 million increase due to revenues related to the Ohio CEP;
- an \$18 million increase in PJM transmission revenues as a result of increased capacity spend;
- a \$12 million increase in retail pricing primarily due to the Duke Energy Kentucky electric generation rate case; and
- a \$5 million increase in revenues due to favorable weather.

Operating Expenses. The variance was driven primarily by:

- a \$133 million increase in fuel expense primarily driven by higher retail prices and increased volumes for natural gas and purchased power;
- a \$31 million increase in property and other taxes primarily due to increased plant in service, and higher kilowatt and natural gas distribution taxes due to increased usage;

- a \$28 million increase in depreciation and amortization primarily driven by an increase in distribution plant in service and decreased Ohio CEP deferrals; and
- a \$25 million increase in impairment of assets and other charges related to the propane caverns in Ohio and Kentucky and other charges 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.

Income Tax Expense. The decrease in tax expense was primarily due to a decrease in pretax income.

DUKE ENERGY INDIANA

Results of Operations

(in millions)	Years Ended December 31,		
	2021	2020	Variance
Operating Revenues	\$ 3,174	\$ 2,795	\$ 379
Operating Expenses			
Fue used in electric generation and purchased power	985	767	218
Operation, maintenance and other	750	762	(12)
Depreciation and amortization	615	569	46
Property and other taxes	73	81	(8)
Impairment of assets and other charges	9		9
Total operating expenses	2,432	2,179	253
Operating Income	742	616	126
Other Income and Expenses, net	42	37	5
Interest Expense	196	161	35
Income Before Income Taxes	588	492	96
Income Tax Expense	107	84	23
Net Income	\$ 481	\$ 408	\$ 73

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

Increase (Decrease) over prior year	2021
Retail sales	3.0 %
General service sales	4.3 %
Industrial sales	2.9 %
Wholesale power sales	5.8 %
Total sales	2.8 %
Average number of customers	1.1 %

Year Ended December 31, 2021, as compared to 2020

Operating Revenues. The variance was driven primarily by:

- a \$175 million increase in fuel revenues primarily due to higher fuel cost recovery driven by customer demand and fuel prices;
- a \$134 million increase primarily due to higher base rate pricing from the Indiana retail rate case, net of lower rider revenues;
- a \$34 million increase in wholesale revenues primarily related to higher rates in the current year;
- a \$22 million increase in weather-normalized retail sales volumes driven by higher nonresidential customer demand; and
- a \$14 million increase in retail sales due to favorable weather in the current year.

Operating Expenses. The variance was driven primarily by:

- a \$218 million increase in fuel used in electric generation and purchased power expense primarily due to higher natural gas prices and increased purchased power;
- a \$46 million increase in depreciation and amortization primarily due to a change in depreciation rates from the Indiana retail rate case, amortization of deferred coal ash pond ARO and additional distribution plant in service; and
- a \$9 million increase in impairment of assets and other charges to optimize the company's real estate portfolio and reduce office space as parts of the business move to a hybrid workforce strategy.

Part a y offset by:

- a \$12 m on decrease n operat on, ma ntenance and other pr mar y due to major outage costs ncurr d n the pr or year and outage de ays n the current year; and
- an \$8 m on decrease n property and other taxes attr butab e to property tax true ups for pr or per ods, ut ty rece pts tax refunds and over payro tax due to the CARES Act emp oyee retent on cred ts.

Interest Expense. The variance s pr mar y dr ven by ower post n serv ce carry ng costs and h gher debt returns n the pr or year on ash bas n c osure costs resu t ng from the Ind ana reta rate case.

Income Tax Expense. The ncrease n tax expense was pr mar y due to an ncrease n pretax ncome.

PIEDMONT

Results of Operations

(in millions)	Years Ended December 31,		
	2021	2020	Variance
Operating Revenues	\$ 1,569	\$ 1,297	\$ 272
Operating Expenses			
Cost of natura gas	569	386	183
Operat on, ma ntenance and other	327	322	5
Deprec at on and amort zat on	213	180	33
Property and other taxes	55	53	2
Impa rment of assets and other charges	10	7	3
Tota operat ng expenses	1,174	948	226
Operating Income	395	349	46
Equ ty n earn ngs of unconso dated aff ates	9	9	
Other ncome and expenses, net	55	51	4
Tota other ncome and expenses	64	60	4
Interest Expense	119	118	1
Income Before Income Taxes	340	291	49
Income Tax Expense	30	18	12
Net Income	\$ 310	\$ 273	\$ 37

The fo ow ng tab e shows the percent changes n Dth de vered and average number of customers. The percentages for a throughput de ver es represent b ed and unb ed sa es. Amounts are not weather norma zed.

Increase (Decrease) over prior year	2021
Res dent a de ver es	7.0 %
Commerc a de ver es	6.9 %
Industr a de ver es	4.1 %
Power generat on de ver es	14.0 %
For resa e	13.2 %
Tota throughput de ver es	10.8 %
Secondary market vo umes	37.2 %
Average number of customers	1.9 %

The marg n decoupg mecha sm adjusts for var at ons n res dent a and commerc a use per customer, nc ud ng those due to weather and conservat on. The weather norma zat on adjustment mecha sms most y offset the mpact of weather on b s rendered, but do not ensure fu recovery of approved marg n dur ng per ods when w nter weather s s gn f cant y warmer or co der than norma .

Year Ended December 31, 2021, as compared to 2020

Operating Revenues. The variance was dr ven pr mar y by:

- a \$183 m on ncrease due to h gher natura gas costs passed through to customers, h gher vo umes, and ncreased off system sa es natura gas costs;
- a \$52 m on ncrease due to base rate ncreases;
- a \$12 m on ncrease due to customer growth; and
- an \$11 m on ncrease due to North Caro na IMR.

Operating Expenses. The variance was driven primarily by:

- a \$183 million increase due to higher natural gas costs passed through to customers, higher volumes, and increased off-system sales natural gas costs; and
- a \$33 million increase in depreciation expense due to additional plant in service and depreciation adjustments.

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Preparation of financial statements requires the application of accounting policies, judgments, assumptions and estimates that can significantly affect the reported results of operations, cash flows or the amounts of assets and liabilities recognized in the financial statements. Judgments made include the likelihood of success of particular projects, possible legal and regulatory changes, earnings assumptions on pension and other benefit fund investments and anticipated recovery of costs, especially through regulated operations.

Management discusses these policies, estimates and assumptions with senior members of management on a regular basis and provides periodic updates on management decisions to the Audit Committee. Management believes the areas described below require significant judgment in the application of accounting policy or in making estimates and assumptions that are inherently uncertain and that may change in subsequent periods.

For further information, see Note 1 to the Consolidated Financial Statements, "Summary of Significant Accounting Policies."

Regulated Operations Accounting

Substantially all of Duke Energy's regulated operations meet the criteria for application of regulated operations accounting treatment. As a result, Duke Energy is required to record assets and liabilities that would not be recorded for nonregulated entities. Regulatory assets generally represent incurred costs that have been deferred because such costs are probable of future recovery in customer rates. Regulatory liabilities are recorded when it is probable that a regulator will require Duke Energy to make refunds to customers or reduce rates to customers for previous collections or deferred revenue for costs that have yet to be incurred.

Management continually assesses whether recorded regulatory assets are probable of future recovery by considering factors such as:

- applicable regulatory environment changes;
- historical regulatory treatment for similar costs in Duke Energy's jurisdiction;
- litigation of rate orders;
- recent rate orders to other regulated entities;
- levels of actual return on equity compared to approved rates of return on equity; and
- the status of any pending or potential deregulation.

If future recovery of costs ceases to be probable, asset write-offs would be recognized in operating income. Additionally, regulatory agencies can provide feedback in the manner and timing of the depreciation of property, plant and equipment, recognition of asset retirement costs and amortization of regulatory assets, or may disallow recovery of all or a portion of certain assets.

As required by regulated operations accounting rules, significant judgment can be required to determine if an otherwise recognizable incurred cost qualifies to be deferred for future recovery as a regulatory asset. Significant judgment can also be required to determine if revenues previously recognized are for entirely specific costs that are no longer expected to be incurred or have not yet been incurred and are therefore a regulatory liability.

For further information, see Note 3 to the Consolidated Financial Statements, "Regulatory Matters."

Goodwill Impairment Assessments

Duke Energy performed its annual goodwill impairment tests for its reporting units as of August 31, 2021. Additionally, Duke Energy monitors all relevant events and circumstances during the year to determine if an interim impairment test is required. Such events and circumstances include an adverse regulatory outcome, declining financial performance and deterioration of industry or market conditions. As of August 31, 2021, all of the reporting units' estimated fair value of equity substantially exceeded the carrying value of equity. The fair values of the reporting units were calculated using a weighted combination of the income approach, which estimates fair value based on discounted cash flows, and the market approach, which estimates fair value based on market comparables with the utility and energy industries.

Estimated future cash flows under the income approach are based on Duke Energy's internal business plan. Significant assumptions used are growth rates, future rates of return expected to result from ongoing rate regulation and discount rates. Management determines the appropriate discount rate for each of its reporting units based on the WACC for each individual reporting unit. The WACC takes into account both the after-tax cost of debt and cost of equity. A major component of the cost of equity is the current risk-free rate on 20-year U.S. Treasury bonds. In the 2021 impairment tests, Duke Energy considered multiple WACCs for certain peer companies in determining the appropriate WACC rates to use in its analyses. As each reporting unit has a different risk profile based on the nature of its operations, including factors such as regulation, the WACC for each reporting unit may differ. Accordingly, the WACCs were adjusted, as appropriate, to account for company specific risk premiums. The discount rates used for calculating the fair values as of August 31, 2021, for each of Duke Energy's reporting units ranged from 5.4% to 5.8%. The underlying assumptions and estimates are made as of a point in time. Subsequent changes, particularly changes in the discount rates, authorized regulated rates of return or growth rates inherent in management's estimates of future cash flows, could result in future impairment charges.

One of the most significant assumptions utilized in determining the fair value of reporting units under the market approach is implied market multiples for certain peer companies. Management selects comparable peers based on each peer's primary business mix, operations, and market capitalization compared to the applicable reporting unit and calculates implied market multiples based on available projected earnings guidance and peer company market values as of August 31. The implied market multiples used for calculating the fair values as of August 31, 2021, for each of Duke Energy's reporting units ranged from 9.7 to 12.7.

Duke Energy primarily operates in environments that are rate regulated. In such environments, revenue requirements are adjusted periodically by regulators based on factors including levels of costs, sales volumes and costs of capital. Accordingly, Duke Energy's regulated utilities operate to some degree with a buffer from the direct effects, positive or negative, of significant swings in market or economic conditions. However, significant changes in discount rates or implied market multiples over a prolonged period may have a material impact on the fair value of equity.

Duke Energy has approximately \$19.3 billion in Goodwill at both December 31, 2021, and 2020. For further information, see Note 11 to the Consolidated Financial Statements, "Goodwill and Intangible Assets."

Asset Retirement Obligations

AROs are recognized for legal obligations associated with the retirement of property, plant and equipment at the present value of the projected liability in the period in which the costs are incurred, if a reasonable estimate of fair value can be made. Duke Energy has approximately \$12.8 billion and \$13 billion of AROs as of December 31, 2021, and 2020, respectively. See Note 9, "Asset Retirement Obligations," for further details including a review of related liabilities.

The present value of the net liability obligation and subsequent updates are based on discounted cash flows, which include estimates regarding the amount and timing of future cash flows, regulatory, legal, and legislative decisions, selection of discount rates and cost escalation rates, among other factors. These estimates are subject to change.

Obligations for nuclear decommissioning are based on site specific cost studies. Duke Energy Carolinas and Duke Energy Progress assume prompt dismantlement of the nuclear facilities after operations are ceased. During 2020, Duke Energy Florida, closed an agreement for the accelerated decommissioning of the Crystal River Unit 3 nuclear power station after receiving approval from the NRC and FPSC. The retirement obligations for the decommissioning of Crystal River Unit 3 nuclear power station are measured based on accelerated decommissioning from 2020 continuing through 2027. Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida also assume that spent fuel will be stored on site until such time that it can be transferred to a yet to be built DOE facility.

Obligations for closure of ash basins are based upon discounted cash flows of estimated costs for site specific plans. Certain ash basins have had probability weightings applied to them based on different potential closure methods and the probability of surrounding pending legal changes.

For further information, see Notes 3, 4 and 9 to the Consolidated Financial Statements, "Regulatory Matters," "Commitments and Contingencies" and "Asset Retirement Obligations."

Long-Lived Asset Impairment Assessments, Excluding Regulated Operations

Duke Energy evaluates property, plant and equipment for impairment when events or changes in circumstances (such as a significant change in cash flow projections or the determination that it is more likely than not that an asset or asset group will be sold) indicate the carrying value of such assets may not be recoverable. The determination of whether an impairment has occurred is based on an estimate of undiscounted future cash flows attributable to the assets, as compared with the carrying value.

Performing an impairment evaluation involves a significant degree of estimation and judgment in areas such as identifying circumstances that indicate an impairment may exist, identifying and grouping affected assets and developing the undiscounted future cash flows. If an impairment has occurred, the amount of the impairment recognized is determined by estimating the fair value and recording a loss if the carrying value is greater than the fair value. Additionally, determining fair value requires probability weighting future cash flows to reflect expectations about possible variations in the amounts or timing and the selection of an appropriate discount rate. Although cash flow estimates are based on relevant information available at the time the estimates are made, estimates of future cash flows are, by nature, highly uncertain and may vary significantly from actual results. When determining whether an asset or asset group has been impaired, management groups assets at the lowest level that has discrete cash flows.

During 2021, Duke Energy evaluated recoverability of certain renewable merchant plants due to changing market pricing and declining long-term forecasted energy prices, primarily driven by lower long-term forecasted natural gas prices, capital cost of new renewables and increased renewable penetration. It was determined the assets were not recoverable as the carrying value of the assets approximated or were less than the aggregate estimated future cash flows. Duke Energy has approximately \$200 million and \$210 million in Property, plant and equipment related to these assets as of December 31, 2021, and 2020, respectively.

Workpace and workforce reorganization has been a focus for the company and costs have been incurred attributable to business transformation, including long-term real estate strategy changes and workforce reorganization. For further information, see Notes 2 and 10 to the Consolidated Financial Statements, "Business Segments" and "Property, Plant and Equipment."

Pension and Other Post-Retirement Benefits

The calculation of pension expense, other post-retirement benefit expense and net pension and other post-retirement assets or liabilities requires the use of assumptions and selection of permissible accounting alternatives. Changes in assumptions can result in different expense and reported asset or liability amounts and future actual experience can differ from the assumptions. Duke Energy believes the most critical assumptions for pension and other post-retirement benefits are the expected long-term rate of return on plan assets and the assumed discount rate applied to future projected benefit payments.

Duke Energy elects to amortize net actuarial gain or loss amounts that are in excess of 10% of the greater of the market related value of plan assets or the plan's projected benefit obligation, into net pension or other post retirement benefit expense over the average remaining service period of active participants expected to benefit under the plan. If a majority of a plan's participants are inactive, the average remaining life expectancy of the inactive participants is used instead of average remaining service period. Prior service cost or credit, which represents an increase or decrease in a plan's pension benefit obligation resulting from a plan amendment, is amortized on a straight line basis over the average expected remaining service period of active participants expected to benefit under the plan. If a majority of a plan's participants are inactive, the average remaining life expectancy of the inactive participants is used instead of average remaining service period.

As of December 31, 2021, Duke Energy assumes pension and other post retirement plan assets will generate a long term rate of return of 6.50%. The expected long term rate of return was developed using a weighted average calculation of expected returns based primarily on future expected returns across asset classes considering the use of active asset managers, where applicable. The asset allocation targets were set after considering the investment objective and the risk profile. Equity securities are held for the higher expected returns. Debt securities are primarily held to hedge the qualified pension liability. Real assets, return seeking fixed income, hedge funds and other global securities are held for diversification. Investments with asset classes are diversified to achieve broad market participation and reduce the impact of individual managers on investments.

Duke Energy discounted its future U.S. pension and other post retirement obligations using a rate of 2.90% as of December 31, 2021. Discount rates used to measure benefit plan obligations for financial reporting purposes reflect rates at which pension benefits could be effectively settled. As of December 31, 2021, Duke Energy determined its discount rate for U.S. pension and other post retirement obligations using a bond selection settlement portfolio approach. This approach develops a discount rate by selecting a portfolio of high quality corporate bonds that generate sufficient cash flow to provide for projected benefit payments of the plan. The selected bond portfolio is derived from a universe of noncallable corporate bonds rated Aa quality or higher. After the bond portfolio is selected, a single interest rate is determined that equates the present value of the plan's projected benefit payments discounted at this rate with the market value of the bonds selected.

Future changes in plan asset returns, assumed discount rates and various other factors related to the participants in Duke Energy's pension and post retirement plans will impact future pension expense and liabilities. Duke Energy cannot predict with certainty what these factors will be in the future. The following table presents the approximate effect on Duke Energy's 2022 pretax pension expense, pretax other post retirement expense, pension obligation and other post retirement benefit obligation for a 0.25% change in rates were to occur.

(in millions)	Qualified and Non-Qualified Pension Plans		Other Post-Retirement Plans	
	0.25 %	(0.25)%	0.25 %	(0.25)%
Effect on 2022 pretax pension and other post retirement expense:				
Expected long term rate of return	\$ (21)	\$ 21	\$	\$
Discount rate	(6)	6	1	(1)
Effect on pension and other post retirement benefit obligation at December 31, 2022:				
Discount rate	(189)	193	(11)	12

For further information, see Note 22 to the Consolidated Financial Statements, "Employee Benefit Plans."

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.

Capital Expenditures

Duke Energy continues to focus on reducing risk and positioning its business for future success and will invest principally in its strongest business sectors. Duke Energy's projected capital and investment expenditures, including AFUDC debt and capitalized interest, for the next three fiscal years are included in the table below.

(in millions)	2022	2023	2024
New generation	\$ 14	\$ 156	\$ 445
Regulated renewables	742	1,194	1,346
Environmental	780	580	461
Nuclear fuel	453	366	385
Major nuclear	252	186	48
Customer additions	596	591	605
Grid modernization and other transmission and distribution projects	4,154	4,377	4,526
Maintenance and other	2,959	3,050	2,609
Total Electric Utilities and Infrastructure	9,950	10,500	10,425
Gas Utilities and Infrastructure	1,350	1,375	1,150
Commercial Renewables and Other	1,050	1,100	650
Total projected capital and investment expenditures	\$ 12,350	\$ 12,975	\$ 12,225

Debt

Long term debt maturities and the interest payable on long term debt each represent a significant cash requirement for the Duke Energy Registrants. See Note 6 to the Conso dated Financial Statements, "Debt and Credit Facilities," for information regarding the Duke Energy Registrants' long term debt at December 31, 2021, the weighted average interest rate applicable to each long term debt category and a schedule of long term debt maturities over the next five years.

Fuel and Purchased Power

Fuel and purchased power includes firm capacity payments that provide Duke Energy with uninterrupted firm access to electricity transmission capacity and natural gas transportation contracts, as well as undesignated contracts and contracts that qualify as NPNS. Duke Energy's contractual cash obligations for fuel and purchased power as of December 31, 2021, are as follows:

(in millions)	Payments Due by Period				
	Total	Less than 1 year (2022)	2-3 years (2023 & 2024)	4-5 years (2025 & 2026)	More than 5 years (2027 & beyond)
Fuel and purchased power	\$ 19,976	\$ 4,594	\$ 6,071	\$ 3,618	\$ 5,693

Other Purchase Obligations

Other purchase obligations include contracts for software, telephone, data and consulting or advisory services, contractual obligations for EPC costs for new generation plants, wind and solar facilities, plant refurbishments, maintenance and day to day contract work and commitments to buy certain products. Amount excludes certain open purchase orders for services that are provided on demand or which the timing of the purchase cannot be determined. Total cash commitments for related other purchase obligations expenditures are \$7,941 million, with \$7,526 million expected to be paid in the next 12 months.

See Note 5 to the Conso dated Financial Statements, "Leases" for a schedule of both finance lease and operating lease payments over the next five years. See Note 9 to the Conso dated Financial Statements, "Asset Retirement Obligations" for information on nuclear decommissioning trust fund obligations and the closure of ash ponds.

Duke Energy performs ongoing assessments of its respective guarantee obligations to determine whether any liabilities have been incurred as a result of potential increased nonperformance risk by third parties for which Duke Energy has issued guarantees. See Note 7 to the Conso dated Financial Statements, "Guarantees and Indemnifications," for further details of the guarantee arrangements. Issuance of these guarantee arrangements is not required for the majority of Duke Energy's operations. Thus, if Duke Energy discontinued issuing these guarantees, there would not be a material impact to the conso dated results of operations, cash flows or financial position. Other than the guarantee arrangements discussed in Note 7 and off balance sheet debt related to non conso dated VIEs, Duke Energy does not have any material off balance sheet financing entities or structures. For additional information, see Note 17 to the Conso dated Financial Statements, "Variable Interest Entities."

Cash and Liquidity

The Subsidiary Registrants generally maintain minimum cash balances and use short term borrowings to meet the working capital needs and other cash requirements. The Subsidiary Registrants, excluding Progress Energy, support their short term borrowing needs through participation with Duke Energy and certain of its other subsidiaries in a money pool arrangement. The companies with short term funds may provide short term loans to affiliates participating under this arrangement. See Note 6 to the Conso dated Financial Statements, "Debt and Credit Facilities," for additional discussion of the money pool arrangement.

Duke Energy and the Subsidiary Registrants, excluding Progress Energy, may also use short term debt, including commercial paper and the money pool, as a bridge to long term debt financings. The level of borrowing may vary significantly over the course of the year due to the timing of long term debt financings and the impact of fluctuations in cash flows from operations. From time to time, Duke Energy's current liabilities exceed current assets resulting from the use of short term debt as a funding source to meet scheduled maturities of long term debt, as well as cash needs, which can fluctuate due to the seasonality of its businesses.

As of December 31, 2021, Duke Energy had approximately \$343 million of cash on hand, \$5.0 billion available under its \$8 billion Master Credit Facility and \$500 million available under the \$1 billion Three Year Revolving 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. Additionally, by January 2023, Duke Energy expects another \$1,025 million from GIC for the second closing of the investment in Duke Energy Indiana. Proceeds from the minority interest investment are expected to partially fund Duke Energy's \$63 billion capital and investment expenditure plan. Refer to Notes 6 and 19 to the Consolidated Financial Statements, "Debt and Credit Facilities" and "Stockholders' Equity," respectively, for information regarding Duke Energy's debt and equity issuances, debt maturities and available credit facilities including the Master Credit Facility.

Credit Facilities and Registration Statements

See Note 6 to the Consolidated Financial Statements, "Debt and Credit Facilities," for further information regarding credit facilities and shelf registration statements available to Duke Energy and the Duke Energy Registrants.

Dividend Payments

In 2021, Duke Energy paid quarterly cash dividends for the 95th consecutive year and expects to continue its policy of paying regular cash dividends in the future. There is no assurance as to the amount of future dividends because they depend on future earnings, capital requirements, financial condition and are subject to the discretion of the Board of Directors.

Duke Energy targets a dividend payout ratio of between 65% and 75%, based upon adjusted EPS. Duke Energy increased the dividend by approximately 2% annually in both 2021 and 2020, and the company remains committed to continued growth of the dividend.

Dividend and Other Funding Restrictions of Duke Energy Subsidiaries

As discussed in Note 3 to the Consolidated Financial Statements, "Regulatory Matters," Duke Energy's wholly owned publicly operating companies have restrictions on the amount of funds that can be transferred to Duke Energy through dividends, advances or loans as a result of conditions imposed by various regulators in conjunction with merger transactions. Duke Energy Progress and Duke Energy Florida also have restrictions imposed by the first mortgage bond indentures and Articles of Incorporation, which in certain circumstances, limit the ability to make cash dividends or distributions on common stock. Additionally, certain other Duke Energy subsidiaries have other restrictions, such as minimum working capital and tangible net worth requirements pursuant to debt and other agreements that limit the amount of funds that can be transferred to Duke Energy. At December 31, 2021, the amount of restricted net assets of wholly owned subsidiaries of Duke Energy that may not be distributed to Duke Energy in the form of a loan or dividend does not exceed a material amount of Duke Energy's net assets. Duke Energy does not have any legal or other restrictions on paying common stock dividends to shareholders out of its consolidated equity accounts. Although these restrictions cap the amount of funding the various operating subsidiaries can provide to Duke Energy, management does not believe these restrictions will have a significant impact on Duke Energy's ability to access cash to meet its payment of dividends on common stock and other future funding obligations.

Cash Flows From Operating Activities

Cash flows from operations of Electric Utilities and Infrastructure and Gas Utilities and Infrastructure are primarily driven by sales of electricity and natural gas, respectively, and costs of operations. These cash flows from operations are relatively stable and comprise a substantial portion of Duke Energy's operating cash flows. Weather conditions, working capital and commodity price fluctuations and unanticipated expenses including unplanned plant outages, storms, legal costs and related settlements can affect the timing and level of cash flows from operations.

As part of Duke Energy's continued effort to improve its cash flows from operations and liquidity, Duke Energy works with vendors to improve terms and conditions, including the extension of payment terms. To support this effort, Duke Energy established a supply chain finance program (the "program") in 2020, under which suppliers, at the request of the company, may sell the receivables from Duke Energy to the participating financial institution. The financial institution administers the program. Duke Energy does not issue any guarantees with respect to the program and does not participate in negotiations between suppliers and the financial institution. Duke Energy does not have an economic interest in the supplier's decision to participate in the program and receives no interest, fees or other benefit from the financial institution based on supplier participation in the program. Suppliers' decisions on which invoices are sold do not impact Duke Energy's payment terms, which are based on commercial terms negotiated between Duke Energy and the supplier regardless of program participation. A significant deterioration in the credit quality of Duke Energy, economic downturn or changes in the financial markets could limit the financial institution's willingness to participate in the program. Duke Energy does not believe such risk would have a material impact on our cash flows from operations or liquidity, as substantially all of our payments are made outside the program.

Duke Energy believes it has sufficient liquidity resources through the commercial paper markets, and ultimately, the Master Credit Facility, to support these operations. Cash flows from operations are subject to a number of other factors, including, but not limited to, regulatory constraints, economic trends and market volatility (see Item 1A, "Risk Factors," for additional information).

Debt Issuances

Depending on availability based on the issuing entity, the credit rating of the issuing entity, and market conditions, the Subsidiary Registrants prefer to issue first mortgage bonds and secured debt, followed by unsecured debt. This preference is the result of generally higher credit ratings for first mortgage bonds and secured debt, which typically result in lower interest costs. Duke Energy Corporation primarily issues unsecured debt.

In 2022, Duke Energy anticipates issuing additional securities of \$9.5 billion through debt capital markets. In certain instances Duke Energy may utilize instruments other than senior notes, including equity content securities such as subordinated debt or preferred stock. Proceeds will primarily be for the purpose of funding capital expenditures and debt maturities. See to Note 6 to the Consolidated Financial Statements, "Debt and Credit Facilities," for further information regarding significant debt issuances in 2021.

Duke Energy's capitalization is balanced between debt and equity as shown in the table below.

	Projected 2022	Actual 2021	Actual 2020
Equity	42 %	43 %	44 %
Debt	58 %	57 %	56 %

Restrictive Debt Covenants

Duke Energy's debt and credit agreements contain various financial and other covenants. Duke Energy's Master Credit Facility contains a covenant requiring the debt to total capitalization ratio to not exceed 65% for each borrower, excluding Piedmont, and 70% for Piedmont. Failure to meet those covenants beyond applicable grace periods could result in accelerated due dates and/or termination of the agreements or submissions thereto. As of December 31, 2021, each of the Duke Energy Registrants was in compliance with all covenants related to the debt agreements. In addition, some credit agreements may allow for acceleration of payments or termination of the agreements due to nonpayment, or acceleration of other significant indebtedness of the borrower or some of its subsidiaries. None of the debt or credit agreements contain material adverse change clauses.

Credit Ratings

Moody's Investors Service, Inc. and S&P provide credit ratings for various Duke Energy Registrants. The following table includes Duke Energy and certain subsidiaries' credit ratings and ratings outlook as of February 2022.

	Moody's	S&P
Duke Energy Corporation	Stable	Stable
Issuer Credit Rating	Baa2	BBB+
Senior Unsecured Debt	Baa2	BBB
Junior Subordinated Debt/Preferred Stock	Baa3/Ba1	BBB
Commercial Paper	P 2	A 2
Duke Energy Carolinas	Stable	Stable
Senior Secured Debt	Aa3	A
Senior Unsecured Debt	A2	BBB+
Progress Energy	Stable	Stable
Senior Unsecured Debt	Baa1	BBB
Duke Energy Progress	Stable	Stable
Senior Secured Debt	Aa3	A
Duke Energy Florida	Stable	Stable
Senior Secured Debt	A1	A
Senior Unsecured Debt	A3	BBB+
Duke Energy Ohio	Stable	Stable
Senior Secured Debt	A2	A
Senior Unsecured Debt	Baa1	BBB+
Duke Energy Indiana	Stable	Stable
Senior Secured Debt	Aa3	A
Senior Unsecured Debt	A2	BBB+
Duke Energy Kentucky	Stable	Stable
Senior Unsecured Debt	Baa1	BBB+
Piedmont Natural Gas	Stable	Stable
Senior Unsecured	A3	BBB+

Credit ratings are intended to provide credit lenders a framework for comparing the credit quality of securities and are not a recommendation to buy, sell or hold. The Duke Energy Registrants' credit ratings are dependent on the rating agencies' assessments of the ability to meet the debt principal and interest obligations when they come due. If, as a result of market conditions or other factors, the Duke Energy Registrants are unable to maintain current balance sheet strength, or earnings and cash flow outlook materially deteriorates, credit ratings could be negatively impacted.

Cash Flow Information

The following table summarizes Duke Energy's cash flows for the two most recently completed fiscal years.

(in millions)	Years Ended December 31,	
	2021	2020
Cash flows provided by (used in):		
Operating activities	\$ 8,290	\$ 8,856
Investing activities	(10,935)	(10,604)
Financing activities	2,609	1,731
Net decrease in cash, cash equivalents and restricted cash	(36)	(17)
Cash, cash equivalents and restricted cash at beginning of period	556	573
Cash, cash equivalents and restricted cash at end of period	\$ 520	\$ 556

OPERATING CASH FLOWS

The following table summarizes key components of Duke Energy's operating cash flows for the two most recently completed fiscal years.

(in millions)	Years Ended December 31,		
	2021	2020	Variance
Net income	\$ 3,579	\$ 1,082	\$ 2,497
Non cash adjustments to net income	5,941	8,353	(2,412)
Payments for AROs	(540)	(610)	70
Refund of AMT credit carryforwards		572	(572)
Working capital	(690)	(541)	(149)
Net cash provided by operating activities	\$ 8,290	\$ 8,856	\$ (566)

The variance was driven primarily by:

- a \$572 million refund of AMT credit carryforwards in the prior year; and
- a \$149 million increase in cash outflows from working capital primarily due to an increase in under collected fuel used in generation due to higher pricing, partially offset by coal ash insurance litigation proceeds, fluctuations in accounts payable levels and timing of property tax accruals and payments in the current year.

Partially offset by:

- an \$85 million increase in net income after adjustment for non cash items primarily due to higher revenues from rate cases in various jurisdictions, higher retail sales volumes and the prior year coal ash settlement agreement filed with the NCUC, partially offset by an impairment charge related to the South Carolina Supreme Court decision on coal ash, higher depreciation, amortization and accretion and interest expense; and
- a \$70 million decrease in payments for AROs.

INVESTING CASH FLOWS

The following table summarizes key components of Duke Energy's investing cash flows for the two most recently completed fiscal years.

(in millions)	Years Ended December 31,		
	2021	2020	Variance
Capital, investment and acquisition expenditures, net of return of investment capital	\$ (9,752)	\$ (10,144)	\$ 392
Debt and equity securities, net	5	(62)	67
Disbursements to canceled equity method investments	(855)		(855)
Other investing items	(333)	(398)	65
Net cash used in investing activities	\$ (10,935)	\$ (10,604)	\$ (331)

The variance relates primarily to a payment made to fund ACP's outstanding debt, partially offset by a decrease in capital expenditures due to lower overall investments in the Commercial Renewables segment. The primary use of cash related to investing activities is typically capital, investment and acquisition expenditures, net of return of investment capital detailed by reportable business segment in the following table.

(in millions)	Years Ended December 31,		
	2021	2020	Variance
Electric Utilities and Infrastructure	\$ 7,653	\$ 7,612	\$ 41
Gas Utilities and Infrastructure	1,271	1,303	(32)
Commercial Renewables	543	965	(422)
Other	285	264	21
Total capital, investment and acquisition expenditures, net of return of investment capital	\$ 9,752	\$ 10,144	\$ (392)

FINANCING CASH FLOWS

The following table summarizes key components of Duke Energy's financing cash flows for the two most recently completed fiscal years.

(in millions)	Years Ended December 31,		
	2021	2020	Variance
Issuance of common stock	\$ 5	\$ 2,745	\$ (2,740)
Issuances of long term debt, net	3,758	1,824	1,934
Notes payable and commercial paper	479	(319)	798
Dividends paid	(3,114)	(2,812)	(302)
Contributions from noncontrolling interests	1,575	426	1,149
Other financing items	(94)	(133)	39
Net cash provided by financing activities	\$ 2,609	\$ 1,731	\$ 878

The variance was driven primarily by:

- a \$1,934 million net increase in proceeds from issuances of long term debt, primarily due to timing of issuances and redemptions of long term debt;
- a \$1,149 million net increase in contributions from noncontrolling interests, primarily due to a \$1,025 million receipt from GIC to make an indirect minority interest investment of 11.05% in Duke Energy Indiana; and
- a \$798 million net increase in net borrowings from notes payable and commercial paper.

Partially offset by:

- a \$2,740 million decrease in proceeds from the issuance of common stock.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Risk Management Policies

The Enterprise Risk Management policy framework at Duke Energy includes strategy, operations, project execution and financial or transaction related risks. Enterprise Risk Management includes market risk as part of the financial and transaction related risks in its framework.

Duke Energy is exposed to market risks associated with commodity prices, interest rates and equity prices. Duke Energy has established comprehensive risk management policies to monitor and manage these market risks. Duke Energy's Chief Executive Officer and Chief Financial Officer are responsible for the overall approval of market risk management policies and the delegation of approval and authorization levels. The Finance and Risk Management Committee of the Board of Directors receives periodic updates from the Chief Risk Officer and other members of management on market risk positions, corporate exposures and overall risk management activities. The Chief Risk Officer is responsible for the overall governance of managing commodity price risk, including monitoring exposure limits.

The following disclosures about market risk contain forward looking statements that involve estimates, projections, goals, forecasts, assumptions, risks and uncertainties that could cause actual results or outcomes to differ materially from those expressed in the forward looking statements. See Item 1A, "Risk Factors," and "Cautionary Statement Regarding Forward Looking Information" for a discussion of the factors that may impact any such forward looking statements made herein.

Commodity Price Risk

Price risk represents the potential risk of loss from adverse changes in the market price of electricity or other energy commodities. Duke Energy's exposure to commodity price risk is influenced by a number of factors, including the effects of regulation, commodity contract size and length, market liquidity, market conditions, location and unique or specific contract terms. Duke Energy is exposed to the impact of market fluctuations in the prices of electricity, coal, natural gas and other energy related products marketed and purchased as a result of its ownership of energy related assets.

Duke Energy's exposure to these fluctuations through its regulated utility operations is limited since these operations are subject to cost based regulation and are typically allowed to recover substantial a portion of these costs through various cost recovery causes, including fuel causes, formula based contracts, or other cost sharing mechanisms. While there may be a delay in timing between when these costs are incurred and when they are recovered through rates, changes from year to year generally do not have a material impact on operating results of these regulated operations.

Within Duke Energy's Commercial Renewables segment, the company has exposure to market price fluctuations in prices of electricity or other energy related products as a result of its ownership of renewable assets, although its exposure to the market price of power is generally limited by entering into contracts with third parties to sell the production of these assets, usually for a term of 10 to 15 years from commercial operation.

Duke Energy employs established policies and procedures to manage risks associated with these market fluctuations, which may include using various commodity derivatives, such as swaps, futures, forwards and options. For additional information, see Note 14 to the Consolidated Financial Statements, "Derivatives and Hedging."

Generation Portfolio Risks

For the Electricity Utilities and Infrastructure segment, the generation portfolio not utilized to serve retail operations or committed loads is subject to commodity price fluctuations. However, the impact on the Consolidated Statements of Operations is limited due to mechanisms in these regulated jurisdictions that result in the sharing of most of the net profits from these activities with retail customers.

The majority of the energy assets in Duke Energy's Commercial Renewables segment operate in regions managed by RTOs and are therefore governed and dispatched under the rules of the applicable RTO. Depending on the structure of power sale agreements with third parties, these assets may be exposed to basis risk associated with different locational marginal prices based on the specific delivery locations and requirements specified in the agreements. Additionally, these assets may be subject to operational constraints under the RTO rules and may be exposed to market price risk.

Hedging Strategies

Duke Energy monitors risks associated with commodity price changes on its future operations and, where appropriate, uses various commodity instruments such as electricity, coal and natural gas hedging contracts and options to mitigate the effect of such fluctuations on operations. Duke Energy's primary use of energy commodity derivatives is to hedge against exposure to the prices of power, fuel for generation and natural gas for customers. Additionally, Duke Energy's Commercial Renewables business may enter into short term or long term hedge agreements to manage price risk associated with project output to the extent such output is not under contract to third parties.

Duke Energy also manages its exposure to basis risk through the use of congestion hedge products in RTOs such as financial transmission rights (PJM) and congestion revenue rights (ERCOT), which result in payments based on different locational marginal prices. The majority of instruments used to manage Duke Energy's commodity price exposure are either not designated as hedges or do not qualify for hedge accounting. These instruments are referred to as undesignated contracts. Mark to market changes for undesignated contracts entered into by regulated businesses are reflected as regulatory assets or liabilities on the Consolidated Balance Sheets. Undesignated contracts entered into by nonregulated businesses are marked to market each period, with changes in the fair value of the derivatives reflected in earnings.

Duke Energy may also enter into other contracts that qualify for the NPNS exception. When a contract meets the criteria to qualify as NPNS, Duke Energy applies such exception. Income recognition and realization related to NPNS contracts generally coincide with the physical delivery of the commodity. For contracts qualifying for the NPNS exception, no recognition of the contract's fair value in the Consolidated Financial Statements is required until settlement of the contract as long as the transaction remains probable of occurring.

Interest Rate Risk

Duke Energy is exposed to risk resulting from changes in interest rates as a result of its issuance or anticipated issuance of variable and fixed rate debt and commercial paper. Duke Energy manages interest rate exposure by limiting variable rate exposures to a percentage of total debt and by monitoring the effects of market changes in interest rates. Duke Energy also enters into financial derivatives instruments, which may include instruments such as, but not limited to, interest rate swaps, swaptions and U.S. Treasury lock agreements to manage and mitigate interest rate risk exposure. See Notes 1, 6, 14 and 16 to the Consolidated Financial Statements, "Summary of Significant Accounting Policies," "Debt and Credit Facilities," "Derivatives and Hedging," and "Fair Value Measurements."

Duke Energy had \$7.5 billion of unhedged long and short term floating interest rate exposure at December 31, 2021. The impact of a 100 basis point change in interest rates on pretax income is approximately \$75 million at December 31, 2021. This amount was estimated by considering the impact of the hypothetical interest rates on variable rate securities outstanding, adjusted for interest rate hedges as of December 31, 2021.

Certain Duke Energy Regulated entities have variable rate debt and manage interest rate risk by entering into financial contracts including interest rate swaps. See Notes 6 and 14 to the Consolidated Financial Statements, "Debt and Credit Facilities" and "Derivatives and Hedging." Such financial arrangements generally are indexed based upon LIBOR, which is expected to be fully phased out in 2023. The Secured Overnight Financing Rate (SOFR) has been identified by regulators and industry participants as the preferred successor rate for U.S. dollar based LIBOR. Impacted financial arrangements extending beyond the phaseout of LIBOR may require contractual amendment or termination and renegotiation to fully adapt to a post LIBOR environment, and there may be uncertainty regarding the effectiveness of any such alternative indexing methodologies. A tentative index provisions are being assessed and incorporated into new financial arrangements that extend beyond the phaseout of LIBOR. Additionally, the progress of the phaseout is being monitored, including proposed transition relief from the FASB.

Credit Risk

Credit risk represents the loss that the Duke Energy Regulated entities would incur if a counterparty fails to perform under its contractual obligations. Where exposed to credit risk, the Duke Energy Regulated entities analyze the counterparty's financial condition prior to entering into an agreement and monitor exposure on an ongoing basis. The Duke Energy Regulated entities establish credit limits where appropriate in the context of contractual arrangements and monitor such limits.

To reduce credit exposure, the Duke Energy Registrants seek to include netting provisions with counterparties, which permit the offset of receivables and payables with such counterparties. The Duke Energy Registrants also frequently use master agreements with credit support annexes to further mitigate certain credit exposures. The master agreements provide for a counterparty to post cash or letters of credit to the exposed party for exposure in excess of an established threshold. The threshold amount represents a negotiated unsecured credit limit for each party to the agreement, determined in accordance with the Duke Energy Registrants' internal corporate credit practices and standards. Counterparty agreements generally also provide that the failure to post collateral when required is sufficient cause to terminate transactions and liquidate positions.

The Duke Energy Registrants also obtain cash, letters of credit, or surety bonds from certain counterparties to provide credit support outside of counterparty agreements, where appropriate, based on a financial analysis of the counterparty and the regulatory or contractual terms and conditions applicable to each transaction. See Note 14 to the Conso dated Financial Statements, "Derivatives and Hedging," for additional information regarding credit risk related to derivative instruments.

The Duke Energy Registrants' principal counterparties for electric and natural gas businesses are RTOs, distribution companies, municipalities, electric cooperatives and utilities located throughout the U.S. Exposure to these entities consists primarily of amounts due to Duke Energy Registrants for delivered electricity. Additionally, there may be potential risks associated with remarketing of energy and capacity in the event of default by wholesale power customers. The Duke Energy Registrants have concentrations of receivables from certain of such entities that may affect the Duke Energy Registrants' credit risk.

The Duke Energy Registrants are also subject to credit risk from transactions with the suppliers that involve prepayments or milestone payments in conjunction with outsourcing arrangements, major construction projects and certain commodity purchases. The Duke Energy Registrants' credit exposure to such suppliers may take the form of increased costs or project delays in the event of nonperformance. The Duke Energy Registrants' frequently require guarantees or letters of credit from suppliers to mitigate this credit risk.

Credit risk associated with the Duke Energy Registrants' service to residential, commercial and industrial customers is generally limited to outstanding accounts receivable. The Duke Energy Registrants mitigate this credit risk by requiring tariff customers to provide a cash deposit, letter of credit or surety bond until a satisfactory payment history is established, subject to the rules and regulations in effect in each retail jurisdiction at which time the deposits typically are refunded. Charge offs for retail customers have historically been insignificant to the operations of the Duke Energy Registrants and are typically recovered through retail rates. Management continually monitors customer charge offs, payment patterns and the impact of current economic conditions on customers' ability to pay the outstanding balance to ensure the adequacy of bad debt reserves.

In response to the COVID-19 pandemic, in March 2020, the Duke Energy Registrants announced a suspension of disconnections for nonpayment as a result of the national emergency. When disconnections have resumed, the company continued to offer flexible options to customers struggling with the pandemic and the economic fallout, including extended payment arrangements to satisfy delinquent balances through June 2021. Since then, the company has resumed standard payment arrangement options. The Duke Energy Registrants are still monitoring the effects of the resultant economic slowdown on counterparties' abilities to perform under their contractual obligations. The Duke Energy Registrants have observed a significant increase in utility account arrears as of December 31, 2021. There is an expectation of an increase in charge offs in the future and the Duke Energy Registrants have reserved for these losses in the allowance for doubtful accounts. See Notes 3 and 18 to the Conso dated Financial Statements, "Regulatory Matters" and "Revenue," respectively, for more information. Duke Energy Ohio and Duke Energy Indiana sell certain of their accounts receivable and related collections through CRC, a Duke Energy conso dated VIE. Losses on collection are first absorbed by the equity of CRC and next by the subordinated retained interests held by Duke Energy Ohio, Duke Energy Kentucky and Duke Energy Indiana. See Note 17 to the Conso dated Financial Statements, "Variable Interest Entities."

The Duke Energy Registrants provide certain non-tariff services, primarily to large commercial and industrial customers in which incurred costs, including invested capital, are intended to be recovered from the individual customer and therefore are not subject to rate recovery in the event of customer default. Customer creditworthiness is assessed prior to entering into these transactions. Credit concentration related to these transactions exists for certain of these customers.

Duke Energy's Commercial Renewables segment enters into long-term agreements with certain creditworthy buyers that may not include the right to call for collateral in the event of a credit rating downgrade. Credit concentration exists to certain counterparties on these agreements, including entities that could be subject to widespread ability. Additionally, Commercial Renewables may invest in projects for which buyers are below investment grade, although such buyers are required to post negotiated amounts of credit support. Also, power sales agreements and/or hedges of project output are generally for an initial term that does not cover the entire life of the asset. As a result, Commercial Renewables is exposed to market price risk and credit risk related to these agreements.

Duke Energy Carolinas has third-party insurance to cover certain losses related to asbestos related injuries and damages above an aggregate self-insured retention. See Note 4 to the Conso dated Financial Statements, "Commitments and Contingencies" for information on asbestos related injuries and damages claims.

The Duke Energy Registrants also have credit risk exposure through issuance of performance and financial guarantees, letters of credit and surety bonds on behalf of entities owned and third parties. Where the Duke Energy Registrants have issued these guarantees, it is possible that they could be required to perform under these guarantee obligations in the event the obligor under the guarantee fails to perform. Where the Duke Energy Registrants have issued guarantees related to assets or operations that have been disposed of via sale, they attempt to secure indemnification from the buyer against a future performance obligation under the guarantees. See Note 7 to the Conso dated Financial Statements, "Guarantees and Indemnifications," for further information on guarantees issued by the Duke Energy Registrants.

Based on the Duke Energy Registrants' policies for managing credit risk, the exposures and the credit and other reserves, the Duke Energy Registrants do not currently anticipate a material adverse effect on the conso dated financial position or results of operations as a result of nonperformance by any counterparty.

Marketable Securities Price Risk

As described further in Note 15 to the Conso dated Financial Statements, "Investments in Debt and Equity Securities," Duke Energy invests in debt and equity securities as part of various investment portfolios to fund certain obligations. The vast majority of investments in equity securities are within the NDTF and assets of the various pension and other post retirement benefit plans.

Pension Plan Assets

Duke Energy maintains investments to facilitate funding the costs of providing non contributory defined benefit retirement and other post retirement benefit plans. These investments are exposed to price fluctuations in equity markets and changes in interest rates. The equity securities held in these pension plans are diversified to achieve broad market participation and reduce the impact of any single investment, sector or geographic region. Duke Energy has established asset allocation targets for its pension plan holdings, which take into consideration the investment objectives and the risk profile with respect to the trust in which the assets are held. See Note 22 to the Conso dated Financial Statements, "Employee Benefit Plans," for additional information regarding investment strategy of pension plan assets.

A significant decline in the value of plan asset holdings could require Duke Energy to increase funding of its pension plans in future periods, which could adversely affect cash flows in those periods. Additionally, a decline in the fair value of plan assets, absent additional cash contributions to the plan, could increase the amount of pension cost required to be recorded in future periods, which could adversely affect Duke Energy's results of operations in those periods.

Nuclear Decommissioning Trust Funds

As required by the NRC, NCUC, PSCSC and FPSC, subsidiaries of Duke Energy maintain trust funds to fund the costs of nuclear decommissioning. As of December 31, 2021, these funds were invested primarily in domestic and international equity securities, debt securities, cash and cash equivalents and short term investments. Per the NRC, Internal Revenue Code, NCUC, PSCSC and FPSC requirements, these funds may be used only for activities related to nuclear decommissioning. These investments are exposed to price fluctuations in equity markets and changes in interest rates. Duke Energy actively monitors its portfolios by benchmarking the performance of its investments against certain indices and by maintaining, and periodically reviewing, target allocation percentages for various asset classes.

Accounting for nuclear decommissioning recognizes that costs are recovered through retail and wholesale rates; therefore, fluctuations in investment prices do not materially affect the Conso dated Statements of Operations, as changes in the fair value of these investments are primarily deferred as regulatory assets or regulatory liabilities pursuant to Orders by the NCUC, PSCSC, FPSC and FERC. Earnings or losses of the funds would impact the amount of costs recovered through retail and wholesale rates. See Note 9 to the Conso dated Financial Statements, "Asset Retirement Obligations," for additional information regarding nuclear decommissioning costs. See Note 15 to the Conso dated Financial Statements, "Investments in Debt and Equity Securities," for additional information regarding NDTF assets.

OTHER MATTERS

Environmental Regulations

The Duke Energy Regulations 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 Regulations.

The following sections outline various proposed and recently enacted regulations and regulations that may impact the Duke Energy Regulations. Refer to Note 3 to the Conso dated Financial Statements, "Regulatory Matters," for further information regarding potential payments and regulatory filings related to the Duke Energy Regulations.

Coal Combustion Residuals

In April 2015, EPA published a rule to regulate the disposal of CCR from electric utilities as solid waste. The federal regulation classifies CCR as nonhazardous waste and allows for beneficial use of CCR with some restrictions. The regulation applies to a new and existing andf s, new and existing surface impoundments receiving CCR and existing surface impoundments located at stations generating electricity (regardless of fuel source), which were no longer receiving CCR but contained quds as of the effective date of the rule. The rule establishes requirements regarding andf s design, structural integrity design and assessment criteria for surface impoundments, groundwater monitoring, protection and remedial procedures and other operations and reporting procedures to ensure the safe disposal and management of CCR.

On July 17, 2018, EPA issued a final rule (Phase 1, Part 1) revising certain closure deadlines and groundwater protection standards in the CCR rule. The rule does not change the primary requirements for groundwater monitoring, corrective action, inspections and maintenance, and closure, and thus does not materially affect Duke Energy's coal ash basin closure plans or compliance obligations under the CCR rule. On October 22, 2018, a coalition of environmental groups filed a petition for review in the U.S. Court of Appeals for the District of Columbia (D.C. Circuit Court) challenging EPA's final Phase 1, Part 1 revisions to the CCR rule. On March 13, 2019, the D.C. Circuit Court issued an order in the Phase 1, Part 1 litigation granting EPA's motion to remand the rule without vacatur. To date, EPA has finalized two notice and comment rulemakings to implement the court's decision on remand. The "Part A" rule, which was promulgated on August 28, 2020, establishes an April 11, 2021 deadline to cease placement of CCR and non CCR waste streams into unlined ash basins and n tate closure, and the "Part B" rule, which was promulgated on November 12, 2020, establishes procedures to allow facilities to request approval to operate an existing CCR surface impoundment with an alternate liner.

In addition to the requirements of the federal CCR rule, CCR andf s and surface impoundments will continue to be regulated by the states. Cost recovery for future expenditures will be pursued through the normal ratemaking process with federal and state utility commissions and via wholesale contracts, which permit recovery of necessary and prudently incurred costs associated with Duke Energy's regulated operations. For more information, see Notes 3 and 9 to the Conso dated Financial Statements, "Regulatory Matters" and "Asset Retirement Obligations," respectively.

Coal Ash Act

AROs recorded on the Duke Energy Carolinas and Duke Energy Progress Consolidated Balance Sheets at December 31, 2021, and December 31, 2020, include the obligation for closure of coal ash basins and the disposal of related ash as a result of the Coal Ash Act, the EPA CCR rule and other agreements. The Coal Ash Act includes a variance procedure for compliance deadlines and other issues surrounding the management of CCR and CCR surface impoundments and prohibits cost recovery in customer rates for an unfunded charge of ash impoundment waters occurring after January 1, 2014. The Coal Ash Act leaves the decision on cost recovery determinations related to closure of ash impoundments to the normal rate-making processes before utility regulatory commissions.

Consistent with the requirements of the Coal Ash Act, Duke Energy previously submitted comprehensive site assessments and groundwater corrective action plans to NCDEQ. In addition, on December 31, 2019, Duke Energy submitted updated groundwater corrective action plans and site specific coal ash impoundment closure plans to NCDEQ.

On April 1, 2019, NCDEQ issued a closure determination requiring Duke Energy Carolinas and Duke Energy Progress to excavate a remaining coal ash impoundments at the Aen, Beaws Creek, Rogers, Marsha, Mayo and Roxboro facilities in North Carolina. On April 26, 2019, Duke Energy Carolinas and Duke Energy Progress filed Petitions for Contested Case Hearings in the Office of Administrative Hearings to challenge NCDEQ's April 1 Order. On December 31, 2019, Duke Energy Carolinas and Duke Energy Progress entered into a settlement agreement with NCDEQ and certain community groups under which Duke Energy Carolinas and Duke Energy Progress agreed to excavate seven of the remaining coal ash basins at these sites with ash moved to on-site lined and/or closed basins, including two at Aen, one at Beaws Creek, one at Mayo, one at Roxboro, and two at Rogers. At the two remaining basins at Marsha and Roxboro, uncapped basins ash will be excavated and moved to lined and/or closed basins. Those portions of the basins at Marsha and Roxboro, which were previously filled with ash and on which permitted facilities were constructed, will not be disturbed and will be closed pursuant to other state regulations.

Following NCDEQ's April 1 Order, Duke Energy estimated the incremental and discounted cost to close the remaining impoundments by excavation would be approximately \$4 billion to \$5 billion, potentially increasing the total estimated costs to permanently close coal ash basins in North Carolina and South Carolina to \$9.5 billion to \$10.5 billion. The settlement lowers the estimated total and discounted cost to close the remaining basins by excavation by approximately \$1.5 billion as compared to Duke Energy's original estimate that followed the order. As a result, the estimated total cost to permanently close coal ash basins in North Carolina and South Carolina is approximately \$8 billion to \$9 billion of which approximately \$3.1 billion has been spent through 2021. The majority of the remaining spend is expected to occur over the next 15 to 20 years.

Duke Energy has completed excavation of a coal ash at the Rverbend, Dan River and Sutton plants.

For further information on ash basins and recovery, see Notes 3 and 9 to the Consolidated Financial Statements, "Regulatory Matters" and "Asset Retirement Obligations," respectively.

North Carolina House Bill 951

On October 13, 2021, North Carolina Governor Roy Cooper signed into law legislation passed by the North Carolina House of Representatives and Senate (the "Legislation"). This Legislation establishes a framework overseen by the NCUC to advance state CO₂ emissions reductions through the use of least cost planning while providing for continued reliability and affordable rates for customers served by such generation. It also authorizes the use of performance based regulation in North Carolina. Among other things, the Legislation requires the NCUC to:

- develop an integrated carbon plan that would target a 70% reduction in CO₂ emissions from public utilities' electric generation in the state by 2030 and carbon neutrality by 2050, considering a resource options and the latest technology;
- adopt rules to implement the requirements of the Legislation authorizing performance based regulation that includes multi-year rate plans with a maximum three year term, performance incentive mechanisms to track utility performance, and revenue decoupling for the residential customer class;
- establish rules to secure costs associated with the early retirement of subcritical coal fired electric generating facilities necessary to achieve the authorized carbon reduction goals at 50% of remaining net book value, with the remaining net book value recovered through normal cost of service basis; and
- initiate a process for updating rates and terms of certain existing solar power purchase agreements executed under PURPA.

Other Environmental Regulations

The Duke Energy Regulations are also subject to various federal, state and local laws regarding air and water quality, hazardous and solid waste disposal and other environmental matters. Duke Energy continues to comply with enacted environmental statutes and regulations even as certain of these regulations are in various stages of clarification, revision or re-examination. The Duke Energy Regulations cannot predict the outcome of these matters.

Global Climate Change and Regulation of GHG Emissions

In 2021, President Biden recommended the United States to the Paris Agreement and announced a new target for the United States of 50%–52% reduction in economy-wide net GHG emissions from 2005 levels by 2030. The U.S. submission to support this Paris target includes a goal for 100% carbon free electricity by 2035. These actions have been supplemented by a number of executive orders by President Biden and an indication by a number of regulatory agencies, including the EPA, that they would impose additional regulations on CO₂ and methane emissions to which Duke Energy will be subject. The Duke Energy Regulations monitor these matters and cannot predict the outcome, however, there could be a material impact on our climate strategy.

CO₂ Emissions Reductions

The Duke Energy Reg strants' direct GHG emissions consist primarily of CO₂ that results primarily from operating a fleet of coal-fired and natural gas-fired power plants to serve its customers reliably and affordably. On September 17, 2019, Duke Energy announced an updated climate strategy with new goals of at least 50% reduction in carbon emissions from electric generation by 2030 and net zero carbon emissions from electric generation by 2050. The Duke Energy Reg strants have taken actions that have resulted in a reduction of CO₂ emissions over time. Between 2005 and 2021, the Duke Energy Reg strants have collectively lowered the CO₂ emissions from the electric generation by 44%. Time and in fact, as well as implementation of new technologies, for future reductions of GHG emissions will vary in each state in which the company operates and will involve collaboration with regulators, customers and other stakeholders. The goals announced in 2019, as well as the actions taken to reduce CO₂ emissions, potentially lower the exposure to any future mandatory CO₂ emission reduction requirements, whether as a result of federal legislation, EPA regulation, state regulation or other as yet unknown emission reduction requirement.

Actions to reduce CO₂ emissions have included the retirement of 56 coal-fired electric generating units with a combined generating capacity of 7,500 MW, while investing in renewables and state-of-the-art highly efficient natural gas-fired generation that produces far fewer CO₂ emissions per unit of electricity generated than coal. Duke Energy also has made investments to increase efficiency and ensure continued operations of its zero CO₂ emissions hydropower and nuclear plants. These efforts have diversified its system and significantly reduced CO₂ emissions.

Duke Energy will continue to explore the use of currently available and commercially demonstrated technology to reduce CO₂ emissions, including EE, wind, solar and storage, as well as evolving technologies like carbon capture, utilization and storage, the use of hydrogen and other low carbon fuels, long duration storage and advanced nuclear, in its efforts to achieve its net zero goals as well as to comply with any future regulations. Duke Energy plans to adjust to and incorporate evolving and innovative technologies in a way that balances the reliability and affordability while meeting regulatory requirements and customer demands. Under any future scenario involving mandatory CO₂ limitations, the Duke Energy Reg strants would plan to seek recovery of the compliance costs through appropriate regulatory mechanisms. Future emissions of GHG emissions by the Duke Energy Reg strants will be influenced by variables that include capacity needs in the jurisdiction in which they operate, public policy, tax incentives, economic conditions that affect electricity demand, fuel prices, market prices, availability of resources and labor, compliance with new or existing regulations, the ability to make enhancements to transmission and distribution systems to support increased renewables, and the existence of new technologies that can be deployed to generate the electricity necessary to meet customer demand.

Currently, the Duke Energy Reg strants do not purchase carbon credits or offsets for use in connection with the company's net zero emissions goals. Though they may purchase carbon credits or offsets for such uses in the future, the amount or cost of which is not expected to be material at this time.

Generation Mix Planning Process

The Duke Energy Reg strants annually, biennially or triennially prepare lengthy, forward-looking IRPs. These detailed, highly technical plans are based on the company's thorough analysis of numerous factors that can impact the cost of producing and delivering electricity that influence long term generation resource planning decisions. The IRP process helps to evaluate a range of options, taking into account stakeholder input as well as forecasts of future electricity demand, fuel prices, transmission improvements, new generating capacity, integration of renewables, energy storage, EE and demand response in fact. The IRP process also helps evaluate potential environmental and regulatory scenarios to better mitigate policy and economic risks. The IRPs we file with regulators look out 10 to 20 years depending on the jurisdiction.

For a number of years, the Duke Energy Reg strants have included a price on CO₂ emissions in the IRP planning process to account for the potential regulation of CO₂ emissions. Incorporating a price on CO₂ emissions in the IRPs allows for the evaluation of existing and future resource needs against potential climate change policy risk in the absence of policy certainty. One of the challenges with using a CO₂ price, especially in the absence of a clear and certain policy, is determining the appropriate price to use. To address this uncertainty and ensure the company remains agile, the Duke Energy Reg strants typically use a range of potential CO₂ prices to reflect a range of potential policy outcomes.

In September 2020, Duke Energy Carolinas and Duke Energy Progress filed the IRPs in North Carolina and South Carolina, and, in December 2021, Duke Energy Indiana filed its IRP, outlining an accelerated energy transition which aligns with the company's 2030 CO₂ emissions goal. In December 2021 the PSCSC rejected Duke Energy Carolinas and Duke Energy Progress' preferred accelerated coal retirement IRP scenario and instead found that the base case without a price on CO₂ emissions was the most reasonable IRP scenario.

In 2021, the State of North Carolina passed HB 951, which among other things, directs the NCUC to develop and approve a carbon reduction plan by the end of 2022 that would target a 70% reduction in CO₂ emissions from Duke Energy Progress' and Duke Energy Carolinas' electric generation in the state by 2030 and carbon neutrality by 2050, considering a resource options and the latest technology. In light of this legislation, in November 2021, the NCUC decided to make a determination on the portfolios presented in the 2020 IRP noting that the legislation on may impact the schedule for coal plant retirements and new resources and limited its order to short term actions for use on an interim basis pending preparation of the carbon plan. The NCUC's carbon reduction plan will be informed by Duke Energy's net zero carbon plan, which will be filed with the NCUC by May 16, 2022, building on the IRPs that were filed in 2020 by Duke Energy Carolinas and Duke Energy Progress and incorporating feedback from extensive stakeholder engagement.

CO₂ and Methane Emissions Reductions from the Natural Gas Distribution Business

In addition to CO₂ emissions resulting primarily from our operations of coal-fired and natural gas-fired power plants, the Duke Energy Reg strants are also responsible for certain methane emissions from the distribution of natural gas to customers. On October 9, 2020, Duke Energy announced a new goal to achieve net zero methane emissions from its natural gas distribution business by 2030. The Duke Energy Reg strants have taken actions that have resulted in methane emission reductions, including the replacement of cast iron and bare steel pipes and associated services with past or coated steel, advanced methane leak detection efforts, reducing time to repair nonhazardous leaks and operational releases of methane, and investment in renewable natural gas.

Time and in fact, as well as implementation of new technologies, for future reductions of upstream methane emissions will vary in each state in which the company's natural gas distribution business operates and will involve collaboration with regulators, customers and other stakeholders. EPA has a so proposed regulation that would require reduction of methane emissions upstream of the Duke Energy Reg strants' natural gas distribution business. The impact of these regulations on natural gas fuel prices is not currently quantifiable.

In addition to possible EPA regulation of methane emissions, certain local governments, none within the jurisdiction in which the Duke Energy Regulators operate, have enacted or are considering initiatives to eliminate natural gas use in new buildings and focus on electrification. Enactment of similar regulations in the areas in which the Duke Energy Regulators' natural gas distribution operates could have a significant impact on the natural gas distribution business and its operations. At this time, such impacts are not able to be quantified; however, the net zero methane goals announced in 2020 for the natural gas distribution business, as well as the actions taken to reduce these GHG emissions, potentially lowers the exposure to any future mandatory GHG emission reduction requirements. The Duke Energy Regulators would plan to seek recovery of the compliance costs with any new regulations through the regulatory process.

Physical Impacts of Climate Change

The Duke Energy Regulators recognize that scientists associate severe weather events with increasing levels of GHGs in the atmosphere. It is possible that these weather events could have a material impact on future results of operations should they occur more frequently and with greater severity. However, the uncertain nature of potential changes in extreme weather events (such as increased frequency, duration and severity), the long period of time over which any potential changes might take place and the inability to predict potential changes with any degree of accuracy, make estimating with any certainty any potential future financial risk to the Duke Energy Regulators' operations difficult. Additionally, the Duke Energy Regulators would plan to continue to seek recovery of storm costs through the appropriate regulatory mechanisms. For more information on storm securitization in North Carolina and storm cost recovery in Florida, see Note 3 to the Consolidated Financial Statements, "Regulatory Matters."

The Duke Energy Regulators routinely take steps to reduce the potential impact of severe weather events on the electric transmission and distribution systems and natural gas facilities. The steps include modernizing the electric grid through smart meters, storm hardening, seaflooring systems and targeted undergrounding and applying lessons learned from previous storms to restoration efforts. The Duke Energy Regulators' electric generating facilities and natural gas facilities are designed to withstand extreme weather events without significant damage. The Duke Energy Regulators maintain inventories of coal, oil and liquefied natural gas to mitigate the effects of any potential short-term disruption in fuel supply so they can continue to provide customers with an uninterrupted supply of electricity and/or natural gas.

New Accounting Standards

See Note 1 to the Consolidated Financial Statements, "Summary of Significant Accounting Policies," for a discussion of the impact of new accounting standards.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See "Management's Discussion and Analysis of Results of Operations and Financial Condition - Quantitative and Qualitative Disclosures About Market Risk."

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Duke Energy Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Duke Energy Corporation and subsidiaries (the "Company") as of December 31, 2021 and 2020, the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows, for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2022, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Regulatory Matters – Impact of Rate Regulation on the Financial Statements – Refer to Notes 1, 3, and 9 to the financial statements

Critical Audit Matter Description

The Company is subject to regulation by federal and state utility regulatory agencies (the "Commissions"), which have jurisdiction with respect to the rates of the Company's electric and natural gas distribution companies. Management has determined it meets the criteria for the application of regulated operations accounting in preparing its financial statements under accounting principles generally accepted in the United States of America. Significant judgment can be required to determine whether or not recognized costs qualify to be presented as a regulatory asset and deferred because such costs are probable of future recovery in customer rates. As discussed in Note 3, regulatory proceedings in recent years in North Carolina and South Carolina have focused on the recoverability of asset retirement obligations specific to coal ash. As a result, assessing the potential outcomes of future regulatory orders in North Carolina and South Carolina requires significant management judgment. As of December 31, 2021, the Company has approximately \$14.6 billion recorded as regulatory assets.

We identified the impact of rate regulation related to regulatory assets as a critical audit matter due to the significant judgments made by management, including assumptions regarding the outcome of future decisions by the Commissions, to support its assertions on the likelihood of future recovery for deferred costs. Given that management's accounting judgments are based on assumptions about the outcome of future decisions by the Commissions, auditing these judgments required specialized knowledge of accounting for rate regulation and the ratemaking process due to its inherent complexities as it relates to regulatory assets.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the recovery of regulatory assets included the following, among others:

- We tested the effectiveness of management's controls over the evaluation of the likelihood of the recovery in future rates and the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates.
- We evaluated the Company's disclosures related to the impacts of rate regulation including the balances recorded and regulatory developments.

- We read relevant regulatory orders issued by the Commissions, regulatory statutes, interpretations, procedural memorandums, findings made by intervenors, and other publicly available information to assess the likelihood of recovery in future rates based on precedents of the Commissions' treatment of similar costs under similar circumstances. We also evaluated the external information and compared it to management's recorded balances for completeness.
- For regulatory matters in process, we inspected the Company's and intervenors' findings with the Commissions, that may impact the Company's future rates, for any evidence that might contradict management's assertions.
- We evaluated the reasonableness of management's judgments regarding the recoverability of regulatory asset balances by performing the following:

We inquired of management regarding changes in regulatory orders and regulatory asset balances during the year.

We evaluated the reasonableness of such changes based on our knowledge of commission approved amortization, expected incurred costs, and recently approved regulatory orders, as applicable.

We utilized trend analyses to evaluate the historical consistency of regulatory asset balances.

We compared the recorded regulatory asset balance to an independently developed expectation of the corresponding balance.

- We obtained an analysis from management and letters from internal legal counsel for asset retirement obligations specific to cash costs, regarding probability of recovery for deferred costs not yet addressed in a regulatory order to assess management's assertion that amounts are probable of recovery.
- We obtained representation from management asserting that regulatory assets recorded in the financial statements are probable of recovery.

Noncontrolling Interests - Minority Interest Investment in Duke Energy Indiana Refer to Note 1 to the financial statements

Critical Audit Matter Description

On January 28, 2021, the Company executed an agreement providing for an investment by an affiliate of GIC Private Limited in Duke Energy Indiana in exchange for a 19.9% minority interest issued by Duke Energy Indiana Holding, 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 occurred on September 8, 2021 and resulted in Duke Energy Indiana Holding, LLC issuing 11.05% of its membership interests in exchange for 50% of the purchase price. The Company retained indirect control of these assets, and, therefore, no gain or loss was recognized on the Consolidated Statements of Operations. The difference between the net cash consideration received and the carrying value of the noncontrolling interest was recorded as an increase to equity. The Company has the discretion to determine the timing of the second closing, but the closings will occur no later than January 2023.

We identified the minority interest investment in Duke Energy Indiana as a critical audit matter because of the extensive audit effort required to audit the transaction, including the need to involve professional services in our firm with the appropriate expertise to assist us in evaluating management's conclusions that there should be no gain or loss associated with this transaction recognized on the Consolidated Statements of Operations for the year ended December 31, 2021.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the minority interest investment in Duke Energy Indiana included the following, among others:

- We tested the effectiveness of controls over the accounting assessment of significant and non-routine transactions, including the controls over the income tax treatment of such transactions.
- We evaluated management's conclusions related to accounting for the transaction by:
 - Obtaining and reading the agreement providing for the minority investment,
 - Involving professional services in our firm with the appropriate expertise to evaluate the work performed by management's expert related to the tax treatment of the transaction,
 - Assessing management's documentation for accounting for the transaction.
- We evaluated the appropriateness of the Company's disclosures related to the minority interest investment.

/s/ Deloitte & Touche LLP

Charlotte, North Carolina
February 24, 2022

We have served as the Company's auditor since 1947.

DUKE ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions, except per share amounts)	Years Ended December 31,		
	2021	2020	2019
Operating Revenues			
Regulated electric	\$ 22,319	\$ 21,461	\$ 22,615
Regulated natural gas	2,008	1,642	1,759
Nonregulated electric and other	770	765	705
Total operating revenues	25,097	23,868	25,079
Operating Expenses			
Fueled net electric generation and purchased power	6,255	6,051	6,826
Cost of natural gas	705	460	627
Operation, maintenance and other	6,042	5,788	6,066
Depreciation and amortization	4,990	4,705	4,548
Property and other taxes	1,389	1,337	1,307
Impairment of assets and other charges	356	984	(8)
Total operating expenses	19,737	19,325	19,366
Gains (Losses) on Sales of Other Assets and Other, net	13	10	(4)
Operating Income	5,373	4,553	5,709
Other Income and Expenses			
Equity in earnings (losses) of unconsolidated affiliates	28	(2,005)	162
Other income and expenses, net	643	453	430
Total other income and expenses	671	(1,552)	592
Interest Expense	2,280	2,162	2,204
Income From Continuing Operations Before Income Taxes	3,764	839	4,097
Income Tax Expense (Benefit) From Continuing Operations	192	(236)	519
Income From Continuing Operations	3,572	1,075	3,578
Income (Loss) From Discontinued Operations, net of tax	7	7	(7)
Net Income	3,579	1,082	3,571
Add: Net Loss Attributable to Noncontrolling Interests	329	295	177
Net Income Attributable to Duke Energy Corporation	3,908	1,377	3,748
Less: Preferred Dividends	106	107	41
Net Income Available to Duke Energy Corporation Common Stockholders	\$ 3,802	\$ 1,270	\$ 3,707
Earnings Per Share Basic and Diluted			
Income from continuing operations available to Duke Energy Corporation common stockholders			
Basic and Diluted	\$ 4.93	\$ 1.71	\$ 5.07
Income (Loss) from discontinued operations attributable to Duke Energy Corporation common stockholders			
Basic and Diluted	\$ 0.01	\$ 0.01	\$ (0.01)
Net income available to Duke Energy Corporation common stockholders			
Basic and Diluted	\$ 4.94	\$ 1.72	\$ 5.06
Weighted average shares outstanding			
Basic	769	737	729
Diluted	769	738	729

See Notes to Consolidated Financial Statements

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DUKE ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions)	Years Ended December 31,		
	2021	2020	2019
Net Income	\$ 3,579	\$ 1,082	\$ 3,571
Other Comprehensive Income (Loss), net of tax^(a)			
Pension and OPEB adjustments	7	6	9
Net unrealized losses on cash flow hedges	(68)	(138)	(47)
Reclassification into earnings from cash flow hedges	13	11	6
Unrealized (losses) gains on available for sale securities	(8)	3	8
Other Comprehensive Loss, net of tax	(56)	(118)	(24)
Comprehensive Income	3,523	964	3,547
Add: Comprehensive Loss Attributable to Noncontrolling Interests	319	306	177
Comprehensive Income Attributable to Duke Energy Corporation	3,842	1,270	3,724
Less: Preferred Dividends	106	107	41
Comprehensive Income Available to Duke Energy Corporation Common Stockholders	\$ 3,736	\$ 1,163	\$ 3,683

- (a) Net of income tax impacts of approximately \$17 million and \$35 million for the years ended December 31, 2021, and 2020, respectively. Tax impacts are immaterial for other periods presented.

See Notes to Consolidated Financial Statements

DUKE ENERGY CORPORATION
CONSOLIDATED BALANCE SHEETS

(in millions)	December 31,	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 343	\$ 259
Receivables (net of allowance for doubtful accounts of \$46 at 2021 and \$29 at 2020)	1,173	1,009
Receivables of VIEs (net of allowance for doubtful accounts of \$76 at 2021 and \$117 at 2020)	2,437	2,144
Inventory	3,199	3,167
Regulatory assets (includes \$105 at 2021 and \$53 at 2020 related to VIEs)	2,150	1,641
Other (includes \$256 at 2021 and \$296 at 2020 related to VIEs)	638	462
Total current assets	9,940	8,682
Property, Plant and Equipment		
Cost	161,819	155,580
Accumulated depreciation and amortization	(50,555)	(48,827)
Facilities to be retired, net	144	29
Net property, plant and equipment	111,408	106,782
Other Noncurrent Assets		
Goodwill	19,303	19,303
Regulatory assets (includes \$1,823 at 2021 and \$937 at 2020 related to VIEs)	12,487	12,421
Nuclear decommissioning trust funds	10,401	9,114
Operating lease right of use assets, net	1,266	1,524
Investments in equity method unconsolidated affiliates	970	961
Other (includes \$92 at 2021 and \$81 at 2020 related to VIEs)	3,812	3,601
Total other noncurrent assets	48,239	46,924
Total Assets	\$ 169,587	\$ 162,388
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 3,629	\$ 3,144
Notes payable and commercial paper	3,304	2,873
Taxes accrued	749	482
Interest accrued	533	537
Current maturities of long term debt (includes \$243 at 2021 and \$472 at 2020 related to VIEs)	3,387	4,238
Asset retirement obligations	647	718
Regulatory liabilities	1,211	1,377
Other	2,471	2,936
Total current liabilities	15,931	16,305
Long-Term Debt (includes \$4,854 at 2021 and \$3,535 at 2020 related to VIEs)	60,448	55,625
Other Noncurrent Liabilities		
Deferred income taxes	9,379	9,244
Asset retirement obligations	12,129	12,286
Regulatory liabilities	16,152	15,029
Operating lease liabilities	1,074	1,340
Accrued pension and other post retirement benefit costs	855	969
Investment tax credits	833	687
Other (includes \$319 at 2021 and \$316 at 2020 related to VIEs)	1,650	1,719
Total other noncurrent liabilities	42,072	41,274
Commitments and Contingencies		
Equity		
Preferred stock, Series A, \$0.001 par value, 40 million depositary shares authorized and outstanding at 2021 and 2020	973	973
Preferred stock, Series B, \$0.001 par value, 1 million shares authorized and outstanding at 2021 and 2020	989	989
Common stock, \$0.001 par value, 2 billion shares authorized; 769 million shares outstanding at 2021 and 2020	1	1
Additions paid in capital	44,371	43,767
Retained earnings	3,265	2,471
Accumulated other comprehensive loss	(303)	(237)
Total Duke Energy Corporation stockholders' equity	49,296	47,964
Noncontrolling interests	1,840	1,220
Total equity	51,136	49,184
Total Liabilities and Equity	\$ 169,587	\$ 162,388

See Notes to Consolidated Financial Statements

DUKE ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)	Years Ended December 31,		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 3,579	\$ 1,082	\$ 3,571
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and accretion (including amortization of nuclear fuel)	5,663	5,486	5,176
Equity in (earnings) losses of unconsolidated affiliates	(28)	2,005	(162)
Equity component of AFUDC	(171)	(154)	(139)
Impairment of assets and other charges	356	984	(8)
Deferred income taxes	191	54	806
Payments for asset retirement obligations	(540)	(610)	(746)
Provisions for rate refunds	(70)	(22)	60
Refund of AMT credit carryforwards		572	573
(Increase) decrease in:			
Net realized and unrealized mark to market and hedging transactions	50	63	(48)
Receivables	(297)	(56)	78
Inventory	(34)	66	(122)
Other current assets	(1,136)	205	10
Increase (decrease) in:			
Accounts payable	249	(21)	(164)
Taxes accrued	284	117	(224)
Other current liabilities	(13)	(65)	172
Other assets	112	(408)	(555)
Other liabilities	95	(442)	(69)
Net cash provided by operating activities	8,290	8,856	8,209
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(9,715)	(9,907)	(11,122)
Contributions to equity method investments	(81)	(370)	(324)
Return of investment capital	44	133	11
Purchases of debt and equity securities	(6,098)	(8,011)	(3,348)
Proceeds from sales and maturities of debt and equity securities	6,103	7,949	3,343
Disbursements to canceled equity method investments	(855)		
Other	(333)	(398)	(517)
Net cash used in investing activities	(10,935)	(10,604)	(11,957)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the:			
Issuance of long term debt	9,052	6,330	7,091
Issuance of preferred stock			1,962
Issuance of common stock	5	2,745	384
Payments for the redemption of long term debt	(5,294)	(4,506)	(3,476)
Proceeds from the issuance of short term debt with original maturities greater than 90 days	332	3,009	397
Payments for the redemption of short term debt with original maturities greater than 90 days	(997)	(2,147)	(479)
Notes payable and commercial paper	1,144	(1,181)	(298)
Contributions from noncontrolling interests	1,575	426	843
Dividends paid	(3,114)	(2,812)	(2,668)
Other	(94)	(133)	(26)
Net cash provided by financing activities	2,609	1,731	3,730
Net decrease in cash, cash equivalents and restricted cash	(36)	(17)	(18)
Cash, cash equivalents and restricted cash at beginning of period	556	573	591
Cash, cash equivalents and restricted cash at end of period	\$ 520	\$ 556	\$ 573
Supplemental Disclosures:			
Cash paid for interest, net of amount capitalized	\$ 2,248	\$ 2,186	\$ 2,195
Cash received from income taxes	(3)	(585)	(651)
Significant non-cash transactions:			
Accrued capital expenditures	1,325	1,116	1,356
Non-cash dividends		110	108

See Notes to Consolidated Financial Statements

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DUKE ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Duke Energy Corporation Stockholders' Accumulated Other Comprehensive Income (Loss)											
	Preferred Stock	Common Stock Shares	Common Stock	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 Duke Energy Corporation Stockholders' Equity	Noncontrolling Interests	Total Equity
(in millions)											
Balance at December 31, 2018	\$ 727	\$ 1	\$ 40 795	\$ 3 113	\$ (14)	\$ (3)	\$ (75)	\$ 43 817	\$ 17	\$ 43 834	
Net income (loss)				3 707				3 707	(177)	3 530	
Other comprehensive (loss) income					(41)	8	9	(24)		(24)	
Preferred stock Series A issuances net of issuance costs ^(a)	973								973		973
Preferred stock Series B issuances net of issuance costs ^(a)	989								989		989
Common stock issuances including dividend reinvestment and employee benefits		6		552					552		552
Common stock dividends					(2 735)				(2 735)		(2 735)
Sale of noncontrolling interest ^(b)				(466)		10			(456)	863	407
Contribution from noncontrolling interest ^(f)										428	428
Distributions to noncontrolling interest in subsidiaries										(4)	(4)
Other ^(c)					23	(6)	(2)	(16)	(1)	2	1
Balance at December 31, 2019	\$ 1 962	733	\$ 1	\$ 40 881	\$ 4 108	\$ (51)	\$ 3	\$ (82)	\$ 46 822	\$ 1 129	\$ 47 951
Net income					1 270				1 270	(295)	975
Other comprehensive (loss) income						(116)	3	6	(107)	(11)	(118)
Common stock issuances including dividend reinvestment and employee benefits		36		2 902					2 902		2 902
Common stock dividends					(2 815)				(2 815)		(2 815)
Contribution from noncontrolling interest ^(f)				(17)					(17)	426	409
Distributions to noncontrolling interest in subsidiaries										(30)	(30)
Other ^(d)				1	(92)				(91)	1	(90)
Balance at December 31, 2020	\$ 1 962	769	\$ 1	\$ 43 767	\$ 2 471	\$ (167)	\$ 6	\$ (76)	\$ 47 964	\$ 1 220	\$ 49 184
Net income	—	—	—	—	3,802	—	—	—	3,802	(329)	3,473
Other comprehensive (loss) income	—	—	—	—	—	(65)	(8)	7	(66)	10	(56)
Common stock issuances including dividend reinvestment and employee benefits	—	—	—	68	—	—	—	—	68	—	68
Common stock dividends	—	—	—	—	(3,008)	—	—	—	(3,008)	—	(3,008)
Sale of noncontrolling interest ^(e)	—	—	—	545	—	—	—	—	545	454	999
Contribution from noncontrolling interest net of transaction costs ^(f)	—	—	—	—	—	—	—	—	—	550	550
Distributions to noncontrolling interests in subsidiaries	—	—	—	—	—	—	—	—	—	(66)	(66)
Other	—	—	—	(9)	—	—	—	—	(9)	1	(8)
Balance at December 31, 2021	\$ 1,962	769	\$ 1	\$ 44,371	\$ 3,265	\$ (232)	\$ (2)	\$ (69)	\$ 49,296	\$ 1,840	\$ 51,136

- (a) Duke Energy issued 40 million depositary shares of preferred stock Series A in the first quarter of 2019 and 1 million shares of preferred stock Series B in the third quarter of 2019
- (b) Relates to the sale of a noncontrolling interest in the Commercial Renewables segment. See Note 1 for additional discussion of the transaction
- (c) Amounts in Retained Earnings and AOC primarily represent impacts to accumulated other comprehensive income due to implementation of a new accounting standard related to Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income
- (d) Amounts in Retained earnings primarily represent impacts due to implementation of a new accounting standard related to Current Estimated Credit Losses. See Note 1 for additional discussion
- (e) Relates to the sale of a noncontrolling interest in Duke Energy Indiana. See Note 1 for additional discussion
- (f) Relates to tax equity financing activity in the Commercial Renewables segment

See Notes to Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholder and the Board of Directors of Duke Energy Carolinas, LLC

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Duke Energy Carolinas, LLC and subsidiaries (the "Company") as of December 31, 2021 and 2020, the related consolidated statements of operations and comprehensive income, changes in equity, and cash flows, for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Regulatory Matters – Impact of Rate Regulation on the Financial Statements – Refer to Notes 1, 3, and 9 to the financial statements.

Critical Audit Matter Description

The Company is subject to rate regulation by the North Carolina Utilities Commission and by the South Carolina Public Service Commission (collectively the "Commissions"), which have jurisdiction with respect to the electric rates of the Company. Management has determined that it meets the criteria for the application of regulated operations accounting in preparing its financial statements under accounting principles generally accepted in the United States of America. Significant judgment can be required to determine if otherwise recognizable incurred costs qualify to be presented as a regulatory asset and deferred because such costs are probable of future recovery in customer rates. As discussed in Note 3, regulatory proceedings in recent years in North Carolina and South Carolina have focused on the recoverability of asset retirement obligations specific to coal ash. As a result, assessing the potential outcomes of future regulatory orders in North Carolina and South Carolina requires significant management judgment. As of December 31, 2021, the Company has approximately \$3.5 billion recorded as regulatory assets.

We identified the impact of rate regulation related to regulatory assets as a critical audit matter due to the significant judgments made by management, including assumptions regarding the outcome of future decisions by the Commissions, to support its assertions on the likelihood of future recovery for deferred costs. Given that management's accounting judgments are based on assumptions about the outcome of future decisions by the Commissions, auditing these judgments required specialized knowledge of accounting for rate regulation and the ratemaking process due to its inherent complexities as it relates to regulatory assets.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the recovery of regulatory assets included the following, among others:

- We tested the effectiveness of management's controls over the evaluation of the likelihood of the recovery in future rates and the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates.
- We evaluated the Company's disclosures related to the impacts of rate regulation, including the balances recorded and regulatory developments.

- We read relevant regulatory orders issued by the Commissions, regulatory statutes, interpretations, procedural memorandums, findings made by intervenors, and other publicly available information to assess the likelihood of recovery in future rates based on precedents of the Commissions' treatment of similar costs under similar circumstances. We evaluated the external information and compared it to management's recorded balances for completeness.
- For regulatory matters in process, we inspected the Company's and intervenors' findings with the Commissions, that may impact the Company's future rates, for any evidence that might contradict management's assertions.
- We evaluated the reasonableness of management's judgments regarding the recoverability of regulatory asset balances by performing the following:

We inquired of management regarding changes in regulatory orders and regulatory asset balances during the year.

We evaluated the reasonableness of such changes based on our knowledge of commission approved amortization, expected incurred costs, and recently approved regulatory orders, as applicable.

We utilized trend analyses to evaluate the historical consistency of regulatory asset balances.

We compared the recorded regulatory asset balance to an independently developed expectation of the corresponding balance.

- We obtained an analysis from management and letters from internal legal counsel for asset retirement obligations specific to coal ash costs, regarding probability of recovery for deferred costs not yet addressed in a regulatory order to assess management's assertion that amounts are probable of recovery.
- We obtained representation from management asserting that regulatory assets recorded in the financial statements are probable of recovery.

/s/ Deloitte & Touche LLP

Charlotte, North Carolina
February 24, 2022

We have served as the Company's auditor since 1947.

DUKE ENERGY CAROLINAS, LLC
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(in millions)	Years Ended December 31,		
	2021	2020	2019
Operating Revenues	\$ 7,102	\$ 7,015	\$ 7,395
Operating Expenses			
Fue used n e ectr c generat on and purchased power	1,601	1,682	1,804
Operat on, ma ntenance and other	1,833	1,743	1,868
Deprec at on and amort zat on	1,468	1,462	1,388
Property and other taxes	320	299	292
Impa rment of assets and other charges	227	476	17
Total operat ng expenses	5,449	5,662	5,369
Gains on Sales of Other Assets and Other, net	2	1	
Operating Income	1,655	1,354	2,026
Other Income and Expenses, net	270	177	151
Interest Expense	538	487	463
Income Before Income Taxes	1,387	1,044	1,714
Income Tax Expense	51	88	311
Net Income	\$ 1,336	\$ 956	\$ 1,403
Other Comprehensive Income, net of tax			
Net unrea zed ga n on cash f ow hedges	1		
Other Comprehensive Income, net of tax	1		
Comprehensive Income	\$ 1,337	\$ 956	\$ 1,403

See Notes to Conso dated F nanc a Statements

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DUKE ENERGY CAROLINAS, LLC
CONSOLIDATED BALANCE SHEETS

(in millions)	December 31,	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 7	\$ 21
Receivables (net of allowance for doubtful accounts of \$1 at 2021 and 2020)	300	247
Receivables of VIEs (net of allowance for doubtful accounts of \$41 at 2021 and \$22 at 2020)	844	696
Receivables from affiliated companies	190	124
Inventory	1,026	1,010
Regulatory assets (includes \$12 at 2021 related to VIEs)	544	473
Other	95	20
Total current assets	3,006	2,591
Property, Plant and Equipment		
Cost	51,874	50,640
Accumulated depreciation and amortization	(17,854)	(17,453)
Facilities to be retired, net	102	
Net property, plant and equipment	34,122	33,187
Other Noncurrent Assets		
Regulatory assets (includes \$220 at 2021 related to VIEs)	2,935	2,996
Nuclear decommissioning trust funds	5,759	4,977
Operating lease right of use assets, net	92	110
Other	1,248	1,187
Total other noncurrent assets	10,034	9,270
Total Assets	\$ 47,162	\$ 45,048
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 988	\$ 1,000
Accounts payable to affiliated companies	266	199
Notes payable to affiliated companies	226	506
Taxes accrued	274	76
Interest accrued	125	117
Current maturities of long term debt (includes \$5 at 2021 related to VIEs)	362	506
Asset retirement obligations	249	264
Regulatory liabilities	487	473
Other	546	546
Total current liabilities	3,523	3,687
Long-Term Debt (includes \$703 at 2021 related to VIEs)	12,595	11,412
Long-Term Debt Payable to Affiliated Companies	318	300
Other Noncurrent Liabilities		
Deferred income taxes	3,634	3,842
Asset retirement obligations	5,052	5,086
Regulatory liabilities	7,198	6,535
Operating lease liabilities	78	97
Accrued pension and other post retirement benefit costs	50	73
Investment tax credits	287	236
Other	536	626
Total other noncurrent liabilities	16,835	16,495
Commitments and Contingencies		
Equity		
Member's equity	13,897	13,161
Accumulated other comprehensive loss	(6)	(7)
Total equity	13,891	13,154
Total Liabilities and Equity	\$ 47,162	\$ 45,048

See Notes to Consolidated Financial Statements

DUKE ENERGY CAROLINAS, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)	Years Ended December 31,		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 1,336	\$ 956	\$ 1,403
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization (including amortization of nuclear fuel)	1,743	1,731	1,671
Equity component of AFUDC	(65)	(62)	(42)
Impairment of assets and other charges	227	476	17
Deferred income taxes	(213)	(260)	133
Payments for asset retirement obligations	(182)	(162)	(278)
Provisions for rate refunds	(46)	(5)	36
(Increase) decrease in			
Net realized and unrealized mark to market and hedging transactions		(4)	(8)
Receivables	(99)	52	(21)
Receivables from affiliated companies	(66)	(10)	68
Inventory	(16)	(14)	(48)
Other current assets	(309)	209	(73)
Increase (decrease) in			
Accounts payable	5	55	(50)
Accounts payable to affiliated companies	85	(11)	(20)
Taxes accrued	206	30	(127)
Other current liabilities	(39)	(56)	127
Other assets	21	(102)	(42)
Other liabilities	116	(47)	(37)
Net cash provided by operating activities	2,704	2,776	2,709
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(2,693)	(2,669)	(2,714)
Purchases of debt and equity securities	(3,425)	(1,602)	(1,658)
Proceeds from sales and maturities of debt and equity securities	3,425	1,602	1,658
Other	(177)	(164)	(204)
Net cash used in investing activities	(2,870)	(2,833)	(2,918)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issuance of long term debt	1,651	998	886
Payments for the redemption of long term debt	(617)	(813)	(6)
Notes payable to affiliated companies	(280)	477	(410)
Distributions to parent	(600)	(600)	(275)
Other	(1)	(2)	(1)
Net cash provided by financing activities	153	60	194
Net (decrease) increase in cash, cash equivalents and restricted cash	(13)	3	(15)
Cash, cash equivalents and restricted cash at beginning of period	21	18	33
Cash, cash equivalents and restricted cash at end of period	\$ 8	\$ 21	\$ 18
Supplemental Disclosures:			
Cash paid for interest, net of amount capitalized	\$ 508	\$ 481	\$ 433
Cash paid for income taxes	233	321	122
Significant non-cash transactions:			
Accrued capital expenditures	359	365	347

See Notes to Consolidated Financial Statements

DUKE ENERGY CAROLINAS, LLC
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Accumulated Other Comprehensive Income (Loss)		
			Net Gains (Losses) on Cash Flow Hedges	
(in millions)	Member's Equity			Total Equity
Balance at December 31, 2018	\$ 11,689	\$	(6)	\$ 11,683
Net income	1,403			1,403
Distributions to parent	(275)			(275)
Other	1		(1)	
Balance at December 31, 2019	\$ 12,818	\$	(7)	\$ 12,811
Net income	956			956
Distributions to parent	(600)			(600)
Other ^(a)	(13)			(13)
Balance at December 31, 2020	\$ 13,161	\$	(7)	\$ 13,154
Net income	1,336			1,336
Other comprehensive income			1	1
Distributions to parent	(600)			(600)
Balance at December 31, 2021	\$ 13,897	\$	(6)	\$ 13,891

(a) Amounts primarily represent impacts due to implementation of a new accounting standard related to Credit Losses. See Note 1 for additional discussion.

See Notes to Consolidated Financial Statements

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Jan 19 2023

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholder and the Board of Directors of Progress Energy, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Progress Energy, Inc. and subsidiaries (the "Company") as of December 31, 2021 and 2020, the related consolidated statements of operations and comprehensive income, changes in equity, and cash flows, for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not in any way alter our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Regulatory Matters – Impact of Rate Regulation on the Financial Statements – Refer to Notes 1, 3, and 9 to the financial statements.

Critical Audit Matter Description

The Company is subject to rate regulation by the North Carolina Utilities Commission, South Carolina Public Service Commission and Florida Public Service Commission (collectively the "Commissions"), which have jurisdiction with respect to the electric rates of the Company. Management has determined it meets the criteria for the application of regulated operations accounting in preparing its financial statements under accounting principles generally accepted in the United States of America. Significant judgment can be required to determine if otherwise recognizable incurred costs qualify to be presented as a regulatory asset and deferred because such costs are probable of future recovery in customer rates. As discussed in Note 3, regulatory proceedings in recent years in North Carolina and South Carolina have focused on the recoverability of asset retirement obligations specific to coal ash. As a result, assessing the potential outcomes of future regulatory orders in North Carolina and South Carolina requires significant management judgment. As of December 31, 2021, the Company has approximately \$6.9 billion recorded as regulatory assets.

We identified the impact of rate regulation related to regulatory assets as a critical audit matter due to the significant judgments made by management, including assumptions regarding the outcome of future decisions by the Commissions, to support its assertions on the likelihood of future recovery for deferred costs. Given that management's accounting judgments are based on assumptions about the outcome of future decisions by the Commissions, auditing these judgments required specialized knowledge of accounting for rate regulation and the rate-making process due to its inherent complexities as it relates to regulatory assets.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the recovery of regulatory assets included the following, among others:

- We tested the effectiveness of management's controls over the evaluation of the likelihood of the recovery in future rates and the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates.
- We evaluated the Company's disclosures related to the impacts of rate regulation, including the balances recorded and regulatory developments.
- We read relevant regulatory orders issued by the Commissions, regulatory statutes, interpretations, procedural memorandums, findings made by intervenors, and other publicly available information to assess the likelihood of recovery in future rates based on precedents of the Commissions' treatment of similar costs under similar circumstances. We evaluated the external information and compared it to management's recorded balances for completeness.

- For regulatory matters in process, we inspected the Company's and intervenors' filings with the Commissions, that may impact the Company's future rates, for any evidence that might contradict management's assertions.
- We evaluated the reasonableness of management's judgments regarding the recoverability of regulatory asset balances by performing the following:

We inquired of management regarding changes in regulatory orders and regulatory asset balances during the year

We evaluated the reasonableness of such changes based on our knowledge of commission approved amortization, expected incurred costs, and recently approved regulatory orders, as applicable.

We utilized trend analyses to evaluate the historical consistency of regulatory asset balances.

We compared the recorded regulatory asset balance to an independently developed expectation of the corresponding balance.

- We obtained an analysis from management and letters from internal legal counsel for asset retirement obligations specific to coal ash costs, regarding probability of recovery for deferred costs not yet addressed in a regulatory order to assess management's assertion that amounts are probable of recovery.
- We obtained representation from management asserting that regulatory assets recorded in the financial statements are probable of recovery.

/s/ Deloitte & Touche LLP

Charlotte, North Carolina
February 24, 2022

We have served as the Company's auditor since 1930.

PROGRESS ENERGY, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(in millions)	Years Ended December 31,		
	2021	2020	2019
Operating Revenues	\$ 11,057	\$ 10,627	\$ 11,202
Operating Expenses			
Fue used n e ectric generat on and purchased power	3,584	3,479	4,024
Operat on, ma ntenance and other	2,529	2,479	2,495
Deprec at on and amort zat on	1,929	1,818	1,845
Property and other taxes	542	545	561
Impa rment of assets and other charges	82	495	(24)
Tota operat ng expenses	8,666	8,816	8,901
Gains on Sales of Other Assets and Other, net	14	9	
Operating Income	2,405	1,820	2,301
Other Income and Expenses, net	215	129	141
Interest Expense	794	790	862
Income Before Income Taxes	1,826	1,159	1,580
Income Tax Expense	227	113	253
Net Income	1,599	1,046	1,327
Less: Net Income Attributable to Noncontrolling Interests	1	1	
Net Income Attributable to Parent	\$ 1,598	\$ 1,045	\$ 1,327
Net Income	\$ 1,599	\$ 1,046	\$ 1,327
Other Comprehensive Income, net of tax			
Pens on and OPEB adjustments	1	(1)	2
Net unrea zed ga n on cash f ow hedges	3	5	5
Unrea zed (osses) ga ns on ava ab e for sa e secur tes		(1)	1
Other Comprehensive Income, net of tax	4	3	8
Comprehensive Income	1,603	1,049	1,335
Less: Comprehensive Income Attributable to Noncontrolling Interests	1	1	
Comprehensive Income Attributable to Parent	\$ 1,602	\$ 1,048	\$ 1,335

See Notes to Conso dated F nanc a Statements

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PROGRESS ENERGY, INC.
CONSOLIDATED BALANCE SHEETS

(in millions)	December 31,	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 70	\$ 59
Receivables (net of allowance for doubtful accounts of \$11 at 2021 and \$8 at 2020)	247	228
Receivables of VIEs (net of allowance for doubtful accounts of \$25 at 2021 and \$29 at 2020)	1,006	901
Receivables from affiliated companies	121	157
Inventory	1,398	1,375
Regulatory assets (includes \$93 at 2021 and \$53 at 2020 related to VIEs)	1,030	758
Other (includes \$39 at 2021 and 2020 related to VIEs)	125	109
Total current assets	3,997	3,587
Property, Plant and Equipment		
Cost	60,894	57,892
Accumulated depreciation and amortization	(19,214)	(18,368)
Facilities to be retired, net	26	29
Net property, plant and equipment	41,706	39,553
Other Noncurrent Assets		
Goodwill	3,655	3,655
Regulatory assets (includes \$1,603 at 2021 and \$937 at 2020 related to VIEs)	5,909	5,775
Nuclear decommissioning trust funds	4,642	4,137
Operating lease right of use assets, net	691	690
Other	1,242	1,227
Total other noncurrent assets	16,139	15,484
Total Assets	\$ 61,842	\$ 58,624
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 1,099	\$ 919
Accounts payable to affiliated companies	506	289
Notes payable to affiliated companies	2,809	2,969
Taxes accrued	128	121
Interest accrued	192	202
Current maturities of long term debt (includes \$71 at 2021 and \$305 at 2020 related to VIEs)	1,082	1,426
Asset retirement obligations	275	283
Regulatory liabilities	478	640
Other	868	793
Total current liabilities	7,437	7,642
Long-Term Debt (includes \$2,293 at 2021 and \$1,252 at 2020 related to VIEs)	19,591	17,688
Long-Term Debt Payable to Affiliated Companies	150	150
Other Noncurrent Liabilities		
Deferred income taxes	4,564	4,396
Asset retirement obligations	5,837	5,866
Regulatory liabilities	5,566	5,051
Operating lease liabilities	606	623
Accrued pension and other post retirement benefit costs	417	505
Other	526	462
Total other noncurrent liabilities	17,516	16,903
Commitments and Contingencies		
Equity		
Common stock, \$0.01 par value, 100 shares authorized and outstanding at 2021 and 2020		
Addition paid in capital	9,149	9,143
Retained earnings	8,007	7,109
Accumulated other comprehensive loss	(11)	(15)
Total Progress Energy, Inc. stockholder's equity	17,145	16,237
Noncontrolling interests	3	4
Total equity	17,148	16,241
Total Liabilities and Equity	\$ 61,842	\$ 58,624

See Notes to Consolidated Financial Statements

PROGRESS ENERGY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)	Years Ended December 31,		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 1,599	\$ 1,046	\$ 1,327
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and accretion (including amortization of nuclear fuel)	2,302	2,327	2,207
Equity component of AFUDC	(51)	(42)	(66)
Impairment of assets and other charges	82	495	(24)
Deferred income taxes	247	(197)	433
Payments for asset retirement obligations	(288)	(384)	(412)
Provisions for rate refunds	(36)	2	15
(Increase) decrease in			
Net realized and unrealized mark to market and hedging transactions	51	(9)	(34)
Receivables	(97)	(69)	47
Receivables from affiliated companies	18	(81)	81
Inventory	(26)	49	62
Other current assets	(551)	223	184
Increase (decrease) in			
Accounts payable	59	(62)	(4)
Accounts payable to affiliated companies	217	(21)	(50)
Taxes accrued	13	75	(74)
Other current liabilities	(32)	139	25
Other assets	(110)	(137)	(341)
Other liabilities	(99)	(177)	(167)
Net cash provided by operating activities	3,298	3,177	3,209
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(3,668)	(3,488)	(3,952)
Purchases of debt and equity securities	(2,233)	(5,998)	(1,511)
Proceeds from sales and maturities of debt and equity securities	2,322	6,010	1,504
Notes receivable from affiliated companies		164	(164)
Other	(156)	(160)	(190)
Net cash used in investing activities	(3,735)	(3,472)	(4,313)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issuance of long term debt	3,095	1,791	2,187
Payments for the redemption of long term debt	(1,883)	(2,157)	(1,667)
Notes payable to affiliated companies	(160)	1,148	586
Dividends to parent	(700)	(400)	
Other	(2)	(13)	12
Net cash provided by financing activities	350	369	1,118
Net (decrease) increase in cash, cash equivalents and restricted cash	(87)	74	14
Cash, cash equivalents and restricted cash at beginning of period	200	126	112
Cash, cash equivalents and restricted cash at end of period	\$ 113	\$ 200	\$ 126
Supplemental Disclosures:			
Cash paid for interest, net of amount capitalized	\$ 813	\$ 819	\$ 892
Cash paid for (received from) income taxes	14	149	(79)
Significant non-cash transactions:			
Accrued capital expenditures	501	363	447

See Notes to Consolidated Financial Statements

PROGRESS ENERGY, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in millions)	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)			Total Progress Energy, Inc. Stockholder's Equity	Noncontrolling Interests	Total Equity
			Net Gains (Losses) on Cash Flow Hedges	Net Unrealized Gains (Losses) on Available-for- Sale Securities	Pension and OPEB Adjustments			
Balance at December 31, 2018	\$ 9,143	\$ 5,131	\$ (12)	\$ (1)	\$ (7)	\$ 14,254	\$ 3	\$ 14,257
Net income		1,327				1,327		1,327
Other comprehensive income			5	1	2	8		8
Other ^(a)		7	(3)	(1)	(2)	1		1
Balance at December 31, 2019	\$ 9,143	\$ 6,465	\$ (10)	\$ (1)	\$ (7)	\$ 15,590	\$ 3	\$ 15,593
Net income		1,045				1,045	1	1,046
Other comprehensive income (loss)			5	(1)	(1)	3		3
Distributions to parent		(400)				(400)		(400)
Other		(1)				(1)		(1)
Balance at December 31, 2020	\$ 9,143	\$ 7,109	\$ (5)	\$ (2)	\$ (8)	\$ 16,237	\$ 4	\$ 16,241
Net income		1,598				1,598	1	1,599
Other comprehensive income			3		1	4		4
Distributions to noncontrolling interests							(1)	(1)
Distributions to parent		(700)				(700)		(700)
Other	6					6	(1)	5
Balance at December 31, 2021	\$ 9,149	\$ 8,007	\$ (2)	\$ (2)	\$ (7)	\$ 17,145	\$ 3	\$ 17,148

(a) Amounts in Retained Earnings and AOCI primarily represent impacts to accumulated other comprehensive income due to implementation of a new accounting standard related to Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income.

See Notes to Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholder and the Board of Directors of Duke Energy Progress, LLC

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Duke Energy Progress, LLC and subsidiaries (the "Company") as of December 31, 2021 and 2020, the related consolidated statements of operations and comprehensive income, changes in equity, and cash flows, for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not in any way impair our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Regulatory Matters – Impact of Rate Regulation on the Financial Statements – Refer to Notes 1, 3, and 9 to the financial statements.

Critical Audit Matter Description

The Company is subject to rate regulation by the North Carolina Utilities Commission and by the South Carolina Public Service Commission (collectively the "Commissions"), which have jurisdiction with respect to the electric rates of the Company. Management has determined that it meets the criteria for the application of regulated operations accounting in preparing its financial statements under accounting principles generally accepted in the United States of America. Significant judgment can be required to determine if otherwise recognizable incurred costs qualify to be presented as a regulatory asset and deferred because such costs are probable of future recovery in customer rates. As discussed in Note 3, regulatory proceedings in recent years in North Carolina and South Carolina have focused on the recoverability of asset retirement obligations specific to coal. As a result, assessing the potential outcomes of future regulatory orders in North Carolina and South Carolina requires significant management judgment. As of December 31, 2021, the Company has approximately \$4.7 billion recorded as regulatory assets.

We identified the impact of rate regulation related to regulatory assets as a critical audit matter due to the significant judgments made by management, including assumptions regarding the outcome of future decisions by the Commissions, to support its assertions on the likelihood of future recovery for deferred costs. Given that management's accounting judgments are based on assumptions about the outcome of future decisions by the Commissions, auditing these judgments required specialized knowledge of accounting for rate regulation and the ratemaking process due to its inherent complexities as it relates to regulatory assets.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the recovery of regulatory assets included the following, among others:

- We tested the effectiveness of management's controls over the evaluation of the likelihood of the recovery in future rates and the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates.
- We evaluated the Company's disclosures related to the impacts of rate regulation, including the balances recorded and regulatory developments.
- We read relevant regulatory orders issued by the Commissions, regulatory statutes, interpretations, procedural memorandums, findings made by intervenors, and other publicly available information to assess the likelihood of recovery in future rates based on precedents of the Commissions' treatment of similar costs under similar circumstances. We evaluated the external information and compared it to management's recorded balances for completeness.

- For regulatory matters in process, we inspected the Company's and intervenors' filings with the Commissions, that may impact the Company's future rates, for any evidence that might contradict management's assertions.
- We evaluated the reasonableness of management's judgments regarding the recoverability of regulatory asset balances by performing the following:

We inquired of management regarding changes in regulatory orders and regulatory asset balances during the year.

We evaluated the reasonableness of such changes based on our knowledge of commission approved amortization, expected incurred costs, and recently approved regulatory orders, as applicable.

We utilized trend analyses to evaluate the historical consistency of regulatory asset balances.

We compared the recorded regulatory asset balance to an independently developed expectation of the corresponding balance.

- We obtained an analysis from management and letters from internal legal counsel for asset retirement obligations specific to coal ash costs, regarding probability of recovery for deferred costs not yet addressed in a regulatory order to assess management's assertion that amounts are probable of recovery.
- We obtained representation from management asserting that regulatory assets recorded in the financial statements are probable of recovery.

/s/ Deloitte & Touche LLP

Charlotte, North Carolina
February 24, 2022

We have served as the Company's auditor since 1930.

DUKE ENERGY PROGRESS, LLC
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(in millions)	Years Ended December 31,		
	2021	2020	2019
Operating Revenues	\$ 5,780	\$ 5,422	\$ 5,957
Operating Expenses			
Fuel used in electric generation and purchased power	1,778	1,743	2,012
Operation, maintenance and other	1,467	1,332	1,446
Depreciation and amortization	1,097	1,116	1,143
Property and other taxes	159	167	176
Impairment of assets and other charges	63	499	12
Total operating expenses	4,564	4,857	4,789
Gains on Sales of Other Assets and Other, net	13	8	
Operating Income	1,229	573	1,168
Other Income and Expenses, net	143	75	100
Interest Expense	306	269	306
Income Before Income Taxes	1,066	379	962
Income Tax Expense (Benefit)	75	(36)	157
Net Income and Comprehensive Income	\$ 991	\$ 415	\$ 805

See Notes to Consolidated Financial Statements

DUKE ENERGY PROGRESS, LLC
CONSOLIDATED BALANCE SHEETS

(in millions)	December 31,	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 35	\$ 39
Receivables (net of allowance for doubtful accounts of \$4 at 2021 and \$4 at 2020)	127	132
Receivables of VIEs (net of allowance for doubtful accounts of \$17 at 2021 and \$19 at 2020)	574	500
Receivables from affiliated companies	65	50
Inventory	921	911
Regulatory assets (includes \$39 at 2021 related to VIEs)	533	492
Other	83	60
Total current assets	2,338	2,184
Property, Plant and Equipment		
Cost	37,018	35,759
Accumulated depreciation and amortization	(13,387)	(12,801)
Assets to be retired, net	26	29
Net property, plant and equipment	23,657	22,987
Other Noncurrent Assets		
Regulatory assets (includes \$720 at 2021 related to VIEs)	4,118	3,976
Nuclear decommissioning trust funds	4,089	3,500
Operating lease right of use assets, net	389	346
Other	792	740
Total other noncurrent assets	9,388	8,562
Total Assets	\$ 35,383	\$ 33,733
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 476	\$ 454
Accounts payable to affiliated companies	310	215
Notes payable to affiliated companies	172	295
Taxes accrued	163	85
Interest accrued	96	99
Current maturities of long term debt (includes \$15 at 2021 related to VIEs)	556	603
Asset retirement obligations	274	283
Regulatory liabilities	381	530
Other	448	411
Total current liabilities	2,876	2,975
Long-Term Debt (includes \$1,097 at 2021 related to VIEs)	9,543	8,505
Long-Term Debt Payable to Affiliated Companies	150	150
Other Noncurrent Liabilities		
Deferred income taxes	2,208	2,298
Asset retirement obligations	5,401	5,352
Regulatory liabilities	4,868	4,394
Operating lease liabilities	350	323
Accrued pension and other post retirement benefit costs	221	242
Investment tax credits	128	132
Other	87	102
Total other noncurrent liabilities	13,263	12,843
Commitments and Contingencies		
Equity		
Member's Equity	9,551	9,260
Total Liabilities and Equity	\$ 35,383	\$ 33,733

See Notes to Consolidated Financial Statements

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DUKE ENERGY PROGRESS, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)	Years Ended December 31,		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 991	\$ 415	\$ 805
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization (including amortization of nuclear fuel)	1,286	1,299	1,329
Equity component of AFUDC	(34)	(29)	(60)
Impairment of assets and other charges	63	499	12
Deferred income taxes	(46)	(234)	197
Payments for asset retirement obligations	(187)	(304)	(390)
Provisions for rate refunds	(36)	2	12
(Increase) decrease in:			
Net realized and unrealized mark to market and hedging transactions	48	1	(6)
Receivables	(52)	(4)	21
Receivables from affiliated companies	(33)	2	(29)
Inventory	(11)	23	20
Other current assets	(147)	98	101
Increase (decrease) in:			
Accounts payable	12	(127)	32
Accounts payable to affiliated companies	95	12	(75)
Taxes accrued	83	68	(46)
Other current liabilities	(23)	157	68
Other assets	(37)	(215)	(205)
Other liabilities	(16)	3	37
Net cash provided by operating activities	1,956	1,666	1,823
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(1,746)	(1,581)	(2,108)
Purchases of debt and equity securities	(1,931)	(1,555)	(842)
Proceeds from sales and maturities of debt and equity securities	1,914	1,516	810
Other	(20)	(57)	(119)
Net cash used in investing activities	(1,783)	(1,677)	(2,259)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issuance of long term debt	1,959	1,296	1,269
Payments for the redemption of long term debt	(1,308)	(1,085)	(605)
Notes payable to affiliated companies	(123)	229	(228)
Distributions to parent	(700)	(400)	
Other	(1)	(12)	(1)
Net cash (used in) provided by financing activities	(173)	28	435
Net increase (decrease) in cash, cash equivalents and restricted cash		17	(1)
Cash, cash equivalents and restricted cash at beginning of period	39	22	23
Cash, cash equivalents and restricted cash at end of period	\$ 39	\$ 39	\$ 22
Supplemental Disclosures:			
Cash paid for interest, net of amount capitalized	\$ 335	\$ 301	\$ 331
Cash paid for (received from) income taxes	83	123	(30)
Significant non-cash transactions:			
Accrued capital expenditures	163	149	175

See Notes to Consolidated Financial Statements

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Jan 19 2023

DUKE ENERGY PROGRESS, LLC
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in millions)		Member's Equity
Balance at December 31, 2018	\$	8,441
Net income		805
Balance at December 31, 2019	\$	9,246
Net income		415
Distr but on to parent		(400)
Other		(1)
Balance at December 31, 2020	\$	9,260
Net income		991
Distr but on to parent		(700)
Balance at December 31, 2021	\$	9,551

See Notes to Conso dated Financial Statements

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Jan 19 2023

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholder and the Board of Directors of Duke Energy Florida, LLC

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Duke Energy Florida, LLC and subsidiaries (the "Company") as of December 31, 2021 and 2020, the related consolidated statements of operations and comprehensive income, changes in equity, and cash flows, for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not in any way impair our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Regulatory Matters – Impact of Rate Regulation on the Financial Statements – Refer to Notes 1 and 3 to the financial statements.

Critical Audit Matter Description

The Company is subject to rate regulation by the Florida Public Service Commission (the "Commission"), which has jurisdiction with respect to the electric rates of the Company. Management has determined it meets the criteria for the application of regulated operations accounting in preparing its financial statements under accounting principles generally accepted in the United States of America. Significant judgment can be required to determine whether separately recognized incurred costs qualify to be presented as a regulatory asset and deferred because such costs are probable of future recovery in customer rates. As of December 31, 2021, the Company has approximately \$2.3 billion recorded as regulatory assets.

We identified the impact of rate regulation related to regulatory assets as a critical audit matter due to the significant judgments made by management, including assumptions regarding the outcome of future decisions by the Commission, to support its assertions on the likelihood of future recovery for deferred costs. Given that management's accounting judgments are based on assumptions about the outcome of future decisions by the Commission, auditing these judgments required specialized knowledge of accounting for rate regulation and the rate-making process due to its inherent complexities as it relates to regulatory assets.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the recovery of regulatory assets included the following, among others:

- We tested the effectiveness of management's controls over the evaluation of the likelihood of the recovery in future rates and the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates.
- We evaluated the Company's disclosures related to the impacts of rate regulation, including the balances recorded and regulatory developments.
- We read relevant regulatory orders issued by the Commission, regulatory statutes, interpretations, procedural memorandums, filings made by intervenors, and other publicly available information to assess the likelihood of recovery in future rates based on precedents of the Commission's treatment of similar costs under similar circumstances. We evaluated the external information and compared it to management's recorded balances for completeness.
- For regulatory matters in process, we inspected the Company's and intervenors' filings with the Commission, that may impact the Company's future rates, for any evidence that might contradict management's assertions.

- We evaluated the reasonableness of management's judgments regarding the recoverability of regulatory asset balances by performing the following:

We inquired of management regarding changes in regulatory orders and regulatory asset balances during the year.

We evaluated the reasonableness of such changes based on our knowledge of commission approved amortization, expected incurred costs, and recently approved regulatory orders, as applicable.

We utilized trend analyses to evaluate the historical consistency of regulatory asset balances.

We compared the recorded regulatory asset balance to an independently developed expectation of the corresponding balance.

- We obtained representation from management asserting that regulatory assets recorded in the financial statements are probable of recovery.

/s/ Deloitte & Touche LLP

Charlotte, North Carolina
February 24, 2022

We have served as the Company's auditor since 2001.

DUKE ENERGY FLORIDA, LLC
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(in millions)	Years Ended December 31,		
	2021	2020	2019
Operating Revenues	\$ 5,259	\$ 5,188	\$ 5,231
Operating Expenses			
Fue used n e ectr c generat on and purchased power	1,806	1,737	2,012
Operat on, ma ntenance and other	1,048	1,131	1,034
Deprec at on and amort zat on	831	702	702
Property and other taxes	383	381	392
Impa rment of assets and other charges	19	(4)	(36)
Tota operat ng expenses	4,087	3,947	4,104
Gains on Sales of Other Assets and Other, net	1	1	
Operating Income	1,173	1,242	1,127
Other Income and Expenses, net	71	53	48
Interest Expense	319	326	328
Income Before Income Taxes	925	969	847
Income Tax Expense	187	198	155
Net Income	\$ 738	\$ 771	\$ 692
Other Comprehensive Income (Loss), net of tax			
Unrea zed (osses) ga ns on ava ab e for sa e secur t es	(1)	(1)	1
Other Comprehensive (Loss) Income, net of tax	(1)	(1)	1
Comprehensive Income	\$ 737	\$ 770	\$ 693

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DUKE ENERGY FLORIDA, LLC
CONSOLIDATED BALANCE SHEETS

(in millions)	December 31,	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 23	\$ 11
Receivables (net of allowance for doubtful accounts of \$8 at 2021 and \$4 at 2020)	117	94
Receivables of VIEs (net of allowance for doubtful accounts of \$8 at 2021 and \$10 at 2020)	432	401
Receivables from affiliated companies	16	3
Inventory	477	464
Regulatory assets (includes \$54 at 2021 and \$53 at 2020 related to VIEs)	497	265
Other (includes \$39 at 2021 and 2020 related to VIEs)	80	41
Total current assets	1,642	1,279
Property, Plant and Equipment		
Cost	23,865	22,123
Accumulated depreciation and amortization	(5,819)	(5,560)
Net property, plant and equipment	18,046	16,563
Other Noncurrent Assets		
Regulatory assets (includes \$883 at 2021 and \$937 at 2020 related to VIEs)	1,791	1,799
Nuclear decommissioning trust funds	553	637
Operating lease right of use assets, net	302	344
Other	399	335
Total other noncurrent assets	3,045	3,115
Total Assets	\$ 22,733	\$ 20,957
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 623	\$ 465
Accounts payable to affiliated companies	209	85
Notes payable to affiliated companies	199	196
Taxes accrued	51	82
Interest accrued	68	69
Current maturities of long term debt (includes \$56 at 2021 and \$305 at 2020 related to VIEs)	76	823
Asset retirement obligations	1	
Regulatory liabilities	98	110
Other	408	374
Total current liabilities	1,733	2,204
Long-Term Debt (includes \$1,196 at 2021 and \$1,002 at 2020 related to VIEs)	8,406	7,092
Other Noncurrent Liabilities		
Deferred income taxes	2,434	2,191
Asset retirement obligations	436	514
Regulatory liabilities	698	658
Operating lease liabilities	256	300
Accrued pension and other post retirement benefit costs	166	231
Other	309	209
Total other noncurrent liabilities	4,299	4,103
Commitments and Contingencies		
Equity		
Member's equity	8,298	7,560
Accumulated other comprehensive loss	(3)	(2)
Total equity	8,295	7,558
Total Liabilities and Equity	\$ 22,733	\$ 20,957

See Notes to Consolidated Financial Statements

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DUKE ENERGY FLORIDA, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)	Years Ended December 31,		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 738	\$ 771	\$ 692
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and accretion	1,011	1,019	869
Equity component of AFUDC	(16)	(12)	(6)
Impairment of assets and other charges	19	(4)	(36)
Deferred income taxes	279	27	180
Payments for asset retirement obligations	(101)	(80)	(22)
(Increase) decrease in			
Net realized and unrealized mark to market and hedging transactions		(14)	(33)
Receivables	(45)	(64)	26
Receivables from affiliated companies	(13)	(3)	17
Inventory	(15)	26	42
Other current assets	(451)	40	156
Increase (decrease) in			
Accounts payable	47	66	(36)
Accounts payable to affiliated companies	124	(46)	40
Taxes accrued	(30)	39	(31)
Other current liabilities	(7)	(7)	(36)
Other assets	(69)	84	(131)
Other liabilities	(69)	(181)	(213)
Net cash provided by operating activities	1,402	1,661	1,478
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(1,923)	(1,907)	(1,844)
Purchases of debt and equity securities	(302)	(4,443)	(669)
Proceeds from sales and maturities of debt and equity securities	408	4,495	695
Notes receivable from affiliated companies		173	(173)
Other	(136)	(103)	(67)
Net cash used in investing activities	(1,953)	(1,785)	(2,058)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issuance of long term debt	1,135	495	918
Payments for the redemption of long term debt	(575)	(572)	(262)
Notes payable to affiliated companies	3	196	(108)
Other		(1)	13
Net cash provided by financing activities	563	118	561
Net increase (decrease) in cash, cash equivalents and restricted cash	12	(6)	(19)
Cash, cash equivalents and restricted cash at beginning of period	50	56	75
Cash, cash equivalents and restricted cash at end of period	\$ 62	\$ 50	\$ 56
Supplemental Disclosures:			
Cash paid for interest, net of amount capitalized	\$ 308	\$ 321	\$ 332
Cash (received from) paid for income taxes	(15)	138	1
Significant non-cash transactions:			
Accrued capital expenditures	337	214	272

See Notes to Consolidated Financial Statements

DUKE ENERGY FLORIDA, LLC
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Accumulated Other Comprehensive Income (Loss)			
		Net Unrealized Gains (Losses) on		
(in millions)	Member's Equity	Available-for- Sale Securities		Total Equity
Balance at December 31, 2018	\$ 6,097	\$ (2)	\$	6,095
Net income	692			692
Other comprehensive income		1		1
Balance at December 31, 2019	\$ 6,789	\$ (1)	\$	6,788
Net income	771			771
Other comprehensive loss		(1)		(1)
Balance at December 31, 2020	\$ 7,560	\$ (2)	\$	7,558
Net income	738			738
Other comprehensive loss		(1)		(1)
Balance at December 31, 2021	\$ 8,298	\$ (3)	\$	8,295

See Notes to Consolidated Financial Statements

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Jan 19 2023

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholder and the Board of Directors of Duke Energy Ohio, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Duke Energy Ohio, Inc. and subsidiaries (the "Company") as of December 31, 2021 and 2020, the related consolidated statements of operations and comprehensive income, changes in equity, and cash flows, for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Regulatory Matters – Impact of Rate Regulation on the Financial Statements – Refer to Notes 1 and 3 to the financial statements.

Critical Audit Matter Description

The Company is subject to rate regulation by the Public Utilities Commission of Ohio and by the Kentucky Public Service Commission (collectively the "Commissions"), which have jurisdiction with respect to the electric and gas rates of the Company. Management has determined it meets the criteria for the application of regulated operations accounting in preparing its financial statements under accounting principles generally accepted in the United States of America. Significant judgment can be required to determine if otherwise recognizable incurred costs qualify to be presented as a regulatory asset and deferred because such costs are probable of future recovery in customer rates. As of December 31, 2021, the Company has approximately \$707 million recorded as regulatory assets.

We identified the impact of rate regulation related to regulatory assets as a critical audit matter due to the significant judgments made by management, including assumptions regarding the outcome of future decisions by the Commissions, to support its assertions on the likelihood of future recovery for deferred costs. Given that management's accounting judgments are based on assumptions about the outcome of future decisions by the Commissions, auditing these judgments required specialized knowledge of accounting for rate regulation and the ratemaking process due to its inherent complexities as it relates to regulatory assets.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the recovery of regulatory assets included the following, among others:

- We tested the effectiveness of management's controls over the evaluation of the likelihood of recovery in future rates and the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates.
- We evaluated the Company's disclosures related to the impacts of rate regulation, including the balances recorded and regulatory developments.
- We read relevant regulatory orders issued by the Commissions, regulatory statutes, interpretations, procedural memorandums, findings made by intervenors, and other publicly available information to assess the likelihood of recovery in future rates based on precedents of the Commissions' treatment of similar costs under similar circumstances. We evaluated the external information and compared it to management's recorded balances for completeness.
- For regulatory matters in process, we inspected the Company's and intervenors' findings with the Commissions, that may impact the Company's future rates, for any evidence that might contradict management's assertions.

- We evaluated the reasonableness of management's judgments regarding the recoverability of regulatory asset balances by performing the following:

We inquired of management regarding changes in regulatory orders and regulatory asset balances during the year.

We evaluated the reasonableness of such changes based on our knowledge of commission approved amortization, expected incurred costs, and recently approved regulatory orders, as applicable.

We utilized trend analyses to evaluate the historical consistency of regulatory asset balances.

We compared the recorded regulatory asset balance to an independently developed expectation of the corresponding balance.

- We obtained representation from management asserting that regulatory assets recorded in the financial statements are probable of recovery.

/s/ Deloitte & Touche LLP

Charlotte, North Carolina
February 24, 2022

We have served as the Company's auditor since 2002.

DUKE ENERGY OHIO, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(in millions)	Years Ended December 31,		
	2021	2020	2019
Operating Revenues			
Regulated electric	\$ 1,493	\$ 1,405	\$ 1,456
Regulated natural gas	544	453	484
Total operating revenues	2,037	1,858	1,940
Operating Expenses			
Fuel used in electric generation and purchased power	409	339	388
Cost of natural gas	136	73	95
Operation, maintenance and other	479	463	520
Depreciation and amortization	307	278	265
Property and other taxes	355	324	308
Impairment of assets and other charges	25		
Total operating expenses	1,711	1,477	1,576
Gains on Sales of Other Assets and Other, net	1		
Operating Income	327	381	364
Other Income and Expenses, net	18	16	24
Interest Expense	111	102	109
Income From Continuing Operations Before Income Taxes	234	295	279
Income Tax Expense From Continuing Operations	30	43	40
Income From Continuing Operations	204	252	239
Loss From Discontinued Operations, net of tax			(1)
Net Income and Comprehensive Income	\$ 204	\$ 252	\$ 238

See Notes to Consolidated Financial Statements

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DUKE ENERGY OHIO, INC.
CONSOLIDATED BALANCE SHEETS

(in millions)	December 31,	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 13	\$ 14
Receivables (net of allowance for doubtful accounts of \$4 at 2021 and 2020)	96	98
Receivables from affiliated companies	122	102
Notes receivable from affiliated companies	15	
Inventory	116	110
Regulatory assets	72	39
Other	57	31
Total current assets	491	394
Property, Plant and Equipment		
Cost	11,725	11,022
Accumulated depreciation and amortization	(3,106)	(3,013)
Facilities to be retired, net	6	
Net property, plant and equipment	8,625	8,009
Other Noncurrent Assets		
Goodwill	920	920
Regulatory assets	635	610
Operating lease right of use assets, net	19	20
Other	84	72
Total other noncurrent assets	1,658	1,622
Total Assets	\$ 10,774	\$ 10,025
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 348	\$ 279
Accounts payable to affiliated companies	64	68
Notes payable to affiliated companies	103	169
Taxes accrued	275	247
Interest accrued	30	31
Current maturities of long term debt		50
Asset retirement obligations	13	3
Regulatory liabilities	62	65
Other	82	70
Total current liabilities	977	982
Long-Term Debt	3,168	3,014
Long-Term Debt Payable to Affiliated Companies	25	25
Other Noncurrent Liabilities		
Deferred income taxes	1,050	981
Asset retirement obligations	123	108
Regulatory liabilities	739	748
Operating lease liabilities	18	20
Accrued pension and other post retirement benefit costs	109	113
Other	101	99
Total other noncurrent liabilities	2,140	2,069
Commitments and Contingencies		
Equity		
Common stock, \$8.50 par value, 120 million shares authorized; 90 million shares outstanding at 2021 and 2020	762	762
Additionals paid in capital	3,100	2,776
Retained earnings	602	397
Total equity	4,464	3,935
Total Liabilities and Equity	\$ 10,774	\$ 10,025

See Notes to Consolidated Financial Statements

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Jan 19 2023

DUKE ENERGY OHIO, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)	Years Ended December 31,		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 204	\$ 252	\$ 238
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and accretion	311	283	269
Equity component of AFUDC	(7)	(7)	(13)
Impairment of assets and other charges	25		
Deferred income taxes	42	31	81
Payments for asset retirement obligations	(2)	(2)	(8)
Provisions for rate refunds	16	14	7
(Increase) decrease in			
Receivables	6	(13)	20
Receivables from affiliated companies	(25)	9	22
Inventory	(6)	25	(9)
Other current assets	(60)	(18)	(5)
Increase (decrease) in			
Accounts payable	38	2	(17)
Accounts payable to affiliated companies	(4)		(10)
Taxes accrued	26	30	17
Other current liabilities	11	3	1
Other assets	(43)	(32)	(26)
Other liabilities	27	(2)	(41)
Net cash provided by operating activities	559	575	526
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(848)	(834)	(952)
Notes receivable from affiliated companies	(10)	(19)	
Other	(60)	(48)	(68)
Net cash used in investing activities	(918)	(901)	(1,020)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issuance of long term debt	150	467	1,003
Payments for the redemption of long term debt	(50)		(551)
Notes payable to affiliated companies	(67)	(144)	38
Capital contribution from parent	325		
Net cash provided by financing activities	358	323	490
Net decrease in cash and cash equivalents	(1)	(3)	(4)
Cash and cash equivalents at beginning of period	14	17	21
Cash and cash equivalents at end of period	\$ 13	\$ 14	\$ 17
Supplemental Disclosures:			
Cash paid for interest, net of amount capitalized	\$ 107	\$ 97	\$ 97
Cash paid for (received from) income taxes	9		(37)
Significant non-cash transactions:			
Accrued capital expenditures	135	104	109

See Notes to Consolidated Financial Statements

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DUKE ENERGY OHIO, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in millions)	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Total Equity
Balance at December 31, 2018	\$ 762	\$ 2,776	\$ (93)	\$ 3,445
Net income			238	238
Balance at December 31, 2019	\$ 762	\$ 2,776	\$ 145	\$ 3,683
Net income			252	252
Balance at December 31, 2020	\$ 762	\$ 2,776	\$ 397	\$ 3,935
Net income			204	204
Contribution from parent		325		325
Other		(1)	1	
Balance at December 31, 2021	\$ 762	\$ 3,100	\$ 602	\$ 4,464

See Notes to Consolidated Financial Statements

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Jan 19 2023

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholder and the Board of Directors of Duke Energy Indiana, LLC

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Duke Energy Indiana, LLC and subsidiary (the "Company") as of December 31, 2021 and 2020, the related consolidated statements of operations and comprehensive income, changes in equity, and cash flows, for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Regulatory Matters – Impact of Rate Regulation on the Financial Statements – Refer to Notes 1 and 3 to the financial statements.

Critical Audit Matter Description

The Company is subject to rate regulation by the Indiana Utility Regulatory Commission (the "Commission"), which has jurisdiction with respect to the electric rates of the Company. Management has determined it meets the criteria for the application of regulated operations accounting in preparing its financial statements under accounting principles generally accepted in the United States of America. Significant judgment can be required to determine whether or not recognized costs qualify to be presented as a regulatory asset and deferred because such costs are probable of future recovery in customer rates. As of December 31, 2021, the Company has approximately \$1.6 billion recorded as regulatory assets.

We identified the impact of rate regulation related to regulatory assets as a critical audit matter due to the significant judgments made by management, including assumptions regarding the outcome of future decisions by the Commission, to support its assertions on the likelihood of future recovery for deferred costs. Given that management's accounting judgments are based on assumptions about the outcome of future decisions by the Commission, auditing these judgments required specialized knowledge of accounting for rate regulation and the rate-making process due to its inherent complexities as it relates to regulatory assets.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the recovery of regulatory assets included the following, among others:

- We tested the effectiveness of management's controls over the evaluation of the likelihood of the recovery in future rates and the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates.
- We evaluated the Company's disclosures related to the impacts of rate regulation, including the balances recorded and regulatory developments.
- We read relevant regulatory orders issued by the Commission, regulatory statutes, interpretations, procedural memorandums, filings made by intervenors, and other publicly available information to assess the likelihood of recovery in future rates based on precedents of the Commission's treatment of similar costs under similar circumstances. We evaluated the external information and compared it to management's recorded balances for completeness.
- For regulatory matters in process, we inspected the Company's and intervenors' filings with the Commission, that may impact the Company's future rates, for any evidence that might contradict management's assertions.

- We evaluated the reasonableness of management's judgments regarding the recoverability of regulatory asset balances by performing the following:

We inquired of management regarding changes in regulatory orders and regulatory asset balances during the year.

We evaluated the reasonableness of such changes based on our knowledge of commissions approved amortization, expected incurred costs, and recently approved regulatory orders, as applicable.

We utilized trend analyses to evaluate the historical consistency of regulatory asset balances.

We compared the recorded regulatory asset balance to an independently developed expectation of the corresponding balance.

- We obtained representation from management asserting that regulatory assets recorded in the financial statements are probable of recovery.

Duke Energy Indiana Coal Ash Asset Retirement Obligations Refer to Notes 1, 4, and 9 to the financial statements.

Critical Audit Matter Description

Duke Energy Indiana has asset retirement obligations associated with coal ash impoundments at operating and retired coal generation facilities. These obligations are the result of Indiana state and federal regulations. There is significant judgment in determining the methods to close each site since Duke Energy Indiana does not have approved closure plans for certain sites. Management has applied probability weightings for the cash flows for certain sites based on the likelihood of implementing potential closure methods. Probability weightings for the cash flows associated with the different potential closure methods ("probability weightings") creates estimation uncertainty. The liability for coal ash asset retirement obligations at Duke Energy Indiana was \$949 million at December 31, 2021.

We identified the asset retirement obligations associated with coal ash impoundments at Duke Energy Indiana as a critical audit matter because of the significant management estimates and assumptions, including the different potential closure methods and the probability weightings as a result of pending regulatory changes. The audit procedures to evaluate the reasonableness of management's estimates and assumptions related to the probability weightings for the cash flows associated with the different potential closure methods required a high degree of auditor judgment and an increased extent of effort, including the need to involve our environmental specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the probability weightings for the cash flows associated with the different potential closure methods for coal ash asset retirement obligations at Duke Energy Indiana included the following, among others:

- We tested the effectiveness of controls over management's coal ash asset retirement obligation estimate, including those over management's determination of the probability weightings.
- We tested the mathematical accuracy of management's coal ash asset retirement obligation calculations, including the application of probability weightings.
- We made inquiries of internal and external legal counsel regarding the status of the legal matters associated with the probability weightings.
- We inspected the opinions from internal and external legal counsel supporting the probability weightings.
- With the assistance of professionals in our firm with the appropriate expertise, we inspected the Company's filings with and orders from the Indiana Department of Environmental Management, for evidence that might contradict management's assertions regarding the probability weightings.

/s/ Deloitte & Touche LLP

Charlotte, North Carolina
February 24, 2022

We have served as the Company's auditor since 2002.

DUKE ENERGY INDIANA, LLC

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(in millions)	Years Ended December 31,		
	2021	2020	2019
Operating Revenues	\$ 3,174	\$ 2,795	\$ 3,004
Operating Expenses			
Fue used n e ectr c generat on and purchased power	985	767	935
Operat on, ma ntenance and other	750	762	790
Deprec at on and amort zat on	615	569	525
Property and other taxes	73	81	69
Impa rment of assets and other charges	9		
Total operat ng expenses	2,432	2,179	2,319
Operating Income	742	616	685
Other Income and Expenses, net	42	37	41
Interest Expense	196	161	156
Income Before Income Taxes	588	492	570
Income Tax Expense	107	84	134
Net Income and Comprehensive Income	\$ 481	\$ 408	\$ 436

See Notes to Conso dated F nanc a Statements

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Jan 19 2023

DUKE ENERGY INDIANA, LLC
CONSOLIDATED BALANCE SHEETS

(in millions)	December 31,	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 6	\$ 7
Receivables (net of allowance for doubtful accounts of \$3 at 2021 and 2020)	100	55
Receivables from affiliated companies	98	112
Notes receivable from affiliated companies	134	
Inventory	418	473
Regulatory assets	277	125
Other	68	37
Total current assets	1,101	809
Property, Plant and Equipment		
Cost	17,343	17,382
Accumulated depreciation and amortization	(5,583)	(5,661)
Net property, plant and equipment	11,760	11,721
Other Noncurrent Assets		
Regulatory assets	1,278	1,203
Operating lease right of use assets, net	53	55
Other	296	253
Total other noncurrent assets	1,627	1,511
Total Assets	\$ 14,488	\$ 14,041
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 282	\$ 188
Accounts payable to affiliated companies	221	88
Notes payable to affiliated companies		131
Taxes accrued	73	62
Interest accrued	49	51
Current maturities of long term debt	84	70
Asset retirement obligations	110	168
Regulatory liabilities	127	111
Other	105	83
Total current liabilities	1,051	952
Long-Term Debt	4,089	3,871
Long-Term Debt Payable to Affiliated Companies	150	150
Other Noncurrent Liabilities		
Deferred income taxes	1,303	1,228
Asset retirement obligations	877	1,008
Regulatory liabilities	1,565	1,627
Operating lease liabilities	50	53
Accrued pension and other post retirement benefit costs	167	171
Investment tax credits	177	168
Other	44	30
Total other noncurrent liabilities	4,183	4,285
Commitments and Contingencies		
Equity		
Member's Equity	5,015	4,783
Total Liabilities and Equity	\$ 14,488	\$ 14,041

See Notes to Consolidated Financial Statements

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Jan 19 2023

DUKE ENERGY INDIANA, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)	Years Ended December 31,		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 481	\$ 408	\$ 436
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and accretion	619	572	531
Equity component of AFUDC	(27)	(23)	(18)
Impairment of assets and other charges	9		
Deferred income taxes	34	29	156
Payments for asset retirement obligations	(67)	(63)	(48)
(Increase) decrease in			
Receivables	(33)	8	(8)
Receivables from affiliated companies			41
Inventory	55	44	(95)
Other current assets	(181)	(3)	76
Increase (decrease) in			
Accounts payable	76	(12)	(10)
Accounts payable to affiliated companies	8	1	4
Taxes accrued	12	13	(25)
Other current liabilities	13	6	15
Other assets	20	(68)	(74)
Other liabilities	(15)	26	16
Net cash provided by operating activities	1,004	938	997
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(818)	(888)	(876)
Purchases of debt and equity securities	(142)	(37)	(26)
Proceeds from sales and maturities of debt and equity securities	65	22	20
Notes receivable from affiliated companies	(120)	(33)	
Other	36	48	(49)
Net cash used in investing activities	(979)	(888)	(931)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issuance of long term debt	300	544	485
Payments for the redemption of long term debt	(70)	(513)	(213)
Notes payable to affiliated companies	(131)	101	(137)
Distributions to parent	(125)	(200)	(200)
Net cash used in financing activities	(26)	(68)	(65)
Net (decrease) increase in cash and cash equivalents	(1)	(18)	1
Cash and cash equivalents at beginning of period	7	25	24
Cash and cash equivalents at end of period	\$ 6	\$ 7	\$ 25
Supplemental Disclosures:			
Cash paid for interest, net of amount capitalized	\$ 194	\$ 164	\$ 150
Cash paid for (received from) income taxes	56	36	(6)
Significant non cash transactions:			
Accrued capital expenditures	118	101	102

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DUKE ENERGY INDIANA, LLC
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in millions)	Member's Equity
Balance at December 31, 2018	\$ 4,339
Net income	436
Distributions to parent	(200)
Balance at December 31, 2019	\$ 4,575
Net income	408
Distributions to parent	(200)
Balance at December 31, 2020	\$ 4,783
Net income	481
Distributions to parent	(250)
Other	1
Balance at December 31, 2021	\$ 5,015

See Notes to Consolidated Financial Statements

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Jan 19 2023

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholder and the Board of Directors of Piedmont Natural Gas Company, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Piedmont Natural Gas Company, Inc. and subsidiaries (the "Company") as of December 31, 2021 and 2020, the related consolidated statements of operations and comprehensive income, changes in equity, and cash flows, for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not in any way impair our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Regulatory Matters – Impact of Rate Regulation on the Financial Statements – Refer to Notes 1 and 3 to the financial statements.

Critical Audit Matter Description

The Company is subject to rate regulation by the North Carolina Utilities Commission, the Public Service Commission of South Carolina, and the Tennessee Public Utility Commission (collectively the "Commissions"), which have jurisdiction with respect to the gas rates of the Company. Management has determined it meets the criteria for the application of regulated operations accounting in preparing its financial statements under accounting principles generally accepted in the United States of America. Significant judgment can be required to determine whether separately recognized incurred costs qualify to be presented as a regulatory asset and deferred because such costs are probable of future recovery in customer rates. As of December 31, 2021, the Company has approximately \$456.8 million recorded as regulatory assets.

We identified the impact of rate regulation related to regulatory assets as a critical audit matter due to the significant judgments made by management, including assumptions regarding the outcome of future decisions by the Commissions, to support its assertions on the likelihood of future recovery for deferred costs. Given that management's accounting judgments are based on assumptions about the outcome of future decisions by the Commissions, and that these judgments required specialized knowledge of accounting for rate regulation and the rate-making process due to its inherent complexities as it relates to regulatory assets.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the recovery of regulatory assets included the following, among others:

- We tested the effectiveness of management's controls over the evaluation of the likelihood of recovery in future rates and the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates.
- We evaluated the Company's disclosures related to the impacts of rate regulation, including the balances recorded and regulatory developments.
- We read relevant regulatory orders issued by the Commission, regulatory statutes, interpretations, procedural memorandums, filings made by intervenors, and other publicly available information to assess the likelihood of recovery in future rates based on precedents of the Commissions' treatment of similar costs under similar circumstances. We evaluated the external information and compared it to management's recorded balances for completeness.
- For regulatory matters in process, we inspected the Company's and intervenors' filings with the Commissions, that may impact the Company's future rates, for any evidence that might contradict management's assertions.

- We evaluated the reasonableness of management's judgments regarding the recoverability of regulatory asset balances by performing the following:

We inquired of management regarding changes in regulatory orders and regulatory asset balances during the year.

We evaluated the reasonableness of such changes based on our knowledge of commission approved amortization, expected incurred costs, and recently approved regulatory orders, as applicable.

We utilized trend analyses to evaluate the historical consistency of regulatory asset balances.

We compared the recorded regulatory asset balance to an independently developed expectation of the corresponding balance.

- We obtained representation from management asserting that regulatory assets recorded in the financial statements are probable of recovery.

/s/ Deloitte & Touche LLP

Charlotte, North Carolina
February 24, 2022

We have served as the Company's auditor since 1951.

PIEDMONT NATURAL GAS COMPANY, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(in millions)	Years Ended December 31,		
	2021	2020	2019
Operating Revenues			
Regulated natural gas	\$ 1,555	\$ 1,286	\$ 1,369
Nonregulated natural gas and other	14	11	12
Total operating revenues	1,569	1,297	1,381
Operating Expenses			
Cost of natural gas	569	386	532
Operation, maintenance and other	327	322	328
Depreciation and amortization	213	180	172
Property and other taxes	55	53	45
Impairment of assets and other charges	10	7	
Total operating expenses	1,174	948	1,077
Operating Income	395	349	304
Equity in earnings of unconsolidated affiliates	9	9	8
Other income and expense, net	55	51	20
Total other income and expenses	64	60	28
Interest Expense	119	118	87
Income Before Income Taxes	340	291	245
Income Tax Expense	30	18	43
Net Income and Comprehensive Income	\$ 310	\$ 273	\$ 202

See Notes to Consolidated Financial Statements

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Jan 19 2023

PIEDMONT NATURAL GAS COMPANY, INC.
CONSOLIDATED BALANCE SHEETS

(in millions)	December 31,	
	2021	2020
ASSETS		
Current Assets		
Receivables (net of allowance for doubtful accounts of \$15 at 2021 and \$12 at 2020)	\$ 318	\$ 250
Receivables from affiliated companies	11	10
Inventory	109	68
Regulatory assets	141	153
Other	9	20
Total current assets	588	501
Property, Plant and Equipment		
Cost	9,918	9,134
Accumulated depreciation and amortization	(1,899)	(1,749)
Facilities to be retired, net	11	
Net property, plant and equipment	8,030	7,385
Other Noncurrent Assets		
Goodwill	49	49
Regulatory assets	316	302
Operating lease right of use assets, net	16	20
Investments in equity method unconsolidated affiliates	95	88
Other	288	270
Total other noncurrent assets	764	729
Total Assets	\$ 9,382	\$ 8,615
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 196	\$ 230
Accounts payable to affiliated companies	40	79
Notes payable to affiliated companies	518	530
Taxes accrued	63	23
Interest accrued	37	34
Current maturities of long term debt		160
Regulatory liabilities	56	88
Other	81	69
Total current liabilities	991	1,213
Long-Term Debt	2,968	2,620
Other Noncurrent Liabilities		
Deferred income taxes	815	821
Asset retirement obligations	22	20
Regulatory liabilities	1,058	1,044
Operating lease liabilities	14	19
Accrued pension and other post retirement benefit costs	7	8
Other	158	155
Total other noncurrent liabilities	2,074	2,067
Commitments and Contingencies		
Equity		
Common stock, no par value: 100 shares authorized and outstanding at 2021 and 2020	1,635	1,310
Retained earnings	1,714	1,405
Total equity	3,349	2,715
Total Liabilities and Equity	\$ 9,382	\$ 8,615

See Notes to Consolidated Financial Statements

PIEDMONT NATURAL GAS COMPANY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)	Years Ended December 31,		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 310	\$ 273	\$ 202
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	216	182	174
Equity component of AFUDC	(20)	(19)	
Impairment of assets and other charges	10	7	
Deferred income taxes	4	53	136
Equity in (earnings) losses from unconsolidated affiliates	(9)	(9)	(8)
Provision for rate refunds	(4)	(33)	2
(Increase) decrease in:			
Receivables	(77)	10	28
Receivables from affiliated companies	(1)		12
Inventory	(40)	3	(2)
Other current assets	33	(66)	(25)
Increase (decrease) in:			
Accounts payable	(25)	16	(7)
Accounts payable to affiliated companies	(39)	76	(35)
Taxes accrued	37	3	(60)
Other current liabilities	(26)	(11)	1
Other assets	26	(11)	1
Other liabilities	(4)	7	(10)
Net cash provided by operating activities	391	481	409
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(850)	(901)	(1,053)
Contributions to equity method investments	(9)		(16)
Other	(31)	(28)	(14)
Net cash used in investing activities	(890)	(929)	(1,083)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issuance of long term debt	347	394	596
Payments for the redemption of long term debt	(160)		(350)
Notes payable to affiliated companies	(13)	54	278
Capital contribution from parent	325		150
Net cash provided by financing activities	499	448	674
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of period			
Cash and cash equivalents at end of period			
	\$	\$	\$
Supplemental Disclosures:			
Cash paid for interest, net of amount capitalized	\$ 114	\$ 115	\$ 84
Cash received from income taxes	(13)	(36)	(31)
Significant non-cash transactions:			
Accrued capital expenditures	97	106	109

See Notes to Consolidated Financial Statements

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PIEDMONT NATURAL GAS COMPANY, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in millions)	Common Stock	Retained Earnings	Total Equity
Balance at December 31, 2018	\$ 1,160	\$ 931	\$ 2,091
Net income		202	202
Contr but on from parent	150		150
Balance at December 31, 2019	\$ 1,310	\$ 1,133	\$ 2,443
Net income		273	273
Other		(1)	(1)
Balance at December 31, 2020	\$ 1,310	\$ 1,405	\$ 2,715
Net income		310	310
Contr but on from parent	325		325
Other		(1)	(1)
Balance at December 31, 2021	\$ 1,635	\$ 1,714	\$ 3,349

See Notes to Conso dated F nanc a Statements

Index to Combined Notes To Consolidated Financial Statements

The notes to the conso dated financial statements are a combined presentation. The following table indicates the registrants to which the notes apply.

Registrant	Applicable Notes																								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25
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 () Progress Energy's conso dated financial statements of Duke Energy Progress, Duke Energy Florida and other subsidiaries that are not registrants and () subsidiaries that are not registrants but included in the conso dated Duke Energy balances.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Basis of Consolidation

Duke Energy is an energy company headquartered in Charlotte, North Carolina, subject to regulation by the FERC and other regulatory agencies established by law. Duke Energy operates in the U.S. primarily through its direct and indirect subsidiaries. Certain Duke Energy subsidiaries are also subsidiary registrants, including Duke Energy Carolinas; Progress Energy; Duke Energy Progress; Duke Energy Florida; Duke Energy Ohio; Duke Energy Indiana and Piedmont. When discussing Duke Energy's conso dated financial information, it necessarily includes the results of its separate Subsidiary Registrants, which along with Duke Energy, are collectively referred to as the Duke Energy Registrants.

The information in these combined notes relates to each of the Duke Energy Registrants as noted in the Index to Combined Notes to Conso dated Financial Statements. However, none of the Subsidiary Registrants make any representation as to information related solely to Duke Energy or the Subsidiary Registrants of Duke Energy other than itself.

These Conso dated 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 17 for additional information on VIEs. These Conso dated Financial Statements also reflect the Duke Energy Registrants' proportionate share of certain jointly owned generation and transmission facilities. See Note 8 for additional information on joint ownership. Substantially all of the Subsidiary Registrants' operations qualify for regulatory accounting.

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

Progress Energy is a public utility holding company, which conducts operations through its wholly owned subsidiaries, Duke Energy Progress and Duke Energy Florida. Progress Energy is subject to regulation by FERC and other regulatory agencies established by law.

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

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

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

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

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

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

Other Current Assets and Liabilities

The following table provides a description of amounts included in Other within Current Assets or Current Liabilities that exceed 5% of total Current Assets or Current Liabilities on the Duke Energy Regulators' Conso dated Balance Sheets at either December 31, 2021, or 2020.

(in millions)	Location	December 31,	
		2021	2020
Duke Energy			
Accrued compensation	Current Liabilities	\$ 915	\$ 662
Other accrued liabilities	Current Liabilities	649	1,455
Duke Energy Carolinas			
Accrued compensation	Current Liabilities	\$ 277	\$ 213
Duke Energy Progress			
Customer deposits	Current Liabilities	\$ 144	\$ 144
Other accrued liabilities	Current Liabilities	163	132
Duke Energy Florida			
Customer deposits	Current Liabilities	\$ 200	\$ 203
Other accrued liabilities	Current Liabilities	89	81
Duke Energy Ohio			
Gas Storage	Current Assets	\$ 25	\$ 21
Co-located liabilities	Current Liabilities	57	41

Discontinued Operations

Duke Energy has elected to present cash flows of discontinued operations combined with cash flows of continuing operations. Unless otherwise noted, the notes to these conso dated financial statements exclude amounts related to discontinued operations for all periods presented. For the years ended December 31, 2021, 2020 and 2019, the Income (Loss) From Discontinued Operations, net of tax on Duke Energy's Conso dated Statements of Operations is entirely attributable to controlling interest.

Noncontrolling Interest

Duke Energy maintains a controlling financial interest in certain less than wholly owned nonregulated subsidiaries. As a result, Duke Energy conso dates 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 Conso dated Balance Sheet.

Several operating agreements of Duke Energy's subsidiaries with noncontrolling interest are subject to allocations of 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 HLBV method in allocating income or loss and other comprehensive income or loss (as 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, most of which is 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.

Other operating agreements of Duke Energy's subsidiaries with noncontrolling interest allocate profit and loss based on the 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 the pro rata shares.

In 2019, Duke Energy completed a sale of minority interest in a portion of certain renewable assets within the Commercial Renewables Segment for pretax proceeds to Duke Energy of \$415 million. The portion of Duke Energy's commercial renewable energy portfolio so includes 49% of 37 operating wind, solar and battery storage assets and 33% of 11 operating solar assets across the U.S. Duke Energy retained control of these assets, and, therefore, no gain or loss was recognized on the Conso dated Statements of Operations. The difference between the consideration received and the carrying value of the noncontrolling interest claim on net assets was \$466 million, net of tax benefit of \$8 million, and was recorded to equity.

The following table presents allocated losses to noncontrolling interest for the years ended December 31, 2021, 2020 and 2019.

(in millions)	December 31,		
	2021	2020	2019
Noncontrolling Interest Allocation of Income			
Allocated losses to noncontrolling tax equity members utilizing the HLBV method	\$ 298	\$ 271	\$ 165
Allocated losses to noncontrolling members based on pro rata shares of ownership	31	24	12
Total Noncontrolling Interest Allocated Losses	\$ 329	\$ 295	\$ 177

2021 Sale of Minority Interest in Duke Energy Indiana

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 Holding, 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 Holding, 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 Consolidated Statements of Operations. The difference between the cash consideration received, net of transaction costs of approximately \$27 million, and the carrying value of the noncontrolling interest is \$545 million and was recorded as an increase to equity. Under the terms of the agreement, 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.

Acquisitions

The Duke Energy Regulated consolidated assets and liabilities from acquisitions as of the purchase date and include earnings from acquisitions in consolidated earnings after the purchase date.

Significant Accounting Policies

Use of Estimates

In preparing financial statements that conform to GAAP, the Duke Energy Regulated 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.

Regulatory Accounting

The majority of the Duke Energy Regulated's operations are subject to price regulation for the sale of electricity and natural gas by state utility commissions or FERC. When prices are set on the basis of specific costs of the regulated operations and an effective franchise is in place such that sufficient natural gas or electricity services can be sold to recover those costs, the Duke Energy Regulated applies regulatory accounting. Regulatory accounting changes the timing of the recognition of costs or revenues relative to a company that does not apply regulatory accounting. As a result, regulatory assets and regulatory liabilities are recognized on the Consolidated Balance Sheets. Regulatory assets and liabilities are amortized consistent with the treatment of the related cost in the ratemaking process. Regulatory assets are reviewed for recoverability each reporting period. If a regulatory asset is no longer deemed probable of recovery, the deferred costs are charged to earnings. See Note 3 for further information.

Regulatory accounting rules a so require recognition of a disallowance (a so called "mparment") loss if it becomes probable that part of the cost of a plant under construction (or a recently completed plant or an abandoned plant) will be disallowed for ratemaking purposes and a reasonable estimate of the amount of the disallowance can be made. For example, if a cost cap is set for a plant still under construction, the amount of the disallowance is a result of a judgment as to the ultimate cost of the plant. These disallowances can require judgments on a owed future rate recovery.

When it becomes probable that regulated generation, transmission or distribution assets will be abandoned, the cost of the assets is removed from plant in service. The value that may be retained as a regulatory asset on the balance sheet for the abandoned property is dependent upon amounts that may be recovered through regulated rates, including any return. As such, an impairment charge could be partially or fully offset by the establishment of a regulatory asset for rate recovery is probable. The impairment charge for a disallowance of costs for regulated plants under construction, recently completed or abandoned is based on discounted cash flows.

The Duke Energy Regulated utilizes cost tracking mechanisms, commonly referred to as fuel adjustment causes or PGA causes. These causes allow for the recovery of fuel and fuel related costs, portions of purchased power, natural gas costs and hedging costs through surcharges on customer rates. The difference between the costs incurred and the surcharge revenues is recorded either as an adjustment to Operating Revenues, Operating Expenses - Fuel used in electric generation or Operating Expenses - Cost of natural gas on the Consolidated Statements of Operations, with an offsetting impact on regulatory assets or liabilities.

Cash, Cash Equivalents and Restricted Cash

Highly liquid investments with maturities of three months or less at the date of acquisition are considered cash equivalents. Duke Energy, Progress Energy and Duke Energy Florida have restricted cash balances related primarily to contract assets, escrow deposits and VIEs. Duke Energy Carolinas and Duke Energy Progress have restricted cash balances related to VIEs from storm recovery bonds issued in 2021. See Note 17 for additional information. Restricted cash amounts are included in Other within Current Assets and Other Noncurrent Assets on the Consolidated Balance Sheets. The following table presents the components of cash, cash equivalents and restricted cash included in the Consolidated Balance Sheets.

	December 31, 2021				
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida
Current Assets					
Cash and cash equivalents	\$ 343	\$ 7	\$ 70	\$ 35	\$ 23
Other	170		39		39
Other Noncurrent Assets					
Other	7	1	4	4	
Total cash, cash equivalents and restricted cash	\$ 520	\$ 8	\$ 113	\$ 39	\$ 62

	December 31, 2020				
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida
Current Assets					
Cash and cash equivalents	\$ 259	\$ 21	\$ 59	\$ 39	\$ 11
Other	194		39		39
Other Noncurrent Assets					
Other	103		102		
Total cash, cash equivalents and restricted cash	\$ 556	\$ 21	\$ 200	\$ 39	\$ 50

Inventory

Inventory related to regulated operations is valued at historical cost. Inventory related to nonregulated operations is valued at the lower of cost or market. Inventory is charged to expense or capitalized to property, plant and equipment when issued, primarily using the average cost method. Excess or obsolete inventory is written down to the lower of cost or net realizable value. Once inventory has been written down, it creates a new cost basis for the inventory that is not subsequently written up. Provisions for inventory write-offs were not material at December 31, 2021, and 2020, respectively. The components of inventory are presented in the tables below.

	December 31, 2021							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
(in millions)								
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	316	38	164	98	66	17	2	95
Total inventory	\$ 3,199	\$ 1,026	\$ 1,398	\$ 921	\$ 477	\$ 116	\$ 418	\$ 109

	December 31, 2020							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
(in millions)								
Materials and supplies	\$ 2,312	\$ 785	\$ 999	\$ 673	\$ 325	\$ 78	\$ 307	\$ 12
Coal	561	186	193	131	63	16	165	
Natural gas, oil and other	294	39	183	107	76	16	1	56
Total inventory	\$ 3,167	\$ 1,010	\$ 1,375	\$ 911	\$ 464	\$ 110	\$ 473	\$ 68

Investments in Debt and Equity Securities

The Duke Energy Reg strants class fy investments n equity secur t es as FV NI and investments n debt secur t es as AFS. Both categor es are recorded at far va ue on the Conso dated Ba ance Sheets. Rea zed and unrea zed ga ns and osses on secur t es class fed as FV NI are reported through net ncome. Unrea zed ga ns and osses for debt secur t es class fed as AFS are nc uded n AOCI unt rea zed, uness t s determ ned the carry ng va ue of an investment has a cred t oss. For certa n investments of regu ated operat ons, such as substanta y a of the NDTF, rea zed and unrea zed ga ns and osses (nc ud ng any cred t osses) on debt secur t es are recorded as a regu atory asset or ab ty. The cred t oss port on of debt secur t es of nonregu ated operat ons are nc uded n earn ngs. Investments n debt and equity secur t es are class fed as e ther current or noncurrent based on management's ntent and ab ty to se thes secur t es, tak ng nto cons derat on current market qu d ty. See Note 15 for further nformat on.

Goodwill

Duke Energy, Progress Energy, Duke Energy Oh o and P edmont perform annua goodw mpa rment tests as of August 31 each year at the report ng unt eve , wh ch s determ ned to be a bus ness segment or one eve be ow. Duke Energy, Progress Energy, Duke Energy Oh o and P edmont update these tests between annua tests f events or c rcumstances occur that wou d more ke y than not reduce the far va ue of a report ng unt be ow ts carry ng va ue. See Note 11 for further nformat on.

Intangible Assets

Intang b e assets are nc uded n Other n Other Noncurrent Assets on the Conso dated Ba ance Sheets. Genera y, ntang b e assets are amort zed us ng an amort zat on method that ref ects the pattern n wh ch the econom c benef ts of the ntang b e asset are consumed or on a straght ne bas s f that pattern s not read y determ nab e. Amort zat on of ntang b es s ref eced n Deprec at on and amort zat on on the Conso dated Statements of Operat ons. Intang b e assets are subject to mpa rment test ng and f mpa red, the carry ng va ue s accord ng y reduced.

RECs are used to measure comp ance w th renewab e energy standards and are he d pr mar y for consumpt on. See Note 11 for further nformat on.

Long-Lived Asset Impairments

The Duke Energy Reg strants eva uate ong ved assets, exc ud ng goodw , for mpa rment when c rcumstances nd cate the carry ng va ue of those assets may not be recoverab e. An mpa rment ex sts when a ong ved asset's carry ng va ue exceeds the est mated und scounted cash f ows expected to resu t from the use and eventua d spos t on of the asset. The est mated cash f ows may be based on a ternat ve expected outcomes that are probab ty we ghted. If the carry ng va ue of the ong ved asset s not recoverab e based on these est mated future und scounted cash f ows, the carry ng va ue of the asset s wr tten down to ts then current est mated far va ue and an mpa rment charge s recogn zed.

The Duke Energy Reg strants assess far va ue of ong ved assets us ng var ous methods, nc ud ng recent comparab e th rd party sa es, nterna y deve oped d scounted cash f ow ana ys s and ana ys s from outs de adv sors. Tr gger ng events to reassess cash f ows may nc ude, but are not m ted to, s gn f cant changes n commod ty pr ces, the cond t on of an asset or management's nterest n se ng the asset.

Equity Method Investment Impairments

Investments n aff ates that are not contro ed by Duke Energy, but over wh ch t has s gn f cant nf uence, are accounted for us ng the equity method. Equity method investments are assessed for mpa rment whenever events or changes n c rcumstances nd cate that the carry ng amount of the investment may not be recoverab e. If the dec ne n va ue s cons dered to be other than temporary, the investment s wr tten down to ts est mated far va ue, wh ch estab shes a new cost bas s n the investment.

Impa rment assessments use a d scounted cash f ow ncome approach and nc ude cons derat on of the sever ty and durat on of any dec ne n the far va ue of the investments. The est mated cash f ows may be based on a ternat ve expected outcomes that are probab ty we ghted. Key nputs that nvo ve est mates and s gn f cant management judgment nc ude cash f ow project ons, se ect on of a d scount rate, probab ty we ght ng of potent a outcomes, and whether any dec ne n va ue s cons dered temporary.

Property, Plant and Equipment

Property, plant and equipment are stated at the lower of depreciated historical cost net of any discounts or fair value, if impaired. The Duke Energy Regulators capitalize a construct on related direct labor and material costs, as well as indirect construct on costs such as general engineering, taxes and financing costs. See "Allowance for Funds Used During Construction and Interest Capitalized" section below for information on capitalized financing costs. Costs of renewals and betterments that extend the useful life of property, plant and equipment are also capitalized. The cost of repairs, replacements and major maintenance projects, which do not extend the useful life or increase the expected output of the asset, are expensed as incurred. Depreciation is generally computed over the estimated useful life of the asset using the composite straight-line method. Depreciation studies are conducted periodically to update composite rates and are approved by state utility commissions and/or the FERC when required. The composite weighted average depreciation rates, excluding nuclear fuel, are included in the table that follows.

	Years Ended December 31,		
	2021	2020	2019
Duke Energy	2.9 %	3.0 %	3.1 %
Duke Energy Carolinas	2.7 %	2.8 %	2.8 %
Progress Energy	3.1 %	3.2 %	3.1 %
Duke Energy Progress	3.0 %	3.1 %	3.1 %
Duke Energy Florida	3.3 %	3.3 %	3.1 %
Duke Energy Ohio	2.9 %	2.9 %	2.6 %
Duke Energy Indiana	3.6 %	3.5 %	3.3 %
Piedmont	2.1 %	2.3 %	2.4 %

In general, when the Duke Energy Regulators retire regulated property, plant and equipment, the original cost plus the cost of retirement, less salvage value and any depreciation on a ready recognized, is charged to accumulated depreciation. However, when it becomes probable the asset will be retired substantially in advance of its original expected useful life or is abandoned, the cost of the asset and the corresponding accumulated depreciation is recognized as a separate asset. If the asset is still in operation, the net amount is classified as Factors to be retired, net on the Consolidated Balance Sheets. If the asset is no longer operating, the net amount is classified in Regulatory assets on the Consolidated Balance Sheets if deemed recoverable (see discussion of long-lived asset impairments above). The carrying value of the asset is based on historical cost of the Duke Energy Regulators are allowed to recover the remaining net book value and a return equivalent to at least the incremental borrowing rate. If not, an impairment is recognized to the extent the net book value of the asset exceeds the present value of future revenues discounted at the incremental borrowing rate.

When the Duke Energy Regulators sell or retire or sell nonregulated properties, the original cost and accumulated depreciation and amortization balances are removed from Property, Plant and Equipment on the Consolidated Balance Sheets. Any gain or loss is recorded in earnings, unless otherwise required by the applicable regulatory body. See Note 10 for additional information.

Leases

Duke Energy determines if an arrangement is a lease at contract inception based on whether the arrangement involves the use of a physical distinct identified asset and whether Duke Energy has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period as well as the right to direct the use of the asset. As a policy election, Duke Energy does not evaluate arrangements with initial contract terms of less than one year as leases.

Operating leases are included in Operating lease ROU assets, net, Other current liabilities and Operating lease liabilities on the Consolidated Balance Sheets. Finance leases are included in Property, plant and equipment, Current maturities of long-term debt and Long Term Debt on the Consolidated Balance Sheets.

For lessee and lessor arrangements, Duke Energy has elected a policy to not separate lease and non-lease components for all asset classes. For lessor arrangements, lease and non-lease components are only combined under one arrangement and accounted for under the lease accounting framework if the non-lease components are not the predominant component of the arrangement and the lease component would be classified as an operating lease.

Nuclear Fuel

Nuclear fuel is classified as Property, Plant and Equipment on the Consolidated Balance Sheets.

Nuclear fuel in the front end fuel processing phase is considered work in progress and not amortized until placed in service. Amortization of nuclear fuel is included with Fuel used in electric generation and purchased power on the Consolidated Statements of Operations. Amortization is recorded using the units of production method.

Allowance for Funds Used During Construction and Interest Capitalized

For regulated operations, the debt and equity costs of financing the construction of property, plant and equipment are reflected as AFUDC and capitalized as a component of the cost of property, plant and equipment. AFUDC equity is reported on the Consolidated Statements of Operations as non-cash income in Other income and expenses, net. AFUDC debt is reported as a non-cash offset to Interest Expense. After construction is completed, the Duke Energy Regulators are permitted to recover these costs through the return on rate base and the corresponding subsequent depreciation or amortization of those regulated assets.

AFUDC equity, a permanent difference for income taxes, reduces the ETR when capitalized and increases the ETR when depreciated or amortized. See Note 23 for additional information.

For nonregulated operations, interest is capitalized during the construction phase with an offsetting non-cash credit to Interest Expense on the Consolidated Statements of Operations.

Asset Retirement Obligations

AROs are recognized for legal obligations associated with the retirement of property, plant and equipment. Substantially all AROs are related to regulated operations. When recording an ARO, the present value of the projected liability is recognized in the period in which it is incurred, for a reasonable estimate of fair value can be made. The liability is accreted over time. For operating plants, the present value of the liability is added to the cost of the associated asset and depreciated over the remaining life of the asset. For retired plants, the present value of the liability is recorded as a regulatory asset unless determined not to be probable of recovery.

The present value of the liability obligation and subsequent updates are based on discounted cash flows, which include estimates regarding timing of future cash flows, selection of discount rates and cost escalation rates, among other factors. These estimates are subject to change. Depreciation expense is adjusted prospectively for any changes to the carrying amount of the associated asset. The Duke Energy Regulators receive amounts to fund the cost of the ARO for regulated operations through a combination of regulated revenues and earnings on the NDTF. As a result, amounts recovered in regulated revenues, earnings on the NDTF, accretion expense and depreciation of the associated asset are netted and deferred as a regulatory asset or liability.

Accounts Payable

During 2020, Duke Energy established a supply chain finance program (the "program") with a global financial institution. The program is voluntary and allows Duke Energy suppliers, at their sole discretion, to sell their receivables from Duke Energy to the financial institution at a rate that averages Duke Energy's credit rating and, which may result in favorable terms compared to the rate available to the supplier on their own credit rating. Suppliers participating in the program, determine at their sole discretion which invoices they will sell to the financial institution. Suppliers' decisions on which invoices are sold do not impact Duke Energy's payment terms, which are based on commercial terms negotiated between Duke Energy and the supplier regardless of program participation. The commercial terms negotiated between Duke Energy and its suppliers are consistent regardless of whether the supplier elects to participate in the program. Duke Energy does not issue any guarantees with respect to the program and does not participate in negotiations between suppliers and the financial institution. Duke Energy does not have an economic interest in the supplier's decision to participate in the program and receives no interest, fees or other benefit from the financial institution based on supplier participation in the program.

The following table presents the outstanding accounts payable balance sold to the financial institution by our suppliers and the supplier invoices sold to the financial institution under the program included with the Net cash provided by operating activities on the Consolidated Statements of Cash Flows as of December 31, 2021, and December 31, 2020.

(in millions)	December 31, 2021					December 30, 2020		
	Duke Progress		Duke Duke		Piedmont	Duke		
	Energy	Energy	Energy	Energy		Energy	Ohio	Piedmont
Outstanding Accounts Payable Balance Sold	\$ 19	\$ 9	\$ 9	\$ 6	\$ 4	\$ 15	\$ 1	\$ 14
Suppliers Invoices Settled Through The Program	122	10	10	12	100	45	9	36

Revenue Recognition

Duke Energy recognizes revenue as customers obtain control of promised goods and services in an amount that reflects consideration expected in exchange for those goods or services. Generally, the delivery of electricity and natural gas results in the transfer of control to customers at the time the commodity is delivered and the amount of revenue recognized is equal to the amount billed to each customer, including estimated volumes delivered when billing has not yet occurred. See Note 18 for further information.

Derivatives and Hedging

Derivative and non-derivative instruments may be used in connection with commodity price and interest rate activities, including swaps, futures, forwards and options. All derivative instruments, except those that qualify for the NPNS exception, are recorded on the Consolidated Balance Sheets at fair value. Qualifying derivative instruments may be designated as either cash flow hedges or fair value hedges. Other derivative instruments (undesignated contracts) either have not been designated or do not qualify as hedges. The effective portion of the change in the fair value of cash flow hedges is recorded in AOCI. The effective portion of the change in the fair value of a fair value hedge is offset to net income by changes in the hedged item. For activity subject to regulatory accounting, gains and losses on derivative contracts are reflected as regulatory assets or liabilities and not as other comprehensive income or current period income. As a result, changes in fair value of these derivatives have no immediate earnings impact.

Formal documentation, including transaction type and risk management strategy, is maintained for all contracts accounted for as a hedge. At inception and at least every three months thereafter, the hedge contract is assessed to see if it is highly effective in offsetting changes in cash flows or fair values of hedged items.

See Note 14 for further information.

Captive Insurance Reserves

Duke Energy has captive insurance subsidiaries that provide coverage, on an indemnity basis, to the Subsidiary Regulators as well as certain third parties, on an insured basis, for financial losses, primarily related to property, workers' compensation and general liability. Liabilities include provisions for estimated losses incurred but not reported (IBNR), as well as estimated provisions for known claims. IBNR reserve estimates are primarily based upon historical loss experience, industry data and other actuarial assumptions. Reserve estimates are adjusted in future periods as actual losses differ from experience.

Duke Energy, through its captive insurance entities, also has reinsurance coverage with third parties for certain losses above a per occurrence and/or aggregate retention. Recoveries for reinsurance coverage are recognized when realizations are deemed probable.

Unamortized Debt Premium, Discount and Expense

Premiums, discounts and expenses incurred with the issuance of outstanding long term debt are amortized over the term of the debt issue. The gain or loss on extinguishment associated with refinancing higher cost debt obligations in the regulated operations is amortized over the remaining life of the original instrument. Amortization expense is recorded as Interest Expense in the Consolidated Statements of Operations and is reflected as Depreciation, amortization and accretion with Net cash provided by operating activities on the Consolidated Statements of Cash Flows.

Premiums, discounts and expenses are presented as an adjustment to the carrying value of the debt amount and included in Long Term Debt on the Consolidated Balance Sheets presented.

Preferred Stock

Preferred stock is reviewed to determine the appropriate balance sheet classification and embedded features, such as call options, are evaluated to determine if they should be bifurcated and accounted for separately. Costs directly related to the issuance of preferred stock are recorded as a reduction of the proceeds received. The liability for the dividend is recognized when declared. The accumulated dividends on the cumulative preferred stock is recognized to net income available to Duke Energy Corporation in the EPS calculation. See Note 19 for further information.

Loss Contingencies and Environmental Liabilities

Contingent losses are recorded when it is probable a loss has occurred and the loss can be reasonably estimated. When a range of the probable loss exists and no amount within the range is a better estimate than any other amount, the minimum amount in the range is recorded. Unless otherwise required by GAAP, legal fees are expensed as incurred.

Environmental liabilities are recorded on an undiscounted basis when environmental remediation or other liabilities become probable and can be reasonably estimated. Environmental expenditures related to past operations that do not generate current or future revenues are expensed. Environmental expenditures related to operations that generate current or future revenues are expensed or capitalized, as appropriate. Certain environmental expenditures receive regulatory accounting treatment and are recorded as regulatory assets.

See Notes 3 and 4 for further information.

Pension and Other Post-Retirement Benefit Plans

Duke Energy maintains qualified, nonqualified and other post retirement benefit plans. Employee of the Subsidiary Regulators participate in the respective qualified, nonqualified and other post retirement benefit plans and the Subsidiary Regulators are allocated the proportionate share of benefit costs. See Note 22 for further information, including significant accounting policies associated with these plans.

Severance and Special Termination Benefits

Duke Energy has severance plans under which, in general, the longer a term-nated employee worked prior to termination the greater the amount of severance benefits. A liability for voluntary severance is recorded once an voluntary severance plan is committed to by management if voluntary severances are probable and can be reasonably estimated. For voluntary severance benefits incremental to ongoing severance plan benefits, the fair value of the obligation is expensed at the communication date if there are no future service requirements or over the required future service period. Duke Energy also offers special termination benefits under voluntary severance programs. Special termination benefits are recorded immediately upon employee acceptance absent a significant retention period. Otherwise, the costs recorded over the remaining service period. Employee acceptance of voluntary severance benefits is determined by management based on the facts and circumstances of the benefits being offered. See Note 20 for further information.

Guarantees

If necessary, liabilities are recognized at the time of issuance or material modification of a guarantee for the estimated fair value of the obligation it assumes. Fair value is estimated using a probability weighted approach. The obligation is reduced over the term of the guarantee or related contract in a systematic and rational method as risks are reduced. Duke Energy recognizes a liability for the best estimate of its loss due to the nonperformance of the guaranteed party. The liability is recognized at the inception of a guarantee and is updated periodically. See Note 7 for further information.

Stock-Based Compensation

Stock based compensation represents costs related to stock based awards granted to employees and Board of Directors members. Duke Energy recognizes stock based compensation based upon the estimated fair value of awards, net of estimated forfeitures at the date of issuance. The recognition period for these costs begins at either the applicable service inception date or grant date and continues throughout the requisite service period. Compensation costs are recognized as expense or capitalized as a component of property, plant and equipment. See Note 21 for further information.

Income Taxes

Duke Energy and its subsidiaries file a consolidated federal income tax return and other state and foreign jurisdictional returns. The Subsidiary Regulators are parties to a tax sharing agreement with Duke Energy. Income taxes recorded represent amounts the Subsidiary Regulators would incur as separate C Corporations. Deferred income taxes have been provided for temporary differences between GAAP and tax bases of assets and liabilities because the differences create taxable or tax deductible amounts for future periods. ITCs associated with regulated operations are deferred and amortized as a reduction of income tax expense over the estimated useful lives of the related properties. For ITCs associated with nonregulated operations see "Accounting for Renewable Energy Tax Credits."

Accumulated deferred income taxes are valued using the enacted tax rate expected to apply to taxable income in the periods in which the deferred tax asset or liability is expected to be settled or realized. In the event of a change in tax rates, deferred tax assets and liabilities are remeasured as of the enactment date of the new rate. To the extent that the change in the value of the deferred tax represents an obligation to customers, the impact of the remeasurement is deferred to a regulatory liability. Remaining impacts are recorded in income from continuing operations. Duke Energy's results of operations could be impacted if the estimate of the tax effect of reversing temporary differences is not reflective of actual outcomes, is modified to reflect new developments or interpretations of the tax law, revised to incorporate new accounting principles, or changes in the expected timing or manner of a reversal.

Tax related interest and penalties are recorded in Interest Expense and Other Income and Expenses, net in the Consolidated Statements of Operations.

See Note 23 for further information.

Accounting for Renewable Energy Tax Credits

When Duke Energy receives ITCs on wind or solar facilities associated with its nonregulated operations, it reduces the basis of the property recorded on the Consolidated Balance Sheets by the amount of the ITC and, therefore, the ITC benefit is ultimately recognized in the statement of operations through reduced depreciation expense. Additionally, certain tax credits and government grants result in an intangible tax depreciation base in excess of the book carrying value by an amount equal to one-half of the ITC. Deferred tax benefits are recorded as a reduction to income tax expense in the period that the basis difference is created.

Duke Energy receives PTCs on wind facilities that are recognized as electricity produced and records related amounts as a reduction of income tax expense.

Excise Taxes

Certain excise taxes levied by state or local governments are required to be paid even if not collected from the customer. These taxes are recognized on a gross basis. Taxes for which Duke Energy operates merely as a collection agent for the state and local government are accounted for on a net basis. Excise taxes accounted for on a gross basis with both Operating Revenues and Property and other taxes in the Consolidated Statements of Operations were as follows.

(in millions)	Years Ended December 31,		
	2021	2020	2019
Duke Energy	\$ 420	\$ 415	\$ 421
Duke Energy Carolinas	44	43	39
Progress Energy	250	249	256
Duke Energy Progress	22	26	21
Duke Energy Florida	228	223	235
Duke Energy Ohio	102	96	101
Duke Energy Indiana	23	25	23
Piedmont	1	2	2

Dividend Restrictions and Unappropriated Retained Earnings

Duke Energy does not have any current legal, regulatory or other restrictions on paying common stock dividends to shareholders. However, if Duke Energy were to defer dividend payments on the preferred stock, the declaration of common stock dividends would be prohibited. See Note 19 for more information. Additionally, as further described in Note 3, Duke Energy Carolinas, Duke Energy Progress, Duke Energy Ohio, Duke Energy Indiana and Piedmont have restrictions on paying dividends or otherwise advancing funds to Duke Energy due to conditions established by regulators in conjunction with merger transaction approvals. At December 31, 2021, and 2020, an insignificant amount of Duke Energy's consolidated Retained earnings balance represents undistributed earnings of equity method investments.

New Accounting Standards

The following new accounting standard was adopted by the Duke Energy Regulators in 2021.

Leases with Variable Lease Payments. In July 2021, the FASB issued new accounting guidance requiring lessors to classify a lease with variable lease payments that do not depend on a reference index or rate as an operating lease if both of the following are met: (1) the lease would have to be classified as a sales type or direct financing lease under previous guidance, and (2) the lessor would have recognized a day one loss. Duke Energy elected to adopt the guidance immediately upon issuance of the new standard and will be applying the new standard prospectively to new lease arrangements meeting the criteria. Duke Energy did not have any lease arrangements that this new accounting guidance materially impacted.

The following new accounting standard was adopted by Duke Energy Regulators in 2020.

Current Expected Credit Losses. In June 2016, the FASB issued new accounting guidance for credit losses. Duke Energy adopted the new accounting guidance for credit losses effective January 1, 2020, using the modified retrospective method of adoption, which does not require restatement of prior year results. Duke Energy did not adopt any practical expedients.

Duke Energy recognizes allowances for credit losses based on management's estimate of losses expected to be incurred over the lives of certain assets or guarantees. Management monitors credit quality, changes in expected credit losses and the appropriateness of the allowance for credit losses on a forward-looking basis. Management reviews the risk of loss periodically as part of the ongoing assessment of collectability of receivables.

Duke Energy reviews the credit quality of its counterparties as part of its regular risk management process and requires credit enhancements, such as deposits or letters of credit, as appropriate and as allowed by regulators.

Duke Energy recorded cumulative effects of changes in accounting principles related to the adoption of the new credit loss standard for allowances and credit losses of trade and other receivables, insurance receivables and financial guarantees. These amounts are included in the Consolidated Balance Sheets in Receivables, Receivables of VIEs, Other Noncurrent Assets and Other Noncurrent Liabilities. See Notes 7 and 18 for more information.

Duke Energy recorded an adjustment for the cumulative effect of a change in accounting principle due to the adoption of this standard on January 1, 2020, as shown in the table below:

(in millions)	January 1, 2020					
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Piedmont
Total pretax impact to Retained Earnings	\$ 120	\$ 16	\$ 2	\$ 1	\$ 1	\$ 1

The following new accounting standard has been issued but not yet adopted by the Duke Energy Regulators as of December 31, 2021.

Reference Rate Reform. In March 2020, the FASB issued new accounting guidance for reference rate reform. This guidance is effective and provides expedients to facilitate financial reporting for the anticipated transition away from the London Interbank Offered Rate (LIBOR) and other interbank reference rates starting in 2021 with rates expected to be fully phased out in 2023. The optional expedients are effective for modification of existing contracts or new arrangements executed between March 12, 2020, through December 31, 2022.

Duke Energy has variable rate debt and manages interest rate risk by entering into financial contracts including interest rate swaps that are generally indexed to LIBOR. Impacted financial arrangements extending beyond the phase out of the applicable LIBOR rate may require contractual amendment or termination to fully adapt to a post LIBOR environment. Duke Energy is assessing these financial arrangements and evaluating the use of optional expedients outlined in the new accounting guidance. A tentative index provisions are also being assessed and incorporated into new financial arrangements that extend beyond the phase out of the applicable LIBOR rate. The full outcome of the transition away from LIBOR cannot be determined at this time, but is not expected to have a material impact on the financial statements.

2. BUSINESS SEGMENTS

Reportable segments are determined based on information used by the chief operating decision maker in deciding how to allocate resources and evaluate the performance of the business. Duke Energy evaluates segment performance based on segment income. Segment income is defined as income from continuing operations net of income attributable to noncontrolling interests and preferred stock dividends. Segment income, as discussed below, includes intercompany revenues and expenses that are eliminated on the Consolidated Financial Statements. Certain governance costs are allocated to each segment. In addition, direct interest expense and income taxes are included in segment income.

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

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 includes Duke Energy's regulated electric utilities in the Carolinas, Florida and the Midwest. The regulated electric utilities conduct operations through the Subsidiary Regulators that are substantially regulated and, accordingly, qualify for regulatory accounting treatment. Electric Utilities and Infrastructure also includes Duke Energy's electric transmission infrastructure investments.

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 and midstream pipeline investments. Gas Utilities and Infrastructure's operations are substantially regulated and, accordingly, qualify for regulatory accounting treatment.

The Commercial Renewables segment is primarily comprised of nonregulated utility scale wind and solar generation assets located throughout the U.S.

The remainder of Duke Energy's operations is presented as Other, which is primarily comprised of interest expense on holding company debt, unaudited corporate costs and Duke Energy's wholly owned captive insurance company, Benson. Other also includes Duke Energy's interest in NMC. See Note 12 for additional information on the investment in NMC.

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

(in millions)	Year Ended December 31, 2021						Total
	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Commercial Renewables	Total Reportable Segments	Other	Eliminations	
Unaffiliated Revenues	\$ 22,570	\$ 2,022	\$ 476	\$ 25,068	\$ 29	\$	\$ 25,097
Intersegment Revenues	33	90		123	82	(205)	
Total Revenues	\$ 22,603	\$ 2,112	\$ 476	\$ 25,191	\$ 111	\$ (205)	\$ 25,097
Interest Expense	\$ 1,432	\$ 142	\$ 72	\$ 1,646	\$ 643	\$ (9)	\$ 2,280
Depreciation and amortization	4,251	303	225	4,779	237	(26)	4,990
Equity earnings (losses) of unconsolidated affiliates	7	8	(34)	(19)	47		28
Income tax expense (benefit)	494	55	(78)	471	(279)		192
Segment income (loss) ^{(a)(b)(c)(d)}	3,850	396	201	4,447	(652)		3,795
Less noncontrolling interest							329
Add back preferred stock dividend							106
Income from discontinued operations, net of tax							7
Net income							\$ 3,579
Capital investments expenditures and acquisitions	\$ 7,653	\$ 1,271	\$ 543	\$ 9,467	\$ 285	\$	\$ 9,752
Segment assets	143,841	15,179	6,977	165,997	3,590		169,587

- (a) Electric Utilities and Infrastructure includes \$160 million of expense recorded with the Impairment of assets and other charges, \$77 million of income with the Other Income and expenses, \$5 million of expense with the Operations, maintenance and other, \$13 million of income with the regulated operating revenues, \$3 million of expense with the interest expense and \$6 million of expense with the Depreciation and amortization on the Duke Energy Carolinas' Consolidated Statement of Operations related to the South Carolina Supreme Court decision on coal ash and insurance proceeds; it also includes \$42 million of expense recorded with the Impairment of assets and other charges, \$34 million of income with the Other Income and expenses, \$7 million of expense with the Operations, maintenance, and other, \$15 million of income with the Regulated electric operating revenues, \$5 million of expense with the interest expense and \$1 million of expense with the Depreciation and amortization on the Duke Energy Progress' Consolidated Statement of Operations. See Notes 3 and 4 for more information.
- (b) Gas Utilities and Infrastructure includes \$20 million, recorded with the Equity earnings (losses) of unconsolidated affiliates on the Consolidated Statements of Operations, related to natural gas pipeline investments. See Note 3 for additional information.
- (c) Commercial Renewables includes a \$35 million loss related to Texas Storm Unrest of which (\$8 million) is recorded with the Nonregulated electric and other revenues, \$2 million with the Operations, maintenance and other, \$29 million with the Equity earnings (losses) of unconsolidated affiliates and \$12 million with the Loss Attribution to Noncontrolling Interests on the Consolidated Statements of Operations. See Note 4 for additional information.
- (d) Other includes \$133 million recorded with the Impairment of assets and other charges, \$42 million with the Operations, maintenance and other, and \$17 million with the Depreciation and amortization on the Consolidated Statements of Operations, related to the workplace and workplace reorganization. See Note 10 for additional information.

(in millions)	Year Ended December 31, 2020						
	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Commercial Renewables	Total Reportable Segments	Other	Eliminations	Total
Unaffiliated Revenues	\$ 21,687	\$ 1,653	\$ 502	\$ 23,842	\$ 26	\$	\$ 23,868
Intersegment Revenues	33	95		128	71	(199)	
Total Revenues	\$ 21,720	\$ 1,748	\$ 502	\$ 23,970	\$ 97	\$ (199)	\$ 23,868
Interest Expense	\$ 1,320	\$ 135	\$ 66	\$ 1,521	\$ 657	\$ (16)	\$ 2,162
Depreciation and amortization	4,068	258	199	4,525	209	(29)	4,705
Equity earnings (losses) of unconsolidated affiliates	(1)	(2,017)		(2,018)	13		(2,005)
Income tax expense (benefit)	340	(349)	(65)	(74)	(162)		(236)
Segment income (loss) ^{(a)(b)(c)}	2,669	(1,266)	286	1,689	(426)		1,263
Less noncontrolling interest							295
Add back preferred stock dividend							107
Income from discontinued operations, net of tax							7
Net income							\$ 1,082
Capital investments expenditures and acquisitions	\$ 7,629	\$ 1,309	\$ 1,219	\$ 10,157	\$ 264	\$	\$ 10,421
Segment assets	138,225	13,849	6,716	158,790	3,598		162,388

- (a) Electric Utilities and Infrastructure includes \$948 million of impairment of assets and other charges and a reversal of \$152 million included in Regulated electric operating revenue related to the CCR Settlement Agreement filed with the NCUC. Additionally, Electric Utilities and Infrastructure includes \$19 million of impairment of assets and other charges related to the Cernson University Combined Heat and Power Plant, \$5 million of impairment charges related to the natural gas pipeline assets and \$16 million of shareholder contributions within Operations, maintenance and other related to Duke Energy Carolinas' and Duke Energy Progress' 2019 North Carolina rate cases. See Note 3 for additional information.
- (b) Gas Utilities and Infrastructure includes \$2.1 billion recorded within Equity earnings (losses) of unconsolidated affiliates and \$7 million of impairment of assets and other charges related to natural gas pipeline investments. See Notes 3 and 12 for additional information.
- (c) Other includes a \$98 million reversal of 2018 severance costs due to a partial settlement in the Duke Energy Carolinas' 2019 North Carolina rate case. See Note 20 for additional information.

(in millions)	Year Ended December 31, 2019						
	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Commercial Renewables	Total Reportable Segments	Other	Eliminations	Total
Unaffiliated Revenues	\$ 22,798	\$ 1,770	\$ 487	\$ 25,055	\$ 24	\$	\$ 25,079
Intersegment Revenues	33	96		129	71	(200)	
Total Revenues	\$ 22,831	\$ 1,866	\$ 487	\$ 25,184	\$ 95	\$ (200)	\$ 25,079
Interest Expense	\$ 1,345	\$ 117	\$ 95	\$ 1,557	\$ 705	\$ (58)	\$ 2,204
Depreciation and amortization	3,951	256	168	4,375	178	(5)	4,548
Equity earnings (losses) of unconsolidated affiliates	9	114	(4)	119	43		162
Income tax expense (benefit)	785	22	(115)	692	(173)		519
Segment income (loss) ^{(a)(b)}	3,536	432	198	4,166	(452)		3,714
Less noncontrolling interest							177
Add back preferred stock dividend							41
Loss from discontinued operations, net of tax							(7)
Net income							\$ 3,571
Capital investments expenditures and acquisitions	\$ 8,263	\$ 1,539	\$ 1,423	\$ 11,225	\$ 221	\$	\$ 11,446
Segment assets	135,561	13,921	6,020	155,502	3,148	188	158,838

- (a) Electric Utilities and Infrastructure includes a \$27 million reduction of a prior year impairment at Citrus County CC related to the plant's cost cap.
- (b) Gas Utilities and Infrastructure includes an after-tax impairment charge of \$19 million for the remaining investment in Constellation. See Note 12 for additional information.

Geographical Information

Substantially all assets and revenues from continuing operations are within the U.S.

Major Customers

For the year ended December 31, 2021, revenues from one customer of Duke Energy Progress are \$586 million. Duke Energy Progress has one reportable segment, Electric Utilities and Infrastructure. No other Subsidiary Registrant has an individual customer representing more than 10% of its revenues.

Products and Services

The following table summarizes revenues of the reportable segments by type.

(in millions)	Retail Electric	Wholesale Electric	Retail Natural Gas	Other	Total Revenues
2021					
Electric Utilities and Infrastructure	\$ 19,410	\$ 2,216	\$	\$ 977	\$ 22,603
Gas Utilities and Infrastructure			2,025	87	2,112
Commercial Renewables		411		65	476
Total Reportable Segments	\$ 19,410	\$ 2,627	\$ 2,025	\$ 1,129	\$ 25,191
2020					
Electric Utilities and Infrastructure	\$ 18,898	\$ 1,878	\$	\$ 944	\$ 21,720
Gas Utilities and Infrastructure			1,691	57	1,748
Commercial Renewables		434		68	502
Total Reportable Segments	\$ 18,898	\$ 2,312	\$ 1,691	\$ 1,069	\$ 23,970
2019					
Electric Utilities and Infrastructure	\$ 19,745	\$ 2,231	\$	\$ 855	\$ 22,831
Gas Utilities and Infrastructure			1,782	84	1,866
Commercial Renewables		389		98	487
Total Reportable Segments	\$ 19,745	\$ 2,620	\$ 1,782	\$ 1,037	\$ 25,184

Duke Energy Ohio

Duke Energy Ohio has two reportable segments, Electric Utilities and Infrastructure and Gas Utilities and Infrastructure.

Electric Utilities and Infrastructure transmits and distributes electricity in portions of Ohio and generates, distributes and sells electricity in portions of Northern Kentucky. Gas Utilities and Infrastructure transports and sells natural gas in portions of Ohio and Northern Kentucky. Both reportable segments conduct operations primarily through Duke Energy Ohio and its wholly owned subsidiary, Duke Energy Kentucky. The remainder of Duke Energy Ohio's operations is presented as Other.

A Duke Energy Ohio assets and revenues from continuing operations are within the U.S.

Year Ended December 31, 2021						
(in millions)	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Total Reportable Segments	Other	Eliminations	Total
Total revenues	\$ 1,493	\$ 544	\$ 2,037	\$	\$	\$ 2,037
Interest expense	\$ 87	\$ 24	\$ 111	\$	\$	\$ 111
Depreciation and amortization	217	90	307			307
Income tax expense (benefit)	15	19	34	(4)		30
Segment income (loss)/Net income	141	78	219	(15)		204
Capital expenditures	\$ 486	\$ 362	\$ 848	\$	\$	\$ 848
Segment assets	6,882	3,892	10,774	29	(29)	10,774

Year Ended December 31, 2020						
(in millions)	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Total Reportable Segments	Other	Eliminations	Total
Total revenues	\$ 1,405	\$ 453	\$ 1,858	\$	\$	\$ 1,858
Interest expense	\$ 85	\$ 17	\$ 102	\$	\$	\$ 102
Depreciation and amortization	200	78	278			278
Income tax expense (benefit)	19	26	45	(2)		43
Segment income (loss)/Net Income	162	96	258	(6)		252
Capital expenditures	\$ 548	\$ 286	\$ 834	\$	\$	\$ 834
Segment assets	6,615	3,380	9,995	32	(2)	10,025

(in millions)	Year Ended December 31, 2019					
	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Total Reportable Segments	Other	Eliminations	Total
Total revenues	\$ 1,456	\$ 484	\$ 1,940	\$	\$	\$ 1,940
Interest expense	\$ 80	\$ 29	\$ 109	\$	\$	\$ 109
Depreciation and amortization	182	83	265			265
Income tax expense (benefit)	20	21	41	(1)		40
Segment income (loss)	159	85	244	(5)		239
Loss from discontinued operations, net of tax						(1)
Net income						\$ 238
Capital expenditures	\$ 680	\$ 272	\$ 952	\$	\$	\$ 952
Segment assets	6,188	3,116	9,304	34		9,338

3. REGULATORY MATTERS

REGULATORY ASSETS AND LIABILITIES

The Duke Energy Regulators record regulatory assets and liabilities that result from the ratemaking process. See Note 1 for further information.

The following tables present the regulatory assets and liabilities recorded on the Consolidated Balance Sheets of Duke Energy and Progress Energy. See separate tables below for balances by individual registrant.

(in millions)	Duke Energy		Progress Energy	
	December 31,		December 31,	
	2021	2020	2021	2020
Regulatory Assets				
AROs – coal ash	\$ 3,408	\$ 3,408	\$ 1,399	\$ 1,357
AROs – nuclear and other	684	754	620	685
Accrued pension and OPEB	2,017	2,317	725	875
Deferred fuel and purchased power	1,253	213	718	162
Storm cost securitized balance, net	991		759	
Nuclear asset securitized balance, net	937	991	937	991
Debt fair value adjustment	884	950		
Retired generation facilities	357	417	265	363
Post-nuclear service carrying costs (PISCC) and deferred operating expenses	356	397	47	51
Hedge costs deferrals	348	351	137	148
Deferred asset – Lee and Harris COLA	317	356	21	32
Advanced metering infrastructure (AMI)	311	311	130	102
Customer connect project	242	136	124	55
Demand side management (DSM)/Energy efficiency (EE)	235	242	230	241
Vacation accrual	221	221	42	42
Storm cost deferrals	213	1,102	189	893
NCEMPA deferrals	165	124	165	124
CEP deferral	161	117		
Derivatives – natural gas supply contracts	139	122		
COR settlement	123	128	32	33
Nuclear deferral	120	123	42	35
Deferred pipeline integrity costs	108	92		
Costs of removal – regulatory asset	107		107	
Manufactured gas plant (MGP)	104	104		
Qualifying facility contract buyouts	94	107	94	107
ABSAT, coal ash basin closure	90	98	23	27
Incremental COVID-19 expenses	87	76	28	23
Amounts due from customers	85	110		
Deferred severance charges	54	86	18	29
Other	426	609	87	158
Total regulatory assets	14,637	14,062	6,939	6,533
Less: current portion	2,150	1,641	1,030	758
Total noncurrent regulatory assets	\$ 12,487	\$ 12,421	\$ 5,909	\$ 5,775
Regulatory Liabilities				
Net regulatory liability related to income taxes	\$ 7,199	\$ 7,368	\$ 2,394	\$ 2,411
Costs of removal	6,150	5,883	2,955	2,666
AROs – nuclear and other	2,053	1,512		
Provisions for rate refunds	274	344	87	123
Hedge cost deferrals	271	24	117	8
Accrued pension and OPEB	213	177		
Other	1,203	1,098	491	483
Total regulatory liabilities	17,363	16,406	6,044	5,691
Less: current portion	1,211	1,377	478	640
Total noncurrent regulatory liabilities	\$ 16,152	\$ 15,029	\$ 5,566	\$ 5,051

Descriptions of regulatory assets and liabilities summarized in the tables above and below follow. See tables below for recovery and amortization periods at the separate registrants.

AROs – coal ash. Represents deferred depreciation and accretion related to the legal obligation to close ash basins. The costs are deferred until recovery treatment has been determined. See Notes 1 and 9 for additional information.

AROs nuclear and other. Represents regulatory assets or liabilities, including deferred depreciation and accretion, related to obligations associated with the future retirement of property, plant and equipment, excluding amounts related to coal ash. The AROs relate primarily to decommissioning nuclear power facilities. The amounts also include certain deferred gains and losses on NDTF investments. See Notes 1 and 9 for additional information.

Accrued pension and OPEB. Accrued pension and OPEB represent regulatory assets and liabilities related to each of the Duke Energy Regulators' respective shares of unrecognized actuarial gains and losses and unrecognized prior service cost and credit attributable to Duke Energy's pension plans and OPEB plans. The regulatory asset or liability is amortized with the recognition of actuarial gains and losses and prior service cost and credit to net periodic benefit costs for pension and OPEB plans. The accrued pension and OPEB regulatory assets are expected to be recovered primarily over the average remaining service periods or life expectancies of employees covered by the benefit plans. See Note 22 for additional details.

Deferred fuel and purchased power. Represents certain energy related costs that are recoverable or refundable as approved by the applicable regulatory body.

Storm cost securitized balance, net. Represents the North Carolina portion of storm restoration expenditures related to Hurricane Florence, Hurricane Michael, Hurricane Dorian and Winter Storm Dego (2018 and 2019 events).

Nuclear asset securitized balance, net. Represents the balance associated with Crystal River Unit 3 retirement approved for recovery by the FPSC on September 15, 2015, and the upfront financing costs securitized in 2016 with issuance of the associated bonds. The regulatory asset balance is net of the AFUDC equity portion.

Debt fair value adjustment. Purchase accounting adjustments recorded to state the carrying value of Progress Energy and Piedmont at fair value in connection with the 2012 and 2016 mergers, respectively. Amounts amortized over the life of the related debt.

Retired generation facilities. Represents amounts to be recovered for facilities that have been retired and are probable of recovery.

Post-in-service carrying costs (PISCC) and deferred operating expenses. Represents deferred depreciation and operating expenses as well as carrying costs on the portion of capital expenditures placed in service but not yet reflected in rates as plant in service.

Hedge costs deferrals. Amounts relate to unrealized gains and losses on derivatives recorded as a regulatory asset or liability, respectively, until the contracts are settled.

Deferred asset Lee and Harris COLA. Represents deferred costs incurred for the canceled Lee and Harris nuclear projects.

AMI. Represents deferred costs related to the installation of AMI meters and remaining net book value of non-AMI meters to be replaced at Duke Energy Carolinas, net book value of existing meters at Duke Energy Florida, Duke Energy Progress and Duke Energy Ohio and future recovery of net book value of electromechanical meters that have been replaced with AMI meters at Duke Energy Indiana.

Customer connect project. Represents incremental operating expenses and carrying costs on deferred amounts related to the deployment of the new customer information system.

DSM/EE. Deferred costs related to various DSM and EE programs recoverable through various mechanisms.

Vacation accrual. Represents vacation entitlement, which is generally recovered in the following year.

Storm cost deferrals. Represents deferred incremental costs incurred related to major weather related events.

NCEMPA deferrals. Represents retained allocated cost deferrals and returns associated with the additional ownership interest in assets acquired from NCEMPA in 2015.

CEP deferral. Represents deferred depreciation, PISCC and deferred property tax for Duke Energy Ohio Gas capital assets for the Capital Expenditure Program (CEP).

Derivatives natural gas supply contracts. Represents costs for certain ongoing dated, fixed quantity forward natural gas supply contracts, which are recoverable through PGA causes.

COR settlement. Represents approved COR settlements that are being amortized over the average remaining lives, at the time of approval, of the associated assets.

Nuclear deferral. Includes amounts related to leveling nuclear plant outage costs, which allows for the recognition of nuclear outage expenses over the refueling cycle rather than when the outage occurs, resulting in the deferral of operations and maintenance costs associated with refueling.

Deferred pipeline integrity costs. Represents pipeline integrity management costs in compliance with federal regulations.

Costs of removal regulatory asset. Represents the excess of spend over funds received from customers to cover the future removal of property, plant and equipment from retired or abandoned sites as property is retired, net of certain deferred gains on NDTF investments.

MGP. Represents remediation costs incurred at former MGP sites and the deferral of costs to be incurred at Duke Energy Ohio's East End and West End sites.

Qualifying facility contract buyouts. Represents term natural gas payments for regulatory recovery through the capacity cause.

ABSAT, coal ash basin closure. Represents deferred depreciation and returns associated with Ash Basin Strategic Act on Team (ABSAT) capital assets related to converting the ash handling system from wet to dry.

Incremental COVID-19 expenses. Represents incremental costs related to ensuring continuity and quality of service in a safe manner during the COVID-19 pandemic.

Amounts due from customers. Relates primarily to margin decoupling and IMR recovery mechanisms.

Deferred severance charges. Represents costs incurred for employees separation from Duke Energy.

Net regulatory liability related to income taxes. Amounts for all registrants include regulatory liabilities related primarily to impacts from the Tax Act. See Note 23 for additional information. Amounts have no immediate impact on rate base as regulatory assets are offset by deferred tax assets.

Costs of removal. Represents funds received from customers to cover the future removal of property, plant and equipment from retired or abandoned sites as property is retired. Also includes certain deferred gains on NDTF investments.

Provision for rate refunds. Represents estimated amounts due to customers based on recording interim rates subject to refund.

Amounts to be refunded to customers. Represents required rate reductions to return customers by the applicable regulatory body.

RESTRICTIONS ON THE ABILITY OF CERTAIN SUBSIDIARIES TO MAKE DIVIDENDS, ADVANCES AND LOANS TO DUKE ENERGY

As a condition to the approval of merger transactions, the NCUC, PSCSC, PUCO, KPSC and IURC imposed conditions on the ability of Duke Energy Carolinas, Duke Energy Progress, Duke Energy Ohio, Duke Energy Kentucky, Duke Energy Indiana and Piedmont to transfer funds to Duke Energy through loans or advances, as well as restricted amounts available to pay dividends to Duke Energy. Certain subsidiaries may transfer funds to the Parent by obtaining approval of the respective state regulatory commissions. These conditions imposed restrictions on the ability of the public utility subsidiaries to pay cash dividends as discussed below.

Duke Energy Progress and Duke Energy Florida also have restrictions imposed by the first mortgage bond indentures, which in certain circumstances, limit the ability to make cash dividends or distributions on common stock. Amounts restricted as a result of these provisions were not material at December 31, 2021.

Duke Energy Indiana has certain dividend restrictions as a result of the minority interest investment agreement entered in January 2021 with GIC. Duke Energy Indiana will declare dividends before the second closing, which is required to be completed no later than January 2023, in accordance with the agreement. See additional information in Note 1.

Additionally, certain other subsidiaries of Duke Energy have restrictions on the ability to dividend, loan or advance funds to Duke Energy due to specific regulatory restrictions, including, but not limited to, minimum working capital and tangible net worth requirements.

The restrictions discussed below were not a material amount of Duke Energy's and Progress Energy's net assets at December 31, 2021.

Duke Energy Carolinas

Duke Energy Carolinas must limit cumulative distributions subsequent to mergers to () the amount of retained earnings on the day prior to the closing of the mergers, plus () any future earnings recorded.

Duke Energy Progress

Duke Energy Progress must limit cumulative distributions subsequent to the mergers between Duke Energy and Progress Energy and Duke Energy and Piedmont to () the amount of retained earnings on the day prior to the closing of the respective mergers, plus () any future earnings recorded.

Duke Energy Ohio

Duke Energy Ohio will not declare and pay dividends out of capital or unearned surplus without the prior authorization of the PUCO. Duke Energy Ohio received FERC and PUCO approval to pay dividends from its equity accounts that are reflective of the amount that it would have in its retained earnings account had push down accounting for the Cnergy merger not been applied to Duke Energy Ohio's balance sheet. The conditions include a commitment from Duke Energy Ohio that equity, adjusted to remove the impacts of push down accounting, will not fall below 30% of total capital.

Duke Energy Kentucky is required to pay dividends solely out of retained earnings and to maintain a minimum of 35% equity in its capital structure.

Duke Energy Indiana

Duke Energy Indiana must limit cumulative distributions subsequent to the merger between Duke Energy and Cnergy to () the amount of retained earnings on the day prior to the closing of the merger, plus () any future earnings recorded. In addition, Duke Energy Indiana will not declare and pay dividends out of capital or unearned surplus without prior authorization of the IURC.

Piedmont

Piedmont must limit cumulative distributions subsequent to the acquisition of Piedmont by Duke Energy to () the amount of retained earnings on the day prior to the closing of the merger, plus () any future earnings recorded.

RATE-RELATED INFORMATION

The NCUC, PSCSC, FPSC, IURC, PUCO, TPUC and KPSC approve rates for retail electric and natural gas services within the respective 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

2021 Coal Ash Settlement

On January 22, 2021, Duke Energy Carolinas and Duke Energy Progress entered into the Coal Combustion Residuals Settlement Agreement (the "CCR Settlement Agreement") with the North Carolina Public Staff (Public Staff), the North Carolina Attorney General's Office and the Sierra Club (collectively, the "Settling Parties"), which was filed with the NCUC on January 25, 2021. The CCR Settlement Agreement resolves coal ash prudence and cost recovery issues in connection with 2019 rate cases filed by Duke Energy Carolinas and Duke Energy Progress with the NCUC, as well as the equitable sharing issue on remand from the 2017 Duke Energy Carolinas and Duke Energy Progress North Carolina rate cases as a result of the December 11, 2020 North Carolina Supreme Court opinion. The settlement also provides clarity on coal ash cost recovery in North Carolina for Duke Energy Carolinas and Duke Energy Progress through January 2030 and February 2030 (the "Term"), respectively.

Duke Energy Carolinas and Duke Energy Progress agreed not to seek recovery of approximately \$1 billion of systemwide deferred coal ash expenditures, but will retain the ability to earn a debt and equity return during the amortization period, which shall be five years under the 2019 North Carolina rate cases and will be set by the NCUC in future rate case proceedings. The equity return and the amortization period on deferred coal ash costs under the 2017 Duke Energy Carolinas and Duke Energy Progress North Carolina rate cases will remain unaffected. The equity return on deferred coal ash costs under the 2019 North Carolina rate cases and future rate cases in North Carolina will be set at 150 basis points lower than the authorized return on equity (ROE) then in effect, with a capital structure composed of 48% debt and 52% equity. Duke Energy Carolinas and Duke Energy Progress retain the ability to earn a full WACC return during the deferral period, which is the period from when costs are incurred until they are recovered in rates.

The Settling Parties agreed that execution by Duke Energy Carolinas and Duke Energy Progress of a settlement agreement between themselves and the NCUC dated December 31, 2019, (the "DEQ Settlement") and the coal ash management plans included therein or subsequently approved by DEQ are reasonable and prudent. The Settling Parties retain the right to challenge the reasonableness and prudence of actions taken by Duke Energy Carolinas and Duke Energy Progress and costs incurred to implement the scope of work agreed upon in the DEQ Settlement, after February 1, 2020, and March 1, 2020, for Duke Energy Carolinas and Duke Energy Progress, respectively. The Settling Parties further agreed to waive rights through the Term to challenge the reasonableness or prudence of Duke Energy Carolinas' and Duke Energy Progress' historical coal ash management practices, and to waive the right to assert any arguments that future coal ash costs, including financing costs, shall be shared between the company and customers through equitable sharing or any other rate base or return adjustment that shares the revenue requirement burden of coal ash costs not otherwise disallowed due to imprudence.

The Settling Parties agreed to a sharing arrangement for future coal ash insurance litigation proceeds between Duke Energy Carolinas and Duke Energy Progress and North Carolina customers. For more information, see Note 4 "Commitments and Contingencies."

As a result of the CCR Settlement Agreement, Duke Energy Carolinas and Duke Energy Progress recorded a pretax charge of approximately \$454 million and \$494 million, respectively, in the fourth quarter of 2020 to impairment of assets and other charges and a reversal of approximately \$50 million and \$102 million, respectively, to Regulated electric operating revenues on the respective Consolidated Statements of Operations.

The Coal Ash Settlement was approved without modification in the NCUC Orders in the 2019 rate cases on March 31, 2021, and April 16, 2021, for Duke Energy Carolinas and Duke Energy Progress, respectively. The NCUC issued an Order on Remand Accepting CCR Settlement and Affirming Previous Orders Settling Rates and Imposing Penalties in the 2017 rate cases on June 25, 2021.

Carbon Plan

The NCUC is required by North Carolina House Bill 951 (HB 951) to adopt an initial Carbon Plan on or before December 31, 2022. The NCUC has directed Duke Energy Carolinas and Duke Energy Progress to file a proposed Carbon Plan on or before May 16, 2022. Duke Energy Carolinas and Duke Energy Progress cannot predict the outcome of this matter.

Performance-Based Regulation Rules

On February 10, 2022, the NCUC adopted rules to govern the application and review process for the Performance Based Regulation (PBR) authorized under HB 951. The PBR rules are constructive and consistent with the policy objectives of HB 951.

2020 North Carolina Storm Securitization Filings

On October 26, 2020, Duke Energy Carolinas and Duke Energy Progress filed a joint petition with the NCUC, as agreed to in part a settlements reached in the 2019 North Carolina Rate Cases for Duke Energy Carolinas and Duke Energy Progress, seeking authorization for the financing of the costs of each utility's storm recovery activities required as a result of Hurricane Florence, Hurricane Michael, Hurricane Dorian and Winter Storm Dego. Specifically, Duke Energy Carolinas and Duke Energy Progress requested that the NCUC find that the storm recovery costs and related financing costs are appropriately financed by debt secured by storm recovery property, and that the commissions issue financing orders by which each utility may accomplish such financing using a securitization structure. On January 27, 2021, Duke Energy Carolinas, Duke Energy Progress and the Public Staff filed an Agreement and Stipulation of Part a Settlement, subject to review and approval of the NCUC, resolving certain accounting issues, including agreement to support an 18 to 20 year bond period. In the NCUC Orders in the 2019 rate cases issued on March 31, 2021, and April 16, 2021, for Duke Energy Carolinas and Duke Energy Progress, respectively, the reasonableness and prudence of the deferred storm costs was approved. On May 20, 2021, the NCUC issued financing orders authorizing the companies to issue storm recovery bonds, subject to the terms of the financing orders, and approving the Agreement and Stipulation of Part a Settlement in its entirety. The storm recovery bonds were issued by Duke Energy Carolinas and Duke Energy Progress on November 24, 2021.

COVID-19 Filings

North Carolina

Duke Energy Carolinas and Duke Energy Progress filed a joint petition on August 7, 2020, with the NCUC for deferral treatment of incremental costs and the cost of waived customer fees due to the COVID-19 pandemic. On December 29, 2021, the NCUC approved Duke Energy Carolinas' and Duke Energy Progress' joint petition to defer estimated incremental pandemic related costs, without prejudice, to the NCUC's future determination of the appropriate ratemaking treatment ultimately to be accorded such costs in future rate case proceedings.

Duke Energy Carolinas

Regulatory Assets and Liabilities

The following tables present the regulatory assets and liabilities recorded on Duke Energy Carolinas' Consolidated Balance Sheets.

(in millions)	December 31,		Earnings/Payments a Return	Recovery/Refund Period Ends
	2021	2020		
Regulatory Assets ^(a)				
AROs - coal ash	\$ 1,227	\$ 1,414	(h)	(b)
Accrued pension and OPEB ^(c)	365	427	Yes	()
Deferred fuel and purchased power	339	42	(e)	2023
Storm cost securitized balance, net	232			2041
Retired generation facilities ^(c)	54	11	Yes	2023
PISCC ^(c)	31	32	Yes	(b)
Hedge cost deferrals ^(c)	171	174	Yes	(b)
Deferred asset - Lee COLA	296	324		(b)
AMI	140	154	Yes	(b)
Customer connect project	66	50	Yes	(b)
Vacation accrual	83	84		2022
Storm cost deferrals	22	205	Yes	(b)
COR settlement	91	95	Yes	(b)
Nuclear deferral	78	88		2023
ABSAT, coal ash basin closure	67	71	Yes	(b)
Incremental COVID-19 expenses	51	31	Yes	(b)
Deferred severance charges	36	57		2023
Other	130	210		(b)
Total regulatory assets	3,479	3,469		
Less: current portion	544	473		
Total noncurrent regulatory assets	\$ 2,935	\$ 2,996		
Regulatory Liabilities ^(a)				
Net regulatory liability related to income taxes ^(d)	\$ 2,785	\$ 2,874		(b)
Costs of removal ^(c)	2,009	1,975	Yes	(f)
AROs - nuclear and other	2,053	1,512		(b)
Provisions for rate refunds ^(c)	124	170	Yes	
Hedge cost deferrals	154	16		(b)
Accrued pension and OPEB ^(c)	44	32	Yes	()
Other	516	429		(b)
Total regulatory liabilities	7,685	7,008		
Less: current portion	487	473		
Total noncurrent regulatory liabilities	\$ 7,198	\$ 6,535		

(a) Regulatory assets and liabilities are excluded from rate base unless otherwise noted.

(b) The expected recovery or refund period varies or has not been determined.

(c) Included in rate base.

(d) Includes regulatory liabilities related to the change in the federal tax rate as a result of the Tax Act and the change in the North Carolina tax rate, both discussed in Note 23. Portions are included in rate base.

(e) Pays interest on over-recovered costs in North Carolina. Includes certain purchased power costs in North Carolina and South Carolina and costs of distributed energy in South Carolina.

(f) Recovered over the life of the associated assets.

(g) Includes incentives on DSM/EE investments and is recovered through an annual rider mechanism.

(h) Earns a debt and equity return on coal ash expenditures for North Carolina and South Carolina retail customers as permitted by various regulatory orders.

() Recovered primarily over the average remaining service periods or life expectancies of employees covered by the benefit plans. See Note 22 for additional details.

2017 North Carolina Rate Case

On August 25, 2017, Duke Energy Carolinas filed an application with the NCUC for a rate increase for retail customers of approximately \$647 million. On February 28, 2018, Duke Energy Carolinas and the Public Staff filed an Agreement and Stipulation of Part A Settlement resolving certain portions of the proceeding. Terms of the settlement included an ROE of 9.9% and a capital structure of 52% equity and 48% debt. On June 22, 2018, the NCUC issued an order approving the Stipulation of Part A Settlement and requiring a revenue reduction.

The North Carolina Attorney General and other parties separately filed Notices of Appeal to the North Carolina Supreme Court. The North Carolina Supreme Court consolidated the Duke Energy Carolinas and Duke Energy Progress appeals. On December 11, 2020, the North Carolina Supreme Court issued an opinion, which affirmed, in part, and reversed and remanded, in part, the NCUC's decisions. In the Opinion, the court upheld the NCUC's decisions to include coal ash costs in the cost of service, as well as the NCUC's decision to allow a return on the unamortized balance of coal ash costs. The court also remanded to the NCUC a single issue to consider the assessment of support for the Public Staff's equitable sharing argument. On January 22, 2021, Duke Energy Carolinas and Duke Energy Progress entered into the CCR Settlement Agreement with the Settling Parties, which was filed with the NCUC on January 25, 2021, and approved by the NCUC on March 31, 2021. The NCUC issued an Order on Remand Accepting CCR Settlement and Affirming Previous Orders Settling Rates and Imposing Penalties on June 25, 2021.

2019 North Carolina Rate Case

On September 30, 2019, Duke Energy Carolinas filed an application with the NCUC for a net rate increase for retail customers of approximately \$291 million, which represented an approximate 6% increase in annual base revenues. The gross rate case revenue increase request was \$445 million, which was offset by an EDIT rider of \$154 million to return to customers North Carolina and federal EDIT resulting from recent reductions in corporate tax rates. The request for a rate increase was driven by major capital investments subsequent to the previous base rate case, coal ash pond closure costs, accelerated coal plant depreciation and deferred 2018 storm costs. Duke Energy Carolinas requested rates be effective no later than August 1, 2020.

On March 25, 2020, Duke Energy Carolinas and the Public Staff filed an Agreement and Stipulation of Part A Settlement, subject to review and approval of the NCUC, resolving certain issues in the base rate proceeding. On July 24, 2020, Duke Energy Carolinas filed its request for approval of its not-true to customers required to implement temporary rates. On July 27, 2020, Duke Energy Carolinas filed a joint motion with Duke Energy Progress and the Public Staff notifying the commissions that the parties reached a joint part A settlement with the Public Staff. Also, on July 27, 2020, Duke Energy Carolinas filed a letter stating that it intended to update its temporary rates calculation to reflect the terms of the part A settlement. On July 31, 2020, Duke Energy Carolinas and the Public Staff filed a Second Agreement and Stipulation of Part A Settlement (Second Part A Settlement), subject to review and approval of the NCUC, resolving certain remaining issues in the base rate proceeding. The remaining items litigated at hearing included recovery of deferred coal ash compliance costs that are subject to asset retirement obligation accounting, implementation of new depreciation rates and the amortization period of the loss on the hydro station sale.

On August 4, 2020, Duke Energy Carolinas filed an amended motion for approval of its amended not-true to customers, seeking to exercise its statutory right to implement temporary rates subject to refund on or after August 24, 2020. The revenue requirement to be recovered, subject to refund, through the temporary rates was based on and consistent with the base rate component of the Second Part A Settlement and excluded the items to be litigated noted above. The NCUC approved the August 4, 2020 amended temporary rates motion on August 6, 2020, and temporary rates went into effect on August 24, 2020.

The Duke Energy Carolinas evidentiary hearing concluded on September 18, 2020, and post-hearing filings were made with the NCUC from all parties by November 4, 2020. On January 22, 2021, Duke Energy Carolinas and Duke Energy Progress entered into the CCR Settlement Agreement with the Settling Parties, which was filed with the NCUC on January 25, 2021.

On March 31, 2021, the NCUC issued an order approving the March 25, 2020, and July 31, 2020, part A settlements. The order includes approval of 1) an ROE of 9.6% based upon a capital structure of 52% equity and 48% debt; 2) deferral treatment of approximately \$800 million of grid improvement projects with a return; 3) a flow back period of five years for unprotected federal EDIT; and 4) the reasonableness and prudence of \$213 million of deferred storm costs, which were removed from the rate case and for which Duke Energy Carolinas filed a petition seeking securitization in October 2020. Additionally, the order approved without modification the CCR Settlement Agreement.

The order denied Duke Energy Carolinas' proposal to shorten the remaining depreciable lives of certain Duke Energy Carolinas coal-fired generating units, finding that the NCUC has not had the chance to fully examine the issue within the context of an integrated resource planning (IRP) proceeding, and upon retirement the remaining net book value of these units should be placed in a regulatory asset account to be amortized over an appropriate period to be determined in a future rate case.

On May 21, 2021, the NCUC issued an Order Approving Rate Schedules, which resulted in a net increase of approximately \$33 million. Revised customer rates became effective on June 1, 2021.

2018 South Carolina Rate Case

On November 8, 2018, Duke Energy Carolinas filed an application with the PSCSC for a rate increase for retail customers of approximately \$168 million.

After hearings in March 2019, the PSCSC issued an order on May 21, 2019, which included an ROE of 9.5% and a capital structure of 53% equity and 47% debt. The order also included the following material components:

- Approval of cancellation of the Lee Nuclear Project, with Duke Energy Carolinas maintaining the combined operating license;
- Approval of recovery of \$125 million (South Carolina retail portion) of Lee Nuclear Project development costs (including AFUDC through December 2017) over a 12-year period, but denial of a return on the deferred balance of costs;
- Approval of recovery of \$96 million of coal ash costs over a five-year period with a return at Duke Energy Carolinas' WACC;

- Denial of recovery of \$115 million of certain coal ash costs deemed to be related to the Coal Ash Act and incremental to the federal CCR rule;
- Approval of a \$66 million decrease to base rates to reflect the change in ongoing tax expense, primarily the reduction in the federal income tax rate from 35% to 21%;
- Approval of a \$45 million decrease through the EDIT Rider to return EDIT resulting from the federal tax rate change and deferred revenues since January 2018 related to the change, to be returned in accordance with the Average Rate Assumption Method (ARAM) for protected EDIT, over a 20 year period for unprotected EDIT associated with Property, Plant and Equipment, over a five year period for unprotected EDIT not associated with Property, Plant and Equipment and over a five year period for the deferred revenues; and
- Approval of a \$17 million decrease through the EDIT Rider related to reductions in the North Carolina state income tax rate from 6.9% to 2.5% to be returned over a five year period.

As a result of the order, revised customer rates were effective June 1, 2019. On May 31, 2019, Duke Energy Carolinas filed a Petition for Rehearing or Reconsideration of that order contending substantial rights of Duke Energy Carolinas were prejudiced by unlawful, arbitrary and capricious rulings by the PSCSC on certain issues presented in the proceeding. On June 19, 2019, the PSCSC issued a direct denial of Duke Energy Carolinas' request to rehear or reconsider the commission's rulings on certain issues presented in the proceeding including coal ash remediation and disposal costs, ROE and the recovery of a return on deferred operation and maintenance expenses. An order detailing the commission's decision on the direct denial was issued on October 18, 2019. Duke Energy Carolinas filed a notice of appeal on November 15, 2019, with the Supreme Court of South Carolina. On November 20, 2019, the South Carolina Energy Users Committee filed a Notice of Appeal with the Supreme Court of South Carolina. In the briefs were filed on April 21, 2020, which included the South Carolina Energy User's Committee brief arguing that the PSCSC erred in allowing Duke Energy Carolinas' recovery of costs related to the Lee Nuclear Station. Response briefs were filed on July 6, 2020, and reply briefs were filed on August 11, 2020. Oral arguments were heard before the Supreme Court of South Carolina on May 26, 2021.

On October 27, 2021, the Supreme Court of South Carolina affirmed the PSCSC's May 2019 order to:

- Disallow cost recovery on certain CCR compliance costs the PSCSC deemed to be incremental to the federal CCR rules;
- Disallow recovery of certain coal ash insurance litigation expenses;
- Disallow a return on certain deferred expenses; and
- Allow recovery of Lee Nuclear Project preconstruction costs.

The Supreme Court of South Carolina's decision notes the prior determination made by the PSCSC that Duke Energy could submit coal ash costs for recovery that were not initially approved in the rate case order if such costs can be attributed to the CCR rules. As a result of the court's opinion, Duke Energy Carolinas recognized a pretax charge of approximately \$160 million to impairment of assets and other charges, and a \$31 million increase in Other income and expenses, net in the Consolidated Statements of Operations for the year ended December 31, 2021, principally related to coal ash remediation at retired coal ash basins. On November 29, 2021, Duke Energy Carolinas filed a petition for rehearing on several grounds, including the Supreme Court of South Carolina's decision on coal ash cost recovery and certain deferred expenses. On February 1, 2022, the Supreme Court of South Carolina denied the petition for rehearing.

Oconee Nuclear Station Subsequent License Renewal

On June 7, 2021, Duke Energy Carolinas filed a subsequent license renewal 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 subsequent license renewal would extend operations of the facility from 60 to 80 years. The current license for units 1 and 2 expires 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, 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 the 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.

Duke Energy Carolinas and Duke Energy Progress intend to seek renewal of operating licenses and 20 year license extensions for all of the 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 this matter.

Duke Energy Progress

Regulatory Assets and Liabilities

The following tables present the regulatory assets and liabilities recorded on Duke Energy Progress' Consolidated Balance Sheets.

(in millions)	December 31,		Earns/Pays a Return	Recovery/Refund Period Ends
	2021	2020		
Regulatory Assets ^(a)				
AROs – coal ash	\$ 1,389	\$ 1,347	(h)	(b)
AROs – nuclear and other	613	683		(c)
Accrued pension and OPEB	351	393		(k)
Deferred fuel and purchased power	303	158	(f)	2023
Storm cost securitized balance, net	759			2041
Retired generation facilities	171	189	Yes	(b)
PISCC and deferred operating expenses	47	51	Yes	2054
Hedge costs deferrals	60	89		(b)
Deferred asset – Harris COLA	21	32		(b)
AMI	92	57	Yes	(b)
Customer connect project	57	25	Yes	(b)
DSM/EE ^(e)	218	224	()	()
Vacation accrual	42	42		2022
Storm cost deferrals ^(d)	170	785	Yes	(b)
NCEMPA deferrals	165	124	(g)	2042
COR settlement	32	33	Yes	(b)
Nuclear deferrals	42	35		2023
ABSAT, coal ash basin closure	23	27	Yes	(b)
Incremental COVID-19 expenses	28	23	Yes	(b)
Deferred severance charges	18	29		2023
Other	50	122		(b)
Total regulatory assets	4,651	4,468		
Less: current portion	533	492		
Total noncurrent regulatory assets	\$ 4,118	\$ 3,976		
Regulatory Liabilities ^(a)				
Net regulatory liability related to income taxes ^(l)	\$ 1,695	\$ 1,662		(b)
Costs of removal	2,955	2,666	Yes	(j)
Provisions for rate refunds	87	123	Yes	
Hedge cost deferrals	117	8		(b)
Other	395	465		(b)
Total regulatory liabilities	5,249	4,924		
Less: current portion	381	530		
Total noncurrent regulatory liabilities	\$ 4,868	\$ 4,394		

(a) Regulatory assets and liabilities are excluded from rate base unless otherwise noted.

(b) The expected recovery or refund period varies or has not been determined.

(c) Recovery period for costs related to nuclear facilities runs through the decommissioning period of each unit.

(d) South Carolina storm costs are included in rate base.

(e) Included in rate base.

(f) Pays interest on over-recovered costs in North Carolina. Includes certain purchased power costs in North Carolina and South Carolina and costs of distributed energy in South Carolina.

(g) South Carolina retail allocated costs are earning a return.

(h) Earns a debt and equity return on coal ash expenditures for North Carolina and South Carolina retail customers as permitted by various regulatory orders.

() Includes incentives on DSM/EE investments and is recovered through an annual rider mechanism.

(j) Recovered over the life of the associated assets.

(k) Recovered primarily over the average remaining service periods or life expectancies of employees covered by the benefit plans. See Note 22 for additional details.

(l) Includes regulatory liabilities related to the change in the federal tax rate as a result of the Tax Act and the change in the North Carolina tax rate, both discussed in Note 23. Portions are included in rate base.

2017 North Carolina Rate Case

On June 1, 2017, Duke Energy Progress filed an application with the NCUC for a rate increase for retail customers of approximately \$477 million, which was subsequently adjusted to \$420 million. On November 22, 2017, Duke Energy Progress and the Public Staff filed an Agreement and Stipulation of Part A Settlement resolving certain portions of the proceeding. Terms of the settlement included an ROE of 9.9% and a capital structure of 52% equity and 48% debt. On February 23, 2018, the NCUC issued an order approving the stipulation. The Public Staff, the North Carolina Attorney General and the Sierra Club filed notices of appeal to the North Carolina Supreme Court.

The North Carolina Supreme Court consolidated the Duke Energy Carolinas and Duke Energy Progress appeals. On December 11, 2020, the North Carolina Supreme Court issued an opinion, which affirmed, in part, and reversed and remanded, in part, the NCUC's decisions. In the Opinion, the court upheld the NCUC's decision to include coal ash costs in the cost of service, as well as the NCUC's decision to allow a return on the unamortized balance of coal ash costs. The court also remanded to the NCUC a single issue to consider the assessment of support for the Public Staff's equitable sharing argument. On January 22, 2021, Duke Energy Progress and Duke Energy Carolinas entered into the CCR Settlement Agreement with the Settling Parties, which was filed with the NCUC on January 25, 2021, and approved by the NCUC on April 16, 2021. The NCUC issued an Order on Remand Accepting CCR Settlement and Affirming Previous Orders Settling Rates and Imposing Penalties on June 25, 2021.

2019 North Carolina Rate Case

On October 30, 2019, Duke Energy Progress filed an application with the NCUC for a net rate increase for retail customers of approximately \$464 million, which represented an approximate 12.3% increase in annual base revenues. The gross rate case revenue increase request was \$586 million, which was offset by riders of \$122 million, primarily an EDIT rider of \$120 million to return to customers North Carolina and federal EDIT resulting from recent reductions in corporate tax rates. The request for a rate increase was driven by major capital investments subsequent to the previous base rate case, coal ash pond closure costs, accelerated coal plant depreciation and deferred 2018 storm costs. Duke Energy Progress sought to defer and recover incremental Hurricane Dorian storm costs in this proceeding and requested rates be effective no later than September 1, 2020. As a result of the COVID 19 pandemic, on March 24, 2020, the NCUC suspended the procedure schedule and postponed the previously scheduled evidentiary hearing on this matter indefinitely.

On June 2, 2020, Duke Energy Progress and the Public Staff filed an Agreement and Stipulation of Part A Settlement, subject to review and approval of the NCUC, resolving certain issues in the base rate proceeding. On July 27, 2020, Duke Energy Progress filed a joint motion with Duke Energy Carolinas and the Public Staff notifying the commission that the parties reached a joint part A settlement with the Public Staff. On July 31, 2020, Duke Energy Progress and the Public Staff filed a Second Agreement and Stipulation of Part A Settlement, subject to review and approval of the NCUC, resolving certain remaining issues in the base rate proceeding. The remaining items litigated at hearing included recovery of deferred coal ash compliance costs that are subject to asset retirement obligation accounting and impairment of new depreciation rates.

On August 7, 2020, Duke Energy Progress filed a motion for approval of notice required to implement temporary rates, seeking to exercise its statutory right to implement temporary rates subject to refund on or after September 1, 2020. The revenue requirement to be recovered subject to refund through the temporary rates was based on and consistent with the terms of the base rate component of the settlement agreements with the Public Staff and excluded items to be litigated noted above. In addition, Duke Energy Progress also sought authorization to place a temporary decrement EDIT Rider into effect, concurrent with the temporary base rate change. The NCUC approved the August 7, 2020 temporary rates motion on August 11, 2020, and temporary rates went into effect on September 1, 2020.

On January 22, 2021, Duke Energy Progress and Duke Energy Carolinas entered into the CCR Settlement Agreement with the Settling Parties, which was filed with the NCUC on January 25, 2021.

On April 16, 2021, the NCUC issued an order approving the June 2, 2020, and July 31, 2020, part A settlements. The order includes approval of 1) an ROE of 9.6% based upon a capital structure of 52% equity and 48% debt; 2) deferral treatment of approximately \$400 million of grid improvement projects with a return; 3) a flow back period of five years for unprotected federal EDIT; and 4) the reasonableness and prudence of approximately \$714 million of deferred storm costs, which were removed from the rate case and for which Duke Energy Progress filed a petition on seeking securitization in October 2020. Additionally, the order approved without modification the CCR Settlement Agreement.

The order denied Duke Energy Progress' proposal to shorten the remaining depreciation lives of certain Duke Energy Progress coal fired generating units, indicating the NCUC has not had the chance to fully examine the issue within the context of an IRP proceeding, and upon retirement the remaining net book value of these units should be placed in a regulatory asset account to be amortized over an appropriate period to be determined in a future rate case.

On May 21, 2021, the NCUC issued an Order Approving Rate Schedules, which resulted in a net increase of approximately \$178 million. Revised customer rates became effective on June 1, 2021.

2018 South Carolina Rate Case

On November 8, 2018, Duke Energy Progress filed an application with the PSCSC for a rate increase for retail customers of approximately \$59 million.

After hearings in April 2019, the PSCSC issued an order on May 21, 2019, which included an ROE of 9.5% and a capital structure of 53% equity and 47% debt. The order also included the following material components:

- Approval of recovery of \$4 million of coal ash costs over a five year period with a return at Duke Energy Progress' WACC;
- Denial of recovery of \$65 million of certain coal ash costs deemed to be related to the Coal Ash Act and incremental to the federal CCR rule;
- Approval of a \$17 million decrease to base rates to reflect the change in ongoing tax expense, primarily the reduction in the federal income tax rate from 35% to 21%;

- Approval of a \$12 million decrease through the EDIT Tax Savings Rider resulting from the federal tax rate change and deferred revenues since January 2018 related to the change, to be returned in accordance with ARAM for protected EDIT, over a 20 year period for unprotected EDIT associated with Property, Plant and Equipment, over a five year period for unprotected EDIT not associated with Property, Plant and Equipment and over a three year period for the deferred revenues; and
- Approval of a \$12 million increase due to the expiration of EDIT related to reductions in the North Carolina state income tax rate from 6.9% to 2.5%.

As a result of the order, revised customer rates were effective June 1, 2019. On May 31, 2019, Duke Energy Progress filed a Petition for Rehearing or Reconsideration of that order contending substantial rights of Duke Energy Progress were prejudiced by unlawful, arbitrary and capricious rulings by the PSCSC on certain issues presented in the proceeding. On June 19, 2019, the PSCSC issued a decision denying Duke Energy Progress' request to rehear or reconsider the commission's rulings on certain issues presented in the proceeding including coal ash remediation and disposal costs, ROE and the recovery of a return on deferred operation and maintenance expenses, but allowing additional ratemaking on related costs. As a result of the decision allowing ratemaking on related costs, customer rates were revised effective July 1, 2019. An order detailing the commission's decision in the decision was issued on October 18, 2019. In November 2019, Duke Energy Progress appealed the decision to the Supreme Court of South Carolina.

On October 27, 2021, the Supreme Court of South Carolina affirmed the PSCSC's May 2019 order to:

- Disallow cost recovery on certain CCR compliance costs the PSCSC deemed to be incremental to the federal CCR rules;
- Disallow recovery of certain coal ash insurance ratemaking expenses; and
- Disallow a return on certain deferred expenses.

The Supreme Court of South Carolina's decision notes the prior determination made by the PSCSC that Duke Energy could submit coal ash costs for recovery that were not initially approved in the rate case order if such costs can be attributed to the CCR rules. As a result of the court's opinion, Duke Energy Progress recognized a pretax charge of approximately \$42 million to impairment of assets and other charges, and a \$6 million increase in Other income and expenses, net, in the Consolidated Statements of Operations for the year ended December 31, 2021, principally related to coal ash remediation at retired coal ash basins. On November 29, 2021, Duke Energy Progress filed a petition for rehearing on several grounds, including the Supreme Court of South Carolina's decision on coal ash cost recovery and certain deferred expenses. On February 1, 2022, the Supreme Court of South Carolina denied the petition for rehearing.

FERC Return on Equity Complaints

On October 11, 2019, North Carolina Eastern Municipal Power Agency (NCEMPA) 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 ROE component contained in the demand formula rate in the Fuel Requirements Power Purchase Agreement (FRPPA) between NCEMPA and Duke Energy Progress is unjust and unreasonable. On July 16, 2020, the FERC set this matter for hearing and settlement judge procedures and established a refund effective date of October 11, 2019. In its order settling the matter for settlement, the FERC allowed for the consideration of variations to the base transmission related ROE methodology developed in its Order No. 569 A, through the introduction of "specific facts and circumstances" involving issues specific to the case. The parties reached a settlement in principle at a settlement conference on January 7, 2021, and filed a settlement package on March 10, 2021. The FERC Trial Staff filed comments in support of the settlement. On April 19, 2021, the Settlement Judge certified the settlement to the FERC as an uncontested settlement. The FERC approved the settlement on May 25, 2021, and Duke Energy Progress filed compliance documents on June 10, 2021. The FERC accepted the compliance filing on October 8, 2021.

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 FPA, alleging that the 11% stated ROE component in the demand formula rate in the Power Supply and Coordination Agreement between NCEMC and Duke Energy Progress is unjust and unreasonable. Under FPA Section 206, the earliest refund effective date that the FERC can establish is the date of the filing of the complaint. Duke Energy Progress responded to the complaint on November 20, 2020, seeking dismissal, demonstrating that the 11% ROE is just and reasonable for the service provided. The parties filed responsive pleadings and are awaiting an order from the FERC. Duke Energy Progress cannot predict the outcome of this matter.

Duke Energy Florida

Regulatory Assets and Liabilities

The following tables present the regulatory assets and liabilities recorded on Duke Energy Florida's Consolidated Balance Sheets.

	December 31,		Earns/Pays	Recovery/Refund
(in millions)	2021	2020	a Return	Period Ends
Regulatory Assets ^(a)				
AROs – coal ash	\$ 10	\$ 10		(b)
AROs – nuclear and other	7	2		(b)
Accrued pension and OPEB ^(c)	374	482	Yes	(g)
Deferred fuel and purchased power	415	4	(f)	2022
Nuclear asset securitized balance, net	937	991		2036
Retired generation facilities ^(c)	94	174	Yes	2044
Hedge costs deferrals ^(c)	77	59	Yes	2038
AMI ^(c)	38	45	Yes	2032
Customer connect project	67	30		2037
DSM/EE ^(c)	12	17	Yes	2025
Storm cost deferrals ^(c)	19	108	(e)	(b)
Costs of removal regulatory asset ^(c)	107		(d)	(b)
Qualifying facility contract buyouts ^(c)	94	107	Yes	2034
Other	37	35	(d)	(b)
Total regulatory assets	2,288	2,064		
Less: current portion	497	265		
Total noncurrent regulatory assets	\$ 1,791	\$ 1,799		
Regulatory Liabilities ^(a)				
Net regulatory liability related to income taxes ^(c)	\$ 699	\$ 749		(b)
Other	97	19	(d)	(b)
Total regulatory liabilities	796	768		
Less: current portion	98	110		
Total noncurrent regulatory liabilities	\$ 698	\$ 658		

- (a) Regulatory assets and liabilities are excluded from rate base unless otherwise noted.
(b) The expected recovery or refund period varies or has not been determined.
(c) Included in rate base.
(d) Certain costs earn/pay a return.
(e) Earns a debt return/interest once collections begin.
(f) Earns commercial paper rate.
(g) Recovered primarily over the average remaining service periods or life expectancies of employees covered by the benefit plans. See Note 22 for additional details.

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 provisions that expire year end 2024; however, Duke Energy Florida has 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%. Duke Energy Florida will also be able to retain the retention of the DOE award of approximately \$173 million for spent nuclear fuel, which is expected to be received in 2022, in order 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.

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.