

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

FORM 10-Q

(Mark One)



QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2019

OR



TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number Registrant, State of Incorporation or Organization, Address of Principal Executive Offices and Telephone Number IRS Employer Identification Number



1-32853 **DUKE ENERGY CORPORATION** 20-2777218
(a Delaware corporation)
550 South Tryon Street
Charlotte, North Carolina 28202-1803
704-382-3853

Commission file number	Registrant, State of Incorporation or Organization, Address of Principal Executive Offices, Telephone Number and IRS Employer Identification Number	Registrant, State of Incorporation or Organization, Address of Principal Executive Offices, Telephone Number and IRS Employer Identification Number

4928 DUKE ENERGY CAROLINAS, LLC (a North Carolina limited liability company) Charlotte, North Carolina 28202-1803 704-382-3853 56-0205520	1-3274 DUKE ENERGY FLORIDA, LLC (a Florida limited liability company) 526 South Church Street 299 First Avenue North St. Petersburg, Florida 33701 704-382-3853 59-0247770

1-15929 PROGRESS ENERGY, INC. (a North Carolina corporation) Raleigh, North Carolina 27601-1748 704-382-3853	1-1232 DUKE ENERGY OHIO, INC. (an Ohio corporation) 410 South Wilmington Street 139 East Fourth Street Cincinnati, Ohio 45202 56-2155481 31-0240030

1-3382 DUKE ENERGY PROGRESS, LLC (a North Carolina limited liability company) Raleigh, North Carolina 27601-1748 704-382-3853	1-3543 DUKE ENERGY INDIANA, LLC (an Indiana limited liability company) 410 South Wilmington Street 1000 East Main Street Plainfield, Indiana 46168 56-0165465 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	which registered	Name of each exchange on
Duke Energy	Common Stock, \$0.001 par value	DUK	New York Stock Exchange LLC	
Duke Energy	5.125% Junior Subordinated Debentures due January 15, 2073	DUKH	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 PR A	New York Stock Exchange LLC	

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

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

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

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

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

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

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

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

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

Number of shares of Common stock outstanding at July 31, 2019:

Registrant	Description	Shares
Duke Energy	Common stock, \$0.001 par value	728,601,060

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

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

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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:

- 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.

Glossary of Terms

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

Term or Acronym	Definition
2013 Settlement	Revised and Restated Stipulation and Settlement Agreement approved in November 2013 among Duke Energy Florida, the Florida OPC and other customer advocates
2017 Settlement	Second Revised and Restated Settlement Agreement in 2017 among Duke Energy Florida, the Florida OPC and other customer advocates, which replaces and supplants the 2013 Settlement
ACP	Atlantic Coast Pipeline, LLC, a limited liability company owned by Dominion, Duke Energy and Southern Company Gas
ACP pipeline	The approximately 600-mile proposed interstate natural gas pipeline
AFS	Available for Sale
AFUDC	Allowance for funds used during construction
the Agents	Wells Fargo Securities, LLC, Citigroup Global Market Inc., J.P. Morgan Securities, LLC
ALJ	Administrative Law Judge
AMI	Advanced Metering Infrastructure
AMT	Alternative Minimum Tax
AOCI	Accumulated Other Comprehensive Income (Loss)
ARO	Asset retirement obligations
ATM	At-the-market
Beckjord	Beckjord Generating Station
Belews Creek	Belews Creek Steam Station
Bison	Bison Insurance Company Limited
Cardinal	Cardinal Pipeline Company, LLC
CC	Combined Cycle
CCR	Coal Combustion Residuals
Citrus County CC	Citrus County Combined Cycle Facility
Coal Ash Act	North Carolina Coal Ash Management Act of 2014
the Company	Duke Energy Corporation and its subsidiaries
Constitution	Constitution Pipeline Company, LLC
CPCN	Certificate of Public Convenience and Necessity
CPRE	Competitive Procurement of Renewable Energy
CRC	Cinergy Receivables Company LLC
Crystal River Unit 3	Crystal River Unit 3 Nuclear Plant
CWA	Clean Water Act
D.C. Circuit Court	U.S. Court of Appeals for the District of Columbia Circuit
DEFPF	Duke Energy Florida Project Finance, LLC
DEFR	Duke Energy Florida Receivables, LLC
DEPR	Duke Energy Progress Receivables, LLC
DERF	Duke Energy Receivables Finance Company, LLC
DRIP	Dividend Reinvestment Program
Duke Energy	Duke Energy Corporation (collectively with its subsidiaries)
Duke Energy Ohio	Duke Energy Ohio, Inc.
Duke Energy Progress	Duke Energy Progress, LLC

Duke Energy Carolinas	Duke Energy Carolinas, LLC
Duke Energy Florida	Duke Energy Florida, LLC
Duke Energy Indiana	Duke Energy Indiana, LLC
Duke Energy Kentucky	Duke Energy Kentucky, Inc.
Duke Energy Registrants	Duke Energy, Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio, Duke Energy Indiana and Piedmont
the EDA	Equity Distribution Agreement
EDIT	Excess deferred income tax
EPA	U.S. Environmental Protection Agency
EPC	Engineering, Procurement and Construction agreement
EPS	Earnings Per Share
ESP	Electric Security Plan
ETR	Effective tax rate
Exchange Act	Securities Exchange Act of 1934
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FES	FirstEnergy Solutions Corp.
Fitch	Fitch Ratings, Inc.
Fluor	Fluor Enterprises, Inc.
FPSC	Florida Public Service Commission
FTR	Financial transmission rights
FV-NI	Fair value through net income
GAAP	Generally accepted accounting principles in the U.S.
GAAP Reported Earnings	Net Income Attributable to Duke Energy Corporation
GAAP Reported EPS	Diluted EPS Attributable to Duke Energy Corporation common stockholders
GWh	Gigawatt-hours
Hardy Storage	Hardy Storage Company, LLC
HLBV	Hypothetical Liquidation at Book Value
ICPA	Inter-Company Power Agreement
IGCC	Integrated Gasification Combined Cycle
IMR	Integrity Management Rider
IRP	Integrated Resource Plan
IRS	Internal Revenue Service
Investment Trusts	NDTF investments and grantor trusts of Duke Energy Progress, Duke Energy Florida and Duke Energy Indiana
IURC	Indiana Utility Regulatory Commission
JDA	Joint Dispatch Agreement
KPSC	Kentucky Public Service Commission
Lee Nuclear Station	William States Lee III Nuclear Station
MGP	Manufactured gas plant
MISO	Midcontinent Independent System Operator, Inc.
MMBtu	Million British Thermal Unit
Moody's	Moody's Investors Service, Inc.

MW	Megawatt
MWh	Megawatt-hour
NAV	Net asset value
NCDEQ	North Carolina Department of Environmental Quality (formerly the North Carolina Department of Environment and Natural Resources)
NCUC	North Carolina Utilities Commission
NDTF	Nuclear decommissioning trust funds
NMC	National Methanol Company
NPDES	National Pollutant Discharge Elimination System
NPNS	Normal purchase/normal sale
NRC	U.S. Nuclear Regulatory Commission
OPEB	Other Post-Retirement Benefit Obligations
ORS	South Carolina Office of Regulatory Staff
OTTI	Other-than-temporary impairment
OVEC	Ohio Valley Electric Corporation
Piedmont	Piedmont Natural Gas Company, Inc.
Piedmont Term Loan	Term loan facility with commitments totaling \$350M entered in June 2017
Pine Needle	Pine Needle LNG Company, LLC
Pioneer	Pioneer Transmission, LLC
PJM	PJM Interconnection, LLC
PMPA	Piedmont Municipal Power Agency
PPAs	Purchase Power Agreements
Progress Energy	Progress Energy, Inc.
PSCSC	Public Service Commission of South Carolina
PUCO	Public Utilities Commission of Ohio
REC	Renewable Energy Certificate
REC Solar	REC Solar Corp.
ROU assets	Right-of-use assets
RRBA	Roanoke River Basin Association
SELC	Southern Environmental Law Center
S&P	Standard & Poor's Rating Services
Subsidiary Registrants	Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio, Duke Energy Indiana and Piedmont
the Tax Act	Tax Cuts and Jobs Act
TPUC	Tennessee Public Utility Commission
U.S.	United States
VIE	Variable Interest Entity
WACC	Weighted Average Cost of Capital
WNA	Weather normalization adjustment
W.S. Lee CC	William States Lee Combined Cycle Facility

ITEM 1. FINANCIAL STATEMENTS

DUKE ENERGY CORPORATION
Condensed Consolidated Statements of Operations
(Unaudited)

(in millions, except per-share amounts)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Operating Revenues				
Regulated electric	\$ 5,423	\$ 5,178	\$ 10,708	\$ 10,462
Regulated natural gas	280	291	1,008	991
Nonregulated electric and other	170	174	320	325
Total operating revenues	5,873	5,643	12,036	11,778
Operating Expenses				
Fuel used in electric generation and purchased power	1,641	1,574	3,250	3,250
Cost of natural gas	76	89	403	402
Operation, maintenance and other	1,434	1,544	2,853	3,008
Depreciation and amortization	1,089	973	2,178	1,940
Property and other taxes	334	315	677	631
Impairment charges	4	172	4	215
Total operating expenses	4,578	4,667	9,365	9,446
Gains (Losses) on Sales of Other Assets and Other, net	3	3	—	(97)
Operating Income	1,298	979	2,671	2,235
Other Income and Expenses				
Equity in earnings of unconsolidated affiliates	44	36	87	12
Other income and expenses, net	89	110	204	196
Total other income and expenses	133	146	291	208
Interest Expense	542	518	1,085	1,033
Income From Continuing Operations Before Income Taxes	889	607	1,877	1,410
Income Tax Expense From Continuing Operations	141	100	236	281
Income From Continuing Operations	748	507	1,641	1,129
Loss From Discontinued Operations, net of tax	—	(5)	—	(5)
Net Income	748	502	1,641	1,124
Less: Net (Loss) Income Attributable to Noncontrolling Interests	(84)	2	(91)	4
Less: Preferred Dividends	12	—	12	—
Net Income Attributable to Duke Energy Corporation	\$ 820	\$ 500	\$ 1,720	\$ 1,120
Earnings Per Share – Basic and Diluted				
Income from continuing operations attributable to Duke Energy Corporation common stockholders				
Basic and Diluted	\$ 1.12	\$ 0.72	\$ 2.36	\$ 1.60
Loss from discontinued operations attributable to Duke Energy Corporation common stockholders				
Basic and Diluted	\$ —	\$ (0.01)	\$ —	\$ (0.01)
Net income attributable to Duke Energy Corporation common stockholders				
Basic and Diluted	\$ 1.12	\$ 0.71	\$ 2.36	\$ 1.59
Weighted average shares outstanding				
Basic	728	703	728	702
Diluted	728	704	728	702

See Notes to Condensed Consolidated Financial Statements

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

(in millions)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Net Income	\$ 748	\$ 502	\$ 1,641	\$ 1,124
Other Comprehensive (Loss) Income, net of tax				
Pension and OPEB adjustments	3	1	3	2
Net unrealized (losses) gains on cash flow hedges	(29)	1	(46)	13
Reclassification into earnings from cash flow hedges	2	(2)	3	(1)
Unrealized gains (losses) on available-for-sale securities	4	(2)	8	(5)
Other Comprehensive (Loss) Income, net of tax	(20)	(2)	(32)	9
Comprehensive Income	728	500	1,609	1,133
Less: Comprehensive (Loss) Income Attributable to Noncontrolling Interests	(84)	2	(91)	4
Less: Preferred Dividends	12	—	12	—
Comprehensive Income Attributable to Duke Energy Corporation	\$ 800	\$ 498	\$ 1,688	\$ 1,129

See Notes to Condensed Consolidated Financial Statements

FINANCIAL STATEMENTS

DUKE ENERGY CORPORATION
Condensed Consolidated Balance Sheets
(Unaudited)

(in millions)	June 30, 2019	December 31, 2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 336	\$ 442
Receivables (net of allowance for doubtful accounts of \$16 at 2019 and 2018)	646	962
Receivables of VIEs (net of allowance for doubtful accounts of \$55 at 2019 and 2018)	2,153	2,172
Inventory	3,189	3,084
Regulatory assets (includes \$52 at 2019 and 2018 related to VIEs)	1,918	2,005
Other (includes \$140 at 2019 and \$162 at 2018 related to VIEs)	1,267	1,049
Total current assets	9,509	9,714
Property, Plant and Equipment		
Cost	141,363	134,458
Accumulated depreciation and amortization	(44,482)	(43,126)
Generation facilities to be retired, net	317	362
Net property, plant and equipment	97,198	91,694
Other Noncurrent Assets		
Goodwill	19,303	19,303
Regulatory assets (includes \$1,019 at 2019 and \$1,041 at 2018 related to VIEs)	13,393	13,617
Nuclear decommissioning trust funds	7,621	6,720
Operating lease right-of-use assets, net	1,735	—
Investments in equity method unconsolidated affiliates	1,715	1,409
Other (includes \$289 at 2019 and \$261 at 2018 related to VIEs)	2,975	2,935
Total other noncurrent assets	46,742	43,984
Total Assets	\$ 153,449	\$ 145,392
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 2,512	\$ 3,487
Notes payable and commercial paper	3,793	3,410
Taxes accrued	521	577
Interest accrued	564	559
Current maturities of long-term debt (includes \$232 at 2019 and \$227 at 2018 related to VIEs)	2,698	3,406
Asset retirement obligations	739	919
Regulatory liabilities	600	598
Other	2,020	2,085
Total current liabilities	13,447	15,041
Long-Term Debt (includes \$4,070 at 2019 and \$3,998 at 2018 related to VIEs)	54,342	51,123
Other Noncurrent Liabilities		
Deferred income taxes	8,532	7,806
Asset retirement obligations	11,889	9,548
Regulatory liabilities	15,294	14,834
Operating lease liabilities	1,502	—
Accrued pension and other post-retirement benefit costs	959	988
Investment tax credits	569	568
Other (includes \$222 at 2019 and \$212 at 2018 related to VIEs)	1,583	1,650
Total other noncurrent liabilities	40,328	35,394
Commitments and Contingencies		
Equity		
Preferred stock, \$0.001 par value, 40 million depository shares authorized and outstanding at 2019	973	—
Common stock, \$0.001 par value, 2 billion shares authorized; 728 million shares outstanding at 2019 and 727 million shares outstanding at 2018	1	1
Additional paid-in capital	40,885	40,795
Retained earnings	3,502	3,113
Accumulated other comprehensive loss	(148)	(92)
Total Duke Energy Corporation stockholders' equity	45,213	43,817
Noncontrolling interests	119	17

Total equity		45,332		43,834
Total Liabilities and Equity	\$	153,449	\$	145,392

See Notes to Condensed Consolidated Financial Statements

FINANCIAL STATEMENTS

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

(in millions)	Six Months Ended	
	June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,641	\$ 1,124
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion (including amortization of nuclear fuel)	2,483	2,250
Equity component of AFUDC	(67)	(106)
Losses on sales of other assets	—	97
Impairment charges	4	215
Deferred income taxes	527	289
Equity in earnings of unconsolidated affiliates	(87)	(12)
Accrued pension and other post-retirement benefit costs	4	31
Contributions to qualified pension plans	—	(141)
Payments for asset retirement obligations	(336)	(245)
Payment for disposal of other assets	—	(105)
Other rate case adjustments	—	37
Provision for rate refunds	57	281
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	(11)	7
Receivables	304	(27)
Inventory	(110)	70
Other current assets	(265)	21
Increase (decrease) in		
Accounts payable	(700)	(142)
Taxes accrued	(56)	(58)
Other current liabilities	(378)	(214)
Other assets	7	(112)
Other liabilities	39	42
Net cash provided by operating activities	3,056	3,302
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(5,465)	(4,375)
Contributions to equity method investments	(162)	(140)
Purchases of debt and equity securities	(2,316)	(1,908)
Proceeds from sales and maturities of debt and equity securities	2,302	1,866
Other	(147)	(88)
Net cash used in investing activities	(5,788)	(4,645)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the:		
Issuance of long-term debt	4,622	2,727
Issuance of preferred stock	973	—
Issuance of common stock	27	820
Payments for the redemption of long-term debt	(2,155)	(2,190)
Proceeds from the issuance of short-term debt with original maturities greater than 90 days	240	201
Payments for the redemption of short-term debt with original maturities greater than 90 days	(299)	(160)
Notes payable and commercial paper	383	1,090
Dividends paid	(1,312)	(1,199)
Other	143	(24)
Net cash provided by financing activities	2,622	1,265
Net decrease in cash, cash equivalents and restricted cash	(110)	(78)
Cash, cash equivalents and restricted cash at beginning of period	591	505
Cash, cash equivalents and restricted cash at end of period	\$ 481	\$ 427
Supplemental Disclosures:		
Significant non-cash transactions:		

Accrued capital expenditures	\$	917	\$	978
Non-cash dividends		54		52

See Notes to Condensed Consolidated Financial Statements
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DUKE ENERGY CORPORATION
Condensed Consolidated Statements of Changes in Equity
(Unaudited)

Three Months Ended June 30, 2018 and 2019												
(in millions)	Accumulated Other Comprehensive											
	(Loss) Income											
						Net Gains (Losses) on Cash Flow Hedges	Net Unrealized (Losses) Gains on Available-for-Sale Securities	Pension and OPEB Adjustments	Total Duke Energy Corporation			
	Preferred Stock	Common Stock Shares	Common Stock	Paid-in Capital	Retained Earnings					Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at March 31, 2018	\$ —	701	\$ 1	\$ 38,839	\$ 3,021	\$ 3	\$ (4)	\$ (68)	\$ 41,792	\$ 6	\$ 41,798	
Net income	—	—	—	—	500	—	—	—	500	2	502	
Other comprehensive (loss) income	—	—	—	—	—	(1)	(2)	1	(2)	—	(2)	
Common stock issuances, including dividend reinvestment and employee benefits	—	11	—	843	—	—	—	—	843	—	843	
Common stock dividends	—	—	—	—	(626)	—	—	—	(626)	—	(626)	
Other	—	—	—	—	(1)	—	1	—	—	—	—	
Balance at June 30, 2018	\$ —	712	\$ 1	\$ 39,682	\$ 2,894	\$ 2	\$ (5)	\$ (67)	\$ 42,507	\$ 8	\$ 42,515	
Balance at March 31, 2019	\$ 974	728	\$ 1	\$ 40,823	\$ 3,360	\$ (36)	\$ —	\$ (92)	\$ 45,030	\$ 15	\$ 45,045	
Net income (loss)	—	—	—	—	820	—	—	—	820	(84)	736	
Other comprehensive (loss) income	—	—	—	—	—	(27)	4	3	(20)	—	(20)	
Preferred stock issuances, net of issuance costs	(1)	—	—	—	—	—	—	—	(1)	—	(1)	
Common stock issuances, including dividend reinvestment and employee benefits	—	—	—	61	—	—	—	—	61	—	61	
Common stock dividends	—	—	—	—	(678)	—	—	—	(678)	—	(678)	
Contribution from noncontrolling interest in subsidiaries ^(c)	—	—	—	—	—	—	—	—	—	193	193	
Distributions to noncontrolling interest in subsidiaries	—	—	—	—	—	—	—	—	—	(1)	(1)	
Other	—	—	—	1	—	—	—	—	1	(4)	(3)	
Balance at June 30, 2019	\$ 973	728	\$ 1	\$ 40,885	\$ 3,502	\$ (63)	\$ 4	\$ (89)	\$ 45,213	\$ 119	\$ 45,332	

See Notes to Condensed Consolidated Financial Statements

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

Six Months Ended June 30, 2018 and 2019												
(in millions)	Accumulated Other Comprehensive (Loss) Income											
	Common		Additional		Retained Earnings	Cash Flow Hedges	Net Unrealized (Losses) Gains on Available- for-Sale- Securities			Total Duke Energy Corporation		
	Preferred Stock	Stock Shares	Common Stock	Paid-in Capital			OPEB Adjustments	Pension and Adjustments	Stockholders' Equity	Noncontrolling Interests	Total Equity	
Balance at December 31, 2017	\$ —	700	\$ 1	\$ 38,792	\$ 3,013	\$ (10)	\$ 12	\$ (69)	\$ 41,739	\$ (2)	\$ 41,737	
Net income	—	—	—	—	1,120	—	—	—	1,120	4	1,124	
Other comprehensive income (loss)	—	—	—	—	—	12	(5)	2	9	—	9	
Common stock issuances, including dividend reinvestment and employee benefits	—	12	—	890	—	—	—	—	890	—	890	
Common stock dividends	—	—	—	—	(1,251)	—	—	—	(1,251)	—	(1,251)	
Distributions to noncontrolling interest in subsidiaries	—	—	—	—	—	—	—	—	—	(1)	(1)	
Other ^(a)	—	—	—	—	12	—	(12)	—	—	7	7	
Balance at June 30, 2018	\$ —	712	\$ 1	\$ 39,682	\$ 2,894	\$ 2	\$ (5)	\$ (67)	\$ 42,507	\$ 8	\$ 42,515	
Balance at December 31, 2018	\$ —	727	\$ 1	\$ 40,795	\$ 3,113	\$ (14)	\$ (3)	\$ (75)	\$ 43,817	\$ 17	\$ 43,834	
Net income (loss)	—	—	—	—	1,720	—	—	—	1,720	(91)	1,629	
Other comprehensive (loss) income	—	—	—	—	—	(43)	8	3	(32)	—	(32)	
Preferred stock issuances, net of issuance costs ^(b)	973	—	—	—	—	—	—	—	973	—	973	
Common stock issuances, including dividend reinvestment and employee benefits	—	1	—	89	—	—	—	—	89	—	89	
Common stock dividends	—	—	—	—	(1,354)	—	—	—	(1,354)	—	(1,354)	
Contributions from noncontrolling interest in subsidiaries ^(c)	—	—	—	—	—	—	—	—	—	193	193	
Distributions to noncontrolling interest in subsidiaries	—	—	—	—	—	—	—	—	—	(1)	(1)	
Other ^(d)	—	—	—	1	23	(6)	(1)	(17)	—	1	1	
Balance at June 30, 2019	\$ 973	728	\$ 1	\$ 40,885	\$ 3,502	\$ (63)	\$ 4	\$ (89)	\$ 45,213	\$ 119	\$ 45,332	

- (a) Amounts in Retained Earnings and Accumulated Other Comprehensive (Loss) Income represent a cumulative-effect adjustment due to implementation of a new accounting standard related to Financial Instruments Classification and Measurement.
- (b) Duke Energy issued 40 million depositary shares of preferred stock in the first quarter of 2019.
- (c) Relates to tax equity financing activity in the Commercial Renewables segment.
- (d) Amounts in Retained Earnings and Accumulated Other Comprehensive (Loss) Income 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.

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

(in millions)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Operating Revenues	\$ 1,713	\$ 1,672	\$ 3,457	\$ 3,435
Operating Expenses				
Fuel used in electric generation and purchased power	395	407	867	880
Operation, maintenance and other	441	499	881	950
Depreciation and amortization	346	289	663	561
Property and other taxes	75	75	155	147
Impairment charges	5	177	5	190
Total operating expenses	1,262	1,447	2,571	2,728
Losses on Sales of Other Assets and Other, net	—	(1)	—	(1)
Operating Income	451	224	886	706
Other Income and Expenses, net	41	35	72	74
Interest Expense	117	110	227	217
Income Before Income Taxes	375	149	731	563
Income Tax Expense	74	32	137	123
Net Income	\$ 301	\$ 117	\$ 594	\$ 440
Other Comprehensive Income, net of tax				
Reclassification into earnings from cash flow hedges	—	—	—	1
Comprehensive Income	\$ 301	\$ 117	\$ 594	\$ 441

See Notes to Condensed Consolidated Financial Statements

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

(in millions)	June 30, 2019	December 31, 2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 15	\$ 33
Receivables (net of allowance for doubtful accounts of \$2 at 2019 and 2018)	164	219
Receivables of VIEs (net of allowance for doubtful accounts of \$7 at 2019 and 2018)	671	699
Receivables from affiliated companies	101	182
Inventory	1,025	948
Regulatory assets	605	520
Other	17	72
Total current assets	2,598	2,673
Property, Plant and Equipment		
Cost	47,249	44,741
Accumulated depreciation and amortization	(16,047)	(15,496)
Net property, plant and equipment	31,202	29,245
Other Noncurrent Assets		
Regulatory assets	3,392	3,457
Nuclear decommissioning trust funds	4,059	3,558
Operating lease right-of-use assets, net	141	—
Other	1,085	1,027
Total other noncurrent assets	8,677	8,042
Total Assets	\$ 42,477	\$ 39,960
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 640	\$ 988
Accounts payable to affiliated companies	189	230
Notes payable to affiliated companies	804	439
Taxes accrued	209	171
Interest accrued	106	102
Current maturities of long-term debt	456	6
Asset retirement obligations	203	290
Regulatory liabilities	191	199
Other	499	571
Total current liabilities	3,297	2,996
Long-Term Debt	10,208	10,633
Long-Term Debt Payable to Affiliated Companies	300	300
Other Noncurrent Liabilities		
Deferred income taxes	3,779	3,689
Asset retirement obligations	5,139	3,659
Regulatory liabilities	6,392	5,999
Operating lease liabilities	117	—
Accrued pension and other post-retirement benefit costs	90	99
Investment tax credits	234	231
Other	645	671
Total other noncurrent liabilities	16,396	14,348
Commitments and Contingencies		
Equity		
Member's equity	12,283	11,689
Accumulated other comprehensive loss	(7)	(6)
Total equity	12,276	11,683
Total Liabilities and Equity	\$ 42,477	\$ 39,960

See Notes to Condensed Consolidated Financial Statements

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

(in millions)	Six Months Ended June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 594	\$ 440
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including amortization of nuclear fuel)	804	707
Equity component of AFUDC	(21)	(39)
Losses on sales of other assets	—	1
Impairment charges	5	190
Deferred income taxes	54	90
Accrued pension and other post-retirement benefit costs	(4)	2
Contributions to qualified pension plans	—	(46)
Payments for asset retirement obligations	(131)	(114)
Provision for rate refunds	35	121
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	(8)	8
Receivables	83	(33)
Receivables from affiliated companies	81	(22)
Inventory	(77)	(16)
Other current assets	(133)	(33)
Increase (decrease) in		
Accounts payable	(282)	(59)
Accounts payable to affiliated companies	(41)	(51)
Taxes accrued	38	(78)
Other current liabilities	(71)	(123)
Other assets	91	(6)
Other liabilities	(18)	(29)
Net cash provided by operating activities	999	910
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,357)	(1,270)
Purchases of debt and equity securities	(1,114)	(976)
Proceeds from sales and maturities of debt and equity securities	1,114	976
Other	(46)	(64)
Net cash used in investing activities	(1,403)	(1,334)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	25	991
Payments for the redemption of long-term debt	(3)	(702)
Notes payable to affiliated companies	365	636
Distributions to parent	—	(500)
Other	(1)	(1)
Net cash provided by financing activities	386	424
Net decrease in cash and cash equivalents	(18)	—
Cash and cash equivalents at beginning of period	33	16
Cash and cash equivalents at end of period	\$ 15	\$ 16
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	\$ 252	\$ 343

See Notes to Condensed Consolidated Financial Statements

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

	Three Months Ended June 30, 2018 and 2019			
	Accumulated Other Comprehensive Loss			
	Member's	Net Losses on		Total
(in millions)	Equity	Cash Flow	Hedges	Equity
Balance at March 31, 2018	\$ 11,441	\$ (6)	\$	11,435
Net income	117	—		117
Distributions to parent	(250)	—		(250)
Balance at June 30, 2018	\$ 11,308	\$ (6)	\$	11,302
Balance at March 31, 2019	\$ 11,982	\$ (7)	\$	11,975
Net income	301	—		301
Balance at June 30, 2019	\$ 12,283	\$ (7)	\$	12,276

	Six Months Ended June 30, 2018 and 2019			
	Accumulated Other Comprehensive Loss			
		Net Losses on		
	Member's	Cash Flow		Total
(in millions)	Equity	Hedges		Equity
Balance at December 31, 2017	\$ 11,368	\$ (7)	\$	11,361
Net income	440	—		440
Other comprehensive income	—	1		1
Distributions to parent	(500)	—		(500)
Balance at June 30, 2018	\$ 11,308	\$ (6)	\$	11,302
Balance at December 31, 2018	\$ 11,689	\$ (6)	\$	11,683
Net income	594	—		594
Other	—	(1)		(1)
Balance at June 30, 2019	\$ 12,283	\$ (7)	\$	12,276

See Notes to Condensed Consolidated Financial Statements

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

(in millions)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Operating Revenues	\$ 2,744	\$ 2,498	\$ 5,316	\$ 5,074
Operating Expenses				
Fuel used in electric generation and purchased power	988	895	1,913	1,871
Operation, maintenance and other	606	610	1,173	1,233
Depreciation and amortization	426	380	881	764
Property and other taxes	143	131	280	254
Impairment charges	—	4	—	33
Total operating expenses	2,163	2,020	4,247	4,155
(Losses) Gains on Sales of Other Assets and Other, net	(1)	6	(1)	12
Operating Income	580	484	1,068	931
Other Income and Expenses, net	34	42	65	77
Interest Expense	219	203	438	412
Income Before Income Taxes	395	323	695	596
Income Tax Expense	66	56	118	92
Net Income	329	267	577	504
Less: Net Income Attributable to Noncontrolling Interests	1	2	—	4
Net Income Attributable to Parent	\$ 328	\$ 265	\$ 577	\$ 500
Net Income	\$ 329	\$ 267	\$ 577	\$ 504
Other Comprehensive Income, net of tax				
Pension and OPEB adjustments	1	2	2	2
Net unrealized gains on cash flow hedges	1	1	3	3
Unrealized gains (losses) on available-for-sale securities	1	(1)	1	(1)
Other Comprehensive Income, net of tax	3	2	6	4
Comprehensive Income	332	269	583	508
Less: Comprehensive Income Attributable to Noncontrolling Interests	1	2	—	4
Comprehensive Income Attributable to Parent	\$ 331	\$ 267	\$ 583	\$ 504

See Notes to Condensed Consolidated Financial Statements

FINANCIAL STATEMENTS

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

(in millions)	June 30, 2019	December 31, 2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 51	\$ 67
Receivables (net of allowance for doubtful accounts of \$6 at 2019 and \$5 at 2018)	139	220
Receivables of VIEs (net of allowance for doubtful accounts of \$8 at 2019 and 2018)	998	909
Receivables from affiliated companies	49	168
Inventory	1,480	1,459
Regulatory assets (includes \$52 at 2019 and 2018 related to VIEs)	1,024	1,137
Other (includes \$31 at 2019 and \$39 at 2018 related to VIEs)	107	125
Total current assets	3,848	4,085
Property, Plant and Equipment		
Cost	52,758	50,260
Accumulated depreciation and amortization	(16,808)	(16,398)
Generation facilities to be retired, net	317	362
Net property, plant and equipment	36,267	34,224
Other Noncurrent Assets		
Goodwill	3,655	3,655
Regulatory assets (includes \$1,019 at 2019 and \$1,041 at 2018 related to VIEs)	6,423	6,564
Nuclear decommissioning trust funds	3,562	3,162
Operating lease right-of-use assets, net	839	—
Other	982	974
Total other noncurrent assets	15,461	14,355
Total Assets	\$ 55,576	\$ 52,664
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 720	\$ 1,172
Accounts payable to affiliated companies	235	360
Notes payable to affiliated companies	1,920	1,235
Taxes accrued	191	109
Interest accrued	226	246
Current maturities of long-term debt (includes \$54 at 2019 and \$53 at 2018 related to VIEs)	1,026	1,672
Asset retirement obligations	416	514
Regulatory liabilities	250	280
Other	863	821
Total current liabilities	5,847	6,409
Long-Term Debt (includes \$1,657 at 2019 and \$1,636 at 2018 related to VIEs)	18,023	17,089
Long-Term Debt Payable to Affiliated Companies	150	150
Other Noncurrent Liabilities		
Deferred income taxes	4,141	3,941
Asset retirement obligations	5,777	4,897
Regulatory liabilities	5,191	5,049
Operating lease liabilities	747	—
Accrued pension and other post-retirement benefit costs	509	521
Other	352	351
Total other noncurrent liabilities	16,717	14,759
Commitments and Contingencies		
Equity		
Common stock, \$0.01 par value, 100 shares authorized and outstanding at 2019 and 2018	—	—
Additional paid-in capital	9,143	9,143
Retained earnings	5,715	5,131
Accumulated other comprehensive loss	(21)	(20)
Total Progress Energy, Inc. stockholders' equity	14,837	14,254
Noncontrolling interests	2	3

Total equity		14,839		14,257
Total Liabilities and Equity	\$	55,576	\$	52,664

See Notes to Condensed Consolidated Financial Statements
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PROGRESS ENERGY, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

(in millions)	Six Months Ended	
	June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 577	\$ 504
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion (including amortization of nuclear fuel)	1,061	945
Equity component of AFUDC	(31)	(52)
Losses (gains) on sales of other assets	1	(12)
Impairment charges	—	33
Deferred income taxes	126	240
Accrued pension and other post-retirement benefit costs	8	12
Contributions to qualified pension plans	—	(45)
Payments for asset retirement obligations	(183)	(108)
Other rate case adjustments	—	37
Provision for rate refunds	10	65
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	(1)	14
Receivables	(42)	(196)
Receivables from affiliated companies	119	28
Inventory	(26)	71
Other current assets	114	(214)
Increase (decrease) in		
Accounts payable	(196)	15
Accounts payable to affiliated companies	(125)	(19)
Taxes accrued	82	80
Other current liabilities	(162)	(58)
Other assets	(83)	(186)
Other liabilities	17	4
Net cash provided by operating activities	1,266	1,158
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,988)	(1,727)
Purchases of debt and equity securities	(1,094)	(812)
Proceeds from sales and maturities of debt and equity securities	1,089	820
Notes receivable from affiliated companies	—	(69)
Other	(59)	(81)
Net cash used in investing activities	(2,052)	(1,869)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	1,295	989
Payments for the redemption of long-term debt	(1,188)	(635)
Notes payable to affiliated companies	685	347
Other	2	(3)
Net cash provided by financing activities	794	698
Net increase (decrease) in cash, cash equivalents and restricted cash	8	(13)
Cash, cash equivalents and restricted cash at beginning of period	112	87
Cash, cash equivalents and restricted cash at end of period	\$ 120	\$ 74
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	\$ 278	\$ 366

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

Three Months Ended June 30, 2018 and 2019									
(in millions)	Accumulated Other Comprehensive (Loss) Income					Total Progress Energy, Inc.			
	Additional Paid-in Capital	Retained Earnings	Net Losses on Cash Flow Hedges	Net Unrealized Gains (Losses) on Available-for- Sale Securities	Pension and OPEB Adjustments	Stockholders' Equity	Noncontrolling Interests	Total Equity	
Balance at March 31, 2018	\$ 9,142	\$ 4,591	\$ (16)	\$ (1)	\$ (12)	\$ 13,704	\$ (1)	\$13,703	
Net income	—	265	—	—	—	265	2	267	
Other comprehensive income (loss)	—	—	1	(1)	2	2	—	2	
Distributions to noncontrolling interests	—	—	—	—	—	—	(1)	(1)	
Other ^(a)	1	(1)	—	1	—	1	—	1	
Balance at June 30, 2018	\$ 9,143	\$ 4,855	\$ (15)	\$ (1)	\$ (10)	\$ 13,972	\$ —	\$13,972	
Balance at March 31, 2019	\$ 9,143	\$ 5,386	\$ (14)	\$ (1)	\$ (8)	\$ 14,506	\$ 2	\$14,508	
Net income	—	328	—	—	—	328	1	329	
Other comprehensive income	—	—	1	1	1	3	—	3	
Other	—	1	—	—	(1)	—	(1)	(1)	
Balance at June 30, 2019	\$ 9,143	\$ 5,715	\$ (13)	\$ —	\$ (8)	\$ 14,837	\$ 2	\$14,839	

Six Months Ended June 30, 2018 and 2019									
(in millions)	Accumulated Other Comprehensive (Loss) Income					Total Progress Energy, Inc.			
	Additional Paid-in Capital	Retained Earnings	Net Losses on Cash Flow Hedges	Net Unrealized Gains (Losses) on Available-for- Sale Securities	Pension and OPEB Adjustments	Stockholders' Equity	Noncontrolling Interests	Total Equity	
Balance at December 31, 2017	\$ 9,143	\$ 4,350	\$ (18)	\$ 5	\$ (12)	\$ 13,468	\$ (3)	\$13,465	
Net income	—	500	—	—	—	500	4	504	
Other comprehensive income (loss)	—	—	3	(1)	2	4	—	4	
Distributions to noncontrolling interests	—	—	—	—	—	—	(1)	(1)	
Other ^(a)	—	5	—	(5)	—	—	—	—	
Balance at June 30, 2018	\$ 9,143	\$ 4,855	\$ (15)	\$ (1)	\$ (10)	\$ 13,972	\$ —	\$13,972	
Balance at December 31, 2018	\$ 9,143	\$ 5,131	\$ (12)	\$ (1)	\$ (7)	\$ 14,254	\$ 3	\$14,257	
Net income	—	577	—	—	—	577	—	577	
Other comprehensive income	—	—	3	1	2	6	—	6	
Other ^(b)	—	7	(4)	—	(3)	—	(1)	(1)	
Balance at June 30, 2019	\$ 9,143	\$ 5,715	\$ (13)	\$ —	\$ (8)	\$ 14,837	\$ 2	\$14,839	

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

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

(in millions)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Operating Revenues	\$ 1,387	\$ 1,291	\$ 2,871	\$ 2,751
Operating Expenses				
Fuel used in electric generation and purchased power	479	408	994	917
Operation, maintenance and other	357	375	692	756
Depreciation and amortization	251	235	541	470
Property and other taxes	41	40	85	75
Impairment charges	—	1	—	33
Total operating expenses	1,128	1,059	2,312	2,251
Gains on Sales of Other Assets and Other, net	—	1	—	2
Operating Income	259	233	559	502
Other Income and Expenses, net	24	19	48	37
Interest Expense	81	78	158	159
Income Before Income Taxes	202	174	449	380
Income Tax Expense	33	35	77	64
Net Income and Comprehensive Income	\$ 169	\$ 139	\$ 372	\$ 316

See Notes to Condensed Consolidated Financial Statements

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

(in millions)	June 30, 2019	December 31, 2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 28	\$ 23
Receivables (net of allowance for doubtful accounts of \$2 at 2019 and 2018)	53	75
Receivables of VIEs (net of allowance for doubtful accounts of \$5 at 2019 and 2018)	518	547
Receivables from affiliated companies	40	23
Inventory	980	954
Regulatory assets	572	703
Other	34	62
Total current assets	2,225	2,387
Property, Plant and Equipment		
Cost	33,288	31,459
Accumulated depreciation and amortization	(11,728)	(11,423)
Generation facilities to be retired, net	317	362
Net property, plant and equipment	21,877	20,398
Other Noncurrent Assets		
Regulatory assets	4,124	4,111
Nuclear decommissioning trust funds	2,833	2,503
Operating lease right-of-use assets, net	407	—
Other	586	612
Total other noncurrent assets	7,950	7,226
Total Assets	\$ 32,052	\$ 30,011
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 315	\$ 660
Accounts payable to affiliated companies	182	278
Notes payable to affiliated companies	127	294
Taxes accrued	106	53
Interest accrued	110	116
Current maturities of long-term debt	6	603
Asset retirement obligations	413	509
Regulatory liabilities	167	178
Other	395	408
Total current liabilities	1,821	3,099
Long-Term Debt	8,893	7,451
Long-Term Debt Payable to Affiliated Companies	150	150
Other Noncurrent Liabilities		
Deferred income taxes	2,181	2,119
Asset retirement obligations	5,203	4,311
Regulatory liabilities	4,150	3,955
Operating lease liabilities	377	—
Accrued pension and other post-retirement benefit costs	232	237
Investment tax credits	141	142
Other	91	106
Total other noncurrent liabilities	12,375	10,870
Commitments and Contingencies		
Equity		
Member's Equity	8,813	8,441
Total Liabilities and Equity	\$ 32,052	\$ 30,011

See Notes to Condensed Consolidated Financial Statements

FINANCIAL STATEMENTS

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

(in millions)	Six Months Ended	
	June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 372	\$ 316
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (including amortization of nuclear fuel)	634	565
Equity component of AFUDC	(28)	(26)
Gains on sales of other assets	—	(2)
Impairment charges	—	33
Deferred income taxes	26	53
Accrued pension and other post-retirement benefit costs	1	7
Contributions to qualified pension plans	—	(25)
Payments for asset retirement obligations	(166)	(89)
Other rate case adjustments	—	37
Provision for rate refunds	10	65
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	(5)	6
Receivables	58	(104)
Receivables from affiliated companies	(17)	2
Inventory	(26)	41
Other current assets	115	(111)
Increase (decrease) in		
Accounts payable	(223)	(17)
Accounts payable to affiliated companies	(96)	(4)
Taxes accrued	53	26
Other current liabilities	(74)	(38)
Other assets	—	10
Other liabilities	21	13
Net cash provided by operating activities	655	758
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(1,115)	(996)
Purchases of debt and equity securities	(473)	(573)
Proceeds from sales and maturities of debt and equity securities	458	556
Other	(20)	(45)
Net cash used in investing activities	(1,150)	(1,058)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	1,270	—
Payments for the redemption of long-term debt	(602)	—
Notes payable to affiliated companies	(167)	300
Other	(1)	(2)
Net cash provided by financing activities	500	298
Net increase (decrease) in cash and cash equivalents	5	(2)
Cash and cash equivalents at beginning of period	23	20
Cash and cash equivalents at end of period	\$ 28	\$ 18
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	\$ 112	\$ 172

See Notes to Condensed Consolidated Financial Statements

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

	Three Months Ended	
	June 30, 2018 and 2019	
(in millions)	Member's Equity	
Balance at March 31, 2018	\$	8,126
Net income		139
Balance at June 30, 2018	\$	8,265
Balance at March 31, 2019	\$	8,644
Net income		169
Balance at June 30, 2019	\$	8,813

	Six Months Ended	
	June 30, 2018 and 2019	
(in millions)	Member's Equity	
Balance at December 31, 2017	\$	7,949
Net income		316
Balance at June 30, 2018	\$	8,265
Balance at December 31, 2018	\$	8,441
Net income		372
Balance at June 30, 2019	\$	8,813

See Notes to Condensed Consolidated Financial Statements
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DUKE ENERGY FLORIDA, LLC
Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

(in millions)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Operating Revenues	\$ 1,353	\$ 1,203	\$ 2,439	\$ 2,318
Operating Expenses				
Fuel used in electric generation and purchased power	509	486	919	953
Operation, maintenance and other	244	237	474	474
Depreciation and amortization	175	144	340	294
Property and other taxes	103	91	196	179
Total operating expenses	1,031	958	1,929	1,900
Losses on Sales of Other Assets and Other, net	(1)	—	(1)	—
Operating Income	321	245	509	418
Other Income and Expenses, net	12	26	25	47
Interest Expense	83	66	165	137
Income Before Income Taxes	250	205	369	328
Income Tax Expense	49	37	72	57
Net Income	\$ 201	\$ 168	\$ 297	\$ 271
Other Comprehensive Income (Loss), net of tax				
Unrealized (losses) gains on available-for-sale securities	—	(1)	1	(1)
Comprehensive Income	\$ 201	\$ 167	\$ 298	\$ 270

See Notes to Condensed Consolidated Financial Statements

FINANCIAL STATEMENTS

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

(in millions)	June 30, 2019		December 31, 2018	
ASSETS				
Current Assets				
Cash and cash equivalents	\$	16	\$	36
Receivables (net of allowance for doubtful accounts of \$3 at 2019 and 2018)		84		143
Receivables of VIEs (net of allowance for doubtful accounts of \$3 at 2019 and 2018)		480		362
Receivables from affiliated companies		18		28
Inventory		499		504
Regulatory assets (includes \$52 at 2019 and 2018 related to VIEs)		452		434
Other (includes \$31 at 2019 and \$39 at 2018 related to VIEs)		46		46
Total current assets		1,595		1,553
Property, Plant and Equipment				
Cost		19,461		18,792
Accumulated depreciation and amortization		(5,073)		(4,968)
Net property, plant and equipment		14,388		13,824
Other Noncurrent Assets				
Regulatory assets (includes \$1,019 at 2019 and \$1,041 at 2018 related to VIEs)		2,299		2,454
Nuclear decommissioning trust funds		729		659
Operating lease right-of-use assets, net		432		—
Other		311		311
Total other noncurrent assets		3,771		3,424
Total Assets	\$	19,754	\$	18,801
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable	\$	403	\$	511
Accounts payable to affiliated companies		62		91
Notes payable to affiliated companies		477		108
Taxes accrued		148		74
Interest accrued		70		75
Current maturities of long-term debt (includes \$54 at 2019 and \$53 at 2018 related to VIEs)		671		270
Asset retirement obligations		3		5
Regulatory liabilities		83		102
Other		461		406
Total current liabilities		2,378		1,642
Long-Term Debt (includes \$1,332 at 2019 and \$1,336 at 2018 related to VIEs)		6,542		7,051
Other Noncurrent Liabilities				
Deferred income taxes		2,105		1,986
Asset retirement obligations		574		586
Regulatory liabilities		1,040		1,094
Operating lease liabilities		370		—
Accrued pension and other post-retirement benefit costs		248		254
Other		104		93
Total other noncurrent liabilities		4,441		4,013
Commitments and Contingencies				
Equity				
Member's equity		6,394		6,097
Accumulated other comprehensive loss		(1)		(2)
Total equity		6,393		6,095
Total Liabilities and Equity	\$	19,754	\$	18,801

See Notes to Condensed Consolidated Financial Statements

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

(in millions)	Six Months Ended June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 297	\$ 271
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	423	374
Equity component of AFUDC	(2)	(26)
Losses on sales of other assets	1	—
Deferred income taxes	82	206
Accrued pension and other post-retirement benefit costs	5	3
Contributions to qualified pension plans	—	(20)
Payments for asset retirement obligations	(17)	(19)
(Increase) decrease in		
Net realized and unrealized mark-to-market and hedging transactions	2	6
Receivables	(101)	(92)
Receivables from affiliated companies	10	(4)
Inventory	1	28
Other current assets	8	(114)
Increase (decrease) in		
Accounts payable	27	34
Accounts payable to affiliated companies	(29)	(11)
Taxes accrued	74	81
Other current liabilities	(80)	(21)
Other assets	(81)	(196)
Other liabilities	(9)	(10)
Net cash provided by operating activities	611	490
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(873)	(731)
Purchases of debt and equity securities	(621)	(239)
Proceeds from sales and maturities of debt and equity securities	631	264
Notes receivable from affiliated companies	—	(110)
Other	(37)	(35)
Net cash used in investing activities	(900)	(851)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	25	989
Payments for the redemption of long-term debt	(136)	(635)
Notes payable to affiliated companies	369	—
Other	3	(1)
Net cash provided by financing activities	261	353
Net decrease in cash, cash equivalents and restricted cash	(28)	(8)
Cash, cash equivalents and restricted cash at beginning of period	75	53
Cash, cash equivalents and restricted cash at end of period	\$ 47	\$ 45
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	\$ 166	\$ 194

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

	Three Months Ended June 30, 2018 and 2019			
			Accumulated Other Comprehensive Income (Loss)	
	Member's Equity		Net Unrealized Gains (Losses) on Available-for-Sale Securities	Total Equity
(in millions)				
Balance at March 31, 2018	\$ 5,723	\$ (2)	\$	5,721
Net income	168	—		168
Other comprehensive loss	—	(1)		(1)
Other ^(a)	(1)	1		—
Balance at June 30, 2018	\$ 5,890	\$ (2)	\$	5,888
Balance at March 31, 2019	\$ 6,193	\$ (1)	\$	6,192
Net income	201	—		201
Balance at June 30, 2019	\$ 6,394	\$ (1)	\$	6,393

	Six Months Ended June 30, 2018 and 2019			
	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, 2017	\$ 5,614	\$ 4	\$	5,618
Net income	271	—		271
Other comprehensive loss	—	(1)		(1)
Other ^(a)	5	(5)		—
Balance at June 30, 2018	\$ 5,890	\$ (2)	\$	5,888
Balance at December 31, 2018	\$ 6,097	\$ (2)	\$	6,095
Net income	297	—		297
Other comprehensive income	—	1		1
Balance at June 30, 2019	\$ 6,394	\$ (1)	\$	6,393

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

See Notes to Condensed Consolidated Financial Statements

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

(in millions)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Operating Revenues				
Regulated electric	\$ 336	\$ 346	\$ 691	\$ 682
Regulated natural gas	97	103	273	277
Nonregulated electric and other	—	10	—	24
Total operating revenues	433	459	964	983
Operating Expenses				
Fuel used in electric generation and purchased power – regulated	86	93	179	185
Fuel used in electric generation and purchased power – nonregulated	—	14	—	29
Cost of natural gas	10	15	64	69
Operation, maintenance and other	123	130	255	261
Depreciation and amortization	66	62	130	132
Property and other taxes	74	68	158	145
Total operating expenses	359	382	786	821
Losses on Sales of Other Assets and Other, net	—	—	—	(106)
Operating Income	74	77	178	56
Other Income and Expenses, net	6	8	15	14
Interest Expense	24	23	54	45
Income Before Income Taxes	56	62	139	25
Income Tax Expense	9	16	23	4
Net Income and Comprehensive Income	\$ 47	\$ 46	\$ 116	\$ 21

See Notes to Condensed Consolidated Financial Statements

FINANCIAL STATEMENTS

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

(in millions)	June 30, 2019	December 31, 2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 8	\$ 21
Receivables (net of allowance for doubtful accounts of \$3 at 2019 and \$2 at 2018)	80	102
Receivables from affiliated companies	50	114
Inventory	124	126
Regulatory assets	47	33
Other	32	24
Total current assets	341	420
Property, Plant and Equipment		
Cost	9,776	9,360
Accumulated depreciation and amortization	(2,761)	(2,717)
Net property, plant and equipment	7,015	6,643
Other Noncurrent Assets		
Goodwill	920	920
Regulatory assets	545	531
Operating lease right-of-use assets, net	22	—
Other	46	41
Total other noncurrent assets	1,533	1,492
Total Assets	\$ 8,889	\$ 8,555
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 257	\$ 316
Accounts payable to affiliated companies	78	78
Notes payable to affiliated companies	203	274
Taxes accrued	135	202
Interest accrued	31	22
Current maturities of long-term debt	100	551
Asset retirement obligations	6	6
Regulatory liabilities	67	57
Other	76	74
Total current liabilities	953	1,580
Long-Term Debt	2,384	1,589
Long-Term Debt Payable to Affiliated Companies	25	25
Other Noncurrent Liabilities		
Deferred income taxes	872	817
Asset retirement obligations	83	87
Regulatory liabilities	802	840
Operating lease liabilities	21	—
Accrued pension and other post-retirement benefit costs	94	79
Other	94	93
Total other noncurrent liabilities	1,966	1,916
Commitments and Contingencies		
Equity		
Common stock, \$8.50 par value, 120 million shares authorized; 90 million shares outstanding at 2019 and 2018	762	762
Additional paid-in capital	2,776	2,776
Retained Earnings (Accumulated deficit)	23	(93)
Total equity	3,561	3,445
Total Liabilities and Equity	\$ 8,889	\$ 8,555

See Notes to Condensed Consolidated Financial Statements

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

(in millions)	Six Months Ended June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 116	\$ 21
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	132	134
Equity component of AFUDC	(7)	(8)
Losses on sales of other assets	—	106
Deferred income taxes	45	(2)
Accrued pension and other post-retirement benefit costs	—	2
Payments for asset retirement obligations	(5)	(2)
Provision for rate refunds	3	19
(Increase) decrease in		
Receivables	24	(7)
Receivables from affiliated companies	64	62
Inventory	2	9
Other current assets	(13)	24
Increase (decrease) in		
Accounts payable	(44)	(34)
Accounts payable to affiliated companies	—	(15)
Taxes accrued	(67)	(63)
Other current liabilities	2	8
Other assets	(18)	(7)
Other liabilities	(15)	(18)
Net cash provided by operating activities	219	229
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(473)	(392)
Notes receivable from affiliated companies	—	14
Other	(31)	(43)
Net cash used in investing activities	(504)	(421)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	794	—
Payments for the redemption of long-term debt	(451)	(3)
Notes payable to affiliated companies	(71)	190
Net cash provided by financing activities	272	187
Net decrease in cash and cash equivalents	(13)	(5)
Cash and cash equivalents at beginning of period	21	12
Cash and cash equivalents at end of period	\$ 8	\$ 7
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	\$ 93	\$ 70
Non-cash equity contribution from parent	—	106

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

(in millions)	Three Months Ended June 30, 2018 and 2019				
	Common		Additional		Total
	Stock		Paid-in	Retained	
			Capital	Earnings	Equity
				(Deficit)	
Balance at March 31, 2018	\$ 762	\$	2,670	\$ (294)	\$ 3,138
Net income	—		—	46	46
Contribution from parent ^(a)	—		106	—	106
Balance at June 30, 2018	\$ 762	\$	2,776	\$ (248)	\$ 3,290
Balance at March 31, 2019	\$ 762	\$	2,776	\$ (24)	\$ 3,514
Net income	—		—	47	47
Balance at June 30, 2019	\$ 762	\$	2,776	\$ 23	\$ 3,561

(in millions)	Six Months Ended June 30, 2018 and 2019				
	Common		Additional		Total
	Stock		Paid-in	Retained	
			Capital	Earnings	Equity
				(Deficit)	
Balance at December 31, 2017	\$ 762	\$	2,670	\$ (269)	\$ 3,163
Net income	—		—	21	21
Contribution from parent ^(a)	—		106	—	106
Balance at June 30, 2018	\$ 762	\$	2,776	\$ (248)	\$ 3,290
Balance at December 31, 2018	\$ 762	\$	2,776	\$ (93)	\$ 3,445
Net income	—		—	116	116
Balance at June 30, 2019	\$ 762	\$	2,776	\$ 23	\$ 3,561

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

See Notes to Condensed Consolidated Financial Statements

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

(in millions)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Operating Revenues	\$ 714	\$ 738	\$ 1,482	\$ 1,469
Operating Expenses				
Fuel used in electric generation and purchased power	229	226	486	458
Operation, maintenance and other	188	197	377	378
Depreciation and amortization	132	126	263	256
Property and other taxes	20	20	39	40
Total operating expenses	569	569	1,165	1,132
Gains on Sales of Other Assets and Other, net	3	—	—	—
Operating Income	148	169	317	337
Other Income and Expenses, net	8	6	27	13
Interest Expense	28	43	71	83
Income Before Income Taxes	128	132	273	267
Income Tax Expense	31	34	66	69
Net Income and Comprehensive Income	\$ 97	\$ 98	\$ 207	\$ 198

See Notes to Condensed Consolidated Financial Statements
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FINANCIAL STATEMENTS
DUKE ENERGY INDIANA, LLC
Condensed Consolidated Balance Sheets
(Unaudited)

(in millions)	June 30, 2019	December 31, 2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 12	\$ 24
Receivables (net of allowance for doubtful accounts of \$3 at 2019 and \$2 at 2018)	49	52
Receivables from affiliated companies	83	122
Inventory	463	422
Regulatory assets	130	175
Other	42	35
Total current assets	779	830
Property, Plant and Equipment		
Cost	15,831	15,443
Accumulated depreciation and amortization	(5,104)	(4,914)
Net property, plant and equipment	10,727	10,529
Other Noncurrent Assets		
Regulatory assets	1,038	982
Operating lease right-of-use assets, net	60	—
Other	203	194
Total other noncurrent assets	1,301	1,176
Total Assets	\$ 12,807	\$ 12,535
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 224	\$ 200
Accounts payable to affiliated companies	66	83
Notes payable to affiliated companies	165	167
Taxes accrued	25	43
Interest accrued	59	58
Current maturities of long-term debt	3	63
Asset retirement obligations	115	109
Regulatory liabilities	24	25
Other	120	107
Total current liabilities	801	855
Long-Term Debt	3,570	3,569
Long-Term Debt Payable to Affiliated Companies	150	150
Other Noncurrent Liabilities		
Deferred income taxes	1,084	1,009
Asset retirement obligations	604	613
Regulatory liabilities	1,693	1,722
Operating lease liabilities	56	—
Accrued pension and other post-retirement benefit costs	142	115
Investment tax credits	147	147
Other	14	16
Total other noncurrent liabilities	3,740	3,622
Commitments and Contingencies		
Equity		
Member's Equity	4,546	4,339
Total Liabilities and Equity	\$ 12,807	\$ 12,535

See Notes to Condensed Consolidated Financial Statements

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

(in millions)	Six Months Ended	
	June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 207	\$ 198
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	265	258
Equity component of AFUDC	(9)	(7)
Deferred income taxes	60	36
Accrued pension and other post-retirement benefit costs	2	3
Contributions to qualified pension plans	—	(8)
Payments for asset retirement obligations	(17)	(21)
Provision for rate refunds	—	49
(Increase) decrease in		
Receivables	5	2
Receivables from affiliated companies	39	36
Inventory	(41)	(20)
Other current assets	48	(35)
Increase (decrease) in		
Accounts payable	26	33
Accounts payable to affiliated companies	(17)	(19)
Taxes accrued	(18)	(41)
Other current liabilities	(13)	3
Other assets	(34)	20
Other liabilities	14	(21)
Net cash provided by operating activities	517	466
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(443)	(416)
Purchases of debt and equity securities	(14)	(34)
Proceeds from sales and maturities of debt and equity securities	11	13
Other	(21)	2
Net cash used in investing activities	(467)	(435)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for the redemption of long-term debt	(60)	—
Notes payable to affiliated companies	(2)	60
Distributions to parent	—	(75)
Other	—	(1)
Net cash used in financing activities	(62)	(16)
Net (decrease) increase in cash and cash equivalents	(12)	15
Cash and cash equivalents at beginning of period	24	9
Cash and cash equivalents at end of period	\$ 12	\$ 24
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	\$ 84	\$ 62

See Notes to Condensed Consolidated Financial Statements

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

(in millions)	Three Months Ended	
	June 30, 2018 and 2019	
	Member's	
	Equity	
Balance at March 31, 2018	\$	4,221
Net income		98
Distributions to parent		(75)
Balance at June 30, 2018	\$	4,244
Balance at March 31, 2019	\$	4,449
Net income		97
Balance at June 30, 2019	\$	4,546

(in millions)	Six Months Ended	
	June 30, 2018 and 2019	
	Member's	
	Equity	
Balance at December 31, 2017	\$	4,121
Net income		198
Distributions to parent		(75)
Balance at June 30, 2018	\$	4,244
Balance at December 31, 2018	\$	4,339
Net income		207
Balance at June 30, 2019	\$	4,546

See Notes to Condensed Consolidated Financial Statements
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PIEDMONT NATURAL GAS COMPANY, INC.
Condensed Consolidated Statements of Operations and Comprehensive Income
(Unaudited)

(in millions)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Operating Revenues	\$ 209	\$ 215	\$ 788	\$ 768
Operating Expenses				
Cost of natural gas	65	74	338	333
Operation, maintenance and other	83	85	163	167
Depreciation and amortization	42	39	84	78
Property and other taxes	13	12	25	24
Total operating expenses	203	210	610	602
Operating Income	6	5	178	166
Other Income and Expenses, net	6	4	12	9
Interest Expense	21	20	43	41
(Loss) Income Before Income Taxes	(9)	(11)	147	134
Income Tax (Benefit) Expense	(2)	(3)	32	32
Net (Loss) Income and Comprehensive (Loss) Income	\$ (7)	\$ (8)	\$ 115	\$ 102

See Notes to Condensed Consolidated Financial Statements

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

(in millions)	June 30, 2019	December 31, 2018
ASSETS		
Current Assets		
Receivables (net of allowance for doubtful accounts of \$2 at 2019 and 2018)	\$ 100	\$ 266
Receivables from affiliated companies	17	22
Notes receivable from affiliated companies	16	—
Inventory	33	70
Regulatory assets	30	54
Other	57	19
Total current assets	253	431
Property, Plant and Equipment		
Cost	7,966	7,486
Accumulated depreciation and amortization	(1,620)	(1,575)
Net property, plant and equipment	6,346	5,911
Other Noncurrent Assets		
Goodwill	49	49
Regulatory assets	280	303
Operating lease right-of-use assets, net	26	—
Investments in equity method unconsolidated affiliates	81	64
Other	60	52
Total other noncurrent assets	496	468
Total Assets	\$ 7,095	\$ 6,810
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 156	\$ 203
Accounts payable to affiliated companies	52	38
Notes payable to affiliated companies	—	198
Taxes accrued	23	84
Interest accrued	33	31
Current maturities of long-term debt	—	350
Regulatory liabilities	67	37
Other	62	58
Total current liabilities	393	999
Long-Term Debt	2,384	1,788
Other Noncurrent Liabilities		
Deferred income taxes	593	551
Asset retirement obligations	19	19
Regulatory liabilities	1,174	1,181
Operating lease liabilities	25	—
Accrued pension and other post-retirement benefit costs	6	4
Other	145	177
Total other noncurrent liabilities	1,962	1,932
Commitments and Contingencies		
Equity		
Common stock, no par value: 100 shares authorized and outstanding at 2019 and 2018	1,310	1,160
Retained earnings	1,046	931
Total equity	2,356	2,091
Total Liabilities and Equity	\$ 7,095	\$ 6,810

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

(in millions)	Six Months Ended June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 115	\$ 102
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	85	79
Deferred income taxes	40	4
Equity in earnings from unconsolidated affiliates	(4)	(3)
Accrued pension and other post-retirement benefit costs	(5)	(2)
Provision for rate refunds	9	27
(Increase) decrease in		
Receivables	168	166
Receivables from affiliated companies	5	(4)
Inventory	37	28
Other current assets	(17)	74
Increase (decrease) in		
Accounts payable	(70)	(32)
Accounts payable to affiliated companies	14	(12)
Taxes accrued	(61)	4
Other current liabilities	10	28
Other assets	(5)	2
Other liabilities	(1)	(2)
Net cash provided by operating activities	320	459
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(480)	(327)
Contributions to equity method investments	(16)	—
Notes receivable from affiliated companies	(16)	(77)
Other	(6)	(2)
Net cash used in investing activities	(518)	(406)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long-term debt	596	—
Payments for the redemption of long-term debt	(350)	—
Notes payable to affiliated companies	(198)	(364)
Capital contributions from parent	150	300
Net cash provided by (used in) financing activities	198	(64)
Net decrease in cash and cash equivalents	—	(11)
Cash and cash equivalents at beginning of period	—	19
Cash and cash equivalents at end of period	\$ —	\$ 8
Supplemental Disclosures:		
Significant non-cash transactions:		
Accrued capital expenditures	\$ 115	\$ 73

See Notes to Condensed Consolidated Financial Statements

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

(in millions)	Three Months Ended June 30, 2018 and 2019			
	Common	Retained	Total	
	Stock	Earnings	Equity	
Balance at March 31, 2018	\$ 860	\$ 912	\$	1,772
Net loss	—	(8)		(8)
Contribution from parent	300	—		300
Balance at June 30, 2018	\$ 1,160	\$ 904	\$	2,064
Balance at March 31, 2019	\$ 1,160	\$ 1,053	\$	2,213
Net loss	—	(7)		(7)
Contribution from parent	150	—		150
Balance at June 30, 2019	\$ 1,310	\$ 1,046	\$	2,356

(in millions)	Six Months Ended June 30, 2018 and 2019			
	Common	Retained	Total	
	Stock	Earnings	Equity	
Balance at December 31, 2017	\$ 860	\$ 802	\$	1,662
Net income	—	102		102
Contribution from parent	300	—		300
Balance at June 30, 2018	\$ 1,160	\$ 904	\$	2,064
Balance at December 31, 2018	\$ 1,160	\$ 931	\$	2,091
Net income	—	115		115
Contribution from parent	150	—		150
Balance at June 30, 2019	\$ 1,310	\$ 1,046	\$	2,356

See Notes to Condensed Consolidated Financial Statements
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Index to Combined Notes to Condensed Consolidated Financial Statements

The unaudited notes to the Condensed Consolidated Financial Statements that follow are a combined presentation. The following list indicates the registrants to which the footnotes apply.

Registrant	Applicable Notes																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Duke Energy	•	•	•	•	•	•	•	•		•	•	•	•	•	•	•	•	•
Duke Energy Carolinas	•	•	•	•	•	•	•		•	•	•	•	•	•		•	•	•
Progress Energy	•	•	•	•	•	•	•	•	•	•	•	•	•	•		•	•	•
Duke Energy Progress	•	•	•	•	•	•	•		•	•	•	•	•	•		•	•	•
Duke Energy Florida	•	•	•	•	•	•	•		•	•	•	•	•	•		•	•	•
Duke Energy Ohio	•	•	•	•	•	•	•	•	•	•		•	•	•		•	•	•
Duke Energy Indiana	•	•	•	•	•	•	•		•	•	•	•	•	•		•	•	•
Piedmont	•	•	•	•	•	•	•	•	•	•		•		•		•	•	•

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

1. ORGANIZATION AND BASIS OF PRESENTATION

BASIS OF PRESENTATION

These Condensed Consolidated Financial Statements have been prepared in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Regulation S-X. Accordingly, these Condensed Consolidated Financial Statements do not include all information and notes required by GAAP for annual financial statements and should be read in conjunction with the Consolidated Financial Statements in the Duke Energy Registrants' combined Annual Report on Form 10-K for the year ended December 31, 2018.

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

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

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

BASIS OF CONSOLIDATION

These Condensed Consolidated Financial Statements include, after eliminating intercompany transactions and balances, the accounts of the Duke Energy Registrants and subsidiaries or VIEs where the respective Duke Energy Registrants have control. See Note 13 for additional information on VIEs. These Condensed Consolidated Financial Statements also reflect the Duke Energy Registrants' proportionate share of certain jointly owned generation and transmission facilities.

NONCONTROLLING INTEREST

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

Several operating agreements of Duke Energy's subsidiaries with noncontrolling interest are subject to allocations of earnings, tax attributes and cash flows in accordance with contractual agreements that vary throughout the lives of the subsidiaries. Therefore, Duke Energy and the other investors' (the owners) interests in the subsidiaries are not fixed, and the subsidiaries apply the HLBV method in allocating book profit or loss and other comprehensive income or loss (all measured on a pretax basis) to the owners. The HLBV method measures the amounts that each owner would hypothetically claim at each balance sheet reporting date, including tax benefits realized by the owners, 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 profit or loss allocated to each owner for the reporting period. During the second quarter of 2019, Duke Energy's North Rosamond solar farm commenced commercial operations resulting in the allocation of losses to the noncontrolling tax equity members of \$74 million utilizing the HLBV method.

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

CASH, CASH EQUIVALENTS AND RESTRICTED CASH

Duke Energy, Progress Energy and Duke Energy Florida have restricted cash balances related primarily to collateral assets, escrow deposits and VIEs. See Note 13 for additional information. Restricted cash amounts are included in Other within Current Assets and Other Noncurrent Assets on the Condensed Consolidated Balance Sheets. The following table presents the components of cash, cash equivalents and restricted cash included in the Condensed Consolidated Balance Sheets.

	June 30, 2019			December 31, 2018		
	Duke Energy	Progress Energy	Duke Energy Florida	Duke Energy	Progress Energy	Duke Energy Florida
Current Assets						
Cash and cash equivalents	\$ 336	\$ 51	\$ 16	\$ 442	\$ 67	\$ 36
Other	106	31	31	141	39	39
Other Noncurrent Assets						
Other	39	38	—	8	6	—
Total cash, cash equivalents and restricted cash	\$ 481	\$ 120	\$ 47	\$ 591	\$ 112	\$ 75

INVENTORY

Provisions for inventory write-offs were not material at June 30, 2019, and December 31, 2018. The components of inventory are presented in the tables below.

	June 30, 2019							
	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	\$ 2,252	\$ 749	\$ 1,036	\$ 709	\$ 327	\$ 76	\$ 323	\$ 3
Coal	624	235	234	160	74	17	139	—
Natural gas, oil and other fuel	313	41	210	111	98	31	1	30
Total inventory	\$ 3,189	\$ 1,025	\$ 1,480	\$ 980	\$ 499	\$ 124	\$ 463	\$ 33

	December 31, 2018							
	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	\$ 2,238	\$ 731	\$ 1,049	\$ 734	\$ 315	\$ 84	\$ 312	\$ 2
Coal	491	175	192	106	86	14	109	—
Natural gas, oil and other fuel	355	42	218	114	103	28	1	68
Total inventory	\$ 3,084	\$ 948	\$ 1,459	\$ 954	\$ 504	\$ 126	\$ 422	\$ 70

NEW ACCOUNTING STANDARDS

Except as noted below, the new accounting standards adopted for 2018 and 2019 had no material impact on the presentation or results of operations, cash flows or financial position of the Duke Energy Registrants.

Leases. In February 2016, the FASB issued revised accounting guidance for leases. The core principle of this guidance is that a lessee should recognize the assets and liabilities that arise from leases on the balance sheet. This resulted in a material impact on the presentation for the statement of financial position of the Duke Energy Registrants for the period ended June 30, 2019, and an immaterial impact to the Duke Energy Registrants' results of operations for the three and six months ended June 30, 2019, and cash flows for the six months ended June 30, 2019.

Duke Energy elected the modified retrospective method of adoption effective January 1, 2019. Under the modified retrospective method of adoption, prior year reported results are not restated. For adoption, Duke Energy has elected to apply the following practical expedients:

Practical Expedient	Description
Package of transition practical expedients (for leases commenced prior to adoption date and must be adopted as a package)	Do not need to 1) reassess whether any expired or existing contracts are/or contain leases, 2) reassess the lease classification for any expired or existing leases and 3) reassess initial direct costs for any existing leases.
Short-term lease expedient (elect by class of underlying asset)	Elect as an accounting policy to not apply the recognition requirements to short-term leases by asset class.
Lease and non-lease components (elect by class of underlying asset)	Elect as an accounting policy to not separate non-lease components from lease components and instead account for each lease and associated non-lease component as a single lease component by asset class.
Hindsight expedient (when determining lease term)	Elect to use hindsight to determine the lease term.
Existing and expired land easements not previously accounted for as leases	Elect to not evaluate existing or expired easements under the new guidance and carry forward current accounting treatment.
Comparative reporting requirements for initial adoption	Elect to apply transition requirements at adoption date, recognize cumulative effect adjustment to retained earnings in period of adoption and not apply the new requirements to comparative periods, including disclosures.
Lessor expedient (elect by class of underlying asset)	Elect as an accounting policy to aggregate non-lease components with the related lease component when specified conditions are met by asset class. Account for the combined component based on its predominant characteristic (revenue or operating lease).

Duke Energy evaluated the financial statement impact of adopting the standard and monitored industry implementation issues. Under agreements considered leases, where Duke Energy is the lessee, for the use of certain aircraft, space on communication towers, industrial equipment, fleet vehicles, fuel transportation (barges and railcars), land, office space and PPAs are now recognized on the balance sheet. The Duke Energy Registrants did not have a material change to the financial statements from the adoption of the new standard for contracts where it is the lessor. See Note 5 for further information.

No new accounting standards, issued but not yet adopted, are expected to have a material impact on the Duke Energy Registrants as of June 30, 2019.

2. BUSINESS SEGMENTS

Duke Energy

Duke Energy's segment structure includes the following segments: Electric Utilities and Infrastructure, Gas Utilities and Infrastructure and Commercial Renewables. The Electric Utilities and Infrastructure segment primarily includes Duke Energy's regulated electric utilities in the Carolinas, Florida and the Midwest. 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.

The Commercial Renewables segment is primarily comprised of nonregulated utility-scale wind and solar generation assets located throughout the U.S. On April 24, 2019, Duke Energy executed an agreement to sell a minority interest in a portion of certain renewable assets. The portion of Duke Energy's commercial renewables energy portfolio to be sold includes 49 percent of 37 operating wind, solar and battery storage assets and 33 percent of 11 operating solar assets across the U.S. The sale will result in pretax proceeds to Duke Energy of \$415 million. Duke Energy will retain control of these assets, and, therefore, no gain or loss is expected to be recognized on the Condensed Consolidated Statements of Operations upon closing of the transaction. The sale is subject to customary closing conditions, including approvals from the FERC, the Public Utility Commission of Texas and the Committee on Foreign Investment in the U.S. Duke Energy received FERC approval on July 26, 2019. The transaction is expected to close in the second half of 2019.

During the three months ended June 30, 2019, Duke Energy evaluated recoverability of its renewable merchant plants principally located in the Electric Reliability Council of Texas West market due to declining market pricing and declining long-term forecasted energy and capacity prices, primarily driven by lower forecasted natural gas prices. Duke Energy determined that the assets were not impaired because the carrying value of \$160 million approximates the aggregate estimated future cash flows and further testing was not required. A continued decline in pricing would likely result in a future impairment.

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

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

Three Months Ended June 30, 2019								
(in millions)	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Commercial Renewables	Total Reportable Segments	Other	Eliminations		Total
Unaffiliated revenues	\$ 5,467	\$ 282	\$ 118	\$ 5,867	\$ 6	\$ —	\$	5,873
Intersegment revenues	8	24	—	32	19	(51)		—
Total revenues	\$ 5,475	\$ 306	\$ 118	\$ 5,899	\$ 25	\$ (51)	\$	5,873
Segment income (loss)	\$ 809	\$ 40	\$ 86	\$ 935	\$ (115)	\$ —	\$	820
Add back noncontrolling interests ^(a)								(84)
Add back preferred stock dividend								12
Net income							\$	748
Segment assets	\$ 131,640	\$ 12,943	\$ 4,870	\$ 149,453	\$ 3,815	\$ 181	\$	153,449

Three Months Ended June 30, 2018								
(in millions)	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Commercial Renewables	Total Reportable Segments	Other	Eliminations		Total
Unaffiliated revenues	\$ 5,215	\$ 294	\$ 119	\$ 5,628	\$ 15	\$ —	\$	5,643
Intersegment revenues	8	24	—	32	17	(49)		—
Total revenues	\$ 5,223	\$ 318	\$ 119	\$ 5,660	\$ 32	\$ (49)	\$	5,643
Segment income (loss) ^{(b)(c)}	\$ 575	\$ 28	\$ 38	\$ 641	\$ (136)	\$ —	\$	505
Add back noncontrolling interests								2
Loss from discontinued operations, net of tax								(5)
Net income							\$	502

Six Months Ended June 30, 2019								
(in millions)	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Commercial Renewables	Total Reportable Segments	Other	Eliminations		Total
Unaffiliated revenues	\$ 10,788	\$ 1,014	\$ 224	\$ 12,026	\$ 10	\$ —	\$	12,036
Intersegment revenues	16	48	—	64	36	(100)		—
Total revenues	\$ 10,804	\$ 1,062	\$ 224	\$ 12,090	\$ 46	\$ (100)	\$	12,036
Segment income (loss)	\$ 1,559	\$ 266	\$ 99	\$ 1,924	\$ (204)	\$ —	\$	1,720
Add back noncontrolling interests ^(a)								(91)
Add back preferred stock dividend								12
Net income							\$	1,641

Six Months Ended June 30, 2018								
(in millions)	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Commercial Renewables	Total Reportable Segments	Other	Eliminations		Total
Unaffiliated revenues	\$ 10,530	\$ 997	\$ 220	\$ 11,747	\$ 31	\$ —	\$	11,778
Intersegment revenues	16	48	—	64	36	(100)		—
Total revenues	\$ 10,546	\$ 1,045	\$ 220	\$ 11,811	\$ 67	\$ (100)	\$	11,778
Segment income (loss) ^{(b)(c)(d)(e)}	\$ 1,325	\$ 144	\$ 58	\$ 1,527	\$ (402)	\$ —	\$	1,125
Add back noncontrolling interests								4
Loss from discontinued operations, net of tax								(5)
Net income							\$	1,124

- (a) Includes the allocation of losses to noncontrolling tax equity members. See Note 1 for additional information.
 (b) Electric Utilities and Infrastructure includes regulatory and legislative impairment charges related to rate case orders, settlements or other actions of regulators or legislative bodies. See Note 3 for additional information.
 (c) Other includes costs to achieve the Piedmont acquisition.
 (d) Gas Utilities and Infrastructure includes an impairment of the investment in Constitution. See Note 3 for additional information.
 (e) Other includes the loss on the sale of Beckjord described below and a valuation allowance recorded against the AMT credits.

In February 2018, Duke Energy sold Beckjord, a nonregulated facility retired during 2014, and recorded a pretax loss of \$106 million within Gains (Losses) on Sales of Other Assets and Other, net and \$1 million within Operation, maintenance and other on Duke Energy's Condensed Consolidated Statements of Operations for the six months ended June 30, 2018. The sale included the transfer of coal ash basins and other real property and indemnification from any and all potential future claims related to the property, whether arising under environmental laws or otherwise.

Duke Energy Ohio

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

Three Months Ended June 30, 2019						
(in millions)	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Total Reportable Segments		Other	Total
Total revenues	\$ 336	\$ 97	\$ 433	\$	—	\$ 433
Segment income/Net (loss) income	\$ 31	\$ 17	\$ 48	\$	(1)	\$ 47
Segment assets	\$ 5,914	\$ 2,948	\$ 8,862	\$	27	\$ 8,889

Three Months Ended June 30, 2018						
(in millions)	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Total Reportable Segments		Other	Total
Total revenues	\$ 346	\$ 103	\$ 449	\$	10	\$ 459
Segment income/Net (loss) income	\$ 39	\$ 18	\$ 57	\$	(11)	\$ 46

Six Months Ended June 30, 2019						
(in millions)	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Total Reportable Segments		Other	Total
Total revenues	\$ 691	\$ 273	\$ 964	\$	—	\$ 964
Segment income/Net (loss) income	\$ 67	\$ 52	\$ 119	\$	(3)	\$ 116

Six Months Ended June 30, 2018						
(in millions)	Electric Utilities and Infrastructure	Gas Utilities and Infrastructure	Total Reportable Segments		Other	Total
Total revenues	\$ 682	\$ 277	\$ 959	\$	24	\$ 983
Segment income/Net (loss) income ^(a)	\$ 72	\$ 52	\$ 124	\$	(103)	\$ 21

(a) Other includes the loss on the sale of Beckjord described above.

3. REGULATORY MATTERS

RATE-RELATED INFORMATION

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

Duke Energy Carolinas and Duke Energy Progress

Hurricane Florence, Hurricane Michael and Winter Storm Diego Deferral Filings

On December 21, 2018, Duke Energy Carolinas and Duke Energy Progress filed with the NCUC petitions for approval to defer the incremental costs incurred in connection with the response to Hurricane Florence, Hurricane Michael and Winter Storm Diego to a regulatory asset for recovery in the next base rate case. The NCUC issued an order requesting comments on the deferral positions. On March 5, 2019, the North Carolina Public Staff (Public Staff) filed comments. On April 2, 2019, Duke Energy Carolinas and Duke Energy Progress filed reply comments, which included revised estimates of approximately \$553 million in incremental operation and maintenance expenses (\$171 million and \$382 million for Duke Energy Carolinas and Duke Energy Progress, respectively) and approximately \$96 million in capital costs (\$20 million and \$76 million for Duke Energy Carolinas and Duke Energy Progress, respectively). Duke Energy Carolinas and Duke Energy Progress cannot predict the outcome of this matter. Duke Energy Progress filed a similar request with the PSCSC on January 11, 2019, which also included a request for the continuation of prior deferrals requested for ice storms and Hurricane Matthew, and on January 30, 2019, the PSCSC issued a directive approving the deferral request, followed by an order issued on February 21, 2019. On March 15, 2019, Duke Energy Progress filed a request with FERC requesting permission to defer transmission-related storm costs that would be charged to wholesale transmission customers through Duke Energy Progress' Open Access Transmission Tariff (OATT) and to recover those costs from wholesale transmission customers over a three-year recovery period. FERC accepted the filing on May 14, 2019, which allows Duke Energy Progress to proceed with the proposed cost deferral and recovery.

Duke Energy Carolinas

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, which represented an approximate 13.6 percent increase in annual base revenues. The rate increase was driven by capital investments subsequent to the previous base rate case, including the W.S. Lee CC, grid improvement projects, AML, investments in customer service technologies, costs of complying with CCR regulations and the Coal Ash Act and recovery of costs related to licensing and development of the Lee Nuclear Station.

On February 28, 2018, Duke Energy Carolinas and the Public Staff filed an Agreement and Stipulation of Partial Settlement resolving certain portions of the proceeding. Terms of the settlement included a return on equity of 9.9 percent and a capital structure of 52 percent equity and 48 percent debt. As a result of the settlement, Duke Energy Carolinas recorded a pretax charge of approximately \$4 million in the first quarter of 2018 to Operation, maintenance and other on the Condensed Consolidated Statements of Operations.

On June 22, 2018, the NCUC issued an order approving the Stipulation of Partial Settlement and requiring a revenue reduction. As a result of the order, Duke Energy Carolinas recorded a pretax charge of approximately \$150 million in the second quarter of 2018 to Impairment charges and Operation, maintenance and other on the Condensed Consolidated Statements of Operations. The charge was primarily related to the denial of a return on the Lee Nuclear Project and the assessment of a \$70 million management penalty by reducing the annual recovery of deferred coal ash costs by \$14 million per year over a five-year recovery period. On July 27, 2018, NCUC approved Duke Energy Carolinas' compliance filing. As a result, revised customer rates were effective on August 1, 2018.

On July 20, 2018, the North Carolina Attorney General filed a Notice of Appeal to the North Carolina Supreme Court from the June 22, 2018, Order Accepting Stipulation, Deciding Contested Issues and Requiring Revenue Reduction issued by the NCUC. The Attorney General contends the commission's order should be reversed and remanded, as it is in excess of the commission's statutory authority; affected by errors of law; unsupported by competent, material and substantial evidence in view of the entire record as submitted; and arbitrary or capricious. The Sierra Club, North Carolina Sustainable Energy Association, North Carolina Justice Center, North Carolina Housing Coalition, Natural Resource Defense Council and Southern Alliance for Clean Energy also filed Notices of Appeal to the North Carolina Supreme Court. On August 8, 2018, the Public Staff filed a Notice of Cross Appeal to the North Carolina Supreme Court, which contends the commission's June 22, 2018, order should be reversed and remanded, as it is affected by errors of law, and is unsupported by substantial evidence with regard to the commission's failure to consider substantial evidence of coal ash related environmental violations. On November 29, 2018, the North Carolina Attorney General's Office filed a motion with the North Carolina Supreme Court requesting the court consolidate the Duke Energy Carolinas and Duke Energy Progress appeals and enter an order adopting the parties' proposed briefing schedule as set out in the filing. On November 29, 2018, the North Carolina Supreme Court adopted a schedule for briefing set forth in the motion to consolidate the Duke Energy Carolinas and Duke Energy Progress appeals. Appellant's brief was filed on April 26, 2019. The Appellee response briefs are due on September 25, 2019. Duke Energy Carolinas cannot predict the outcome of this matter.

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, which represents an approximate 10.0 percent increase in retail revenues. The request for rate increase was driven by capital investments and environmental compliance progress made by Duke Energy Carolinas since its previous rate case, including the further implementation of Duke Energy Carolinas' generation modernization program, which consists of retiring, replacing and upgrading generation plants, investments in customer service technologies and continued investments in base work to maintain its transmission and distribution systems. The request included net tax benefits resulting from the Tax Act of \$66 million to reflect the change in ongoing tax expense, primarily from the reduction in the federal income tax rate from 35 to 21 percent. The request also included \$46 million to return EDIT resulting from the federal tax rate change and deferred revenues since January 2018 related to the change and benefits of \$17 million from a reduction in North Carolina state income taxes allocable to South Carolina (EDIT Rider).

Duke Energy Carolinas also requested approval of its proposed Grid Improvement Plan (GIP), adjustments to its Prepaid Advantage Program and a variety of accounting orders related to ongoing costs for environmental compliance, including recovery over a five-year period of \$242 million of deferred coal ash related compliance costs, grid investments between rate changes, incremental depreciation expense, a result of new depreciation rates from the depreciation study approved in the 2017 North Carolina Rate Case above, and the balance of development costs associated with the cancellation of the Lee Nuclear Project. Finally, Duke Energy Carolinas sought approval to establish a reserve and accrual for end-of-life nuclear costs for nuclear fuel and materials and supplies. On March 8, 2019, the ORS moved to establish a new and separate hearing docket to review and consider the GIP proposed by Duke Energy Carolinas. Subsequently, on March 12, 2019, the ORS and Duke Energy Carolinas executed a Stipulation resolving the ORS's motion. The Stipulation provides that costs incurred after January 1, 2019, for the GIP will be deferred with a return, subject to evaluation in a future rate proceeding, and that Duke Energy Carolinas will refile for consideration of the GIP in a new docket for resolution by January 1, 2020. The Stipulation was approved by the PSCSC on June 19, 2019.

After hearings in March 2019, the PSCSC issued an order on May 21, 2019, which included a return on equity of 9.5 percent and a capital structure of 53 percent equity and 47 percent 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 percent;
- 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 percent to be returned over a five-year period.

As a result of the May 21, 2019 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 commission on certain issues presented in the proceeding. On June 19, 2019, the PSCSC issued a Directive denying 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, return on equity and the recovery of a return on deferred operation and maintenance expenses. Duke Energy Carolinas awaits the order on reconsideration detailing the commission's decision. Based upon legal analysis and Duke Energy Carolinas' intention to file a notice of appeal with the South Carolina Supreme Court within 30 days of receipt of the order, Duke Energy Carolinas has not recorded an adjustment for its deferred coal ash costs. Duke Energy Carolinas cannot predict the outcome of this matter.

FERC Formula Rate Matter

On July 31, 2017, PMPA filed a complaint with FERC alleging that Duke Energy Carolinas misapplied the formula rate under the PPA between the parties by including in its rates amortization expense associated with regulatory assets and recorded in a certain account without FERC approval. On February 15, 2018, FERC issued an order ruling in favor of PMPA and ordered Duke Energy Carolinas to refund to PMPA all amounts improperly collected under the PPA. Duke Energy Carolinas has issued to PMPA and similarly situated wholesale customers refunds of approximately \$25 million. FERC also set the matter for settlement and hearing. PMPA and other customers filed a protest to Duke Energy Carolinas' refund report claiming that the refunds are inadequate in that (1) Duke Energy Carolinas invoked the limitations periods in the contracts to limit the time period for which the refunds were paid and the customers disagree that this limitation applies, and (2) Duke Energy Carolinas refunded only amounts recovered through a certain account and the customers have asserted that the order applies to all regulatory assets. On July 3, 2018, FERC issued an order accepting Duke Energy Carolinas' refund report and ruling that these two claims are outside the scope of FERC's February order. The settlement agreements and revised formula rates for all parties to the proceeding were filed on December 28, 2018. On April 2, 2019, FERC issued an order approving the settlement agreement as filed. Since then, Duke Energy Carolinas has implemented the terms of the settlement in rates with all wholesale customers, including non-intervening customers. On July 25, 2019, Duke Energy Carolinas received FERC approval for the accounting treatment requested for certain assets included in the settlement agreements. This is the final approval needed from FERC and concludes this proceeding.

Sale of Hydroelectric (Hydro) Plants

In May 2018, Duke Energy Carolinas entered an agreement for the sale of five hydro plants with a combined 18.7-MW generation capacity in the Western Carolinas region to Northbrook Energy. The completion of the transaction is subject to approval from FERC for the four FERC-licensed plants, as well as other state regulatory agencies and is contingent upon regulatory approval from the NCUC and PSCSC to defer the total estimated loss on the sale of approximately \$40 million. On July 5, 2018, Duke Energy Carolinas filed with NCUC for approval of the sale of the five hydro plants to Northbrook, to transfer the CPCNs for the four North Carolina hydro plants and to establish a regulatory asset for the North Carolina retail portion of the difference between sales proceeds and net book value. On June 5, 2019, the NCUC issued an order approving the transfer of the hydro plants from Duke Energy Carolinas to Northbrook, granting deferral accounting and denying the Public Staff's motion for reconsideration.

On August 28, 2018, Duke Energy Carolinas filed with PSCSC an Application for Approval of Transfer and Sale of Hydroelectric Generation Facilities, Acceptance for Filing of a Power Purchase Agreement and an Accounting Order to Establish a Regulatory Asset. On September 10, 2018, the ORS provided a letter to the commission stating its position on the application and on September 18, 2018, Duke Energy Carolinas requested this matter be carried over to allow Duke Energy Carolinas time to discuss certain accounting issues with the ORS. At their June 26, 2019, agenda meeting, the PSCSC voted to approve the transfer and sale subject to the recommendation of the ORS that the issuance of an Accounting Order will not preclude the ORS, the commission or any other party from addressing the reasonableness of these costs, any return sought and including any carrying costs in the next rate case.

On August 9, 2018, Duke Energy Carolinas and Northbrook filed a joint Application for Transfer of Licenses with the FERC. On December 27, 2018, the FERC issued its Order Approving Transfer of Licenses ("Order") for the four FERC-licensed hydro plants. On January 18, 2019, Duke Energy Carolinas and Northbrook Carolina Hydro II, LLC requested a six-month extension of time to comply with the requirement of the Order that Northbrook submit to FERC certified copies of all instruments of conveyance and signed acceptance sheets within 60 days of the date of the Order. On February 14, 2019, FERC issued an order granting extensions until August 26, 2019, to comply with the requirements of the December 27, 2018 Order.

The closing is expected to occur in 2019. After closing, Duke Energy Carolinas will purchase all the capacity and energy generated by these facilities at the avoided cost for five years through power purchase agreements. Duke Energy Carolinas cannot predict the outcome of this matter.

Duke Energy Progress

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 represented an approximate 14.9 percent increase in annual base revenues. Subsequent to the filing, Duke Energy Progress adjusted the requested amount to \$420 million, representing an approximate 13 percent increase. The rate increase was driven by capital investments subsequent to the previous base rate case, costs of complying with CCR regulations and the Coal Ash Act, costs relating to storm recovery, investments in customer service technologies and recovery of costs associated with renewable purchased power.

On November 22, 2017, Duke Energy Progress and the Public Staff filed an Agreement and Stipulation of Partial Settlement resolving certain portions of the proceeding. Terms of the settlement included a return on equity of 9.9 percent and a capital structure of 52 percent equity and 48 percent debt. On February 23, 2018, the NCUC issued an order approving the stipulation.

The order also impacted certain amounts that were similarly recorded on Duke Energy Carolinas' Condensed Consolidated Balance Sheets. As a result of the order, Duke Energy Progress and Duke Energy Carolinas recorded pretax charges of \$68 million and \$14 million, respectively, in the first quarter of 2018 to impairment charges, Operation, maintenance and other and Interest Expense on the Condensed Consolidated Statements of Operations. Revised customer rates became effective on March 16, 2018.

On May 15, 2018, the Public Staff filed a Notice of Cross Appeal to the North Carolina Supreme Court from the NCUC's February 23, 2018, Order. The Public Staff contends the NCUC's order should be reversed and remanded, as it is affected by errors of law, and is unsupported by competent, material and substantial evidence in view of the entire record as submitted. The North Carolina Attorney General and Sierra Club also filed Notices of Appeal to the North Carolina Supreme Court from the February 23, 2018, Order. On November 29, 2018, the North Carolina Attorney General's Office filed a motion with the North Carolina Supreme Court requesting the court consolidate the Duke Energy Progress and Duke Energy Carolinas appeals and enter an order adopting the parties' proposed briefing schedule as set out in the filing. Appellant's brief was filed on April 26, 2019. The Appellee response briefs are due on September 25, 2019. Duke Energy Progress cannot predict the outcome of this matter.

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, which represents an approximate 10.3 percent increase in annual base revenues. The rate increase is driven by capital investments and environmental compliance progress made by Duke Energy Progress since its previous rate case, including the further implementation of Duke Energy Progress' generation modernization program, which consists of retiring, replacing and upgrading generation plants, investments in customer service technologies and continued investments in base work to maintain its transmission and distribution systems. The request included a decrease resulting from the Tax Act of \$17 million to reflect the change in ongoing tax expense, primarily the reduction in the federal income tax rate from 35 to 21 percent. The request also included \$10 million to return EDIT resulting from the federal tax rate change and deferred revenues since January 2018 related to the change (EDIT Rider) and a \$12 million increase due to the expiration of EDITs related to reductions in North Carolina state income taxes allocable to South Carolina.

Duke Energy Progress also requested approval of its proposed GIP, approval of a Prepaid Advantage Program and a variety of accounting orders related to ongoing costs for environmental compliance, including recovery over a five-year period of \$51 million of deferred coal ash related compliance costs, AMI deployment, grid investments between rate changes and regulatory asset treatment related to the retirement of a generating plant located in Asheville, North Carolina. Finally, Duke Energy Progress sought approval to establish a reserve and accrual for end-of-life nuclear costs for materials and supplies and nuclear fuel. On March 8, 2019, the ORS moved to establish a new and separate hearing docket to review and consider the GIP proposed by Duke Energy Progress. Subsequently, on March 12, 2019, the ORS and Duke Energy Carolinas executed a Stipulation resolving the ORS's motion, and Duke Energy Progress agreed to the Stipulation, as did other parties in the rate case. The Stipulation provides that costs incurred after January 1, 2019, for the GIP will be deferred with a return, with all costs subject to evaluation in a future rate proceeding, and that Duke Energy Progress will refile for consideration of the GIP in a new docket for resolution by January 1, 2020. The Stipulation was approved by the PSCSC on June 19, 2019.

After hearings in April 2019, the PSCSC issued an order on May 21, 2019, which included a return on equity of 9.5 percent and a capital structure of 53 percent equity and 47 percent 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 percent;
- 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 percent.

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 commission on certain issues presented in the proceeding. On June 19, 2019, the PSCSC issued a Directive 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, return on equity and the recovery of a return on deferred operation and maintenance expenses, but allowing additional litigation-related costs. As a result of the Directive allowing litigation-related costs, customer rates were revised effective July 1, 2019. Duke Energy Progress awaits the order on reconsideration detailing the commission's decision. Based upon legal analysis and Duke Energy Progress' intention to file a notice of appeal with the South Carolina Supreme Court within 30 days of receipt of the order, Duke Energy Progress has not recorded an adjustment for its deferred coal ash costs. Duke Energy Progress cannot predict the outcome of this matter.

Western Carolinas Modernization Plan

On November 4, 2015, Duke Energy Progress announced a Western Carolinas Modernization Plan, which included retirement of the existing Asheville coal-fired plant, the construction of two 280-MW combined-cycle natural gas plants having dual-fuel capability, with the option to build a third natural gas simple cycle unit in 2023 based upon the outcome of initiatives to reduce the region's power demand. The plan also included upgrades to existing transmission lines and substations, installation of solar generation and a pilot battery storage project. These investments will be made within the next seven years. Duke Energy Progress worked with the local natural gas distribution company to upgrade an existing natural gas pipeline to serve the natural gas plant. The lease became effective on March 2, 2019.

On March 28, 2016, the NCUC issued an order approving a CPCN for the new combined-cycle natural gas plants, but denying the CPCN for the contingent simple cycle unit without prejudice to Duke Energy Progress to refile for approval in the future. On March 28, 2019, Duke Energy Progress filed an annual progress report for the construction of the combined-cycle plants with the NCUC, with an estimated cost of \$893 million. Site preparation activities for the combined-cycle plants are complete and construction of these plants began in 2017, with an expected in-service date in late 2019.

On October 8, 2018, Duke Energy Progress filed an application with the NCUC for a CPCN to construct the Hot Springs Microgrid Solar and Battery Storage Facility. On March 22, 2019, Duke Energy Progress and the Public Staff filed a Joint Proposed Order. On May 10, 2019, the NCUC issued an Order Granting Certificate of Public Convenience and Necessity with Conditions.

The carrying value of the 376-MW Asheville coal-fired plant, including associated ash basin closure costs, of \$284 million and \$327 million is included in Generation facilities to be retired, net on Duke Energy Progress' Condensed Consolidated Balance Sheets as of June 30, 2019, and December 31, 2018, respectively. Duke Energy Progress' request for a regulatory asset at the time of retirement with amortization over a 10-year period was approved by the NCUC on February 23, 2018.

Duke Energy Florida***Storm Restoration Cost Recovery***

In September 2017, Duke Energy Florida's service territory suffered significant damage from Hurricane Irma, resulting in approximately 1 million customers experiencing outages. In the fourth quarter of 2017, Duke Energy Florida also incurred preparation costs related to Hurricane Nate. On December 28, 2017, Duke Energy Florida filed a petition with the FPSC to recover incremental storm restoration costs for Hurricane Irma and Hurricane Nate and to replenish the storm reserve. On February 6, 2018, the FPSC approved a stipulation that would apply tax savings resulting from the Tax Act toward storm costs effective January 2018 in lieu of implementing a storm surcharge. On May 31, 2018, Duke Energy Florida filed a petition for approval of actual storm restoration costs and associated recovery process related to Hurricane Irma and Hurricane Nate. The petition sought the approval for the recovery in the amount of \$510 million in actual recoverable storm restoration costs, including the replenishment of Duke Energy Florida's storm reserve of \$132 million, and the process for recovering these recoverable storm costs. On August 20, 2018, the FPSC approved Duke Energy Florida's unopposed Motion for Continuance filed August 17, 2018, to allow for an evidentiary hearing in this matter. On January 28, 2019, Duke Energy Florida made a supplemental filing to reduce the total storm cost recovery from \$510 million to \$508 million. On April 3, 2019, the FPSC issued an Order abating all remaining filing dates. On April 9, 2019, Duke Energy Florida filed an unopposed motion to approve a settlement agreement resolving all outstanding issues in this docket. On June 13, 2019, the FPSC issued its order approving the settlement agreement. The Storm Cost Settlement Agreement obligates Duke Energy Florida to capitalize \$18 million of storm costs and remove \$6 million of operating and maintenance expense, thereby reducing the requested storm cost recovery amount by \$24 million. Duke Energy Florida will also implement process changes with respect to storm cost restoration. At June 30, 2019, and December 31, 2018, Duke Energy Florida's Condensed Consolidated Balance Sheets included approximately \$118 million and \$217 million, respectively, of recoverable costs under the FPSC's storm rule in Regulatory assets within Current Assets and Other Noncurrent Assets related to storm recovery for Hurricane Irma and Hurricane Nate.

In October 2018, Duke Energy Florida's service territory suffered damage when Hurricane Michael made landfall as a Category 5 hurricane with maximum sustained winds of 160 mph. The storm caused catastrophic damage from wind and storm surge, particularly from Panama City Beach to Mexico Beach, resulting in widespread outages and significant damage to transmission and distribution facilities across the central Florida Panhandle. In response to Hurricane Michael, Duke Energy Florida restored service to approximately 72,000 customers. Total current estimated incremental operation and maintenance and capital costs are \$360 million. Approximately \$82 million and \$35 million of the costs are included in Net property, plant and equipment on the Condensed Consolidated Balance Sheets as of June 30, 2019, and December 31, 2018, respectively. Approximately \$225 million and \$165 million of costs are included in Regulatory assets within Other Noncurrent Assets on the Condensed Consolidated Balance Sheets as of June 30, 2019, and December 31, 2018, respectively, representing recoverable costs under the FPSC's storm rule and Duke Energy Florida's OATT formula rates. Additional costs could be incurred in 2019 related to this fourth quarter 2018 storm.

Duke Energy Florida filed a petition with the FPSC on April 30, 2019, to recover the retail portion of incremental storm restoration costs for Hurricane Michael. The estimated recovery amount is approximately \$221 million. On June 11, 2019, the FPSC approved the petition for recovery of incremental storm restoration costs related to Hurricane Michael. The FPSC also approved the stipulation Duke Energy Florida filed, which will allow Duke Energy Florida to use the tax savings resulting from the Tax Act to recover these storm costs in lieu of implementing a storm surcharge. Approved storm costs are currently expected to be fully recovered by approximately year-end 2021. Duke Energy Florida expects to file actual costs for approval with the FPSC in 2019. Duke Energy Florida cannot predict the outcome of this matter.

Tax Act

Pursuant to Duke Energy Florida's 2017 Settlement, on May 31, 2018, Duke Energy Florida filed a petition related to the Tax Act, which included revenue requirement impacts of annual tax savings of \$134 million and estimated annual amortization of EDIT of \$67 million for a total of \$201 million. Of this amount, \$50 million would be offset by accelerated depreciation of Crystal River 4 and 5 coal units and an estimated \$151 million would be offset by Hurricane Irma storm cost recovery as explained in the Storm Restoration Cost Recovery section above. On December 27, 2018, Duke Energy Florida filed actual EDIT balances and amortization based on its 2017 filed tax return. This increased the revenue requirement impact of the amortization of EDIT by \$4 million, from \$67 million to \$71 million, which increased the total storm amortization from \$151 million to \$155 million. On January 8, 2019, the FPSC approved a joint motion by Duke Energy Florida and the Office of Public Counsel resolving all stipulated positions. As part of that stipulation, Duke Energy Florida agreed to seek a Private Letter Ruling (PLR) from the IRS on its treatment of cost of removal (COR) as mostly protected by tax normalization rules. If the IRS rules that COR is not protected by tax normalization rules, then Duke Energy Florida will make a final adjustment to the amortization of EDIT and an adjustment to the storm recovery amount retroactive to January 2018. The IRS has communicated that it will not issue individual PLRs on the treatment of COR. Rather, the IRS is drafting a notice that will request comments on a number of issues, including COR, and the IRS plans to issue industrywide guidance on those issues. Duke Energy Florida cannot predict the outcome of this matter.

Solar Base Rate Adjustment

On July 31, 2018, Duke Energy Florida petitioned the FPSC to include in base rates the revenue requirements for its first two solar generation projects, the Hamilton Project and the Columbia Project, as authorized by the 2017 Settlement. The Hamilton Project, which was placed into service on December 22, 2018, has an annual retail revenue requirement of \$15 million. At its October 30, 2018, Agenda Conference, the FPSC approved the rate increase related to the Hamilton Project to go into effect beginning with the first billing cycle in January 2019 under its file and suspend authority, and revised customer rates became effective in January 2019. The Columbia Project has a projected annual revenue requirement of \$14 million and a projected in-service date in early 2020; the associated rate increase would take place with the first month's billing cycle after the Columbia Project goes into service. On April 2, 2019, the commission approved both solar projects as filed.

On March 25, 2019, Duke Energy Florida petitioned the FPSC to include in base rates the revenue requirements for its next wave of solar generation projects, the Trenton, Lake Placid and DeBary Solar Projects, as authorized by the 2017 Settlement. The annual retail revenue requirement for the Trenton and Lake Placid Projects is \$13 million and \$8 million, respectively, with projected in-service dates in the fourth quarter of 2019. The DeBary Project has a projected annual revenue requirement of \$11 million and a projected in-service date in the first quarter of 2020. The associated rate increase would take place with the first month's billing cycle after each solar generation project goes into service. On July 22, 2019, the FPSC issued an order approving Duke Energy Florida's request.

Crystal River Unit 3 Accelerated Decommissioning Filing

On May 29, 2019, Duke Energy Florida entered into a Decommissioning Services Agreement for the accelerated decommissioning of the Crystal River Unit 3 nuclear power station located in Citrus County, Florida, with ADP CR3, LLC and ADP SF1, LLC, each of which is a wholly owned subsidiary of Accelerated Decommissioning Partners, LLC, a joint venture between NorthStar Group Services, Inc. and Orano USA LLC. Closing of this Agreement is contingent upon the approval of the NRC and FPSC. If approved, the decommissioning will be accelerated starting in 2020 and continuing through 2027, rather than the expected time frame under SAFSTOR of starting in 2067 and ending in 2074. Duke Energy Florida expects that the assets of the Nuclear Decommissioning Trust Fund will be sufficient to cover the contract price. On July 10, 2019, Duke Energy Florida petitioned the FPSC for approval of the Agreement. Duke Energy Florida cannot predict the outcome of this matter.

Duke Energy Ohio

2017 Electric Security Plan

On June 1, 2017, Duke Energy Ohio filed with the PUCO a request for a standard service offer in the form of an ESP. On February 15, 2018, the procedural schedule was suspended to facilitate ongoing settlement discussions. On April 13, 2018, Duke Energy Ohio filed a Motion to consolidate this proceeding with several other cases pending before the PUCO, including, but not limited to, its Electric Base Rate Case. Additionally, on April 13, 2018, Duke Energy Ohio, along with certain intervenors, filed a Stipulation and Recommendation (Stipulation) with the PUCO resolving certain issues in this proceeding. The term of the ESP would be from June 1, 2018, to May 31, 2025, and included continuation of market-based customer rates through competitive procurement processes for generation, continuation and expansion of existing rider mechanisms and proposed new rider mechanisms relating to regulatory mandates, costs incurred to enhance the customer experience and transform the grid and a service reliability rider for vegetation management. The Stipulation established a regulatory model for the next seven years via the approval of the ESP and continued the current model for procuring supply for non-shopping customers, including recovery mechanisms. On December 19, 2018, the PUCO approved the Stipulation without material modification. Several parties filed applications for rehearing. On February 6, 2019, the PUCO granted the parties rehearing. The PUCO issued its Second Entry on Rehearing on July 17, 2019, upholding its December 19, 2018 order and denying all assignments of error raised by the non-stipulating parties. The parties have the ability to appeal to the Ohio Supreme Court within 60 days of the July entry. Duke Energy Ohio cannot predict the outcome of this matter.

Electric Base Rate Case

Duke Energy Ohio filed with the PUCO an electric distribution base rate case application and supporting testimony in March 2017. Duke Energy Ohio requested an estimated annual increase of approximately \$15 million and a return on equity of 10.4 percent. The application also included requests to continue certain current riders and establish new riders. On September 26, 2017, the PUCO staff filed a report recommending a revenue decrease between approximately \$18 million and \$29 million and a return on equity between 9.22 percent and 10.24 percent. On April 13, 2018, Duke Energy Ohio filed a Motion to consolidate this proceeding with several other cases pending before the PUCO. On April 13, 2018, Duke Energy Ohio, along with certain intervenors, filed the Stipulation with the PUCO resolving numerous issues including those in this base rate proceeding. Major components of the Stipulation related to the base distribution rate case included a \$19 million decrease in annual base distribution revenue with a return on equity unchanged from the current rate of 9.84 percent based upon a capital structure of 50.75 percent equity and 49.25 percent debt. Upon approval of new rates, Duke Energy Ohio's rider for recovering its initial SmartGrid implementation ended as these costs would be recovered through base rates. The Stipulation also renewed 14 existing riders, some of which were included in the company's ESP, and added two new riders including the Enhanced Service Reliability Rider to recover vegetation management costs not included in base rates, up to \$10 million per year (operation and maintenance only) and the PowerForward Rider to recover costs incurred to enhance the customer experience and further transform the grid (operation and maintenance and capital). In addition to the changes in revenue attributable to the Stipulation, Duke Energy Ohio's capital-related riders, including the Distribution Capital Investments Rider, began to reflect the lower federal income tax rate associated with the Tax Act with updates to customers' bills beginning April 1, 2018. This change reduced electric revenue by approximately \$20 million on an annualized basis. On December 19, 2018, the PUCO approved the Stipulation without material modification. New base rates were implemented effective January 2, 2019. Several parties filed applications for rehearing. On February 6, 2019, the PUCO granted the parties rehearing. The PUCO issued its Second Entry on Rehearing on July 17, 2019, upholding its December 19, 2018 order and denying all assignments of error raised by the non-stipulating parties. The parties have the ability to appeal to the Ohio Supreme Court within 60 days of the July entry. Duke Energy Ohio cannot predict the outcome of this matter.

Ohio Valley Electric Corporation

On March 31, 2017, Duke Energy Ohio filed for approval to adjust its existing price stabilization rider (Rider PSR) to pass through net costs related to its contractual entitlement to capacity and energy from the generating assets owned by OVEC. Duke Energy Ohio sought deferral authority for net costs incurred from April 1, 2017, until the new rates under Rider PSR were put into effect. On April 13, 2018, Duke Energy Ohio filed a Motion to consolidate this proceeding with several other cases currently pending before the PUCO. Also, on April 13, 2018, Duke Energy Ohio, along with certain intervenors, filed a Stipulation with the PUCO resolving numerous issues including those related to Rider PSR. The Stipulation activated Rider PSR for recovery of net costs incurred from January 1, 2018, through May 2025. On December 19, 2018, the PUCO approved the Stipulation without material modification. The PSR rider became effective April 1, 2019. Several parties filed applications for rehearing. On February 6, 2019, the PUCO granted the parties rehearing. The PUCO issued its Second Entry on Rehearing on July 17, 2019, upholding its December 19, 2018 order and denying all assignments of error raised by the non-stipulating parties. The parties have the ability to appeal to the Ohio Supreme Court within 60 days of the July entry. Duke Energy Ohio cannot predict the outcome of this matter.

On July 23, 2019, an Ohio bill was signed into law that will be effective January 1, 2020. Among other things, the bill allows for recovery of prudently incurred costs, net of any revenues, for Ohio Investor-owned utilities that are participants under the OVEC power agreement. The recovery shall be through a non-bypassable rider that is to replace any existing recovery mechanism approved by the PUCO and will remain in place through 2030. The amounts recoverable from customers will be subject to an annual cap, with incremental costs that exceed such cap eligible for deferral and recovery subject to review. See Note 13 for additional discussion of Duke Energy Ohio's ownership interest in OVEC.

Tax Act – Ohio

On July 25, 2018, Duke Energy Ohio filed an application to establish a new rider to implement the benefits of the Tax Act for electric distribution customers. The new rider will flow through to customers the benefit of the lower statutory federal tax rate from 35 to 21 percent since January 1, 2018, all future benefits of the lower tax rates and a full refund of deferred income taxes collected at the higher tax rates in prior years. Deferred income taxes subject to normalization rules will be refunded consistent with federal law and deferred income taxes not subject to normalization rules will be refunded over a 10-year period. Duke Energy Ohio's transmission rates reflect lower federal income tax but guidance from FERC on amortization of both protected and unprotected transmission-related EDITs is still pending. On October 24, 2018, the PUCO issued a Finding and Order that, among other things, directed all utilities over which the commission has rate-making authority to file an application to pass the benefits of the Tax Act to customers by January 1, 2019, unless otherwise exempted or directed by the PUCO. Duke Energy Ohio's July 25, 2018, filing for electric distribution operations is consistent with the commission's October 24, 2018, Finding and Order and no further action is needed. On February 20, 2019, the PUCO approved the application without material modification. Rates became effective March 1, 2019.

On December 21, 2018, Duke Energy Ohio filed an application to change its base rates and establish a new rider to implement the benefits of the Tax Act for natural gas customers. Duke Energy Ohio requested commission approval to implement the changes and rider effective April 1, 2019. The new rider will flow through to customers the benefit of the lower statutory federal tax rate from 35 to 21 percent since January 1, 2018, all future benefits of the lower tax rates and a full refund of deferred income taxes collected at the higher tax rates in prior years. Deferred income taxes subject to normalization rules will be refunded consistent with federal law and deferred income taxes not subject to normalization rules will be refunded over a 10-year period. The PUCO established a procedural schedule and testimony was filed on July 31, 2019. An evidentiary hearing will take place on August 7, 2019. Duke Energy Ohio cannot predict the outcome of this matter.

Energy Efficiency Cost Recovery

On March 28, 2014, Duke Energy Ohio filed an application for recovery of program costs, lost distribution revenue and performance incentives related to its energy efficiency and peak demand reduction programs. These programs are undertaken to comply with environmental mandates set forth in Ohio law. The PUCO approved Duke Energy Ohio's application but found that Duke Energy Ohio was not permitted to use banked energy savings from previous years in order to calculate the amount of allowed incentive. This conclusion represented a change to the cost recovery mechanism that had been agreed upon by intervenors and approved by the PUCO in previous cases. The PUCO granted the applications for rehearing filed by Duke Energy Ohio and an intervenor. On January 6, 2016, Duke Energy Ohio and the PUCO Staff entered into a stipulation, pending the PUCO's approval, to resolve issues related to performance incentives and the PUCO Staff audit of 2013 costs, among other issues. In December 2015, based upon the stipulation, Duke Energy Ohio re-established approximately \$20 million of the revenues that had been previously reversed. On October 26, 2016, the PUCO issued an order approving the stipulation without modification. In December 2016, the PUCO granted the intervenors request for rehearing for the purpose of further review. On April 10, 2019, the PUCO issued an Entry on Rehearing denying the rehearing applications.

On June 15, 2016, Duke Energy Ohio filed an application for approval of a three-year energy efficiency and peak demand reduction portfolio of programs. A stipulation and modified stipulation were filed on December 22, 2016, and January 27, 2017, respectively. Under the terms of the stipulations, which included support for deferral authority of all costs and a cap on shared savings incentives, Duke Energy Ohio has offered its energy efficiency and peak demand reduction programs throughout 2017. On February 3, 2017, Duke Energy Ohio filed for deferral authority of its costs incurred in 2017 in respect of its proposed energy efficiency and peak demand reduction portfolio. On September 27, 2017, the PUCO issued an order approving a modified stipulation. The modifications impose an annual cap of approximately \$38 million on program costs and shared savings incentives combined, but allowed for Duke Energy Ohio to file for a waiver of costs in excess of the cap in 2017. The PUCO approved the waiver request for 2017 up to a total cost of \$56 million. On November 21, 2017, the PUCO granted Duke Energy Ohio's and intervenor's applications for rehearing of the September 27, 2017, order. On January 10, 2018, the PUCO denied the Ohio Consumers' Counsel's application for rehearing of the PUCO order granting Duke Energy Ohio's waiver request; however, a decision on Duke Energy Ohio's application for rehearing remains pending. Duke Energy Ohio cannot predict the outcome of this matter.

2014 Electric Security Plan

On May 30, 2018, the PUCO approved an extension of Duke Energy Ohio's then-current ESP, including all terms and conditions thereof, excluding an extension of Duke Energy Ohio's Rider DCI. Following rehearing, on July 25, 2018, the PUCO granted the request and allowed a continuing cap on recovery under Rider DCI. The orders were upheld on rehearing requested by OMA and OCC. The time period for parties to file for rehearing or appeal has expired.

In 2018, the OMA and OCC filed separate appeals of PUCO's approval of Duke Energy Ohio's ESP with the Ohio Supreme Court, challenging PUCO's approval of Duke Energy Ohio's Price Stability Rider as a placeholder and its Rider DCI to recover incremental revenue requirement for distribution capital since Duke Energy Ohio's last base rate case. The Ohio Supreme Court issued an order on March 13, 2019, for the appellants to show cause why the appeals should not be dismissed as moot in light of the commission's approval of Duke Energy Ohio's current ESP. The OCC and OMA made the requested filings on March 20, 2019, and Duke Energy Ohio filed its response on March 27, 2019. Subsequent to OCC and OMA making the requested filings, the Ohio Supreme Court dismissed the appeals as moot on May 8, 2019.

Natural Gas Pipeline Extension

Duke Energy Ohio is proposing to install a new natural gas pipeline (the Central Corridor Project) in its Ohio service territory to increase system reliability and enable the retirement of older infrastructure. Duke Energy Ohio currently estimates the pipeline development costs and construction activities will range from \$163 million to \$245 million in direct costs (excluding overheads and AFUDC). On January 20, 2017, Duke Energy Ohio filed an amended application with the Ohio Power Siting Board (OPSB) for approval of one of two proposed routes. A public hearing was held on June 15, 2017. In April 2018, Duke Energy Ohio filed a motion with OPSB to establish a procedural schedule and filed supplemental information supporting its application. On December 18, 2018, the OPSB established a procedural schedule that included a local public hearing on March 21, 2019. An evidentiary hearing began on April 9, 2019, and concluded on April 11, 2019. Briefs were filed on May 13, 2019, and reply briefs were filed on June 10, 2019. If approved, construction of the pipeline extension is expected to be completed before the 2021/2022 winter season. Duke Energy Ohio expects a decision by the end of 2019. Duke Energy Ohio cannot predict the outcome of this matter.

2012 Natural Gas Rate Case/MGP Cost Recovery

As part of its 2012 natural gas base rate case, Duke Energy Ohio has approval to defer and recover costs related to environmental remediation at two sites (East End and West End) that housed former MGP operations. Duke Energy Ohio has made annual applications for recovery of these deferred costs. Duke Energy Ohio is currently recovering approximately \$55 million in environmental remediation costs between 2009 through 2012 through a separate rider, Rider MGP. Duke Energy Ohio has made annual applications with the PUCO to recover its incremental remediation costs consistent with the PUCO's directive in Duke Energy Ohio's 2012 natural gas rate case. To date, the PUCO has not ruled on Duke Energy Ohio's annual applications for the calendar years 2013 through 2017. On September 28, 2018, the staff of the PUCO issued a report recommending a disallowance of approximately \$12 million of the \$26 million in MGP remediation costs incurred between 2013 through 2017 that staff believes are not eligible for recovery. Staff interprets the PUCO's 2012 Order granting Duke Energy Ohio recovery of MGP remediation as limiting the recovery to work directly on the East End and West End sites. On October 30, 2018, Duke Energy Ohio filed reply comments objecting to the staff's recommendations and explaining, among other things, the obligation Duke Energy Ohio has under Ohio law to remediate all areas impacted by the former MGPs and not just physical property that housed the former plants and equipment. To date, the PUCO has not issued a procedural schedule and has not ruled on Duke Energy Ohio's applications. On March 29, 2019, Duke Energy Ohio filed its annual application to recover incremental remediation expense for the calendar year 2018 seeking recovery of approximately \$20 million in remediation costs. On July 12, 2019, the staff recommended a disallowance of approximately \$11 million for work that staff believes occurred in areas not authorized for recovery. Duke Energy Ohio cannot predict the outcome of this matter.

The 2012 PUCO order also contained conditional deadlines for completing the MGP environmental investigation and remediation costs at the MGP sites. Subsequent to the order, the deadline was extended to December 31, 2019. On May 10, 2019, Duke Energy Ohio filed an application requesting a continuation of its existing deferral authority for MGP remediation and investigation that must occur after December 31, 2019. Duke Energy Ohio cannot predict the outcome of this matter.

Duke Energy Kentucky Natural Gas Base Rate Case

On August 31, 2018, Duke Energy Kentucky filed an application with the KPSC requesting an increase in natural gas base rates of approximately \$11 million, an approximate 11.1 percent average increase across all customer classes. The increase was net of approximately \$5 million in annual savings as a result of the Tax Act. The drivers for this case are capital invested since Duke Energy Kentucky's last rate case in 2009. Duke Energy Kentucky also sought implementation of a Weather Normalization Adjustment Mechanism, amortization of regulatory assets and to implement the impacts of the Tax Act, prospectively. On January 30, 2019, Duke Energy Kentucky entered into a settlement agreement with the Attorney General of Kentucky, the only intervenor in the case. The settlement provided for an approximate \$7 million increase in natural gas base revenue, a return on equity of 9.7 percent and approval of the proposed Weather Normalization Mechanism. A hearing was held on February 5, 2019. The commission issued its Order approving the settlement without material modification on March 27, 2019. Revised customer rates were effective April 1, 2019.

Duke Energy Kentucky Electric Base Rate Case

On August 1, 2019, Duke Energy Kentucky filed a notice with the KPSC of its intent to file a general electric rate case application no earlier than 30 days from the notice submittal date.

Duke Energy Indiana

2019 Indiana Rate Case

On July 2, 2019, Duke Energy Indiana filed a general rate case with the IURC, its first general rate case in Indiana in 16 years, for a rate increase for retail customers of approximately \$395 million, which represents an approximate 15 percent increase in retail revenues. The rate increase is driven by strategic investments to generate cleaner electricity, improve reliability and serve a growing customer base. The request is premised upon a Duke Energy Indiana rate base of \$10.2 billion as of December 31, 2018, and adjusted for projected changes through December 31, 2020. Hearings are expected to commence in early 2020, with rates to be effective by mid-2020. Duke Energy Indiana cannot predict the outcome of this matter.

FERC Transmission Return on Equity Complaint

Customer groups have filed with the FERC complaints against MISO and its transmission-owning members, including Duke Energy Indiana, alleging, among other things, that the current base rate of return on equity earned by MISO transmission owners of 12.38 percent is unjust and unreasonable. The complaints claim, among other things, that the current base rate of return on equity earned by MISO transmission owners should be reduced to 8.67 percent. On January 5, 2015, the FERC issued an order accepting the MISO transmission owners' adder of 0.50 percent to the base rate of return on equity based on participation in an RTO subject to it being applied to a return on equity that is shown to be just and reasonable in the pending return on equity complaints. On December 22, 2015, the presiding FERC ALJ in the first complaint issued an Initial Decision in which the base rate of return on equity was set at 10.32 percent. On September 28, 2016, the Initial Decision in the first complaint was affirmed by FERC, but is subject to rehearing requests. On June 30, 2016, the presiding FERC ALJ in the second complaint issued an Initial Decision setting the base rate of return on equity at 9.70 percent. The Initial Decision in the second complaint is pending FERC review. On April 14, 2017, the D.C. Circuit Court, in *Emera Maine v. FERC*, reversed and remanded certain aspects of the methodology employed by FERC to establish rates of return on equity. On October 16, 2018, FERC issued an order in response to the Emera remand proceeding proposing a new method for determining whether an existing return on equity is unjust and unreasonable, and a new process for determining a just and reasonable return on equity. On November 14, 2018, FERC directed parties to the MISO complaints to file briefs on how the new process for determining return on equity proposed in the Emera proceeding should be applied to the complaints involving the MISO transmission owners' return on equity. Initial briefs were filed on February 13, 2019, and reply briefs were filed April 10, 2019. Duke Energy Indiana currently believes these matters will not have a material impact on its results of operations, cash flows and financial position.

Edwardsport Integrated Gasification Combined Cycle Plant

On September 20, 2018, Duke Energy Indiana, the Indiana Office of Utility Consumer Counselor, the Duke Industrial Group and Nucor Steel – Indiana entered into a settlement agreement to resolve IGCC ratemaking issues for calendar years 2018 and 2019. The agreement will remain in effect until new rates are established in Duke Energy Indiana's next base rate case, which was filed on July 2, 2019, with rates to be effective in mid-2020. An evidentiary hearing was held in December 2018, and on June 5, 2019, the IURC issued an Order approving the 2018 Settlement Agreement.

Piedmont**North Carolina Integrity Management Rider Filing**

On April 30, 2019, Piedmont filed a petition under the IMR mechanism to update rates, based on the eligible capital investments closed to integrity and safety projects over the six-month period ending March 31, 2019. The NCUC approved the petition on May 29, 2019, and rates became effective June 1, 2019. The effect of the update was an increase to annual revenues of approximately \$9 million.

Tennessee Integrity Management Rider Filing

In November 2018, Piedmont filed a petition with the TPUC under the IMR mechanism to collect an additional \$3 million in annual revenues, effective January 2019, based on the eligible capital investments closed to integrity and safety projects over the 12-month period ending October 31, 2018. A hearing on the matter was held on March 11, 2019. On May 20, 2019, the TPUC approved Piedmont's IMR application as filed and revised customer rates were effective June 1, 2019.

2019 North Carolina Rate Case

On April 1, 2019, Piedmont filed an application with the NCUC, its first general rate case in North Carolina in six years, for a rate increase for retail customers of approximately \$83 million, which represents an approximate 9 percent increase in retail revenues. The rate increase is driven by significant infrastructure upgrade investments (plant additions) since the last general rate case, offset by savings that customers will begin receiving due to federal and state tax reform. Approximately half of the plant additions being rolled into rate base are categories of plant investment not covered under the IMR mechanism, which was originally approved as part of the 2013 North Carolina Rate Case. An evidentiary hearing is scheduled to begin on August 19, 2019, and a decision and revised customer rates are expected by the end of 2019. Piedmont cannot predict the outcome of this matter.

OTHER REGULATORY MATTERS**Atlantic Coast Pipeline, LLC**

On September 2, 2014, Duke Energy, Dominion Resources (Dominion), Piedmont and Southern Company Gas announced the formation of Atlantic Coast Pipeline, LLC (ACP) to build and own the proposed Atlantic Coast Pipeline (ACP pipeline), an approximately 600-mile interstate natural gas pipeline running from West Virginia to North Carolina. The ACP pipeline is designed to meet, in part, the needs identified by Duke Energy Carolinas, Duke Energy Progress and Piedmont. Dominion will be responsible for building and operating the ACP pipeline and holds a leading ownership percentage in ACP of 48 percent. Duke Energy owns a 47 percent interest, which is accounted for as an equity method investment through its Gas Utilities and Infrastructure segment. Southern Company Gas maintains a 5 percent interest. See Note 13 for additional information related to Duke Energy's ownership interest. Duke Energy Carolinas, Duke Energy Progress and Piedmont, among others, will be customers of the pipeline. Purchases will be made under several 20-year supply contracts, subject to state regulatory approval.

In 2018, the FERC issued a series of Notices to Proceed, which authorized the project to begin certain construction-related activities along the pipeline route, including supply header and compressors. On May 11, 2018, and October 19, 2018, FERC issued Notices to Proceed allowing full construction activities in all areas of West Virginia except in the Monongahela National Forest. On July 24, 2018, FERC issued a Notice to Proceed allowing full construction activities along the project route in North Carolina. On October 19, 2018, the conditions to effectiveness of the Virginia 401 water quality certification were satisfied. Immediately following receipt of the Virginia 401 certification, ACP filed a request for FERC to issue a Notice to Proceed with full construction activities in Virginia. We appreciate the professional and collaborative process by the permitting agencies designed to ensure that this critical energy infrastructure project will meet the stringent environmental standards required by law and regulation.

ACP is the subject of challenges in state and federal courts and agencies, including, among others, challenges of the project's biological opinion (BiOp) and incidental take statement (ITS), crossings of the Blue Ridge Parkway, the Appalachian Trail, and the Monongahela and George Washington National Forests, the project's U.S. Army Corps of Engineers (USACE) 404 permit, the Virginia conditional 401 water quality certification, the project's air permit for a compressor station at Buckingham, Virginia, the FERC Environmental Impact Statement order and the FERC order approving the Certificate of Public Convenience and Necessity. Each of these challenges alleges non-compliance on the part of federal and state permitting authorities and adverse ecological consequences if the project is permitted to proceed. Since December 2018, notable developments in these challenges include a stay in December 2018 issued by the U.S. Court of Appeals for the Fourth Circuit (Fourth Circuit) and the same court's ultimate vacatur of the project's BiOp and ITS (which stay has halted most project construction activity), a Fourth Circuit decision vacating the project's permits to cross the Monongahela and George Washington National Forests and the Appalachian Trail, the Fourth Circuit's remand to USACE of ACP's Huntington District 404 verification and the Fourth Circuit's remand to the National Park Service of the ACP's Blue Ridge Parkway right-of-way. ACP is vigorously defending these challenges and coordinating with the federal and state authorities which are the direct parties to the challenges. The Solicitor General of the United States and ACP filed petitions for certiorari to the Supreme Court of the United States on June 25, 2019, regarding the Appalachian Trail crossing and anticipate a decision in October 2019 from the Supreme Court of the United States as to whether it will hear the case. ACP is also evaluating possible legislative remedies to this issue. On July 26, 2019, the Fourth Circuit issued an order vacating ACP's BiOp and ITS, finding that the U.S. Fish and Wildlife Service (FWS) had reached arbitrary conclusions in issuing the vacated BiOp and ITS. In anticipation of such an order by the Fourth Circuit, ACP and the FWS commenced work in mid-May of 2019 to set the basis for a reissued BiOp and ITS. ACP continues coordinating and working with FWS and other parties in preparation for a reissuance of the BiOp and ITS.

The delays resulting from the legal challenges described above have impacted the cost and schedule for the project. As a result, project cost estimates have increased to \$7.0 billion to \$7.8 billion, excluding financing costs. ACP expects to achieve a late 2020 in-service date for key segments of the project, while it expects the remainder to extend into 2021. Abnormal weather, work delays (including delays due to judicial or regulatory action) and other conditions may result in cost or schedule modifications in the future.

Constitution Pipeline Company, LLC

Duke Energy owns a 24 percent ownership interest in Constitution, which is accounted for as an equity method investment. Constitution is a natural gas pipeline project slated to transport natural gas supplies from the Marcellus supply region in northern Pennsylvania to major northeastern markets. The pipeline will be constructed and operated by Williams Partners L.P., which has a 41 percent ownership share. The remaining interest is held by Cabot Oil and Gas Corporation and WGL Holdings, Inc. Before the permitting delays discussed below, Duke Energy's total anticipated contributions were approximately \$229 million. As a result of the permitting delays and project uncertainty, total anticipated contributions by Duke Energy can no longer be reasonably estimated. Since April 2016, with the actions of the New York State Department of Environmental Conservation (NYSDEC), Constitution stopped construction and discontinued capitalization of future development costs until the project's uncertainty is resolved.

In December 2014, Constitution received approval from the FERC to construct and operate the proposed pipeline. However, on April 22, 2016, the NYSDEC denied Constitution's application for a necessary water quality certification for the New York portion of the Constitution pipeline. Constitution filed a series of legal actions challenging the legality and appropriateness of the NYSDEC's decision, culminating in an appeal to the Supreme Court of the United States, which appeal was denied on April 30, 2018. In addition, in October 2017, Constitution filed a petition for declaratory order requesting FERC to find that the NYSDEC waived its rights to issue a Section 401 water quality certification by not acting on Constitution's application within a reasonable period of time as required by statute, which petition was denied on January 11, 2018.

On January 25, 2019, the D.C. Circuit Court rendered a decision in *Hoopa Valley Tribe v. FERC* that withdrawal and resubmission of an application for a Section 401 water quality certification constituted a waiver by the relevant state agency when such withdrawals and resubmissions were intended to extend the one-year limit on accepting or rejecting such an application. As Constitution had made similar arguments in its 2018 petition to FERC for a declaratory order, on April 1, 2019, Constitution filed a new petition for declaratory order requesting FERC find a waiver on the part of NYSDEC in accordance with the D.C. Circuit Court's newly established precedent. On May 1, 2019, Constitution filed its response to supplemental pleadings filed by NYSDEC and others in this proceeding. A FERC response is expected later this year.

Constitution is currently unable to approximate an in-service date for the project due to the NYSDEC's denial of the water quality certification. The Constitution partners remain committed to the project and are evaluating next steps to move the project forward. On June 25, 2018, Constitution filed with FERC a Request for Extension of Time until December 2, 2020, for construction of the project. On November 5, 2018, FERC issued an Order Granting Extension of Time.

During the six months ended June 30, 2018, Duke Energy recorded an OTTI of \$55 million within Equity in earnings of unconsolidated affiliates on Duke Energy's Condensed Consolidated Statements of Income. The charge represented the excess carrying value over the estimated fair value of the project, which was based on a Level 3 Fair Value measurement that was determined from the income approach using discounted cash flows. The impairment was primarily due to actions taken by the courts and regulators to uphold the NYSDEC's denial of the certification and uncertainty associated with the remaining legal and regulatory challenges.

See Note 13 for additional information related to ownership interest and carrying value of the investment.

Potential Coal Plant Retirements

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

The table below contains the net carrying value of generating facilities planned for retirement or included in recent IRPs as evaluated for potential retirement. Dollar amounts in the table below are included in Net property, plant and equipment on the Condensed Consolidated Balance Sheets as of June 30, 2019, and exclude capitalized asset retirement costs.

	Capacity (in MW)	Remaining Net Book Value (in millions)
Duke Energy Carolinas		
Allen Steam Station Units 1-3 ^(a)	585	156
Duke Energy Indiana		
Gallagher Units 2 and 4 ^(b)	280	118
Gibson Units 1-5 ^(c)	3,132	1,960
Cayuga Units 1-2 ^(c)	1,005	983
Total Duke Energy	5,002	\$ 3,217

(a) Duke Energy Carolinas will retire Allen Steam Station Units 1 through 3 by December 31, 2024, as part of the resolution of a lawsuit involving alleged New Source Review violations.

(b) Duke Energy Indiana committed to either retire or stop burning coal at Gallagher Units 2 and 4 by December 31, 2022, as part of the 2016 settlement of Edwardsport IGCC matters.

(c) On July 1, 2019, Duke Energy Indiana filed its 2018 IRP with the IURC. The 2018 IRP included scenarios evaluating the potential retirement of coal-fired generating units at Gibson and Cayuga. The rate case filed July 2, 2019, includes proposed depreciation rates reflecting retirement dates from 2026 to 2038.

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

4. COMMITMENTS AND CONTINGENCIES**ENVIRONMENTAL**

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

Remediation Activities

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

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

Six Months Ended June 30, 2019								
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Balance at beginning of period	\$ 77	\$ 11	\$ 11	\$ 4	\$ 6	\$ 48	\$ 5	\$ 2
Provisions/adjustments	9	4	3	2	1	2	—	—
Cash reductions	(22)	(3)	(1)	(1)	—	(18)	—	—
Balance at end of period	\$ 64	\$ 12	\$ 13	\$ 5	\$ 7	\$ 32	\$ 5	\$ 2

Six Months Ended June 30, 2018								
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Balance at beginning of period	\$ 81	\$ 10	\$ 15	\$ 3	\$ 12	\$ 47	\$ 5	\$ 2
Provisions/adjustments	1	2	2	2	(1)	(3)	1	—
Cash reductions	(14)	(1)	(2)	(1)	(1)	(9)	(1)	—
Balance at end of period	\$ 68	\$ 11	\$ 15	\$ 4	\$ 10	\$ 35	\$ 5	\$ 2

Additional losses in excess of recorded reserves that could be incurred for the stages of investigation, remediation and monitoring for environmental sites that have been evaluated at this time are not material except as presented in the table below.

(in millions)	
Duke Energy	\$ 51
Duke Energy Carolinas	12
Duke Energy Ohio	29
Piedmont	2

LITIGATION

Duke Energy Carolinas and Duke Energy Progress

NCDEQ Closure Litigation

The Coal Ash Act requires CCR surface impoundments in North Carolina to be closed, with the closure method and timing based on a risk ranking classification determined by legislation or state regulators. The NCDEQ previously classified the impoundments at Allen, Belews Creek, Rogers, Marshall, Mayo and Roxboro as low risk and Duke Energy expected to close those sites through a combination of a cap system and a groundwater monitoring system. However, on April 1, 2019, NCDEQ issued a closure determination (NCDEQ's April 1 Order) requiring Duke Energy Carolinas and Duke Energy Progress to excavate all remaining coal ash impoundments at these facilities. 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 May 9, 2019, NCDEQ issued a supplemental order requiring that closure plans be submitted on December 31, 2019, but providing that the corrective action plans are not due until March 31, 2020. Duke Energy Carolinas and Duke Energy Progress filed amended petitions on May 24, 2019, incorporating the May 9, 2019 order.

On June 14, 2019, NCDEQ filed a motion to dismiss several claims in Duke Energy Carolinas' and Duke Energy Progress' appeals. On August 2, 2019, the court entered an order granting NCDEQ's motion to dismiss several of the claims. The lawsuit will proceed on the remaining issues, including whether the NCDEQ's decision was arbitrary and capricious. Duke Energy Carolinas and Duke Energy Progress cannot predict the outcome of this matter.

Coal Ash Insurance Coverage Litigation

In March 2017, Duke Energy Carolinas and Duke Energy Progress filed a civil action in North Carolina Superior Court against various insurance providers. The lawsuit seeks payment for coal ash-related liabilities covered by third-party liability insurance policies. The insurance policies were issued between 1971 and 1986 and provide third-party liability insurance for property damage. The civil action seeks damages for breach of contract and indemnification for costs arising from the Coal Ash Act and the EPA CCR rule at 15 coal-fired plants in North Carolina and South Carolina. On May 14, 2019, the court granted an extension of stay, until September 15, 2019, to allow the parties to discuss potential resolution. If the case is not fully resolved at that time, litigation will resume. The trial is now scheduled for February 2021. Duke Energy Carolinas and Duke Energy Progress cannot predict the outcome of this matter.

NCDEQ State Enforcement Actions

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

On August 16, 2013, the NCDEQ filed an enforcement action against Duke Energy Carolinas and Duke Energy Progress related to their remaining plants in North Carolina, alleging violations of the CWA and violations of the North Carolina groundwater standards. Both of these cases have been assigned to the judge handling the enforcement actions discussed above. SELC is representing several environmental groups who have been permitted to intervene in these cases.

The court issued orders in 2016 granting Motions for Partial Summary Judgment for seven of the 14 North Carolina plants named in the enforcement actions. On February 13, 2017, the court issued an order denying motions for partial summary judgment brought by both the environmental groups and Duke Energy Carolinas and Duke Energy Progress for the remaining seven plants. On March 15, 2017, Duke Energy Carolinas and Duke Energy Progress filed a Notice of Appeal with the North Carolina Court of Appeals to challenge the trial court's order. The parties were unable to reach an agreement at mediation in April 2017 and submitted briefs to the trial court on remaining issues to be tried. On August 1, 2018, the Court of Appeals dismissed the appeal and the matter is proceeding before the trial court. In light of the NCDEQ's April 1 Order, on April 29, 2019, the court decided to stay any activity in the case until August 2019, at which time the court will hold another status conference. Duke Energy Carolinas and Duke Energy Progress cannot predict the outcome of this matter.

Federal Citizens Suits

On June 13, 2016, the RRBA filed a federal citizen suit in the Middle District of North Carolina alleging unpermitted discharges to surface water and groundwater violations at the Mayo Plant. On August 19, 2016, Duke Energy Progress filed a Motion to Dismiss. On April 26, 2017, the court entered an order dismissing four of the claims in the federal citizen suit. Two claims relating to alleged violations of NPDES permit provisions survived the motion to dismiss, and Duke Energy Progress filed its response on May 10, 2017. Duke Energy Progress and RRBA each filed motions for summary judgment on March 23, 2018. The court has not yet ruled on these motions.

On May 16, 2017, RRBA filed a federal citizen suit in the U.S. District Court for the Middle District of North Carolina, which asserts two claims relating to alleged violations of NPDES permit provisions at the Roxboro Plant and one claim relating to the use of nearby water bodies. Duke Energy Progress and RRBA each filed motions for summary judgment on April 17, 2018, and the court has not yet ruled on these motions.

On May 8, 2018, on motion from Duke Energy Progress, the court ordered trial in both of the above matters to be consolidated. On April 5, 2019, Duke Energy Progress filed a motion to stay the case following the NCDEQ's April 1 Order. On August 2, 2019, the court ordered that this case is stayed and shall remain stayed pending further order from the court.

On December 5, 2017, various parties filed a federal citizen suit in the U.S. District Court for the Middle District of North Carolina for alleged violations at Duke Energy Carolinas' Belews Creek under the CWA. Duke Energy Carolinas' answer to the complaint was filed on August 27, 2018. On October 10, 2018, Duke Energy Carolinas filed Motions to Dismiss for lack of standing, Motion for Judgment on the Pleadings and Motion to Stay Discovery. On January 9, 2019, the court entered an order denying Duke Energy Carolinas' motion to stay discovery. There has been no ruling on the other pending motions. On April 5, 2019, Duke Energy Carolinas filed a motion to stay the case following the NCDEQ's April 1 Order. On August 2, 2019, the court ordered that this case is stayed and shall remain stayed pending further order from the court.

Duke Energy Carolinas and Duke Energy Progress cannot predict the outcome of these matters.

Asbestos-related Injuries and Damages Claims

Duke Energy Carolinas has experienced numerous claims for indemnification and medical cost reimbursement related to asbestos exposure. These claims relate to damages for bodily injuries alleged to have arisen from exposure to or use of asbestos in connection with construction and maintenance activities conducted on its electric generation plants prior to 1985. As of June 30, 2019, there were 145 asserted claims for non-malignant cases with cumulative relief sought of up to \$38 million, and 50 asserted claims for malignant cases with cumulative relief sought of up to \$16 million. Based on Duke Energy Carolinas' experience, it is expected that the ultimate resolution of most of these claims likely will be less than the amount claimed.

Duke Energy Carolinas has recognized asbestos-related reserves of \$607 million at June 30, 2019, and \$630 million at December 31, 2018. These reserves are classified in Other within Other Noncurrent Liabilities and Other within Current Liabilities on the Condensed Consolidated Balance Sheets. These reserves are based upon Duke Energy Carolinas' best estimate for current and future asbestos claims through 2038 and are recorded on an undiscounted basis. In light of the uncertainties inherent in a longer-term forecast, management does not believe they can reasonably estimate the indemnity and medical costs that might be incurred after 2038 related to such potential claims. It is possible Duke Energy Carolinas may incur asbestos liabilities in excess of the recorded reserves.

Duke Energy Carolinas has third-party insurance to cover certain losses related to asbestos-related injuries and damages above an aggregate self-insured retention. Duke Energy Carolinas' cumulative payments began to exceed the self-insured retention in 2008. Future payments up to the policy limit will be reimbursed by the third-party insurance carrier. The insurance policy limit for potential future insurance recoveries indemnification and medical cost claim payments is \$764 million in excess of the self-insured retention. Receivables for insurance recoveries were \$739 million at June 30, 2019, and December 31, 2018. These amounts are classified in Other within Other Noncurrent Assets and Receivables within Current Assets on the Condensed Consolidated Balance Sheets. Duke Energy Carolinas is not aware of any uncertainties regarding the legal sufficiency of insurance claims. Duke Energy Carolinas believes the insurance recovery asset is probable of recovery as the insurance carrier continues to have a strong financial strength rating.

Duke Energy Progress and Duke Energy Florida***Spent Nuclear Fuel Matters***

On June 18, 2018, Duke Energy Progress and Duke Energy Florida sued the U.S. in the U.S. Court of Federal Claims for damages incurred for the period 2014 through 2018. The lawsuit claimed the Department of Energy breached a contract in failing to accept spent nuclear fuel under the Nuclear Waste Policy Act of 1982 and asserted damages for the cost of on-site storage in the amount of \$100 million and \$203 million for Duke Energy Progress and Duke Energy Florida, respectively. Discovery is ongoing and a trial is expected to occur in 2020.

Duke Energy Florida***Fluor Contract Litigation***

On January 29, 2019, Fluor filed a breach of contract lawsuit in the U.S. District Court for the Middle District of Florida against Duke Energy Florida related to an EPC agreement for the combined-cycle natural gas plant in Citrus County, Florida. Fluor filed an amended complaint on February 13, 2019. Fluor's multicount complaint seeks civil, statutory and contractual remedies related to Duke Energy Florida's \$67 million draw in early 2019, on Fluor's letter of credit and offset of invoiced amounts. Duke Energy Florida moved to dismiss all counts of Fluor's amended complaint, and on April 16, 2019, the court dismissed Fluor's complaint without prejudice. On April 26, 2019, Fluor filed a second amended complaint. Duke Energy Florida is attempting to recover from Fluor \$110 million in additional costs incurred by Duke Energy Florida.

On August 1, 2019, Duke Energy Florida and Fluor reached a settlement to resolve the pending litigation and other outstanding issues related to completing the Citrus County combined-cycle plant. The terms of the settlement will not have a material impact on Duke Energy Florida's results of operations, cash flows or financial position.

Other Litigation and Legal Proceedings

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

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

(in millions)	June 30, 2019		December 31, 2018	
Reserves for Legal Matters				
Duke Energy	\$	64	\$	65
Duke Energy Carolinas		7		9
Progress Energy		55		54
Duke Energy Progress		14		12
Duke Energy Florida		24		24
Piedmont		1		1

OTHER COMMITMENTS AND CONTINGENCIES**General**

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

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

5. LEASES

As described in Note 1, Duke Energy adopted the revised accounting guidance for Leases effective January 1, 2019, using the modified retrospective method of adoption, which does not require restatement of prior year reported results. Adoption of the new standard resulted in the recording of ROU assets and operating lease liabilities as follows:

(in millions)	As of January 1, 2019							
	Duke	Duke	Progress	Duke	Duke	Duke	Duke	
	Energy	Energy Carolinas	Energy	Energy Progress	Energy Florida	Energy Ohio	Energy Indiana	Piedmont
ROU assets	\$ 1,750	\$ 153	\$ 863	\$ 407	\$ 456	\$ 23	\$ 61	\$ 26
Operating lease liabilities – current	205	28	96	35	61	1	4	4
Operating lease liabilities – noncurrent	1,504	127	766	371	395	22	58	25

As part of its operations, Duke Energy leases certain aircraft, space on communication towers, industrial equipment, fleet vehicles, fuel transportation (barges and railcars), land and office space under various terms and expiration dates. Additionally, Duke Energy Carolinas, Duke Energy Progress and Duke Energy Indiana have finance leases related to firm natural gas pipeline transportation capacity. Duke Energy Progress and Duke Energy Florida have entered into certain PPAs, which are classified as finance and operating leases.

Duke Energy has certain lease agreements, which include variable lease payments that are based on the usage of an asset. These variable lease payments are not included in the measurement of the ROU assets or operating lease liabilities on the Condensed Consolidated Financial Statements.

Certain Duke Energy lease agreements include options for renewal and early termination. The intent to renew a lease varies depending on the lease type and asset. Renewal options that are reasonably certain to be exercised are included in the lease measurements. The decision to terminate a lease early is dependent on various economic factors. No termination options have been included in any of the lease measurements.

Duke Energy operates various renewable energy projects and sells the generated output to utilities, electric cooperatives, municipalities and commercial and industrial customers through long-term PPAs. In certain situations, these PPAs and the associated renewable energy projects qualify as operating leases. Rental income from these leases is accounted for as Nonregulated electric and other revenues in the Condensed Consolidated Statements of Operations. There are no minimum lease payments as all payments are contingent based on actual electricity generated by the renewable energy projects. Contingent lease payments were \$72 million and \$136 million for the three and six months ended June 30, 2019, respectively. As of June 30, 2019, renewable energy projects owned by Duke Energy and accounted for as operating leases had a cost basis of \$3,344 million and accumulated depreciation of \$661 million. These assets are principally classified as nonregulated electric generation and transmission assets.

The following table presents the components of lease expense.

(in millions)	Three Months Ended June 30, 2019							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Operating lease expense ^(a)	\$ 73	\$ 11	\$ 40	\$ 17	\$ 23	\$ 3	\$ 5	\$ 2
Short-term lease expense ^(a)	6	2	4	2	2	1	—	—
Variable lease expense ^(a)	10	4	5	2	3	—	—	—
Finance lease expense								
Amortization of leased assets ^(b)	29	1	5	1	4	1	—	—
Interest on lease liabilities ^(c)	20	3	13	10	3	—	1	—
Total finance lease expense	49	4	18	11	7	1	1	—
Total lease expense	\$ 138	\$ 21	\$ 67	\$ 32	\$ 35	\$ 5	\$ 6	\$ 2

(in millions)	Six Months Ended June 30, 2019							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Operating lease expense ^(a)	\$ 145	\$ 23	\$ 82	\$ 36	\$ 46	\$ 6	\$ 10	\$ 3
Short-term lease expense ^(a)	13	4	7	3	4	1	1	—
Variable lease expense ^(a)	21	12	7	3	4	—	—	—
Finance lease expense								
Amortization of leased assets ^(b)	56	2	8	2	6	1	—	—
Interest on lease liabilities ^(c)	37	7	19	14	5	—	1	—
Total finance lease expense	93	9	27	16	11	1	1	—
Total lease expense	\$ 272	\$ 48	\$ 123	\$ 58	\$ 65	\$ 8	\$ 12	\$ 3

(a) Included in Operations, maintenance and other or, for barges and railcars, Fuel used in electric generation and purchased power on the Condensed Consolidated Statements of Operations.

(b) Included in Depreciation and amortization on the Condensed Consolidated Statements of Operations.

(c) Included in Interest Expense on the Condensed Consolidated Statements of Operations.

The following table presents rental expense for operating leases, as reported under the old lease standard. These amounts are included in Operation, maintenance and other and Fuel used in electric generation and purchased power on the Condensed Consolidated Statements of Operations.

(in millions)	Year Ended December 31, 2018
Duke Energy	\$ 268
Duke Energy Carolinas	49
Progress Energy	143
Duke Energy Progress	75
Duke Energy Florida	68
Duke Energy Ohio	13
Duke Energy Indiana	21
Piedmont	11

The following table presents operating lease maturities and a reconciliation of the undiscounted cash flows to operating lease liabilities.

(in millions)	Twelve Months Ended June 30,							
	Duke	Duke	Progress	Duke	Duke	Duke	Duke	
	Energy	Energy Carolinas	Energy	Energy Progress	Energy Florida	Energy Ohio	Energy Indiana	Piedmont
2020	\$ 279	\$ 33	\$ 129	\$ 51	\$ 78	\$ 2	\$ 6	\$ 5
2021	239	28	112	52	60	2	5	5
2022	199	19	94	40	54	2	4	5
2023	190	18	95	40	55	2	4	5
2024	178	15	96	41	55	2	4	5
Thereafter	1,055	61	513	306	207	22	65	7
Total operating lease payments	2,140	174	1,039	530	509	32	88	32
Less: present value discount	(425)	(30)	(192)	(117)	(75)	(10)	(28)	(3)
Total operating lease liabilities ^(a)	\$ 1,715	\$ 144	\$ 847	\$ 413	\$ 434	\$ 22	\$ 60	\$ 29

(a) Certain operating lease payments include renewal options that are reasonably certain to be exercised.

The following table presents future minimum lease payments under operating leases, which at inception had a non-cancelable term of more than one year, as reported under the old lease standard.

(in millions)	December 31, 2018							
	Duke	Duke	Progress	Duke	Duke	Duke	Duke	
	Energy	Energy Carolinas	Energy	Energy Progress	Energy Florida	Energy Ohio	Energy Indiana	Piedmont
2019	\$ 239	\$ 33	\$ 97	\$ 49	\$ 48	\$ 2	\$ 6	\$ 5
2020	219	29	90	46	44	2	5	5
2021	186	19	79	37	42	2	4	5
2022	170	19	76	34	42	2	4	5
2023	160	17	77	35	42	2	5	6
Thereafter	1,017	68	455	314	141	23	66	11
Total	\$ 1,991	\$ 185	\$ 874	\$ 515	\$ 359	\$ 33	\$ 90	\$ 37

The following table presents finance lease maturities and a reconciliation of the undiscounted cash flows to finance lease liabilities.

(in millions)	Twelve Months Ended June 30,						
	Duke	Duke	Progress	Duke	Duke	Duke	Duke
	Energy	Energy Carolinas	Energy	Energy Progress	Energy Florida	Energy Indiana	Energy
2020	\$ 177	\$ 19	\$ 69	\$ 44	\$ 25	\$ 1	
2021	183	17	69	44	25	1	
2022	180	14	69	44	25	1	
2023	171	14	69	44	25	1	
2024	172	14	64	44	20	1	
Thereafter	847	191	560	547	13	28	
Total finance lease payments	1,730	269	900	767	133	33	
Less: amounts representing interest	(708)	(162)	(483)	(457)	(26)	(23)	
Total finance lease liabilities	\$ 1,022	\$ 107	\$ 417	\$ 310	\$ 107	\$ 10	

The following table presents future minimum lease payments under finance leases, as reported under the old lease standard.

(in millions)	December 31, 2018						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
2019	\$ 170	\$ 20	\$ 45	\$ 20	\$ 25	\$ 2	\$ 1
2020	174	20	46	21	25	—	1
2021	177	15	45	20	25	—	1
2022	165	15	45	21	24	—	1
2023	165	15	45	21	24	—	1
Thereafter	577	204	230	209	21	—	27
Minimum annual payments	1,428	289	456	312	144	2	32
Less: amount representing interest	(487)	(180)	(205)	(175)	(30)	—	(22)
Total	\$ 941	\$ 109	\$ 251	\$ 137	\$ 114	\$ 2	\$ 10

The following tables contain additional information related to leases.

June 30, 2019									
(in millions)	Classification	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Assets									
Operating	Operating lease ROU assets, net	\$ 1,735	\$ 141	\$ 839	\$ 407	\$ 432	\$ 22	\$ 60	\$ 26
Finance	Net property, plant and equipment	1,013	122	423	309	114	—	10	—
Total lease assets		\$ 2,748	\$ 263	\$ 1,262	\$ 716	\$ 546	\$ 22	\$ 70	\$ 26
Liabilities									
Current									
Operating	Other current liabilities	\$ 213	\$ 27	\$ 100	\$ 36	\$ 64	\$ 1	\$ 4	\$ 4
Finance	Current maturities of long-term debt	115	6	23	6	17	—	—	—
Noncurrent									
Operating	Operating lease liabilities	1,502	117	747	377	370	21	56	25
Finance	Long-Term Debt	907	101	394	304	90	—	10	—
Total lease liabilities		\$ 2,737	\$ 251	\$ 1,264	\$ 723	\$ 541	\$ 22	\$ 70	\$ 29

Six Months Ended June 30, 2019

(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Cash paid for amounts included in the measurement of lease liabilities^(a)								
Operating cash flows from operating leases	\$ 136	\$ 15	\$ 60	\$ 23	\$ 37	\$ 1	\$ 3	\$ 5
Operating cash flows from finance leases	37	7	19	14	5	—	1	—
Financing cash flows from finance leases	56	2	8	2	6	1	—	—
Lease assets obtained in exchange for new lease liabilities (non-cash)								
Operating ^(b)	\$ 78	\$ 2	\$ 30	\$ 30	\$ —	\$ —	\$ —	\$ 1
Finance	175	—	175	175	—	—	—	—

(a) No amounts were classified as investing cash flows from operating leases for the six months ended June 30, 2019.

(b) Does not include ROU assets recorded as a result of the adoption of the new lease standard.

June 30, 2019

	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Weighted-average remaining lease term (years)								
Operating leases	11	9	10	12	9	18	19	6
Finance leases	16	19	17	18	12	—	27	—
Weighted-average discount rate^(a)								
Operating leases	3.9%	3.7%	3.8%	3.8%	3.7%	4.2%	4.1%	3.6%
Finance leases	7.9%	12.9%	11.8%	12.4%	8.3%	—%	11.9%	—%

(a) The discount rate is calculated using the rate implicit in a lease if it is readily determinable. Generally, the rate used by the lessor is not provided to Duke Energy and in these cases the incremental borrowing rate is used. Duke Energy will typically use its fully collateralized incremental borrowing rate as of the commencement date to calculate and record the lease. The incremental borrowing rate is influenced by the lessee's credit rating and lease term and as such may differ for individual leases, embedded leases or portfolios of leased assets.

6. DEBT AND CREDIT FACILITIES

SUMMARY OF SIGNIFICANT DEBT ISSUANCES

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

Issuance Date	Maturity Date	Interest Rate	Six Months Ended June 30, 2019					
			Duke Energy	Duke Energy (Parent)	Duke Energy Progress	Duke Energy Ohio	Piedmont	
Unsecured Debt								
March 2019 ^(a)	March 2022	3.251% ^(b)	\$ 300	\$ 300	\$ —	\$ —	\$ —	
March 2019 ^(a)	March 2022	3.227%	300	300	—	—	—	
May 2019 ^(e)	June 2029	3.500%	600	—	—	—	600	
June 2019 ^(a)	June 2029	3.400%	600	600	—	—	—	
June 2019 ^(a)	June 2049	4.200%	600	600	—	—	—	
First Mortgage Bonds								
January 2019 ^(c)	February 2029	3.650%	400	—	—	400	—	
January 2019 ^(c)	February 2049	4.300%	400	—	—	400	—	
March 2019 ^(d)	March 2029	3.450%	600	—	600	—	—	
Total issuances			\$ 3,800	\$ 1,800	\$ 600	\$ 800	\$ 600	

(a) Debt issued to pay down short-term debt and for general corporate purposes.

(b) Debt issuance has a floating interest rate.

(c) Debt issued to repay at maturity \$450 million first mortgage bonds due April 2019, pay down short-term debt and for general corporate purposes.

(d) Debt issued to fund eligible green energy projects in the Carolinas.

(e) Debt issued to repay in full the outstanding \$350 million Piedmont unsecured term loan due September 2019, pay down short-term debt and for general corporate purposes.

In June 2019, Duke Energy Kentucky priced \$210 million of unsecured debentures of which \$95 million carry a fixed interest rate of 3.23 percent and mature October 2025, \$75 million carry a fixed interest rate of 3.56 percent and mature October 2029, and \$40 million carry a fixed interest rate of 4.32 percent and mature July 2049. The \$40 million tranche closed and funded in July 2019, and the remaining tranches are expected to close in September 2019 upon receipt of necessary regulatory approvals. The proceeds will be used to refinance Duke Energy Kentucky's \$100 million, 4.65 percent debentures maturing October 2019, to pay down short-term intercompany debt and for general corporate purposes.

CURRENT MATURITIES OF LONG-TERM DEBT

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

(in millions)	Maturity Date	Interest Rate	June 30, 2019
Unsecured Debt			
Duke Energy (Parent)	September 2019	5.050%	\$ 500
Duke Energy Kentucky	October 2019	4.650%	100
Progress Energy	December 2019	4.875%	350
Duke Energy (Parent)	June 2020	2.100%	330
First Mortgage Bonds			
Duke Energy Florida	January 2020	1.850%	250
Duke Energy Florida	April 2020	4.550%	250
Duke Energy Carolinas	June 2020	4.300%	450
Other^(a)			468
Current maturities of long-term debt			\$ 2,698

(a) Includes finance lease obligations, amortizing debt and small bullet maturities.

AVAILABLE CREDIT FACILITIES

Master Credit Facility

In March 2019, Duke Energy amended its existing \$8 billion Master Credit Facility to extend the termination date to March 2024. The Duke Energy Registrants, excluding Progress Energy (Parent), have borrowing capacity under the Master Credit Facility up to a specified sublimit for each borrower. Duke Energy has the unilateral ability at any time to increase or decrease the borrowing sublimits of each borrower, subject to a maximum sublimit for each borrower. The amount available under the Master Credit Facility has been reduced to backstop issuances of commercial paper, certain letters of credit and variable-rate demand tax-exempt bonds that may be put to the Duke Energy Registrants at the option of the holder. Duke Energy Carolinas and Duke Energy Progress are also 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. The table below includes the current borrowing sublimits and available capacity under the Master Credit Facility.

(in millions)	June 30, 2019							
	Duke Energy	Duke Energy (Parent)	Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Facility size ^(a)	\$ 8,000	\$ 2,650	\$ 1,750	\$ 1,250	\$ 800	\$ 450	\$ 600	\$ 500
Reduction to backstop issuances								
Commercial paper ^(b)	(3,420)	(1,009)	(1,099)	(276)	(474)	(236)	(326)	—
Outstanding letters of credit	(53)	(45)	(4)	(2)	—	—	—	(2)
Tax-exempt bonds	(81)	—	—	—	—	—	(81)	—
Coal ash set-aside	(500)	—	(250)	(250)	—	—	—	—
Available capacity under the Master Credit Facility	\$ 3,946	\$ 1,596	\$ 397	\$ 722	\$ 326	\$ 214	\$ 193	\$ 498

(a) Represents the sublimit of each borrower.

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

Other Credit Facilities

(in millions)	June 30, 2019	
	Facility size	Amount drawn
Duke Energy (Parent) Three-Year Revolving Credit Facility ^(a)	\$ 1,000	\$ 500
Duke Energy Progress Term Loan Facility ^(b)	700	700

(a) In May 2019, Duke Energy (Parent) extended the termination date to May 2022.

(b) \$650 million was drawn under the term loan in January and February 2019.

In May 2019, the \$350 million Piedmont term loan was paid off in full with proceeds from the \$600 million Piedmont debt offering.

7. ASSET RETIREMENT OBLIGATIONS

The Duke Energy Registrants record AROs when there is a legal obligation to incur retirement costs associated with the retirement of a long-lived asset and the obligation can be reasonably estimated. Actual closure costs incurred could be materially different from current estimates that form the basis of the recorded AROs.

The following table presents the AROs recorded on the Condensed Consolidated Balance Sheets.

(in millions)	June 30, 2019							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Decommissioning of nuclear power facilities ^(a)	\$ 5,807	\$ 2,401	\$ 3,265	\$ 2,739	\$ 526	\$ —	\$ —	\$ —
Closure of ash impoundments	6,498	2,894	2,858	2,839	19	47	699	—
Other	323	47	70	38	32	42	20	19
Total ARO	\$ 12,628	\$ 5,342	\$ 6,193	\$ 5,616	\$ 577	\$ 89	\$ 719	\$ 19
Less: current portion	739	203	416	413	3	6	115	—
Total noncurrent ARO	\$ 11,889	\$ 5,139	\$ 5,777	\$ 5,203	\$ 574	\$ 83	\$ 604	\$ 19

(a) Duke Energy amount includes purchase accounting adjustments related to the merger with Progress Energy.

ARO Liability Rollforward

The following table presents the change in liability associated with AROs for the Duke Energy Registrants.

(in millions)	June 30, 2019							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Balance at December 31, 2018 ^(a)	\$ 10,467	\$ 3,949	\$ 5,411	\$ 4,820	\$ 591	\$ 93	\$ 722	\$ 19
Accretion expense ^(b)	245	111	124	111	13	2	14	—
Liabilities settled ^(c)	(404)	(155)	(225)	(197)	(28)	(6)	(17)	—
Revisions in estimates of cash flows ^(d)	2,320	1,437	883	882	1	—	—	—
Balance at June 30, 2019	\$ 12,628	\$ 5,342	\$ 6,193	\$ 5,616	\$ 577	\$ 89	\$ 719	\$ 19

(a) Primarily relates to decommissioning nuclear power facilities, closure of ash impoundments, asbestos removal, closure of landfills at fossil generation facilities, retirement of natural gas mains and removal of renewable energy generation assets.

(b) For the six months ended June 30, 2019, substantially all accretion expense relates to Duke Energy's regulated operations and has been deferred in accordance with regulatory accounting treatment.

(c) Primarily relates to ash impoundment closures.

(d) Relates to increases in closure estimates for certain ash impoundments as a result of the NCDEQ's April 1 Order. See Note 4 for more information. The incremental amount recorded represents the discounted cash flows for estimated closure costs based upon the probability weightings of the potential closure methods as evaluated on a site-by-site basis.

Asset retirement costs associated with the AROs for operating plants and retired plants are included in Net property, plant and equipment and Regulatory assets within Other Noncurrent Assets, respectively, on the Condensed Consolidated Balance Sheets.

Nuclear Decommissioning Trust Funds

Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida each maintain NDTFs that are intended to pay for the decommissioning costs of their respective nuclear power plants. The following table presents the fair value of NDTF assets legally restricted for purposes of settling AROs associated with nuclear decommissioning. Duke Energy Florida is actively decommissioning Crystal River Unit 3 and was granted an exemption from the NRC, which allows for use of the NDTF for all aspects of nuclear decommissioning. The entire balance of Duke Energy Florida's NDTF may be applied toward license termination, spent fuel and site restoration costs incurred to decommission Crystal River Unit 3 and is excluded from the table below. See Note 12 for additional information related to the fair value of the Duke Energy Registrants' NDTFs.

(in millions)	June 30, 2019	December 31, 2018
Duke Energy	\$ 6,327	\$ 5,579
Duke Energy Carolinas	3,574	3,133
Duke Energy Progress	2,753	2,446

8. GOODWILL

Duke Energy

The following table presents the goodwill by reportable segment included on Duke Energy's Condensed Consolidated Balance Sheets at June 30, 2019, and December 31, 2018.

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

Duke Energy Ohio

Duke Energy Ohio's Goodwill balance of \$920 million, allocated \$596 million to Electric Utilities and Infrastructure and \$324 million to Gas Utilities and Infrastructure, is presented net of accumulated impairment charges of \$216 million on the Condensed Consolidated Balance Sheets at June 30, 2019, and December 31, 2018.

Progress Energy

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

Piedmont

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

9. RELATED PARTY TRANSACTIONS

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

(in millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Duke Energy Carolinas				
Corporate governance and shared service expenses ^(a)	\$ 197	\$ 213	\$ 409	\$ 433
Indemnification coverages ^(b)	5	5	10	11
JDA revenue ^(c)	17	19	40	53
JDA expense ^(c)	20	19	113	73
Intercompany natural gas purchases ^(d)	3	4	7	8
Progress Energy				
Corporate governance and shared service expenses ^(a)	\$ 183	\$ 206	\$ 359	\$ 397
Indemnification coverages ^(b)	10	9	19	17
JDA revenue ^(c)	20	19	113	73
JDA expense ^(c)	17	19	40	53
Intercompany natural gas purchases ^(d)	19	19	38	38
Duke Energy Progress				
Corporate governance and shared service expenses ^(a)	\$ 108	\$ 126	\$ 214	\$ 244
Indemnification coverages ^(b)	4	3	8	6
JDA revenue ^(c)	20	19	113	73
JDA expense ^(c)	17	19	40	53
Intercompany natural gas purchases ^(d)	19	19	38	38
Duke Energy Florida				
Corporate governance and shared service expenses ^(a)	\$ 75	\$ 80	\$ 145	\$ 153
Indemnification coverages ^(b)	6	6	11	11
Duke Energy Ohio				
Corporate governance and shared service expenses ^(a)	\$ 83	\$ 90	\$ 168	\$ 179
Indemnification coverages ^(b)	1	1	2	2
Duke Energy Indiana				
Corporate governance and shared service expenses ^(a)	\$ 93	\$ 96	\$ 190	\$ 197
Indemnification coverages ^(b)	1	2	3	4
Piedmont				
Corporate governance and shared service expenses ^(a)	\$ 37	\$ 40	\$ 69	\$ 76
Indemnification coverages ^(b)	—	—	1	1
Intercompany natural gas sales ^(d)	22	23	45	46
Natural gas storage and transportation costs ^(e)	6	6	11	12

- (a) The Subsidiary Registrants are charged their proportionate share of corporate governance and other shared services costs, primarily related to human resources, employee benefits, information technology, legal and accounting fees, as well as other third-party costs. These amounts are primarily recorded in Operation, maintenance and other on the Condensed Consolidated Statements of Operations and Comprehensive Income.
- (b) The Subsidiary Registrants incur expenses related to certain indemnification coverages through Bison, Duke Energy's wholly owned captive insurance subsidiary. These expenses are recorded in Operation, maintenance and other on the Condensed Consolidated Statements of Operations and Comprehensive Income.
- (c) Duke Energy Carolinas and Duke Energy Progress participate in a JDA, which allows the collective dispatch of power plants between the service territories to reduce customer rates. Revenues from the sale of power and expenses from the purchase of power pursuant to the JDA are recorded in Operating Revenues and Fuel used in electric generation and purchased power, respectively, on the Condensed Consolidated Statements of Operations and Comprehensive Income.
- (d) Piedmont provides long-term natural gas delivery service to certain Duke Energy Carolinas and Duke Energy Progress natural gas-fired generation facilities. Piedmont records the sales in Operating revenues, and Duke Energy Carolinas and Duke Energy Progress record the related purchases as a component of Fuel used in electric generation and purchased power on their respective Condensed Consolidated Statements of Operations and Comprehensive Income.
- (e) Piedmont has related party transactions as a customer of its equity method investments in Pine Needle, Hardy Storage, and Cardinal natural gas storage and transportation facilities. These expenses are included in Cost of natural gas on Piedmont's Condensed Consolidated Statements of Operations and Comprehensive Income.

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

As discussed in Note 13, certain trade receivables have been sold by Duke Energy Ohio and Duke Energy Indiana to CRC, an affiliate formed by a subsidiary of Duke Energy. The proceeds obtained from the sales of receivables are largely cash but do include a subordinated note from CRC for a portion of the purchase price.

Intercompany Income Taxes

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

	Duke		Duke		Duke		Duke		Duke				
(in millions)	Energy Carolinas		Progress Energy		Energy Progress		Energy Florida		Energy Ohio		Energy Indiana		Piedmont
June 30, 2019													
Intercompany income tax receivable	\$	—	\$	25	\$	—	\$	—	\$	15	\$	—	\$ 26
Intercompany income tax payable		76		—		41		19		—		1	—
December 31, 2018													
Intercompany income tax receivable	\$	52	\$	47	\$	29	\$	—	\$	—	\$	8	\$ —
Intercompany income tax payable		—		—		—		16		3		—	45

10. DERIVATIVES AND HEDGING

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

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

INTEREST RATE RISK

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

Cash Flow Hedges

For a derivative designated as hedging the exposure to variable cash flows of a future transaction, referred to as a cash flow hedge, the effective portion of the derivative's gain or loss is initially reported as a component of other comprehensive income and subsequently reclassified into earnings once the future transaction impacts earnings. Amounts for interest rate contracts are reclassified to earnings as interest expense over the term of the related debt. Gains and losses reclassified out of AOCI for the three and six months ended June 30, 2019, and 2018, were not material. Duke Energy's interest rate derivatives designated as hedges include interest rate swaps used to hedge existing debt within the Commercial Renewables business and forward-starting interest rate swaps not accounted for under regulatory accounting.

Undesignated Contracts

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

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

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

(in millions)	June 30, 2019						
	Duke	Duke	Progress	Duke	Duke	Duke	Duke
	Energy	Energy Carolinas	Energy	Energy Progress	Energy Florida	Energy Ohio	Energy
Cash flow hedges	\$ 959	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Undesignated contracts	1,427	600	800	250	550	27	
Total notional amount ^(a)	\$ 2,386	\$ 600	\$ 800	\$ 250	\$ 550	\$ 27	

(in millions)	December 31, 2018						
	Duke	Duke	Progress	Duke	Duke	Duke	Duke
	Energy	Energy Carolinas	Energy	Energy Progress	Energy Florida	Energy Ohio	Energy
Cash flow hedges	\$ 923	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Undesignated contracts	1,721	300	1,200	650	550	27	
Total notional amount ^(a)	\$ 2,644	\$ 300	\$ 1,200	\$ 650	\$ 550	\$ 27	

(a) Duke Energy includes amounts related to consolidated VIEs of \$659 million in cash flow hedges as of June 30, 2019, and \$422 million in cash flow hedges and \$194 million in undesignated contracts as of December 31, 2018.

COMMODITY PRICE RISK

The Duke Energy Registrants are exposed to the impact of changes in the prices of electricity purchased and sold in bulk power markets and coal and natural gas purchases, including Piedmont's natural gas supply contracts. Exposure to commodity price risk is influenced by a number of factors including the term of contracts, the liquidity of markets and delivery locations. For the Subsidiary Registrants, bulk power electricity and coal and natural gas purchases flow through fuel adjustment clauses, formula-based contracts or other cost-sharing mechanisms. Differences between the costs included in rates and the incurred costs, including undesignated derivative contracts, are largely deferred as regulatory assets or regulatory liabilities. Piedmont policies allow for the use of financial instruments to hedge commodity price risks. The strategy and objective of these hedging programs are to use the financial instruments to reduce natural gas costs volatility for customers.

Volumes

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

	June 30, 2019						
	Duke	Duke	Progress	Duke	Duke	Duke	Duke
	Energy	Energy Carolinas	Energy	Energy Progress	Energy Florida	Energy Ohio	Energy Indiana Piedmont
Electricity (GWh)	33,135	—	—	—	—	3,514	29,621 —
Natural gas (millions of dekatherms)	740	133	173	173	—	—	4 430

	December 31, 2018						
	Duke	Duke	Progress	Duke	Duke	Duke	Duke
	Energy	Energy Carolinas	Energy	Energy Progress	Energy Florida	Energy Ohio	Energy Indiana Piedmont
Electricity (GWh)	15,286	—	—	—	—	1,786	13,500 —
Natural gas (millions of dekatherms)	739	121	169	166	3	—	1 448

U.S. EQUITY SECURITIES RISK

In May 2019, Duke Energy Florida entered into a Decommissioning Services Agreement for the accelerated decommissioning of Crystal River Unit 3 with ADP CR3, LLC and ADP SF1, LLC. The accelerated decommissioning of Crystal River Unit 3 is subject to the approval of the NRC and the FPSC. Duke Energy Florida executed U.S. equity option collars within the NDTF in May 2019 to preserve the U.S. equity portfolio value in the Duke Energy Florida NDTF in the event the accelerated decommissioning is approved. These option collars were executed as a purchase of a put option and the sale of a call option on certain U.S. equity index funds. The put and call options create a collar to guarantee a minimum and maximum investment value for the Duke Energy Florida NDTF U.S. equity portfolio. The put and call options were entered into at zero-cost, with the price to purchase the puts offset entirely by the funds received to sell the calls. As of June 30, 2019, the aggregate notional amount of both the put and call options was 305,000 units in U.S. equity security index funds. The derivative balances associated with these equity options are immaterial as of June 30, 2019. The options are not designated as hedging instruments. Substantially all of Duke Energy Florida's NDTF qualifies for regulatory accounting. With regulatory accounting, the mark-to-market gains or losses on the options are deferred as regulatory liabilities or regulatory assets, respectively.

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

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

Derivative Assets				June 30, 2019									
	Duke	Duke	Progress	Duke	Duke	Duke	Duke	Duke	Duke				
(in millions)	Energy	Energy	Energy	Energy	Energy	Energy	Energy	Energy	Energy	Indiana		Piedmont	
Commodity Contracts													
Not Designated as Hedging Instruments													
Current	\$ 37	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 7	\$ 29	\$		\$	2
Total Derivative Assets – Commodity Contracts	\$ 37	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 7	\$ 29	\$		\$	2
Interest Rate Contracts													
Designated as Hedging Instruments													
Noncurrent	1	—	—	—	—	—	—	—	—	—		—	—
Total Derivative Assets – Interest Rate Contracts	\$ 1	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —		\$ —	—
Total Derivative Assets	\$ 38	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 7	\$ 29	\$		\$	2

Derivative Liabilities				June 30, 2019									
	Duke	Duke	Progress	Duke	Duke	Duke	Duke	Duke	Duke				
(in millions)	Energy	Energy	Energy	Energy	Energy	Energy	Energy	Energy	Energy	Indiana		Piedmont	
Commodity Contracts													
Not Designated as Hedging Instruments													
Current	\$ 64	\$ 31	\$ 24	\$ 24	\$ —	\$ —	\$ —	\$ 2	\$ 7	\$		\$	7
Noncurrent	140	8	24	9	—	—	—	—	—	—		107	
Total Derivative Liabilities – Commodity Contracts	\$ 204	\$ 39	\$ 48	\$ 33	\$ —	\$ —	\$ —	\$ 2	\$ 114	\$		\$	
Interest Rate Contracts													
Designated as Hedging Instruments													
Current	\$ 4	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —		\$ —	—
Noncurrent	32	—	—	—	—	—	—	—	—	—		—	—
Not Designated as Hedging Instruments													
Current	86	54	31	2	29	1	—	—	—	—		—	—
Noncurrent	16	—	11	—	10	5	—	—	—	—		—	—
Total Derivative Liabilities – Interest Rate Contracts	\$ 138	\$ 54	\$ 42	\$ 2	\$ 39	\$ 6	\$ —	\$ —	\$ —	\$ —		\$ —	—
Total Derivative Liabilities	\$ 342	\$ 93	\$ 90	\$ 35	\$ 39	\$ 6	\$ 2	\$ 114	\$			\$	

Derivative Assets				December 31, 2018												
			Duke			Duke		Duke		Duke		Duke				
(in millions)	Duke		Energy		Progress		Duke		Duke		Duke		Duke			
	Energy		Carolinas		Energy		Progress		Energy		Florida		Ohio			
													Indiana			
													Piedmont			
Commodity Contracts																
Not Designated as Hedging Instruments																
Current	\$	35	\$	2	\$	2	\$	2	\$	—	\$	6	\$	23	\$	3
Noncurrent		4		1		2		2		—		—		—		—
Total Derivative Assets – Commodity Contracts	\$	39	\$	3	\$	4	\$	4	\$	—	\$	6	\$	23	\$	3
Interest Rate Contracts																
Designated as Hedging Instruments																
Current	\$	1	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—
Noncurrent		3		—		—		—		—		—		—		—
Not Designated as Hedging Instruments																
Current		2		—		—		—		—		—		—		—
Noncurrent		12		—		—		—		—		—		—		—
Total Derivative Assets – Interest Rate Contracts	\$	18	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—
Total Derivative Assets	\$	57	\$	3	\$	4	\$	4	\$	—	\$	6	\$	23	\$	3

Derivative Liabilities				December 31, 2018												
	Duke Energy		Duke Energy Carolinas	Progress Energy	Duke Energy Progress		Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont						
(in millions)	Duke Energy		Duke Energy Carolinas	Progress Energy	Duke Energy Progress		Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont						
Commodity Contracts																
Not Designated as Hedging Instruments																
Current	\$	33	\$	14	\$	10	\$	5	\$	6	\$	—	\$	—	\$	8
Noncurrent		158		10		15		6		—		—		—		133
Total Derivative Liabilities – Commodity Contracts	\$	191	\$	24	\$	25	\$	11	\$	6	\$	—	\$	—	\$	141
Interest Rate Contracts																
Designated as Hedging Instruments																
Current	\$	12	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—
Noncurrent		6		—		—		—		—		—		—		—
Not Designated as Hedging Instruments																
Current		23		9		13		11		2		1		—		—
Noncurrent		10		—		6		5		1		4		—		—
Total Derivative Liabilities – Interest Rate Contracts	\$	51	\$	9	\$	19	\$	16	\$	3	\$	5	\$	—	\$	—
Total Derivative Liabilities	\$	242	\$	33	\$	44	\$	27	\$	9	\$	5	\$	—	\$	141

OFFSETTING ASSETS AND LIABILITIES

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

Derivative Assets		June 30, 2019								
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont		
Current										
Gross amounts recognized	\$ 37	\$ —	\$ —	\$ —	\$ —	\$ 7	\$ 29	\$ 2		
Gross amounts offset	—	—	—	—	—	—	—	—		
Net amounts presented in Current Assets: Other	\$ 37	\$ —	\$ —	\$ —	\$ —	\$ 7	\$ 29	\$ 2		
Noncurrent										
Gross amounts recognized	\$ 1	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —		
Gross amounts offset	—	—	—	—	—	—	—	—		
Net amounts presented in Other Noncurrent Assets: Other	\$ 1	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —		

Derivative Liabilities		June 30, 2019								
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont		
Current										
Gross amounts recognized	\$ 154	\$ 85	\$ 55	\$ 26	\$ 29	\$ 1	\$ 2	\$ 7		
Gross amounts offset	(1)	—	(1)	(1)	—	—	—	—		
Net amounts presented in Current Liabilities: Other	\$ 153	\$ 85	\$ 54	\$ 25	\$ 29	\$ 1	\$ 2	\$ 7		
Noncurrent										
Gross amounts recognized	\$ 188	\$ 8	\$ 35	\$ 9	\$ 10	\$ 5	\$ —	\$ 107		
Gross amounts offset	—	—	—	—	—	—	—	—		
Net amounts presented in Other Noncurrent Liabilities: Other	\$ 188	\$ 8	\$ 35	\$ 9	\$ 10	\$ 5	\$ —	\$ 107		

Derivative Assets		December 31, 2018								
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont		
Current										
Gross amounts recognized	\$ 38	\$ 2	\$ 2	\$ 2	\$ —	\$ 6	\$ 23	\$ 3		
Gross amounts offset	(3)	(2)	(2)	(2)	—	—	—	—		
Net amounts presented in Current Assets: Other	\$ 35	\$ —	\$ —	\$ —	\$ —	\$ 6	\$ 23	\$ 3		
Noncurrent										
Gross amounts recognized	\$ 19	\$ 1	\$ 2	\$ 2	\$ —	\$ —	\$ —	\$ —		
Gross amounts offset	(3)	(1)	(2)	(2)	—	—	—	—		
Net amounts presented in Other Noncurrent Assets: Other	\$ 16	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —		

Derivative Liabilities	December 31, 2018							
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
(in millions)								
Current								
Gross amounts recognized	\$ 68	\$ 23	\$ 23	\$ 16	\$ 8	\$ 1	\$ —	\$ 8
Gross amounts offset	(4)	(2)	(2)	(2)	—	—	—	—
Net amounts presented in Current Liabilities: Other	\$ 64	\$ 21	\$ 21	\$ 14	\$ 8	\$ 1	\$ —	\$ 8
Noncurrent								
Gross amounts recognized	\$ 174	\$ 10	\$ 21	\$ 11	\$ 1	\$ 4	\$ —	\$ 133
Gross amounts offset	(3)	(1)	(2)	(2)	—	—	—	—
Net amounts presented in Other Noncurrent Liabilities: Other	\$ 171	\$ 9	\$ 19	\$ 9	\$ 1	\$ 4	\$ —	\$ 133

OBJECTIVE CREDIT CONTINGENT FEATURES

Certain derivative contracts contain objective credit contingent features. These features include the requirement to post cash collateral or letters of credit if specific events occur, such as a credit rating downgrade below investment grade. The following tables show information with respect to derivative contracts that are in a net liability position and contain objective credit-risk-related payment provisions.

(in millions)	June 30, 2019			
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress
Aggregate fair value of derivatives in a net liability position	\$ 67	\$ 34	\$ 33	\$ 33
Fair value of collateral already posted	—	—	—	—
Additional cash collateral or letters of credit in the event credit-risk-related contingent features were triggered	67	34	33	33

(in millions)	December 31, 2018			
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress
Aggregate fair value of derivatives in a net liability position	\$ 44	\$ 19	\$ 25	\$ 25
Fair value of collateral already posted	—	—	—	—
Additional cash collateral or letters of credit in the event credit-risk-related contingent features were triggered	44	19	25	25

The Duke Energy Registrants have elected to offset cash collateral and fair values of derivatives. For amounts to be netted, the derivative and cash collateral must be executed with the same counterparty under the same master netting arrangement.

11. INVESTMENTS IN DEBT AND EQUITY SECURITIES

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

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

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

Investment Trusts

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

Other AFS Securities

Unrealized gains and losses on all other AFS securities are included in other comprehensive income until realized, unless it is determined the carrying value of an investment is other-than-temporarily impaired. The Duke Energy Registrants analyze all investment holdings each reporting period to determine whether a decline in fair value should be considered other-than-temporary. If an OTTI exists, the unrealized credit loss is included in earnings. There were no material credit losses as of June 30, 2019, and December 31, 2018.

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

DUKE ENERGY

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

(in millions)	June 30, 2019			December 31, 2018		
	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
NDTF						
Cash and cash equivalents	\$ —	\$ —	\$ 114	\$ —	\$ —	\$ 88
Equity securities	3,076	36	5,178	2,402	95	4,475
Corporate debt securities	30	1	571	4	13	566
Municipal bonds	10	—	318	1	4	353
U.S. government bonds	34	1	1,270	14	12	1,076
Other debt securities	3	1	152	—	2	148
Total NDTF Investments	\$ 3,153	\$ 39	\$ 7,603	\$ 2,421	\$ 126	\$ 6,706
Other Investments						
Cash and cash equivalents	\$ —	\$ —	\$ 49	\$ —	\$ —	\$ 22
Equity securities	49	—	112	36	1	99
Corporate debt securities	2	—	60	—	2	60
Municipal bonds	3	1	90	—	1	85
U.S. government bonds	2	—	51	1	—	45
Other debt securities	—	—	65	—	1	58
Total Other Investments	\$ 56	\$ 1	\$ 427	\$ 37	\$ 5	\$ 369
Total Investments	\$ 3,209	\$ 40	\$ 8,030	\$ 2,458	\$ 131	\$ 7,075

Realized gains and losses, which were determined on a specific identification basis, from sales of FV-NI and AFS securities for the three and six months ended June 30, 2019, and 2018, were as follows.

(in millions)	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
FV-NI:				
Realized gains	\$ 66	\$ 47	\$ 101	\$ 66
Realized losses	63	31	93	44
AFS:				
Realized gains	47	5	57	10
Realized losses	36	12	47	25

DUKE ENERGY CAROLINAS

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

(in millions)	June 30, 2019			December 31, 2018		
	Gross	Gross	Estimated	Gross	Gross	Estimated
	Unrealized	Unrealized		Unrealized	Unrealized	
	Holding	Holding	Fair	Holding	Holding	Fair
	Gains	Losses	Value	Gains	Losses	Value
NDTF						
Cash and cash equivalents	\$ —	\$ —	\$ 41	\$ —	\$ —	\$ 29
Equity securities	1,671	9	2,883	1,309	54	2,484
Corporate debt securities	18	1	360	2	9	341
Municipal bonds	2	—	63	—	1	81
U.S. government bonds	17	1	556	5	8	475
Other debt securities	3	1	141	—	2	143
Total NDTF Investments	\$ 1,711	\$ 12	\$ 4,044	\$ 1,316	\$ 74	\$ 3,553

Realized gains and losses, which were determined on a specific identification basis, from sales of FV-NI and AFS securities for the three and six months ended June 30, 2019, and 2018, were as follows.

(in millions)	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
FV-NI:				
Realized gains	\$ 44	\$ 26	\$ 67	\$ 36
Realized losses	48	17	69	22
AFS:				
Realized gains	16	4	25	9
Realized losses	11	8	21	18

PROGRESS ENERGY

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

(in millions)	June 30, 2019			December 31, 2018		
	Gross	Gross	Estimated	Gross	Gross	Estimated
	Unrealized	Unrealized		Unrealized	Unrealized	
	Holding	Holding	Fair	Holding	Holding	Fair
	Gains	Losses	Value	Gains	Losses	Value
NDTF						
Cash and cash equivalents	\$ —	\$ —	\$ 73	\$ —	\$ —	\$ 59
Equity securities	1,405	27	2,295	1,093	41	1,991
Corporate debt securities	12	—	211	2	4	225
Municipal bonds	8	—	255	1	3	272
U.S. government bonds	17	—	714	9	4	601
Other debt securities	—	—	11	—	—	5
Total NDTF Investments	\$ 1,442	\$ 27	\$ 3,559	\$ 1,105	\$ 52	\$ 3,153
Other Investments						
Cash and cash equivalents	\$ —	\$ —	\$ 47	\$ —	\$ —	\$ 17
Municipal bonds	3	—	50	—	—	47
Total Other Investments	\$ 3	\$ —	\$ 97	\$ —	\$ —	\$ 64
Total Investments	\$ 1,445	\$ 27	\$ 3,656	\$ 1,105	\$ 52	\$ 3,217

Realized gains and losses, which were determined on a specific identification basis, from sales of FV-NI and AFS securities for the three and six months ended June 30, 2019, and 2018, were as follows.

(in millions)	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
FV-NI:				
Realized gains	\$ 22	\$ 21	\$ 34	\$ 30
Realized losses	15	14	24	22
AFS:				
Realized gains	30	1	31	1
Realized losses	25	4	26	7

DUKE ENERGY PROGRESS

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

(in millions)	June 30, 2019			December 31, 2018		
	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
NDTF						
Cash and cash equivalents	\$ —	\$ —	\$ 42	\$ —	\$ —	\$ 46
Equity securities	1,092	24	1,886	833	30	1,588
Corporate debt securities	12	—	211	2	3	171
Municipal bonds	8	—	255	1	3	271
U.S. government bonds	16	—	429	6	3	415
Other debt securities	—	—	11	—	—	3
Total NDTF Investments	\$ 1,128	\$ 24	\$ 2,834	\$ 842	\$ 39	\$ 2,494
Other Investments						
Cash and cash equivalents	\$ —	\$ —	\$ 2	\$ —	\$ —	\$ 6
Total Other Investments	\$ —	\$ —	\$ 2	\$ —	\$ —	\$ 6
Total Investments	\$ 1,128	\$ 24	\$ 2,836	\$ 842	\$ 39	\$ 2,500

Realized gains and losses, which were determined on a specific identification basis, from sales of FV-NI and AFS securities for the three and six months ended June 30, 2019, and 2018, were as follows.

(in millions)	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
FV-NI:				
Realized gains	\$ 7	\$ 17	\$ 17	\$ 25
Realized losses	7	12	15	20
AFS:				
Realized gains	1	1	2	1
Realized losses	1	3	2	5

DUKE ENERGY FLORIDA

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

(in millions)	June 30, 2019			December 31, 2018		
	Gross	Gross	Estimated	Gross	Gross	Estimated
	Unrealized	Unrealized		Unrealized	Unrealized	
	Holding	Holding	Fair	Holding	Holding	Fair
	Gains	Losses	Value	Gains	Losses	Value
NDTF						
Cash and cash equivalents	\$ —	\$ —	\$ 31	\$ —	\$ —	\$ 13
Equity securities	313	3	409	260	11	403
Corporate debt securities	—	—	—	—	1	54
Municipal bonds	—	—	—	—	—	1
U.S. government bonds	1	—	285	3	1	186
Other debt securities	—	—	—	—	—	2
Total NDTF Investments^(a)	\$ 314	\$ 3	\$ 725	\$ 263	\$ 13	\$ 659
Other Investments						
Cash and cash equivalents	\$ —	\$ —	\$ 2	\$ —	\$ —	\$ 1
Municipal bonds	3	—	50	—	—	47
Total Other Investments	\$ 3	\$ —	\$ 52	\$ —	\$ —	\$ 48
Total Investments	\$ 317	\$ 3	\$ 777	\$ 263	\$ 13	\$ 707

(a) During the six months ended June 30, 2019, Duke Energy Florida continued to receive reimbursements from the NDTF for costs related to ongoing decommissioning activity of Crystal River Unit 3.

Realized gains and losses, which were determined on a specific identification basis, from sales of FV-NI and AFS securities for the three and six months ended June 30, 2019, and 2018, were as follows.

(in millions)	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
FV-NI:				
Realized gains	\$ 15	\$ 4	\$ 17	\$ 5
Realized losses	8	2	9	2
AFS:				
Realized gains	29	—	29	—
Realized losses	24	1	24	2

DUKE ENERGY INDIANA

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

(in millions)	June 30, 2019			December 31, 2018		
	Gross	Gross	Estimated	Gross	Gross	Estimated
	Unrealized	Unrealized		Unrealized	Unrealized	
	Holding	Holding	Fair	Holding	Holding	Fair
	Gains	Losses	Value	Gains	Losses	Value
Investments						
Equity securities	\$ 37	\$ —	\$ 74	\$ 29	\$ —	\$ 67
Corporate debt securities	—	—	7	—	—	8
Municipal bonds	—	1	34	—	1	33
U.S. government bonds	—	—	1	—	—	—
Total Investments	\$ 37	\$ 1	\$ 116	\$ 29	\$ 1	\$ 108

Realized gains and losses, which were determined on a specific identification basis, from sales of FV-NI and AFS securities for the three and six months ended June 30, 2019, and 2018, were insignificant.

DEBT SECURITY MATURITIES

The table below summarizes the maturity date for debt securities.

June 30, 2019							
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Indiana	
Due in one year or less	\$ 365	\$ 43	\$ 315	\$ 29	\$ 286	\$ 4	
Due after one through five years	527	213	265	257	8	15	
Due after five through 10 years	499	242	203	192	11	4	
Due after 10 years	1,186	622	458	428	30	19	
Total	\$ 2,577	\$ 1,120	\$ 1,241	\$ 906	\$ 335	\$ 42	

12. FAIR VALUE MEASUREMENTS

Fair value is the exchange price to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. The fair value definition focuses on an exit price versus the acquisition cost. Fair value measurements use market data or assumptions market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs may be readily observable, corroborated by market data or generally unobservable. Valuation techniques maximize the use of observable inputs and minimize use of unobservable inputs. A midmarket pricing convention (the midpoint price between bid and ask prices) is permitted for use as a practical expedient.

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

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

Transfers between levels represent assets or liabilities that were previously (i) categorized at a higher level for which the inputs to the estimate became less observable or (ii) classified at a lower level for which the inputs became more observable during the period. The Duke Energy Registrant's policy is to recognize transfers between levels of the fair value hierarchy at the end of the period. There were no transfers between levels during the six months ended June 30, 2019, and 2018.

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

Investments in equity securities

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

Investments in debt securities

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

Commodity derivatives

Commodity derivatives with clearinghouses are classified as Level 1. Other commodity derivatives, including Piedmont's natural gas supply contracts, are primarily valued using internally developed discounted cash flow models that incorporate forward price, adjustments for liquidity (bid-ask spread) and credit or non-performance risk (after reflecting credit enhancements such as collateral), and are discounted to present value. Pricing inputs are derived from published exchange transaction prices and other observable data sources. In the absence of an active market, the last available price may be used. If forward price curves are not observable for the full term of the contract and the unobservable period had more than an insignificant impact on the valuation, the commodity derivative is classified as Level 3. In isolation, increases (decreases) in natural gas forward prices result in favorable (unfavorable) fair value adjustments for natural gas purchase contracts; and increases (decreases) in electricity forward prices result in unfavorable (favorable) fair value adjustments for electricity sales contracts. Duke Energy regularly evaluates and validates pricing inputs used to estimate the fair value of natural gas commodity contracts by a market participant price verification procedure. This procedure provides a comparison of internal forward commodity curves to market participant generated curves.

Interest rate derivatives

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

Other fair value considerations

See Note 11 in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2018, for a discussion of the valuation of goodwill and intangible assets.

DUKE ENERGY

The following tables provide recorded balances for assets and liabilities measured at fair value on a recurring basis on the Condensed Consolidated Balance Sheets. Derivative amounts in the tables below for all Duke Energy Registrants exclude cash collateral, which is disclosed in Note 10. See Note 11 for additional information related to investments by major security type for the Duke Energy Registrants.

(in millions)	June 30, 2019					
	Total Fair Value	Level 1	Level 2	Level 3	Not Categorized	
NDTF equity securities	\$ 5,178	\$ 5,119	\$ —	\$ —	\$ 59	
NDTF debt securities	2,425	870	1,555	—	—	
Other equity securities	112	112	—	—	—	
Other debt securities	315	99	216	—	—	
Derivative assets	38	3	—	35	—	
Total assets	8,068	6,203	1,771	35	59	
Derivative liabilities	(342)	(12)	(216)	(114)	—	
Net assets (liabilities)	\$ 7,726	\$ 6,191	\$ 1,555	\$ (79)	\$ 59	

(in millions)	December 31, 2018					
	Total Fair Value	Level 1	Level 2	Level 3	Not Categorized	
NDTF equity securities	\$ 4,475	\$ 4,410	\$ —	\$ —	\$ 65	
NDTF debt securities	2,231	576	1,655	—	—	
Other equity securities	99	99	—	—	—	
Other debt securities	270	67	203	—	—	
Derivative assets	57	4	25	28	—	
Total assets	7,132	5,156	1,883	28	65	
Derivative liabilities	(242)	(11)	(90)	(141)	—	
Net assets (liabilities)	\$ 6,890	\$ 5,145	\$ 1,793	\$ (113)	\$ 65	

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

(in millions)	Derivatives (net)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Balance at beginning of period	\$ (115)	\$ (124)	\$ (113)	\$ (114)
Purchases, sales, issuances and settlements:				
Purchases	38	56	38	56
Settlements	(11)	(15)	(23)	(29)
Total gains (losses) included on the Condensed Consolidated Balance Sheet	9	(14)	19	(10)
Balance at end of period	\$ (79)	\$ (97)	\$ (79)	\$ (97)

DUKE ENERGY CAROLINAS

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

(in millions)	June 30, 2019				
	Total Fair Value	Level 1	Level 2	Not Categorized	
NDTF equity securities	\$ 2,883	\$ 2,824	\$ —	\$	59
NDTF debt securities	1,161	250	911		—
Total assets	4,044	3,074	911		59
Derivative liabilities	(93)	—	(93)		—
Net assets	\$ 3,951	\$ 3,074	\$ 818	\$	59

(in millions)	December 31, 2018				
	Total Fair Value	Level 1	Level 2	Not Categorized	
NDTF equity securities	\$ 2,484	\$ 2,419	\$ —	\$	65
NDTF debt securities	1,069	149	920		—
Derivative assets	3	—	3		—
Total assets	3,556	2,568	923		65
Derivative liabilities	(33)	—	(33)		—
Net assets	\$ 3,523	\$ 2,568	\$ 890	\$	65

PROGRESS ENERGY

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

(in millions)	June 30, 2019			December 31, 2018		
	Total Fair Value	Level 1	Level 2	Total Fair Value	Level 1	Level 2
NDTF equity securities	\$ 2,295	\$ 2,295	\$ —	\$ 1,991	\$ 1,991	\$ —
NDTF debt securities	1,264	620	644	1,162	427	735
Other debt securities	97	47	50	64	17	47
Derivative assets	—	—	—	4	—	4
Total assets	3,656	2,962	694	3,221	2,435	786
Derivative liabilities	(90)	—	(90)	(44)	—	(44)
Net assets	\$ 3,566	\$ 2,962	\$ 604	\$ 3,177	\$ 2,435	\$ 742

DUKE ENERGY PROGRESS

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

(in millions)	June 30, 2019			December 31, 2018		
	Total Fair Value	Level 1	Level 2	Total Fair Value	Level 1	Level 2
NDTF equity securities	\$ 1,886	\$ 1,886	\$ —	\$ 1,588	\$ 1,588	\$ —
NDTF debt securities	948	304	644	906	294	612
Other debt securities	2	2	—	6	6	—
Derivative assets	—	—	—	4	—	4
Total assets	2,836	2,192	644	2,504	1,888	616
Derivative liabilities	(35)	—	(35)	(27)	—	(27)
Net assets	\$ 2,801	\$ 2,192	\$ 609	\$ 2,477	\$ 1,888	\$ 589

DUKE ENERGY FLORIDA

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

(in millions)	June 30, 2019				December 31, 2018			
	Total Fair Value	Level 1	Level 2		Total Fair Value	Level 1	Level 2	
NDTF equity securities	\$ 409	\$ 409	\$ —	\$	403	\$ 403	\$ —	
NDTF debt securities	316	316	—		256	133	123	
Other debt securities	52	2	50		48	1	47	
Total assets	777	727	50		707	537	170	
Derivative liabilities	(39)	—	(39)		(9)	—	(9)	
Net assets	\$ 738	\$ 727	\$ 11	\$	698	\$ 537	\$ 161	

DUKE ENERGY OHIO

The recorded balances for assets and liabilities measured at fair value on a recurring basis on the Condensed Consolidated Balance Sheets were not material at June 30, 2019, and December 31, 2018.

DUKE ENERGY INDIANA

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

(in millions)	June 30, 2019				December 31, 2018			
	Total Fair Value	Level 1	Level 2	Level 3	Total Fair Value	Level 1	Level 2	Level 3
Other equity securities	\$ 74	\$ 74	\$ —	\$ —	67	\$ 67	\$ —	\$ —
Other debt securities	42	—	42	—	41	—	41	—
Derivative assets	29	1	—	28	23	1	—	22
Total assets	\$ 145	\$ 75	\$ 42	\$ 28	131	\$ 68	\$ 41	\$ 22
Derivative liabilities	(2)	(2)	—	—	—	—	—	—
Net assets	\$ 143	\$ 73	\$ 42	\$ 28	131	\$ 68	\$ 41	\$ 22

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

(in millions)	Derivatives (net)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Balance at beginning of period	\$ 5	\$ 7	\$ 22	\$ 27
Purchases, sales, issuances and settlements:				
Purchases	29	49	29	49
Settlements	(9)	(14)	(19)	(28)
Total gains (losses) included on the Condensed Consolidated Balance Sheet	3	2	(4)	(4)
Balance at end of period	\$ 28	\$ 44	\$ 28	\$ 44

PIEDMONT

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

(in millions)	June 30, 2019			December 31, 2018		
	Total Fair Value	Level 1	Level 3	Total Fair Value	Level 1	Level 3
Derivative assets	\$ 2	\$ 2	\$ —	\$ 3	3	—
Derivative liabilities	(114)	—	(114)	(141)	—	(141)
Net (liabilities) assets	\$ (112)	\$ 2	\$ (114)	\$ (138)	\$ 3	\$ (141)

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

(in millions)	Derivatives (net)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Balance at beginning of period	\$ (121)	\$ (132)	\$ (141)	\$ (142)
Total gains (losses) and settlements	7	(18)	27	(8)
Balance at end of period	\$ (114)	\$ (150)	\$ (114)	\$ (150)

QUANTITATIVE INFORMATION ABOUT UNOBSERVABLE INPUTS

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

	June 30, 2019					
Investment Type	Fair Value (in millions)	Valuation Technique	Unobservable Input	Range		
Duke Energy Ohio						
FTRs	\$ 7	RTO auction pricing	FTR price – per MWh	\$ 0.36	- \$	3.13
Duke Energy Indiana						
FTRs	28	RTO auction pricing	FTR price – per MWh	(0.59)	-	7.61
Piedmont						
Natural gas contracts	(114)	Discounted cash flow	Forward natural gas curves – price per MMBtu	1.96	-	3.21
Duke Energy						
Total Level 3 derivatives	\$ (79)					
	December 31, 2018					
Investment Type	Fair Value (in millions)	Valuation Technique	Unobservable Input	Range		
Duke Energy Ohio						
FTRs	\$ 6	RTO auction pricing	FTR price – per MWh	\$ 1.19	- \$	4.59
Duke Energy Indiana						
FTRs	22	RTO auction pricing	FTR price – per MWh	(2.07)	-	8.27
Piedmont						
Natural gas contracts	(141)	Discounted cash flow	Forward natural gas curves – price per MMBtu	1.87	-	2.95
Duke Energy						
Total Level 3 derivatives	\$ (113)					

OTHER FAIR VALUE DISCLOSURES

The fair value and book value of long-term debt, including current maturities, is summarized in the following table. Estimates determined are not necessarily indicative of amounts that could have been settled in current markets. Fair value of long-term debt uses Level 2 measurements.

(in millions)	June 30, 2019		December 31, 2018	
	Book Value	Fair Value	Book Value	Fair Value
Duke Energy ^(a)	\$ 57,040	\$ 60,667	\$ 54,529	\$ 54,534
Duke Energy Carolinas	10,964	12,300	10,939	11,471
Progress Energy	19,199	21,408	18,911	19,885
Duke Energy Progress	9,049	9,707	8,204	8,300
Duke Energy Florida	7,213	8,173	7,321	7,742
Duke Energy Ohio	2,509	2,779	2,165	2,239
Duke Energy Indiana	3,723	4,363	3,782	4,158
Piedmont	2,384	2,576	2,138	2,180

(a) Book value of long-term debt includes \$1.5 billion as of June 30, 2019, and \$1.6 billion as of December 31, 2018, of unamortized debt discount and premium, net in purchase accounting adjustments related to the mergers with Progress Energy and Piedmont that are excluded from fair value of long-term debt.

At both June 30, 2019, and December 31, 2018, fair value of cash and cash equivalents, accounts and notes receivable, accounts payable, notes payable and commercial paper, and nonrecourse notes payable of VIEs are not materially different from their carrying amounts because of the short-term nature of these instruments and/or because the stated rates approximate market rates.

13. VARIABLE INTEREST ENTITIES

CONSOLIDATED VIEs

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

No financial support was provided to any of the consolidated VIEs during the six months ended June 30, 2019, and the year ended December 31, 2018, or is expected to be provided in the future that was not previously contractually required.

Receivables Financing – DERF / DEPR / DEFR

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

DERF, DEPR and DEFR borrow amounts under credit facilities to buy these receivables. Borrowing availability from the credit facilities is limited to the amount of qualified receivables purchased. The sole source of funds to satisfy the related debt obligations is cash collections from the receivables. Amounts borrowed under the credit facilities are reflected on the Condensed Consolidated Balance Sheets as Long-Term Debt.

The most significant activity that impacts the economic performance of DERF, DEPR and DEFR are the decisions made to manage delinquent receivables. Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida are considered primary beneficiaries and consolidate DERF, DEPR and DEFR, respectively, as they make those decisions.

Receivables Financing – CRC

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

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

CRC is considered a VIE because (i) equity capitalization is insufficient to support its operations, (ii) power to direct the activities that most significantly impact the economic performance of the entity are not performed by the equity holder and (iii) deficiencies in net worth of CRC are funded by Duke Energy. The most significant activities that impact the economic performance of CRC are decisions made to manage delinquent receivables. Duke Energy is considered the primary beneficiary and consolidates CRC as it makes these decisions. Neither Duke Energy Ohio nor Duke Energy Indiana consolidate CRC.

Receivables Financing – Credit Facilities

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

(in millions)	CRC	Duke Energy		
		Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida
		DERF	DEPR	DEFR
Expiration date	December 2020	December 2020	February 2021	April 2021
Credit facility amount	\$ 350	\$ 475	\$ 325	\$ 250
Amounts borrowed at June 30, 2019	328	475	325	250
Amounts borrowed at December 31, 2018	325	450	300	225
Restricted Receivables at June 30, 2019	484	671	518	472
Restricted Receivables at December 31, 2018	564	699	547	357

Nuclear Asset-Recovery Bonds – DEFPF

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

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

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

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

(in millions)	June 30, 2019	December 31, 2018
Receivables of VIEs	\$ 8	\$ 5
Regulatory Assets: Current	52	52
Current Assets: Other	31	39
Other Noncurrent Assets: Regulatory assets	1,019	1,041
Current Liabilities: Other	10	10
Current maturities of long-term debt	54	53
Long-Term Debt	1,082	1,111

Commercial Renewables

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

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

(in millions)	June 30, 2019	December 31, 2018
Current Assets: Other	\$ 109	\$ 123
Property, plant and equipment, cost	4,419	4,007
Accumulated depreciation and amortization	(769)	(698)
Other Noncurrent Assets: Other	289	261
Current maturities of long-term debt	178	174
Long-Term Debt	1,610	1,587
Other Noncurrent Liabilities: Asset Retirement Obligations	108	106
Other Noncurrent Liabilities: Other	222	212

NON-CONSOLIDATED VIEs

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

(in millions)	June 30, 2019							
	Duke Energy				Duke Energy Ohio	Duke Energy Indiana		
	Pipeline Investments	Commercial Renewables	Other VIEs	Total				
Receivables from affiliated companies	\$ —	\$ —	\$ —	\$ —	\$ 45	\$ 81		
Investments in equity method unconsolidated affiliates	1,066	187	52	1,305	—	—		
Total assets	\$ 1,066	\$ 187	\$ 52	\$ 1,305	\$ 45	\$ 81		
Taxes accrued	(2)	—	—	(2)	—	—		
Other current liabilities	—	—	4	4	—	—		
Deferred income taxes	48	—	—	48	—	—		
Other noncurrent liabilities	—	—	11	11	—	—		
Total liabilities	\$ 46	\$ —	\$ 15	\$ 61	\$ —	\$ —		
Net assets	\$ 1,020	\$ 187	\$ 37	\$ 1,244	\$ 45	\$ 81		

(in millions)	December 31, 2018							
	Duke Energy				Duke Energy Ohio	Duke Energy Indiana		
	Pipeline Investments	Commercial Renewables	Other VIEs	Total				
Receivables from affiliated companies	\$ —	\$ —	\$ —	\$ —	\$ 93	\$ 118		
Investments in equity method unconsolidated affiliates	822	190	48	1,060	—	—		
Total assets	\$ 822	\$ 190	\$ 48	\$ 1,060	\$ 93	\$ 118		
Taxes accrued	(1)	—	—	(1)	—	—		
Other current liabilities	—	—	4	4	—	—		
Deferred income taxes	21	—	—	21	—	—		
Other noncurrent liabilities	—	—	12	12	—	—		
Total liabilities	\$ 20	\$ —	\$ 16	\$ 36	\$ —	\$ —		
Net assets	\$ 802	\$ 190	\$ 32	\$ 1,024	\$ 93	\$ 118		

The Duke Energy Registrants are not aware of any situations where the maximum exposure to loss significantly exceeds the carrying values shown above except for the power purchase agreement with OVEC, which is discussed below, and various guarantees, including Duke Energy's guarantee agreement to support its share of the ACP revolving credit facility. Duke Energy's maximum exposure to loss under the terms of the guarantee is \$790 million, which represents 47 percent of the outstanding borrowings under the credit facility as of June 30, 2019. For more information on various guarantees, refer to Note 4.

Pipeline Investments

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

The table below presents Duke Energy's ownership interest and investment balances in these joint ventures.

Entity Name	Ownership Interest	VIE Investment Amount (in millions)	
		June 30, 2019	December 31, 2018
ACP ^(a)	47%	\$ 1,041	\$ 797
Constitution	24%	25	25
Total		\$ 1,066	\$ 822

(a) Duke Energy evaluated this investment for impairment as of June 30, 2019, and December 31, 2018, and determined that fair value approximated carrying value and therefore no impairment was necessary.

Commercial Renewables

Duke Energy has investments in various renewable energy project entities. Some of these entities are VIEs due to Duke Energy issuing guarantees for debt service and operations and maintenance reserves in support of debt financings. Duke Energy does not consolidate these VIEs because power to direct and control key activities is shared jointly by Duke Energy and other owners.

Pioneer

Duke Energy holds a 50 percent equity interest in Pioneer. Pioneer is considered a VIE due to having insufficient equity to finance its own activities without subordinated financial support. The activities that most significantly impact Pioneer's economic performance are decisions related to the development of new transmission facilities. The power to direct these activities is jointly and equally shared by Duke Energy and the other joint venture partner, American Electric Power; therefore, Duke Energy does not consolidate Pioneer.

OVEC

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

As a counterparty to an ICPA, Duke Energy Ohio has a contractual arrangement to receive entitlements to capacity and energy from OVEC's power plants through June 2040 commensurate with its power participation ratio, which is equivalent to Duke Energy Ohio's ownership interest. Costs, including fuel, operating expenses, fixed costs, debt amortization and interest expense, are allocated to counterparties to the ICPA based on their power participation ratio. The value of the ICPA is subject to variability due to fluctuation in power prices and changes in OVEC's cost of business. On March 31, 2018, FES, a subsidiary of FirstEnergy and an ICPA counterparty with a power participation ratio of 4.85 percent, filed for Chapter 11 bankruptcy, which could increase costs allocated to the counterparties. On July 31, 2018, the bankruptcy court rejected the FES ICPA, which means OVEC is an unsecured creditor in the FES bankruptcy proceeding. Duke Energy Ohio cannot predict the impact of the bankruptcy filing on its OVEC interests. In addition, certain proposed environmental rulemaking could result in future increased OVEC cost allocations.

CRC

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

Amounts included in Receivables from affiliated companies in the above table for Duke Energy Ohio and Duke Energy Indiana reflect their retained interest in receivables sold to CRC. These subordinated notes held by Duke Energy Ohio and Duke Energy Indiana are stated at fair value.

The following table shows the gross and net receivables sold.

(in millions)	Duke Energy Ohio		Duke Energy Indiana	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Receivables sold	\$ 210	\$ 269	\$ 314	\$ 336
Less: Retained interests	45	93	81	118
Net receivables sold	\$ 165	\$ 176	\$ 233	\$ 218

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

(in millions)	Duke Energy Ohio				Duke Energy Indiana			
	Three Months Ended		Six Months Ended		Three Months Ended		Six Months Ended	
	June 30,		June 30,		June 30,		June 30,	
	2019	2018	2019	2018	2019	2018	2019	2018
Sales								
Receivables sold	\$ 429	\$ 461	\$ 1,004	\$ 1,028	\$ 676	\$ 692	\$ 1,410	\$ 1,386
Loss recognized on sale	3	3	7	6	4	4	9	7
Cash flows								
Cash proceeds from receivables sold	\$ 448	\$ 465	\$ 1,045	\$ 1,050	\$ 680	\$ 686	\$ 1,438	\$ 1,397
Collection fees received	1	1	1	1	1	1	1	1
Return received on retained interests	2	1	4	3	2	2	5	4

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

14. REVENUE

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

Electric Utilities and Infrastructure

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

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

(in millions)	Remaining Performance Obligations						Total
	2019	2020	2021	2022	2023	Thereafter	
Progress Energy	\$ 63	\$ 121	\$ 87	\$ 82	\$ 39	\$ 42	434
Duke Energy Progress	4	9	9	9	9	9	49
Duke Energy Florida	59	112	78	73	30	33	385
Duke Energy Indiana	5	10	5	—	—	—	20

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

Gas Utilities and Infrastructure

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

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

(in millions)	Remaining Performance Obligations						Total
	2019	2020	2021	2022	2023	Thereafter	
Piedmont	\$ 34	\$ 69	\$ 65	\$ 64	\$ 61	\$ 432	725

Commercial Renewables

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

Other

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

Disaggregated Revenues

Disaggregated revenues are presented as follows:

(in millions) By market or type of customer	Three Months Ended June 30, 2019									
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont		
<i>Electric Utilities and Infrastructure</i>										
Residential	\$ 2,304	\$ 679	\$ 1,243	\$ 496	\$ 747	\$ 159	\$ 225	\$ —		
General	1,584	531	750	339	411	105	197	—		
Industrial	759	289	231	164	67	36	201	—		
Wholesale	527	109	351	309	42	9	59	—		
Other revenues	187	68	99	44	55	25	27	—		
Total Electric Utilities and Infrastructure revenue from contracts with customers	\$ 5,361	\$ 1,676	\$ 2,674	\$ 1,352	\$ 1,322	\$ 334	\$ 709	\$ —		
<i>Gas Utilities and Infrastructure</i>										
Residential	\$ 146	\$ —	\$ —	\$ —	\$ —	\$ 64	\$ —	\$ 82		
Commercial	85	—	—	—	—	26	—	59		
Industrial	29	—	—	—	—	3	—	24		
Power Generation	—	—	—	—	—	—	—	13		
Other revenues	22	—	—	—	—	2	—	19		
Total Gas Utilities and Infrastructure revenue from contracts with customers	\$ 282	\$ —	\$ —	\$ —	\$ —	\$ 95	\$ —	\$ 197		
<i>Commercial Renewables</i>										
Revenue from contracts with customers	\$ 46	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —		
<i>Other</i>										
Revenue from contracts with customers	\$ 6	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —		
Total revenue from contracts with customers	\$ 5,695	\$ 1,676	\$ 2,674	\$ 1,352	\$ 1,322	\$ 429	\$ 709	\$ 197		
Other revenue sources ^(a)	\$ 178	\$ 37	\$ 70	\$ 35	\$ 31	\$ 4	\$ 5	\$ 12		
Total revenues	\$ 5,873	\$ 1,713	\$ 2,744	\$ 1,387	\$ 1,353	\$ 433	\$ 714	\$ 209		

	Three Months Ended June 30, 2018															
(in millions)	Duke Energy		Duke Energy Carolinas		Progress Energy		Duke Energy Progress		Duke Energy Florida		Duke Energy Ohio		Duke Energy Indiana		Piedmont	
By market or type of customer	Duke Energy		Duke Energy Carolinas		Progress Energy		Duke Energy Progress		Duke Energy Florida		Duke Energy Ohio		Duke Energy Indiana		Piedmont	
Electric Utilities and Infrastructure																
Residential	\$	2,185	\$	659	\$	1,099	\$	452	\$	648	\$	181	\$	245	\$	—
General		1,481		501		678		300		377		110		188		—
Industrial		736		286		224		159		66		33		192		—
Wholesale		515		115		322		287		34		2		77		—
Other revenues		194		85		96		47		50		23		20		—
Total Electric Utilities and Infrastructure revenue from contracts with customers	\$	5,111	\$	1,646	\$	2,419	\$	1,245	\$	1,175	\$	349	\$	722	\$	—
Gas Utilities and Infrastructure																
Residential	\$	153	\$	—	\$	—	\$	—	\$	—	\$	66	\$	—	\$	87
Commercial		87		—		—		—		—		28		—		59
Industrial		31		—		—		—		—		3		—		28
Power Generation		—		—		—		—		—		—		—		14
Other revenues		23		—		—		—		—		6		—		17
Total Gas Utilities and Infrastructure revenue from contracts with customers	\$	294	\$	—	\$	—	\$	—	\$	—	\$	103	\$	—	\$	205
Commercial Renewables																
Revenue from contracts with customers	\$	47	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—
Other																
Revenue from contracts with customers	\$	15	\$	—	\$	—	\$	—	\$	—	\$	10	\$	—	\$	—
Total revenue from contracts with customers	\$	5,467	\$	1,646	\$	2,419	\$	1,245	\$	1,175	\$	462	\$	722	\$	205
Other revenue sources ^(a)																
Other revenue sources ^(a)	\$	176	\$	26	\$	79	\$	46	\$	28	\$	(3)	\$	16	\$	10
Total revenues	\$	5,643	\$	1,672	\$	2,498	\$	1,291	\$	1,203	\$	459	\$	738	\$	215

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

	Six Months Ended June 30, 2019															
(in millions)	Duke Energy		Duke Energy Carolinas		Progress Energy		Duke Energy Progress		Duke Energy Florida		Duke Energy Ohio		Duke Energy Indiana		Piedmont	
By market or type of customer	Duke Energy		Duke Energy Carolinas		Progress Energy		Duke Energy Progress		Duke Energy Florida		Duke Energy Ohio		Duke Energy Indiana		Piedmont	
Electric Utilities and Infrastructure																
Residential	\$	4,674	\$	1,439	\$	2,357	\$	1,032	\$	1,325	\$	348	\$	531	\$	—
General		3,011		1,027		1,382		645		737		208		394		—
Industrial		1,470		555		453		325		128		69		391		—
Wholesale		1,068		228		704		624		80		23		113		—
Other revenues		359		146		271		169		102		41		44		—
Total Electric Utilities and Infrastructure revenue from contracts with customers	\$	10,582	\$	3,395	\$	5,167	\$	2,795	\$	2,372	\$	689	\$	1,473	\$	—
Gas Utilities and Infrastructure																
Residential	\$	560	\$	—	\$	—	\$	—	\$	—	\$	176	\$	—	\$	384
Commercial		291		—		—		—		—		75		—		216
Industrial		77		—		—		—		—		10		—		66
Power Generation		—		—		—		—		—		—		—		26
Other revenues		85		—		—		—		—		10		—		75
Total Gas Utilities and Infrastructure revenue from contracts with customers	\$	1,013	\$	—	\$	—	\$	—	\$	—	\$	271	\$	—	\$	767
Commercial Renewables																
Revenue from contracts with customers	\$	88	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—
Other																
Revenue from contracts with customers	\$	10	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—	\$	—
Total Revenue from contracts with customers	\$	11,693	\$	3,395	\$	5,167	\$	2,795	\$	2,372	\$	960	\$	1,473	\$	767
Other revenue sources ^(a)																
Other revenue sources ^(a)	\$	343	\$	62	\$	149	\$	76	\$	67	\$	4	\$	9	\$	21
Total revenues	\$	12,036	\$	3,457	\$	5,316	\$	2,871	\$	2,439	\$	964	\$	1,482	\$	788

Six Months Ended June 30, 2018										
(in millions)	Duke Energy		Duke Energy Carolinas		Progress Energy		Duke Energy Progress		Duke Energy Florida	
By market or type of customer	Duke Energy		Duke Energy Carolinas		Progress Energy		Duke Energy Progress		Duke Energy Florida	
<i>Electric Utilities and Infrastructure</i>										
Residential	\$	4,535	\$	1,440	\$	2,211	\$	968	\$	1,243
General		2,856		973		1,309		599		710
Industrial		1,400		541		432		304		128
Wholesale		1,148		234		768		684		84
Other revenues		333		152		225		132		93
Total Electric Utilities and Infrastructure revenue from contracts with customers	\$	10,272	\$	3,340	\$	4,945	\$	2,687	\$	2,258
<i>Gas Utilities and Infrastructure</i>										
Residential	\$	566	\$	—	\$	—	\$	—	\$	177
Commercial		288		—		—		—		77
Industrial		79		—		—		—		10
Power Generation		—		—		—		—		—
Other revenues		78		—		—		—		12
Total Gas Utilities and Infrastructure revenue from contracts with customers	\$	1,011	\$	—	\$	—	\$	—	\$	276
<i>Commercial Renewables</i>										
Revenue from contracts with customers	\$	80	\$	—	\$	—	\$	—	\$	—
<i>Other</i>										
Revenue from contracts with customers	\$	31	\$	—	\$	—	\$	—	\$	24
Total Revenue from contracts with customers	\$	11,394	\$	3,340	\$	4,945	\$	2,687	\$	2,258
Other revenue sources ^(a)	\$	384	\$	95	\$	129	\$	64	\$	60
Total revenues	\$	11,778	\$	3,435	\$	5,074	\$	2,751	\$	2,318

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

UNBILLED REVENUE

Unbilled revenues are recognized by applying customer billing rates to the estimated volumes of energy or natural gas delivered but not yet billed. Unbilled revenues can vary significantly from period to period as a result of seasonality, weather, customer usage patterns, customer mix, average price in effect for customer classes, timing of rendering customer bills and meter reading schedules, and the impact of weather normalization or margin decoupling mechanisms.

Unbilled revenues are included within Receivables and Receivables of VIEs on the Condensed Consolidated Balance Sheets as shown in the following table.

(in millions)	June 30, 2019	December 31, 2018
Duke Energy	\$ 790	\$ 896
Duke Energy Carolinas	288	313
Progress Energy	270	244
Duke Energy Progress	148	148
Duke Energy Florida	122	96
Duke Energy Ohio	1	2
Duke Energy Indiana	14	23
Piedmont	4	73

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

(in millions)		June 30, 2019	December 31, 2018
Duke Energy Ohio	\$	65	\$ 86
Duke Energy Indiana		116	128

15. STOCKHOLDERS' EQUITY

Basic EPS is computed by dividing net income attributable to Duke Energy common stockholders, as adjusted for distributed and undistributed earnings allocated to participating securities, by the weighted average number of common shares outstanding during the period. Diluted EPS is computed by dividing net income attributable to Duke Energy common stockholders, as adjusted for distributed and undistributed earnings allocated to participating securities, by the diluted weighted average number of common shares outstanding during the period. Diluted EPS reflects the potential dilution that could occur if securities or other agreements to issue common stock, such as stock options and equity forward sale agreements, were exercised or settled. Duke Energy's participating securities are restricted stock units that are entitled to dividends declared on Duke Energy common stock during the restricted stock unit's vesting periods.

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

(in millions, except per-share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Income from continuing operations attributable to Duke Energy common stockholders excluding impact of participating securities	\$ 819	\$ 504	\$ 1,718	\$ 1,123
Weighted average common shares outstanding – basic	728	703	728	702
Equity Forwards	—	1	—	—
Weighted average common shares outstanding – diluted	728	704	728	702
EPS from continuing operations attributable to Duke Energy common stockholders				
Basic and Diluted	\$ 1.12	\$ 0.72	\$ 2.36	\$ 1.60
Potentially dilutive items excluded from the calculation ^(a)	2	2	2	2
Dividends declared per common share	\$ 0.928	\$ 0.89	\$ 1.855	\$ 1.78
Dividends declared on preferred stock per depositary share	\$ 0.307	\$ —	\$ 0.307	\$ —

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

Common Stock

On February 20, 2018, Duke Energy filed a prospectus supplement and executed an EDA under which it may sell up to \$1 billion of its common stock through an ATM offering program, including an equity forward sales component. The EDA was entered into with the Agents. Under the terms of the EDA, Duke Energy may issue and sell, through any of the Agents, shares of common stock through September 23, 2019.

In June 2018, Duke Energy marketed two separate tranches, each for 1.3 million shares, of common stock through equity forward transactions under the ATM program. In December 2018, Duke Energy physically settled these equity forwards by delivering 2.6 million shares of common stock in exchange for net proceeds of approximately \$195 million.

Separately, in March 2018, Duke Energy marketed an equity offering of 21.3 million shares of common stock through an Underwriting Agreement. In connection with the offering, Duke Energy entered into equity forward sale agreements. The equity forwards required Duke Energy to either physically settle the transactions by issuing 21.3 million shares in exchange for net proceeds at the then-applicable forward sale price specified by the agreements, or net settle in whole or in part through the delivery or receipt of cash or shares. In June 2018, Duke Energy physically settled one-half of the equity forwards by delivering approximately 10.6 million shares of common stock in exchange for net cash proceeds of approximately \$781 million. In December 2018, Duke Energy physically settled the remaining equity forward by delivering 10.6 million shares of common stock in exchange for net cash proceeds of approximately \$766 million.

In 2018, Duke Energy also issued 2.2 million shares through its DRIP with an increase in additional paid-in capital of approximately \$174 million. For the six months ended June 30, 2019, Duke Energy issued 0.9 million shares through its DRIP with an increase in additional paid-in capital of approximately \$80 million.

In March and April 2019, Duke Energy marketed two separate tranches, each for 1.1 million shares, of common stock through equity forward transactions under the ATM program. The first tranche had an initial forward price of \$89.83 per share and the second tranche had an initial forward price of \$88.82 per share. In May and June 2019, a third tranche of 1.6 million shares of common stock was marketed and had an initial forward price of \$86.23. The equity forwards require Duke Energy to either physically settle the transaction by issuing shares in exchange for net proceeds at the then-applicable forward sale price specified by the agreements or net settle in whole or in part through the delivery or receipt of cash or shares. The settlement alternative is at Duke Energy's election. No amounts have or will be recorded in Duke Energy's Condensed Consolidated Financial Statements with respect to these ATM offerings until settlements of the equity forwards occur, which is expected by December 31, 2019. The initial forward sale price will be subject to adjustment based on a floating interest rate factor and other fixed amounts specified in the relevant forward sale agreements. Until settlement of the equity forwards, EPS dilution resulting from the agreements, if any, will be determined under the treasury stock method.

Preferred Stock

On March 29, 2019, Duke Energy completed the issuance of 40 million depositary shares, each representing 1/1,000th share of its Series A Cumulative Redeemable Perpetual Preferred Stock, at a price of \$25 per depositary share. The transaction resulted in net proceeds of \$973 million after issuance costs and the proceeds are being used for general corporate purposes and to reduce short-term debt. The preferred stock has a \$25 liquidation preference per depositary share and earns dividends on a cumulative basis at a rate of 5.75 percent per annum. Dividends are payable quarterly in arrears on the 16th day of March, June, September and December, and began on June 16, 2019. Dividends issued on its preferred stock are subject to approval by the Duke Energy Board of Directors. However, the deferral of dividend payments on the preferred stock prohibits the declaration of common stock dividends. Dividends declared on preferred stock will be recorded on the income statement as a reduction of net income to arrive at net income attributable to Duke Energy common stockholders. Dividends accumulated on preferred stock will be a reduction to net income used in the calculation of basic and diluted EPS.

The Series A Preferred Stock ranks, with respect to dividends and distributions upon liquidation or dissolution:

- senior to Common Stock and to each other class or series of capital stock established after the original issue date of the Series A Preferred Stock that is expressly made subordinated to the Series A Preferred Stock;
- on a parity with any class or series of capital stock established after the original issue date of the Series A Preferred Stock that is not expressly made senior or subordinated to the Series A Preferred Stock;
- junior to any class or series of capital stock established after the original issue date of the Series A Preferred Stock that is expressly made senior to the Series A Preferred Stock;
- junior to all of existing and future indebtedness (including indebtedness outstanding under Duke Energy's credit facilities, unsecured senior notes, junior subordinated debentures and commercial paper) and other liabilities with respect to assets available to satisfy claims against Duke Energy; and
- structurally subordinated to existing and future indebtedness and other liabilities of Duke Energy's subsidiaries and future preferred stock of subsidiaries.

The preferred stock has no maturity or mandatory redemption date, is not redeemable at the option of the holders and includes separate call options. The first call option allows Duke Energy to call the preferred stock at a redemption price of \$25.50 per depositary share prior to June 15, 2024, in whole but not in part, at any time within 120 days after a ratings event where a rating agency amends, clarifies or changes the criteria it uses to assign equity credit for securities such as the preferred stock. The second call option allows Duke Energy to call the preferred stock, in whole or in part, at any time, on or after June 15, 2024, at a redemption price of \$25 per depositary share. Duke Energy is also required to redeem all accumulated and unpaid dividends if either call option is exercised.

Holders of the preferred stock have no voting rights with respect to matters that generally require the approval of voting stockholders. The limited voting rights of holders of preferred stock include the right to vote as a single class on certain matters that may affect the preference or special rights of the preferred stock, except in the instance that Duke Energy elects to defer the payment of dividends for a total of six quarterly full dividend periods. If dividends are deferred for a cumulative total of six quarterly full dividend periods, whether or not for consecutive dividend periods, holders of the preferred stock have the right to elect two additional Board members to the Duke Energy Board of Directors.

16. EMPLOYEE BENEFIT PLANS

DEFINED BENEFIT RETIREMENT PLANS

Duke Energy and certain subsidiaries maintain, and the Subsidiary Registrants participate in, qualified and non-qualified, non-contributory defined benefit retirement plans. Duke Energy's policy is to fund amounts on an actuarial basis to provide assets sufficient to meet benefit payments to be paid to plan participants.

Duke Energy uses a December 31 measurement date for its qualified non-contributory defined benefit retirement plan assets and obligations. However, because Duke Energy believes it is probable in 2019 that total lump-sum benefit payments will exceed the settlement threshold, which is defined as the sum of the service cost and interest cost on projected benefit obligation components of net periodic pension costs, Duke Energy remeasured the plan assets and plan obligations associated with one of its qualified pension plans as of June 30, 2019. The discount rate used for the remeasurement was 3.5 percent. The cash balance interest crediting rate was 4.0 percent. All other assumptions used for the remeasurement were consistent with the measurement as of December 31, 2018. As a result, Duke Energy recognized a remeasurement gain of \$18 million, which is recorded in Other within Other Noncurrent Assets on the Condensed Consolidated Balance Sheets as of June 30, 2019. The remeasurement gain, which represents an increase in funded status, reflects an increase of \$275 million in the fair value of plan assets and an increase of \$257 million in the projected benefit obligation.

As the result of settlement accounting, Duke Energy recognized a settlement charge of \$69 million, primarily as a regulatory asset within Other Noncurrent Assets on the Condensed Consolidated Balance Sheets as of June 30, 2019 (an immaterial amount was recorded in Other income and expenses, net within the Condensed Consolidated Statement of Operations). Settlement charges recognized by the Subsidiary Registrants were \$43 million for Duke Energy Carolinas, \$16 million for Duke Energy Progress, \$3 million for Duke Energy Florida, \$3 million for Duke Energy Indiana, \$1 million for Duke Energy Ohio and \$3 million for Piedmont. The settlement charge reflects the recognition of a pro-rata portion of previously unrecognized actuarial losses, equal to the percentage of reduction in the projected benefit obligation resulting from total lump-sum benefits payments as of June 30, 2019.

QUALIFIED PENSION PLANS

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

Three Months Ended June 30, 2019								
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Service cost	\$ 37	\$ 12	\$ 10	\$ 6	\$ 6	\$ 1	\$ 2	\$ 2
Interest cost on projected benefit obligation	82	21	26	12	13	4	7	3
Expected return on plan assets	(143)	(37)	(45)	(21)	(22)	(6)	(10)	(6)
Amortization of actuarial loss	25	5	9	3	6	—	1	1
Amortization of prior service credit	(8)	(2)	—	(1)	(1)	—	(1)	(2)
Net periodic pension costs	\$ (7)	\$ (1)	\$ —	\$ (1)	\$ 2	\$ (1)	\$ (1)	\$ (2)

Three Months Ended June 30, 2018								
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Service cost	\$ 45	\$ 15	\$ 13	\$ 8	\$ 6	\$ 1	\$ 3	\$ 2
Interest cost on projected benefit obligation	75	18	22	10	12	4	6	3
Expected return on plan assets	(140)	(37)	(43)	(21)	(23)	(7)	(11)	(6)
Amortization of actuarial loss	33	7	11	5	6	1	2	3
Amortization of prior service credit	(8)	(2)	(1)	(1)	(1)	—	—	(3)
Net periodic pension costs	\$ 5	\$ 1	\$ 2	\$ 1	\$ —	\$ (1)	\$ —	\$ (1)

Six Months Ended June 30, 2019								
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Service cost	\$ 74	\$ 24	\$ 21	\$ 12	\$ 10	\$ 2	\$ 4	\$ 3
Interest cost on projected benefit obligation	165	41	52	24	27	9	13	6
Expected return on plan assets	(286)	(75)	(89)	(44)	(44)	(14)	(21)	(11)
Amortization of actuarial loss	49	11	18	6	12	1	3	3
Amortization of prior service credit	(16)	(4)	(1)	(1)	(1)	—	(1)	(5)
Net periodic pension costs	\$ (14)	\$ (3)	\$ 1	\$ (3)	\$ 4	\$ (2)	\$ (2)	\$ (4)

Six Months Ended June 30, 2018								
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
Service cost	\$ 90	\$ 30	\$ 26	\$ 15	\$ 11	\$ 2	\$ 5	\$ 4
Interest cost on projected benefit obligation	150	36	46	21	25	9	12	6
Expected return on plan assets	(280)	(74)	(88)	(42)	(46)	(14)	(21)	(12)
Amortization of actuarial loss	66	14	22	10	12	2	4	6
Amortization of prior service credit	(16)	(4)	(2)	(1)	(1)	—	—	(6)
Net periodic pension costs	\$ 10	\$ 2	\$ 4	\$ 3	\$ 1	\$ (1)	\$ —	\$ (2)

NON-QUALIFIED PENSION PLANS

Net periodic pension costs for non-qualified pension plans were not material for the three and six months ended June 30, 2019, and 2018.

OTHER POST-RETIREMENT BENEFIT PLANS

Net periodic costs for OPEB plans were not material for the three and six months ended June 30, 2019, and 2018.

17. INCOME TAXES**EFFECTIVE TAX RATES**

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Duke Energy	15.9%	16.5%	12.6%	19.9%
Duke Energy Carolinas	19.7%	21.5%	18.7%	21.8%
Progress Energy	16.7%	17.3%	17.0%	15.4%
Duke Energy Progress	16.3%	20.1%	17.1%	16.8%
Duke Energy Florida	19.6%	18.0%	19.5%	17.4%
Duke Energy Ohio	16.1%	25.8%	16.5%	16.0%
Duke Energy Indiana	24.2%	25.8%	24.2%	25.8%
Piedmont	22.2%	27.3%	21.8%	23.9%

The decrease in the ETR for Duke Energy for the six months ended June 30, 2019, is primarily due to a one-time valuation allowance charge in the prior year, an adjustment related to the income tax recognition for equity method investments recorded in the first quarter of 2019 and an increase in the amortization of excess deferred taxes. The equity method investment adjustment was immaterial and relates to prior years.

The decrease in the ETR for Duke Energy Carolinas for the three and six months ended June 30, 2019, is primarily due to an increase in the amortization of excess deferred taxes.

The increase in the ETR for Progress Energy for the six months ended June 30, 2019, is primarily due to a decrease in AFUDC equity in the current year.

The decrease in the ETR for Duke Energy Progress for the three months ended June 30, 2019, is primarily due to an increase in the amortization of excess deferred taxes.

The increase in the ETR for Duke Energy Florida for the three and six months ended June 30, 2019, is primarily due to a decrease in AFUDC equity in the current year.

The decrease in the ETR for Duke Energy Ohio for the three months ended June 30, 2019, is primarily due to an increase in the amortization of excess deferred taxes.

The decrease in the ETR for Duke Energy Indiana for the three and six months ended June 30, 2019, is primarily due to an increase in the amortization of excess deferred taxes.

The decrease in the ETR for Piedmont for the three months ended June 30, 2019, is primarily due to lower state tax rates. The decrease in the ETR for the six months ended June 30, 2019, is primarily due to an increase in the amortization of excess deferred taxes.

18. SUBSEQUENT EVENTS

For information on subsequent events related to the Commercial Renewables segment, regulatory matters, commitments and contingencies and debt, see Notes 2, 3, 4 and 6, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following combined Management's Discussion and Analysis of Financial Condition and Results of Operations is separately filed by Duke Energy and Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio, Duke Energy Indiana and Piedmont. However, none of the registrants make any representation as to information related solely to Duke Energy or the Subsidiary Registrants of Duke Energy other than itself.

DUKE ENERGY

Duke Energy is an energy company headquartered in Charlotte, North Carolina. Duke Energy operates in the U.S. primarily through its wholly owned subsidiaries, Duke Energy Carolinas, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio, Duke Energy Indiana and Piedmont. When discussing Duke Energy's consolidated financial information, it necessarily includes the results of the Subsidiary Registrants, which, along with Duke Energy, are collectively referred to as the Duke Energy Registrants.

Management's Discussion and Analysis should be read in conjunction with the Condensed Consolidated Financial Statements and Notes for the six months ended June 30, 2019, and with Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2018.

Executive Overview

Regulatory Activity

In 2019, Duke Energy advanced regulatory activity underway in multiple jurisdictions as follows:

- New base rates were implemented in the Duke Energy Ohio Electric Base Rate Case on January 2, 2019.
- On January 11, 2019, Duke Energy Progress filed a request with the PSCSC, which included a request for the continuation of prior deferrals requested for ice storms and hurricanes Florence, Michael and Matthew. The request was approved on January 30, 2019.
- On January 30, 2019, Duke Energy Kentucky entered into a settlement agreement with the Attorney General of Kentucky related to the Natural Gas Base Rate Case. The settlement provides for an approximate \$7 million increase in natural gas base revenue and approval of the proposed WNA mechanism. The KPSC issued its Order approving the settlement without material modification on March 27, 2019.
- On April 1, 2019, Piedmont filed an application with the NCUC, its first general rate case in North Carolina in six years. Piedmont expects new rates arising from this proceeding to take effect by the end of 2019.
- On May 21, 2019, Duke Energy Carolinas and Duke Energy Progress received orders from the PSCSC and revised customer rates became effective June 1, 2019. On May 31, 2019, Duke Energy Carolinas and Duke Energy Progress filed Petitions for Rehearing or Reconsideration regarding certain coal ash costs and return on equity, among other items, and await the orders on reconsideration detailing the commission's decision. Once the orders are received, Duke Energy Carolinas and Duke Energy Progress have 30 days to file a notice of appeal with the South Carolina Supreme Court.
- On June 11, 2019, the FPSC approved the petition to recover incremental storm restoration costs for Hurricane Michael and to apply tax savings resulting from the Tax Act toward storm costs in lieu of implementing a storm surcharge. On June 13, 2019, the FPSC issued its order approving the settlement agreement for storm cost recovery related to hurricanes Irma and Nate. Storm costs are currently expected to be fully recovered by approximately year-end 2021.
- On July 2, 2019, Duke Energy Indiana filed a general rate case with the IURC, its first general rate case in Indiana in 16 years. Hearings are expected to commence in late 2019 or early 2020, with rates to be effective in mid-2020.

See Note 3 to the Condensed Consolidated Financial Statements, "Regulatory Matters" for additional information.

Results of Operations

Non-GAAP Measures

Management's Discussion and Analysis includes financial information prepared in accordance with GAAP in the U.S., as well as certain non-GAAP financial measures such as adjusted earnings and adjusted EPS discussed below. Generally, a non-GAAP financial measure is a numerical measure of financial performance, financial position or cash flows that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP. Non-GAAP financial measures should be viewed as a supplement to, and not a substitute for, financial measures presented in accordance with GAAP. Non-GAAP measures presented may not be comparable to similarly titled measures used by other companies because other companies may not calculate the measures in the same manner.

Management evaluates financial performance in part based on non-GAAP financial measures, including adjusted earnings and adjusted diluted EPS. Adjusted earnings and adjusted diluted EPS represent income from continuing operations attributable 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 represent certain charges and credits, which management believes are not indicative of Duke Energy's ongoing performance. The most directly comparable GAAP measures for adjusted earnings and adjusted diluted EPS are GAAP Reported Earnings and GAAP Reported EPS, respectively.

Special items in the 2018 periods presented below include the following items:

- Costs to Achieve Piedmont Merger represents charges that resulted from the Piedmont acquisition.

- Regulatory and Legislative Impacts represents charges related to rate case orders, settlements or other actions of regulators or legislative bodies.
- 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.

Three Months Ended June 30, 2019, as compared to June 30, 2018

GAAP Reported EPS was \$1.12 for the second quarter of 2019 compared to \$0.71 for the second quarter of 2018. The increase in GAAP Reported EPS was primarily due to positive rate case impacts, lower operating expenses and the allocation of losses to noncontrolling tax equity members resulting from the North Rosamond solar farm commencing commercial operations, as well as prior year regulatory and legislative impacts.

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

(in millions, except per-share amounts)	Three Months Ended June 30,					
	2019			2018		
	Earnings		EPS	Earnings		EPS
GAAP Reported Earnings/GAAP Reported EPS	\$	820	\$ 1.12	\$	500	\$ 0.71
Adjustments:						
Costs to Achieve Piedmont Merger ^(a)		—	—		15	0.02
Regulatory and Legislative Impacts ^(b)		—	—		136	0.19
Discontinued Operations		—	—		5	0.01
Adjusted Earnings/Adjusted Diluted EPS	\$	820	\$ 1.12	\$	656	\$ 0.93

(a) Net of \$5 million tax benefit.

(b) Net of \$43 million tax benefit.

Six Months Ended June 30, 2019, as compared to June 30, 2018

GAAP Reported EPS was \$2.36 for the six months ended June 30, 2019, compared to \$1.59 for the six months ended June 30, 2018. The increase in GAAP Reported EPS was primarily due to positive rate case impacts, the allocation of losses to noncontrolling tax equity members resulting from the North Rosamond solar farm commencing commercial operations, and an adjustment related to income tax recognition for equity method investments, as well as prior year regulatory and legislative impacts, impairments charges, an AMT valuation allowance and a loss on sale of a retired plant. This was partially offset by higher depreciation and share dilution from equity issuances.

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

(in millions, except per-share amounts)	Six Months Ended June 30,					
	2019			2018		
	Earnings		EPS	Earnings		EPS
GAAP Reported Earnings/GAAP Reported EPS	\$	1,720	\$ 2.36	\$	1,120	\$ 1.59
Adjustments:						
Costs to Achieve Piedmont Merger ^(a)		—	—		28	0.04
Regulatory and Legislative Impacts ^(b)		—	—		202	0.29
Sale of Retired Plant ^(c)		—	—		82	0.12
Impairment of Equity Method Investment ^(d)		—	—		42	0.06
Impacts of the Tax Act (AMT valuation allowance)		—	—		76	0.11
Discontinued Operations		—	—		5	0.01
Adjusted Earnings/Adjusted Diluted EPS	\$	1,720	\$ 2.36	\$	1,555	\$ 2.22

(a) Net of \$9 million tax benefit.

(b) Net of \$63 million tax benefit.

(c) Net of \$25 million tax benefit.

(d) Net of \$13 million tax benefit.

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. Segment income includes intercompany revenues and expenses that are eliminated in the Condensed Consolidated Financial Statements.

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

Electric Utilities and Infrastructure

(in millions)	Three Months Ended June 30,			Six Months Ended June 30,		
	2019	2018	Variance	2019	2018	Variance
Operating Revenues	\$ 5,475	\$ 5,223	\$ 252	\$ 10,804	\$ 10,546	\$ 258
Operating Expenses						
Fuel used in electric generation and purchased power	1,662	1,582	80	3,292	3,267	25
Operation, maintenance and other	1,318	1,395	(77)	2,600	2,720	(120)
Depreciation and amortization	951	838	113	1,898	1,673	225
Property and other taxes	297	279	18	598	553	45
Impairment charges	4	172	(168)	4	215	(211)
Total operating expenses	4,232	4,266	(34)	8,392	8,428	(36)
Gains on Sales of Other Assets and Other, net	3	—	3	—	1	(1)
Operating Income	1,246	957	289	2,412	2,119	293
Other Income and Expenses, net	89	91	(2)	180	179	1
Interest Expense	330	316	14	668	633	35
Income Before Income Taxes	1,005	732	273	1,924	1,665	259
Income Tax Expense	196	157	39	365	340	25
Segment Income	\$ 809	\$ 575	\$ 234	\$ 1,559	\$ 1,325	\$ 234
Duke Energy Carolinas GWh sales	21,604	22,272	(668)	43,432	44,899	(1,467)
Duke Energy Progress GWh sales	16,222	15,896	326	32,570	33,122	(552)
Duke Energy Florida GWh sales	11,151	10,304	847	19,472	19,423	49
Duke Energy Ohio GWh sales	5,660	6,147	(487)	11,824	12,219	(395)
Duke Energy Indiana GWh sales	7,437	8,301	(864)	15,470	16,786	(1,316)
Total Electric Utilities and Infrastructure GWh sales	62,074	62,920	(846)	122,768	126,449	(3,681)
Net proportional MW capacity in operation				49,725	49,297	428

Three Months Ended June 30, 2019, as compared to June 30, 2018

Electric Utilities and Infrastructure's results were impacted by a positive contribution from the 2018 Duke Energy Carolinas North Carolina rate case, Duke Energy Florida's base rate adjustments due to the Citrus County CC being placed in service, favorable weather-normal retail sales volumes and lower operation, maintenance and other expense.

These drivers were offset by unfavorable weather in the current year, higher depreciation from a growing asset base, higher interest expense and higher income tax expense. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by:

- a \$155 million increase in retail pricing primarily due to the prior year Duke Energy Carolinas North Carolina rate case and Duke Energy Florida's base rate adjustments related to Citrus County CC being placed in service;
- a \$66 million increase in fuel related revenues; and
- a \$19 million increase in weather-normal retail sales volumes.

Operating Expenses. The variance was driven primarily by:

- a \$168 million decrease in impairment charges primarily due to the impacts associated with the prior year Duke Energy Carolinas North Carolina rate case; and
- a \$77 million decrease in operation, maintenance and other expense primarily due to lower payroll and benefit costs resulting from prior year workforce reductions.

Partially offset by:

- a \$113 million increase in depreciation and amortization expense primarily due to higher amortization of deferred coal ash costs, additional plant in service and new depreciation rates associated with the prior year Duke Energy Carolinas North Carolina rate case and Duke Energy Florida's Citrus County CC being placed in service;
- an \$80 million increase in fuel used in electric generation and purchased power primarily due to an increase in the North Carolina Renewable Energy and Energy Efficiency Portfolio Standard requirement from the prior year at Duke Energy Progress; and
- an \$18 million increase in property and other taxes primarily due to higher property taxes for additional plant in service at Duke Energy Florida.

Interest Expense. The variance was driven primarily by higher debt outstanding in the current year and AFUDC debt return ending in the fourth quarter of 2018 on the Citrus County CC at Duke Energy Florida.

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. The ETRs for the three months ended June 30, 2019, and 2018, were 19.5 percent and 21.4 percent, respectively. The decrease in the ETR was primarily due to an increase in the amortization of excess deferred taxes partially offset by a decrease in AFUDC equity in the current year.

Six Months Ended June 30, 2019, as compared to June 30, 2018

Electric Utilities and Infrastructure's results were impacted by a positive contribution from the 2018 Duke Energy Carolinas and Duke Energy Progress North Carolina rate cases, Duke Energy Florida's base rate adjustments due to the Citrus County CC being placed in service and lower operation, maintenance and other expense.

These drivers were offset by unfavorable weather in the current year, higher depreciation from a growing asset base, higher interest expense and higher income tax expense. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven primarily by:

- a \$330 million increase in retail pricing primarily due to the prior year Duke Energy Carolinas and Duke Energy Progress North Carolina rate cases and Duke Energy Florida's base rate adjustments related to Citrus County CC being placed in service; and
- a \$34 million increase in fuel related revenues.

Partially offset by:

- a \$76 million decrease in retail sales, net of fuel revenues, due to unfavorable weather in the current year; and
- a \$35 million decrease in rider revenues primarily due to excess deferred taxes and energy efficiency programs, partially offset by a decrement rider relating to nuclear decommissioning that ended in the prior year at Duke Energy Carolinas.

Operating Expenses. The variance was driven primarily by:

- a \$211 million decrease in impairment charges primarily due to the impacts associated with the prior year Duke Energy Carolinas and Duke Energy Progress North Carolina rate cases; and
- a \$120 million decrease in operation, maintenance and other expense primarily due to lower payroll and benefit costs resulting from prior year workforce reductions.

Partially offset by:

- a \$225 million increase in depreciation and amortization expense primarily due to higher amortization of deferred coal ash costs, additional plant in service and new depreciation rates associated with the prior year Duke Energy Carolinas and Duke Energy Progress North Carolina rate cases and Duke Energy Florida's Citrus County CC being placed in service;
- a \$45 million increase in property and other taxes primarily due to higher property taxes for additional plant in service at Duke Energy Florida and a favorable sales and use tax credit in the prior year at Duke Energy Progress; and
- a \$25 million increase in fuel used in electric generation and purchased power primarily due to an increase in the North Carolina Renewable Energy and Energy Efficiency Portfolio Standard requirement from the prior year at Duke Energy Progress.

Interest Expense. The variance was driven primarily by higher debt outstanding in the current year and AFUDC debt return ending in the fourth quarter of 2018 on the Citrus County CC at Duke Energy Florida.

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. The ETRs for the six months ended June 30, 2019, and 2018, were 19.0 percent and 20.4 percent, respectively. The decrease in the ETR was primarily due to an increase in the amortization of excess deferred taxes partially offset by a decrease in AFUDC equity in the current year.

Matters Impacting Future Electric Utilities and Infrastructure Results

On May 21, 2019, Duke Energy Carolinas and Duke Energy Progress received orders from the PSCSC granting the companies' requests for retail rate increases but denying recovery of certain coal ash costs. On May 31, 2019, Duke Energy Carolinas and Duke Energy Progress filed Petitions for Rehearing or Reconsideration and await the order on reconsideration detailing the commission's decision. Once the orders are received, Duke Energy Carolinas and Duke Energy Progress have 30 days to file a notice of appeal with the South Carolina Supreme Court. Electric Utilities and Infrastructure's results of operations, financial position and cash flows could be adversely impacted if coal ash costs are not ultimately approved for recovery. See Note 3 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

On May 18, 2016, the NCDEQ issued proposed risk classifications for all coal ash surface impoundments in North Carolina. All ash impoundments not previously designated as high priority by the Coal Ash Act were designated as intermediate risk. Certain impoundments classified as intermediate risk, however, were eligible for reassessment as low risk pursuant to legislation enacted on July 14, 2016. On November 14, 2018, NCDEQ issued final low-risk classifications for these impoundments, indicating that Duke Energy Carolinas and Duke Energy Progress have satisfied the permanent replacement water supply and certain dam improvement requirements set out in the Coal Ash Management Act. On April 1, 2019, NCDEQ issued a closure determination requiring Duke Energy Carolinas and Duke Energy Progress to excavate all remaining coal ash impoundments in North Carolina, even though they had been deemed low risk. On April 26, 2019, Duke Energy Carolinas and Duke Energy Progress filed a Petition for Contested Case Hearings in the Office of Administrative Hearings to challenge NCDEQ's April 1 Order. Duke Energy Carolinas and Duke Energy Progress intend to seek recovery of all costs through the ratemaking process consistent with previous proceedings. As the final closure plans and corrective action measures are developed and approved for each site, the closure work progresses and the closure method scope and remedial action methods are determined, the complexity of work and the amount of coal combustion material could be different than originally estimated and, therefore, could materially impact Electric Utilities and Infrastructure's results of operations, financial position and cash flows. See Note 4 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

Duke Energy is a party to multiple lawsuits and could be subject to fines and other penalties related to operations at certain North Carolina facilities with ash basins. In addition, the orders issued in the Duke Energy Carolinas and Duke Energy Progress North Carolina rate cases supporting recovery of past coal ash remediation costs have been appealed by various parties. The outcome of these appeals, lawsuits and potential fines and penalties could have an adverse impact on Electric Utilities and Infrastructure's results of operations, financial position and cash flows. See Notes 3 and 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters" and "Commitments and Contingencies," respectively, for additional information.

On June 22, 2018, Duke Energy Carolinas received an order from the NCUC, which denied the Grid Rider Stipulation and deferral treatment of grid improvement costs. Duke Energy Carolinas may petition for deferral of grid modernization costs outside of a general rate case proceeding if it can show financial hardship or a stipulation that includes greater consensus among intervening parties on costs being classified as grid modernization. While Duke Energy Progress did not request recovery of these costs in its most recent case with the NCUC, Duke Energy Progress may request recovery of certain grid modernization costs in future regulatory proceedings. Electric Utilities and Infrastructure's results of operations, financial position and cash flows could be adversely impacted if grid modernization costs are not ultimately approved for recovery and/or deferral treatment.

During the last half of 2018, Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida's service territories were impacted by several named storms. Hurricane Florence, Hurricane Michael and Winter Storm Diego caused flooding, extensive damage and widespread power outages to the service territories of Duke Energy Carolinas and Duke Energy Progress. Duke Energy Florida's service territory was also impacted by Hurricane Michael, a Category 5 hurricane and the most powerful storm to hit the Florida Panhandle in recorded history. A significant portion of the incremental operation and maintenance expenses related to these storms have been deferred. On December 21, 2018, Duke Energy Carolinas and Duke Energy Progress filed with the NCUC petitions for approval to defer the incremental storm costs incurred to a regulatory asset for recovery in the next base rate case. On June 11, 2019, the FPSC approved Duke Energy Florida's petition for recovery of incremental storm restoration costs related to Hurricane Michael. An order from regulatory authorities disallowing the deferral and future recovery of storm restoration costs could have an adverse impact on Electric Utilities and Infrastructure's results of operations, financial position and cash flows. See Note 3 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

Duke Energy Indiana filed a general rate case with the IURC on July 2, 2019, its first general rate case in Indiana in 16 years. The outcome of this rate case could materially impact Electric Utilities and Infrastructure's results of operations, financial position and cash flows. See Note 3 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Duke Energy Registrants' Annual Reports on Form 10-K for the year ended December 31, 2018, for discussion of risks associated with the Tax Act.

Gas Utilities and Infrastructure

(in millions)	Three Months Ended June 30,			Six Months Ended June 30,		
	2019	2018	Variance	2019	2018	Variance
Operating Revenues	\$ 306	\$ 318	\$ (12)	\$ 1,062	\$ 1,045	\$ 17
Operating Expenses						
Cost of natural gas	76	89	(13)	403	402	1
Operation, maintenance and other	107	103	4	217	211	6
Depreciation and amortization	63	60	3	128	121	7
Property and other taxes	27	26	1	60	57	3
Total operating expenses	273	278	(5)	808	791	17
Operating Income	33	40	(7)	254	254	—
Other Income and Expenses, net	37	22	15	77	(13)	90
Interest Expense	27	26	1	57	53	4
Income Before Income Taxes	43	36	7	274	188	86
Income Tax Expense	3	8	(5)	8	44	(36)
Segment Income	\$ 40	\$ 28	\$ 12	\$ 266	\$ 144	\$ 122

Piedmont LDC throughput (dekatherms)	104,684,733	116,839,962	(12,155,229)	256,350,657	271,741,341	(15,390,684)
Duke Energy Midwest LDC throughput (Mcf)	13,742,907	15,615,050	(1,872,143)	52,281,179	52,741,115	(459,936)

Three Months Ended June 30, 2019, as compared to June 30, 2018

Gas Utilities and Infrastructure's results were primarily impacted by higher equity earnings from ACP. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven by:

- an \$11 million decrease at Piedmont primarily due to lower residential sales volumes due to unfavorable weather in the current year and a reduction of rates in South Carolina; and
- a \$6 million decrease in the Midwest primarily due to lower natural gas costs passed through to customers and unfavorable weather in the current year.

Partially offset by:

- a \$4 million increase primarily due to North Carolina and Tennessee IMR increases.

Operating Expenses. The variance was driven by:

- a \$13 million decrease in cost of natural gas primarily due to lower volumes sold at Piedmont and lower natural gas prices in the Midwest.

Partially offset by:

- a \$4 million increase in operation, maintenance and other expense primarily due to higher employee benefit expenses and information technology outside services at Piedmont; and
- a \$3 million increase in depreciation and amortization expense primarily due to additional plant in service.

Other Income and Expenses, net. The variance was driven by higher equity earnings from ACP in the current year.

Income Tax Expense. The decrease in tax expense was primarily due to current year AFUDC equity, partially offset by an increase in pretax income. The ETRs for the three months ended June 30, 2019, and 2018, were 7.0 percent and 22.2 percent, respectively. The decrease in the ETR was primarily due to current year AFUDC equity.

Six Months Ended June 30, 2019, as compared to June 30, 2018

Gas Utilities and Infrastructure's results were primarily impacted by the prior year OTTI recorded on the Constitution investment and a 2019 adjustment related to the income tax recognition for equity method investments. The equity method investment adjustment was immaterial and relates to prior years. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. The variance was driven by:

- an \$11 million increase primarily due to North Carolina and Tennessee IMR increases;
- a \$9 million increase primarily due to higher natural gas prices associated with off-system sales; and
- an \$8 million increase primarily due to NCUC approval related to tax reform accounting from fixed rate contracts.

Partially offset by:

- a \$6 million decrease primarily due to a reduction of rates in South Carolina;
- a \$4 million decrease due to lower natural gas costs passed through to customers in the Midwest, due to lower natural gas prices; and
- a \$2 million decrease due to unfavorable weather in the current year for the Midwest.

Operating Expenses. The variance was driven by:

- a \$7 million increase in depreciation and amortization expense primarily due to additional plant in service;
- a \$6 million increase in operation, maintenance and other expense primarily due to information technology outside services and higher gas operations labor costs;
- a \$5 million increase in cost of natural gas at Piedmont primarily due to the impact of higher natural gas prices on off-system sales and unbilled revenue; and
- a \$3 million increase in property and other taxes primarily due to higher property tax expense related to additional plant in service.

Partially offset by:

- a \$4 million decrease in cost of natural gas sold in the Midwest primarily due to lower natural gas prices.

Other Income and Expenses, net. The increase was primarily due to the prior year OTTI recorded on the Constitution investment and higher earnings from ACP in the current year.

Interest Expense. The variance was driven by higher debt outstanding in the current year and higher interest expense due to customers as a result of tax reform deferrals, partially offset by favorable AFUDC debt interest.

Income Tax Expense. The decrease in tax expense was primarily due to an adjustment related to the income tax recognition for equity method investments and current year AFUDC equity, partially offset by an increase in pretax income. The equity method investment adjustment was immaterial and relates to prior years. The ETRs for the six months ended June 30, 2019, and 2018, were 2.9 percent and 23.4 percent, respectively. The decrease in the ETR was primarily due to an adjustment related to the income tax recognition for equity method investments that was recorded during the first quarter of 2019 and current year AFUDC equity. The equity method investment adjustment was immaterial and relates to prior years.

Matters Impacting Future Gas Utilities and Infrastructure Results

Gas Utilities and Infrastructure has a 47 percent ownership interest in ACP, which is building an approximately 600-mile interstate natural gas pipeline intended to transport diverse natural gas supplies into southeastern markets. Affected states (West Virginia, Virginia and North Carolina) have issued certain necessary permits; the project remains subject to other pending federal and state approvals, which will allow full construction activities to begin. In 2018, FERC issued a series of Notices to Proceed, which authorized the project to begin certain construction-related activities along the pipeline route. Project cost estimates are a range of \$7.0 billion to \$7.8 billion, excluding financing costs. ACP expects to achieve a late 2020 in-service date for key segments of the project, while it expects the remainder to extend into 2021. Project construction activities, schedule and final costs are subject to uncertainty due to abnormal weather, work delays (including delays due to judicial or regulatory action) and other conditions and risks that could result in potential higher project costs, a potential delay in the targeted in-service dates, permanent or temporary suspension of AFUDC and potential impairment charges. ACP and Duke Energy will continue to consider their options with respect to the foregoing in light of their existing contractual and legal obligations. See Notes 3 and 13 to the Condensed Consolidated Financial Statements, "Regulatory Matters" and "Variable Interest Entities," respectively, for additional information.

On November 13, 2013, the PUCO issued an order authorizing recovery of MGP costs at certain sites in Ohio with a deadline to complete the MGP environmental investigation and remediation work prior to December 31, 2016. This deadline was subsequently extended to December 31, 2019. Disallowance 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 on Gas Utilities and Infrastructure's results of operations, financial position and cash flows. See Note 3 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

Piedmont filed a general rate case with the NCUC on April 1, 2019, its first general rate case in North Carolina in six years. The outcome of this rate case could materially impact Gas Utilities and Infrastructure's results of operations, financial position and cash flows. See Note 3 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Duke Energy Registrants' Annual Reports on Form 10-K for the year ended December 31, 2018, for discussion of risks associated with the Tax Act.

Commercial Renewables

(in millions)	Three Months Ended June 30,			Six Months Ended June 30,		
	2019	2018	Variance	2019	2018	Variance
Operating Revenues	\$ 118	\$ 119	\$ (1)	\$ 224	\$ 220	\$ 4
Operating Expenses						
Operation, maintenance and other	64	69	(5)	130	124	6
Depreciation and amortization	40	38	2	80	76	4
Property and other taxes	6	6	—	12	13	(1)
Total operating expenses	110	113	(3)	222	213	9
Operating Income	8	6	2	2	7	(5)
Other Income and Expenses, net	(8)	18	(26)	(10)	20	(30)
Interest Expense	22	23	(1)	43	45	(2)
(Loss) Income Before Income Taxes	(22)	1	(23)	(51)	(18)	(33)
Income Tax Benefit	(24)	(36)	12	(59)	(75)	16
Less: Loss Attributable to Noncontrolling Interests	(84)	(1)	(83)	(91)	(1)	(90)
Segment Income	\$ 86	\$ 38	\$ 48	\$ 99	\$ 58	\$ 41
Renewable plant production, GWh	2,314	2,471	(157)	4,382	4,651	(269)
Net proportional MW capacity in operation ^(a)				3,157	2,951	206

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

Three Months Ended June 30, 2019, as compared to June 30, 2018

Commercial Renewables' results were favorably impacted by results from tax equity solar projects, partially offset by mark-to-market losses. The following is a detailed discussion of the variance drivers by line item.

Other Income and Expenses, net. The decrease was primarily due to mark-to-market losses in the solar portfolio in the current year compared to mark-to-market gains and income from the North Allegheny Wind, LLC and FES settlement agreement in the prior year.

Income Tax Benefit. The decrease in the tax benefit was primarily driven by taxes associated with Duke Energy's interest in a tax equity solar project recorded in the second quarter of 2019 and a reduction in production tax credits generated.

Loss Attributable to Noncontrolling Interests. The increase was primarily due to the new tax equity solar projects entered into during 2019.

Six Months Ended June 30, 2019, as compared to June 30, 2018

Commercial Renewables' results were favorably impacted by results from tax equity solar projects, partially offset by mark-to-market losses in the solar portfolio. The following is a detailed discussion of the variance drivers by line item.

Other Income and Expenses, net. The decrease was primarily due to mark-to-market losses in the solar portfolio in the current year compared to mark-to-market gains and income from the North Allegheny Wind, LLC and FES settlement agreement in the prior year.

Income Tax Benefit. The decrease in the tax benefit was primarily driven by taxes associated with Duke Energy's interest in a tax equity solar project recorded in the second quarter of 2019 and a reduction in production tax credits generated.

Loss Attributable to Noncontrolling Interests. The increase was primarily due to the new tax equity solar projects entered into during 2019.

Matters Impacting Future Commercial Renewables Results

During the three months ended June 30, 2019, Duke Energy evaluated recoverability of its renewable merchant plants principally in the Electric Reliability Council of Texas West market, due to declining market pricing and declining long-term forecasted energy and capacity prices, primarily driven by lower forecasted natural gas prices. These assets were not impaired; however, a continued decline in pricing would likely result in a future impairment. The carrying value of \$160 million for one large wind project in West Texas approximates the aggregate estimated future cash flows from the asset. Impairment of these assets could result in adverse impacts to the future results of operations, financial position and cash flows of Commercial Renewables.

On April 24, 2019, Duke Energy executed an agreement to sell a minority interest in a portion of certain renewable assets. The portion of Duke Energy's commercial renewables energy portfolio to be sold includes 49 percent of 37 operating wind, solar and battery storage assets and 33 percent of 11 operating solar assets across the U.S. Duke Energy Renewable Services, an operations and maintenance business for third-party customers, and REC Solar are not included in the potential transaction. The sale will result in pretax proceeds to Duke Energy of \$415 million. Duke Energy will retain control of these assets, and, therefore, no gain or loss is expected to be recognized in the Condensed Consolidated Statements of Operations upon closing of the transaction. Duke Energy will also retain the majority of the remaining tax benefits from the projects. Duke Energy will continue to develop projects, grow its portfolio and manage its renewables assets. The sale is subject to customary closing conditions, including approvals from the FERC, the Public Utility Commission of Texas and the Committee on Foreign Investment in the U.S. The transaction is expected to close in the second half of 2019.

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Duke Energy Registrants' Annual Reports on Form 10-K for the year ended December 31, 2018, for discussion of risks associated with the Tax Act.

Other

(in millions)	Three Months Ended June 30,			Six Months Ended June 30,		
	2019	2018	Variance	2019	2018	Variance
Operating Revenues	\$ 25	\$ 32	\$ (7)	\$ 46	\$ 67	\$ (21)
Operating Expenses	11	59	(48)	39	113	(74)
Gains (Losses) on Sales of Other Assets and Other, net	—	2	(2)	—	(99)	99
Operating Income (Loss)	14	(25)	39	7	(145)	152
Other Income and Expenses, net	30	27	3	74	41	33
Interest Expense	180	164	16	351	321	30
Loss Before Income Taxes	(136)	(162)	26	(270)	(425)	155
Income Tax Benefit	(33)	(28)	(5)	(78)	(27)	(51)
Less: Net Income Attributable to Noncontrolling Interests	—	2	(2)	—	4	(4)
Less: Preferred Dividends	12	—	12	12	—	12
Net Loss	\$ (115)	\$ (136)	\$ 21	\$ (204)	\$ (402)	\$ 198

Three Months Ended June 30, 2019, as compared to June 30, 2018

The variance was driven by the absence in the current year of costs related to the Piedmont acquisition and OVEC fuel expense, offset by higher interest expense. The following is a detailed discussion of the variance drivers by line item.

Operating Expenses. The decrease was primarily due to costs related to the Piedmont acquisition and OVEC fuel expense in the prior year.

Interest Expense. The variance was primarily due to higher short-term interest rates and higher outstanding debt in the current year.

Income Tax Benefit. The increase in the tax benefit was primarily driven by a prior year state rate change and tax levelization, partially offset by a decrease in pretax losses.

Preferred Dividends. The variance was driven by the declaration of the preferred stock dividend on preferred stock issued in 2019.

Six Months Ended June 30, 2019, as compared to June 30, 2018

The variance was driven by the prior year loss on sale of the retired Beckjord station and lower income taxes due to a 2018 adjustment to record a valuation allowance. The following is a detailed discussion of the variance drivers by line item.

Operating Revenues. Lower operating revenues were due to amounts in the prior year related to Duke Energy Ohio's entitlement of capacity and energy from OVEC's power plants. In the current year, the revenues and expenses for OVEC are reflected in the Electric Utilities and Infrastructure segment due to the 2018 PUCO Order that approved Duke Energy to recover or credit amounts through Rider PSR. These amounts are deemed immaterial. Therefore, the prior period amounts were not restated.

Operating Expenses. The decrease was primarily due to costs associated with the Piedmont acquisition and OVEC fuel expense in the prior year.

Gains (Losses) on Sales of Other Assets and Other, net. The variance was driven by the prior year loss on sale of the retired Beckjord station, including the transfer of coal ash basins and other real property and indemnification from all potential future claims related to the property, whether arising under environmental laws or otherwise.

Other Income and Expenses, net. The variance was primarily due to higher returns on investments that fund certain employee benefit obligations.

Interest Expense. The variance was primarily due to higher short-term interest rates and higher outstanding debt in the current year.

Income Tax Benefit. The increase in the tax benefit was primarily driven by a prior year valuation allowance against AMT credits partially offset by a decrease in pretax losses.

Preferred Dividends. The variance was driven by the declaration of the preferred stock dividend on preferred stock issued in 2019.

DUKE ENERGY CAROLINAS

Management's Discussion and Analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes for the six months ended June 30, 2019, and 2018, and the Annual Report on Form 10-K for the year ended December 31, 2018.

Results of Operations

(in millions)	Six Months Ended June 30,			
	2019	2018	Variance	
Operating Revenues	\$ 3,457	\$ 3,435	\$	22
Operating Expenses				
Fuel used in electric generation and purchased power	867	880		(13)
Operation, maintenance and other	881	950		(69)
Depreciation and amortization	663	561		102
Property and other taxes	155	147		8
Impairment charges	5	190		(185)
Total operating expenses	2,571	2,728		(157)
Losses on Sales of Other Assets and Other, net	—	(1)		1
Operating Income	886	706		180
Other Income and Expenses, net	72	74		(2)
Interest Expense	227	217		10
Income Before Income Taxes	731	563		168
Income Tax Expense	137	123		14
Net Income	\$ 594	\$ 440	\$	154

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

Increase (Decrease) over prior year	2019
Residential sales	(4.7)%
General service sales	(1.0)%
Industrial sales	(1.6)%
Wholesale power sales	(15.7)%
Joint dispatch sales	13.0 %
Total sales	(3.3)%
Average number of customers	2.1 %

Six Months Ended June 30, 2019, as compared to June 30, 2018

Operating Revenues. The variance was driven primarily by:

- a \$106 million increase in retail pricing due to the impacts of the prior year North Carolina rate case and the current year South Carolina rate case.

Partially offset by:

- a \$44 million decrease in retail sales, net of fuel revenues, due to unfavorable weather in the current year; and
- a \$35 million decrease in rider revenues primarily due to excess deferred taxes and energy efficiency programs, partially offset by a decrement rider relating to nuclear decommissioning that ended in the prior year.

Operating Expenses. The variance was driven primarily by:

- a \$185 million decrease in impairment charges primarily due to impacts of the prior year North Carolina rate order and charges related to coal ash costs in South Carolina; and
- a \$69 million decrease in operation, maintenance and other expense primarily due to decreased labor costs, partially offset by higher distribution maintenance costs and higher storm restoration costs.

Partially offset by:

- a \$102 million increase in depreciation and amortization expense primarily due to additional plant in service, new depreciation rates associated with the prior year North Carolina rate case and higher amortization of deferred coal ash costs associated with the prior year North Carolina rate case.

Interest Expense. The variance was primarily due to higher debt outstanding in the current year.

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. The ETRs for the six months ended June 30, 2019, and 2018, were 18.7 percent and 21.8 percent, respectively. The decrease in the ETR was primarily due to an increase in the amortization of excess deferred taxes.

Matters Impacting Future Results

On May 21, 2019, the PSCSC issued an order granting Duke Energy Carolinas request for a retail rate increase but denying recovery of certain coal ash costs. On May 31, 2019, Duke Energy Carolinas filed a Petition for Rehearing or Reconsideration and awaits the order on reconsideration detailing the commission's decision. Once the order is received, Duke Energy Carolinas has 30 days to file a notice of appeal with the South Carolina Supreme Court. Duke Energy Carolinas' results of operations, financial position and cash flows could be adversely impacted if coal ash costs are not ultimately approved for recovery. See Note 3 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

On May 18, 2016, the NCDEQ issued proposed risk classifications for all coal ash surface impoundments in North Carolina. All ash impoundments not previously designated as high priority by the Coal Ash Act were designated as intermediate risk. Certain impoundments classified as intermediate risk, however, were eligible for reassessment as low risk pursuant to legislation enacted on July 14, 2016. On November 14, 2018, NCDEQ issued final low-risk classifications for these impoundments, indicating that Duke Energy Carolinas had satisfied the permanent replacement water supply and certain dam improvement requirements set out in the Coal Ash Management Act. On April 1, 2019, NCDEQ issued a closure determination requiring Duke Energy Carolinas to excavate all remaining coal ash impoundments in North Carolina. On April 26, 2019, Duke Energy Carolinas filed a Petition for Contested Case Hearings in the Office of Administrative Hearings to challenge NCDEQ's April 1 Order. Duke Energy Carolinas intends to seek recovery of all costs through the ratemaking process consistent with previous proceedings. As the final closure plans and corrective action measures are developed and approved for each site, the closure work progresses, and the closure method scope and remedial action methods are determined, the complexity of work and the amount of coal combustion material could be different than originally estimated and, therefore, could materially impact Duke Energy Carolinas' results of operations, financial position and cash flows. See Note 4 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

Duke Energy Carolinas is a party to multiple lawsuits and subject to fines and other penalties related to operations at certain North Carolina facilities with ash basins. In addition, the order issued in the Duke Energy Carolinas North Carolina rate case supporting recovery of past coal ash remediation costs has been appealed by various parties. The outcome of these appeals, lawsuits, fines and penalties could have an adverse impact on Duke Energy Carolinas' results of operations, financial position and cash flows. See Notes 3 and 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters" and "Commitments and Contingencies," respectively, for additional information.

On June 22, 2018, Duke Energy Carolinas received an order from the NCUC, which denied the Grid Rider Stipulation and deferral treatment of grid improvement costs. Duke Energy Carolinas may petition for deferral of grid modernization costs outside of a general rate case proceeding if it can show financial hardship or a stipulation that includes greater consensus among intervening parties on costs being classified as grid modernization. Duke Energy Carolinas' results of operations, financial position and cash flows could be adversely impacted if grid modernization costs are not ultimately approved for recovery and/or deferral treatment.

During the last half of 2018, Duke Energy Carolinas' service territory was impacted by several named storms. Hurricane Florence, Hurricane Michael and Winter Storm Diego caused flooding, extensive damage and widespread power outages in the service territory. A significant portion of the incremental operation and maintenance expenses related to these storms have been deferred. On December 21, 2018, Duke Energy Carolinas filed with the NCUC a petition for approval to defer the incremental storm costs incurred to a regulatory asset for recovery in the next base rate case. An order from regulatory authorities disallowing the deferral and future recovery of storm restoration costs could have an adverse impact on Duke Energy Carolinas' results of operations, financial position and cash flows. See Note 3 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Duke Energy Registrants' Annual Reports on Form 10-K for the year ended December 31, 2018, for discussion of risks associated with the Tax Act.

PROGRESS ENERGY

Management's Discussion and Analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes for the six months ended June 30, 2019, and 2018, and the Annual Report on Form 10-K for the year ended December 31, 2018.

Results of Operations

(in millions)	Six Months Ended June 30,			
	2019	2018	Variance	
Operating Revenues	\$ 5,316	\$ 5,074	\$ 242	
Operating Expenses				
Fuel used in electric generation and purchased power	1,913	1,871	42	
Operation, maintenance and other	1,173	1,233	(60)	
Depreciation and amortization	881	764	117	
Property and other taxes	280	254	26	
Impairment charges	—	33	(33)	
Total operating expenses	4,247	4,155	92	
(Losses) Gains on Sales of Other Assets and Other, net	(1)	12	(13)	
Operating Income	1,068	931	137	
Other Income and Expenses, net	65	77	(12)	
Interest Expense	438	412	26	
Income Before Income Taxes	695	596	99	
Income Tax Expense	118	92	26	
Net Income	577	504	73	
Less: Net Income Attributable to Noncontrolling Interests	—	4	(4)	
Net Income Attributable to Parent	\$ 577	\$ 500	\$ 77	

Six Months Ended June 30, 2019, as compared to June 30, 2018

Operating Revenues. The variance was driven primarily by:

- a \$193 million increase in retail pricing primarily due to the impacts of the prior year Duke Energy Progress North Carolina rate case, Duke Energy Florida's base rate adjustments related to Citrus County CC being placed in service and annual increases from the 2017 Settlement Agreement;
- a \$54 million increase in fuel revenues primarily related to increased fuel cost recovery due to extreme weather in the prior year at Duke Energy Progress;
- a \$17 million increase in weather-normal retail sales volumes at Duke Energy Florida;
- a \$12 million increase in transmission revenues related to the Fixed Bill program at Duke Energy Florida; and
- an \$11 million increase in rider revenues primarily related to energy efficiency programs at Duke Energy Progress.

Partially offset by:

- a \$22 million decrease in fuel and capacity revenues primarily due to a decrease in fuel and capacity rates billed to retail customers at Duke Energy Florida;
- a \$14 million decrease in retail rider revenues at Duke Energy Progress primarily related to decreased revenue requirements in the current year; and
- a \$13 million decrease in retail sales, net of fuel revenues, due to unfavorable weather in the current year at Duke Energy Progress.

Operating Expenses. The variance was driven primarily by:

- a \$117 million increase in depreciation and amortization expense primarily due to higher amortization of deferred coal ash costs, new depreciation rates associated with the prior year Duke Energy Progress North Carolina rate case and Duke Energy Florida's base rate adjustments related to Citrus County CC being placed in service;
- a \$42 million increase in fuel used in electric generation and purchased power primarily due to an increase in the North Carolina Renewable Energy and Energy Efficiency Portfolio Standard requirement from prior year at Duke Energy Progress, partially offset by lower purchased power at Duke Energy Florida; and
- a \$26 million increase in property and other taxes primarily due to higher property taxes for additional plant in service at Duke Energy Florida and a favorable sales and use tax credit in the prior year at Duke Energy Progress.

Partially offset by:

- a \$60 million decrease in operation, maintenance and other expense primarily due to prior year impacts associated with the Duke Energy Progress North Carolina rate case and lower employee benefit expenses at Duke Energy Progress; and
- a \$33 million decrease in impairment charges primarily due to prior year impacts associated with the Duke Energy Progress North Carolina rate case.

Other Income and Expenses, net. The variance was driven primarily by AFUDC equity return ending on the Citrus County CC in the fourth quarter of 2018 at Duke Energy Florida, partially offset by life insurance proceeds at Duke Energy Progress.

Interest Expense. The variance was driven primarily by AFUDC debt return ending in the fourth quarter of 2018 on the Citrus County CC at Duke Energy Florida.

Income Tax Expense. The increase in tax expense was primarily due to an increase in pretax income and a decrease in AFUDC equity in the current year. The ETRs for the six months ended June 30, 2019, and 2018, were 17.0 percent and 15.4 percent, respectively. The increase in the ETR was primarily due to a decrease in AFUDC equity in the current year.

Matters Impacting Future Results

On May 21, 2019, the PSCSC issued an order granting Duke Energy Progress' request for a retail rate increase but denying recovery of certain coal ash costs. On May 31, 2019, Duke Energy Progress filed a Petition for Rehearing or Reconsideration and awaits the order on reconsideration detailing the commission's decision. Once the order is received, Duke Energy Progress has 30 days to file a notice of appeal with the South Carolina Supreme Court. Progress Energy's results of operations, financial position and cash flows could be adversely impacted if coal ash costs are not ultimately approved for recovery. See Note 3 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

On May 18, 2016, the NCDEQ issued proposed risk classifications for all coal ash surface impoundments in North Carolina. All ash impoundments not previously designated as high priority by the Coal Ash Act were designated as intermediate risk. Certain impoundments classified as intermediate risk, however, were eligible for reassessment as low risk pursuant to legislation enacted on July 14, 2016. On November 14, 2018, NCDEQ issued final low-risk classifications for these impoundments, indicating that Duke Energy Progress had satisfied the permanent replacement water supply and certain dam improvement requirements set out in the Coal Ash Management Act. On April 1, 2019, NCDEQ issued a closure determination requiring Duke Energy Progress to excavate all remaining coal ash impoundments in North Carolina. On April 26, 2019, Duke Energy Progress filed a Petition for Contested Case Hearings in the Office of Administrative Hearings to challenge NCDEQ's April 1 Order. Duke Energy Progress intends to seek recovery of all costs through the ratemaking process consistent with previous proceedings. As the final closure plans and corrective action measures are developed and approved for each site, the closure work progresses, and the closure method scope and remedial action methods are determined, the complexity of work and the amount of coal combustion material could be different than originally estimated and, therefore, could materially impact Progress Energy's results of operations, financial position and cash flows. See Note 4 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

Duke Energy Progress is a party to multiple lawsuits and subject to fines and other penalties related to operations at certain North Carolina facilities with ash basins. As noted above, the order issued in the Duke Energy Progress North Carolina rate case supporting recovery of past coal ash remediation costs has been appealed by various parties. The outcome of these appeals, lawsuits, fines and penalties could have an adverse impact on Progress Energy's results of operations, financial position and cash flows. See Notes 3 and 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters" and "Commitments and Contingencies," respectively, for additional information.

Duke Energy Carolinas received an order from the NCUC, which denied the Grid Rider Stipulation and deferral treatment of grid improvement costs. The NCUC did allow Duke Energy Carolinas to petition for deferral of grid modernization costs outside of a general rate case proceeding if it can show financial hardship or a stipulation that includes greater consensus among intervening parties on costs being classified as grid modernization. While Duke Energy Progress did not request recovery of these costs in its most recent case with the NCUC, Duke Energy Progress may request recovery of certain grid modernization costs in future regulatory proceedings. If the NCUC were to rule similarly, Progress Energy's results of operations, financial position and cash flows could be adversely impacted if grid modernization costs are not ultimately approved for recovery and/or deferral treatment.

During the last half of 2018, Duke Energy Progress and Duke Energy Florida's service territories were impacted by several named storms. Hurricane Florence, Hurricane Michael and Winter Storm Diego caused flooding, extensive damage and widespread power outages to the service territory of Duke Energy Progress. Duke Energy Florida's service territory was also impacted by Hurricane Michael, a Category 5 hurricane and the most powerful storm to hit the Florida Panhandle in recorded history. A significant portion of the incremental operation and maintenance expenses related to these storms have been deferred. On December 21, 2018, Duke Energy Progress filed with the NCUC a petition for approval to defer the incremental storm costs incurred to a regulatory asset for recovery in the next base rate case. On June 11, 2019, the FPSC approved Duke Energy Florida's petition for recovery of incremental storm restoration costs related to Hurricane Michael. An order from regulatory authorities disallowing the deferral and future recovery of storm restoration costs could have an adverse impact on Progress Energy's results of operations, financial position and cash flows. See Note 3 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Duke Energy Registrants' Annual Reports on Form 10-K for the year ended December 31, 2018, for discussion of risks associated with the Tax Act.

DUKE ENERGY PROGRESS

Management's Discussion and Analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes for the six months ended June 30, 2019, and 2018, and the Annual Report on Form 10-K for the year ended December 31, 2018.

Results of Operations

(in millions)	Six Months Ended June 30,			
	2019	2018	Variance	
Operating Revenues	\$ 2,871	\$ 2,751	\$	120
Operating Expenses				
Fuel used in electric generation and purchased power	994	917		77
Operation, maintenance and other	692	756		(64)
Depreciation and amortization	541	470		71
Property and other taxes	85	75		10
Impairment charges	—	33		(33)
Total operating expenses	2,312	2,251		61
Gains on Sales of Other Assets and Other, net	—	2		(2)
Operating Income	559	502		57
Other Income and Expenses, net	48	37		11
Interest Expense	158	159		(1)
Income Before Income Taxes	449	380		69
Income Tax Expense	77	64		13
Net Income	\$ 372	\$ 316	\$	56

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

Increase (Decrease) over prior period	2019
Residential sales	(7.6)%
General service sales	(3.3)%
Industrial sales	0.7 %
Wholesale power sales	(5.0)%
Joint dispatch sales	20.8 %
Total sales	(1.7)%
Average number of customers	1.3 %

Six Months Ended June 30, 2019, as compared to June 30, 2018

Operating Revenues. The variance was driven primarily by:

- a \$68 million increase in retail pricing due to the impacts of the prior year North Carolina rate case and the current year South Carolina rate case;
- a \$54 million increase in fuel revenues primarily related to increased fuel cost recovery due to extreme weather in the prior year; and
- an \$11 million increase in rider revenues primarily related to energy efficiency programs.

Partially offset by:

- a \$13 million decrease in retail sales, net of fuel revenues, due to unfavorable weather in the current year.

Operating Expenses. The variance was driven primarily by:

- a \$77 million increase in fuel used in electric generation and purchased power primarily due to a higher deferred fuel balance and an increase in the North Carolina Renewable Energy and Energy Efficiency Portfolio Standard requirement from prior year, partially offset by lower demand and changes in generation mix;
- a \$71 million increase in depreciation and amortization expense primarily due to higher amortization of deferred coal ash costs and new depreciation rates associated with the prior year North Carolina rate case, partially offset by the amortization credit for the North Carolina Renewable Energy and Energy Efficiency Portfolio Standard requirement increase from prior year; and
- a \$10 million increase in property and other taxes primarily due to a favorable sales and use tax credit in the prior year.

Partially offset by:

- a \$64 million decrease in operation, maintenance and other expense primarily due to prior year impacts associated with the North Carolina rate case and lower employee benefit and outage costs; and

- a \$33 million decrease in impairment charges due to prior year impacts associated with the North Carolina rate case.

Other Income and Expenses, net. The variance was driven primarily by life insurance proceeds.

Income Tax Expense. The increase in tax expense was primarily due to an increase in pretax income. The ETRs for the six months ended June 30, 2019, and 2018, were 17.1 percent and 16.8 percent, respectively.

Matters Impacting Future Results

On May 21, 2019, the PSCSC issued an order granting Duke Energy Progress' request for a retail rate increase but denying recovery of certain coal ash costs. On May 31, 2019, Duke Energy Progress filed a Petition for Rehearing or Reconsideration and awaits the order on reconsideration detailing the commission's decision. Once the order is received, Duke Energy Progress has 30 days to file a notice of appeal with the South Carolina Supreme Court. Duke Energy Progress' results of operations, financial position and cash flows could be adversely impacted if coal ash costs are not ultimately approved for recovery. See Note 3 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

On May 18, 2016, the NCDEQ issued proposed risk classifications for all coal ash surface impoundments in North Carolina. All ash impoundments not previously designated as high priority by the Coal Ash Act were designated as intermediate risk. Certain impoundments classified as intermediate risk, however, were eligible for reassessment as low risk pursuant to legislation enacted on July 14, 2016. On November 14, 2018, NCDEQ issued final low-risk classifications for these impoundments, indicating that Duke Energy Progress had satisfied the permanent replacement water supply and certain dam improvement requirements set out in the Coal Ash Management Act. On April 1, 2019, NCDEQ issued a closure determination requiring Duke Energy Progress to excavate all remaining coal ash impoundments in North Carolina. On April 26, 2019, Duke Energy Progress filed a Petition for Contested Case Hearings in the Office of Administrative Hearings to challenge NCDEQ's April 1 Order. Duke Energy Progress intends to seek recovery of all costs through the ratemaking process consistent with previous proceedings. As the final closure plans and corrective action measures are developed and approved for each site, the closure work progresses, and the closure method scope and remedial action methods are determined, the complexity of work and the amount of coal combustion material could be different than originally estimated and, therefore, could materially impact Duke Energy Progress' results of operations, financial position and cash flows. See Note 4 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

Duke Energy Progress is a party to multiple lawsuits and subject to fines and other penalties related to operations at certain North Carolina facilities with ash basins. As noted above, the order issued in the Duke Energy Progress North Carolina rate case supporting recovery of past coal ash remediation costs has been appealed by various parties. The outcome of these appeals, lawsuits, fines and penalties could have an adverse impact on Duke Energy Progress' results of operations, financial position and cash flows. See Notes 3 and 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters" and "Commitments and Contingencies," respectively, for additional information.

Duke Energy Carolinas received an order from the NCUC, which denied the Grid Rider Stipulation and deferral treatment of grid improvement costs. The NCUC did allow Duke Energy Carolinas to petition for deferral of grid modernization costs outside of a general rate case proceeding if it can show financial hardship or a stipulation that includes greater consensus among intervening parties on costs being classified as grid modernization. While Duke Energy Progress did not request recovery of these costs in its most recent case with the NCUC, Duke Energy Progress may request recovery of certain grid modernization costs in future regulatory proceedings. If the NCUC were to rule similarly, Duke Energy Progress' results of operations, financial position and cash flows could be adversely impacted if grid modernization costs are not ultimately approved for recovery and/or deferral treatment.

During the last half of 2018, Duke Energy Progress' service territory was impacted by several named storms. Hurricane Florence, Hurricane Michael and Winter Storm Diego caused flooding, extensive damage and widespread power outages in the service territory. A significant portion of the incremental operation and maintenance expenses related to these storms have been deferred. On December 21, 2018, Duke Energy Progress filed with the NCUC a petition for approval to defer the incremental storm costs incurred to a regulatory asset for recovery in the next base rate case. An order from regulatory authorities disallowing the deferral and future recovery of storm restoration costs could have an adverse impact on Duke Energy Progress' results of operations, financial position and cash flows. See Note 3 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Duke Energy Registrants' Annual Reports on Form 10-K for the year ended December 31, 2018, for discussion of risks associated with the Tax Act.

DUKE ENERGY FLORIDA

Management's Discussion and Analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes for the six months ended June 30, 2019, and 2018, and the Annual Report on Form 10-K for the year ended December 31, 2018.

Results of Operations

(in millions)	Six Months Ended June 30,			
	2019	2018	Variance	
Operating Revenues	\$ 2,439	\$ 2,318	\$	121
Operating Expenses				
Fuel used in electric generation and purchased power	919	953		(34)
Operation, maintenance and other	474	474		—
Depreciation and amortization	340	294		46
Property and other taxes	196	179		17
Total operating expenses	1,929	1,900		29
Losses on Sales of Other Assets and Other, net	(1)	—		(1)
Operating Income	509	418		91
Other Income and Expenses, net	25	47		(22)
Interest Expense	165	137		28
Income Before Income Taxes	369	328		41
Income Tax Expense	72	57		15
Net Income	\$ 297	\$ 271	\$	26

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

Increase (Decrease) over prior period	2019
Residential sales	2.1 %
General service sales	1.2 %
Industrial sales	(6.0)%
Wholesale and other	5.9 %
Total sales	0.3 %
Average number of customers	1.5 %

Six Months Ended June 30, 2019, as compared to June 30, 2018

Operating Revenues. The variance was driven primarily by:

- a \$125 million increase in retail pricing due to base rate adjustments related to Citrus County CC being placed in service and annual increases from the 2017 Settlement Agreement;
- a \$17 million increase in weather-normal retail sales volumes driven by residential growth; and
- a \$12 million increase in other revenues primarily due to increased transmission revenues related to the Fixed Bill program which began later in 2018 and non-regulated products and services revenues.

Partially offset by:

- a \$22 million decrease in fuel and capacity revenues primarily due to a decrease in fuel and capacity rates billed to retail customers; and
- a \$14 million decrease in retail rider revenues primarily related to decreased revenue requirements in the current year.

Operating Expenses. The variance was driven primarily by:

- a \$46 million increase in depreciation and amortization expense primarily due to base rate adjustments related to Citrus County CC being placed in service, other additional plant in service and increases resulting from the 2018 Crystal River Unit 3 nuclear decommissioning cost study; and
- a \$17 million increase in property and other taxes primarily due to higher property taxes from additional plant in service.

Partially offset by:

- a \$34 million decrease in fuel used in electric generation and purchased power primarily due to lower purchased power, partially offset by higher deferred fuel and capacity expenses.

Other Income and Expenses, net. The variance was driven primarily by AFUDC equity return ending on the Citrus County CC in the fourth quarter of 2018.

Interest Expense. The variance was driven primarily by AFUDC debt return ending on the Citrus County CC in the fourth quarter of 2018 and higher debt outstanding in the current year.

Income Tax Expense. The increase in tax expense was primarily due to an increase in pretax income and a decrease in AFUDC equity in the current year. The ETRs for the six months ended June 30, 2019, and 2018, were 19.5 percent and 17.4 percent, respectively. The increase in the ETR was primarily due to a decrease in AFUDC equity in the current year.

Matters Impacting Future Results

On October 10, 2018, Hurricane Michael made landfall on Florida's Panhandle as a Category 5 hurricane, the most powerful storm to hit the Florida Panhandle in recorded history. The storm caused significant damage within the service territory of Duke Energy Florida, particularly from Panama City Beach to Mexico Beach. Duke Energy Florida has not completed the final accumulation of total estimated storm restoration costs incurred. On June 11, 2019, the FPSC approved Duke Energy Florida's petition for recovery of incremental storm restoration costs related to Hurricane Michael. An order from regulatory authorities disallowing the future recovery of storm restoration costs could have an adverse impact on Duke Energy Florida's financial position, results of operations and cash flows. See Note 3 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Duke Energy Registrants' Annual Reports on Form 10-K for the year ended December 31, 2018, for discussion of risks associated with the Tax Act.

DUKE ENERGY OHIO

Management's Discussion and Analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes for the six months ended June 30, 2019, and 2018, and the Annual Report on Form 10-K for the year ended December 31, 2018.

Results of Operations

(in millions)	Six Months Ended June 30,		
	2019	2018	Variance
Operating Revenues			
Regulated electric	\$ 691	\$ 682	\$ 9
Regulated natural gas	273	277	(4)
Nonregulated electric and other	—	24	(24)
Total operating revenues	964	983	(19)
Operating Expenses			
Fuel used in electric generation and purchased power – regulated	179	185	(6)
Fuel used in electric generation and purchased power – nonregulated	—	29	(29)
Cost of natural gas	64	69	(5)
Operation, maintenance and other	255	261	(6)
Depreciation and amortization	130	132	(2)
Property and other taxes	158	145	13
Total operating expenses	786	821	(35)
Losses on Sales of Other Assets and Other, net	—	(106)	106
Operating Income	178	56	122
Other Income and Expenses, net	15	14	1
Interest Expense	54	45	9
Income Before Income Taxes	139	25	114
Income Tax Expense	23	4	19
Net Income	\$ 116	\$ 21	\$ 95

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

Increase (Decrease) over prior year	Electric	Natural Gas
	2019	2019
Residential sales	(7.2)%	(1.4)%
General service sales	(3.5)%	0.1 %
Industrial sales	(2.1)%	(1.0)%
Wholesale electric power sales	65.3 %	n/a
Other natural gas sales	n/a	(1.1)%
Total sales	(3.2)%	(0.9)%
Average number of customers	0.6 %	0.8 %

Six Months Ended June 30, 2019, as compared to June 30, 2018

Operating Revenues. The variance was driven primarily by:

- a \$25 million decrease in fuel related revenues primarily due to a decrease in sales volumes;
- a \$16 million decrease in rider revenues primarily related to the implementation of new base rates;
- a \$14 million decrease in retail sales, net of fuel revenues, due to unfavorable weather in the current year;
- a \$12 million decrease in FTR rider revenues; and
- a \$6 million decrease in OVEC revenues.

Partially offset by:

- a \$38 million increase in retail pricing primarily due to rate case impacts; and
- a \$12 million increase in point-to-point transmission revenues.

Operating Expenses. The variance was driven primarily by:

- a \$35 million decrease in fuel used in electric generation and purchased power expense due to the prior year outage at East Bend Station and the deferral of OVEC related purchased power costs.

Partially offset by:

- a \$13 million increase in property and other taxes primarily due to a higher tax base.

Other Income and Expenses, net. The variance was driven primarily by an increase in intercompany money pool interest income.

Losses on Sales of Other Assets and Other, net. The increase was driven by the loss on the prior year sale of Beckjord.

Interest Expense. The variance was driven primarily by higher debt outstanding in the current year.

Income Tax Expense. The increase in tax expense was primarily due to an increase in pretax income. The ETRs for the six months ended June 30, 2019, and 2018, were 16.5 percent and 16.0 percent, respectively.

Matters Impacting Future Results

On November 13, 2013, the PUCO issued an order authorizing recovery of MGP costs at certain sites in Ohio with a deadline to complete the MGP environmental investigation and remediation work prior to December 31, 2016. This deadline was subsequently extended to December 31, 2019. Disallowance 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 on Duke Energy Ohio's results of operations, financial position and cash flows. See Note 3 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Duke Energy Registrants' Annual Reports on Form 10-K for the year ended December 31, 2018, for discussion of risks associated with the Tax Act.

DUKE ENERGY INDIANA

Management's Discussion and Analysis should be read in conjunction with the accompanying Condensed Consolidated Financial Statements and Notes for the six months ended June 30, 2019, and 2018, and the Annual Report on Form 10-K for the year ended December 31, 2018.

Results of Operations

(in millions)	Six Months Ended June 30,		
	2019	2018	Variance
Operating Revenues	\$ 1,482	\$ 1,469	\$ 13
Operating Expenses			
Fuel used in electric generation and purchased power	486	458	28
Operation, maintenance and other	377	378	(1)
Depreciation and amortization	263	256	7
Property and other taxes	39	40	(1)
Total operating expenses	1,165	1,132	33
Operating Income	317	337	(20)
Other Income and Expenses, net	27	13	14
Interest Expense	71	83	(12)
Income Before Income Taxes	273	267	6
Income Tax Expense	66	69	(3)
Net Income	\$ 207	\$ 198	\$ 9

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

Increase (Decrease) over prior year	2019
Residential sales	(6.3)%
General service sales	(1.7)%
Industrial sales	(1.6)%
Wholesale power sales	(33.1)%
Total sales	(7.8)%
Average number of customers	1.3 %

Six Months Ended June 30, 2019, as compared to June 30, 2018

Operating Revenues. The variance was driven primarily by:

- a \$25 million increase in fuel revenues primarily due to higher fuel rates billed to customers, partially offset by lower wholesale fuel revenues due to the expiration of a contract with a wholesale customer.

Partially offset by:

- a \$10 million decrease in retail sales, net of fuel revenues, due to unfavorable weather in the current year; and
- a \$1 million decrease in weather-normal retail sales volumes.

Operating Expenses. The variance was driven primarily by:

- a \$28 million increase in fuel used in electric generation and purchased power expense primarily due to higher amortization of deferred fuel costs and higher purchased power, partially offset by lower natural gas and coal costs; and
- a \$7 million increase in depreciation and amortization expense primarily due to the regulatory liability related to Edwardsport IGCC plant being fully amortized in the prior year.

Other Income and Expenses, net. The increase was primarily due to life insurance proceeds, a prior year deduction for customer refunds, legal fees and contributions related to the IGCC tax settlement and a prior year true up of executive deferred compensation.

Interest Expense. The variance was primarily due to recording a debt return on the cumulative balance of deferred coal ash spend based on probability of recovery. This adjustment was immaterial and primarily relates to prior years.

Income Tax Expense. The decrease in tax expense was primarily due to an increase in the amortization of excess deferred taxes, partially offset by an increase in pretax income. The ETRs for the six months ended June 30, 2019, and 2018, were 24.2 percent and 25.8 percent, respectively. The decrease in the ETR was primarily due to an increase in the amortization of excess deferred taxes.

Matters Impacting Future Results

On April 17, 2015, the EPA published in the Federal Register a rule to regulate the disposal of CCR from electric utilities as solid waste. Duke Energy Indiana has interpreted the rule to identify the coal ash basin sites impacted and has assessed the amounts of coal ash subject to the rule and a method of compliance. Duke Energy Indiana's interpretation of the requirements of the CCR rule is subject to potential legal challenges and further regulatory approvals, which could result in additional ash basin closure requirements, higher costs of compliance and greater AROs. Additionally, Duke Energy Indiana has retired facilities that are not subject to the CCR rule. Duke Energy Indiana may incur costs at these facilities to comply with environmental regulations or to mitigate risks associated with on-site storage of coal ash. An order from regulatory authorities disallowing recovery of costs related to closure of ash basins could have an adverse impact on Duke Energy Indiana's results of operations, financial position and cash flows.

Duke Energy Indiana filed a general rate case with the IURC on July 2, 2019, its first general rate case in Indiana in 16 years. The outcome of this rate case could materially impact Duke Energy Indiana's results of operations, financial position and cash flows. See Note 3 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Duke Energy Registrants' Annual Reports on Form 10-K for the year ended December 31, 2018, for discussion of risks associated with the Tax Act.

PIEDMONT

Management's Discussion and Analysis should be read in conjunction with the Condensed Consolidated Financial Statements and Notes for the six months ended June 30, 2019, and 2018, and the Annual Report on Form 10-K for the year ended December 31, 2018.

Results of Operations

(in millions)	Six Months Ended June 30,			
	2019	2018	Variance	
Operating Revenues	\$ 788	\$ 768	\$	20
Operating Expenses				
Cost of natural gas	338	333		5
Operation, maintenance and other	163	167		(4)
Depreciation and amortization	84	78		6
Property and other taxes	25	24		1
Total operating expenses	610	602		8
Operating Income	178	166		12
Other Income and Expenses, net	12	9		3
Interest Expense	43	41		2
Income Before Income Taxes	147	134		13
Income Tax Expense	32	32		—
Net Income	\$ 115	\$ 102	\$	13

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

Increase (Decrease) over prior year	2019
Residential deliveries	(8.3)%
Commercial deliveries	(5.1)%
Industrial deliveries	2.0 %
Power generation deliveries	(7.9)%
For resale	4.9 %
Total throughput deliveries	(5.7)%
Secondary market volumes	7.1 %
Average number of customers	1.2 %

Due to the margin decoupling mechanism in North Carolina and the WNA in South Carolina and Tennessee, changes in throughput deliveries do not have a material impact on Piedmont's revenues or earnings. The margin decoupling mechanism adjusts for variations in residential and commercial use per customer, including those due to weather and conservation. The WNA mostly offsets the impact of weather on bills rendered, but do not ensure precise recovery of approved margin during periods when winter weather is significantly warmer or colder than normal.

Six Months Ended June 30, 2019, as compared to June 30, 2018

Operating Revenues. The variance was driven primarily by:

- an \$11 million increase primarily due to North Carolina and Tennessee IMR increases;
- a \$9 million increase primarily due to higher natural gas prices associated with increased off-system sales; and
- an \$8 million increase primarily due to NCUC approval related to tax reform accounting from fixed rate contracts.

Partially offset by:

- a \$6 million decrease primarily due to a reduction of rates in South Carolina.

Operating Expenses. The variance was driven primarily by:

- a \$6 million increase in depreciation and amortization expense primarily due to additional plant in service; and
- a \$5 million increase in cost of natural gas primarily due to the impact of higher natural gas prices on off-system sales and unbilled revenue.

Partially offset by:

- a \$4 million decrease in operations, maintenance and other expense primarily due to lower labor costs and a portion of rent expense being charged to shared services in current year.

Interest Expense. The variance was driven by higher debt outstanding in the current year and higher interest expense due to customers as a result of tax reform deferrals, partially offset by favorable AFUDC debt interest.

Matters Impacting Future Results

Piedmont filed a general rate case with the NCUC on April 1, 2019, its first general rate case in North Carolina in six years. The outcome of this rate case could materially impact Piedmont's results of operations, financial position and cash flows. See Note 3 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for additional information.

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Duke Energy Registrants' Annual Reports on Form 10-K for the year ended December 31, 2018, for discussion of risks associated with the Tax Act.

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. See Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2018, for a summary and detailed discussion of projected primary sources and uses of cash for 2019 to 2021.

Duke Energy issued \$3.8 billion of debt, drew \$650 million under the Duke Energy Progress Term Loan Facility and paid off in full the \$350 million Piedmont term loan during the six months ended June 30, 2019. Refer to Note 6 to the Condensed Consolidated Financial Statements, "Debt and Credit Facilities," for information regarding Duke Energy's debt issuances, debt maturities and available credit facilities including the Master Credit Facility.

In March 2019, Duke Energy issued preferred stock for net proceeds of \$973 million. In addition, for the six months ended June 30, 2019, Duke Energy raised approximately \$80 million of common equity through its DRIP. Refer to Note 15 to the Condensed Consolidated Financial Statements, "Stockholders' Equity," for information regarding Duke Energy's equity issuances.

Credit Ratings

In May 2019, S&P revised the credit ratings outlook for Duke Energy Corporation and all other Duke Energy Registrants from stable to negative, principally due to concerns of weaker financial measures due to 2018 storms, uncertainty over coal ash remediation costs and recovery in the Carolinas, regulatory lag during a period of robust capital spending and delays related to the ACP pipeline. There have been no changes to the credit ratings of any of the Duke Energy Registrants during 2019 by any of the rating agencies. Moody's and Fitch continue to maintain a stable outlook on Duke Energy Corporation.

Cash Flow Information

The following table summarizes Duke Energy's cash flows.

(in millions)	Six Months Ended			
	June 30,			
	2019		2018	
Cash flows provided by (used in):				
Operating activities	\$	3,056	\$	3,302
Investing activities		(5,788)		(4,645)
Financing activities		2,622		1,265
Net decrease in cash, cash equivalents and restricted cash		(110)		(78)
Cash, cash equivalents and restricted cash at beginning of period		591		505
Cash, cash equivalents and restricted cash at end of period	\$	481	\$	427

OPERATING CASH FLOWS

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

(in millions)	Six Months Ended				
	June 30,				
	2019		2018		Variance
Net income	\$	1,641	\$	1,124	\$ 517
Non-cash adjustments to net income		2,921		3,082	(161)
Contributions to qualified pension plans		—		(141)	141
Payments for asset retirement obligations		(336)		(245)	(91)
Payment for disposal of other assets		—		(105)	105
Working capital		(1,170)		(413)	(757)
Net cash provided by operating activities	\$	3,056	\$	3,302	\$ (246)

The variance was primarily due to:

- a \$757 million increase in cash outflows from working capital primarily due to fluctuations in coal stock inventory, fluctuations of payables balances due primarily to storm costs and timing and increases in federal tax receivables, partially offset by fluctuations in accounts receivable balances due to higher receivables at December 31, 2018; and
- a \$91 million increase in payments for asset retirement obligations.

Partially offset by:

- a \$356 million increase in net income after adjustment for non-cash items due primarily to increases in revenues as a result of rate increases in the current year, partially offset by decreases in current year non-cash adjustments;
- a \$141 million decrease in contributions to qualified pension plans; and
- a \$105 million payment for disposal of Beckjord in the prior year.

INVESTING CASH FLOWS

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

(in millions)	Six Months Ended			
	June 30,			
	2019	2018	Variance	
Capital, investment and acquisition expenditures	\$ (5,627)	\$ (4,515)	\$	(1,112)
Other investing items	(161)	(130)		(31)
Net cash used in investing activities	\$ (5,788)	\$ (4,645)	\$	(1,143)

The variance relates primarily to an increase in capital expenditures due to higher overall investments in the Electric Utilities and Infrastructure, Gas Utilities and Infrastructure and Commercial Renewables segments.

FINANCING CASH FLOWS

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

(in millions)	Six Months Ended			
	June 30,			
	2019	2018	Variance	
Issuances of long-term debt, net	\$ 2,467	\$ 537	\$	1,930
Issuances of common stock	27	820		(793)
Issuances of preferred stock	973	—		973
Notes payable and commercial paper	324	1,131		(807)
Dividends paid	(1,312)	(1,199)		(113)
Other financing items	143	(24)		167
Net cash provided by financing activities	\$ 2,622	\$ 1,265	\$	1,357

The variance was primarily due to:

- a \$973 million increase in proceeds from the issuance of preferred stock; and
- a \$1,930 million increase in proceeds from net issuances of long-term debt primarily due to the timing of issuances and redemptions of long-term debt.

Partially offset by:

- an \$807 million decrease in net proceeds from issuances of notes payable and commercial paper primarily due to the use of proceeds from the preferred stock issuance and increased long-term debt issuances to pay down outstanding commercial paper; and
- a \$793 million decrease in proceeds from the issuance of common stock due primarily to prior year issuances under equity forward agreements.

OTHER MATTERS

Environmental Regulations

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

Coal Ash Management Act of 2014

On March 26, 2019, NCDEQ granted Duke Energy's application in part, extending by four months until December 1, 2019, the Coal Ash Act's closure deadline applicable to the Sutton plant impoundments.

On April 1, 2019, NCDEQ issued a closure determination requiring Duke Energy Carolinas and Duke Energy Progress to excavate all remaining coal ash impoundments at the Allen, Belews Creek, Rogers, Marshall, Mayo and Roxboro facilities in North Carolina. With respect to the final six sites, which NCDEQ has ruled as low risk, science and engineering support a variety of closure methods including capping in place and hybrid cap-in-place as appropriate solutions that protect public health and the environment. 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. For more information, see Note 4, "Commitments and Contingencies," to the Condensed Consolidated Financial Statements.

Duke Energy estimates the undiscounted, unadjusted cost to close the remaining impoundments by excavation, as outlined in the NCDEQ closure determination, will be approximately \$4 billion to \$5 billion more than the prior project cost estimate of \$5.6 billion in the aggregate for the closure for all Duke Energy Carolinas and Duke Energy Progress impoundments. Excavation would likely extend beyond the required federal and state deadlines for impoundment closure. Duke Energy intends to seek recovery of all costs through the ratemaking process consistent with previous proceedings. AROs recorded on the Duke Energy Carolinas and Duke Energy Progress Condensed Consolidated Balance Sheets at June 30, 2019, and December 31, 2018, include the legal obligation for closure of coal ash basins and the disposal of related ash as a result of the Coal Ash Act, the EPA CCR rule and other agreements. For more information, see Note 7, "Asset Retirement Obligations," to the Condensed Consolidated Financial Statements.

Duke Energy has completed excavation of all coal ash at the Riverbend plant and coal ash regulated by the Coal Ash Act at the Dan River and Sutton plants.

North Carolina Competitive Procurement

Based on an independent evaluation process, Duke Energy will own or purchase a total of 551 MW of renewable energy from projects under the North Carolina's CPRE program. The process used was approved by the NCUC to select projects that would deliver the lowest cost renewable energy for customers. Five Duke Energy projects, totaling about 190 MW, were selected during the competitive bidding process. Duke Energy has completed the contracting process for the winning projects; there will be a second tranche for CPRE that is scheduled to occur in the fourth quarter of 2019.

Off-Balance Sheet Arrangements

During the three and six months ended June 30, 2019, there were no material changes to Duke Energy's off-balance sheet arrangements. See Note 13 to the Condensed Consolidated Financial Statements, "Variable Interest Entities," for a discussion of off-balance sheet arrangements regarding ACP. For additional information on Duke Energy's off-balance sheet arrangements, see "Off-Balance Sheet Arrangements" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2018.

Contractual Obligations

Duke Energy enters into contracts that require payment of cash at certain specified periods, based on certain specified minimum quantities and prices. During the three and six months ended June 30, 2019, there were no material changes in Duke Energy's contractual obligations. For an in-depth discussion of Duke Energy's contractual obligations, see "Contractual Obligations" and "Quantitative and Qualitative Disclosures about Market Risk" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2018.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

During the three and six months ended June 30, 2019, there were no material changes to the Duke Energy Registrants' disclosures about market risk. For an in-depth discussion of the Duke Energy Registrants' market risks, see "Quantitative and Qualitative Disclosures about Market Risk" in Item 7 of the Annual Report on Form 10-K for the Duke Energy Registrants.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by the Duke Energy Registrants in the reports they file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified by the SEC rules and forms.

Disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that information required to be disclosed by the Duke Energy Registrants in the reports they file or submit under the Exchange Act is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, the Duke Energy Registrants have evaluated the effectiveness of their disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of June 30, 2019, and, based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are effective in providing reasonable assurance of compliance.

Changes in Internal Control over Financial Reporting

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, the Duke Energy Registrants have evaluated changes in internal control over financial reporting (as such term is defined in Rules 13a-15 and 15d-15 under the Exchange Act) that occurred during the fiscal quarter ended June 30, 2019, and have concluded no change has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

ITEM 1. LEGAL PROCEEDINGS

For information regarding material legal proceedings, including regulatory and environmental matters, see Note 3, "Regulatory Matters," and Note 4, "Commitments and Contingencies," to the Condensed Consolidated Financial Statements. For additional information, see Item 3, "Legal Proceedings," in Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2018.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, careful consideration should be given to the factors discussed in Part I, "Item 1A. Risk Factors" in the Duke Energy Registrants' Annual Report on Form 10-K for the year ended December 31, 2018, which could materially affect the Duke Energy Registrants' financial condition or future results.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 6. EXHIBITS

Exhibits filed herein are designated by an asterisk (*). All exhibits not so designated are incorporated by reference to a prior filing, as indicated. Items constituting management contracts or compensatory plans or arrangements are designated by a double asterisk (**). The company agrees to furnish upon request to the commission a copy of any omitted schedules or exhibits upon request on all items designated by a triple asterisk (***).

Exhibit Number	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Piedmont
4.1								X
4.2	X							
*10.1								X
10.2	X							
*10.3					X			
*31.1.1	X							
*31.1.2		X						
*31.1.3			X					
*31.1.4				X				
*31.1.5					X			
*31.1.6						X		
*31.1.7							X	

*31.1.8	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
*31.2.1	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X			
*31.2.2	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.		X		
*31.2.3	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			X	
*31.2.4	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
*31.2.5	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
*31.2.6	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
*31.2.7	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
*31.2.8	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
*32.1.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X			
*32.1.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.		X		
*32.1.3	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			X	
*32.1.4	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
*32.1.5	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
*32.1.6	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
*32.1.7	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
*32.1.8	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
*32.2.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X			
*32.2.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.		X		
*32.2.3	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			X	

*32.2.4	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X				
*32.2.5	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.							X		
*32.2.6	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.								X	
*32.2.7	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.									X
*32.2.8	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.									X
*101.INS	XBRL Instance Document (this does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).	X	X	X	X	X	X	X	X	X
*101.SCH	XBRL Taxonomy Extension Schema Document.	X	X	X	X	X	X	X	X	X
*101.CAL	XBRL Taxonomy Calculation Linkbase Document.	X	X	X	X	X	X	X	X	X
*101.LAB	XBRL Taxonomy Label Linkbase Document.	X	X	X	X	X	X	X	X	X
*101.PRE	XBRL Taxonomy Presentation Linkbase Document.	X	X	X	X	X	X	X	X	X
*101.DEF	XBRL Taxonomy Definition Linkbase Document.	X	X	X	X	X	X	X	X	X

The total amount of securities of the registrant or its subsidiaries authorized under any instrument with respect to long-term debt not filed as an exhibit does not exceed 10 percent of the total assets of the registrant and its subsidiaries on a consolidated basis. The registrant agrees, upon request of the SEC, to furnish copies of any or all of such instruments to it.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized.

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

Date: August 6, 2019

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer (Principal Financial Officer)

Date: August 6, 2019

/s/ DWIGHT L. JACOBS

Dwight L. Jacobs
Senior Vice President, Chief Accounting Officer,
Tax and Controller
(Principal Accounting Officer)

Certain identified information marked with brackets and asterisks ([""]) has been excluded from this exhibit because it is both material and would be competitively harmful if disclosed.**

ENGINEERING, PROCUREMENT AND CONSTRUCTION AGREEMENT

between

**DUKE ENERGY BUSINESS SERVICES LLC, AS AGENT FOR AND ON BEHALF OF PIEDMONT NATURAL GAS
COMPANY, INC., as Owner**

and

MATRIX SERVICE INC. as Contractor

for the

**CONSTRUCTION OF A LIQUEFIED NATURAL GAS PEAKSHAVING FACILITY IN ROBESON COUNTY, NORTH
CAROLINA**

Dated April 30, 2019

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Exhibit B Baseline Key Schedule Milestones

Exhibit C Payment Milestones and Milestone Amounts

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Exhibit E Subcontractors

Exhibit E-1 Approved Subcontractors

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Exhibit F Performance and Demonstration Testing and Guarantees (Refer to Exhibit A, Section 10 and Appendix E)

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Exhibit H Contractor Key Personnel

Exhibit I Credit Support

Exhibit I-1 Parent Guaranty (executed copy)

Exhibit I-2 Form of Standby Letter of Credit

Exhibit J Change Order (CO) Process, CO Form, and Rates

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Exhibit K Sales and Use Tax Affidavit

Exhibit L Form of Certificate of Absence of Certain Hazardous Constituents

Exhibit M Lien Waivers

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Exhibit N Owner Policies

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- Exhibit N-8 Duke Energy Environmental Handbook (Refer to Exhibit A, Appendix D)
- Exhibit N-9 Duke Energy Environmental Checklist (Refer to Exhibit A, Appendix D)

Exhibit N-10 Duke Energy Construction Stormwater Planning Manual (Refer to Exhibit A, Appendix Y)

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Exhibit N-12 Duke Energy Physical Security Requirements (Refer to Exhibit A, Appendix T)

Exhibit O Insurance Requirements

ENGINEERING, PROCUREMENT AND CONSTRUCTION AGREEMENT

This ENGINEERING, PROCUREMENT AND CONSTRUCTION AGREEMENT (this “**Agreement**”) is entered into as of the 30th day of April, 2019 (the “**Effective Date**”), between DUKE ENERGY BUSINESS SERVICES LLC, a Delaware limited liability company, as agent for and on behalf of Piedmont Natural Gas Company, Inc., a North Carolina corporation having its principal place of business in Charlotte, North Carolina (“**Owner**”), and MATRIX SERVICE INC., an Oklahoma corporation having a place of business in Houston, Texas (“**Contractor**” and, together with Owner, collectively, the “**Parties**” and, individually, a “**Party**”).

RECITALS

WHEREAS, Owner desires to engage a contractor to provide, on a turnkey and fixed price performance basis, the design, engineering, procurement, construction and installation on Owner’s property in Robeson County, North Carolina a new liquefied natural gas peakshaving facility (the “**Facility**”) that will include a natural gas pre-treatment system, a 10 MMscfd nitrogen-cycle liquefaction system, a 1.0 Bcf LNG storage tank, [**] MMscfd of LNG vaporization capacity, truck loading facilities, and all necessary ancillary equipment, auxiliary equipment and utility systems as described herein (collectively, the “**Project**”);

WHEREAS, Contractor is engaged in the business of designing, engineering, procuring equipment for, constructing and commissioning facilities similar to the Facility;

WHEREAS, Owner has entered, or will enter, into contracts with third parties (as such contracts may be amended from time to time, the “**Owner Equipment Contracts**”) for the supply of certain equipment and materials described as “Owner Furnished Equipment” or “OFE” in Exhibit A (the “**Owner Equipment**”), which Owner Equipment is to be installed by Contractor and incorporated as part of Contractor’s design and construction of the Facility;

WHEREAS, Owner and Contractor entered into that certain Limited Notice to Proceed for the Robeson County Liquefied Natural Gas Peakshaving Facility Project dated February 13, 2019, authorizing Contractor to perform certain services thereunder (the “**Limited Notice to Proceed**”).

WHEREAS, Owner desires to engage Contractor, and Contractor desires to be engaged by Owner, to provide the design, engineering, procurement, construction and installation work for the Project on the terms and subject to the conditions set forth below; and

WHEREAS, Owner has retained an independent engineer (the “**Owner’s Engineer**”) to advise and provide support services to Owner in connection with this Agreement.

NOW, THEREFORE, in consideration of the recitals, the mutual promises herein and other good and valuable consideration, the receipt and sufficiency of which the Parties acknowledge, the Parties, intending to be legally bound, stipulate and agree as follows:

1. DEFINITIONS

The following capitalized words and phrases used in this Agreement shall have the following meanings unless otherwise noted:

“Affiliate” shall mean, with respect to any Person, any other Person that, directly or indirectly, through one or more intermediaries, Controls, is Controlled by, or is under common Control with such first Person at such time, where **“Control”** shall mean (a) the possession, directly or indirectly, of the power to direct or cause the direction of management and policies of a Person, whether through the ownership of voting securities, as a trustee or executor, by contract or credit arrangement, or otherwise, or (b) the ownership, directly or indirectly, of fifty percent (50%) or more of the equity interest in a Person.

“Agreement” shall have the meaning set forth in the first paragraph above and shall include all Exhibits, amendments and Change Orders to this Agreement, and all documents incorporated herein or therein by reference.

“As-Built Drawings” shall mean the final, corrected and redrawn drawings, specifications and other documents that accurately and completely reflect in detail the physical placement of all Facility components and systems (including Owner Equipment) as installed and/or as constructed at the time of Final Completion, including “as-built” surveys illustrating the established building setback lines, if any, and the location of the Facility on the Site and within any established boundaries and setback lines.

“Assigned Owner Equipment Contract” shall have the meaning set forth in Section 3.2(d).

“Audits” shall have the meaning set forth in Section 21.14.

“Baseline Cash Flow Plan” shall mean the projected cash flow plan attached hereto as Exhibit C, which cash flow plan indicates (i) each of the Payment Milestones, (ii) the Milestone Amount for each of the Payment Milestones, together with any Sales Tax in respect thereto, and (iii) the month in which it is anticipated that payment of each such Milestone Amount, together with any Sales Tax in respect thereto, will be due and payable from Owner to Contractor for completion of the associated Payment Milestone.

“Baseline Schedule” shall have the meaning set forth in the Project Controls Requirements.

“Business Day” shall mean every Day other than Saturday, Sunday or a legal holiday recognized by the State.

“CCS” shall have the meaning set forth in Section 5.5(a).

“CF” shall mean cubic feet.

“Change” shall have the meaning set forth in Section 10.1.

“Change in Law” shall mean any binding, written change after the Effective Date in the judicial or administrative interpretation of, or adoption after the Effective Date of, any Law, which is inconsistent or at variance with any Law in effect on the Effective Date; provided, however, a Change in Law shall not include any change or adoption of any Law with respect to (a) Taxes assessed on income, profits, revenues or gross receipts, (b) Taxes that vary the compensation, benefits, or amounts to be paid to or on behalf or on account of employees or (c) organization, existence, good standing, qualification, or licensing in any jurisdiction. For the avoidance of doubt, a “Change in Law” shall not include any change or adoption of a Law that occurs prior to the Effective Date but, by its terms, does not come into effect until after the Effective Date.

“Change Order” shall have the meaning set forth in Section 10.3.

“Change Order Dispute Notice” shall have the meaning set forth in Section 10.3.

“COATS” shall have the meaning set forth in Section 5.5(a).

“Confidential Information” shall mean, with respect to either Party, any Personal Information and information relating to such Party’s or its Affiliates’ businesses, including intellectual property, information security systems that could be used to gain unauthorized access or pose a security threat to such Party or its Affiliates, generation plans and customer or supplier information, or technical, financial, administrative and internal activities or any business plans and methods, engineering, operating and technical data, reports, drawings, operating documents, project documents, reports, and all non-public data specific to any of them or any of their respective businesses or customers or group of customers, including electricity or natural gas consumption, bulk electric system, electric or gas distribution system, Critical Energy Infrastructure Information (as defined by the Federal Energy Regulatory Commission at 18 C.F.R. § 388.113, as amended), load profile, billing history, or credit history that is or has been obtained or compiled by any of them in connection with supplying electric services or gas services to such customers, including all outage schedules, customer consumption, billing and credit data, and any and all other data that is: (a) disclosed at any time by such Party in connection with or incidental to the Work; (b) processed at any time by such Party in connection with or incidental to the Work; (c) derived by such Party from the information described in (a) or (b) above; or (d) marked “Confidential” or contains a similar marking. Except with respect to Personal Information, “Confidential Information” shall not include any information that: (i) was already known to the receiving Party at the time it was disclosed by the disclosing Party; (ii) was available to the public at the time it was disclosed by the disclosing Party; (iii) becomes available to the public after being disclosed by the disclosing Party through no wrongful act of, or breach of this Agreement by, the receiving Party; (iv) is received by the receiving Party without restriction as to use or disclosure from a third party; or (v) is independently developed by the receiving Party without benefit of any disclosure of information by the disclosing Party. For the avoidance of doubt, Personal Information of a Party or its Affiliates shall not cease to be Confidential Information of such Party or its Affiliates as a result of the foregoing clauses (i) - (v).

“Construction Equipment” shall mean the equipment, machinery, trailers, office equipment and furniture, structures, scaffolding, materials, tools, supplies, including MRO Supplies, consumables, spare parts, systems and other items owned, rented or leased by any Contractor Person for use in accomplishing the Work, but not intended for incorporation into the Facility.

“Contract Price” shall have the meaning set forth in Section 9.1.

“Contractor” shall have the meaning set forth in the first paragraph above and shall include respective successors and permitted assigns.

“Contractor Default” shall have the meaning set forth in Section 22.2.

“Contractor Permits” shall have the meaning set forth in Section 4.21.

“Contractor Person” shall mean Contractor, any Affiliate of Contractor, any Subcontractor, any of their respective agents, successors, assigns, officers, directors, members, shareholders, partners,

employees, consultants, independent contractors, invitees and any other Person over whom any of the foregoing Persons has control, responsibility or authority.

“Contractor’s EH&S Manager” shall have the meaning set forth in Section 6.10(d).

“Contractor’s Project Manager” shall mean the Person whom Contractor designates in Exhibit H to issue and receive communications on Contractor’s behalf under this Agreement.

“Contractor’s Site Representative” shall mean the Person whom Contractor designates in Exhibit H to represent Contractor at the Site.

“Contractor Worker” shall mean any employee, consultant or independent contractor (in each case that is a natural person) of any Contractor Person performing or assigned to perform any of the Work.

“Correction Notification Period” shall mean, with respect to any portion of the Work, the period from the Substantial Completion Date until [**], provided that the Correction Notification Period for each P-3 Punchlist item shall be the period from Contractor’s completion, and Owner’s acceptance, of such item until [**], in each case as the same may be extended as provided in this Agreement.

“Critical Cyber System” shall mean any computer or information network, system, facility, equipment, hardware device, or software which, if misused, degraded, destroyed, or rendered unavailable, would adversely affect the reliable operation of Owner’s bulk electric systems, nuclear facilities or electric or gas distribution system.

“Data Return Requirements” shall have the meaning set forth in Section 21.8.

“Day” shall mean a calendar day, including Saturdays, Sundays and holidays.

“Defect” shall have the meaning set forth in Section 14.2.

“Demonstration Tests” shall mean the operation of the Facility by Owner or the Contractor by which Contractor demonstrates to Owner that the Facility meets the demonstration criteria designated as such in Exhibit A.

“Design Documents” shall have the meaning set forth in Section 4.5.

“Dispute” shall have the meaning set forth in Section 25.1.

“Dispute Engagement Notice” shall have the meaning set forth in Section 25.1(a).

“Diverse Suppliers” shall have the meaning set forth in Section 3.5.

“Documentation” shall mean all materials in printed or electronic format that are or are to be delivered hereunder by Contractor to Owner, including Design Documents, specifications (including those in the Scope of Work), schedules (including the Baseline Schedule), schematics, drawings (including As-Built Drawings), blueprints, memoranda, letters, notes, isometrics, computer programs and software, flow charts, logic diagrams, graphs, studies, surveys, system descriptions, lists, charts, diagrams, standards, criteria, assumptions, measurements, procedures, instructions, reports, test data

and results, analyses, calculations, formulas, computations, plans, empirical and other correlations, models, manuals (including software manuals and Required Manuals) and training materials, or are otherwise created by Contractor and are necessary or prudent for the start-up, commissioning, testing, operation, maintenance, modification or decommissioning of the Facility in accordance with Prudent Industry Practice.

“Document Controls Requirements” shall mean the Project Deliverables Standards and the Piedmont Natural Gas AutoCAD Standards for Deliverables attached hereto as Exhibit A, Appendix C and Appendix E.

“DOT” shall have the meaning set forth in Section 5.3.

“Drug and Alcohol Policy” shall have the meaning set forth in Section 5.5.

“Effective Date” shall have the meaning set forth in the first paragraph of this Agreement.

“EH&S Personnel” shall have the meaning set forth in Section 6.10(b).

“Environmental Law” shall mean, collectively, any Laws concerning the environment or the health or safety of human beings, including (a) any law or regulation relating to the extraction and/or disposition of any natural resources (including oil, gas and other minerals) in the environment; (b) any law or regulation relating to occupational health and safety; (c) any law or regulation relating to hazardous materials or environmentally hazardous chemicals; (d) any law or regulation relating to dangerous goods; (e) any law or regulation relating to contamination of any aspect of the environment; and (f) any standards followed by industry generally which meet community expectations, including, as amended, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. §9601 et seq.; the Resource Conservation and Recovery Act, 42 U.S.C. §6901 et seq.; the Federal Water Pollution Control Act, 33 U.S.C. §1251 et seq.; the Clean Air Act, 42 U.S.C. §7401 et seq.; the Hazardous Materials Transportation Act, 49 U.S.C. §5101 et seq.; the Toxic Substances Control Act, 15 U.S.C. §§2601 through 2629; the Oil Pollution Act, 33 U.S.C. §2701 et seq.; the Environmental Planning and Community Right-To-Know Act, 42 U.S.C. §11001 et seq.; the Occupational Safety and Health Act of 1970; and the Safe Drinking Water Act, 42 U.S.C. §§300f through 300j; Liquefied Natural Gas: Federal Safety Standards, 49 U.S.C. §193 et seq.; National Fire Protection Association, Code Section 59A (2001); and any of the regulations adopted, published, or promulgated pursuant to said laws, or any other laws, regulations and rulings of any Government Authority having jurisdiction over such materials in the State of North Carolina, including the Environmental Protection Agency.

“Equipment” shall mean any and all materials, structures, buildings, apparatus, equipment, spare parts, hardware, goods, modifications and other tangible personal property, all as intended to become a permanent part of, or turned over to Owner for the operation of, the Facility, that Contractor furnishes, or is required to furnish, hereunder in accordance with this Agreement, including the specifications in the Scope of Work, or otherwise for the Facility. “Equipment” includes all of the foregoing items that Contractor furnishes through a Subcontractor. For the purposes of this Agreement, “Equipment” shall not include any Owner Equipment or other equipment or materials of Owner, except for those parts of Owner Equipment or other equipment or materials of Owner which have been, and then solely to the extent, modified by Contractor, provided that the Assigned Owner Equipment Contract and, if Owner assigns any other Owner Equipment Contract to Contractor pursuant to Section 3.2(d), then the Owner Equipment under such Assigned Owner Equipment Contract or other Owner Equipment Contract shall, for all purposes of this Agreement, cease to be, and shall be deemed never to have been,

Owner Equipment and shall, for all purposes of this Agreement, become, and be deemed to have always been, Equipment.

“**Facility**” shall have the meaning set forth in the Recitals.

“**FAR**” shall have the meaning set forth in Section 6.1.

“**Final Completion**” shall mean that all of the conditions set forth in Section 12.6 have been satisfied.

“**Final Completion Certificate**” shall have the meaning set forth in Section 12.6(n).

“**Final Completion Date**” shall mean the date on which Final Completion occurs.

“**Final Payment Invoice**” shall have the meaning set forth in Section 9.6.

“**Flowdown Subcontractor**” shall mean any Subcontractor that (a) is a Major Subcontractor or (b) is engaged (i) to perform any Services at the Site (other than merely transporting Equipment to the Site without responsibility for unloading) or (ii) to perform any Services or provide any Equipment that exceeds or is expected to exceed, in the aggregate with all prior provision of Services or Equipment by such Subcontractor, [**].

“**Force Majeure**” shall mean any of the following events:

- (a) acts of God, lightning causing significant damage at the Site or to the Work, war, riots, insurrection, rebellion, floods, tornadoes, earthquakes, pandemics, epidemics, and named hurricanes and tropical storms;
- (b) acts of terrorism;
- (c) explosions or fires;
- (d) strikes, lockouts, or other labor disputes, but excluding strikes, lockouts or labor disputes involving employees of any Contractor Person;
- (e) Change in Law; and
- (f) delays in obtaining goods or services caused by the occurrence of any of the events described in the immediately preceding clauses (a) through (e)

provided, however, that a Party shall not be entitled to rely on any such event as a Force Majeure event unless: (i) such event is unforeseeable or, being foreseeable, unavoidable and outside the control of such Party; (ii) such event directly and negatively impacts, as demonstrated by credible evidence, the Work at the Site or the obligations of such Party at the Site hereunder, (iii) such event is not attributable to an act or omission of, including a material breach of this Agreement by, a Contractor Person (if such Party is Contractor) or an Owner Person (if such Party is Owner), (iv) such event is not an event, the risk or consequence of which such Party has assumed under this Agreement, including the design requirements set forth in the Scope of Work and the risk of loss set forth in Section 19.2, and (v) such Party has used all commercially reasonable efforts to cure, remedy, avoid, offset, mitigate or otherwise overcome the effects of such event. For the avoidance of doubt, “Force Majeure” shall not include (A)

changes in general economic conditions such as inflation, interest rates or other factors of general application, (B) economic hardship, (C) price fluctuations with respect to materials, supplies or components of equipment related to items to be supplied by, or necessary for the Work to be performed by, Contractor under this Agreement, (D) any shortage of labor, except for a shortage arising from a Force Majeure event, or (E) to the extent any event whose effects could have been cured, remedied, avoided, offset, mitigated or otherwise overcome if such Party had complied in all respects with its own policies (including disaster relief policies) or, if such Party is Contractor, the Owner Policies as provided herein.

“Government Approval” shall mean any permit, license, authorization, consent, decree, waiver, privilege or approval from, or filing with, any Government Authority required for or material to the performance of the Work or the development, financing, ownership, operation or maintenance of the Facility in accordance with this Agreement, including work permits, environmental permits, licenses and construction permits.

“Government Authority” shall mean any federal, state, county, city, local, municipal, foreign or other government or quasi-governmental authority (including any self-regulatory organization, independent system operator, regional transmission operator or public international organization) or any department, agency, subdivision, commission, court or other tribunal of any of the foregoing.

“Group Turnover Packages” shall mean the documents and packages specified as such in Exhibit A, Part IV.

“Guaranteed Substantial Completion Date” shall mean the date of [**] (as such date may be adjusted by Change Order).

“Guarantor” shall mean Matrix Service Company.

“Hazardous Materials” shall mean substances defined as “hazardous substances” pursuant to Section 101(14) Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986 (42 U.S.C. Sections 9601 et seq.); those substances defined as “hazardous waste” pursuant to Section 1004(5) of the Resource, Conservation and Recovery Act (42 U.S.C. Section 6901 et seq.); those substances designated as a “hazardous substance” pursuant to Section 311(b)(2)(A) or as a “toxic pollutant” pursuant to Section 307(a)(1) of the Clean Water Act (33 U.S.C. Sections 1251 et seq.); those substances defined as “hazardous material” pursuant to Section 5102 of the Hazardous Materials Transportation Act (49 U.S.C. Sections 5101 et seq.); those substances regulated as a “chemical substance or mixture” or as an “imminently hazardous chemical substance or mixture” pursuant to Section 6 or 7 of the Toxic Substances Control Act (15 U.S.C. Sections 2601 et seq.); those substances defined as “contaminants” pursuant to Section 1401 of the Safe Drinking Water Act (42 U.S.C. Sections 300f et seq.), if present in excess of permissible levels; those substances regulated pursuant to the Oil Pollution Act of 1990 (33 U.S.C. Sections 2701 et seq.); those substances defined as a “pesticide” pursuant to Section 2(u) of the Federal Insecticide, Fungicide, and Rodenticide Act as amended by the Federal Environmental Pesticide Control Act of 1972 and by the Federal Pesticide Act of 1978 (7 U.S.C. Sections 136 et seq.); those substances defined as “toxic materials” or “harmful physical agents” pursuant to Section 6 of the Occupational Safety and Health Act (29 U.S.C. Section 651 et seq.); those substances defined as “hazardous air pollutants” pursuant to Section 112(a)(6), or “regulated substance” pursuant to Section 112(a)(2)(B) of the Clean Air Act (42 U.S.C. Sections 7401 et seq.); those substances defined as “extremely hazardous substances” pursuant to Section 302(a)(2) of the Emergency Planning & Community Right-to-Know

Act of 1986 (42 U.S.C. Sections 11001 et seq.); and those other hazardous substances, hazardous wastes, toxic pollutants, hazardous materials, chemical substances or mixtures, imminently hazardous chemical substances or mixtures, contaminants, pesticides, by-product materials, toxic materials, harmful physical agents, air pollutants, regulated substances, or extremely hazardous substances defined in any regulations promulgated pursuant to any of the foregoing Environmental Laws, and all other contaminants, toxins, pollutants, hazardous substances and contaminants, polluted, toxic and hazardous materials, the use, disposition, possession or control of which is regulated by one or more Laws.

“Hazardous Wastes” shall mean those substances defined as “hazardous waste” pursuant to Section 1004(5) of the Resource, Conservation and Recovery Act (42 U.S.C. Section 6901 et seq.), and those other hazardous wastes defined in any regulations promulgated pursuant to any applicable Environmental Law.

“Insolvent” shall mean, with respect to either Party, that such Party becomes insolvent, or fails generally to pay its debts as they become due, or admits in writing its inability to pay its debts as they become due, or makes a general assignment for the benefit of creditors; commences any case, proceeding or other action seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of itself or its debts or assets, or adopts an arrangement with creditors, under any bankruptcy, moratorium, rearrangement, insolvency, reorganization or similar law of the United States or any state thereof for the relief of creditors or affecting the rights or remedies of creditors generally.

“Internal Network” shall have the meaning set forth in Section 21.10.

“Key Contractor Schedule Milestone” shall mean a Schedule Milestone that is identified as a “Key Contractor Schedule Milestone”.

“Key Contractor Schedule Milestone Date” shall mean, with respect to a Key Contractor Schedule Milestone, the date identified in Exhibit B for completion of such Key Contractor Schedule Milestone.

“Key Owner Schedule Milestone” shall mean a Schedule Milestone that is identified as a “Key Owner Schedule Milestone”.

“Key Owner Schedule Milestone Date” shall mean, with respect to a Key Owner Schedule Milestone, the date identified in Exhibit B for completion of such Key Owner Schedule Milestone.

“Law” shall mean, at any date of determination, any federal, state, local, foreign or other law, statute, code, ordinance, permit, license, regulation, rule, standard, regulatory or administrative guidance, Order, constitution, treaty, principle of common law or other restriction of any Government Authority, including the State, or any Government Approval, in effect on such date.

“L/D Item” shall mean any of the actions or deliverables set forth in Exhibit D for which liquidated damages are imposed for delay in completion as set forth therein.

“L/D Item Completion” shall mean, with respect to any L/D Item, completion of such L/D Item in accordance with this Agreement.

“Legitimate Business Requirement” shall mean a need that supports or fulfills the provision or performance of Work.

“Liability” shall mean any loss, claim, demand, Order, damage, penalty, fine, cost, settlement payment, liability (whether asserted or un-asserted, absolute or contingent, accrued or un-accrued, liquidated or unliquidated, or due or to become due), Tax, encumbrance, diminution of value, expense, fee (including attorneys’ and other professionals’ fees) and court costs (in each case, irrespective of whether covered by insurance).

“Lien” shall mean any lien, mortgage, pledge, encumbrance, charge, security interest, defect in title, or other claim filed or asserted in connection with the Project by or through any Contractor Person against the Facility, the Site, the Equipment, the Owner Equipment or any other structure or equipment at the Site (unless such lien, mortgage, pledge, encumbrance, charge, security interest, defect in title, or other claim is due to the non-payment by Owner of a Milestone Payment Invoice or the Final Payment Invoice, in either case, that is not the subject of a good faith dispute).

“Limited Notice to Proceed” shall have the meaning set forth in the Recitals.

“Liquidated Damages” shall have the meaning set forth in Section 13.1.

“LNG” shall mean liquefied natural gas.

“LOC Expiration Date” shall have the meaning set forth in Section 17.3(b).

“Local Suppliers” shall have the meaning set forth in Section 3.5.

“Major Subcontractor” shall mean any Subcontractor that is engaged: (a) to perform any Services or provide any Equipment that exceeds or is expected to exceed, in the aggregate with all prior provision of Services or Equipment by that Subcontractor, [**]; or (b) that, although not exceeding [**] in the aggregate for Equipment or Services, is performing Services or providing Equipment that is expressly listed in the table attached hereto as Exhibit E-2.

“Maximum Liability Amount” shall have the meaning set forth in Section 18.2.

“Mechanical Completion” shall mean that all of the conditions set forth in Section 12.1 have been satisfied.

“Mechanical Completion Certificate” shall have the meaning set forth in Section 12.1(l).

“Mechanical Completion Date” shall mean the date on which Mechanical Completion occurs.

“Milestone Amount” shall have the meaning set forth in Section 9.2.

“Milestone Payment Invoice” shall have the meaning set forth in Section 9.3.

“Minimum Screening Guidelines” shall have the meaning set forth in Section 5.4(b).

“MRO Supplies” shall mean all maintenance, repair and operations supplies and materials, including industrial supplies (tools, adhesives, abrasives, etc.), safety supplies, janitorial supplies (soap, adsorbents, cleaners, etc.), electrical supplies, electronic supplies (sensors, field devices, cabling, etc.), pipe, valves and fittings, fluid power components (gauges, actuators, regulators, etc.), welding supplies, packing and gaskets, fasteners and power transmission and bearings (<25HP motors, belting, bushings, etc.).

“**MRO Suppliers**” shall have the meaning set forth in Section 4.5(b)(ii).

“**NERC**” shall have the meaning set forth in Section 6.4.

“**NIST**” shall have the meaning set forth in Section 21.13.

“**Notification Related Costs**” shall mean Owner’s internal and external costs associated with investigating, addressing and responding to a Security Event, including: (a) preparation and mailing or other transmission of notifications or other communications to consumers, employees or others as Owner deems reasonably appropriate; (b) establishment of a call center or other communications procedures in response to such Security Event (e.g., customer service FAQs, talking points and training); (c) public relations and other similar crisis management services; (d) legal, consulting, forensic expert and accounting fees and expenses associated with Owner’s investigation of and response to such event; and (e) costs for commercially reasonable credit monitoring or identity protection services.

“**OQ Plan**” shall have the meaning set forth in Section 5.3.

“**Order**” shall mean any order, award, decision, injunction, judgment, ruling, decree, charge, writ, subpoena or verdict entered, issued, made or rendered by any Government Authority or arbitrator, including any executive order.

“**OSHA**” shall have the meaning set forth in Section 6.10(c).

“**OSHA Standards**” shall have the meaning set forth in Section 6.10(c)(ii).

“**Owner**” shall have the meaning set forth in the first paragraph above and shall include its successors and assigns.

“**Owner Default**” shall have the meaning set forth in Section 22.4.

“**Owner Equipment**” shall have the meaning set forth in the Recitals.

“**Owner Equipment Contracts**” shall have the meaning set forth in the Recitals.

“**Owner Permits**” shall have the meaning set forth in Section 7.3.

“**Owner Persons**” shall have the meaning set forth in Section 15.1.

“**Owner PII**” shall mean that portion of Owner’s Confidential Information that is subject to any Privacy Laws, including any information collected by Owner or its Affiliates that uniquely identifies a person, or from which a person can be reasonably identified, and the collection, use or disclosure of which is governed by applicable Law.

“**Owner Policies**” shall mean the policies, procedures and manuals of Owner generally applicable to its contractors performing work similar to any of the Work, including corporate and Site-specific policies, procedures and manuals, as such policies, procedures and manuals may be amended, modified or replaced from time to time at Owner’s discretion, a copy of each of which policies, procedures and manuals as of the Effective Date is attached hereto as Exhibit N or provided through a URL address referenced herein.

“Owner’s Engineer” shall have the meaning set forth in the Recitals. Owner may replace or remove Owner’s Engineer at any time in its sole discretion upon notice to Contractor.

“Owner’s Project Manager” shall mean the Person whom Owner designates in writing to issue and receive communications on Owner’s behalf under this Agreement.

“Owner Work” shall mean the obligations of Owner expressly set forth in Article 7 and Exhibit A.

“Parent Guaranty” shall mean that certain parent guaranty executed and issued by Guarantor guarantying the obligations of Contractor hereunder, a copy of which is attached hereto as Exhibit I-1.

“Party” or **“Parties”** shall have the meaning set forth in the first paragraph hereof.

“Payment Milestone” shall mean an event or series of events in the execution of the Work as set forth in Exhibit C, the completion of which in accordance with the terms and conditions hereof shall entitle Contractor to payment of a portion of the Contract Price allocated thereto.

“Performance Guarantees” shall mean the performance criteria for the Facility as set forth in Exhibit A, Appendix E, which shall include the Guaranteed Emission Limits.

“Performance Test Report” shall have the meaning set forth in Section 12.4(a).

“Performance Testing” shall mean the conduct of the Performance Tests in accordance with this Agreement, including the Performance Testing Plan.

“Performance Testing Plan” shall mean the written procedures and standards for the conduct of the Performance Tests included in Exhibit A, Part II, Section 10.

“Performance Tests” shall mean the tests required by this Agreement for Owner to determine whether the Facility meets the Performance Guarantees.

“Guaranteed Emission Limits” shall mean those specific emission limits for each regulated pollutant set forth in Exhibit A, Part II, Section 10 and Exhibit A, Appendix E.

“Person” shall mean any individual, company, corporation, partnership, joint venture, association, joint stock company, limited liability company, trust, estate, unincorporated organization, Government Authority or other entity having legal capacity.

“Personal Information” shall mean any information relating to an identified or identifiable individual, including, but not limited to, name; postal address; email address or other online contact information (such as an online user ID); telephone number; date of birth; Social Security number (or its equivalent); driver’s license number (or other government-issued identification number); account information (including financial account information); payment card data (including primary account number, expiration date, security code, full magnetic stripe data or equivalent on a chip, or pin number); access code, password, security questions and answers; medical information; health insurance information; biometric data; Internet Protocol (IP) address; or any other unique identifier.

“PHMSA” means the Pipeline and Hazardous Materials Safety Administration of the United States Department of Transportation.

“Potential Disqualification Criteria” shall have the meaning set forth in Section 5.4(b).

“Prime Interest Rate” shall mean, as of a particular date, the prime rate of interest as published on that date in *The Wall Street Journal*, and generally defined therein as “the base rate on corporate loans posted by at least 75% of the nation’s 30 largest banks.” If *The Wall Street Journal* is not published on a date for which the interest rate must be determined, the prime interest rate shall be the prime rate published in *The Wall Street Journal* on the nearest-preceding date on which *The Wall Street Journal* was published. If *The Wall Street Journal* discontinues publishing a prime rate, the prime interest rate shall be the prime rate announced publicly from time to time by Bank of America, N.A. or its successor.

“Privacy Laws” shall have the meaning set forth in Section 21.13.

“Progress Cash Flow Plan” shall mean the projected cash flow plan required to be delivered by Contractor to Owner periodically as more specifically set forth in Section 9.5(b) and the Project Controls Requirements which shall measure the actual and projected cash flow against the Baseline Cash Flow Plan.

“Progress Meetings” shall have the meaning set forth in Section 4.22.

“Progress Schedule” shall have the meaning set forth in the Project Controls Requirements.

“Project” shall have the meaning set forth in the Recitals.

“Project Action Request” or **“PAR”** shall have the meaning set forth in Section 10.2.

“Project Controls Requirements” shall mean the Project Controls Requirements attached hereto as Exhibit A, Part II, Section 4.

“Prudent Industry Practice” shall mean those practices, methods, equipment, specifications and standards of safety, performance, dependability, efficiency, and economy, as the same may change from time to time, as are commonly used and accepted by highly experienced firms in the construction (including design, engineering, manufacturing, delivery, construction management, testing and commissioning), operation and maintenance (including training in the operation and maintenance) of LNG storage, liquefaction, and regasification facilities similar to the Facility, which in the exercise of reasonable judgment and in light of the facts known at the time the decision was made, after due and diligent inquiry, are considered good, safe, customary and prudent practices, and as are in accordance with standards of professional care, skill, diligence, and competence generally accepted by such highly experienced firms and applicable to the construction (including design, engineering, manufacturing, delivery, construction management, testing and commissioning), operation and maintenance (including training in the operation and maintenance) practices in the United States for LNG storage, liquefaction, and regasification facilities similar to the Facility.

“Punchlist” shall mean the written list of items of Work that remain to be completed by Contractor, (i) with respect to items designated therein as “P-1 Punchlist items” or “P-2 Punchlist items”, prior to Mechanical Completion and, to the extent such items occur after Mechanical Completion, prior to Substantial Completion and (ii) with respect to items designated therein as “P-3 Punchlist items,” prior to Final Completion, where:

- (a) **“P-1 Punchlist items”** shall mean items of Work that require immediate action, are, considered by Owner to pose risk of damage to property or injury to person and must be corrected prior to the commencement of any pre-commissioning, start-up, commissioning, testing or operation activities for the Facility;
- (b) **“P-2 Punchlist items”** shall mean items of Work that, although considered by Owner to be serious in nature, will not through the use of proper safeguards acceptable to Owner result in damage to property or injury to person; and
- (c) **“P-3 Punchlist items”** shall mean items of Work that, although incomplete, are considered minor in nature and will not affect the safety, operability (including capacity, efficiency, reliability or cost effectiveness) or mechanical or electrical integrity of the Facility.

All items included in the Punchlist shall be exclusively P-1 Punchlist items, P-2 Punchlist items or P-3 Punchlist items.

“Quality Assurance Plan” shall have the meaning set forth in Section 4.9.

“Remedial Plan” shall have the meaning set forth in Section 8.3.

“Required Manuals” shall mean all operating data and manuals, spare parts manuals, integrated and coordinated operation and maintenance manuals and instructions, and training aids necessary to safely, effectively and efficiently commission, start-up, test, operate, maintain, repair and shut down the Facility (including those manuals identified in the Scope of Work). Required Manuals shall be consistent with Prudent Industry Practice and applicable Law.

“Sales Tax” shall mean any current or future sales, use, privilege or similar tax imposed on Contractor, any Subcontractor or Owner with respect to the Work by the State or any other Government Authority.

“SANS” shall have the meaning set forth in Section 21.6.

“SAP” shall have the meaning set forth in Section 5.5.

“SCFD” shall mean standard cubic feet per Day.

“Schedule Milestone” shall mean an event or series of events in the execution of the Work as set forth in Exhibit B, which shall include Key Contractor Schedule Milestones and Key Owner Schedule Milestones.

“Scope of Work” shall mean all Work as set forth in Exhibit A.

“Security Event” shall have the meaning set forth in Section 21.14.

“Security Program” shall have the meaning set forth in Section 21.6.

“Services” shall mean all labor, transportation, packaging, storage, designing, drawing, engineering, demolition, Site preparation, manufacturing, construction, pre-commissioning, installation, equipment protection, testing, equipping, inspection, verification, training, procurement

(whether procurement of Equipment, Documentation, licenses to intellectual property granted herein or otherwise) and other work, services and actions (including pursuant to any warranty obligations) performed or to be performed by Contractor under this Agreement (whether at the Site or otherwise) in connection with, or relating to, the Facility (or any component thereof, including any Equipment and any Owner Equipment), provided that “Services” shall not include Owner Work. “Services” includes (a) all of the foregoing items that Contractor provides through a Subcontractor and (b) the services that Contractor provides with respect to Owner Equipment pursuant to this Agreement, including Section 3.2.

“**Site**” shall mean the physical location as described in Exhibit A, Part I upon which Contractor shall construct the Facility and perform related Work.

“**Site Conditions**” shall have the meaning set forth in Section 4.3(a).

“**SOC Reports**” shall have the meaning set forth in Section 21.14(c).

“**Spare Parts List**” shall have the meaning set forth in Section 4.5(b).

“**SSAE 16**” shall have the meaning set forth in Section 21.14(c).

“**Standby Letter of Credit**” shall have the meaning set forth in Section 0.

“**State**” shall mean the State of North Carolina.

“**Stop Work Order**” shall have the meaning set forth in Section 4.14.

“**Subcontract**” shall mean any contract (whether written or oral, a purchase order or otherwise) with a Subcontractor for the performance or provision of any aspect of the Work.

“**Subcontractor**” shall mean a Person, including any vendor, materialman or supplier, who has a contract (whether written or oral, a purchase order or otherwise) with Contractor or any Person of any lower tier to Contractor (e.g., a second- or third-tier subcontractor) to perform or provide any Work, whether at the Site or elsewhere.

“**Substantial Completion**” shall mean that all of the conditions set forth in Section 12.6 have been satisfied.

“**Substantial Completion Certificate**” shall have the meaning set forth in Section 12.5(n).

“**Substantial Completion Date**” shall mean the date on which Substantial Completion actually occurs.

“**Supplier’s Publications**” shall have the meaning set forth in Section 14.3(a).

“**Taxes**” shall mean all present and future license, documentation, recording and registration fees, all taxes (including income, gross receipts, unincorporated business income, payroll, sales, use, privilege, personal property (tangible and intangible), real estate, excise and stamp taxes), levies, imports, duties, assessments, fees (customs or otherwise), charges and withholdings of any nature whatsoever, and all penalties, fines, additions to tax, and interest imposed by any Government Authority.

“Third Party Claim” shall mean any claim, demand or cause of action of every kind and character by any Person other than Owner or its Affiliates with respect to which an Owner Person has a claim for indemnification under this Agreement, including Sections 15.1 and 20.1. For the avoidance of doubt, a claim, demand or cause of action by an employee of Owner or its Affiliates (unless made on behalf of Owner or such Affiliate) shall be considered a Third Party Claim hereunder.

“Turnover Package Completion” shall mean, for each individual system within a Group Turnover Package, (a) the design, procurement, fabrication, installation and pre-commissioning of such system, and all components thereof, shall be complete to Owner’s satisfaction in accordance with this Agreement; (b) all such components shall be mechanically and electrically sound and free from patent defects, except for P-1 Punchlist items and P-2 Punchlist items; (c) such system shall have undergone pre-commissioning checks and tests required to determine that its components are correctly installed and capable of being commissioned safely and reliably without damage to any such component, such system, any other system within the Group Turnover Package or any other property or injury to any person; and (d) all turnover documentation required by this Agreement with respect to such system shall have been submitted to and accepted in writing by Owner.

“Vendor Network” shall have the meaning set forth in Section 21.9.

“Warranty” shall have the meaning set forth in Section 14.1.

“Work” shall mean, as the context may require, either (a) the Equipment, the Documentation and the Services or (b) the Equipment, the Documentation or the Services. For the avoidance of doubt, “Work” includes (i) any Equipment, Documentation or Service that Contractor provides through a Subcontractor, (ii) the services that Contractor is obligated to provide with respect to Owner Equipment and (iii) all items necessary or prudent in accordance with Prudent Industry Practice (other than Owner Work) to complete the Facility such that it satisfies the Performance Guarantees and all applicable Laws, including the Owner Permits and Contractor Permits.

2. GENERAL PROVISIONS

2.1 Intent of Contract Documents. Prior to the execution of this Agreement, Contractor performed engineering, cost estimating and related services, including those set forth in the Limited Notice to Proceed, and developed, provided or verified all of the information that forms the Scope of Work (including the specifications contained therein), including the basis of design and technical limits and parameters of the Facility, for the purpose of determining that such information is adequate and sufficiently complete for Contractor to engineer, procure, construct and pre-commission, and Owner to commission, start-up and test, a fully operational LNG peakshaving facility, including a natural gas pre-treatment system, a 10 MMscfd nitrogen-cycle liquefaction system, a 1.0 Bcf LNG storage tank, [**] MMscfd of LNG vaporization capacity, truck loading facilities, and all necessary ancillary equipment, auxiliary equipment and utility systems as described herein for the Contract Price, within the required times set forth in the Baseline Schedule, and in accordance with all requirements of this Agreement, including Prudent Industry Practice and applicable Law. Accordingly, Contractor (a) hereby agrees that it shall have no right to claim or seek an increase in the Contract Price or an adjustment to the Baseline Schedule with respect to any incomplete, inaccurate or inadequate information that may be contained or referenced in the Scope of Work, (b) hereby waives and releases Owner from and against any such claims, and (c) shall not be relieved of its responsibility to achieve all requirements under this Agreement (including meeting applicable Law and Performance Guarantees) due to any such incomplete, inaccurate or inadequate information.

2.2 Independent Contractor. Contractor shall be an independent contractor with respect to the Project and the Work, and neither Contractor nor the Subcontractors nor the employees of either shall be deemed to be agents, representatives, employees or servants of Owner in connection with this Agreement. Owner shall not have the right to control, nor any actual, potential or other control over the methods and means by which Contractor or any of its agents, representatives, Subcontractors or employees conducts its independent business operations. The Parties covenant and agree that, except as contemplated in Section 3.2, in the performance of the Work, Contractor shall not perform any act or make any representation to any Person to the effect that Contractor or any of its agents, representatives or Subcontractors is an agent of Owner. Contractor, Subcontractors, and their respective employees shall have no right and shall make no claim under any employee plan or benefit plan or program of Owner or any of its Affiliates, and Contractor shall defend, indemnify and hold Owner harmless for claims, suits and other liabilities resulting therefrom.

2.3 Interpretation.

(a) Headings. The titles and headings in this Agreement are inserted for convenience only and shall not be used for the purposes of construing or interpreting this Agreement.

(b) References. References to natural persons include Persons. References to “Articles” and “Sections” are references to Articles and Sections of this Agreement. References to “Exhibits” are references to the Exhibits attached to this Agreement, including all attachments to and documents and information incorporated therein, and all Exhibits are incorporated into this Agreement by reference. References to any particular Exhibit shall include all sub-Exhibits thereto.

(c) Gender. Words importing one gender include the other gender.

(d) Without Limitation. The words “include” and “including” are not words of limitation and shall be deemed to be followed by the words “without limitation.”

(e) Amendments. All references in this Agreement to contracts, agreements or other documents (including this Agreement) or Laws shall be deemed to mean those contracts, agreements, documents or Laws as the same may be modified, supplemented or amended from time to time.

(f) Industry Meanings. Words and abbreviations not otherwise defined in this Agreement which have well-known technical or design, engineering or construction industry meanings in the United States are used in this Agreement in accordance with those recognized meanings.

(g) Agreement. Provisions including the word “agree”, “agreed” or “agreement” require the agreement to be recorded in writing.

(h) Work. Any reference to Work being performed shall include Work being provided, as the context may require, and any reference to Work being provided shall include Work being performed, as the context may require.

(i) Written. Provisions including the word “written” or “in writing” mean hand-written, type-written, printed or electronically made and resulting in a permanent record.

(j) Discretion. Provisions permitting Owner choices or actions in its “discretion” or at its “election” or words or phrases of like import shall be understood as the sole and absolute discretion or election of Owner.

(k) Ordered. Provisions including the words “as ordered,” “as directed,” “as required,” “as permitted,” “as allowed” or words or phrases of like import shall be understood as the order, direction, requirement, permission or allowance of Owner only to the extent of judging compliance with the terms of this Agreement; none of these terms shall imply that Owner has any authority or responsibility for supervision of any Contractor Worker or any of the Work, such supervision and the sole responsibility therefor being strictly reserved for Contractor.

(l) Approved. Provisions including the word “approved,” “reasonable,” “suitable,” “acceptable,” “proper,” “satisfactory” or words of like effect and import, unless otherwise particularly specified herein, mean approved, reasonable, suitable, acceptable, proper or satisfactory in the judgment of Owner to the extent of judging compliance with the terms of this Agreement; none of these terms shall imply that Owner has any authority or responsibility for supervision of any Contractor Worker or the Work, such supervision and the sole responsibility therefor being strictly reserved for Contractor.

(m) Drafting. THE PARTIES ACKNOWLEDGE AND AGREE THE TERMS AND CONDITIONS OF THIS AGREEMENT HAVE BEEN FREELY, FAIRLY AND THOROUGHLY NEGOTIATED. FURTHER, THE PARTIES ACKNOWLEDGE AND AGREE THAT SUCH TERMS AND CONDITIONS, INCLUDING THOSE RELATING TO WAIVERS, ALLOCATIONS OF, RELEASES FROM, INDEMNITIES AGAINST AND LIMITATIONS OF LIABILITY, WHICH MAY REQUIRE CONSPICUOUS IDENTIFICATION, HAVE NOT BEEN SO IDENTIFIED BY MUTUAL AGREEMENT AND THE PARTIES HAVE ACTUAL KNOWLEDGE OF THE INTENT AND EFFECT OF SUCH TERMS AND CONDITIONS. EACH PARTY ACKNOWLEDGES THAT IN EXECUTING THIS AGREEMENT THEY RELY SOLELY ON THEIR OWN JUDGMENT, BELIEF, AND KNOWLEDGE, AND SUCH ADVICE AS THEY MAY HAVE RECEIVED FROM THEIR OWN COUNSEL. NEITHER CONTRACTOR NOR OWNER SHALL ASSERT OR CLAIM A PRESUMPTION DISFAVORING THE OTHER BY VIRTUE OF THE FACT THAT THIS AGREEMENT WAS DRAFTED PRIMARILY BY LEGAL COUNSEL FOR THE OTHER, AND THIS AGREEMENT SHALL BE CONSTRUED AS IF DRAFTED JOINTLY BY OWNER AND CONTRACTOR AND NO PRESUMPTION OR BURDEN OF PROOF WILL ARISE FAVORING OR DISFAVORING EITHER PARTY BY VIRTUE OF THE AUTHORSHIP OF ANY OF THE PROVISIONS OF THIS AGREEMENT.

(n) Payment Obligations/Set Off. If a payment obligation falls due on a Day other than a Business Day, the obligation shall be deemed to be due on the next Business Day. Owner may deduct and set off against any part of the balance due or to become due to Contractor under this Agreement any amounts due or to become due from Contractor to Owner relating to this Agreement. If this Agreement provides that any cost shall be at the expense of, or reimbursed by, Contractor, then, subject to the application of the right of Owner to offset any amounts owed by it against any amounts owing or to become owing to it, Contractor shall pay Owner for such cost within fifteen (15) Days following written demand therefor by Owner.

2.4 Inclusion; Order of Precedence. It is the intent of the Parties that each of the specifications and obligations required to be performed by Contractor under this Agreement (including the Exhibits) is an independent specification or obligation and that Contractor shall be required to perform all such obligations regardless of any apparent conflict. All of the provisions of this Agreement (including the Exhibits) shall be considered complementary, and the Parties shall attempt to give effect to all provisions. The failure to list a requirement specifically in one document, once that requirement is specifically listed in another, shall not imply the inapplicability of that requirement. Contractor represents that it has reviewed this Agreement (including the Exhibits) and that it is able to perform all of its obligations.

Subject to the foregoing, if Contractor subsequently determines that it is unable to perform all of its obligations under this Agreement due to an irreconcilable conflict, Contractor shall be responsible for proposing and implementing a solution that satisfies the Performance Guarantees and other performance specifications (including all requirements to comply with applicable Laws, including Owner Permits and Contractor Permits) to the satisfaction of Owner and shall revise nonperformance specifications solely to the extent necessary to resolve such conflict, without addition to the Contract Price or extension of the Baseline Schedule unless otherwise agreed to by the Parties. Subject to the foregoing, if there is an express conflict between this Agreement (excluding the Exhibits) and the Exhibits, this Agreement (excluding the Exhibits) shall control and the conflicting provisions shall be interpreted so as to accord with the provisions of this Agreement (excluding the Exhibits). Later dated amendments, Exhibits or Change Orders shall take precedence over earlier dated amendments, Exhibits or Change Orders. In the event of any conflict between this Agreement, applicable Law and Prudent Industry Practice, all applicable Laws shall control over the terms of this Agreement and Prudent Industry Practice, and the terms of this Agreement shall control over Prudent Industry Practice.

2.5 Mutual Representations and Warranties. Each of Contractor and Owner hereby represents and warrants to the other that:

(a) it is duly organized and validly existing under the laws of its jurisdiction of incorporation or formation and is qualified to do business in all other jurisdictions in which the nature of the business conducted by it makes such qualification necessary, and has all requisite legal power and authority to carry on its business and to execute this Agreement and to perform the terms, conditions and provisions hereof;

(b) the execution, delivery and performance of this Agreement have been duly authorized by all requisite corporate or limited liability company, as applicable, action;

(c) this Agreement constitutes the legal, valid and binding obligation of it, enforceable in accordance with the terms hereof;

(d) neither the execution nor delivery nor performance by it of this Agreement nor the consummation of the transactions contemplated hereby will result in (i) the violation of, or a conflict with, any provision of the organizational documents of it; (ii) the contravention or breach of, or a default under, any term or provision of any indenture, contract, agreement or instrument to which it is a party or by which it or its property may be bound; or (iii) the violation by it of any applicable Law; and

(e) there is no action, suit, proceeding or Order now pending or, to its knowledge, threatened against it before any Government Authority that could reasonably be expected to materially and adversely affect the ability of such Party to perform its obligations hereunder.

2.6 Contractor Representations and Warranties. Contractor hereby represents and warrants to Owner that:

(a) Contractor has reviewed and understands the Owner Policies;

(b) Contractor and any Subcontractors or professionals engaged by Contractor in connection with the Work shall be creditworthy and shall promptly provide reasonable evidence of financial stability to Owner upon written request;

(c) Contractor has, or through Subcontractors will have, sufficient qualified personnel, equipment and office support resources (both in terms of personnel and technology) to perform all of the Work;

(d) Guarantor is the ultimate parent entity of Contractor;

(e) the execution, delivery and performance of the Parent Guaranty have been duly authorized by all requisite corporate or limited liability company (as the case may be) action of Guarantor;

(f) the Parent Guaranty constitutes the legal, valid and binding obligation of the Guarantor, enforceable in accordance with the terms thereof;

(g) neither the execution nor delivery nor performance by the Guarantor of the Parent Guaranty nor the consummation of the transactions contemplated thereby will result in (i) the violation of, or a conflict with, any provision of the organizational documents of the Guarantor; (ii) the contravention or breach of, or a default under, any term or provision of any indenture, contract, agreement or instrument to which the Guarantor is a party or by which the Guarantor or its property may be bound; or (iii) the violation by the Guarantor of any applicable Law; and

(h) there is no action, suit, proceeding or Order now pending or, to its knowledge, threatened against the Guarantor before any Government Authority that could reasonably be expected to materially and adversely affect the ability of the Guarantor to perform its obligations hereunder.

3. SCOPE OF WORK

3.1 General. Except for Owner Work, this Agreement is intended to be a lump sum, turnkey contract for the completion of the Facility and the Scope of the Work covers the entire engineering, design, procurement, services and construction and installation required with respect to the completion of the Facility, including the procurement of the balance of plant equipment and installation of Owner Equipment (but excluding the design, engineering, procurement and manufacture of Owner Equipment), it being the objective of the Parties that the Facility shall be highly efficient and shall meet the requirements for operational capability as specified herein, including capital and operating cost effectiveness and reliability. Without limiting the generality of the foregoing, the Work includes procurement, provision, performance and payment for all items and services necessary for the proper execution and completion of the Facility (other than Owner Work), whether temporary or permanent and whether or not incorporated or to be incorporated into the Facility, including all procurement, design and engineering services (except for such services for the manufacture of Owner Equipment), all installation and construction services, all administration, management, training (consistent with the Scope of Work) and coordination services, all assistance with start-up, commissioning and Performance Testing of the Facility reasonably requested by Owner, verification services, and all labor, Equipment, construction aids, furnishings, equipment, supplies, insurance (other than Owner insurance), permits (other than Owner Permits), licenses, inspections, storage and transportation, Required Manuals, and all other items, facilities and services necessary to perform or provide the Work and complete the Facility. Prior to the Effective Date, Owner issued the Limited Notice to Proceed. All work described and performed pursuant to such Limited Notice to Proceed shall be deemed to be Work for all purposes hereunder and shall be subject to the terms of this Agreement. Any work described in the Limited Notice

to Proceed that has not yet been completed on the Effective Date shall be included in the Work to be completed hereunder.

It is acknowledged and agreed by both Parties that Contractor is better qualified to list exclusions from the Scope of Work than Owner is to list for inclusion all items necessary for the Facility as contemplated herein. Accordingly, Contractor acknowledges and agrees that items need not be specifically listed in the Scope of Work in order to be deemed to be items within the Scope of Work and work not specifically delineated in this Agreement shall be performed and provided by Contractor as Work in accordance with this Agreement to the extent the performance of such work can be reasonably inferred from this Agreement, including the Scope of Work, or is otherwise customary or necessary to complete the Facility in accordance with Prudent Industry Practice.

3.2 Scope of Work Relating to Owner Equipment; Assignment of Owner Equipment Contracts. Without limiting the generality of Section 3.1:

(a) Owner shall be responsible for procuring and supplying Owner Equipment in accordance with Section 7.4 and shall provide Contractor with the relevant portions of the Owner Equipment Contracts in order for Contractor to perform its obligations under this Section.

(b) Owner hereby authorizes Contractor to, and Contractor hereby agrees to, act as Owner's agent for the purpose of administering the Owner Equipment Contracts on behalf of Owner and assuring compliance by Owner and the counter-parties with the terms thereof. Contractor shall perform such agency services in accordance with Prudent Industry Practice and in the manner that a reasonably prudent contractor experienced in the design and construction of liquefied natural gas liquefaction, storage, and regasification facilities would perform if Contractor, instead of Owner, were the party to the Owner Equipment Contracts. Except in accordance with the general or specific direction of Owner, such agency services shall include attending meetings and otherwise interfacing with the suppliers of the Owner Equipment; reviewing design documents; obtaining design interface and delivery schedule information; coordinating delivery and receipt of Owner Equipment and related manuals; inspecting Owner Equipment and related manuals; diligently asserting and protecting Owner's rights; maintaining appropriate records; providing to Owner any notices delivered to Contractor by the supplier of the Owner Equipment; regularly updating Owner with respect to the status of performance under the Owner Equipment Contracts; assisting Owner in pursuing available remedies against the suppliers of the Owner Equipment, including assisting Owner in the administration and coordination of warranty claims and enforcement of repair, replacement or refurbishment obligations, and the oversight thereof, as directed by Owner; and consulting with Owner with respect to all material issues, in each case as necessary in order to ensure performance by the respective suppliers under the Owner Equipment Contracts in accordance with the terms and condition set forth in such Owner Equipment Contracts. Notwithstanding the foregoing, Contractor shall have no authority to, and shall not, take any of the following actions under or with respect to the Owner Equipment Contracts absent prior written direction from Owner: (i) consent to any Change Order or make any contract award; (ii) agree to or permit any amendment, modification, or supplement; (iii) waive or prejudice any of Owner's rights or the obligations of the suppliers of the Owner Equipment; (iv) increase any of Owner's obligations or the rights of the suppliers of the Owner Equipment; (v) initiate or conduct any litigation or other similar proceedings; (vi) take any action that would cause a default or breach by Owner; (vii) terminate or suspend any work or other activities thereunder; (viii) approve any invoices; (ix) require the performance of any work that is not expressly set forth therein; (x) direct the means, methods or manner of any work; or (xi) agree or consent to any of the foregoing. Contractor shall comply with all confidentiality obligations of Owner under

each Owner Equipment Contract in respect to any information coming to the attention of Contractor and for which Owner would have a confidentiality obligation under such Owner Equipment Contract.

(c) In addition to the agency services set forth in Section 3.2(b) and with respect to the Owner Equipment, Contractor shall also provide timely review and response to all designs, specifications and drawings; provide all on-Site inspection, unloading, loading, storage and transportation; provide all on-Site security, protection and preventative maintenance in accordance with the instructions of the supplier thereof; provide on-Site administration and coordination and reasonable office space for the suppliers thereof; provide installation and integration services in accordance with the Baseline Schedule; provide start-up and commissioning assistance to the extent permitted under the Owner Equipment Contracts; coordinate training; and provide other related services necessary to install and interconnect the Owner Equipment to the Equipment and the Facility as contemplated by the Scope of Work and Prudent Industry Practice.

(d) Concurrently with the execution and delivery of this Agreement by the Parties, Owner hereby assigns and transfers to Contractor, and Contractor hereby accepts and assumes from Owner, that certain Purchase Order No. 7670539 (the “**Assigned Owner Equipment Contract**”). Owner represents and warrants to Contractor that Owner is not in breach of any of the provisions of the Assigned Owner Equipment Contract. Owner may, from time to time pursuant to a Change Order, mutually agreed to by the Parties, and in accordance with Article 10, assign any other Owner Equipment Contract to Contractor. The Owner Equipment under the Assigned Owner Equipment Contract and, if Owner assigns any other Owner Equipment Contract to Contractor pursuant to this Section (and, if applicable, Article 10), such other Owner Equipment Contract shall, for all purposes of this Agreement, thereby cease to be, and shall be deemed never to have been, Owner Equipment and shall, for all purposes of this Agreement, thereby become, and be deemed to have always been, Equipment, and the vendor of such Owner Equipment shall, for all purposes of this Agreement, thereby be deemed to be, and to have always been, a Subcontractor.

Should Owner suspend or terminate the Assigned Owner Equipment Contract due to the Assigned Owner Equipment Contract Supplier’s breach thereof, then Owner shall, in its sole discretion, determine whether a suspension or termination of this Agreement is appropriate. If Owner suspends the Work or terminates this Agreement due to the suspension or termination of the Assigned Owner Equipment Contract as described above, then Contractor may be entitled to relief hereunder including, without limitation, the remedies set forth in Section 22.1(d) or 22.6(b), as applicable.

3.3 Subcontracting; Approved Subcontractors; Major Subcontractors.

(a) The Parties have agreed upon the list of approved Subcontractors set forth in Exhibit E-1 for the Services and Equipment listed in Exhibit E-1. Contractor shall have the right to have that portion of the Services identified in Exhibit E-1 performed by the approved Subcontractor for such Service, and the right to purchase Equipment identified in Exhibit E-1 from the approved Subcontractor for such Equipment. All Subcontractors performing Work shall be fully qualified and properly licensed as required by applicable Law and subject to a properly executed Subcontract.

(b) If Contractor desires to engage as an approved Subcontractor, with respect to any of the Services or Equipment listed in Exhibit E-1, a Person that is not identified in Exhibit E-1 as an approved Subcontractor for such Services or Equipment, then Contractor shall provide Owner with written notice thereof containing (i) the name of such proposed Subcontractor, (ii) a statement in reasonable detail of the reasons why such proposed Subcontractor is preferred over any approved Subcontractor identified

in Exhibit E-1, (iii) a description of any anticipated impacts to the Progress Schedule, warranties, interconnection with other Equipment or otherwise attributable to selecting such proposed Subcontractor, (iv) any other information on which Contractor is basing its desire to engage such proposed Subcontractor and (v) any additional information as Owner may reasonably request. Owner shall have the right, in its discretion, to reject any such proposed Subcontractor, provided that Owner's rejection shall occur within ten (10) Business Days after Contractor submits to Owner all of the information noted in clauses (i) through (v) above. If Owner approves (or fails to reject within such ten (10) Business Day period) such proposed Subcontractor, then Contractor may proceed to engage such proposed Subcontractor, subject to the processes set forth in Section 3.3(c) in respect to Major Subcontractors.

(c) Contractor shall provide Owner with an opportunity to participate in Contractor's bid process for all Major Subcontractors, including review and approval of Contractor's bid list and proposals, participation in vendor presentations and meetings, review of proposed subcontractor's bid responses, review and participation in Contractor's technical and commercial evaluations of bid responses, and participation in Contractor's meetings to discuss bid selection. Further, at Owner's reasonable request, Contractor shall perform a quality assurance qualification audit, and Owner shall be permitted to participate in any such audit. In addition, not less than five (5) Days prior to award or execution of a Subcontract with a proposed Major Subcontractor, Contractor shall provide written notice thereof to Owner. If Owner desires that Contractor engage an alternative Major Subcontractor in lieu of the Major Subcontractor that is provided in the foregoing notice from Contractor, then, prior to such award or execution, the Parties shall consult in good faith on the difference in value, if any, between the bid price of the Major Subcontractor desired by Owner and the Major Subcontractor preferred by Contractor, plus any impacts to the Baseline Schedule or warranties attributable to selecting the alternative Major Subcontractor in lieu of the preferred Major Subcontractor. If Owner desires that Contractor engage the alternative Major Subcontractor in lieu of the Major Subcontractor that is provided in the foregoing notice from Contractor, Owner shall provide Contractor with written notice thereof prior to such award or execution (which shall not occur earlier than five (5) Days after Owner's receipt of such notice from Contractor) and Contractor shall engage such alternative Major Subcontractor, in which event Contractor shall be entitled to a Change Order for the schedule, cost, warranty or other impacts in selecting the alternative Major Subcontractor.

(d) Contractor shall not allow any Person that Owner rejects as a Subcontractor to perform any portion of the Work. Unless otherwise mutually agreed in writing, no contractual relationship shall exist between Owner and any Subcontractor with respect to any of the Work. Contractor has complete and sole responsibility as a principal for its agents and all others it hires to perform or assist in performing any of the Work. Without limiting the generality of the foregoing and for all purposes of this Agreement, including Article 5, Contractor shall be fully responsible for all acts, omissions, failures and faults of all Subcontractors as fully as if they were the acts, omissions, failures and faults of Contractor. If Contractor subcontracts any Work, each provision of this Agreement that applies to such Work, including provisions that apply to personnel performing such Work, shall be interpreted to mean that Contractor shall ensure that the Subcontractor for such Work shall comply therewith. Neither the exercise of this right by Contractor to subcontract nor any review and/or acceptance by Owner of any Subcontract or the acceptance of any Person as a Subcontractor shall in any way (i) reduce or limit the Liabilities of Contractor or increase the Liabilities of Owner or (ii) be raised as a claim or as a defense or counterclaim to any claim in connection with this Agreement.

(e) No Owner Privity with Subcontractors. Owner shall not be deemed by virtue of this Agreement to have any contractual obligation to, or, except as expressly provided in Section 3.4, any relationship with, any Subcontractor, and all Work shall be performed solely by Contractor and the Subcontractors.

3.4 Terms of Subcontracts.

(a) Each Subcontract with a Flowdown Subcontractor shall be in writing and, except in any Assigned Owner Equipment Contract, contain provisions: (i) obligating such Flowdown Subcontractor, if such Flowdown Subcontractor may receive access to any Owner Confidential Information, to protect, hold in confidence and restrict use of Owner Confidential Information upon terms substantially similar to the applicable provisions of this Agreement; (ii) as applicable, sufficient to ensure that Contractor has the right to grant the intellectual property rights, licenses and assignments that are granted to Owner herein and to transfer title to work product thereunder to Owner as required herein; (iii) giving Contractor an unrestricted right to assign such Subcontract and all benefits, interests, rights and causes of action arising under it to Owner, an Affiliate of Owner, an operator of the Facility or, if this Agreement is terminated as a result of a Contractor Default, any successor contractor for all or any portion of the Work, as designated by Owner; (iv) obligating such Flowdown Subcontractor to be bound to Contractor to the same extent Contractor is bound to Owner by the terms of this Agreement, as those terms may apply to the portion of the Work to be performed by such Flowdown Subcontractor; (v) providing Owner the benefit of all indemnification provisions contained in such Subcontract; (vi) providing that Owner will be an additional insured on all insurance policies required to be provided by such Flowdown Subcontractor, except workman's compensation and professional liability; (vii) containing warranties customary in the industry, but in any event no less favorable to Owner than the warranty requirements set forth in Article 14; (viii) naming Owner as a direct beneficiary of all warranties under such Subcontract; and (ix) identifying Owner as an intended third-party beneficiary of such Subcontract. At the request of Owner, Contractor shall provide Owner with copies of all warranties of each Subcontractor relating to any of the Work, and, notwithstanding the obligation of Contractor to name Owner as a direct beneficiary of all warranties under each Subcontract with a Flowdown Subcontractor, Contractor shall comply with any request by Owner upon the termination of this Agreement pursuant to Article 22 or prior to the expiration of the Correction Notification Period to assign the benefit of any Subcontractor warranty to Owner, an Affiliate of Owner, an operator of the Facility or, if this Agreement is terminated as a result of a Contractor Default, any successor contractor for all or any portion of the Work, as designated by Owner or otherwise to assist Owner to realize upon the benefits of such warranty.

(b) If any Subcontractor (other than a Flowdown Subcontractor) may receive access to any Owner Confidential Information or is obligated to provide any Documentation, then the Subcontract with such Subcontractor shall be in writing and shall contain provisions, which Contractor shall not waive, release, modify or impair, (i) obligating such Subcontractor under such Subcontract to protect, hold in confidence and restrict use of such Owner Confidential Information upon terms substantially similar to the applicable provisions of this Agreement; and (ii) sufficient to ensure that Contractor has the right to grant the intellectual property rights, licenses and assignments that are granted to Owner herein and to transfer title to the Documentation thereunder to Owner as required herein.

3.5 Diverse and Local Suppliers. Contractor shall adopt and utilize a subcontracting plan (a) to use Subcontractors who meet the description of at least one of the categories of diverse suppliers set forth at <https://www.duke-energy.com/partner-with-us/suppliers/supplier-diversity> ("**Diverse Suppliers**") and (b) to use Subcontractors that have headquarters or branches within the State, including but not limited to Robeson County and its surrounding counties ("**Local Suppliers**"). Contractor shall (i) use

commercially reasonable efforts to utilize Diverse Suppliers and Local Suppliers and (ii) provide Owner a quarterly status report in Owner's reporting tool and in a format reasonably acceptable to Owner containing Contractor's Diverse Supplier and Local Supplier spend. Owner's designated auditors shall have the right of access during normal business hours to inspect Contractor's records related to compliance with this Section.

4. CONTRACTOR RESPONSIBILITIES

4.1 Performance of Work. Contractor shall diligently, duly and properly perform and complete the Work and its other obligations under this Agreement in accordance with, and ensure that all Work shall conform to all requirements of, all applicable Laws, this Agreement and Prudent Industry Practice. If any re-Work is required in order to conform the Work to the requirements of this Agreement or in order to achieve Substantial Completion, Contractor shall perform such re-Work as and when required by Owner without compensation. Contractor shall be responsible, at its own cost, for all construction means, methods, techniques, sequences, procedures, safety and quality assurance, and quality control programs in connection with the performance of the Work. Without limiting the generality of the foregoing, Contractor shall execute the entire Work in a manner that will enable Contractor to achieve Mechanical Completion no later than the Key Contractor Schedule Milestone Date for Mechanical Completion, Substantial Completion no later than the Guaranteed Substantial Completion Date and Final Completion no later than the Key Contractor Schedule Milestone Date for Final Completion.

4.2 Equipment. Contractor shall design and construct the Facility (other than Owner Equipment) and install the Equipment and Owner Equipment on an engineering and construction basis pursuant to this Agreement, which shall include providing all necessary civil, structural, mechanical, and electrical engineering services, all control equipment necessary for the design, construction and operation of the Equipment, the installation of the Owner Equipment, all interconnections set forth in the Scope of Work, and all equipment not specifically described in the Scope of Work (other than Owner Equipment) but which is customary or necessary to meet the requirements of the Scope of Work and the Performance Guarantees. All Equipment shall successfully operate and function in the manner represented by Contractor in accordance with its intended and express purpose as set forth in this Agreement and shall be new and of industry accepted quality. Any Equipment for which neither this Agreement nor Owner provides specifications shall be of industry accepted quality and suitable for the purpose for which it will be used in the operation of the Facility, consistent with the design basis set forth in Exhibit A. All Equipment shall be subject to such tests as Owner may reasonably require at the place of manufacture, fabrication or preparation, or at the Site or at such other place or places as may be mutually agreed upon by the Parties, including any place of a Subcontractor or an independent third party. Owner shall at all reasonable times have access to the Site and to all workshops and places where Equipment is being manufactured, fabricated, prepared or stored. Contractor shall provide Owner a reasonable opportunity to be present for any tests of any Equipment or, if in the possession or control of Contractor, Owner Equipment, including any place of a Subcontractor or an independent third party. Contractor shall provide such assistance, labor, electricity, fuels, stores, apparatus and instruments as are reasonably required for examining, measuring and testing any Equipment and Owner Equipment in accordance with the Scope of Work (other than specialty tools as listed in Owner Equipment Contracts) before incorporation into the Facility. Contractor shall arrange, and pay, for complete handling of all Equipment and Construction Equipment, including inspection, expediting, shipping, loading, unloading, customs clearance, receiving, storage, preventative maintenance (in accordance with the Scope of Work) and claims.

4.3 Local and Site Conditions.

(a) Contractor acknowledges that it has had access to and has inspected the Site and the area in the vicinity of the Site and acknowledges that the characteristics of the Site and its vicinity are sufficient for, and will not hinder, the performance of the Work. Without limiting the generality of the foregoing, Contractor represents and warrants that it has taken all steps reasonably necessary in accordance with Prudent Industry Practice to ascertain the nature of the Work and the location at which the Work will be performed or provided and that it has investigated and satisfied itself in accordance with Prudent Industry Practice as to the general and local conditions that can affect the Facility, the Site or the performance of the Work (collectively, the “**Site Conditions**”), including: (a) conditions bearing on access, egress, transportation, underground utilities and whom to contact before any excavation is done, waste disposal, handling, lay down, parking and storage of materials; (b) the availability of water, electric power, other utilities and roads needed for the Work; (c) uncertainties of weather, climatic conditions and seasons (with the exception of those falling within the definition of Force Majeure); (d) topography, boundaries, layout grades and elevations at the Site; (e) any physical condition of the surface or subsurface of the Site; (f) easements, rights of way and setbacks; (g) generally prevailing and seasonal climatic conditions; (h) labor supply and costs; (i) availability and cost of materials, tools, and equipment; (j) the potential existence of detrimental, obstructing or hampering subsurface conditions; (k) the character of equipment and facilities needed for the performance of the Work and the operation of the Facility; and (l) any other business operations or other activities, whether or not seasonal, in the surrounding area, including any schools or day cares; provided that Contractor and Owner have listed particular items related to the Site Conditions in the Scope of Work that, as of the Effective Date, are not fully detailed or resolved, and that may be subject to a Change Order as set forth herein should such items change. Contractor hereby accepts, and shall bear the risk for all of, the Site Conditions that are patent, discovered or discoverable through the exercise of Prudent Industry Practice. Owner shall not be obligated to adjust either the Contract Price or the Baseline Schedule to compensate for any costs or delays incurred as a result of Site Conditions; however, the Parties may agree to a change order adjusting the Contract Price or the Baseline Schedule for any such Site Conditions.

(b) If Contractor encounters any subsurface Site Conditions that, by applicable Law or Prudent Industry Practice, are not to be disturbed, Contractor shall stop the impacted Work, erect protective fencing and immediately (and in any event within 24 hours of such encounter) notify and seek direction from Owner. All fossils, coins, articles of value or antiquity and all other items of geological, archaeological, historical, religious, cultural or similar interest discovered at the Site shall, as between Owner and Contractor, be deemed to be the absolute property of Owner. Contractor shall prevent all Contractor Persons from removing or damaging any such item. The parties may mutually agree to schedule or cost relief as a result of such subsurface Site Condition. Notice of such subsurface Site Condition, together with a detailed written report substantiating such subsurface Site Condition, shall be given to Owner within two (2) Business Days of encountering or discovering such subsurface Site Condition.

4.4 Verification. Unless otherwise specified in writing, in the performance of its obligations under this Agreement, Contractor shall be entitled to rely on the accuracy of all information relating to Owner Equipment provided by (or through) Owner, provided that Contractor has no reasonable cause to believe that such reliance might be unwarranted. If Owner so specifies that Contractor shall not rely upon information that Owner has provided, then such information (including specifications, designs, geotechnical reports and other data) is provided on an “AS IS” basis without any representation or warranty whatsoever, and Contractor has accepted, and will continue to accept, all such other information on that basis. Contractor shall be responsible for independently verifying all such other information on

which Contractor relies in any way. Without limiting the generality of the foregoing, Contractor shall independently verify the adequacy and accuracy of any designs included in such other information pursuant to which Contractor shall perform any Work, including all dimensions, elevations and quantities indicated therein. Contractor shall promptly notify Owner in writing of any discrepancy, contradiction or ambiguity in any such other information or between this Agreement and any such other information, or any discrepancy between such other information and the conditions at the Site, or any error in such other information, which Contractor may discover in the course of the Work. Failure by Contractor to independently verify all such other information shall be at Contractor's sole risk, and Owner shall have no Liability hereunder in respect thereto. The fact that Owner has provided or will provide any such other information shall not modify or reduce Contractor's obligations under this Agreement.

4.5 Work Components.

(a) Design and Engineering. Prior to the Effective Date and without limiting Section 4.4, Contractor shall have scrutinized, and satisfied itself as to the adequacy of, the specifications contained in the Scope of Work (including design criteria and calculations, if any) and Site Conditions for completion of the Work. Contractor shall at its own expense design and provide engineering services with respect to the Project in a manner that shall be:

- (i) consistent with the actual conditions existing at the Site;
- (ii) consistent with the requirements set forth in the Scope of Work, including the design levels specified in the specifications contained therein;
- (iii) consistent with and satisfy the requirements of all applicable Permits and Owner Policies;
- (iv) sufficient, complete and adequate in all respects necessary to enable the Facility (A) to satisfy all conditions for achievement of Mechanical Completion by the Key Contractor Schedule Milestone Date for Mechanical Completion, (B) to satisfy all conditions for achievement of Substantial Completion, including the Performance Guarantees (assuming that the Owner Equipment performs in accordance with its specifications), by the Guaranteed Substantial Completion Date, and (C) to satisfy all conditions for achievement of Final Completion, including passing the Demonstration Tests (assuming that the Owner Equipment performs in accordance with its specifications), by the Key Contractor Schedule Milestone Date for Final Completion; and
- (v) in conformance with all requirements of the Scope of Work, applicable Law and Prudent Industry Practice.

Contractor shall be solely responsible for the design of the Facility (other than the design of the Owner Equipment) and for the accuracy of the specifications contained in the Scope of Work (other than the specifications of the Owner Equipment). Contractor shall engage duly licensed design professionals, approved by Owner and in good standing before the applicable state licensing board, to perform all Services required to be performed by such professionals pursuant to applicable Law. Contractor shall prepare working drawings and specifications setting forth in detail the requirements for the construction of the Facility in accordance with this Agreement (the "**Design Documents**"). The Design Documents shall include equipment specifications, all required civil works and Facility structures, permits, drawings, schedules, models and computer generated documents, electronic models or other information and data developed by Contractor which describe in detail any aspect or component of the Facility through each

phase of development. All dimensions shall be specified in the primary system of weights and measures (other than the metric system) used in the U.S. today. Contractor shall submit the Design Documents identified in the Scope of Work for Owner's review, and Owner shall complete its review of, and provide any comments to Contractor with respect to, the Design Documents within [**] Business Days [**] of receiving such Design Documents from Contractor. Contractor shall have the obligation to mark such Design Documents as directly affecting the critical path of the Baseline Schedule or otherwise notify Owner, in writing, of such designation, and Owner shall have the opportunity to contest such designation if it believes the designation is inappropriate. If Owner does not provide Contractor comments to any such Design Documents within such [**]-Business Day period, such Design Documents shall be deemed reviewed without comment. If Owner provides Contractor comments to any such Design Documents within such [**]-Business Day period, and Contractor accepts all such comments, then Contractor shall promptly revise accordingly and issue such Design Documents and provide Owner a copy of such revised Design Documents. Owner shall be entitled, but not obligated, to review and comment on all other Design Documents not identified in the Scope of Work. Contractor shall resolve all of the comments presented by Owner. If Contractor determines not to make any revision requested by Owner, Contractor shall provide Owner with a written explanation therefor within five (5) Business Days of such request by Owner. Each of the Parties shall endeavor to cooperate with the other in good faith such that the process of reviewing, editing, revising, correcting and finalizing Design Documents requiring Owner review is as efficient as reasonably possible. Accordingly, Contractor shall endeavor to refrain from submitting to Owner for review Design Documents in such volume, state of completeness or complexity that will make it difficult for Owner to complete its review within the applicable time period. Contractor shall ensure that all Design Documents undergo a comprehensive, independent in-house review and approval process before their submission to Owner. Without limiting the foregoing, Contractor shall in any event comply with the Document Controls Requirements. Notwithstanding the foregoing, no review, comment or approval, or failure to review, comment or approve, by Owner or Owner's Engineer of any Design Document pursuant to this Section shall relieve Contractor from any obligation or responsibility under this Agreement and Contractor remains solely responsible for the accuracy and completeness of the Design Documents. Once any Design Document is released for final design/construction or otherwise not marked "preliminary", Contractor shall be bound to the design set forth in such Design Document and Contractor will be liable to Owner, and Owner shall be entitled to backcharge Contractor, for any additional, actual costs to Owner that result from any design changes subsequent to issuance of such Design Document arising from or caused by Contractor's failure to comply with this Agreement including any changes required to Owner Equipment as a result thereof. Without limiting the foregoing, Contractor acknowledges and agrees that, although Owner may have prepared initial design drawings, if any such initial design drawings were prepared, Contractor has reviewed and inspected them to its satisfaction prior to executing this Agreement and shall be solely responsible for the design of the Project and for the accuracy of the specifications contained herein.

(b) Procurement.

(i) Contractor shall be responsible for the procurement of any materials and equipment required for the Project (other than Owner Equipment) and for ensuring that materials and equipment (other than Owner Equipment), and quantities thereof, are sufficient to complete the Project, including spare parts for start-up, testing and commissioning (other than spare parts for Owner Equipment). A preliminary list of recommended spare parts (including pricing and length of time that such pricing is held firm) that, in accordance with Prudent Industry Practices, are recommended to be held at Substantial Completion for the ongoing operations and maintenance of the Facility (other than Owner Equipment) is included in the Scope of Work (the "**Spare Parts List**"). Contractor shall update and amend the Spare Parts List (including

pricing and length of time that such pricing is held firm) and shall provide a final version of the Spare Parts List to Owner no later than one hundred twenty (120) Days prior to the then anticipated Substantial Completion Date. Contractor shall purchase the quantity and type of spare parts from such Spare Parts List as Owner may request in writing. So long as Owner has provided such purchase instructions in a timely manner as required by such Spare Parts List, Contractor shall ensure that such ordered spare parts are delivered to the Site and properly stored in accordance with the requirements hereunder, the spare part(s) supplier's requirements and Prudent Industry Practice prior to Substantial Completion. Contractor shall be entitled to invoice Owner pursuant to Article 9 for its out-of-pocket costs in making such purchase after receipt of an invoice therefor from the vendor for such spare parts, it being understood that the invoiced costs shall not exceed the actual out-of-pocket cost, without mark-up, of purchasing such spare parts. All spare parts shall be new and supplied in their original packaging, which shall indicate the contents of such packaging. Owner reserves the right to purchase directly from each vendor included in the Spare Parts List, and Contractor shall take such actions as necessary for each such vendor to agree to sell to Owner, the spare parts noted on the Spare Parts List to be provided by such vendor at the pricing set forth thereon.

(ii) If requested by Owner, Contractor shall purchase from Owner's preferred suppliers ("**MRO Suppliers**") all MRO Supplies that are used by Contractor in completing the Work. When purchasing MRO Supplies, Contractor shall notify the MRO Supplier that the MRO Supplies are being purchased for the Project. Owner shall provide Contractor with contact information for such MRO Suppliers upon request.

(c) Project Management. Contractor shall provide all managerial and supervisory labor, with necessary experience and skills, and technology to manage and supervise adequately all Work. Contractor shall fully cooperate and coordinate all activities on or relating to the Project with Owner and Owner's representatives and other contractors.

(d) Technical Assistance for Start-up, Commissioning and Testing. Contractor shall provide all technical assistance requested by Owner to support Owner in the start-up, commissioning and testing of the Facility.

4.6 Delivery of Documentation. Contractor shall supply to Owner physical and electronic copies of all Documentation as and when required by this Agreement. Contractor shall submit all Design Documents to Owner in accordance with the Document Controls Requirements. If this Agreement does not indicate the date by which any Documentation shall be delivered to Owner, such Documentation shall be delivered to Owner in ample time for Owner to review and discuss such Documentation with Contractor before such Documentation is needed for procurement, construction or other aspects of the Work (or for Owner to perform its obligations hereunder), but in any event prior to or concurrently with Substantial Completion. With respect to any Documentation delivered to Owner prior to Substantial Completion, to the extent any corrections, improvements, enhancements or other changes to such Documentation were incorporated after the prior delivery thereof to Owner, Contractor shall re-deliver to Owner such Documentation at Final Completion, including As-Built Drawings, with any such corrections, improvements, enhancements and changes to such Documentation included and such Documentation shall be the then-current revision thereof or on an "as-built" basis as of Final Completion. With respect to any Documentation delivered to Owner prior to Substantial Completion to which no corrections, improvements, enhancements or changes were made after the prior delivery thereof to Owner, Contractor shall notify Owner of such Documentation and certify that such Documentation is in final form as of Final Completion. Contractor shall provide Owner, at no additional cost, any

corrections to errors discovered by Contractor or Owner in the Documentation during the Correction Notification Period. Contractor shall promptly notify Owner of the discovery of any such errors. In all cases, Contractor shall comply with Owner's Document Control Requirements in respect to all Documentation.

4.7 Current Records; Record Drawings. Contractor shall maintain in good order at the Site, and at all times give Owner access to, a copy of each of the "approved for construction" working specifications and drawings (including any available As-Built Drawings) applicable to the Work, the Facility or the Site marked currently to record all changes and modifications made during construction. Anything mentioned in the specifications and not shown on the drawings or shown on the drawings and not mentioned in the specifications, shall be of like effect as if shown or mentioned in both. The drawings shall reflect exact and actual "as-built" conditions of construction, installation, and erection as it progresses. Where drawings are not adequate to show "as-built" conditions, Contractor shall prepare sketches which delineate the necessary "as-built" information. At or prior to Final Completion, Contractor shall have delivered to Owner one set of reproducible As-Built Drawings for the Facility in native format and turned over to Owner all specifications and drawings maintained by Contractor at the Site.

4.8 Cooperation. Contractor hereby acknowledges that, although the Work represents the largest portion of the work required for completion of the entire Project, the Work is only a portion of the work required for the completion of the entire Project and that the completion of the Project will also require coordination and cooperation with other contractors, lenders, regulators and other parties, including suppliers of Owner Equipment. As such, Contractor shall provide good faith, prompt and courteous cooperation, coordination and collaboration with lenders, contractors, subcontractors, regulators and other Persons, including Owner and the suppliers of Owner Equipment, as requested by Owner in order to permit the safe, successful and timely completion of the Project. Contractor also acknowledges that Owner is entering into this Agreement in material reliance on the agreement by Contractor to provide such good faith, prompt and courteous cooperation, coordination and collaboration. Without limiting the generality of the foregoing, Contractor shall, expeditiously and acting in good faith, (a) meet from time to time with such Persons in connection with the implementation of the Project as may be requested by, or on behalf of, Owner, (b) provide reasonable and customary technical assistance and personnel and share such information, subject to reasonable confidentiality restrictions, as may be necessary or prudent for the successful and timely completion of each Person's work in respect of the Project and the proper implementation of the Project as a whole, and (c) avoid unnecessary delays or interference in the Work and the coordination and collaboration with other Persons involved in implementing the Project. By way of example and without charge, Contractor shall (i) provide timely and complete responses to reasonable design and engineering documentation requests from Owner Persons as may be prudent to perform integrated design and construction activities and (ii) provide assistance to Owner Persons during the start-up, commissioning and Performance Testing of the Work.

4.9 Quality Assurance Plan. Contractor shall be responsible to Owner for design and construction quality. Contractor shall develop, implement and maintain a written plan for quality assurance of the Work (the "**Quality Assurance Plan**"), which shall include: work safety; security at the Site; fitness for duty; management and control of the design, engineering, procurement, fabrication and construction services; management and control of Subcontractors; and such other matters as Owner may reasonably request. The Quality Assurance Plan shall conform to and meet Owner Policies and the requirements of all applicable Laws and Prudent Industry Practice. Contractor shall deliver its proposed Quality Assurance Plan to Owner within thirty (30) Days after the Effective Date for Owner's review and comment, and Contractor shall thereafter incorporate Owner's comments therein, including any required

witness points. Following Owner's review of and comment to such proposed Quality Assurance Plan, Contractor shall have the right to rely on the Quality Assurance Plan as revised in accordance with Owner's comments in performing the Work. Contractor shall require all Subcontractors to comply with the Quality Assurance Plan, and Contractor shall require all Flowdown Subcontractors to establish, implement and maintain appropriate quality assurance and quality control programs consistent with the Quality Assurance Plan and this Agreement with respect to their respective portions of the Work. To the extent the approved Quality Assurance Plan requires Owner to execute any forms, checklists, certificates or other similar documents indicating Owner's verification, approval, acceptance, or acknowledgement of a particular Contractor process, method, requirement, activity or other course of action in completion of the Work, no such execution by Owner shall be deemed to be a warranty or acceptance by Owner with respect to such Work or relieve Contractor from any obligation or responsibility under this Agreement and Contractor shall remain solely responsible for the complete and proper completion of such Work in accordance with this Agreement. Contractor shall provide Owner and its employees, agents, representatives and invitees with reasonable access to the Work wherever located for observation and inspection, including auditing of all activities for conformance with the requirements of the Quality Assurance Plan and this Agreement. Inspections and audits of Flowdown Subcontractors will be coordinated with Contractor.

4.10 Examinations and Repair Work.

(a) For those parts of the Work, including foundations, for which Owner has a witness point, Contractor shall give no less than ten (10) Days prior written notice to Owner whenever any such part of the Work is ready for witnessing by Owner and Owner shall, without unreasonable delay, attend (or inform Contractor that it is unnecessary for it to attend) for the purpose of inspecting such part of the Work. No part of such Work shall be covered up or put out of view without affording Owner a reasonable opportunity to inspect such Work. If Owner fails to witness such part of the Work for which Contractor has provided proper notice as provided herein within such ten (ten) day period, then Contractor may proceed with covering up or putting out of view such part of the Work.

(b) Contractor shall be responsible for correcting, at its cost, all Defects discovered prior to the commencement of the Correction Notification Period, at which time the provisions of Article 14 shall control, and for otherwise responding, at its cost, to all corrective action requests issued by Owner.

(c) If, following discovery of defective workmanship or materials in any part of the Work, Owner has reasonable grounds to suspect that further parts of the Work may be similarly defective, Contractor shall, at the request of Owner and at Contractor's cost, provide Owner clear evidence that such other parts are not defective to the reasonable satisfaction of Owner or shall uncover such further parts of the Work or make further openings, in or through the same, and Contractor shall inspect and repair, if necessary, any such parts.

(d) Contractor shall be responsible for all cutting, fitting and patching which is required to complete the Work or to make its parts fit together properly. Contractor shall restore to a completely finished, equivalent to new condition all areas requiring cutting, fitting and patching.

4.11 Tests Generally.

(a) The cost of conducting any test related to the Work, including destructive and non-destructive examinations, shall be considered part of the Contract Price unless such test is clearly intended by or provided for in this Agreement as being the responsibility of Owner, in which case such cost shall be borne by Owner. If the results of any such test indicate that the applicable Work does not conform to the requirements of this Agreement (including the Scope of Work and Prudent Industry Practice) and Owner has reasonable grounds to suspect that any other similar Equipment or workmanship may not conform to the requirements of this Agreement (including the Scope of Work and Prudent Industry Practice), Owner may require Contractor, at Contractor's cost, to carry out further tests, which in the reasonable opinion of Owner are necessary to verify that such other similar Work conforms to the requirements of this Agreement (including the Scope of Work and Prudent Industry Practice). Owner will reimburse Contractor its actual and verifiable costs for such additional testing for other similar Work or Equipment if the results reveal that the Equipment or Work does conform to the requirements of this Agreement.

(b) Any test performed by Contractor (or any Subcontractor) in its shop or in the field shall be done utilizing tools, gauges, instruments, and other measuring devices that are properly controlled and calibrated or adjusted to a known standard. If a known standard does not exist, a written calibration procedure will be developed indicating how calibration was obtained. Records of calibrations and calibration dates for test equipment shall be maintained by Contractor (or its Subcontractors). These records shall include date tested, next due date and standard used.

(c) If Contractor completes any portion of the Work prior to any inspection or test which was timely requested by Owner's Project Manager and mutually agreed to in advance or required by the Scope of Work, so as to render inspection or testing impossible or more difficult, the cost of uncovering and replacing the Work shall be borne by Contractor unless Owner's Project Manager was absent at the agreed time and location. Failure on the part of Owner to refuse or reject Work prior to acceptance of or payment for the Work shall not bar Owner at any time prior to expiration of the Correction Notification Period from requiring the Work to be corrected.

4.12 Temporary Equipment. Contractor shall provide all Construction Equipment reasonably necessary or appropriate for, and replace as needed any Construction Equipment used during, performance of the Work.

4.13 Stop Work Orders. Owner reserves the right to require Contractor (verbally or in writing) to stop performance of all or any portion of the Work (a "**Stop Work Order**") if conditions arise that: (i) cause, or could reasonably be expected to result in, danger or damage to person or property, including the Facility, any Equipment at the Site or the Owner Equipment, (ii) prevent, or could reasonably be expected to prevent, Owner from exercising its inspection or audits rights hereunder, (iii) endanger, or could reasonably be expected to endanger, safe operations at the Site, or (iv) otherwise interfere with the prudent operation of the Facility or other activities in the vicinity of the Site. Contractor shall take prompt corrective actions to resolve such conditions identified by Owner prior to Contractor's resumption of its performance of such stopped Work. To the extent practical prior to Owner's exercise of such right or as soon as practical after a verbal Stop Work Order is given, Owner shall formally notify Contractor in writing of the reason for stopping such portion of the Work and the expected conditions under which such portion of the Work may resume. Examples of significant conditions that may result in stopping Contractor's performance of a portion of the Work include the following items which are not intended to be all inclusive:

- (a) documented lessons learned indicate that Contractor's continued performance of such portion of the Work would result in a nonconformance that could not be corrected to the condition required hereunder or would require extensive or excessive time and retrofit, repair or rework to correct;
- (b) Contractor has not established or implemented required controls in accordance with the Quality Assurance Plan;
- (c) Contractor is performing such portion of the Services in violation of a requirement hereunder;
- (d) Contractor is using nonconforming materials, which Contractor has not corrected and such nonconforming materials have not been approved or conditionally released;
- (e) Contractor is using drawings, procedures or instructions that require prior approval, which has not been received, have not been conditionally released, are out of date, or are not in accordance with this Agreement;
- (f) drawings, procedures or instructions authorized to control such portion of the Work in progress are not available at the Site; or
- (g) such portion of the Work is being performed by Persons who are not qualified pursuant to the requirements hereunder.

Contractor shall not be entitled to an adjustment to the Baseline Schedule, the Contract Price or any other provisions of this Agreement as a result of a Stop Work Order unless such Stop Work Order is solely caused by Owner or a third party who is not a Contractor Person; and in such event, the Parties may mutually agree upon any such adjustments to the Baseline Schedule or Contract Price.

4.14 Utility Use; Office Space. From the Effective Date until Final Completion, Contractor shall be responsible in connection with its scope of Work to maintain and pay for all temporary construction utilities (including interconnection arrangements with such utilities) required to perform the Work, including electricity, fuel, communication systems for Contractor's temporary office facilities, potable water, and non-hazardous construction waste disposal and wastewater disposal. Owner shall provide natural gas to Contractor, subject to Contractor's obligations to pay for all such natural gas provided, as described above. Contractor shall provide Owner's representatives and other contractors with office space, including all utilities, potable water, internet, heating, ventilation and air conditioning, contemporaneously with the existence of Contractor's Site offices, which office space shall be subject to the reasonable approval of Owner and be in compliance with any requirements therefor in the Scope of Work. Contractor shall properly maintain such offices and shall employ sufficient personnel to clean each such office each working day that such offices are used. Contractor shall be responsible for paying all utility deposits and charges, other than telephone charges related to calls made by Owner's representatives, but including charges relating to use of the internet by Owner's representatives and other contractors, related to such offices for Owner.

4.15 Interference with Traffic and Community Relations.

(a) Contractor shall carry out the Work so as not to interfere or disturb unnecessarily or improperly with (a) Owner's or any other Person's operations at or in the vicinity of the Site, (b) those living or operating any business in the vicinity of the Site, or (c) access to, use of or occupation of public

or private roads, bridges, footpaths or properties in the possession of Owner or any other Person. Contractor shall communicate with, and ascertain the requirements of, all Government Authorities in relation to vehicular access to and egress from the Site and shall comply with any such requirements. Contractor shall be deemed to have satisfied itself as to, and shall be fully responsible for, the routing for delivery of heavy or large loads to the Site so as to satisfy any requirements of Government Authorities with respect thereto.

(b) Contractor shall assist Owner with managing an ongoing community/media relations strategy, such strategy to be developed in partnership with Owner to support the overall success of the Project including within the general community at or in the vicinity of the Site. In each case, Contractor shall obtain express prior written approval from Owner before making any public statements or issuing news or photographic releases or similar public communications related to the Project or Work. Contractor shall have a qualified representative to manage such community/media relations strategy on its behalf. Furthermore, Contractor shall have a qualified representative available to respond 24/7 to emergency situations which require handling public, media and community relations needs. Non-emergency requests must be addressed as quickly as reasonably practicable; generally within a few hours in order to honor media cycles.

4.16 Transportation Costs. Contractor shall arrange and pay for all transportation, importing, exporting, storage and transfer costs incurred in connection with the Work, except for such costs for delivery of Owner Equipment by the supplier thereof to the Site, which costs shall be paid by Owner. Contractor is responsible for assuring that the shipments are suitably packaged, sealed and protected to ensure against damage from handling during transit, storage and transportation by the shipping method to be used. All wood material used by Contractor (or any Subcontractor) in packaging, bundling or dunnage that will be subject to international trade/transit shall comply with the requirements set forth in the latest version of the International Plant Protection Convention's ISPM 15 related to the regulation of wood packaging material in international trade. Each shipment shall be unloaded by Contractor at Contractor's expense, including any demurrage charges. Where the laydown area is located at an Owner-owned or leased Site, then, unless otherwise approved by Owner in writing, Contractor shall limit truck deliveries to such laydown area in a manner generally consistent with Prudent Industry Practice and the unloading resources at such laydown yard. In the event a transportation accident that is not caused or contributed to by, or otherwise attributable to Contractor and/or a Contractor Person, and that was unforeseeable, unavoidable and outside the control of Contractor and/or Contractor Person, and that actually causes a delay in the shipment of the Equipment, then Contractor shall be entitled to seek a Change Order pursuant to Article 10.

4.17 Required Manuals. Contractor shall prepare and deliver to Owner the Required Manuals in accordance with the Scope of Work.

4.18 Use of Site. Contractor shall confine its operations at the Site to areas permitted by applicable Laws, this Agreement, including the Exhibits, Owner Permits, Contractor Permits, and Owner Policies. Contractor shall confine operations at the Site to areas permitted by applicable Laws and any site use plans developed by the Parties, and shall not unreasonably encumber the Site with materials or equipment. Contractor shall not interrupt utility service to neighboring properties. Contractor shall not encroach upon neighboring property for storage of materials or any other reason, nor shall any Contractor Workers be permitted on said properties without written permission of the neighboring property owners. Contractor shall use best practices in scheduling, coordination, signage and signals as to limit impact of construction to neighboring properties, and shall endeavor to perform all Work during normal business hours. Contractor shall not display, install, erect or maintain any advertising or other signage at the Site

without Owner's prior written approval, other than temporary signs and notices required by applicable Laws, related safety or work rules, site identification, or used to solicit persons for the performance of the Work. Until Contractor is required to demobilize from the Site, Contractor (a) shall provide Owner and the suppliers of Owner Equipment with the space, utilities and amenities at the Site described in the Scope of Work, (b) shall provide an adequate supply of drinking and other water at the Site for the use of all Persons at the Site and (c) shall provide temporary sanitary facilities (and properly dispose of all sewage therefrom) during performance of the Work.

4.19 Control of Work; Site Security; Access to Work.

(a) Contractor shall have care, custody and control over the Site until Substantial Completion. Contractor shall provide all necessary security for the Site, including a suitable fence to the extent necessary to protect the Site, Equipment, Owner Equipment, Construction Equipment and all Persons at the Site, and shall be responsible for the prohibition and prevention of access and entrance to the Site by all unauthorized Persons. Contractor shall be responsible for any Equipment or Owner Equipment that is lost, damaged or destroyed during the period in which Contractor has risk of loss as provided herein. Contractor shall strictly control the admission of Persons to all Work areas at the Site (and, within the Site, the freedom of movement and access) and no such Person (other than the employees, officers or directors of the Parties or their respective Affiliates) who is not required for the performance or supervision of the Work shall be admitted without the prior approval of Owner (such approval not to be unreasonably withheld or delayed).

(b) Contractor shall provide Owner and such of the Owner Persons and other invitees as Owner may request with reasonable access to the Work, whether located at the Site or off-Site, for observation and inspection, including (i) inspecting the condition and progress of fabrication, production, or prototyping of Equipment prior to the delivery thereof and (ii) auditing of all activities for conformance with the requirements of Contractor's quality assurance program and all requirements of this Agreement; provided, however, that Contractor may provide, and Owner and such other Person being given such access shall accept, an escort or other safety measures that Contractor reasonably deems necessary.

(c) Contractor shall not establish any commercial activity or issue concessions or permits of any kind to any Person for establishing commercial activities on the Site. Contractor shall not, and shall not permit any Contractor Worker to, bring any firearms or weapons of any type upon the Site or any other property owned or controlled by Owner or its Affiliates. Further, Contractor shall not permit or tolerate the introduction or use of intoxicating liquor, narcotic drugs, gambling or gambling paraphernalia at the Site or any other property owned or controlled by Owner or its Affiliates by any Contractor Worker or during the performance of the Work. Any such Person found engaging in such activities shall be removed and permanently barred by Contractor from the Site and any other property of Owner or its Affiliates.

4.20 Permits and Approvals. Contractor shall be responsible for obtaining, renewing and maintaining all permits, licenses, approvals and certifications customary required by applicable Law as necessary for Contractor to clear, demolish, grade and prepare the Site, and engineer, detail, fabricate, furnish, deliver, unload, store, erect, install, construct, inspect and otherwise perform the Work (collectively, the "**Contractor Permits**"). At least ten (10) Days prior to an application by Contractor for any Contractor Permit, Contractor shall give to Owner a copy of such application. If Owner objects to such application, Contractor and Owner shall discuss in good faith alternate language for such application or an alternate, mutually acceptable method to achieve compliance without such Contractor Permit. Contractor shall promptly provide Owner with copies of all such Contractor Permits upon obtaining such Contractor

Permits. Contractor shall provide Owner with reasonable assistance and documents in connection with Owner's efforts to obtain the Owner Permits. Contractor represents that, to the best of its knowledge, the Contractor Permits listed in Appendix U to Exhibit A as the responsibility of Contractor are the sole Contractor Permits. Upon Contractor's request, Owner shall provide Contractor reasonable cooperation and assistance in obtaining and maintaining Contractor Permits.

Subject to Article 11, Owner and Contractor may mutually agree to a Change Order for any Contractor Permit (or Owner Permit that Owner requests Contractor to obtain on its behalf) not included in Appendix U to Exhibit A before the Effective Date but required for the Work due to a Change in Law after the Effective Date.

4.21 Project Controls Requirements; Meetings.

(a) Contractor shall comply with the Project Controls Requirements.

(b) From the Effective Date until the Final Completion Date, Contractor shall attend and participate in regular meetings with Owner which shall occur monthly (or upon such other more frequent interval as Owner may reasonably request) for the purpose of discussing the status of the Work, identifying any areas of concern regarding Contractor's performance of the Work, and anticipating and resolving any other problems ("**Progress Meetings**"). The Progress Meetings may also include, at the request of Owner, consultants and other Persons. Contractor shall prepare and deliver to Owner within seven (7) Days after each meeting (i) written minutes of the meeting and (ii) if reasonably requested by Owner, a written action plan that describes the actions Contractor will take to address any areas of concern identified in such Progress Meeting; provided, however, that the publication or distribution of such minutes or action plan shall not constitute a permitted basis for providing notice, or otherwise asserting claims, under this Agreement by either Party. No implication whatsoever shall be drawn as consequence of a failure by Owner to comment on or object to, or the approval by Owner of, any minutes or action plan prepared or distributed by Contractor. Unless otherwise mutually agreed, Contractor's Site Representative shall attend all Progress Meetings after Contractor mobilizes to the Site. In addition to the above monthly Progress Meetings, Contractor shall hold regularly scheduled (but not less frequently than weekly during construction) status or scheduling meetings with the appropriate Subcontractors, and Owner shall have the right, but not the obligation, to attend and participate in such weekly status or scheduling meetings.

4.22 Training Program. Contractor shall, as part of the Work, coordinate one or more training courses for Owner's plant operating personnel designated by Owner in its discretion, which training courses shall cover the entirety of the Facility, including the Owner Equipment, provided that Contractor shall coordinate training in respect to Owner Equipment with the suppliers thereof. The training courses shall be designed and administered by Contractor (with content regarding Owner Equipment being supplied by the suppliers thereof) in accordance with the Scope of Work. Training course content shall cover, at a minimum, the following topics: (a) the testing of each item of operating Equipment and Owner Equipment; (b) the start-up, operation and shut-down of each item of operating Equipment and Owner Equipment during normal and emergency modes; (c) the performance of routine, preventative and emergency maintenance for each item of operating Equipment and Owner Equipment; (d) recommended spare parts to be maintained for each item of operating Equipment and Owner Equipment, and their installation and removal; and (e) all other topics required by the Scope of Work. Contractor shall submit all training materials for review and approval by Owner in accordance with, and by the schedules outlined in, the Scope of Work. Contractor-supplied training shall be provided in order to

support Owner's overall plant operator training plan and shall be concluded prior to Substantial Completion.

4.23 Housekeeping; Demobilization. Contractor shall keep the Site and surrounding area adjacent to where the Work is performed free from waste materials, rubbish, debris and other garbage, including liquid and non-liquid materials whether spilled, dropped, discharged, blown out or leaked. Contractor shall employ adequate dust control measures and utilize reasonable waste reduction and recycling techniques at the Site. Promptly after Substantial Completion and prior to the Final Completion Date, Contractor shall remove from the Site and its surrounding area all Construction Equipment, waste materials, rubbish, debris and other garbage, and shall otherwise leave the Facility, the Site and its surrounding area in a neat and clean condition. If Contractor fails to perform the foregoing services within ten (10) Days following Owner's written notice of such failure, Owner may perform such services and backcharge Contractor for its costs in performing such services.

4.24 Owner Tools. All tools and equipment furnished by Owner for use by Contractor in the performance of the Work shall remain Owner's property. Contractor shall not use Owner-supplied tools or equipment for any purpose other than Work for which such items were supplied and designed. If Contractor is furnished tools or equipment by Owner, Contractor acknowledges that, by using such tools or equipment, it shall conclusively be deemed to have inspected such tools or equipment prior to their use and to have satisfied itself that they are in good condition, fit for the purpose to be used and will not create a safety hazard or damages to person or property. Contractor further acknowledges that the use of Owner's tools or equipment is at Contractor's sole and exclusive risk and that all the terms of this Agreement, including the insurance and indemnity provisions govern Contractor's use of such tools or equipment. Contractor shall reimburse Owner for its costs to furnish such tools or equipment, irrespective of whether they are returned to Owner, which costs shall include the cost of replacement items that are not returned or, as determined by Owner in its discretion, returned in a damaged or other condition that does not permit their being placed back into service.

4.25 No Waiver. No inspection made, acceptance or approval given by Owner relating to any Work shall relieve Contractor of its obligations for the proper performance of the Work in accordance with the terms hereof. Without limiting the foregoing, to the extent the approved Quality Assurance Plan requires Owner to execute any forms, checklists, certificates or other similar documents indicating Owner's verification, approval, acceptance or acknowledgment of a particular Contractor process, method, requirement, activity or other course of action in completion of the Work, such execution by Owner shall not be deemed to be a warranty or acceptance by Owner with respect to such Work or relieve Contractor from any obligation or responsibility under this Agreement and Contractor shall remain solely responsible for the complete and proper completion of such Work in accordance with this Agreement. Subject to the limitations of Article 14, Owner may reject any Work with Defects or which is not in accordance with the requirements of this Agreement or any Documentation, regardless of the stage of completion, the time or place of discovery of error, and whether Owner previously accepted any or all of such Work through oversight or otherwise. Except with respect to the transfer of care, custody, and control to Owner as expressly provided herein, no approval given by Owner, in and of itself, shall be considered as an assumption of risk or liability by any Person. Any such approval shall mean that the person giving the approval has no objection to the adoption or use by Contractor of the matter approved at Contractor's own risk and responsibility Contractor shall have no claim relating to any such matter approved, including any claims relating to the failure or inefficiency of any method approved.

4.26 Milestone Payment Invoices under Assigned Owner Equipment Contract. Immediately upon receipt of a Milestone Payment Invoice from Assigned Owner Equipment Contract supplier, Contractor shall provide a complete copy of the same to Owner. In accordance with Sections 8.4(a) and 8.4(b) of the Assigned Owner Equipment Contract, Contractor shall promptly, but not later than five (5) Business Days after receipt of such invoice, provide Owner with its approval of and any exceptions and recommendations with respect to the Assigned Owner Equipment Contract supplier's Milestone Payment Invoice, including without limitation, any recommendation concerning the withholding or offsetting of funds in accordance with the Assigned Owner Equipment Contract. Based, in part, upon input received by Owner from Contractor, Owner shall issue and/or withhold, in full or part (as appropriate) payment to the Assigned Owner Equipment Contract supplier for such Milestone Payment Invoices in accordance with the Assigned Owner Equipment Contract.

5. CONTRACTOR PERSONNEL

5.1 Sufficient Personnel. Contractor shall employ a sufficient number of qualified Persons, who shall be properly certified and licensed if required by applicable Laws, so that Contractor may complete the Work and Contractor's other obligations under this Agreement in a safe, efficient, prompt, economical and professional manner and in accordance with the Baseline Schedule. Without in any way limiting the foregoing, Contractor shall employ a sufficient number of engineers, designers and draftsmen necessary for the preparation of all Documentation required for the Work and qualified buyers, inspectors, and expeditors necessary to provide all equipment, materials and supplies to be provided by Contractor hereunder.

5.2 Contractor's Key Personnel. Exhibit H contains a list of Contractor's key personnel who shall be responsible for supervising the performance of Contractor's obligations under this Agreement. That list includes the designation of Contractor's Project Manager, Contractor's Site Representative and Contractor's EH&S Manager. Contractor shall remove any such key personnel that Owner believes is not fit or qualified for the Work assigned to such key personnel. Any replacement of the key personnel listed in Exhibit H shall be subject to the prior written approval of Owner. Contractor's Project Manager shall act as Contractor's liaison with Owner and shall have the authority (a) to administer this Agreement on behalf of Contractor, (b) to oversee, direct, and manage the responsibilities of Contractor under this Agreement, and (c) to bind Contractor as to the day-to-day project management operations under this Agreement. Contractor's Site Representative or other authorized Contractor Site supervisory personnel shall be present at the Site at all times when the Work is being performed at the Site.

5.3 Training; Qualification.

(a) Contractor Workers shall be trained, qualified and competent to perform such Work in accordance with this Agreement. Without limiting the generality of the foregoing, all such Contractor Workers shall have received all necessary training regarding environmental, safety, health and any other matters required by applicable Law or Owner Policies as may be relevant to the Work to be performed by such Contractor Workers. Contractor shall permit only Contractor Workers who are in compliance with the requirements of the Drug and Alcohol Policy and otherwise fit at the time they are employed and on each Day they perform the Work and are skilled in, and qualified to perform, the tasks assigned to them to perform such Work. Contractor shall ensure that each such Contractor Worker performs Work only within the scope of work that such Contractor Worker is qualified and equipped to undertake.

(b) Contractor acknowledges that the Office of Pipeline Safety of the Department of Transportation (the “DOT”) has mandated that each natural gas operator (including Owner) develop a qualification program to evaluate an individual’s ability to perform covered tasks and to recognize and react to abnormal operating conditions that may occur while performing covered tasks. To comply with applicable Law, Owner has established an Operator Qualification Plan (“**OQ Plan**”) to be used in developing, implementing and maintaining a comprehensive Operator Qualification Program. The OQ Plan is designed to reduce the risk of accidents or incidents as a result of human error on Owner’s pipeline facilities with qualified individuals. The OQ Plan contains a list of operating and maintenance tasks that are identified as “covered tasks” which meet the criteria stated in 49 C.F.R. Part 192. Contractor acknowledges that Owner is required to ensure that all Contractor Workers performing construction work on natural gas pipelines are qualified to perform these covered tasks in accordance with the OQ Plan. Accordingly, it is Contractor’s responsibility to ensure, and Contractor shall ensure, that only qualified personnel perform covered tasks in connection with the Work, including that all such personnel complete all necessary training and certification/qualification tests, except to the extent any that such personnel is under the direct observation of a qualified individual who is able to take immediate corrective action. Owner shall be entitled to have an Owner-designated evaluator evaluate Contractor using one or more of the following methods (as selected by such evaluator):

- (i) Examination (written or oral);
- (ii) Performance observation (on the job or at Owner’s simulator site);
- (iii) Owner-approved applicable license or certification; and
- (iv) Owner-approved OQ Plan/Training Program.

If any Contractor Worker fails to qualify for a covered task during initial or subsequent qualification or for suspected incident or poor performance issues, Contractor shall not permit such Contractor Worker to perform the task in question, unsupervised, until the re-evaluation has been completed and such Contractor Worker has been qualified. Upon re-evaluation, if such Contractor Worker’s performance is deemed unsatisfactory by the evaluator, Contractor shall not permit such Contractor Worker to apply for re-evaluation OR perform the task in question for a period of one (1) year following the second unsatisfactory evaluation. All training and OQ related records will be provided to and maintained by Owner. Contractor shall provide sufficient training to ensure that Contractor Workers performing covered tasks have the necessary knowledge and skills to perform the tasks in a manner that ensures the safe operation of Owner’s facilities and the construction of the Project. Training will be required in each of the following instances:

- (i) Development of new hires and existing Contractor Workers for each covered task performed;
- (ii) Preparing the Contractor Worker for performing new or individual tasks;
- (iii) Correction of Contractor Worker performance problems (e.g., poor performance, contribution to an incident); and
- (iv) Significant changes in practices or procedures used in performing covered tasks.

The method of training used by Contractor must be provided to and approved by Owner and is subject to verification audit by Owner from time to time.

5.4 Minimum Screening Guidelines.

(a) Contractor shall comply with all applicable labor, employment and immigration Laws that may impact Contractor's obligations under this Agreement, including all Laws that are now or that become applicable to Contractor during the period Contractor is performing Work. Without limiting the foregoing, Contractor shall comply strictly with all Laws relating to the verification of its workers' eligibility to work in the United States, including the Immigration Reform and Control Act of 1986 and Form I-9 requirements. For any Work performed at the Site or any other site of Owner or its customers or Affiliates and/or requiring access to Owner's or its Affiliates' assets, Contractor shall participate in E-Verify, perform all required employment eligibility and verification checks, and cooperate with the scope, timing, documentation, etc., of audits requested by Owner, which shall be performed by a third party immigration attorney selected by Owner at Owner's cost unless the audit reveals any non-compliance with Laws, in which case Contractor shall be responsible for said costs. Contractor shall maintain all required employment records for at least three (3) years following an employee's date of hire or, if earlier, one year following an employee's termination of employment (or such longer period as may be required by applicable Law).

(b) By providing a Contractor Worker under this Agreement to perform Work at the Site or any other site of Owner or its customers or Affiliates and/or requiring access to Owner's or its Affiliates' assets, Contractor warrants and represents that Owner's Minimum Screening Guidelines, a current copy of which is attached hereto as Exhibit N-1 (the "**Minimum Screening Guidelines**"), have been completed with respect to such Contractor Worker and that they did not reveal any information that could adversely affect such Contractor Worker's suitability for employment or retention by the applicable Contractor Person or competence or ability to perform duties under this Agreement following an individualized assessment of the specific facts and circumstances and consideration of Owner's Potential Disqualification Criteria, a current copy of which is attached hereto as Exhibit N-2 (the "**Potential Disqualification Criteria**"). For Contractor Workers who are performing Work at the Site or any other site of Owner or its customers or Affiliates, the screening measures set forth under "Supplemental Labor with Access to Duke Energy Assets" in the Minimum Screening Guidelines shall have been successfully completed. For Contractor Workers who are not performing Work at the Site or any other site of Owner or its customers or Affiliates, but who may or may not have access to Owner's assets, the screening measures set forth under either (i) "Contracted Service Baseload Work or Contracted Service Other *without* access to Duke Energy assets" in the Minimum Screening Guidelines or (ii) "Contracted Services Baseload Work or Contracted Services Other *with* access to Duke Energy assets and/or badged facilities access" in the Minimum Screening Guidelines (as applicable) shall have been successfully completed. Generally, Owner will rely on Contractor to make a determination as to whether to disqualify a candidate based on the Potential Disqualification Criteria. However, if there is a question as to a candidate's qualifications, Contractor may seek additional input from Owner. Contractor may also perform other screening measures as a reasonably prudent employer would deem appropriate; provided, however, that nothing in this Section shall be interpreted as authorizing or requiring Contractor to perform any screening measures or disqualify any worker in a manner that violates the federal Fair Credit Reporting Act, Title VII of the Civil Rights Act of 1964 or any other applicable Law. Contractor agrees to use additional screening measures that may be required by Owner based upon audit results to ensure Contractor's compliance with this Section. Except where prohibited by applicable Law, Contractor will have the ongoing duty to inform Owner immediately upon learning that any Contractor Worker is not suitable for performance of the Work. Except where prohibited by applicable Law, should Contractor

learn, after assigning a Contractor Worker to perform Work at the Site or requiring access to Owner assets, any information that Contractor, acting reasonably, considers would adversely affect such Contractor Worker's suitability for performance of the Work, Contractor will promptly advise Owner thereof and remove such Contractor Worker immediately from performing Work at the Site or any other site of Owner or its Affiliates and/or Owner's or its Affiliates' assets. Owner, in its sole discretion, shall have the option of barring from the Site any Contractor Worker whom Owner determines does not meet the qualification requirements set forth above.

5.5 Drug and Alcohol Testing. Contractor acknowledges that the DOT has instituted rules, with which Contractor shall comply, to control the use of drugs and alcohol in the Natural Gas and Hazardous Liquid Pipeline Industry. Contractor shall not permit any Contractor Worker in any way to use, possess, or be under the influence of illegal drugs or controlled substances or to consume or be under the influence of alcoholic beverages during the performance of the Work or otherwise while at the Site or elsewhere in connection with the Work. Any such Contractor Worker under the influence, or in possession of, alcohol, any illegal drug, or any controlled substance, will be removed from the Site by Contractor and, subject to Owner's fitness for duty program requirements, shall be prohibited by Contractor from performing any future Work at the Site or elsewhere related to the Work. Contractor acknowledges that it is aware of Owner's Alcohol and Drug Free Workplace Policy (the "**Drug and Alcohol Policy**"), a current copy of which is attached hereto as Exhibit N-3. Contractor shall implement and administer an alcohol/drug abuse policy acceptable to Owner and in compliance with (i) 49 C.F.R. Parts 199 and 40 and/or (ii) applicable state requirements for natural gas pipelines or liquefied natural gas facilities. Contractor's alcohol/drug abuse policy shall be at least as stringent as the Drug and Alcohol Policy and further acknowledges that each Contractor Worker shall be subject to "for cause" testing on the basis of Owner's reasonable suspicion of a violation of the Drug and Alcohol Policy. Owner may, at its sole discretion, upon notice to Contractor, audit Contractor's substance abuse testing records relating to the Work. Owner encourages Contractor to offer employee assistance to all employees who test positive and to have employees visit a Substance Abuse Program ("**SAP**").

(a) Contractor's drug and alcohol policy shall be consistent with either the Coalition for Construction Safety ("**CCS**") and/or the Construction Owners Association of the Tri-State ("**COATS**") COATS/Bethesda substance abuse testing programs, and Contractor will use those programs, which includes initial testing and random testing. In order to be eligible to work at the Site, Contractor Workers must possess a valid CCS or COATS ID card or show as valid status in the CCS data system. A valid drug screen chain-of-custody form documenting a pending result of a drug test performed within the past five (5) days may, in the discretion of Owner, be accepted to access at the Site or any other site of Owner or its customers or Affiliates while testing is in process. The following are the minimum substance abuse testing parameters:

- (i) Use of a Substance Abuse and Mental Health Services Administration approved laboratory.
- (ii) Use of a Medical Review Officer for confirmation of positive test results.
- (iii) Use of a NIDA 5 Panel Drug Screen with the following ng/ml cutoff and confirmation levels:

Drug	Ng/ml Cutoff	Ng/ml Confirmation
Marijuana (THC, Cannabinoids)	50	15
Amphetamines	500	250
MDMA – Ecstasy	500	250
Cocaine	150	100
Phencyclidine (PCP)	25	25
Opiates	2000	2000
6-AM - Heroin	10	10

(iv) Use of an evidential breath-testing device to detect the consumption of alcohol with a positive cutoff level of .04 percent.

(v) Unless otherwise prohibited by applicable Law, Contractor and its Subcontractors shall conduct post-accident testing, as well as testing when there is an objective reasonable basis to do so, as determined by Contractor or by Owner.

(b) While performing Work, Contractor Workers shall be subject to random drug and alcohol testing. The random selection method used by CCS/COATS shall be truly random and credible. Random substance abuse testing may be on any day or night and generally encompasses up to approximately 15% of Contractor Workers on Site at a given time. At Owner's discretion, random testing percentages may be adjusted higher or lower where Owner deems appropriate.

(c) Immediately upon receipt of test results, Contractor shall remove from the Site any Contractor Worker who tests positive or in any way does not comply with the Drug and Alcohol Policy. Contractor shall not allow a Contractor Worker who tests positive to return to the Work, unless, at a minimum, the following steps are completed by such Contractor Worker and Owner agrees in writing to allow such Contractor Worker to return to the Site and/or perform the Work: (i) such Contractor Worker completes an evaluation with an SAP; (ii) the SAP must, at a minimum, recommend the following: (1) some type of treatment or education beyond the initial assessment and (2) at least three (3) follow-up tests in the twelve (12) months following the return-to-duty test; (iii) a minimum of fourteen (14) Days must pass from the date of the positive test (date of that collection) before a test can be administered; and (iv) such Contractor Worker presents Midwest Toxicology with written documentation from a qualified SAP that states that he or she is fit for duty (ready to return to work), has completed an evaluation, and has at least started some form of education or treatment beyond the initial evaluation. The written documentation should be on the SAP's letterhead and be personally signed by an authorized representative of the SAP.

5.6 Supervision and Discipline. Contractor shall supervise, coordinate and direct the Work using Contractor's best skill, judgment and attention. Contractor shall enforce strict discipline and good order among all Contractor Workers (and all other Contractor Persons) at, or in the vicinity of, the Site. Contractor shall at all times take all necessary precautions to prevent any unlawful or disorderly conduct by or among all Contractor Workers (and all other Contractor Persons) and for the preservation of the peace and the protection of persons and property at, or in the vicinity of, the Site. Contractor shall be

responsible for labor peace of all Contractor Workers (and all other Contractor Persons) at, or in the vicinity of, the Site, and Contractor shall at all times exert its best efforts and judgment as an experienced contractor to adopt and implement policies and practices designed to avoid work stoppages, slowdowns, disputes and strikes where reasonably possible and practical under the circumstances.

5.7 Removal Rights. If Owner determines, in its reasonable discretion, that the presence of any personnel of any Contractor Person (including any Contractor Worker) at the Site or on any premises of Owner or its Affiliates or the performance by any Contractor Worker is not consistent with performing the Work in accordance with the terms and conditions of this Agreement, Owner may notify Contractor of the determination, and Contractor shall remove that personnel from performing Work at the Site and any other premises of Owner or its Affiliates. Removal and replacement of any such personnel shall be at no cost to Owner. Contractor shall absorb any travel costs or travel time for the replacement personnel to the Site or any such premises and for the replaced personnel from the Site or any such premises. Any such personnel who is removed from the Site, any such premises or the Work for violation of a requirement set forth in this Agreement shall not be eligible to provide any future Work under this Agreement without the express written consent of Owner. Contractor shall indemnify, defend and hold harmless the Owner Persons against, and will, on demand, compensate and reimburse the Owner Persons for, any Liabilities relating to (a) any Contractor Worker who fails a drug or alcohol test, and (b) any claims made by a Contractor Person (including Contractor Worker) resulting from removal as provided in this Agreement, including this Section 5.7; provided that, solely for the purposes of this Section 5.7, Liabilities will not include any Owner Person's defense costs if Contractor promptly accepts and properly carries out its defense and indemnity obligations in this paragraph. For the avoidance of doubt, Contractor shall not seek, and shall not be entitled to receive, any payment hereunder or any relief under the Baseline Schedule as a result of the removal or replacement of any Contractor Person pursuant to this Section 5.7.

5.8 Responsibility. Contractor Workers shall at all times remain the sole responsibility of Contractor for purposes of personal and professional liability. Contractor shall be solely responsible for all aspects of the labor relations of Contractor Workers, including wages, benefits, discipline, hiring, firing, promotions, pay raises, overtime and job and shift assignments. Owner shall have no such responsibility. Such Contractor Workers, while performing any Work, shall be and remain the employees of the applicable Contractor Person at all times. Contractor shall also be responsible for the correct determination of the exemption status, in accordance with the Fair Labor Standards Act of 1938 and all other applicable federal, state, and local Laws, of all Contractor Workers and shall promptly address and resolve any discrepancies or issues discovered with respect to any such personnel's exemption status.

5.9 Compensation of Employees. Contractor shall be responsible for ensuring that payment of compensation, and all taxes, assessments for unemployment insurance, social security and disability benefits, and other fees, benefits (including health and retirement) and taxes that are based upon such compensation, to all Contractor Workers is paid (or withheld and remitted to the appropriate Government Authority) as and when due. Contractor shall indemnify, defend and hold harmless the Owner Persons, including administrators of Owner's or its Affiliates' benefit and health plans, from and against, and will, on demand, compensate and reimburse the Owner Persons for, any Liabilities relating to such compensation and other required payments. Contractor shall maintain payroll and other wage, benefit and tax records related to Contractor Workers in accordance with generally accepted accounting practices and all applicable Laws.

5.10 Non-English Speaking Personnel. Contractor shall notify Owner's Project Manager prior to beginning any Work at the Site for which it anticipates using any non-English speaking Contractor Workers. If such Contractor Workers are used, Contractor shall provide another Contractor Worker who is bilingual or a translator (in the appropriate language(s)) fluent in speaking, reading and writing both English and the applicable non-English language who shall (a) be responsible for communicating safety and hazard related communications, emergency response, and other similar information translated from English for such non-English speaking personnel, (b) be on-Site in the immediate vicinity of non-English speaking employees at all times to communicate emergency information and instructions and (c) conduct a walk-down of the Work area with all non-English speaking employees, translating signs and explaining hazards and warnings, prior to commencing such Work. Contractor shall further ensure that all written and verbal safety training, hazard communications and work rules are provided in the appropriate language for such non-English speaking Contractor Workers while such Contractor Workers are performing Work at the Site.

5.11 Subcontractor Compliance. For the avoidance of doubt and consistent with Section 3.3(d), Contractor shall ensure that each Subcontractor complies with the provisions of this Article 5 and shall be responsible for any failure of such Subcontractor to comply with each such provision to the same extent as though it had failed to comply with such provisions.

6. LAWS; PROJECT AND SITE RULES

6.1 Compliance with Laws. Contractor shall comply, and shall cause all Subcontractors to comply, with all applicable Laws relating to the Work, the Facility or the Site, and Contractor shall give all applicable notices with respect to, and in accordance with, any applicable Laws. Contractor shall ensure that the Facility, as designed and constructed, complies, and, when operated in accordance with Prudent Industry Practice, shall comply with all applicable Laws. Without limiting the foregoing, Contractor shall comply with applicable provisions of Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Americans with Disabilities Act, Fair Labor Standards Act of 1938, Executive Order 11246, Executive Order 13672 and Executive Order 13496 (29 C.F.R. Part 471, Appendix A to Subpart A), the Rehabilitation Act of 1973, the Vietnam Era Veterans' Readjustment Assistance Act of 1974, the National Labor Relations Act, the Family and Medical Leave Act, the Worker Adjustment and Retraining Notification Act, and their respective implementing regulations, and every other applicable Law concerning employment rights or claims, all of which are made a part hereof as if set out herein. Contractor shall also comply, and cause all Subcontractors to comply, with all applicable Owner Policies. **This contractor (Owner) and subcontractor (Contractor) shall abide by the requirements of 41 C.F.R. 60-300.5(a) and 60-741.5(a), and all amendments of the foregoing that may be made from time to time, all of which are incorporated herein by reference. These regulations prohibit discrimination against qualified individuals on the basis of protected veteran status or disability, and require affirmative action by covered prime contractors and subcontractors to employ and advance in employment qualified protected veterans and individuals with disabilities.** To the extent applicable, during the performance of this Agreement, Contractor shall observe and abide by the Equal Employment Opportunity provisions contained in 41 C.F.R. 60-1.4 and the reporting clause set forth in 41 C.F.R. 61-300.10, and all amendments of the foregoing that may be made from time to time, all of which are incorporated herein by reference. In addition, Contractor shall comply with the following Federal Acquisition Regulation ("**FAR**") clauses as indicated and as applicable: (i) FAR 52.203-13, Contractor Code of Business Ethics and Conduct (Purchase Orders that exceeds \$5 million and have a performance period of more than 120 Days); (ii) 52.219-8, Utilization of Small Business Concerns (Purchase Orders that exceed \$150,000); (iii) 52.222-26, Equal Opportunity (all Purchase Orders unless Contractor is exempt from EO 11246); (iv) 52.222-35, Equal Opportunity for Veterans (all Purchase

Orders of \$100,000 or more unless Contractor is exempt); (v) 52.222-36, Affirmative Action for Workers with Disabilities (Purchase Orders that exceed \$15,000 unless Contractor is exempt); (vi) 52.222-40, Notification of Employee Rights Under the National Labor Relations Act (Purchase Orders that exceed \$10,000 unless Contractor is exempt); (vii) 52.222-50, Combating Trafficking in Persons (all Purchase Orders); and (viii) 52.222.55, Minimum Wages Under Executive Order 13658 (all Purchase Orders).

6.2 Export Control Laws. Contractor shall fully comply with all applicable export and import control Laws with regard to any Work or with regard to information supplied by, or on behalf of, Owner to Contractor under this Agreement. In particular, Contractor shall not directly or indirectly use, export, re-export, distribute, transfer or transmit any such Work or information in whole or in part and in any form without all required United States and foreign government licenses and authorizations, including any applicable export control licenses of the U.S. Nuclear Regulatory Commission, the U.S. Department of Energy or the U.S. Department of Commerce. In no event shall Owner be obligated under this Agreement or any other agreement to provide access to or furnish any Work or information except in compliance with applicable United States export control Laws, policies, licenses and approvals.

6.3 Foreign Corrupt Practices Act. Contractor shall not offer or make payments or anything else of value, directly or indirectly, to any official, agent or employee of a Government Authority, or a candidate of a political party, for the purpose of obtaining or retaining business relating to, or in connection with, the Project or this Agreement, and, if Contractor makes any such offer or payment, Owner may terminate this Agreement immediately and have no further obligation, or any Liability based on such termination, to Contractor. Contractor agrees to comply fully with all applicable anti-corruption and similar Laws of any jurisdiction in which any activity is performed or dealings occur related to, or in connection with, the Project or this Agreement, including the United States Foreign Corrupt Practice Act (15 U.S.C. §78dd-1 and 2), as amended, and the principles set forth in the Organization for Economic Cooperation and Development Convention Combating Bribery of Foreign Public Officials in International Business Transactions and, as applicable, Owner's Code of Business Ethics, a current copy of which is attached hereto as Exhibit N-5.

6.4 Cyber Security. Should any Contractor Worker require or be permitted cyber access or unescorted physical access to Owner's or its Affiliates' assets, that are classified as "critical" under NIST 800-53 and/or ISO 27001-2004 for Cyber Security or the regulatory requirements of the North American Electric Reliability Corporation ("**NERC**") or pursuant to the Pipeline Security Guidelines issued by the Transportation Security Administration or that are covered by the PHMSA pipeline safety regulatory program (49 CFR Part 190-199), then such Contractor Worker shall be required to meet certain pre-requisites prior to access to any such critical assets. Therefore, when any secured electronic or physical access is needed or permitted, all Persons identified above in this provision shall: (a) successfully complete the Owner-administered background screening requirement; (b) take the Owner-administered Cyber Security training entitled Information Security Awareness Training located at <http://www.duke-energy.com/suppliers/contractor-training.asp>; (c) be given a company identification number in Owner's Human Resources Management System (HRMS) for tracking purposes; and (d) be subject to such additional requirements as Owner may require from time to time in respect to any Person having such access. In the event that Contractor (i) determines that any of the Persons permitted access pursuant to this Section no longer require access or (ii) terminates the employment of any of the Persons permitted access pursuant to this Section, Contractor shall notify Owner within twenty-four (24) hours of such determination or termination.

6.5 Compliance with Regulatory Code of Conduct. Contractor acknowledges that Contractor may be given access to or otherwise become aware of certain operational information of Owner or its Affiliates, the disclosure of which to other departments or Affiliates of Owner is prohibited by federal Law. Such operational information includes (a) planned outage schedules, (b) events of forced outages and derates, (c) construction schedules, (d) operational practices at Owner's or its Affiliates' generating stations, and (e) transmission system planning and operational data. Contractor shall, and shall require its Subcontractors to (i) maintain the strict confidentiality of such operational information, and (ii) not share such operational information with any third parties, including any other departments or Affiliates of Owner, without the prior written consent of Owner (or the applicable Affiliate), which shall be granted in Owner's (or such Affiliate's) sole discretion.

6.6 Fraud and Ethics. Contractor shall be familiar with and shall adhere to the principles of the Supplier Code of Conduct, a current copy of which is attached hereto as Exhibit N-4, as well as Contractor's ethics and compliance guidelines. Contractor shall promptly report any fraud, illegal activity, fiscal waste or abuse, or other violations of the Supplier Code of Conduct by any party, including Contractor's suppliers and service providers. Such activity may be reported by contacting: (a) Owner's contract administrator or assigned project manager; (b) Owner's EthicsLine managed by an independent third party at 866.8ETHICS (866.838.4427), which may be called anonymously, or by web submittal at <https://ethicsline.duke-energy.com>; or (c) by sending an e-mail to Owner's Ethics and Compliance Office at Ethics_Officer@duke-energy.com.

6.7 Conflict of Interest. Contractor represents and warrants that it has given no, and covenants that it will not give any, commissions, payments, gifts, kickbacks, lavish or extensive entertainment or other things of value to any employee or agent of Owner, its Affiliates or anyone else in connection with this Agreement in violation of Owner's Code of Business Ethics, a current copy of which is attached hereto as Exhibit N-5, and acknowledges that the giving of any such payments, gifts, entertainment, or other things of value is strictly in violation of Owner's Code of Business Ethics and shall entitle Owner to terminate without liability this Agreement and any other agreements between the Parties. Contractor shall notify Owner's ethics department of any such solicitation by any of Owner's or its Affiliates' employees or agents.

6.8 Cleanliness Control; Foreign Material Exclusion. Contractor acknowledges and agrees that the Work to be supplied by Contractor under this Agreement is important to the operation of the Facility. Contractor shall establish Cleanliness Control/Foreign Material Exclusion practices to ensure that new, repaired or refurbished parts, Equipment and, after delivery to Contractor hereunder, Owner Equipment are when delivered and installed free from dirt, soil, mill scale, weldsplatter, oil, grease, stains, broken or loose parts, contaminants, or other foreign material that may be detrimental to the operation of the Equipment or interfacing equipment and systems of Owner, including Owner Equipment. Other examples of foreign material include loose fasteners, debris resulting from machining or other manufacturing processes, and tags or labels used in the manufacturing process that are not permanently affixed to internals. Prior to shipment of any Equipment to the Site, Contractor shall, or shall cause its Subcontractors to, inspect the parts and Equipment to ensure that no foreign materials or detrimental contaminants are present, including internal surfaces and cavities of the Equipment. Additional measures shall be taken by Contractor to prevent foreign material from entering the Equipment, including protective caps, plugs, or covers in or over such openings. Precautions shall also be taken to ensure foreign material is not introduced during packaging and shipping. If Equipment is shipped with other parts (such as seals, gaskets, lubricants, mounting hardware), precautions shall be taken to ensure smaller items cannot be introduced into openings or cavities of larger parts and Equipment. The packing list shall clearly identify every item included with the shipment. If desiccants or other preservatives are

used to protect the item(s), the affected part or Equipment shall be clearly labeled or tagged with information including the type of preservative, its location, and any special instructions pertaining to its removal prior to installation.

6.9 Suspect/Counterfeit Parts; Prototypes.

(a) Contractor is hereby notified that the delivery of suspect/counterfeit parts is of special concern to Owner. If any Equipment (or the components thereof) covered by this Agreement is described using a manufacturer part number or using a product description and/or specifies an industry standard, Contractor shall be responsible to assure that the replacement Equipment (or the components thereof) supplied by Contractor meet all requirements of the latest version of the applicable manufacturer data sheet, description, and/or industry standard. If Contractor is not the manufacturer of the applicable Equipment (or the components thereof), Contractor shall ensure that the replacement Equipment (or the components thereof) supplied under this Agreement is made by the original equipment manufacturer and meet the applicable manufacturer data sheet or industry standard. Should Contractor desire to supply replacement Equipment (or the components thereof) that may not meet the requirements of this Section, Contractor shall notify Owner of any exceptions and receive Owner's written approval prior to shipment thereof to Owner. If suspect/counterfeit parts are furnished under this Agreement or are found in any of the Equipment delivered hereunder, such items will be dispositioned by Owner and/or Contractor, and may be returned to Contractor. Contractor shall promptly replace such suspect/counterfeit parts with parts acceptable to Owner and Contractor shall be liable for, and Owner may backcharge Contractor for, all costs, including Owner's internal and external costs, relating to the removal and replacement of said parts.

(b) Contractor shall not provide any Work (or any component thereof) hereunder that Owner reasonably believes to be considered a "prototype," "unproven" or other descriptions of a similar nature. Should Contractor desire to supply such Work (or any component thereof), Contractor shall notify Owner of such desire and shall receive Owner's written approval prior to the provision of such Work. If prototype or unproven Work is furnished under this Agreement, such items will be dispositioned by Owner and/or Contractor and may be returned to Contractor. Contractor shall promptly replace such Work with Work acceptable to Owner and Contractor shall be liable for, and Owner may backcharge Contractor for, all costs, including Owner's internal and external costs, relating to the removal and replacement of such Work.

6.10 Environmental, Health and Safety.

(a) Environmental, Health and Safety Programs. Contractor shall be responsible for initiating, maintaining and supervising all safety precautions and programs in connection with its performance of this Agreement, including appropriate precautions and programs for areas in, or in the vicinity of, the Site. Without limiting the generality of the foregoing, Contractor shall comply with all applicable Environmental Laws and meet the requirements of all Owner Policies relating to environmental, health, safety, and security, including [**]. Contractor shall develop, implement and maintain a written safety management plan that complies with the requirements set forth in this Agreement. Contractor shall deliver such plan to Owner for its review and approval at least sixty (60) Days prior to the date on which Contractor mobilizes to the Site. Contractor shall be solely responsible for the safety of, and prevention of accident or injury on or about the Site or in providing the Work. Contractor agrees that it and the other Contractor Persons will at all times comply with all of Owner's safety and security regulations, standards and procedures in effect from time to time at the Site. Owner shall bear no responsibility for the safety of the Site or any Contractor Person.

(b) Environmental, Health and Safety Personnel. Contractor shall designate a responsible, qualified, full-time member of Contractor's organization at the Site (an "**EH&S Personnel**") whose duty shall be the prevention of incidents and injuries and addressing unsafe and undesirable behavior for each of the following three (3) areas: environmental matters (U.S. Environmental Protection Agency and any applicable State agency), health matters (industrial hygiene and employee health hazard prevention/mitigation) and safety matters, as each area relates to construction activities generally and the Work specifically. One individual may be designated for more than one of these three areas if the individual is qualified in all such areas. Contractor shall ensure that the ratio of EH&S Personnel to Contractor Workers is always in compliance with the applicable Owner Policy. Each EH&S Personnel (i) shall be qualified to competently conduct a root cause analysis, (ii) shall have sufficient years of experience serving in a case management role that makes such individual competent in fulfilling that role, (iii) shall have sufficient years of experience serving in an incident reporting role that makes such individual competent in fulfilling that role and (iv) shall report directly to Contractor's EH&S Manager. Contractor shall provide reasonable prior written notice to Owner and shall receive Owner's prior written approval (such approval not to be unreasonably withheld) for the designation of or any change in EH&S Personnel.

(c) OSHA and Other Laws. Contractor shall give notices and comply with all applicable Laws bearing on the safety of Persons or property or their protection from damage, injury or loss, including the Occupational Safety and Health Act ("**OSHA**") and the Americans with Disabilities Act.

(i) Contractor represents that it is familiar with the Site and its vicinity, the Work to be performed, the Equipment to be provided, the Facility to which the Equipment will be a part, the hazards of the Work, and, if applicable, the Safety Data Sheets for, and the hazards of, the Hazardous Materials that Contractor is expected to provide. Contractor acknowledges that Safety Data Sheets of all chemicals located at the Site are available to Contractor Workers upon a request made to Owner's Project Manager or other safety representative of Owner at the Site. Contractor also represents that it is familiar with the labeling system used in the workplace.

(ii) Contractor acknowledges that OSHA, its regulations and standards or the State equivalents (collectively, the "**OSHA Standards**") require that Contractor Workers be trained in various subjects, such as, but not limited to, the hazards of, and standards applicable to, the Work (29 C.F.R. § 1926.21(b)(2)) (applicable to construction work), lockout/tagout (29 C.F.R. § 1910.147), confined space entry (29 C.F.R. §§ 1926.21(b)(6) or 1910.146), and asbestos (29 C.F.R. §§ 1910.1001 or 1926.1101). Contractor shall ensure that any person performing any Work shall have been trained, prior to performing such Work, in accordance with all applicable OSHA Standards as well as to recognize and avoid any hazards related to the Work and to perform the Work safely and without danger to any person or to any property.

(iii) Contractor shall ensure that each Contractor Worker shall have been equipped, prior to performing any Work, with the personal protective equipment required by applicable OSHA Standards in 29 C.F.R. Parts 1926 and 1910, and with the personal protective equipment required to protect Contractor Workers against other serious health or safety hazards. Contractor agrees that it shall discipline any Contractor Worker who violates any OSHA Standards or other applicable Laws in accordance with its own policies and procedures.

(iv) Contractor shall comply with all OSHA Standards applicable to the Work, including those requiring pre-employment testing of employees, including pulmonary testing,

blood testing, urine testing, hearing testing, respirator fit testing, drug screening, and/or applicable medical surveillance testing.

(v) Contractor shall fully comply with its safety programs and/or any Site specific safety plans which Owner has reviewed and accepted.

(vi) Within twenty-four (24) hours of a request by Owner and to the extent permitted by applicable Law, Contractor shall provide Owner with copies of any and all training for Contractor Workers concerning any safety and health standard, any substantive or technical training requirement of the job or the results of any occupational testing.

(d) Worksite Safety.

(i) Contractor recognizes the importance of the safety of all workers at the Site and agrees that accident prevention shall be an integral part of Contractor's operations. Contractor shall provide and maintain adequate first-aid facilities and shall cooperate with all other contractors at the Site and with Owner. Contractor's Project staff shall include a full time environmental, health and safety (EH&S) manager ("**Contractor's EH&S Manager**"). Contractor shall furnish all information concerning the safety of its operations as may be reasonably required by Owner, including records of accidents to employees, radiation exposure hours of employees, and time lost due to accidents. In the event that Owner discovers a condition or work practice that it considers to be unsafe, Owner may issue a Stop Work Order pursuant to Section 4.14, for all or a portion of the Work, without cost relief or adjustment to the Baseline Schedule until the unsafe condition or Work practice is made safe.

(ii) Contractor shall take all reasonable precautions for the safety of, and shall provide reasonable protection to prevent damage, injury or loss to Persons and property resulting from the Work, including:

- (1) Contractor Workers and all other Persons who may be affected by the performance of the Work;
- (2) the Equipment and Owner Equipment to be incorporated into the Facility, whether in storage on or off the Site or under the care, custody or control of Contractor or Subcontractors; and
- (3) other property at or adjacent to the Site, including trees, shrubs, lawns, walks, pavements, roadways, structures and utilities.

(iii) Contractor shall give any required notices and shall comply with applicable Laws bearing on safety of persons or property or their protection from damage, injury or loss.

(iv) Contractor shall erect, maintain or undertake, as required by existing conditions and the performance of this Agreement, all reasonable safeguards for the safety and protection of Persons and property, including posting danger signs and other warnings against hazards, promulgating safety regulations, and notifying owners and users of adjacent sites and utilities. Those precautions may include providing security guards.

(v) Contractor agrees to provide to Owner the name, title, and phone number of its emergency contact person prior to the commencement of the Work.

(vi) In addition to reporting to Government Authorities as required by applicable Law, Contractor shall promptly report in writing to Owner all accidents arising out of or in connection with the Work in accordance with Owner's site policies and procedures, including Owner's Health and Safety Supplemental Requirements, a current copy of which is attached hereto as Exhibit N-7. For all accidents that involve Contractor or any Subcontractor (whether the Work or any other project) and that cause death or serious bodily injury, Contractor shall immediately notify Owner's health and safety representative by telephone or messenger, giving full details and statements of any witnesses. In the event of a serious accident, the accident scene shall not be disturbed until released by Owner, except for circumstances where imminent danger exists to those performing emergency services. Contractor shall complete and deliver to Owner a report within 24 hours for all damages, injuries, and near misses. Contractor will collect and maintain safety and health data for the performance of the Work, which will include total hours worked, incidents, near misses, lost work days, restricted duty, recordable injuries, workers compensation experience modifier, and any OSHA or State plan citation history. Upon request, Contractor will provide this data to Owner.

(vii) Upon request from Owner and without limiting the rights of Owner set forth in Section 6.10(e), Contractor shall provide an OSHA log listing injuries or illnesses sustained by Contractor employees during the five (5) years preceding the request in any of Owner's process areas subject to Owner's process safety management standard, 29 C.F.R. § 1910.119, as provided to Contractor. As soon as Contractor's EMR rates become available with respect to a calendar year (commencing with the calendar year of the Effective Date), Contractor shall provide Owner with such EMR rates.

(viii) Contractor shall not load, unload or permit any part of the Equipment or Owner Equipment to be loaded or unloaded at, or in the vicinity of, the Site so as to endanger the safety of Persons or property.

(ix) In the event of any emergency endangering life or property, Contractor shall take all actions as may be reasonable and necessary to prevent, avoid or mitigate injury, damage or loss and shall promptly report each such emergency, and Contractor's responses thereto, to Owner.

(x) Each week, Contractor shall submit to Owner a copy of its records of its daily pre-job safety briefings with respect to the prior week while on-Site.

(e) Owner's Right to Conduct OSHA Audits. To the extent permitted by applicable Law, Owner shall have the right to review and copy all of Contractor's documents that relate to safety and health at the Site, including Contractor's safety and health programs, safety and health training records, OSHA recordkeeping forms (such as 101, 200, 300 and 301), any incident report or first report of injuries form and any industrial hygiene monitoring test results.

6.11 Hazardous Materials.

(a) Safety Data Sheets. Contractor shall provide to Owner, in advance for review (and approval of the presence of materials covered thereby), all Safety Data Sheets covering all Hazardous Materials to be furnished, used, applied, or stored by Contractor at, or in the vicinity of, the Site.

Contractor shall provide Owner's Project Manager with copies of any such Safety Data Sheets prior to entry at the Site or its vicinity or with a document certifying that no Hazardous Materials will be brought onto, or in the vicinity of, the Site by Contractor during the performance of the Work. Contractor shall coordinate with Owner's Project Manager to provide a listing of all of Contractor's Hazardous Materials and their quantities at, or in the vicinity of, the Site for purposes of chemical inventory reporting pursuant to 40 C.F.R. Part 370 and similar State regulations.

(b) Hazardous Waste Minimization Plan. Contractor shall develop, implement and maintain a written Hazardous Waste minimization plan that complies with the requirements of this Agreement and is designed to ensure that Contractor utilizes the best practices for minimizing the generation of Hazardous Waste and avoids increasing the Hazardous Waste generator status for the Facility. Contractor shall deliver such plan to Owner for its review and approval at least sixty (60) Days prior to the date on which Contractor mobilizes to the Site.

(c) Use, Storage & Removal. When the use or storage of explosives or other Hazardous Materials is necessary for the performance of the Work, Contractor shall exercise the utmost care and shall conduct its activities under the supervision of properly qualified Contractor Workers in accordance with all applicable Laws. Before the Mechanical Completion Date, Contractor shall collect (for removal by Owner from the Site) in accordance with all applicable Laws all explosives and other Hazardous Materials that Contractor or the Subcontractors brought onto, or in the vicinity of, the Site or hazardous chemicals and equipment Contractor or the Subcontractors used, stored or located at, or in the vicinity of, the Site, unless the same have been permanently incorporated into the Facility. All such equipment and materials shall be collected, containerized and stored in accordance with all applicable Laws, and Contractor shall so certify in writing to Owner.

(d) Notice of Presence. Prior to bringing any Hazardous Material to, or in the vicinity of, the Site, Contractor shall provide written notice to Owner identifying any such Hazardous Materials that Contractor proposes to bring onto, or in the vicinity of, the Site. Contractor shall cooperate with Owner in reporting the presence and use of such Hazardous Materials to local fire, medical, and law enforcement agencies as required by applicable Law and Government Authorities. Contractor shall obtain Owner's approval to the extent required by any Owner Policies prior to bringing Hazardous Materials, including pesticides, onto, or in the vicinity of, the Site.

(e) Labeling; Training. Contractor shall label all Hazardous Materials that Contractor brings to, or in the vicinity of, the Site and train all persons performing any Work, as necessary, in the safe use of such Hazardous Materials, in each case as required by all applicable Laws and Owner Policies.

(f) Handling, Collection, Removal, Transportation and Disposal.

(i) When the use or storage of explosives or other Hazardous Materials or equipment is necessary for the performance of the Work, Contractor shall exercise the utmost care and shall conduct its activities under the supervision of properly qualified Contractor Workers in accordance with all applicable Laws and Owner Policies.

(ii) Unless otherwise agreed by the Parties in writing, Contractor shall be responsible for the proper handling, collection and containerizing of all Hazardous Materials introduced, generated or brought onto, or in the vicinity of, the Site by Contractor, including any Hazardous Materials furnished, used, applied or stored at, or in the vicinity of, the Site by Contractor, including used oils, greases, and solvents from flushing and cleaning processes performed under

this Agreement, provided that removal and disposal of such Hazardous Materials that have not been permanently incorporated into the Facility as required by the Scope of Work shall be conducted by Owner and Owner shall be entitled to backcharge Contractor for the costs thereof. All activities performed by Contractor in performing its obligations under this Article shall be performed in accordance with the requirements of all Government Authorities and all applicable Laws. For the avoidance of doubt, Contractor has no obligations with respect to the handling, collection, removal, disposal or containerizing of, and shall not disturb, any pre-existing Hazardous Materials, except to the extent Contractor knowingly or negligently caused the release of such pre-existing Hazardous Materials, in which case Contractor shall be responsible for such released contamination, including remediation thereof.

(iii) Before, and as a condition to, Mechanical Completion, Contractor shall have performed its obligations set forth in Section 6.11(f)(ii) in respect to any then existing Hazardous Materials that have not been permanently incorporated into the Facility as required by the Scope of Work. All such Hazardous Materials shall be handled, collected and containerized in accordance with all applicable Laws, and, upon request by Owner, Contractor shall so certify in writing to Owner.

(iv) Contractor shall be responsible for the collection and containerization of Hazardous Wastes that it or any Subcontractor produces or causes to be produced at or in the vicinity of any Site. Contractor's collection and containerization of such Hazardous Wastes shall be performed under the direction of Owner. Owner shall be responsible for the removal, transportation and disposal of all Hazardous Wastes and shall be entitled to backcharge Contractor for the costs thereof.

(v) Contractor shall indemnify, defend and hold harmless the Owner Persons and any other Person with an ownership interest in the Site from and against, and will, on demand, compensate and reimburse the Owner Persons and any other Person with an ownership interest in any Site for, any Liabilities relating to the contamination of the environment or injury to natural resources to the extent caused by any Contractor Person.

(vi) Contractor has included time in the Baseline Schedule for satisfying its obligations under this Agreement as to all Hazardous Materials and Hazardous Wastes that are discovered, or are or should have been reasonably anticipated through the exercise of Prudent Industry Practice, before the Effective Date. Contractor shall not seek, and shall not be entitled to receive, any payment hereunder or any relief under the Baseline Schedule as a result of satisfying its obligations with respect to any such Hazardous Materials or Hazardous Wastes, including the handling, collection or containerizing of such Hazardous Materials or Hazardous Wastes.

(g) Notice of Discovery. Contractor shall provide written notice to Owner of all suspected Hazardous Materials that Contractor finds during performance of the Work promptly, and in any event within two (2) Days, after discovery of such Hazardous Materials.

(h) Policies and Procedures. In respect to its Work at, or in the vicinity of, the Site, Contractor shall adhere to all Owner Policies for environmental compliance, including Owner's Environmental Work Practices Manual and Hazardous Material safety programs. If no such Work Site policies or procedures exist, Contractor shall develop, implement and enforce effective written policies and procedures applicable to the Work, within the framework of all applicable Laws, for general Work Site

safety and the proper labeling, handling, collection and containerizing of any Hazardous Materials at the Site in order to obtain the highest standards of prudent practice at the Site for the safety of all Contractor Persons.

(i) Products Containing Hazardous Constituents.

(i) Except as otherwise authorized by Owner in writing, all Work furnished by Contractor and all materials and tools furnished by Contractor at, or in the vicinity of, the Site shall contain zero percent (0%) asbestos, refractory ceramic fibers, hexavalent chromium or methylene chloride; provided, however, this prohibition shall not apply to: (a) hexavalent chromium in welding rods that are required for welding operations or (b) hexavalent chromium that results as a byproduct from welding operations. For primers or coatings suspected of containing lead, Contractor shall ensure the lead content of such primers or coatings is no more than the current Consumer Product Safety Commission threshold. If Owner authorizes in writing such delivery or use, Contractor shall clearly mark all containers or other materials containing the above constituents, and such containers or materials shall be sealed to prevent any leakage. Contractor shall indemnify, defend and hold harmless the Owner Persons from and against, and will, on demand, compensate and reimburse the Owner Persons for, any and all Liabilities incurred from, arising out of or relating to any such constituents furnished by Contractor at, or in the vicinity of, the Site without the prior written authorization of Owner or, if so authorized, contrary to the terms of such authorization.

(ii) As a condition to Mechanical Completion, Contractor shall provide Owner with a certificate of compliance to the requirements of Section 6.11(i)(i), which certificate shall be in the form attached hereto as Exhibit L.

(iii) To the fullest extent permitted by applicable Law, Contractor shall indemnify and hold harmless each Owner Person from and against any and all Liabilities incurred from, arising out of or relating to any Hazardous Materials brought onto the Site by any Contractor Person.

(j) Owner's Right to Conduct Environmental Audits. Owner shall have the right to conduct an environmental review of any of Contractor's or any Subcontractor's facilities at the Site or related to the Work at any time to verify compliance with applicable Environmental Laws and this Section. Contractor shall ensure that Owner shall have the right to conduct on-site environmental audits of any Subcontractor's facilities to verify compliance with applicable Environmental Laws. Contractor shall perform periodic self-assessments to ensure compliance with applicable Environmental Laws and this Section. Contractor shall fully cooperate and assist with Owner's environmental reporting and self-assessment and shall, as a part of the Work, comply with and prepare all necessary documentation as required therein. Contractor shall provide Owner with original environmental reports or records relating to the Work or the Site within five (5) Days of creation or receipt.

6.12 No Reliance. CONTRACTOR ACKNOWLEDGES AND AGREES THAT ANY TRAINING OR ANY MINIMUM SAFETY, HEALTH, ENVIRONMENTAL OR OTHER REQUIREMENTS AS MAY BE PROVIDED BY OWNER OR ANY OF ITS AFFILIATES TO CONTRACTOR ARE NOT INTENDED TO (AND DO NOT) PROVIDE LEGAL OR OTHER PROFESSIONAL ADVICE AND NEITHER OWNER NOR ANY OF ITS AFFILIATES MAKES ANY REPRESENTATION OR WARRANTY THAT THE INFORMATION CONTAINED THEREIN SATISFIES REQUIREMENTS OF ANY LAWS. CONTRACTOR AGREES THAT IT SHALL CONSULT WITH AND RELY SOLELY

UPON ITS OWN LEGAL COUNSEL OR OTHER QUALIFIED PERSONS WITH RESPECT TO SATISFYING REQUIREMENTS OF ANY LAWS AS ARE APPLICABLE TO THE WORK. CONTRACTOR ACKNOWLEDGES AND AGREES THAT (I) IT IS NOT RELYING ON ANY CLAIM OR REPRESENTATION OF OWNER OR ITS AFFILIATES RELATIVE TO ANY SAFETY, HEALTH, ENVIRONMENTAL OR OTHER REQUIREMENTS, (II) OWNER EXPRESSLY DISCLAIMS ANY CLAIM OR REPRESENTATION THAT THE INFORMATION CONTAINED IN ANY TRAINING OR IN ANY SAFETY, HEALTH, ENVIRONMENTAL OR OTHER REQUIREMENTS FROM OWNER OR ITS AFFILIATES WILL PRODUCE ANY PARTICULAR RESULTS, INCLUDING COMPLIANCE WITH ANY LAWS, AND (III) NEITHER OWNER NOR ITS AFFILIATES SHALL BE RESPONSIBLE FOR ANY ERRORS OR OMISSIONS IN THE DESIGN, IMPLEMENTATION, AND/OR ENFORCEMENT OF ANY TRAINING OR IN ANY SAFETY, HEALTH, ENVIRONMENTAL OR OTHER REQUIREMENTS.

6.13 Cooperation in Governmental Investigation. Contractor shall fully cooperate with and assist, and cause all Contractor Workers to fully cooperate with and assist, Owner in responding to requests by any Government Authority for information in connection with inspections or investigations of Owner relating to the Work. Within one (1) Day of the request, or upon such other reasonable time as agreed by the Parties, Contractor shall make Contractor Workers available at the Site for interviews and shall produce copies of any documents relevant to the investigation to Owner. Except as prohibited by applicable Law, Contractor shall promptly inform Owner of inspections and investigations on Contractor's property, and of subpoenas, document requests, requests for information, deposition notices, discovery requests, or similar requests by any Government Authority, concerning Owner, its Affiliates, the Work, or any accidents, injuries, illnesses or claims resulting from the Work.

6.14 Subcontractor Compliance. For the avoidance of doubt and consistent with Section 3.3(d), Contractor shall ensure that each Subcontractor complies with the provisions of this Article 6 and shall be responsible for any failure of such Subcontractor to comply with each such provision to the same extent as though it had failed to comply with such provisions.

7. OWNER RESPONSIBILITIES

7.1 Owner's Representative. Owner shall appoint Owner's Project Manager with whom Contractor may consult at all reasonable times and whose instructions, requests and decisions shall be binding upon Owner as to all matters pertaining to this Agreement and the performance of the Parties under this Agreement; provided, however, that no amendment or modification of this Agreement shall be effected except by an amendment, and no Change shall be effected except as provided in Article 10. Owner may replace Owner's Project Manager at any time in its discretion.

7.2 Access.

(a) Subject to Section 12.4(c), from the Effective Date until the Substantial Completion Date, Owner shall provide Contractor, at no additional cost to Contractor, access to the Site as Contractor may reasonably require for the construction of the Facility and for Contractor's office. After the Substantial Completion Date, Owner shall allow Contractor reasonable access to the Site in order to achieve each Final Completion and to perform its warranty Work. Access to and use of the Site is granted "AS IS, WHERE IS", WITHOUT REPRESENTATION OR WARRANTY (EXPRESS OR IMPLIED, INCLUDING REPRESENTATION OF FITNESS FOR A PARTICULAR USE), AND WITHOUT RECOURSE TO OWNER OR ANY OF ITS AFFILIATES OR THEIR RESPECTIVE AGENTS.

(b) Owner shall make available to Contractor the Owner Equipment Contracts (subject to any redactions of provisions which are not necessary for Contractor in order for Contractor to perform the Work).

7.3 Permits. Owner shall be responsible for obtaining, renewing and maintaining the permits, licenses, approvals and certifications listed in the Scope of Work as the responsibility of Owner (collectively, the “**Owner Permits**”). Contractor shall provide Owner with all information, documents, data, criteria and performance characteristics of the Facility reasonably requested by Owner to assist Owner in obtaining the Owner Permits.

7.4 Key Owner Schedule Milestones. Owner shall achieve the Key Owner Schedule Milestones by their respective Key Owner Schedule Milestone Dates, including procure and provide the Owner Equipment by its Key Owner Schedule Milestone Date as set forth in the Baseline Schedule. Except to the extent that the failure of any Owner Equipment to be provided by the dates set forth in the Baseline Schedule or to perform in accordance with its manufacturer’s specifications is caused by Contractor’s failure to perform its obligations in accordance with this Agreement, Contractor shall be entitled to a Change Order for any impact to Contractor from the delay in delivery or failure of such performance of the Owner Equipment.

8. SCHEDULE

8.1 Commencement and Prosecution of Work. [**] Contractor shall perform the Work in accordance with the Baseline Schedule and shall achieve the Key Contractor Schedule Milestones by their respective Key Contractor Schedule Milestone Dates. Without limiting the generality of the foregoing, Contractor shall perform the Work so that Mechanical Completion occurs no later than the Key Contractor Schedule Milestone Date for Mechanical Completion, Substantial Completion occurs no later than the Guaranteed Substantial Completion Date and Final Completion occurs no later than the Key Contractor Schedule Milestone Date for Final Completion. Contractor recognizes that, in the utility industry, it is frequently necessary for work to be rescheduled. Therefore, in accepting this Work, Contractor recognizes that portions of the Work may be rescheduled within a reasonable amount of time of the specified dates and agrees to comply with any reasonable rescheduling of the Work, and any Contractor requests for Contract Price adjustments and extension of the Baseline Schedule may be made pursuant to Changer Order process set forth in Article 10. The Baseline Schedule may be modified only with the prior written consent of Owner or as permitted by the Project Controls Requirements and Article 10.

8.2 Progress Schedule. Unless required more often by Owner, Contractor shall update the Progress Schedule on a weekly basis and shall provide a copy to Owner in accordance with the Project Controls Requirements. The Progress Schedule shall measure the Work against the Baseline Schedule and shall comply with the Project Controls Requirements, including all requirements for a Level 3 Schedule. Contractor shall maintain and make available to Owner at all times at the Site, or such other location mutually agreed upon by the Parties, a current, working copy of the Progress Schedule. No update of or revisions to the Progress Schedule shall be deemed to alter, revise or otherwise change the Baseline Schedule or any Key Contractor Schedule Milestone Date.

8.3 Enhanced Project Management Process.

(a) **Remedial Plan.** If, at any time, Owner reasonably determines that Contractor's methods, equipment or work force are inefficient or inadequate for securing the rate of progress required to comply with the critical path of the Baseline Schedule, including achievement of any Key Contractor Schedule Milestone by its Key Contractor Schedule Milestone Date, or Contractor fails to achieve any Key Contractor Schedule Milestone by its Key Contractor Schedule Milestone Date, Owner may order Contractor in writing to increase such efficiency and adequacy, and Contractor shall, at Contractor's sole cost, improve its methods or change or supplement the work force and Construction Equipment or perform the Work on an overtime or multiple shift basis to such an extent as to give Owner reasonable assurance of compliance (or regaining compliance) with the Baseline Schedule, including achievement of each Key Contractor Schedule Milestone by its Key Contractor Schedule Milestone Date (to the extent not already passed). Within five (5) Business Days of any such order from Owner, or such longer period as approved by Owner, Contractor shall submit to Owner for review and approval a comprehensive plan of corrective actions, including acceleration if appropriate, to overcome any deficiency and to regain a rate of progress to comply (or regain compliance) with the Baseline Schedule (the "**Remedial Plan**"), which Remedial Plan shall represent Contractor's best judgment as to how it shall comply (or regain compliance) with the Baseline Schedule and contain sufficient detail to demonstrate the means by which Contractor shall comply (or regain compliance) with the Baseline Schedule, including the improvements, changes, increases, supplements and performance described above. Such Remedial Plan shall include the period of time in which Contractor proposes to complete the corrective actions, which period of time shall not extend beyond the Key Contractor Schedule Milestone Date for Substantial Completion without the prior written approval of Owner, which approval may be withheld by Owner in its discretion. The Parties shall consult in good faith to determine what measures to include in such Remedial Plan, which shall reflect all comments of Owner. Unless the underlying cause for such deficient rate of progress entitles Contractor to a Change Order, neither the preparation nor the implementation of such Remedial Plan shall entitle Contractor to a Change Order. If Contractor does not comply with Owner's order within five (5) Business Days, Owner may terminate this Agreement, or pursue any other rights or remedies, as a result of a Contractor Default under Section 22.2 (j). The failure of Owner to make any such order shall not relieve Contractor of its obligation to ensure the rate of progress required to comply with the Baseline Schedule.

(b) **Owner's Right to Perform.** If at any time Contractor fails or refuses to comply with any Key Contractor Schedule Milestone by its Key Contractor Schedule Milestone Date, Owner may, but shall not be obligated to, perform (or cause to be performed) such Work in order to ensure compliance (or regain compliance) with the Baseline Schedule, including achievement of any Key Contractor Schedule Milestone by its Key Contractor Schedule Milestone Date, and Contractor shall pay Owner's backcharges for such Work performed, provided that Owner has notified Contractor by telephone (to be followed up by written communication) or email at least twenty-four (24) hours in advance of Owner's (or its designee's) commencement of such Work and Contractor has not, during such 24-hour period, commenced, and diligently pursued, such actions as will satisfy Owner, in its reasonable judgment, that compliance with the Baseline Schedule, including achievement of any Key Contractor Schedule Milestone by its Key Contractor Schedule Milestone Date, is no longer in jeopardy (or will be regained). No such action by Owner shall waive any of the rights of Owner nor be deemed an election of remedy and Owner specifically reserves the right to terminate this Agreement pursuant to the provisions of Article 22.

(c) Notice of Delay. Without limiting the obligations of Contractor set forth in Sections 8.3(a) and 8.3(b), Contractor shall promptly notify Owner in writing of any actual or anticipated event that is disrupting or delaying or could reasonably be expected to disrupt or delay Contractor's rate of progress in performing the Work such that Contractor may not comply with the Baseline Schedule. Contractor shall indicate the expected duration and anticipated effect of the disruption or delay and the actions being taken to overcome the disruption or delay and make up for lost time. Contractor shall take all steps reasonably available to Contractor to mitigate the impact of any event that is disrupting or delaying or could reasonably be expected to disrupt or delay Contractor's rate of progress in performing the Work.

8.4 TIME OF THE ESSENCE. THE PARTIES EXPRESSLY AGREE THAT TIME IS OF CRITICAL IMPORTANCE FOR THIS AGREEMENT WITH RESPECT TO THE WORK TO BE PERFORMED BY CONTRACTOR PURSUANT TO THIS AGREEMENT AND THAT THE KEY MILESTONE DATES IN THE BASELINE SCHEDULE ARE OF PARAMOUNT IMPORTANCE.

9. CONTRACT PRICE; INVOICES AND PAYMENT

9.1 Fixed Price. Subject to the terms of this Agreement, as full and complete compensation for the timely and proper completion of the Work, and all of its other obligations hereunder, by Contractor in accordance with the terms of this Agreement, Owner shall pay Contractor the firm, fixed, turnkey, lump sum price of [**] (as the same may be adjusted pursuant to this Agreement, the "**Contract Price**"). Notwithstanding anything herein to the contrary and for the avoidance of doubt, the Contract Price may be adjusted solely pursuant to a Change Order in accordance with Article 10.

9.2 Payment Milestones. Each Payment Milestone has allocated to it in Exhibit C the portion of the Contract Price that Contractor shall be entitled to receive upon the completion of such Payment Milestone (the "**Milestone Amount**"). To the best of Contractor's knowledge and judgment, each Milestone Amount is a reasonable representation of the value of the related Payment Milestone.

9.3 Invoicing. Promptly (and in any event within twenty-eight (28) Days) after the end of each calendar month in which any Payment Milestone was completed in accordance with this Agreement, Contractor shall submit to Owner an invoice with respect to each such completed Payment Milestone (the "**Milestone Payment Invoice**"). If, pursuant to any provision of this Agreement, Contractor shall be entitled to payment by Owner of any amount that is not based on completion of a Payment Milestone, then Contractor shall, promptly (and in any event within twenty-eight (28) Days) after the end of the calendar month in which Contractor became entitled to such payment, submit to Owner an invoice with respect to such amount, which invoice shall be deemed to be a Milestone Payment Invoice for all purposes of this Article and Contractor shall comply with all of the provisions of this Article in respect to such Milestone Payment Invoice with any reference to a Payment Milestone meaning the subject matter giving rise to the entitlement to payment. Each Milestone Payment Invoice shall be accompanied by all Documentation that Contractor is required to submit with a Milestone Payment Invoice pursuant to this Article 9. To the extent the 28th Day after the end of a calendar month is not a Business Day, Contractor shall be required to submit such Milestone Payment Invoice on the Business Day immediately preceding such 28th Day. Contractor acknowledges and agrees that, by submitting a Milestone Payment Invoice, Contractor is representing and certifying that (a) to the best of its knowledge, no Contractor Default then exists that is not already known to Owner and (b) each Payment Milestone contained in such Milestone Payment Invoice has been completed in accordance with this Agreement and Contractor is entitled pursuant to the terms of this Agreement to the amount set forth in such Milestone Payment Invoice. At the written request of Owner, Contractor shall provide Owner with such other information

and materials as Owner may reasonably require to substantiate Contractor's right to a Milestone Amount or any other amount in a Milestone Payment Invoice in accordance with this Agreement.

9.4 Deficient Invoices and Payments.

(a) If any Milestone Payment Invoice is deficient in any respect, Contractor shall be required to resubmit such Milestone Payment Invoice in proper form conforming to the requirements of this Agreement. Owner shall review each Milestone Payment Invoice and shall endeavor to make exceptions, if any, by providing Contractor with written notice prior to the date on which such Milestone Payment Invoice is due to be paid by Owner. Notwithstanding anything in this Agreement, at law or in equity to the contrary, the failure of Owner to raise an exception shall not preclude Owner from subsequently seeking, and Contractor from paying, a refund of any amounts to which Contractor was not entitled under this Agreement, and Owner may, by any payment pursuant to Section 9.4(b), make any correction or modification that should properly be made to any amount previously considered due.

(b) Subject to the terms of this Agreement, within [**] of receipt of each Milestone Payment Invoice conforming to the requirements of this Agreement, Owner shall pay Contractor the amount set forth in such Milestone Payment Invoice; provided, however, that, if Owner, in good faith, disputes any amount set forth in such Milestone Payment Invoice, Owner may withhold such disputed amount and pay only such undisputed amounts. Any dispute over amounts that Owner withholds shall be resolved in accordance with Article 25. If, for any reason, Owner fails to pay Contractor for all amounts due and owing (other than amounts that are the subject of a good faith dispute or otherwise permitted to be withheld pursuant to this Agreement) under a Milestone Payment Invoice conforming to the requirements of this Agreement within [**] after receipt of such Milestone Payment Invoice, interest shall thereafter accrue on such amounts due and owing at the Prime Interest Rate plus [**] per annum or the highest rate allowed by applicable Law, whichever is less, until paid.

(c) Owner, without waiver or limitation of any of its rights or remedies, including Owner's right to backcharge and set-off pursuant to other provisions of this Agreement, shall be entitled to deduct or withhold from any amounts due or owing to Contractor under this Agreement, including Milestone Amounts, any and all amounts that Owner, in good faith, reasonably deems necessary to protect Owner for the events listed below; provided, however, that such withheld amount shall be promptly paid to Contractor in the next pay cycle once Contractor demonstrates, to Owner's reasonable satisfaction, that the event has been remedied, cured, corrected, or otherwise resolved.

(i) the cost of correction or replacement of any Work for which payment has been made under this Agreement and that is not in accordance with this Agreement, including any defective or damaged Work;

(ii) failure of Contractor to make timely and proper, payments to any Contractor Person except those that are the subject of a good faith dispute;

(iii) damage caused by Contractor to any Owner Person or the public;

(iv) financial difficulty of Contractor;

(v) failure of Contractor to perform the Work in accordance with the Baseline Schedule such that it does not achieve a Key Contractor Schedule Milestone by the Key Contractor Schedule Milestone Date, or causes Owner to have a reasonable belief that Contractor will be unable to achieve a Key Contractor Schedule Milestone on or before a Key Contractor Schedule Milestone Date in the Baseline Schedule;

(vi) any material breach by Contractor of this Agreement; and

(vii) repeated failure of Contractor to comply with the reporting requirements of the Project Controls Requirements.

(d) Owner may impose backcharges against Contractor or deduct backcharges from monies owed to Contractor for performance or re-performance by Owner or others of any Work hereunder, including costs associated with defective Work, Work that Contractor refuses to perform, acts performed at Contractor's expense or cost as provided herein, clean-up or disposal of debris, damages to Owner's structures, tools or equipment, repairs, warranty or otherwise. Owner shall be entitled to include in such backcharges a [**].

9.5 Cash Flow.

(a) The Parties acknowledge and agree that, in managing its cash flow, Owner is relying on all payments to be made in accordance with the Baseline Cash Flow Plan, and that any significant departure from the amounts set forth in the Baseline Cash Flow Plan would adversely affect Owner's ability to manage its cash flow. Accordingly, Contractor shall not submit any Milestone Payment Invoice that would otherwise be due and payable to the extent that any Milestone Amount referenced in such Milestone Payment Invoice for payment is scheduled in the Baseline Cash Flow Plan to be due and payable not until a month that is two (2) or more months after the month in which payment of such Milestone Amount would otherwise have been due and payable hereunder but for this Section without first notifying Owner, in writing, of Contractor's intent to submit such Milestone Payment Invoice and obtaining Owner's written consent to submit such Milestone Payment.

(b) Unless otherwise required by Owner, Contractor shall update the Progress Cash Flow Plan on a monthly basis and shall provide a copy to Owner in accordance with the Project Controls Requirements. The Progress Cash Flow Plan shall measure the cash flow for the Work against the Baseline Cash Flow Plan and shall comply with the Project Controls Requirements. Contractor shall maintain and make available to Owner at all times at the Site, or such other location mutually agreed upon by the Parties, a current, working copy of the Progress Cash Flow Plan. No update of or revisions to the Progress Cash Flow Plan shall be deemed to alter, revise or otherwise change the Baseline Cash Flow Plan.

9.6 Final Payment. Upon achievement of Final Completion, Contractor shall submit to Owner an invoice for all remaining amounts due to it pursuant to this Agreement (the "**Final Payment Invoice**"). Contractor acknowledges and agrees that, by submitting the Final Payment Invoice, Contractor represents to Owner that the total amount under the Final Payment Invoice is all monies due to Contractor under this Agreement and that, by accepting payment thereof, Contractor shall thereby irrevocably release all Owner Persons from all Liabilities with respect to any Work performed or furnished in connection with this Agreement, or for any act or omission of Owner or of any other Person relating to, arising out of or affecting this Agreement, except claims for which Contractor has delivered a Dispute Engagement Notice to Owner prior to submission of the Final Payment Invoice. The procedures set

forth in Section 9.4 (including application of any late payment charge) shall be followed for payment of the Final Payment Invoice.

9.7 Lien Waivers. Contractor shall include with each Milestone Payment Invoice (other than the Final Payment Invoice) (a) an interim lien waiver and release in the form attached hereto as Exhibit M-1 executed by Contractor and (b) an interim lien waiver and release in the form attached hereto as Exhibit M-2 executed by each Subcontractor who has performed any Work for which Contractor is seeking payment in such Milestone Payment Invoice and is owed any amounts for such Work. Contractor shall include with the Final Payment Invoice (i) a final lien waiver and release in the form attached hereto as Exhibit M-3 executed by Contractor and (ii) a final lien waiver and release in the form attached hereto as Exhibit M-4 executed by each Subcontractor who is owed any amount for any Work. Notwithstanding the foregoing, if the requirements of applicable Law to accomplish the same purposes as reflected in the forms attached hereto as Exhibits M-1, M-2, M-3 and M-4 change, then Owner may, without the necessity of approval of, but by written notice to, Contractor, revise such forms or require additional forms as may be prudent or expedient in order to accomplish such same purposes in accordance with applicable Law, in which event Exhibits M-1, M-2, M-3 and M-4 shall be deemed to have been amended or supplemented accordingly.

9.8 Application of Monies. Contractor shall use the monies paid to it pursuant to this Article 9 first for the purpose of performing, or compensating for the performance of, the Work prior to any other purpose. No provision hereof shall be construed, however, to require Owner to see to the proper disposition or application of the monies so paid to Contractor. Upon request from time to time by Owner, Contractor shall provide to Owner such information as Owner may reasonably request as to the status of payments to Subcontractors and Contractor Workers in respect to the Work.

9.9 No Acceptance by Inspection or Payment. Owner's payment of any invoice, including a Final Payment Invoice, shall not constitute approval or acceptance of any item or cost in that invoice nor shall such payment be construed to relieve Contractor of any of its obligations, or to waive any right or remedy of Owner, under this Agreement or otherwise, and irrespective of any inspection or requests for additional information as Owner may have made.

9.10 Direct Payment; Offset. Owner reserves the right to pay any outstanding obligations of Contractor for labor, Equipment and Construction Equipment used in the Work by a check made payable jointly to Contractor and to the applicable Subcontractor or individual. Any payment made in this manner shall apply as a payment to Contractor under this Agreement. Owner may deduct from any amount owing or to be owing to Contractor hereunder any amounts owed to Owner by Contractor pursuant to this Agreement, including any Liquidated Damages.

9.11 FERC. Contractor shall provide a breakdown of the Contract Price at a minimum of the Property Retirement Unit Catalog (PRUC) level of detail into Owner stipulated system of Federal Energy Regulatory Commission (FERC) accounts prior to Final Completion.

10. CHANGE ORDERS

10.1 Changes. Without invalidating this Agreement, Owner may order changes in the Scope of Work, the Baseline Schedule or the Work, consisting of additions, deletions or other revisions (each, a "**Change**"); provided, however, that Owner may not delete all Work through this Article. If Owner

requests Contractor to perform minor Scope of Work changes or Contractor-caused re-Work or repair, Contractor agrees that such Work shall not be used as a basis to delay the Baseline Schedule; but may be used as the basis for a request for a Change Order to adjust the Contract Price.

10.2 Project Action Request (PAR). All proposals for a Change (a “**Project Action Request**” or “**PAR**”), whether initiated by Owner or Contractor, shall be submitted in writing and in accordance with the process set forth in Exhibit J-1. Contractor shall include in detail in each PAR, whether initiated by Owner or Contractor and with applicable breakdown and supporting documentation, the following:

(a) the effect and impact, if any, that the proposed Change would have, in Contractor’s reasonable judgment, on the Work, the Contract Price, the Baseline Cash Flow Plan, the Baseline Schedule, any warranties herein and the operation or maintenance of the Facility,

(b) Contractor’s proposal for any necessary modifications to the Work, the Contract Price, the Baseline Cash Flow Plan, the Baseline Schedule or any warranties herein, and

(c) Contractor’s proposal for any necessary modifications to any other provisions of this Agreement, including the Scope of Work, the Schedule Milestones, the Payment Milestones or the Performance Guarantees.

Contractor shall provide Owner such supporting documentation for the foregoing as Owner may reasonably request and shall utilize the forms in Exhibits J-2 through J-6. The Parties shall utilize pricing procedures set forth in Exhibit J-1 and consistent with Exhibit J-7 to determine any impacts that the proposed Change would have on the Contract Price. Contractor acknowledges and agrees that any request by Contractor for an extension to the Baseline Schedule must be based upon a demonstrable impact to the Project’s critical path. Except as expressly required by Owner’s Project Manager, Contractor shall not delay any Work (i.e., prior to modification by any such Change) while awaiting a response. If Owner responds with comments or questions, Contractor shall endeavor to address such comments or answer such questions and update the applicable PAR accordingly as soon as practicable.

10.3 Change Orders. If Owner wishes to proceed with a proposed Change or if Contractor is entitled to a Change hereunder, Owner shall, in accordance with, and subject to, Exhibit J-1, accept and approve (whether with or without qualifications) the final PAR relating to such Change and issue an assigned change order number to Contractor, authorizing such Change as provided in, and subject to such qualifications as Owner may require to, such final PAR (the “**Change Order**”). Owner shall subsequently issue a written Change Order that memorializes such final PAR in the form of Exhibit J-2 in accordance with the process set forth in Exhibit J-1. If Contractor refuses to accept any qualifications made by Owner to the final PAR or if Owner rejects any Change to which Contractor claims it is entitled, Contractor shall provide Owner written notice thereof (a “**Change Order Dispute Notice**”) within five (5) Business Days of its receipt of such Change Order, describing in reasonable detail its objections to such Change Order or Owner’s rejection of such Change.

If Contractor has provided Owner the Change Order Dispute Notice within such 5-Business Day period, the Parties shall resolve the Dispute over the necessary or appropriate revisions in accordance with the dispute resolution procedures set forth in Article 25; provided, however, that Owner shall be entitled to require Contractor to continue to perform its obligations hereunder as modified by any Change Order that has been qualified by Owner despite any Change Order Dispute Notice from Contractor in respect to such qualified Change Order; [**].

Once the Dispute is resolved, Contractor shall be entitled to invoice Owner for any amount owing in accordance with Article 9. Contractor shall not be entitled to refuse to accept, or otherwise dispute, any Change Order for which Owner did not introduce qualifications to the related final PAR. Contractor acknowledges that Owner shall be entitled, in an effort to preserve the schedule for the Project, to refuse to alter the Baseline Schedule in instances where Contractor would otherwise be entitled to an extension thereof and instead provide Contractor cost relief in order for Contractor to expedite the Work for the Project and maintain compliance with the Baseline Schedule.

10.4 Expedited Change Work. Notwithstanding anything to the contrary in this Article, Owner shall be entitled, in its discretion and prior to, or during, the processes described in Sections 10.2 and 10.3, to require Contractor, by written notice from Owner's Project Manager, to, and Contractor shall, promptly commence and diligently continue performance of the Work as modified by a Change, in which event Owner shall pay Contractor for any additional Work resulting from such Change pursuant to the payment terms of Section 10.3, subject to agreement on a Change Order with respect to such Change as provided in this Article or resolution of any Dispute pursuant to Article 25 relating to such Change Order. Without limiting the generality of the foregoing, the Parties shall cooperate in good faith to expedite the preparation and review of, and comments to, each PAR, including revisions to Documentation required for any such expedited Change.

10.5 Owner Breaches. If Owner breaches this Agreement, including failure to perform the Owner Work, and such breach causes any increase in costs to Contractor to perform the Work or any delay in completion of any critical path item in the Baseline Schedule, then Contractor shall be entitled, as its sole and exclusive remedy for such breach (other than a failure to pay Contractor any amounts due and owing Contractor as provided herein), to an adjustment to the Contract Price or Baseline Schedule, as applicable, which shall be reflected in a Change Order developed pursuant to the terms of this Article. Contractor shall mitigate the effect of any such breach on its costs to perform and its time to complete the Work.

10.6 Contractor-Proposed Changes. Owner may, in its sole and absolute discretion, reject any request for a Change to which Contractor is not entitled hereunder. Contractor shall have the right to request a Change but shall have no right to require a Change to which it is not expressly entitled as provided in this Agreement without the prior written consent of Owner. Such request shall be made in accordance with the procedures set forth in this Article and Exhibit J-1, including the requirement that any request for a Change be included in a PAR. Notwithstanding anything in this Agreement to the contrary, (a) Contractor shall not be entitled to any payment hereunder or any extension of the Baseline Schedule in respect to any Change if such Change was necessary as a result of the fault of Contractor, including any breach by Contractor of this Agreement, and (b) Contractor shall not be entitled to any Change Order to which it would otherwise have been entitled hereunder if Contractor fails to list the PAR, including the basis for entitlement to the PAR, on the PAR log within fifteen (15) Days after becoming so entitled.

10.7 Adjustment Only Through Change Order. Except as provided in Section 10.4 and without limiting Contractor's entitlement to any Change Order as expressly provided in this Agreement, no change in the requirements of this Agreement, whether an addition to, deletion from or modification to this Agreement, including any Work, shall be the basis for an adjustment for any change in the Contract Price, the Baseline Schedule, the Baseline Cash Flow Plan, any Work or any other obligations of Contractor or right of Owner under this Agreement unless and until such addition, deletion or modification has been authorized by a Change Order number assigned by Owner in respect to the final PAR for such addition, deletion or modification (whether with or without qualifications by Owner) in accordance with and in strict compliance with the requirements of this Article. Contractor shall not

perform any Change in the Work unless and until such Change is authorized pursuant to this Article, and should Contractor perform or claim to perform any Change in the Work prior to authorization by Change Order or pursuant to Section 10.4, all costs and expenses incurred by Contractor in performing such Change or, if required by Owner, reversing or cancelling such Change, if performed, shall be for Contractor's account unless otherwise agreed to by Owner. No course of conduct or dealings between the Parties, nor implied acceptance of additions, deletions or modifications to this Agreement, including any Work, and no claim that Owner or any of its Affiliates have been unjustly enriched by any such addition, deletion or modification to this Agreement, whether or not there is in fact any such unjust enrichment, shall be the basis for any claim for an adjustment in the Contract Price, the Baseline Schedule, the Baseline Cash Flow Plan or any other obligations of Contractor under this Agreement.

10.8 Change Orders Act as Accord and Satisfaction. Unless otherwise expressly stated in the Change Order or as may be reserved by Contractor in a Change Order Dispute Notice pending resolution in accordance with Section 10.3, Change Orders shall constitute a full and final settlement and accord and satisfaction of all effects of the Change reflected in the subject Change Order and shall be deemed to fully compensate Contractor and fully adjust the Baseline Schedule and/or the Baseline Cash Flow Plan for such Change. Accordingly, unless otherwise expressly stated in such Change Order or as may be reserved by Contractor in a Change Order Dispute Notice pending resolution in accordance with Section 10.3, Contractor expressly waives and releases any and all right to make a claim or demand or to take any action or proceeding against Owner for any consequences arising out of, relating to or resulting from such Change reflected in the subject Change Order, including cumulative impact claims.

11. FORCE MAJEURE

11.1 Event of Force Majeure. If a Party is prevented from, or delayed in, performing its obligations under this Agreement by an event of Force Majeure, such Party shall be entitled to an equitable adjustment to the Baseline Schedule, but, with respect to Contractor, only if, and then only to the extent that, such prevention or delay causes a delay in the critical path of the Baseline Schedule, provided that no obligation of either Party that arose before the occurrence of an event of Force Majeure or its effect shall be excused as a result of such occurrence. Contractor shall demonstrate to Owner its entitlement to relief under this Section by providing to Owner a proposed, updated Baseline Schedule with actual durations entered for activities on the critical path and re-forecasted clearly to indicate Contractor's entitlement to a time extension as a result of such event of Force Majeure. The burden of proof shall be on the Party claiming to be affected by an event of Force Majeure. Contractor's sole and exclusive remedy for a Force Majeure event is an extension of time as and to the extent provided in this Section and under no circumstances whatsoever shall Contractor be entitled to any adjustment to the Contract Price. Any equitable adjustment to the Baseline Schedule due to a Force Majeure event shall be reflected in a Change Order that is effected pursuant to Article 10. Nothing herein limits Contractor's ability to seek recovery of costs and expenses Contractor actually incurs, or will incur, to mitigate or minimize the effects of an actual Force Majeure Event under Owner's Builder's Risk policy to the extent such coverage exists; provided, however, Contractor's obligations hereunder, including any mitigation efforts, are not contingent upon recovery under the Builder's Risk policy. If such coverage does not exist or Contractor's claim is denied, Contractor shall be solely responsible for all such costs and expenses and shall not be entitled to an adjustment to the Contract Price. [**].

11.2 Notice. If a Party is or will be reasonably prevented from performing its obligations under this Agreement by an event of Force Majeure, then it shall notify the other Party of the obligations, the performance of which is or will be prevented, and the nature and cause of the event in writing promptly, and in any event within two (2) Business Days after the notifying Party becomes aware, or should

reasonably have become aware, of the impact that such event of Force Majeure would have on its obligations hereunder. The Party affected by an event of Force Majeure shall provide the other Party with weekly updates (a) estimating its expected duration, the cost of any remedial action, and the probable impact on the performance of its obligations hereunder, (b) of the actions taken to remove or overcome the event of Force Majeure and (c) of the efforts taken to mitigate or limit damages to the other Party. The Party affected by an event of Force Majeure shall also provide prompt written notice to the other Party when it ceases to be so affected. The Parties acknowledge and agree that Contractor is acting as Owner's agent pursuant to Section 3.2 and, as such, will or should be aware of the progress of the matters described therein. Accordingly, Owner shall be entitled to the benefits of Section 11.1 with respect to any event of Force Majeure that impacts the matters described in Section 3.2 without being obligated to comply with this Section 11.2.

11.3 Termination Due to Force Majeure. If any event of Force Majeure claimed by Contractor delays, or is expected to delay, Contractor's performance for an aggregate time period greater than **[**]** Days, then Owner, in its sole discretion, shall have the right to terminate this Agreement (or the affected portion of the Work) without Liability in accordance with Section 22.7.

12. MECHANICAL COMPLETION; START-UP AND COMMISSIONING; PERFORMANCE TESTING; SUBSTANTIAL COMPLETION; FINAL COMPLETION

12.1 Mechanical Completion. "**Mechanical Completion**" shall be deemed to have occurred upon satisfaction of all of the following conditions:

(a) All Work necessary or prudent for the safe start-up, commissioning and testing of the Facility shall have been completed in accordance with this Agreement, including the Scope of Work and applicable Laws, and all Owner Equipment shall have been installed, shall be capable of being functional, and shall be ready for commissioning, in accordance with this Agreement, including the Scope of Work and applicable Laws, and the applicable Owner Equipment Contract, without in each case voiding any warranties relating to Equipment as claimed by any Subcontractor;

(b) All Work that the Baseline Schedule requires to be completed prior to Mechanical Completion shall have been completed, including all P-1 Punchlist items and P-2 Punchlist items;

(c) The Work shall be mechanically, structurally and electrically sound and free from all Defects, excluding P-3 Punchlist items;

(d) All systems shall have undergone pre-commissioning checks and tests, the results of which shall confirm that such systems are correctly installed, in accordance with supplier instructions and Prudent Industry Practice, and are capable of being commissioned safely and reliably without damage thereto or any other portion of the Facility or to any other property or injury to any Person and in compliance with all applicable Laws, including Owner Permits, and verifying documentation of such pre-commissioning checks and tests and the results thereof shall have been provided to and accepted by Owner;

(e) All Turnover Package Completions shall have occurred, including delivery by Contractor to Owner of all Documentation that is needed to start-up, commission and test the Facility (including the Required Manuals);

(f) Contractor shall have complied with its obligations in Sections 6.11(b) and 6.11(f)(iii);

(g) Contractor shall have provided Owner with the certificate of compliance required by Section 6.11(i)(ii);

(h) The Equipment and Owner Equipment shall be capable of being tested in accordance with Exhibit A without damage thereto or any other portion of the Facility or to any other property or injury to any Person and in compliance with all applicable Laws, including Owner Permits;

(i) The Parties shall have agreed upon the outstanding P-3 Punchlist items and the Punchlist shall contain no P-1 Punchlist items or P-2 Punchlist items; and

(j) There shall exist no Contractor Default; and

(k) Contractor shall have delivered to Owner a certificate in a form acceptable to Owner (the “**Mechanical Completion Certificate**”) and signed by Contractor certifying that all of the preceding conditions in this Section 12.1 have been satisfied and including therewith a report in a form acceptable to Owner and with sufficient detail to enable Owner to determine whether Mechanical Completion has occurred.

On the thirtieth (30th) Day prior to the date on which Contractor reasonably anticipates to deliver to Owner the Mechanical Completion Certificate, Contractor shall provide Owner with written notice thereof. Within ten (10) Business Days of receipt of the Mechanical Completion Certificate, Owner shall inspect the Work and either (a) deliver to Contractor a written certification confirming that Mechanical Completion has been achieved or (b) notify Contractor in writing that Mechanical Completion has not been achieved and the reasons therefor. Contractor shall cooperate with Owner in any such inspection by Owner and its representatives, such cooperation to include providing such documents, Contractor Persons and information prudent or convenient for Owner to determine whether Mechanical Completion has been achieved. If Owner notifies Contractor that Mechanical Completion has been achieved, then the date of the Mechanical Completion Certificate shall be deemed to be the date of Mechanical Completion. If Owner notifies Contractor that Mechanical Completion has not been achieved, including failure to agree upon the Punchlist, Contractor shall immediately remedy such deficiencies and, upon completion of such remedial work, shall issue another Mechanical Completion Certificate, which shall include relevant documentary evidence of the completion of such remedial work.

12.2 Punchlist Work and Updating. Prior to each of Mechanical Completion and Substantial Completion, Contractor shall submit its good faith proposal, for Owner’s review and written approval, of the Punchlist, including the schedule for completion of each item included therein. Contractor shall work diligently to complete all items contained in the Punchlist in a timely manner in accordance with such schedule and this Agreement. Contractor shall provide Owner with weekly updates of the Punchlist reflecting status of Work with respect to each item included in the Punchlist through the prior Business Day. If Contractor fails to complete such Punchlist items as may have been agreed upon in the schedule included in the Punchlist, then Owner shall have the right to complete the remaining Punchlist items at Contractor’s expense. Without limiting any remedies of Owner, Owner may deduct from any payment due Contractor hereunder all actual, out-of-pocket costs incurred by Owner in completing the remaining Punchlist items.

12.3 Start-Up and Commissioning. Start-up and commissioning shall be performed by Contractor as contemplated by the Scope of Work. Owner shall be entitled to be present for all such start-up and commissioning Work.

12.4 Performance Testing.

(a) Performance Testing. As soon as reasonably practicable following satisfactory completion of start-up and commissioning as provided in Section 12.3 and after providing Owner at least ten (10) Business Days prior written notice (unless Owner agrees to a shorter notice period or applicable Law, including Owner Permits, requires a longer notice period), Contractor shall perform the Performance Tests in accordance with this Agreement, including the Performance Testing Plan. Owner shall have the right to attend and witness the Performance Testing. No later than three (3) Business Days after completion of the Performance Testing, Contractor shall submit to Owner the complete and accurate raw data and completed results of the Performance Testing, together with a certification comparing such results to the Performance Guarantees (the “**Performance Test Report**”). The Performance Test Report shall contain a certification whether the Facility satisfies the Performance Guarantees. If the Performance Test Report indicates that the Facility failed to satisfy the Performance Guarantees, then Contractor shall promptly (and in any event within seven (7) Business Days) submit to Owner for its review and approval a Remedial Plan and, subject to all operational requirements of the Facility, remedy such deficiencies in accordance with such Owner-approved Remedial Plan. Such Remedial Plan shall include all actions necessary, including engaging additional resources and utilizing overtime, to timely remedy such deficiencies in accordance with this Agreement. Upon completion of the Work set forth in such Owner-approved Remedial Plan to Owner’s satisfaction, Contractor shall re-perform the Performance Testing in accordance with this Agreement, including the Performance Testing Plan, and the process set forth in this Section 12.4(a) shall be repeated until the results of the Performance Testing in accordance with this Agreement indicate that the Facility satisfies the Performance Guarantees. Results of repeated Performance Testing conducted in accordance with this Agreement shall supersede the results of earlier Performance Testing. Notwithstanding the foregoing, any such repeated Performance Testing shall be subject to the rights and remedies of Owner hereunder. Unless such re-performance of the Performance Testing is solely caused by Owner, including Owner Equipment, Owner shall be entitled to backcharge Contractor for the reasonable actual costs incurred by Owner, including the cost of any consumables and spare parts associated with the re-performance of any Performance Testing. If such re-performance of the Performance Testing is solely caused by the Assigned Owner Equipment Contract supplier’s failure to comply with its requirements under the Assigned Owner Equipment Contract, then Contractor shall promptly notify Owner, in writing, of the same including supporting information and documentation to allow Owner to determine whether the withholding or offsetting of funds due to the Assigned Owner Equipment Contract supplier in accordance with the Assigned Owner Equipment Contract is appropriate. For the avoidance of doubt, nothing in this Section, including the continued effort by Contractor after the Guaranteed Substantial Completion Date to achieve the Performance Guarantees, shall preclude or otherwise prejudice Owner from assessing Liquidated Damages in accordance with Article 13 or from terminating this Agreement, or pursuing any other rights or remedies, as a result of a Contractor Default.

(b) Owner’s Waiver or Deferral. Notwithstanding the foregoing, Owner shall have the right, in its sole discretion, to waive or defer all or part of the Performance Testing requirements described in this Section for any Work by providing written notice to Contractor of such determination. If Owner elects to waive or defer any portion of the Performance Testing for any Work, then, in the event of a waiver, such Work shall be deemed to have met that portion of the Performance Guarantees that has been waived for all purposes hereunder or, in the event of deferral, Contractor shall be entitled to a

Change Order for any impact resulting from such deferral. Any such waiver or deferral shall be effective only in respect to the Work indicated by Owner in such waiver or deferral and not for any Work that may be subject to any prior or subsequent Performance Testing or any other Work included in the same Performance Testing as such waived or deferred Work.

(c) Owner's Right to Operate Prior to Satisfaction of Performance Guarantees. If the Facility can be operated in compliance with applicable Laws although the Facility fails to satisfy the Performance Guarantees during the Performance Testing or fails to achieve Substantial Completion by the Guaranteed Substantial Completion Date, then Owner, in its discretion, shall have the right nonetheless to operate the Facility and shall give Contractor written notice of its decision. If Owner elects to operate the Facility and, during such time, does not permit Contractor to cure the Defects necessary to satisfy the Performance Guarantees, then the Guaranteed Substantial Completion Date (if such date has not passed) shall be extended on an equitable basis until such time as Owner tenders the Facility to Contractor for further Services and Performance Testing, and Contractor shall be entitled to a Change Order for an equitable adjustment to schedule. Owner shall bear the risk of loss during such time as it operates the Facility. Owner's operation of the Facility under this Section shall not reduce Contractor's obligations under this Agreement, including Contractor's obligation to cause the Facility to satisfy the specifications in the Scope of Work and applicable Performance Guarantees, except for normal wear and tear and operation not in accordance with Prudent Industry Practice. Owner shall be entitled to all, and Contractor shall have no claim to any, revenue derived from or in connection with operation or use of the Facility before or after the Substantial Completion Date.

12.5 Substantial Completion. "**Substantial Completion**" shall be deemed to have occurred upon satisfaction of all of the following conditions:

- (a) Mechanical Completion shall have been achieved;
- (b) All Group Turnover Packages shall have been submitted, accepted and in compliance with Turnover Package Completion;
- (c) All P-1 Punchlist items and P-2 Punchlist items arising after the Mechanical Completion Date shall have been completed;
- (d) No Defect shall exist;
- (e) The Facility shall be capable of being operated in accordance with the specifications in the Scope of Work without damage thereto or to any property or injury to any Person and in compliance with all applicable Laws, including the Owner Permits;
- (f) The Performance Testing shall have been conducted in accordance with the Performance Testing Plan and the results of the Performance Testing shall have satisfied the Performance Guarantees;
- (g) Contractor shall have completed the Work (other than P-3 Punchlist items) in accordance with this Agreement;
- (h) Contractor shall have delivered to Owner all Documentation that Contractor is required to deliver to Owner prior to Substantial Completion;

(i) Contractor shall have delivered to Owner the commissioning and operational spare parts as required by Section 4.5(b) in respect to such Project;

(j) Contractor shall have provided all training of Owner's personnel and representatives required to be completed by Substantial Completion as required by Section 4.23;

(k) Contractor shall have provided all Supplier's Publications that Contractor is required to provide to Owner pursuant to Section 14.3(c);

(l) There shall exist no Contractor Default; and

(m) Contractor shall have delivered to Owner a certificate in a form acceptable to Owner (the "**Substantial Completion Certificate**") and signed by Contractor certifying that all of the preceding conditions in this Section 12.5 have been satisfied and including therewith a report in a form acceptable to Owner and with sufficient detail to enable Owner to determine whether Substantial Completion has occurred.

Within ten (10) Business Days of receipt of the Substantial Completion Certificate, Owner shall inspect the Work and either (a) deliver to Contractor a written certification confirming that Substantial Completion has been achieved or (b) notify Contractor in writing that Substantial Completion has not been achieved and the reasons therefor. Contractor shall cooperate with Owner in any such inspection by Owner and its representatives, such cooperation to include providing such documents, Contractor Persons and information prudent or convenient for Owner to determine whether Substantial Completion has been achieved. If Owner notifies Contractor that Substantial Completion has been achieved, then the date of the Substantial Completion Certificate shall be deemed to be the date of Substantial Completion. If Owner notifies Contractor that Substantial Completion has not been achieved, Contractor shall immediately remedy such deficiencies and, upon completion of such remedial work, shall issue another Substantial Completion Certificate, which shall include relevant documentary evidence of the completion of such remedial work. Upon Substantial Completion, Owner shall accept the Facility, subject to Final Completion, by delivering to Contractor notice of that acceptance, and Contractor shall turn over risk of loss and care, custody and control of the Facility to Owner.

12.6 Final Completion. "**Final Completion**" shall be deemed to have occurred upon satisfaction of all of the following conditions:

(a) Contractor shall have achieved Substantial Completion;

(b) The Facility shall have passed all Demonstration Tests;

(c) No Defect shall exist;

(d) The performance of the Work (except for warranty Work) shall be one hundred percent (100%) complete, including all items in the Punchlist, in accordance with this Agreement;

(e) All Liquidated Damages shall have been paid;

(f) Contractor shall have delivered to Owner the Documentation that Contractor is required to deliver to Owner at or prior to Final Completion, including the As-Built Drawings;

- (g) Contractor shall have delivered to the Owner the sales tax affidavit required by Section 24.3(d);
- (h) There shall exist no Contractor Default and no event which, with the passage of time or the giving of notice or both, would be a Contractor Default;
- (i) Contractor shall have complied with its obligations under Section 4.24;
- (j) Contractor shall have delivered to Owner the Final Payment Invoice as required by Section 9.6;
- (k) Contractor shall have delivered to Owner the breakdown of the Contract Price as required by Section 9.11; Contractor shall have delivered to Owner the sales tax affidavit required by Section 24.3(d);
- (l) Contractor shall have delivered to Owner a certificate in a form acceptable to Owner (the “**Final Completion Certificate**”) and signed by Contractor certifying that all of the preceding conditions in this Section 12.6 have been satisfied and including therewith a report in a form acceptable to Owner and with sufficient detail to enable Owner to determine whether Final Completion has occurred.

Within ten (10) Business Days of receipt of the Final Completion Certificate, Owner shall inspect the Work and either (a) deliver to Contractor a written certification confirming that Final Completion has been achieved or (b) notify Contractor in writing that Final Completion has not been achieved and the reasons therefor. Contractor shall cooperate with Owner in any such inspection by Owner and its representatives, such cooperation to include providing such documents, Contractor Persons and information prudent or convenient for Owner to determine whether Final Completion has been achieved. If Owner notifies Contractor that Final Completion has been achieved, then the date of the Final Completion Certificate shall be deemed to be the date of Final Completion. If Owner notifies Contractor that Final Completion has not been achieved, Contractor shall immediately remedy such deficiencies and, upon completion of such remedial work, shall issue another Final Completion Certificate, which shall include relevant documentary evidence of the completion of such remedial work.

12.7 Waiver or Deferral of Demonstration Tests. Owner shall have the right, in its sole discretion, to waive or defer all or part of the Demonstration Tests by providing written notice to Contractor of such determination. If Owner elects to waive or defer any portion of the Demonstration Tests, then, in the event of a waiver, such portion of the Demonstration Tests shall be deemed to have been satisfied for all purposes achieving Final Completion or, in the event of deferral, Contractor shall be entitled to a Change Order for any impact resulting from such deferral, including an equitable extension to the Final Completion Date. Any such waiver or deferral shall be effective only in respect to the portion of the Demonstration Tests indicated by Owner in such waiver or deferral and not for any other portion of the Demonstration Tests.

12.8 Absolute Obligations. For the avoidance of doubt, none of the conditions for Mechanical Completion, Substantial Completion or Final Completion or Contractor’s obligation to ensure that the Facility satisfies the Performance Guarantees shall be waived, excused, delayed, modified or otherwise affected by any circumstance or event other than a circumstance or event that entitles Contractor to a Change Order pursuant to the express terms of this Agreement and then solely to the extent expressly set forth in such Change Order. Notwithstanding anything in this Article 12 to the contrary, no, statement (other than any completion certificate issued by Owner under this Article 12) or other indication of, or the lack thereof from, Owner relating to whether Mechanical Completion, Substantial Completion or

Final Completion was achieved or whether the Performance Testing was conducted according to the Performance Testing Plan or whether the results of the Performance Testing satisfied the Performance Guarantees shall relieve Contractor of any of its obligations under this Agreement.

13. LIQUIDATED DAMAGES

13.1 Liquidated Damages.

(a) The Parties agree that it would be extremely difficult and impracticable under presently known and anticipated facts and circumstances to ascertain and fix the actual damages that Owner would incur if Contractor does not achieve L/D Item Completion for any L/D Item by its Key Contractor Schedule Milestone Date. Accordingly, the Parties agree that, if Contractor does not achieve L/D Item Completion for an L/D Item by its Key Contractor Schedule Milestone Date, then Contractor shall pay to Owner, as Owner's sole and exclusive monetary remedy for not meeting such Key Contractor Schedule Milestone Date, as liquidated damages, and not as a penalty, the amount set forth in Exhibit D as the "Delay LD Amount" for the applicable L/D Item for each day after its Key Contractor Schedule Milestone Date until the date on which L/D Item Completion for such L/D Item occurs (the "**Liquidated Damages**").

(b) Contractor shall have no liability or obligation for any Liquidated Damages to the extent caused by the late delivery or faulty performance of any Owner Equipment, except to the extent such late delivery or faulty performance is due to Contractor's breach of its obligations set forth in this Agreement. Notwithstanding the foregoing, no such late delivery or faulty performance shall absolve Contractor from any of its obligations hereunder, including achieving L/D Item Completion for each L/D Item by its Key Contractor Schedule Milestone Date, provided that, to the extent such late delivery or faulty performance impacts the critical path of the Baseline Schedule, Contractor shall be entitled to a Change Order providing for an equitable extension to the Baseline Schedule, including the applicable Key Contractor Schedule Milestone Dates, for so long as such delivery is late or the performance of such Owner Equipment remains faulty.

(c) If Contractor's failure to achieve L/D Item Completion for any L/D Item by its Key Contractor Schedule Milestone Date is caused solely by the Assigned Owner Equipment Contract Supplier's failure to timely or properly perform its obligations under the Assigned Owner Equipment Contract (as reasonably determined by Owner), then Contractor's liability and obligation for payment of Liquidated Damages to Owner hereunder shall not exceed the maximum liquidated damages the Assigned Owner Equipment Contract Supplier is liable for paying under the Assigned Owner Equipment Contract plus such other damages or amounts that Contractor may recover from the Assigned Owner Equipment Contract Supplier under the Assigned Owner Equipment Contract. For the avoidance of doubt, if Contractor's failure to achieve L/D Item by its Key Contractor Schedule Milestone Date arises from or is caused (in whole or in part) by Contractor, any Contractor Person (including any Subcontractor other than the Assigned Owner Equipment Contract Supplier), or other party over whom Contractor has control or responsibility for, then Contractor shall be fully liable and responsible for paying to Owner any and all Liquidated Damages assessed hereunder and as detailed in Exhibit D. Notwithstanding the foregoing, nothing herein shall absolve Contractor from any of its obligations hereunder, and nothing in this Section 13.1(c) shall impair, alter or otherwise modify Owner's rights and remedies under this Agreement.

(d) Notwithstanding the foregoing, nothing in this Section shall waive or otherwise limit Owner's right to terminate this Agreement at any time for a Contractor Default or any of Owner's other remedies as a result of the failure to achieve L/D Item Completion for any L/D Item, provided that any monetary damages as a result of any related delay (as opposed to failure to achieve L/D Item Completion for any L/D Item), shall be limited to Liquidated Damages.

13.2 Payment. The Liquidated Damages specified in Section 13.1, if owing, shall be due and payable within [**] Days after written demand by Owner. Owner may demand payment of Liquidated Damages from time to time as they accrue without deferring to such time as the total Liquidated Damages are known. Any Liquidated Damages that remain unpaid after the expiration of such ten-Day period shall bear interest at the Prime Interest Rate plus [**] per annum or the highest rate allowed by applicable Law, whichever is less. Any unpaid Liquidated Damages disputed by Contractor and determined to be payable pursuant to the resolution of such dispute in accordance with this Agreement shall also bear interest from the expiration of the ten-Day period referred to above at the Prime Interest Rate plus [**] per annum or the highest rate allowed by applicable Law, whichever is less. Notwithstanding the assessment of interest, and in addition to its other rights and remedies, Owner shall have the right to offset the amount of any unpaid Liquidated Damages plus interest against any amounts due or that may become due to Contractor under this Agreement.

13.3 Limitation on Liquidated Damages. In no event shall the aggregate amount of Liquidated Damages payable by Contractor under this Agreement exceed [**] of the Contract Price; provided, that this maximum amount shall not apply to, and no credit shall be issued against such amount for, any interest that accrues on the Liquidated Damages payable by Contractor pursuant to Section 13.2.

13.4 Certain Acknowledgments. The Parties acknowledge that Owner is entering into this Agreement in material reliance on, among other things, the enforceability of the provisions contained in this Article 13, including payment as and when due of the Liquidated Damages. Accordingly, Contractor agrees that it shall not claim, and hereby irrevocably waives any right to claim, in any litigation, arbitration, mediation or other proceeding whatsoever that the Liquidated Damages are a penalty or that this Article 13 is otherwise not enforceable in any respect in accordance with its terms. If and to the extent that, notwithstanding the foregoing, any or all of the Liquidated Damages payable hereunder are subsequently struck down as not representing a reasonable determination of Owner's damages or otherwise prevented from being fully enforced as written, the balance of this Article and this Agreement shall remain in full force and effect and Contractor shall thereafter be liable to Owner for damages at law for any such delay or failure of performance without regard to Section 18.1.

14. WARRANTY

14.1 Warranty.

Contractor warrants, for the duration of the Correction Notification Period, which shall mean Contractor warrants that as of the date of Substantial Completion and through the end of the Correction Notification Period (and without limiting the obligation of Contractor to complete all Work (other than P-3 Punchlist items) prior to Substantial Completion, including remedying any of the following that may be breached prior to Substantial Completion), as follows (the "**Warranty**"):

- (a) the Work shall be performed in a professional and workmanlike manner;

(b) the Work shall conform to the requirements of this Agreement, including the Scope of Work, Design Documents, and Equipment manufacturer's specifications and other requirements;

(c) the Work in respect to the Owner Equipment shall have been performed in accordance with the Owner Equipment manufacturer's specifications, and other requirements including storage, installation and integration;

(d) the Work shall reflect and be performed with competent professional knowledge and judgment;

(e) the Work shall be free from errors and defects in design, workmanship and material;

(f) the Equipment shall be new and of good and suitable quality when installed;

(g) design and engineering services shall have been performed in accordance with Prudent Industry Practice, conform to this Agreement and be free from errors;

(h) the Documentation, including the Design Documents and the written instructions regarding the use of Equipment, such as those in operation and maintenance manuals, shall be free from errors and conform to this Agreement, including Prudent Industry Practice; and

(i) all computer hardware and software and all microchip devices and equipment that are part of the Equipment or Documentation will comply and be compatible with each other and Owner's other hardware, software and microchip devices and equipment listed in Exhibit A, and, together with such other hardware, software and microchip devices and equipment, operate together as a compatible system.

14.2 Correction Obligations.

(a) Without limiting the obligations of Contractor hereunder, if any deviation from, breach of, or failure of any of the Warranties (a "**Defect**") shall exist and Owner provides Contractor with written notice thereof within the Correction Notification Period, then Contractor shall promptly, at its sole expense (including "in and out cost") and whether in or outside of the Correction Notification Period, correct such Defect and any resulting property damage therefrom (whether to Equipment, or Owner Equipment or other property at, or in the vicinity of, the Site) and perform the re-Work required thereby, including engineer, repair, modify, replace, disassemble, remove, transport, store, re-assemble or re-perform the affected portion of the Work and other property, in each case in accordance with this Article 14. Nothing herein limits Contractor's ability to seek recovery of costs it actually incurs, or will incur, to correct any resulting property damage caused by a Defect under the Owner Controlled Insurance Program ("OCIP") to the extent such coverage exists; provided, however, Contractor's obligation to correct any such resulting property damage is not conditioned upon Contractor's ability to recover under the OCIP, and Contractor shall promptly (and at its sole expense) correct the resulting property damage as required hereunder. For the avoidance of doubt, correction of any Defect under this Agreement shall, as applicable, require not only correction of the defective Documentation, but also re-performance of the Work to the extent required for the Work to conform to the corrected Documentation. All such corrective Work shall be performed subject to the same terms and conditions under this Agreement as the original Work was required to be performed. Contractor shall provide Owner with prior written notice if any Subcontractor will perform any warranty Work. Contractor shall reimburse Owner for all reasonable out-of-pocket costs incurred by Owner to ascertain the existence, cause or nature of each Defect, after Contractor having been notified thereof or, if Contractor disclaims the existence of any

such Defect, in establishing the existence of such Defect (if such Defect exists). A Defect shall be deemed to exist in the Work if Owner determines that it deviates from the Documentation or the Scope of Work or fails to conform to any other requirements of this Agreement, including Prudent Industry Practice and applicable Law.

(b) Within five (5) Business Days after receipt by Contractor of notice from Owner specifying any Defect, Contractor and Owner shall confer with regard to the appropriate procedures to utilize in correcting the Defect and the property damage resulting therefrom and performing the re-Work required thereby and shall endeavor in good faith and within a reasonable period thereafter (not to exceed fifteen (15) Days) to mutually agree when and how Contractor shall remedy such Defect and the property damage resulting therefrom and perform such re-Work required thereby, provided that Owner may in good faith shorten the foregoing periods as it determines is needed for the operability, safety, reliability, or mechanical or electrical integrity of the Work or the Facility (or any portion thereof). If Contractor fails to initiate and diligently take steps to pursue such corrective action as so agreed (or, if failing such agreement, within such number of Days and pursuant to such procedures as Owner may in good faith determine is needed) and to pursue that corrective action fully and continuously thereafter or if, in Owner's discretion in light of the circumstances at such time, the operability, safety, reliability, or mechanical or electrical integrity of the Work or the Facility requires exigent corrective action, Owner may, with the cost incurred reimbursed by Contractor, undertake, or arrange for others to undertake, corrective action, which shall not void or otherwise limit Contractor's warranties hereunder; provided, however, that Owner may, in its discretion and in lieu of seeking the foregoing reimbursement from Contractor, make an equitable reduction to the Contract Price for the value of that portion of the Work that suffers from such Defect, in which event Contractor shall reimburse Owner for such equitable reduction to the Contract Price. All warranty Work shall be intended to address and otherwise remedy the cause, and not just the effect, of the Defect necessitating the warranty Work. All warranty Work shall be subject to such tests and inspections as Owner may require in its discretion and Contractor shall demonstrate to the full satisfaction of Owner that such Defect and any resulting property damage therefrom and the re-Work required thereby have been properly corrected and performed.

(c) Contractor shall have no responsibility to perform any warranty Work with respect to Owner Equipment unless any Defect with respect to such Owner Equipment is attributable to Contractor's failure to comply with its obligations in this Agreement.

(d) Contractor acknowledges that the operation of the Facility without interruption or disruption is a matter of paramount importance to Owner and that a Defect that could jeopardize its continued operation in whole or part. Accordingly, Contractor shall use its best efforts, in good faith, to correct any Defect and any property damage resulting therefrom and to perform any re-Work required thereby promptly so as to minimize revenue loss to Owner and to avoid disruption of Owner's operations at, and in the vicinity of, the Site. In its operations, Contractor shall give first priority to such efforts.

14.3 Repairs Based on Supplier Publications.

(a) If, at any time prior to the expiration of the Correction Notification Period for a Project, any Subcontractor for the supply of Equipment issues an advisory, bulletin, notice, product modification or other technical publication ("**Supplier's Publication**") mandating repair, modification, or replacement of one or more parts of the Equipment for such Project to address issues of personnel safety or integrity of Equipment for such Project or to assure continued safe and reliable operation of the Equipment for such Project, Contractor shall, at its cost and expense, repair, modify, or replace the affected parts as per such Supplier's Publication and in accordance with and subject to all the terms of

this Article; provided that, for Owner Equipment, Owner will compensate Contractor, at mutually agreed upon fixed time and material rates, to make such repairs, modifications or replacements required by this Section 14.3.

(b) As with respect to those of such Supplier's Publications for Equipment as can reasonably be implemented prior to completion of manufacture of the Equipment, Contractor will so implement the same. As with respect to those of such Supplier's Publications for Equipment as can reasonably be implemented prior to the achievement of Substantial Completion without disrupting the construction, installation, commissioning, start-up or testing thereof, Contractor will so implement the same. As with respect to any Supplier's Publications for Equipment as cannot reasonably be so implemented prior to the achievement of Substantial Completion, Contractor shall cooperate with Owner in scheduling such implementation so as to avoid disruption to the operations of the Facility.

(c) As a condition precedent to the achievement of Substantial Completion, Contractor will provide Owner with a written list of all Supplier Publications for Equipment (such list to include a report on the status of the implementation of each of the same as provided in this Section).

14.4 Access. Owner shall provide Contractor reasonable working access (subject to such restrictions and conditions as Owner may have instituted generally for its contractors and as Owner may require for the efficient operation of the Facility, which may include limiting access to predetermined outage scheduled times) to the Site to perform the warranty Work, including removal, disassembly, replacement and reinstallation of any Equipment with respect to which a Defect exists. Contractor shall arrange its schedule to best fit the operation schedule of the Facility.

14.5 Extension of Correction Notification Period. If a Defect is discovered within the last twelve (12) months of the Correction Notification Period, then the Correction Notification Period shall be extended to the first anniversary of the date that such Defect and any resulting property damage is corrected and any re-Work required thereby is completed, but only with respect to that portion of the Work that failed to conform to the warranties hereunder and the related warranty Work, including any Work to correct any resulting property damage and any re-Work required thereby. [**].

14.6 Responsibility for Warranty Work.

(a) Contractor shall have primary liability with respect to the warranties in this Agreement, whether or not any Defect or other matter is also covered by a warranty of a Subcontractor, and Owner need only look to Contractor for corrective action.

(b) In addition, Contractor's warranties shall not be restricted in any manner by any warranty of a Subcontractor, and the refusal of a Subcontractor to provide or honor a warranty or to correct defective, deficient or nonconforming Work shall not excuse Contractor from its liability on its warranties to Owner.

(c) In the event the Correction Notification Period as defined in the Assigned Owner Equipment Contract expires prior to the expiration of the Correction Notification Period set forth in this Agreement, Section 14.6(b) above shall not apply to the warranties provided by the Assigned Owner Equipment Contract supplier as defined in the Assigned Owner Equipment Contract.

14.7 Exclusive Warranties. THE WARRANTIES SET FORTH IN THIS AGREEMENT ARE EXCLUSIVE AND ARE IN LIEU OF ALL OTHER WARRANTIES WHETHER STATUTORY, EXPRESS, OR IMPLIED (INCLUDING ALL WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, AND ALL WARRANTIES ARISING FROM COURSE OF DEALING OR USAGE OF TRADE).

15. INDEMNIFICATION

15.1 Indemnification. To the maximum extent permitted by applicable Law, Contractor shall indemnify, defend and hold harmless Owner, its Affiliates, contractors and suppliers (other than any Contractor Person) and their respective officers, employees, agents (other than Contractor), consultants, partners, members and directors (collectively, the “**Owner Persons**”), from and against, and will, on demand, compensate and reimburse the Owner Persons for, all Liabilities, whether or not covered by insurance, to the extent arising or claimed to have arisen:

(a) wholly or in part from acts or omissions of, or as a result of Work done or omitted from being done, or breach of this Agreement by any Contractor Person that, without limitation, resulted in:

(i) injury to (including mental or emotional) or death of any person, including employees of Owner or any of its Affiliates;

(ii) damage to or destruction of any property, real or personal, including property of any Owner Person; or

(iii) any other harm or injury to third parties;

(b) out of injuries sustained and/or occupational diseases contracted by any Contractor Worker of such a nature and arising under such circumstances as to create liability by any Owner Person under the workers’ compensation act of the state having jurisdiction, including all claims and causes of action of any character against any Owner Person by any Contractor Person, any Contractor Worker, or any Person claiming by, under or through any of them resulting from or in any manner growing out of such injuries or occupational diseases;

(c) out of any violation of Law by any Contractor Person or any action taken by any Contractor Person, which action results in any Owner Person violating any Law; or

(d) from any breach by Contractor of the terms of Article 21 or any Security Event involving Confidential Information of Owner in Contractor’s possession, custody or control or for which Contractor is otherwise responsible.

Contractor’s duty to indemnify shall include all costs, including attorneys’ fees, incurred by any Owner Person in pursuing indemnity claims under or enforcing the terms of this Agreement.

15.2 Indemnity Procedures for Third Party Claims.

(a) In the event of a Third Party Claim, then the Owner Person must notify Contractor in writing of the existence of such Third Party Claim and must deliver copies of any documents served on the Owner Person with respect to such Third Party Claim; provided, however, that any failure to notify Contractor or deliver such copies will not relieve Contractor from any obligation hereunder unless (and then solely to the extent that) Contractor is materially prejudiced by such failure.

(b) Contractor shall have the right to conduct and control, through counsel of its own choosing, reasonably acceptable to the Owner Person, any Third Party Claim; provided, however, that (i) if requested by the Owner Person, Contractor provides the Owner Person with evidence reasonably acceptable to the Owner Person that Contractor will have the financial resources to defend against such Third Party Claim and fulfill its indemnification obligations hereunder, (ii) the Owner Person may, at its election, participate in the defense thereof at its sole cost and expense and (iii) if (A) Contractor shall fail to defend such Third Party Claim, (B) in the reasonable opinion of legal counsel for the Owner Person, such Third Party Claim involves the potential imposition of criminal liability on the Owner Person, (C) in the reasonable opinion of legal counsel for the Owner Person, the Third Party Claim involves, or is likely to involve, any claim by any Government Authority or (D) in the reasonable opinion of legal counsel for the Owner Person, an actual or potential conflict of interest exists where it is advisable for such Owner Person to be represented by separate counsel, then the Owner Person shall be entitled to control and assume responsibility for the defense of such Third Party Claim, at the cost and expense of Contractor. Contractor may, in any event, participate in such proceedings at its own cost and expense. If the Owner Person agrees to forego any indemnity claimed under this Article, the Owner Person may, at its election, conduct and control the defense against the Third Party Claim at its sole cost and expense.

(c) Contractor, in the defense of any such litigation, other proceeding or other claim, shall have the right in its sole discretion to compromise or settle such Third Party Claim only if (i) such compromise or settlement involves only the payment of money and execution of appropriate releases of the Owner Persons, (ii) there is no finding or admission of any violation of Law and (iii) the Owner Persons will have no Liability with respect to such compromise or settlement. Otherwise, no such Third Party Claim shall be settled or agreed to without the prior written consent of the Owner Person. The Owner Person and Contractor shall fully cooperate in good faith in connection with such defense and shall cause their legal counsel, accountants and affiliates to do so, and shall make available to the other Party all relevant books, records, and information (in such Party's control) during normal business hours, and shall furnish to each other such other assistance as the other Party may reasonably require in connection with such defense, including making its employees available to testify and assist others in testifying in any such proceedings.

15.3 Indemnification of Assigned Owner Equipment Contracts Supplier. In accordance with Article 14 of the Assigned Owner Equipment Contract, Contractor shall, to the maximum extent permitted by applicable Law, indemnify, defend, and hold harmless the Assigned Owner Equipment Contract supplier for third party death, bodily injury and property damage claims in a manner consistent with Contractor's indemnification obligations owed to Owner set forth in this Article 15. Such indemnification of the Assigned Owner Equipment Contract supplier shall be subject to Article 17 of the Assigned Owner Equipment Contract, including the exceptions to the limitations set forth in Sections 17.1 and 17.2 of the Assigned Owner Equipment Contract.

16. INSURANCE

Contractor shall, and shall cause its Subcontractors to, comply with the insurance requirements set forth in Exhibit Q. Contractor shall seek and obtain Owner's written approval of any variations to the requirements set forth in Exhibit Q for Contractor's Subcontractors. The provisions of this Article 16 or Exhibit Q do not modify or change any responsibility of Contractor or the Subcontractors as stated elsewhere in this Agreement. Owner assumes no responsibility for the solvency of any insurer to settle any claim. The insurance requirements herein are separate and apart from and in no way limit Contractor's indemnity obligations as stated in this Agreement, including Section 15.1. Anything herein to the contrary notwithstanding, the liabilities of Contractor under this Agreement shall survive and not

be terminated, reduced or otherwise limited by any expiration or termination of insurance coverages. Neither approval nor failure to disapprove insurance furnished by Contractor shall relieve Contractor from responsibility to provide insurance as required by this Agreement.

17. PROJECT CREDIT SUPPORT

17.1 Financial Information. From the Effective Date until Final Completion, Contractor shall deliver to Owner (a) within ninety (90) Days following the end of each fiscal year, a copy of Guarantor's annual report containing audited, consolidated financial statements for such fiscal year, and (b) within thirty (30) Days after the end of each of its first three fiscal quarters of each fiscal year, a copy of Guarantor's quarterly report containing unaudited, consolidated financial statements for such fiscal quarter. In all cases, the statements shall be prepared in accordance with generally accepted accounting principles.

17.2 Parent Guaranty. Contractor represents and warrants that, concurrently herewith, it has furnished to Owner the Parent Guaranty, a copy of which is attached hereto as Exhibit I-1, pursuant to which Guarantor unconditionally and irrevocably guarantees to Owner the prompt and full performance of all obligations, duties and liabilities of Contractor under the terms of this Agreement.

17.3 Standby Letter of Credit.

Within three (3) Business Days following the date hereof, Contractor shall obtain and provide to Owner an irrevocable standby letter of credit in an initial notional amount equal to [**] percent [**] of the Contract Price as of the date hereof (rounded up to the nearest million) in favor of Owner in the form attached hereto as Exhibit I-2 (as such standby letter of credit may be amended or replaced from time to time in accordance with this Section 17.3, the "**Standby Letter of Credit**"). The Standby Letter of Credit shall be a source of funds for claims by Owner hereunder.

(a) The Standby Letter of Credit shall (i) be issued by a commercial bank organized under the laws of the United States or any state thereof and having a general long-term senior unsecured debt rating of A- or higher (as rated by Standard & Poor's Rating Group) or A3 or higher (as rated by Moody's Investor Services, Inc.) with total assets greater than ten billion U.S. dollars (\$10,000,000,000); (ii) continue to be issued by an issuer that continuously meets the foregoing requirements while outstanding; and (iii) permit presentation by any of facsimile transmission, electronic transmission in protected document format (PDF) and in person at a bank located in Charlotte, NC or New York, NY.

(b) Contractor shall ensure that the Standby Letter of Credit remains in full force and effect, outstanding and in the required amounts until the expiration of the Correction Notification Period (the "**LOC Expiration Date**"; [**]).

(c) If at any time the Standby Letter of Credit fails to meet any of the foregoing requirements, Contractor shall, within five (5) Days thereafter, replace the outstanding Standby Letter of Credit with a Standby Letter of Credit that meets each of the foregoing requirements and is in the form of the Standby Letter of Credit being replaced.

(d) If (i) by the terms of the Standby Letter of Credit, the Standby Letter of Credit will expire prior to the LOC Expiration Date and Contractor fails to renew or replace the Standby Letter of Credit at least thirty (30) Days prior to the expiration thereof, (ii) the terms of this Section 17.3 otherwise require the Standby Letter of Credit to be replaced and Contractor fails to so replace the Standby Letter of Credit, or (iii) any claim remains outstanding thirty (30) Days prior to the LOC Expiration Date (or any extension thereto as provided below) and Contractor fails to renew the Standby Letter of Credit for

an extended period of one year (or such shorter period as Owner may permit in writing in its discretion) in an amount that Owner in its discretion deems sufficient to cover such claim, then, in the discretion of Owner, Owner shall be entitled to draw and retain for claims hereunder the full amount (or, if the draw arises from clause (iii) above, such amount as Owner deemed sufficient to cover such claim) of the Standby Letter of Credit. Such retained amount, less any amount offset against such retained amount, and net of any reasonable attorneys' fee or applicable bank fees incurred by Owner in connection with the exercise of its rights under this Section, shall be returned to Contractor promptly upon the later of (1) the LOC Expiration Date or (2) liquidation of any claim that had been outstanding (and any related offset).

(e) In the event of a Change Order (or series of Change Orders) that increases or decreases, cumulatively, the Contract Price by more than [**] percent [**], Owner, in its discretion, shall be entitled to make an equitable adjustment to the amount of the Standby Letter of Credit, in which case Contractor, within ten (10) Days of notice from Owner of such equitable adjustment, shall amend, replace or supplement the then-outstanding Standby Letter of Credit to reflect such equitable adjustment.

(f) If the outstanding amount under the Standby Letter of Credit or the retained amount pursuant to a draw under Section 17.3(e) has been reduced as a result of one or more draws or claims thereunder (other than, with respect to the outstanding amount under the Standby Letter of Credit, a draw pursuant to Section 17.3(e)) at any time prior to the Substantial Completion Date to an amount equal to or less than one-half of its original amount (as adjusted pursuant to Section 17.3(f)), then Contractor, within ten (10) Days of notice from Owner of such reduction, shall amend, replace or supplement the then-outstanding Standby Letter of Credit to reflect an outstanding amount equal to its original amount (as adjusted pursuant to Section 17.3(f)) or, with respect to any such retained amounts, provide a new Standby Letter of Credit reflecting an outstanding amount equal to such aggregate reduction; [**].

(g) If Contractor fails to so amend, replace or supplement the Standby Letter of Credit or provide a new Standby Letter of Credit as and when required by this Agreement, then, without limiting any obligation of Contractor hereunder, including performance of the Work in accordance with the Baseline Schedule, Owner shall not be obligated to make any further payments to Contractor hereunder or approve any Change Order requested by Contractor that would increase the Contract Price until Contractor shall have provided Owner with such amended, replacement or supplemental Standby Letter of Credit.

17.4 Additional Support If there occurs a material adverse change in the financial condition, including the results of operations, assets, liabilities or business of Contractor or Guarantor, which change could impair Contractor's ability to discharge its obligations under this Agreement or Guarantor's ability to discharge its obligations under the Parent Guaranty, as determined by Owner in a commercially reasonable manner, then, at Owner's option and in its discretion, Contractor shall, within ten (10) Days after written notice from Owner, provide Owner with adequate assurance of performance. Without limitation, adequate assurance of performance may include: (a) a replacement Standby Letter of Credit in an increased amount determined by Owner in a commercially reasonable manner or to request a letter of credit from Contractor or Guarantor and/or (b) cash prepayments. Owner shall also be entitled to retain from any payment due Contractor hereunder a percentage thereof determined by Owner in a commercially reasonable manner, which retainage shall be returned, subject to any offset by Owner, together with payment of the Final Payment Invoice. In either event, the Standby Letter of Credit or retention shall be in amounts sufficient to protect Owner's interests in light of the material adverse change in the financial condition of Contractor or Guarantor. Without limitation, material adverse

change in financial condition may include (a) default by Contractor or Guarantor under any promissory note or loan agreement with any financial institution, (b) inability of Contractor or Guarantor to perform under other contractual obligations with Owner, or (c) inability of Contractor to pay its Subcontractors or vendors.

18. LIMITATION OF LIABILITY

18.1 No Consequential Damages. [**].

18.2 Maximum Total Liability. [**].

Nothing in this Article 18 shall limit, impair, alter, or otherwise excuse Contractor's obligations to (a) diligently prosecute and comply with the Baseline Schedule and/or (b) achieve Substantial Completion by the Guaranteed Substantial Completion Date.

18.3 Relationship to Insurance. No limitation of liability provided to Contractor under this Agreement is intended to, nor shall, run to the benefit of any insurance company or in any way prejudice, alter, diminish, abridge or reduce, in any respect, the amount of proceeds of insurance otherwise payable to Owner under coverage required to be carried by Contractor under this Agreement, it being the intent of the Parties that the full amount of insurance coverage bargained for be actually available notwithstanding any limitation of liability contained in this Agreement.

19. TITLE TO EQUIPMENT; LIENS; RISK OF LOSS

19.1 Transfer of Title; Liens.

(a) Except as otherwise expressly provided in this Agreement, good, exclusive and marketable title, free and clear of all Liens, to the Equipment and to each of the constituent parts thereof shall pass to Owner upon the earlier of (i) delivery of such Equipment or constituent part thereof to the Site and (ii) payment of the amount then due under a Milestone Payment Invoice covering such Equipment or constituent part thereof, notwithstanding any disputed amounts withheld or offset by Owner against any payment sought by Contractor in accordance with the terms of this Agreement. The passage of title to any Equipment to Owner shall not be deemed an acceptance or approval of such Equipment (or any Service), affect the allocation of risk of loss or otherwise relieve Contractor of any obligation under this Agreement, including any obligation to provide and pay for transportation and storage in connection with such Equipment. Further, it is acknowledged by the Parties that, upon the passage of title, the Equipment and the constituent parts thereof shall be specifically excluded from the bankruptcy estate of Contractor in the event of any bankruptcy or insolvency proceeding involving Contractor. Contractor represents and warrants that it has and shall have all rights, power and authority to transfer good, exclusive and marketable title, free and clear of all Liens, to the Documentation, the Equipment and the constituent parts thereof to Owner as and when provided hereunder.

(b) Contractor shall not permit any Liens from any Contractor Person (not including Contractor for Liens arising from non-payment by Owner of a Milestone Payment Invoice which is not the subject of a good faith dispute) and shall promptly notify Owner of any Liens. Without limiting the foregoing, Contractor shall promptly, and in any event within thirty (30) Days, discharge or bond any Lien as required by applicable Law to remove such Lien. If Contractor fails to so discharge or bond such Lien, Owner shall have the right to take any and all actions and steps to satisfy, defend, settle or otherwise remove such Lien and to backcharge Contractor for the costs thereof.

(c) Contractor acknowledges that Owner has selected the below named entity to serve as its designated lien agent, pursuant to North Carolina General Statute § 44A-11.1, for each Project whose Site is located in the State of North Carolina (the “**Lien Agent**”). Contractor is responsible for ensuring that all permits for Work in connection with such Projects include the Lien Agent Information (defined herein, below) on the face of the permit. Contractor shall post a notice at the Site for each such Project that sets forth conspicuously, in a location where the permits are displayed, and continuously for the duration of such Work the following name and contact information for the Lien Agent.

Chicago Title Company, LLC
19 W. Hargett Street, Suite 507
Raleigh, NC 27601
Facsimile Number: 1-913-489-5231
E-mail Address: support@liensnc.com

In addition, Owner may appoint the Lien Agent through the electronic online system found at <http://www.liensnc.com/>. Owner may provide Contractor with project-specific information such as project-specific alphanumeric identifiers or a Quick Response (“**QR**”) code to facilitate notices to the Lien Agent that Contractor shall include along with the name and contact information above in all related postings at each such Project. Such Project-specific information and the name and contact information for the Lien Agent set forth above shall all together constitute the “Lien Agent Information.” Contractor shall provide the Lien Agent Information to its Subcontractors on each such Project contemporaneously with entering such agreements and not later than three (3) Days thereafter. Further, Contractor shall require that the Lien Agent Information is disseminated by its Subcontractors to parties with whom they contract for labor, material or services on each such Project within three (3) Days of entering into such agreements.

(d) Contractor shall defend, indemnify and hold harmless the Owner Persons from and against any Liabilities incurred by such Owner Persons arising out of any failure of Contractor to comply with the terms of this Section 19.1.

(e) This Section shall survive the expiration, cancellation or termination of this Agreement. The Parties acknowledge and agree that this Section is not subject to the Correction Notification Period.

19.2 Risk of Loss. Whether or not title has passed to Owner, the risk of loss for all Equipment shall remain with Contractor until, and shall pass to Owner only upon, Substantial Completion. Risk of loss for all Owner Equipment shall pass to Contractor upon its arrival at the Site (at the point prior to being unloaded) and shall remain with Contractor until, and shall pass to Owner only upon, Substantial Completion. Contractor shall be obligated, at its expense, to replace, repair or reconstruct the Equipment or the Owner Equipment that is lost, damaged, or destroyed during the period in which Contractor has risk of loss and perform any re-Work in connection therewith. In the event the loss is caused by a Force Majeure event, the Contractor may be entitled to an extension of time as set forth in Article 11; provided, however, Contractor shall remain obligated, at its expense, to replace, repair or reconstruct the Equipment or the Owner Equipment pursuant to this Section 19.2. Nothing herein limits Contractor’s ability to seek recovery under Owner’s Builder’s Risk policy to the extent such coverage exists; provided, however, in the event such coverage exists and is available to Contractor, Contractor shall still take all reasonable steps to replace, repair or reconstruct the Equipment or the Owner Equipment that is lost, damaged, or destroyed during the period in which Contractor has risk of loss and perform any re-Work in connection therewith. For Equipment that is removed from the Site for repair, replacement or refurbishment under the Warranty, the risk of loss to such Equipment shall pass to Contractor upon it being moved from the

location at which it was installed, and Owner will resume the risk of loss of such Equipment upon completion of re-installation, testing and inspection of the repaired, replaced or refurbished Equipment at the Facility.

19.3 Construction Equipment. Risk of loss or damage to Construction Equipment shall at all times remain with Contractor, and Owner shall have no responsibility for Construction Equipment.

20. TITLE TO DOCUMENTATION; INTELLECTUAL PROPERTY

20.1 Representation and Indemnity. Contractor represents and warrants that (a) none of the Work or the Documentation, when delivered to Owner, infringes or constitutes a misappropriation of any right of any third party, including any copyrights, mask work rights, patent rights, trademark rights, trade secret rights, confidentiality rights or other intellectual property rights and (b) none of the Work, when delivered to Owner and that includes computer hardware or software or microchip devices or equipment, (i) contains computer viruses or other contaminants, including any code or instructions that may be used to modify, delete, render inaccessible or inoperable, or damage any part of the Equipment or Owner's data files or other programs; and (ii) has embedded in them any back door, time bomb, trojan horse, drop dead device or other computer software routine that is designed to permit (or that permits) access to or use of any of the Equipment or Owner's other assets by any Person other than Owner or that is designed to permit (or that permits) the disabling or erasure of any software or data. Contractor shall defend, indemnify and hold harmless the Owner Persons against, and will, on demand, compensate and reimburse the Owner Persons for, any and all Liabilities arising out of or relating to an allegation that any of the Work or the Documentation, or use thereof, constitutes an infringement or misappropriation of any right of any third party, including any copyrights, mask work rights, patent rights, trademark rights, trade secret rights, confidentiality rights or other intellectual property rights. The provisions of Section 15.2 shall apply to any claims for which any Owner Person is entitled to indemnification hereunder. Contractor shall obtain Owner's written consent, which may be withheld in Owner's discretion, prior to entering into any settlement of any such claim suit or proceeding that does not include a complete Liability release for all Owner Persons or that would prohibit or restrict use of any part of the Work or the Documentation by any Owner Person. Contractor shall not permit the use of any of the Work or the Documentation by any of the Owner Persons to be enjoined. If any such use may be enjoined (or, notwithstanding the foregoing, is enjoined), Contractor shall, at its option, either: (i) procure for such Owner Persons the right to continue using the Work and the Documentation to the full extent contemplated herein; (ii) replace the same with substantially equivalent non-infringing Work and Documentation acceptable to Owner; or (iii) modify the same in a manner acceptable to Owner and in conformance with the functional requirements of this Agreement so it becomes non-infringing. For the avoidance of doubt, Contractor's obligations under this Section 20.1 shall not apply to the Owner Equipment (to the extent not modified by Contractor), Owner Work, any other materials or documentation provided by Owner, or any manuals or other documentation provided by any supplier of the Owner Equipment.

20.2 Ownership of Rights in Documentation. Subject to Section 20.4, all rights, title and interests in and to the Documentation, and the intellectual property rights contained therein, including any moral rights, shall be owned solely and exclusively by Owner, provided that nothing in this Agreement shall be construed as limiting Contractor's right to use, and ownership of, its intellectual property, trade secrets, basic know-how, experience and skills in its performance under agreements generally with third parties. Contractor agrees to, and hereby does, assign to Owner, without any further consideration, all rights, title and interests throughout the world in and to all such Documentation immediately upon their creation. Contractor agrees that all such Documentation that are copyrightable shall constitute "works made for hire" under the copyright laws of the United States and, as such, acknowledges that Owner is the author of such Documentation and owns all of the rights comprised in the copyright of such Documentation and Contractor hereby assigns, and agrees to cause each other Person having any rights therein to assign, to Owner, without any further consideration, all of the rights comprised in the copyright and other proprietary rights that Contractor or such other Person may have in any such Documentation upon its creation to the extent that it might not be considered a work made for hire. Contractor agrees to perform or cause to be performed, at its expense, all acts reasonably deemed necessary or desirable by Owner to effectuate the intent of this Section.

20.3 Marking of Documentation. Contractor may mark any Documentation that contains its intellectual property rights, as protected by applicable Law and as set forth in Section 20.4 below, as confidential or proprietary to Contractor; provided, however, Owner shall have the right to reject or contest such markings, in writing (including removing such markings). If Owner so rejects or contests such markings, then the Parties will work together in good faith to resolve such dispute.

20.4 License to Certain Intellectual Property. If Contractor retains any intellectual property rights to any Documentation or the content thereof, then no such intellectual property rights shall be transferred to Owner as provided in Section 20.2 and Section 20.3 shall not apply with respect to such Documentation or content thereof to the extent of such retained intellectual property rights; provided, however, that Contractor hereby grants to Owner a non-transferable (except only as part of the sale or transfer of the Facility), royalty-free, fully paid up, irrevocable, sub-licensable, nonexclusive license to use and copy such retained intellectual property rights, but only for the purposes of Facility construction, design, engineering, commissioning, testing, maintenance, operation, training, modification, consultation, repair, decommissioning and compliance with Laws, and subject to the restrictions on Contractor Confidential Information set forth in Article 21.

20.5 Other Licenses. If, notwithstanding the foregoing, a license is required under any patent, trade secret right or other proprietary right of Contractor or any Subcontractor to maintain, operate, conduct training for, modify, repair, or decommission the Facility (other than the Owner Equipment) or comply with applicable Laws, Contractor hereby grants to Owner a non-transferable (except only as part of the sale or transfer of the Facility), royalty-free, fully paid up, irrevocable, sub-licensable, nonexclusive license under such patent, trade secret and other proprietary right for such purposes.

20.6 Assigned Owner Equipment Contract License. Notwithstanding anything in Section 20.2 or 20.3 to the contrary, Contractor hereby grants to Owner, and Owner hereby shall possess, all rights, title and interests and all licenses in and to the Documentation and Equipment (and the intellectual property therein) provided pursuant to the provisions of the Assigned Owner Equipment Contract as such provisions exist on the date hereof, and no further rights, title and interests or licenses in and to such Documentation or Equipment shall be deemed to have been granted pursuant to Section 20.2 or 20.3.

21. CONFIDENTIAL INFORMATION; SECURITY

21.1 Disclosure Prohibited. Each Party agrees that it shall not use, share, transfer, disclose, publish, or otherwise provide the Confidential Information of the other Party to any third party (including Affiliates and Subcontractors) for any reason unless approved in writing by the disclosing Party or as otherwise permitted by this Article 21. Furthermore, (a) Contractor agrees not to disclose the Confidential Information of a business unit of Owner or its Affiliates to any other business unit of Owner or its Affiliates without the prior written consent of Owner (for purposes of clarity, Owner shall not disclose, nor approve the disclosure of, any proprietary customer information without the prior consent of the applicable customer), (b) where Contractor, with the written consent of Owner, provides a third party access to Confidential Information of Owner, Contractor shall impose obligations on such third party that are substantially similar to those imposed on Contractor in this Article 21 and (c) Contractor shall not disclose or transmit any of its Personal Information to Owner or Owner's Affiliates without the prior written consent of Owner. Contractor shall retain only Subcontractors that Contractor reasonably can expect to be suitable and capable of performing the delegated obligations in accordance with this Article 21, and Contractor shall be responsible for, and remain liable to Owner for, any such third party's compliance with this Article 21.

21.2 Use Restrictions. Each Party agrees to use Confidential Information of the other Party solely for the purpose of this Agreement. Each Party shall (a) provide training, as appropriate, regarding the privacy, confidentiality and information security requirements set forth in this Article 21 and (b) exercise the necessary and appropriate supervision over its relevant personnel to maintain the appropriate privacy, confidentiality and security of Confidential Information of the other Party. Each Party agrees to protect Confidential Information of the other Party with at least the same degree of care used to protect its own most confidential information.

21.3 Disclosures Required by Government Authority. Notwithstanding the foregoing, if the receiving Party is requested or ordered by a Government Authority to disclose any Confidential Information of the other Party, the receiving Party shall (a) promptly notify the disclosing Party of the existence, terms and circumstances surrounding the request or order; (b) consult with the disclosing Party on the advisability of taking steps to resist or narrow the request or order; (c) cooperate with the disclosing Party in any lawful effort the disclosing Party undertakes to obtain any such relief and with any efforts to obtain reliable assurance that confidential treatment will be given to that portion of such Confidential Information that is disclosed; and (d) furnish only the minimal portions of such Confidential Information as the receiving Party is advised by counsel is legally required to be disclosed, unless the disclosing Party expressly authorizes broader disclosure in writing.

21.4 Permitted Disclosures. A Party may disclose the other Party's Confidential Information to third parties as follows:

(a) Contractor may disclose Owner's Confidential Information to a Subcontractor only if (i) such disclosure is necessary for Subcontractor's performance of the Work and (ii) the Subcontract pursuant to which such Subcontractor performs the Work contains obligations substantially similar to those set forth in this Article 21 (to the extent applicable). Contractor may disclose Owner's Confidential Information to Owner's Engineer and Contractor's Affiliates as reasonably necessary or prudent for the cooperative performance of the Work.

(b) Owner may disclose Contractor's Confidential Information to: (i) potential investors; (ii) third parties engaged by Owner to provide consultation regarding the Project or the Facility; (iii)

third parties with which Owner contracts for engineering, construction, designing, commissioning, testing, maintenance, operation, training, modification, repair, consultation or decommissioning of the Facility or other activities relating to the Facility undertaken in order to comply with applicable Law, including Owner's Engineer; (iv) purchasers and prospective purchasers of the Facility; or (v) notwithstanding Sections 21.3 and 21.4(a), any Government Authority having jurisdiction over the Facility or Owner in respect to any aspect of the Facility upon the request of such Government Authority, provided that, in the case of the foregoing clauses (i) – (iv), the third party to which disclosure is made first executes a written confidentiality agreement with Owner containing confidentiality obligations substantially similar to those set forth in Sections 21.1 through 21.4.

21.5 Owner's Name and Logo; No Publication; Web Content Accessibility. Contractor shall not use Owner's or its Affiliates' name or the fact that Contractor is performing Work for Owner in any press releases, media statements or public communications or otherwise publicize this Agreement without Owner's prior written consent; which shall be at Owner's sole discretion. Contractor shall not use Owner's or its Affiliates' name, logos, copyrights, trademarks, service marks, trade names, or trade secrets in any way without Owner's prior written consent, which shall be at Owner's sole discretion; and Owner shall not be deemed to have granted Contractor a license of, or granted Contractor any rights in, any of the foregoing by entering into this Agreement. Additionally, Contractor and Owner agree to cooperate in maintaining good community relations. Owner will issue all public statements, press releases and similar publicity concerning any Work, its progress, completion, and characteristics. Contractor shall not make or assist anyone to make any such statements, releases, photographs or publicity without prior written approval of Owner, which shall be at Owner's sole discretion. If applicable to Contractor's performance of Work under this Agreement, Contractor represents and warrants that all Work has been, or shall be, completed in adherence with Owner's web accessibility guidelines, which are set forth at <https://www.duke-energy.com/customer-service/accessibility>.

21.6 Contractor's Security Program Requirements. Contractor shall maintain a comprehensive data and systems security program ("**Security Program**"), which shall encompass, but is not limited to, any of Contractor's goods that contain software (including firmware) executed or installed on any device connected to an Owner information system or network and any of Contractor's Services that support or maintain such software or connect to an Owner information system or network, which program shall include, but may not be limited to, reasonable and appropriate technical, organizational, administrative and physical security measures to ensure the security and confidentiality of and protect against the destruction, loss, unauthorized access, acquisition, use, disclosure or alteration of: (a) Owner's Confidential Information, (b) Owner's information systems, and (c) Owner's networks. Without limiting the generality of the foregoing, Contractor's Security Program shall (unless otherwise agreed in advance, in writing), at a minimum: (i) use industry standard software and hardware data and system security tools generally available on the market and shall not use Contractor's proprietary technology; (ii) include secure user authentication protocols; secure access control measures; reasonable monitoring of systems on which Owner's Confidential Information is maintained; appropriate segregation of Owner's Confidential Information from information of Contractor or its other customers; effective systems for identifying and responding to threats; effective systems for identifying and addressing information security vulnerabilities; and appropriate personnel security and integrity procedures and practices; and (iii) use best practice cyber security and coding practices that address issues identified in the then current Open Web Application Security Project Top 10, and the SysAdmin, Audit, Networking, and Security ("**SANS**") Top 25 Programming Errors, and SANS top 20 critical controls. Contractor shall promptly, upon Owner's request: (A) disclose to Owner IT security all backdoors, embedded credentials and interactive remote management/support capabilities, and (B) verify that unused features have been disabled. The content and implementation of Contractor's Security Program shall be fully documented

in writing by Contractor. Upon Owner's request, Contractor shall permit Owner to review such documentation and/or inspect Contractor's compliance with the Security Program.

21.7 Storage and Encryption of Owner's Confidential Information and Owner PII.

Contractor shall not store, access, or maintain any of Owner's Confidential Information outside the United States (including its territories and protectorates) or in any cloud service or facility, without the express prior written consent of Owner.

(a) Contractor shall encrypt all of Owner's electronically-stored Confidential Information in its possession both at rest and in transit.

(b) Contractor shall encrypt the following of Owner's electronically-stored Owner PII data elements:

- (i) Social Security Number;
- (ii) State ID Card Number;
- (iii) Driver's License;
- (iv) Checking Account Number;
- (v) Savings Account Number;
- (vi) Credit Card Number;
- (vii) Debit Card Number;
- (viii) Passport Number;
- (ix) Fingerprints;
- (x) Biometric Data;
- (xi) Digital Signatures;
- (xii) Stock or other security certificate or account number;
- (xiii) Parent's Legal Surname prior to marriage;
- (xiv) Medical Information;
- (xv) Health insurance information;
- (xvi) Employer or taxpayer identification number;
- (xvii) Insurance policy number;
- (xviii) Passwords, PINs, or other access codes;
- (xix) Private Phone Numbers;
- (xx) Vital record;
- (xxi) Unique electronic identifier, routing code, account number, credit card number, or debit card number, in combination with any required security code, PIN, access code, or password that would permit access to an individual's financial account; and
- (xxii) Other numbers or information which may be used to access a Person's financial accounts or numbers or information issued by a Government Authority that uniquely will identify an individual,

using the following design elements:

- (1) Owner PII shall be encrypted in all applications where Owner PII is initially acquired.

- (2) Decryption of data elements of Owner PII shall only occur in a consuming application, or in output, with a Legitimate Business Requirement for native data elements of Owner's Personal Information.
- (3) Access to a fully decrypted data element of Owner PII is provided only to individuals/entities with a Legitimate Business Requirement for such access, where such access is authenticated using identity management techniques.
- (4) Masking output is utilized to provide access to, or display, a portion of decrypted data in the absence of a Legitimate Business Requirement for decrypted access (i.e., mask all but last 4 digits of social security number on reports).
- (5) Custom application(s) will be developed to accommodate ad hoc database queries returning decrypted results appropriate for the individual's Legitimate Business Requirement.

(c) Contractor shall use encryption algorithms used for Owner's Confidential Information and Owner PII that are currently endorsed by NIST (www.nist.gov), and such algorithms shall be updated as such NIST endorsements are updated from time-to-time. Contractor may not use proprietary encryption algorithms.

Contractor shall employ encryption / decryption key management such that the keys are managed confidentially.

21.8 Return of Confidential Information. Promptly upon the termination of this Agreement, or such earlier time as Owner requests in writing, Contractor will return to Owner or its designee, or render unreadable or undecipherable if return is not reasonably feasible or desirable to Owner (which decision will be at Owner's sole discretion), each and every original and copy in every media of all of Owner's Confidential Information in Contractor's possession, custody or control, including all information and materials that contain or are derived from Owner's Confidential Information ("**Data Return Requirements**"), except to the extent Contractor needs to maintain an archival copy pursuant to Contractor's written records retention policy or is required to keep copies of Owner's Confidential Information by applicable Law, and then only to the extent necessary for compliance. Archival copies shall continue to be treated as Confidential Information and shall be maintained in accordance with the terms and conditions of this Agreement. To the extent Contractor is required to keep copies of Owner's Confidential Information by Law, Contractor shall, upon the written request of Owner, provide Owner with a written, detailed inventory of such information and a citation to the applicable Law for each such item, in advance of keeping such copies. Promptly following any return or alternate action taken to comply with the Data Return Requirements, Contractor will provide to Owner a written certification from one of Contractor's officers certifying that such return or alternate action occurred.

21.9 Vendor Network. Upon request, Owner may provide Contractor access to an external network to access the internet ("**Vendor Network**") while Contractor works on-premises at any facility of Owner or its Affiliates. Contractor agrees that any use of the internet and electronic mail through the Vendor Network will be solely for necessary business purposes.

21.10 Internal Network. Owner's internal network ("**Internal Network**") is independent of the Vendor Network. Contractor agrees that it may access the Internal Network solely for the purpose of performing the Work. The Internal Network contains Owner's Confidential Information, which Contractor may be required to access to perform the Services. Contractor agrees that access to the Internal Network for

other purposes, or the use of the Internal Network to access other non-Work-related networks, is strictly forbidden, and Contractor shall be responsible and liable for all damages or unauthorized access resulting or arising from such actions, and such activity may result in the discontinuation of any and all Owner network access.

21.11 Internet Access. In accordance with Owner's existing internet usage policies, Contractor and its employees shall not access any gambling, pornography or hate or violence sites from either the Vendor Network or the Internal Network; introduce any viruses, worms, Trojan horses or other bugs or errors in any Owner network; or forward any chain letters, executable "ready to run" files or other files which may cause damage to Owner's computer or network systems. Owner reserves the right to monitor Contractor's use of the Vendor Network, the Internal Network and the internet through the Vendor Network, the Internal Network and Owner's or its Affiliate's information systems, for these or other unauthorized or unlawful activities.

21.12 Access Termination. Owner reserves the right, in its sole discretion, to terminate Contractor's access to and use of the Vendor Network or Internal Network at any time, for any reason, and without notice to Contractor.

21.13 Compliance with Privacy Laws. Contractor shall comply, and shall require its Subcontractors to comply, with (i) all applicable Laws, rules, regulations, directives and governmental requirements currently in effect and as they become effective relating in any way to the privacy, confidentiality or security of Owner's Confidential Information ("**Privacy Laws**"); (ii) all applicable industry standards concerning privacy, confidentiality or information security including the ISO/IEC 27001 and ISO/IEC 27002 Standards, the National Institute of Standards and Technology ("NIST") Framework for Improving Critical Infrastructure Cybersecurity and the Payment Card Industry Data Security Standard; and (iii) applicable provisions of Owner's written requirements currently in effect and as they become effective relating in any way to the privacy, confidentiality or security of Owner's Confidential Information, or applicable privacy policies, statements or notices that are provided to Contractor by Owner in writing.

21.14 Security Breach Notice.

(a) Contractor agrees to:

(i) notify Owner, in accordance with Section 26.12, and with a copy to cirhotline@duke-energy.com, as soon as reasonably possible, but in no case later than twenty-four (24) hours after it becomes aware of any threatened, attempted or successful breach or loss of, destruction of, unauthorized access to, acquisition of, use of, or disclosure of or other compromise of (x) Owner's Confidential Information, (y) Owner's information systems, or (z) Owner's computer networks (each such event referred to herein as a "**Security Event**"). Notwithstanding the twenty-four (24) hour requirement set forth above, Contractor agrees to provide such notification within thirty (30) minutes after it becomes aware of any such Security Event that is reasonably likely to have a material adverse effect on the integrity or operation of a Critical Cyber System. Such notice shall summarize in reasonable detail the effect on Owner, if known, of the Security Event and the corrective action taken or to be taken by Contractor;

(ii) immediately investigate and perform a root cause analysis of such Security Event (with Owner's participation if desired by Owner);

(iii) cooperate fully with Owner and remediate the effects of such Security Event; and

(iv) provide Owner with such assurances as Owner shall request that such Security Event is not likely to recur.

(b) The content of any filing, communication, notice, press release or report related to any Security Event must be approved by Owner prior to any publication or communication. Upon the occurrence of a Security Event involving (i) Owner's Confidential Information in the possession, custody or control of Contractor or for which Contractor is otherwise responsible, or (ii) Critical Cyber Systems accessed by or accessible to Contractor in connection with Contractor's performance of the Services for or on behalf of Owner, Contractor shall reimburse Owner on demand for all Notification Related Costs incurred by Owner arising out of or in connection with any such Security Event.

21.15 Data Security and Compliance Audits.

If Contractor: (x) provides any software that is installed on a computer or network of Owner, (y) has access to or stores or processes any Owner's Confidential Information, or (z) connects its computer systems, software, and/or applications to any network of Owner, including the Vendor Network or Internal Network, then Owner shall have the right to monitor Contractor's compliance with the terms of this Article and perform data security and system integrity audits ("**Audits**") on any of Contractor's applicable systems and/or applications used to provide the software or Services. Contractor hereby grants permission to Owner to perform such Audits.

(c) On an annual basis, Contractor, at Contractor's expense, shall require auditors to conduct an examination of the controls placed in operation and a test of operating effectiveness, as defined by Statement on Standards for Attestation Engagements No. 16, Reporting on Controls at a Service Organization ("**SSAE 16**"), of the services performed by Contractor for or on behalf of Owner and issue SOC 1 and SOC 2 reports (Type II) thereon (collectively "**SOC Reports**") for the applicable calendar year. Contractor shall submit the proposed control objectives to Owner for approval prior to conducting the audit. Contractor shall deliver to Owner a copy of the SOC Reports within six (6) weeks after conducting the SSAE 16 assessment for the calendar year. Contractor shall correct any audit control issues, deficiencies or weaknesses identified in any SOC Reports, at no additional cost to Owner. If specific audit recommendations are not implemented by Contractor, then Contractor should implement such alternative steps as are reasonably satisfactory to Owner for the purposes of minimizing or eliminating the risks identified in any such SOC Report.

(d) If Contractor does not cause an SSAE 16 examination of the controls placed in operation and a test of operating effectiveness to be conducted as described in Section 21.14(c) and deliver the SOC Reports to Owner, Owner shall, at its discretion, conduct an audit, or have an audit conducted by a designated representative, at Owner's expense at a date and time mutually agreed to by Owner and Contractor. Such Audits shall include physical inspection of facilities and equipment, external scan, process reviews, and reviews of system configurations, including firewall rule sets, and any information or materials in Contractor's possession, custody or control, relating in any way to Contractor's obligations under this Article. Owner has the right to review copies of the internal scans that have been performed on Contractor's internal servers connected to the Internal Network.

(e) To the fullest extent permitted by applicable Law, Contractor hereby waives the benefit of any state or federal Law which may provide a cause of action against Owner based on actions permitted under this Article.

(f) Should the Audits result in the discovery of material data security or system integrity risks to Owner, Owner shall notify Contractor of such risks and Contractor shall respond to Owner in writing with Contractor's plan to take reasonable measures to promptly correct, repair or modify its network or application to effectively eliminate the risk, at no cost to Owner, and Contractor shall have ten (10) Business Days to cure such data security or system integrity risks, unless Owner agrees to a longer period of time for such cure. If a data security or system integrity risk is, in good faith, found by Owner and such risk cannot be alleviated in the timeframe contemplated by this Section, based on the nature of the risk, Owner may terminate its network connection to Contractor immediately with or without notice to Contractor without cost or liability to Owner.

Upon Owner's written request, Contractor shall complete and submit to Owner an information security due diligence questionnaire provided by Owner within the time-frame requested by Owner

21.16 Injunctive Relief. Contractor agrees that any use, disclosure or handling of Owner's Confidential Information in violation of this Article or any applicable Privacy Law, or any other violation of this Article (including a Security Event) may cause immediate and irreparable harm to Owner and Owner shall be entitled to equitable relief, including an injunction and specific performance, in addition to all other remedies available at law or in equity. Therefore, Contractor agrees that Owner may obtain specific performance and injunctive or other equitable relief for any such violation, in addition to its remedies at law, without proof of actual damages and without the necessity of securing or posting any bond in connection with such remedy.

22. SUSPENSION; DEFAULT; TERMINATION

22.1 Suspension.

(a) Owner may, in its discretion and for any or no reason, order Contractor in writing to suspend all or any portion of the Work for a period of time as Owner may request and Contractor shall immediately comply with such order. The suspension shall commence on the later of (i) the Day on which Contractor is delivered such order and (ii) the Day specified in Owner's written notice to Contractor. Stop Work Orders shall not be deemed to be suspensions under this Section 22.1.

(b) Contractor may suspend the Work without Liability as if Owner had ordered a suspension in accordance with Section 22.1(a) upon written notice to Owner after the occurrence of either of the following:

(i) Nonpayment. Owner fails to pay or cause to be paid any amount that is not subject to a good faith dispute and has become due and payable by it to Contractor under this Agreement within thirty (30) Days after receipt of written notice that such amounts are past due; and

(ii) Insurance. Owner fails to obtain and maintain insurance as required by this Agreement.

(c) Upon suspension of the Work for any reason, Contractor shall cease the Work in a safe manner; protect, store and secure the Work against any deterioration, loss or damage; and ensure the Site is protected from harm.

(d) During periods of suspension, Owner shall reimburse Contractor on a time and material basis consistent with the terms and conditions set forth in Exhibit J for the reasonable, actual and verifiable costs (in accordance with Exhibit J) that (w) are incurred during the suspension period, (x) are documented by Contractor to the reasonable satisfaction of Owner, (y) would not have been incurred but for such suspension and (z) are:

- (i) for the purpose of safeguarding and/or storing the Work and the Owner Equipment;
- (ii) for personnel or Subcontractors, the payments for which, with Owner's prior written concurrence, are continued during the suspension period;
- (iii) for demobilization or remobilization; or
- (iv) for rescheduling the Work (including penalties or additional payments to Subcontractors for the same).

Contractor shall resume any suspended Work promptly, but in no event later than ten (10) Days after Owner gives Contractor written notice to do so, or, for other provisions of this Agreement that allow Contractor to treat an action or inaction by Owner as a suspension, promptly following the reason for such suspension ceasing and, in each case, shall use its best efforts to fully resume the Work as soon as reasonably possible. Contractor shall be entitled, to the extent of any delay to the critical path, to an equitable extension to the Baseline Schedule for any delay in the performance of the Work resulting from suspension pursuant to Section 22.1(b), which adjustment shall be reflected in a Change Order in accordance with Article 10. All claims by Contractor for reimbursement of any costs or to any such equitable adjustment must be made in accordance with Section 10.2 within thirty (30) Days after the suspension period has ended. Failure of Contractor to make any such claim within such 30-Day period shall be deemed a waiver by Contractor of such claim.

(e) Except for suspensions resulting from a Contract Default, if an Owner suspension lasts longer for a period of [**], then Contractor and Owner may mutually agree to terminate this Agreement, and such termination shall be deemed a termination for convenience by Owner under Section 22.6. For the avoidance of doubt, termination under this Section 22.1(e) must be agreed to by Owner.

22.2 Contractor Events of Default. Contractor shall be in default of its obligations pursuant to this Agreement upon the occurrence of any one or more of the following circumstances (each, a "**Contractor Default**"):

(a) Nonpayment. Contractor fails to pay or cause to be paid any amount that is not subject to a good faith dispute and has become due and payable by it to Owner under this Agreement within thirty (30) Days after receipt of written notice that such amounts are past due;

(b) Abandonment. Contractor abandons the Work or Guarantor repudiates the Parent Guaranty or claims that it is unenforceable (for purposes of this Section 22.2(b) only, "abandon" shall mean that Contractor has substantially reduced Contractor Workers at the Site or removed from, or has not placed at, the Site required Construction Equipment or failed to undertake or maintain efforts to

complete items of Work such that, in accordance with Prudent Industry Practice, Contractor will not be capable of maintaining progress in accordance with the Baseline Schedule);

(c) Insolvency. Contractor or Guarantor becomes Insolvent;

(d) Assignment. Contractor assigns or transfers, or attempts to assign or transfer, this Agreement or any right or interest herein, except as expressly permitted by this Agreement;

(e) Insurance. Contractor fails to obtain and maintain insurance as required under this Agreement;

(f) Liquidated Damages Cap. The amount of Liquidated Damages (whether paid or payable) equals or exceeds the maximum aggregate liability for Liquidated Damages as provided in Section 13.3;

(g) Owner's Safety Standards. Contractor fails to comply with Owner's safety standards as required by this Agreement, does not immediately take steps reasonably satisfactory to Owner to cure, does not submit a written plan to Owner as to how the breach is to be cured that is acceptable to Owner within 24 hours (or such longer time period as agreed to by Owner) after Contractor's receipt of written notice from Owner, and Contractor fails to cure such breach in accordance with such written plan;

(h) Inability to Pay for Equipment, Subcontractors or Labor. Contractor generally is unable or unwilling to make timely payments for Equipment or materials or labor used in the Work (in accordance with the Subcontracts, as applicable), provided that such inability or unwillingness is not the result of the non-payment by Owner of a Milestone Payment Invoice which is not the subject of a good faith dispute or (2) a good faith dispute with the Subcontractor or Equipment vendor;

(i) Failure of Progress. Contractor fails to provide as and when due by this Agreement a Remedial Plan as set forth in Section 8.3 or fails to carry forward and complete such Remedial Plan as rapidly as required by its terms;

(j) Laws. Contractor repeatedly disregards applicable Laws;

(k) False or Misleading Representations or Warranties. Any representation or warranty made by Contractor herein was false or materially misleading when made; and

(l) Breach. Contractor breaches any of its material obligations under this Agreement other than those obligations relating to the matters set forth in Section 22.2(a) through 22.2(l) above and for which no exclusive remedy is specified in this Agreement and, if such breach is capable of being cured, Contractor fails to cure such breach within thirty (30) Days after written notice of such breach, provided that such cure period shall be extended for such period as Owner may determine in its discretion after written notice of such breach if such breach is capable of being cured but not within thirty (30) Days, and Contractor immediately commences to cure such breach and diligently and continually prosecutes measures which are reasonably calculated to cure such breach within such thirty (30) Day or other extended period.

22.3 Owner Remedies. In the event of a Contractor Default, Owner shall have any or all of the following rights and remedies:

(a) Suspension. Owner, without prejudice to any of its other rights or remedies under this Agreement and without liability, may suspend the Work (or any portion thereof) by delivery of a notice of suspension to Contractor;

(b) Reduction of Scope of Work. Owner, without prejudice to any of its other rights or remedies under this Agreement, may remove any portion of the Work from Contractor's scope hereunder immediately by deductive Change Order pursuant to Article 10;

(c) Termination. Owner, without prejudice to any of its other rights or remedies under this Agreement, may terminate this Agreement immediately by delivery of a notice of termination to Contractor;

(d) Equitable Remedies. Subject to the limitations on liability set forth in this Agreement, Owner may seek equitable relief, including injunctive relief, to cause Contractor to take action, or to refrain from taking action, pursuant to this Agreement, or to make restitution of amounts improperly retained or received under this Agreement;

(e) Damages. Subject to Section 14.7 and Articles 13 and 18, Owner shall be entitled to seek all other remedies at law or in equity, including "cover damages" or proceeding against any bond, guarantee, letter of credit or other security given by or for the benefit of Contractor for its performance under this Agreement;

(f) Payment for Work Performed. Owner may withhold any payments due and owing to Contractor until all Work is completed or Owner determines to permanently cease the Work and any such withheld amounts shall be subject to offset as provided in this Agreement; and

(g) Direct Payments. Owner may make direct payments or co-payments to Subcontractors and any such payments or co-payments shall be credited against amounts due to Contractor under this Agreement.

If, pursuant to Article 25, it is finally determined that no Contractor Default existed after Owner terminated or suspended this Agreement based on such alleged Contractor Default, such termination or suspension will be deemed to be a termination or suspension for convenience pursuant to Section 22.6(a) or 22.1(a), respectively, and Contractor's sole and exclusive remedy, whether in tort, contract or otherwise, against Owner in respect thereto shall be the same as and shall be strictly limited to those afforded by Section 22.6(b) or Section 22.1(d), as applicable. For the avoidance of doubt, nothing in this Article 22 shall waive or otherwise limit any right of Owner to any remedy at law or in equity as a result of any breach of this Agreement by Contractor, irrespective of whether such breach also constitutes a Contractor Default.

22.4 Owner Event of Default. Owner shall be in default of its obligations pursuant to this Agreement upon the occurrence of any one or more of the following circumstances (each, an "**Owner Default**"):

(a) Nonpayment. Owner fails to pay or cause to be paid within thirty (30) Days after receipt of written notice of any past due amount that is not subject to a good faith dispute or otherwise withheld pursuant to this Agreement;

(b) Insurance. Owner fails to maintain insurance as required under this Agreement; or

(c) Insolvency. Owner becomes Insolvent.

22.5 Contractor Remedies. In the event of an Owner Default, Contractor shall have any or all of the following rights and remedies:

(a) Termination/Suspension. Contractor, without prejudice to any of its other rights or remedies under this Agreement and during the continuance of such Owner Default, may suspend performance of the Work immediately by delivery of written notice thereof to Owner, and such suspension shall be deemed as if done for convenience of Owner under Section 22.1 and, if such suspension continues for more than [**] Days, may terminate this Agreement by delivery of written notice thereof to Owner, and such termination shall be deemed as if done for convenience of Owner under Section 22.6;

(b) Equitable Remedies. Subject to the limitations on liability set forth in this Agreement, Contractor may seek equitable relief, including injunctive relief or specific performance, to cause Owner to take action, or to refrain from taking action, pursuant to this Agreement, or to make restitution of amounts improperly retained or received under this Agreement; and

(c) Damages. Subject to Sections 10.5, 22.3, and 22.6(b) and Article 18, Contractor shall be entitled to seek all other remedies or damages available in equity or at law.

For the avoidance of doubt, nothing in this Article 22 shall waive or otherwise limit any right of Contractor to any remedy at law or in equity as a result of any breach of this Agreement by Owner, irrespective of whether such breach also constitutes an Owner Default.

4.6 Termination for Convenience.

(a) Termination Rights. Owner may terminate this Agreement at its convenience for any or no reason and in its entirety upon written notice to Contractor, in which event Owner shall pay the cancellation charges set forth in Section 22.6(b).

(b) Cancellation Charges. If Owner terminates this Agreement under Section 22.6(a) at any time after the Effective Date, Owner shall pay to Contractor the following as Contractor's sole and exclusive remedy:

(i) All reasonable, direct and verifiable charges validly assessed against Contractor for cancellation of Subcontracts, including restocking fees and cancellation charges, provided that Contractor shall have used commercially reasonable efforts to minimize such charges (whether during negotiation, execution or termination of such Subcontracts);

(ii) For each completed Payment Milestone for which payment has not been made, payment for such completed Payment Milestone as provided herein;

(iii) For each partially completed Payment Milestone, Owner and Contractor will mutually agree upon the percentage of Work completed for such Payment Milestone, and Owner shall pay the reasonable, direct and verifiable charges for such completed percentage of Work; provided, however, that Owner shall not be obligated to pay an amount for costs actually incurred which unreasonably exceeds the percentage of total cost as compared to the percentage of total Work completed prior to termination; and

(iv) For demobilization, all reasonable, direct and verifiable charges on a time and materials basis in accordance with the rates and terms set forth in Exhibit J-7;

provided, however, that (1) any amount payable under this Section 22.6(b) shall be reduced by (A) any rebates, credits or refunds obtained, (B) any overpayment by Owner, (C) the costs to cure any deficiencies in the Work and (D) the reasonable salvage value or the proceeds of the sale to a third party of undelivered and unpaid for Equipment, with the understanding that Owner, at its exclusive preference, may accept delivery of complete or incomplete Equipment included in the termination charges, (2) in no event shall Owner be obligated to pay Contractor an aggregate amount under clauses (ii), (iii) and (iv) of this Section 22.6(b) that exceeds the Contract Price and (3) Owner shall have no obligation to pay Contractor for its anticipated profits or for any sales commissions. Contractor acknowledges and agrees that it has an affirmative duty to mitigate all costs and damages to it in connection with any termination of this Agreement. All claims for payment by Contractor under this Section 22.6(b) must be made by Contractor in accordance with Section 9.6 within sixty (60) Days after the termination of this Agreement. Failure of Contractor to make any such claim within such 60-Day period shall be deemed a waiver by Contractor of such claim.

4.7 Termination for Force Majeure. Upon written notice to Contractor, Owner may terminate this Agreement in its entirety, and without Liability, due to Force Majeure in accordance with Section 11.3, and Owner shall pay to Contractor Cancellation Charges set forth in Section 22.6(b)(i)-(iii),[**].

4.8 Effect of Termination. If this Agreement is terminated or any portion of the Work is removed pursuant to this Article or any such termination or removal is anticipated, Contractor shall not remove from the Site any Equipment, Owner Equipment, Documentation or rented Construction Equipment and Contractor shall execute and deliver all such instruments and take all such steps, including assignment of its contractual rights with third parties, as may be required to fully vest in Owner all right, title, and interest in all Work, including all Documentation, Equipment and contractual rights, and/or cancel or terminate, at Owner's option, such of those contractual rights, including Subcontracts, as may be requested in writing by Owner. Without limiting the generality of the foregoing, within ten (10) Business Days of the date of receipt of the written termination notice, or such later date as the Parties may agree in writing, the Parties shall have their respective project team management meet to permit the Parties to effectively communicate, manage the termination impacts and direct close-out actions resulting from the termination notice. In addition, Contractor shall immediately upon receipt of a written termination notice from Owner, without additional compensation except as may be expressly permitted by this Article:

(a) stop the performance of all applicable Work (or the removed portion of the Work) except as may be necessary to preserve the Equipment and Owner Equipment as requested by Owner;

(b) issue no further purchase orders and enter into no further contracts relating to the Work (or the removed portion of the Work) except with the prior written consent of Owner;

(c) assign to Owner, upon Owner's request, all rights of Contractor under Subcontracts in connection with this Agreement (or the removed portion of the Work);

(d) upon Owner's request, terminate existing contracts and purchase orders entered into by Contractor in connection with this Agreement and to the extent relating to the Work (or the removed portion of the Work);

(e) deliver all then existing Documentation (or the Documentation relating to the removed portion of the Work), including drafts thereof (subject to Article 20), to Owner in hard copy and electronic formats required by this Agreement or as otherwise reasonably requested by Owner;

(f) turn over care, custody and control at the Site of all Equipment (to the extent that Owner does not refuse to accept any such Equipment) and Owner Equipment (in each case, to the extent relating to the removed portion of the Work), and Owner shall have the absolute right, without notice to Contractor, to take over care, custody and control at the Site of all such Equipment and Owner Equipment; and

(g) make available to Owner any of Contractor's Project staff, as requested by Owner, to facilitate the efficient transition of the Work (or the removed portion thereof) to Owner (or any Person(s) that Owner desires to complete the Work), provided that, if this Agreement has been terminated or any portion of the Work has been removed other than as a result of a Contractor Default, then Owner shall pay Contractor for such Project staff on a time and material basis in accordance with the rates and terms set forth in Exhibit J-7.

In the event that this Agreement is terminated by Owner in accordance with its terms, and Owner subsequently signs an agreement to complete the Work (or any portion thereof) with any other Person, then Contractor shall and shall cause its Affiliates to waive the right to make any claims (other than claims by Contractor with respect to amounts specifically provided herein to be paid to Contractor in the event of a termination hereunder) against Owner or any Person with whom Owner negotiates or executes an agreement for completion of any portion of the Work based upon (i) such termination, (ii) any subsequent negotiations with any Person or (iii) execution of such agreement and performance thereunder. Such waiver includes a waiver of any claims against Owner and any Person with whom Owner negotiates or executes an agreement for completion of any portion of the Work, for tortious interference with business relationships.

23. RECORDS; COOPERATION; AUDITS

23.1 Technical Documentation. Except to the extent applicable Laws require a longer retention, Contractor shall maintain and shall require all Flowdown Subcontractors to maintain all technical documentation and procurement records relative to the Equipment and the Owner Equipment for a period of five (5) years after (i) the Final Completion Date or (ii) if this Agreement is terminated as provided in Article 22, the date of such termination. During such period, Contractor shall give Owner ninety (90) Days prior written notice before destroying or disposing of any such documentation or records and a reasonable opportunity for Owner during such period to make copies of any such documentation.

23.2 Accounting Records. Except to the extent applicable Laws require a longer retention, Contractor shall maintain and shall require all Flowdown Subcontractors to maintain complete accounting records relating to all Work and the cost of all Work performed or provided under this Agreement (which records shall include an estimate of installed costs per component in accordance with FERC accounting

requirements) on a time and material basis in accordance with generally accepted accounting principles in the United States, as set forth in pronouncements of the Financial Accounting Standards Board (and its predecessors) and the American Institute of Certified Public Accountants, for a period of five (5) years after (i) the Final Completion Date or (ii) if this Agreement is terminated as provided in Article 22, the date of such termination, except that records relating to Sales Taxes for such items must be retained for seven (7) years as specified in Section 23.4. During such period, Contractor shall give Owner thirty (30) Days prior written notice before destroying or disposing of any such accounting records and a reasonable opportunity for Owner during such period to make copies of any such documentation.

23.3 Owner's Right to Conduct Financial Audits. For a period of five (5) years after (i) the Final Completion Date or (ii) if this Agreement is terminated as provided in Article 22, the date of such termination and for purposes of (a) verification of incurred or estimated costs, including all related direct costs, claimed by Contractor for any Work performed on a time and material basis, including any suspended, terminated, delayed or accelerated Work performed on such basis, or for any claim whatsoever for additional costs outside the Contract Price (including Sales Taxes) or (b) regulatory requirements or required disclosures to Government Authorities, Owner or its authorized representative shall have the right, and free access at any reasonable time during normal business hours, to examine, audit and copy all of Contractor's records and books related to all those costs as reasonably necessary for Owner to verify such costs. As part of any such audit, Contractor shall provide data in the appropriate electronic file format (i.e., Microsoft Word, Excel, Primavera, etc.) such that the data may be effectively sorted, summed, and evaluated. However, Owner or Owner's representative shall have no right to audit records or books concerning the make-up of any agreed upon lump sum amounts in the Contract Price or fixed rates or multipliers. If any audit by the auditor reveals charges or costs charged to or paid by Owner as costs or fees which are not proper or exceed the rates or amounts permitted hereunder for any such matters, then Owner shall be entitled upon demand for a refund from Contractor of all such amounts plus interest thereon from the date of payment by Owner until the date of refund by Contractor at a rate of the lesser of (i) the [**] per annum or (ii) the maximum rate allowed by applicable law (provided this interest provision will not apply if Owner utilizes a third party auditor that works on a contingency basis. [**]).

23.4 Sales Tax Records. Contractor shall retain, and shall require Subcontractors to retain, copies of all documentation relating to purchases relating to the Work or the payment of Sales Taxes, if any, for a period of not less than seven (7) years from the Final Completion Date. Contractor shall ensure that its contracts with all Subcontractors effectuate the provision of this Section.

24. TAXES

24.1 Contractor Income Taxes. Contractor shall be responsible for, and shall pay directly, any and all corporate and individual Taxes that are measured by net income, profit or gross receipts imposed by any Government Authority on Contractor (or its Affiliates) due to the execution of any agreement or the performance of or payment for Work in accordance with this Agreement. With the exception of any Sales Taxes, the Contract Price includes all applicable foreign, federal, state and local Taxes imposed on any Contractor Person by a Government Authority with respect to the Work or this Agreement.

24.2 Employment Taxes and Contributions. Contractor assumes exclusive liability for all contributions, Taxes or payments required to be made under applicable federal and state unemployment compensation Laws, social security Laws, and all other current or future Laws, requiring payment by Contractor on account of the person hired, employed or paid by Contractor for Work performed under

this Agreement. Contractor shall deduct and remit to the proper Government Authority as and when due all local, state and federal Taxes required of an employer. Contractor shall maintain payroll and other wage, benefit and Tax records related to all workers in accordance with generally accepted and prudent accounting practices and all applicable Laws.

24.3 Sales and Use Taxes.

(a) Generally. The Contract Price does not include any Sales Taxes now or hereafter applicable to, measured by, or imposed upon or with respect to the Work, its sale, its value or its use, or any Services performed in connection therewith, and such Sales Taxes shall be the responsibility of Owner. Contractor shall invoice the sale of tangible personal property separately from the provision of labor or Services. Tangible personal property includes materials, parts or other property that Contractor installs, incorporates, furnishes or otherwise supplies for Owner's use or consumption that becomes the property of Owner. Invoices for tangible personal property sold or leased to Owner shall contain a note stating, "Property Transferred to Piedmont Natural Gas Company, Inc." Contractor shall request reimbursement of applicable Sales Taxes as a separate line item on any Milestone Payment Invoice or Final Payment Invoice for taxable purchases. If Contractor fails to include such Sales Taxes on the Final Payment Invoice for taxable purchases, Owner shall not be responsible for such Sales Taxes and such Sales Taxes shall be the sole obligation of Contractor.

(b) Sales and Use Tax on Contractor Items. Contractor shall pay all taxes on Contractor's purchases of goods, tools, equipment, supplies and consumables that are not permanently incorporated into the Facility or that otherwise remain the property of Contractor. Contractor shall also pay all taxes attributable to Contractor's construction equipment, temporary buildings, other property and specifically taxed services used by Contractor in its performance of this Agreement. Contractor shall pay those taxes when assessed, without claim against Owner for reimbursement. Contractor shall impose a similar obligation on all Subcontractors and shall ensure that no Subcontractor shall have any claim against Owner for reimbursement of those taxes.

(c) Sales and Use Tax on Equipment.

(i) Contractor, on behalf of itself and its Subcontractors, is responsible for consulting with Owner on Equipment purchases and working with Owner to obtain the best Sales Tax benefits for Owner. If Owner is exempt from the payment of any applicable Sales Tax or has a direct pay permit with respect to such Sales Taxes, a copy of the appropriate documentation will be provided by Owner along with instruction on the proper use. If Contractor fails to avail itself of such certificate or permit, Contractor shall be responsible for and shall pay any Sales Tax resulting from such failure. As required by applicable Law, Contractor will accrue Sales Tax on taxable purchases in which the supplier did not charge Sales Tax and remit the appropriate amount to the applicable state. Sales Tax should be billed by Contractor on Contractor's purchases of property subject to the Sales Tax of the State. Owner shall reimburse Contractor for Contractor's actual costs incurred in paying any Sales Tax for which Contractor may become obligated to pay in connection with the Equipment incorporated into the Facility.

(ii) Contractor shall, and shall cause the Subcontractors (including manufacturers) to, make reasonable commercial efforts to purchase Equipment to minimize any Sales Tax, but shall not be restricted from making out-of-state purchases of such Equipment. Contractor shall use commercially reasonable efforts to ensure that Owner is afforded the best Sales Tax treatment by the State or any other applicable state. Contractor shall use all reasonable efforts to ensure

that all out-of-state purchases made by Contractor and the Subcontractors (including manufacturers) are shipped FOB (for domestic shipments) or DDP (Incoterms 2010) (for international shipments) the Facility (the Site) free of Sales Taxes. Owner shall reimburse Contractor for all Sales Taxes on Equipment paid by Contractor and any Subcontractor (including manufacturers) upon written confirmation from Contractor that the items purchased could not reasonably be purchased free of Sales Taxes. Notwithstanding anything herein to the contrary, Contractor shall not be entitled to include fee or other mark-up on any such Taxes.

(iii) Contractor shall, and shall cause the Subcontractors (including manufacturers) to, clearly identify on each original invoice covering the purchase of Equipment, the amount of Sales Tax. Should additional information and detail be required by Owner or the State Department of Revenue (or other applicable Government Authority in the State) to verify amounts paid for purchases of Equipment under this Agreement, Contractor shall, and shall cause the Subcontractors (including manufacturers) to, supply such additional information and invoices in sufficient detail to verify:

- (1) That such Equipment was purchased free of State Sales Taxes; or that for out-of-state purchases, the invoices indicate the amount of foreign Sales Tax separately stated and paid;
- (2) The actual purchase prices of such Equipment;
- (3) The date of delivery to the Site of such Equipment;
- (4) The contractor cost code of such Equipment and, where available, a detailed description of the intended function of such Equipment.

(d) As a condition to Final Completion, Contractor shall provide Owner with an affidavit confirming that all invoices that include Sales Taxes, if any, have been paid and that Contractor and all of the Subcontractors have no outstanding claims or expenses relating to such Sales Taxes, which affidavit shall be in the form attached hereto as Exhibit K.

(e) Both Parties shall provide to the other any documentation or information requested in order to submit and obtain a refund of any Taxes erroneously paid as part of this Agreement or to confirm payment of any Sales Taxes owed in connection with this Agreement. The Parties agree that any refunds received shall belong to the Party which bore the economic burden of paying the Tax. The Parties' obligations under this Section shall survive termination or expiration of this Agreement.

24.4 Property Taxes. Contractor and Owner agree that Owner shall be responsible for the filing requirements and payment obligations for all state and local Taxes on the Site and the Equipment incorporated into the Facility; provided, that Contractor shall be responsible for the filing of property Tax returns and the payment of state and local property Taxes on Construction Equipment, tools and material which is not incorporated into the Facility and which is owned, used or leased by Contractor to perform the Services. Owner and Contractor acknowledge that Construction Equipment property Tax costs are included in the leasing costs included in the Contract Price. If Contractor owns Construction Equipment and leases such Construction Equipment to Owner, Contractor shall remain responsible for the filing and payment of all property Taxes due on such Construction Equipment.

24.5 Notices; Refunds. Contractor shall notify Owner upon receipt by Contractor of any proposed Tax audits or Tax assessments relating to the Work. Contractor shall assist and cooperate with Owner's efforts to minimize potential Tax liability by providing records and other necessary documentation to appropriate authorities in response to such proposed Tax audits or Tax assessments and shall reasonably cooperate with Owner in connection with the reporting or protest of: (a) any Sales Taxes payable with respect to the Work, and (b) any assessment, fines, refund claims or other proceeding relating to Taxes on the Work. Both Parties shall provide to the other any documentation or information requested in order to submit and obtain a refund of any Taxes erroneously paid as part of this Agreement. The Parties agree that any refunds received shall belong to the Party which bore the economic burden of paying the Tax. Contractor shall provide Owner with and access to all information and data that Owner may need from time to time in respect to any Taxes relating to, or arising from, this Agreement.

24.6 Tax Indemnity. Contractor shall indemnify, defend and hold Owner harmless for all Liabilities as a result of Contractor's formal protest of any employment or other related Taxes, or any Sales Taxes and property Taxes paid or assessed on Construction Equipment, or of any payroll or employment compensation taxes, or Social Security taxes, or for labor-related withholding taxes, or any other similar Tax, whether local, state or federal for Contractor, the Subcontractors, or any of their employees, paid or assessed, including any litigation expenses in the event Contractor decides to protest the said employment, withholding, and similar Taxes.

24.7 Green Attributes. Contractor acknowledges that Owner shall own, and may assign or sell in its sole and absolute discretion, all right, title and interest in all green attributes, renewable energy credits, production, investment and/or energy Tax credits (or grants in lieu of) and/or any other environmental financial incentives or similar financial rebates or incentives associated with or resulting from the development, installation, operation or ownership of the Facility or the production, sale, purchase or use of the gas stored at the Facility. If any such incentives are initially credited to or treated as owned by Contractor, Contractor shall cause, to the extent permissible under applicable Law, such incentives to be assigned or transferred to Owner without delay or otherwise pay to Owner the financial benefit of any such incentives obtained by Contractor. Contractor agrees to indemnify, defend, hold harmless and compensate Owner for any Liabilities arising out of or resulting from Contractor claiming any right with respect to any such environmental attribute or incentive. Contractor shall prepare and submit (or, where Owner is required to make such submittals, reasonably assist Owner in the preparation and submittal of) all documents necessary to participate in any governmental or other third party payments or incentives available to Owner in respect of the purchase of the Facility or the sale or distribution of gas therefrom, at Owner's expense. Contractor shall, at Owner's expense, reasonably cooperate with owner in owner's efforts to meet the requirements for any certification, registration, or reporting program relating to environmental attributes or incentives.

25. DISPUTE RESOLUTION

25.1 Dispute Resolution Process. In an effort to promote the highest quality working relationship, the Parties agree that the following steps will be responsively and openly pursued in an effort to resolve any dispute under or arising out of this Agreement (each, a "**Dispute**") before resorting to litigation (except as may be necessary to preserve any rights or the status quo):

(a) All Disputes will be made in a written notice by Contractor or Owner to Owner's Project Manager or Contractor's Project Manager, respectively, initiating the process set forth herein (the "**Dispute Engagement Notice**"). Promptly after receipt of the Dispute Engagement Notice, both Parties shall discuss the issues, present reasonably requested documentation and attempt to reach a settlement that is agreeable to both Parties. As part of the Dispute Engagement Notice, the Party initiating the dispute resolution process will submit a summary of the issues, the requesting Party's position and a summary of the evidence and arguments supporting its position.

(b) If the Dispute cannot be resolved by the Parties as provided in Section 25.1(a) within fifteen (15) Business Days after receipt of the Dispute Engagement Notice, or such later date as the Parties may agree in writing to permit all requested facts to be known and presented to the above personnel, the Dispute shall be escalated to an executive of each Party who has authority to settle the Dispute and who are at a higher level of management than such Party's representative set forth in Section 25.1(a).

(c) If the Dispute cannot be resolved by the Parties as provided in Section 25.1(b) within fifteen (15) Business Days after referral of the Dispute as provided therein (or such other period agreed to by both Parties in writing), then either Party may pursue any rights or remedies available at law or in equity through judicial relief or, if and as agreed to by both Parties in writing, non-judicial relief through an alternative dispute resolution process. The Parties agree that any discussions and negotiations related to any proposed settlement of any Dispute may not be introduced into evidence by either Party in any judicial action or non-judicial alternative dispute resolution forum used to resolve such Dispute.

25.2 Forum Selection; Jurisdiction; Venue.

(a) The Parties select as the exclusive forum for any action or proceeding arising out of or relating to this Agreement or the subject matter hereof, the general courts of justice of the State of North Carolina or the United States District Court for the Western District of North Carolina. Each Party irrevocably and unconditionally submits to the exclusive jurisdiction of the general courts of justice of the State of North Carolina and to the exclusive jurisdiction of the United States District Court for the Western District of North Carolina, and any appellate court from any such court, in any action or proceeding arising out of or relating to this Agreement or the subject matter hereof, and each of the Parties irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding shall be heard and determined in such courts. Each of the Parties agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(b) Each Party irrevocably and unconditionally waives, and agrees not to assert, by way of motion, as a defense, or otherwise, to the fullest extent permitted by applicable Law, any objection that it may now or hereafter have (i) that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or that this Agreement or the subject matter hereof may not be enforced in or by such court and (ii) to the laying of venue of any action or proceeding arising out of or relating to this Agreement in any court referred to above. Each of the Parties hereby irrevocably and unconditionally waives, to the fullest extent permitted by applicable Law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

25.3 Consolidation. No litigation arising under this Agreement shall include, by consolidation, joinder, or any other manner, any Person not a party to this Agreement unless (i) such Person is substantially involved in a common question of fact or law, (ii) the presence of the Person is required if complete relief is to be accorded in the litigation, and (iii) the Person has consented to be included. Notwithstanding the foregoing, Owner, in its sole discretion, shall have the option at any time to consolidate any litigation or Dispute arising hereunder with any existing litigation, arbitration or other similar matter which involves Owner and any Person providing services, equipment or materials to Owner in connection with the Facility, and Contractor hereby consents to any such joinder or consolidation.

25.4 Continuation of Work. Contractor shall proceed diligently with the performance or provision of the Work and its other duties and obligations without diminution of effort during the pendency of any Dispute (including any Dispute regarding the basis on which Contractor purports to exercise any right to suspend the Work). WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, FAILURE BY OWNER TO PAY ANY AMOUNT DISPUTED IN GOOD FAITH UNTIL RESOLUTION OF SUCH DISPUTE IN ACCORDANCE WITH THIS AGREEMENT SHALL NOT ALLEVIATE, DIMINISH, OR MODIFY IN ANY RESPECT CONTRACTOR'S OBLIGATIONS TO PERFORM HEREUNDER, INCLUDING CONTRACTOR'S OBLIGATION TO ACHIEVE EACH KEY CONTRACTOR SCHEDULE MILESTONE BY ITS KEY CONTRACTOR SCHEDULE MILESTONE DATE.

26. MISCELLANEOUS PROVISIONS

26.1 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of North Carolina, without reference to its conflict of laws principles.

26.2 Entire Agreement. This Agreement represents the entire agreement between Owner and Contractor with respect to the subject matter hereof, and supersedes all prior negotiations, binding documents, representations and agreements, whether written or oral, with respect to the subject matter hereof. This Agreement may be amended or modified only by a written instrument duly executed by each of the Parties.

26.3 Further Assurances. Each Party agrees to execute and deliver all further instruments and documents, and take all further action, as may be reasonably necessary, proper or advisable to complete performance by the Parties hereunder and to effectuate the purposes and intent of this Agreement. In particular, Contractor shall cooperate with and provide reasonable assistance to Owner and its insurers, lenders, contractors, consultants, accountants, attorneys, representatives and agents, in relation to their due diligence, financial, technical, scientific, engineering, accounting, environmental studies, monitoring, inspections, audits, and the creation and administration of milestone and completion tests that shall test the physical, mechanical, legal, reliability, financial, regulatory and other relevant aspects of completion of the Work and the Project.

26.4 Successors and Assigns. Contractor understands that this Agreement is personal to Contractor. Neither this Agreement nor any right, interest or obligation hereunder may be assigned by Contractor without the prior written consent of Owner, and any attempt to do so shall be null, void and ineffective. Subject to the preceding sentence, this Agreement is binding upon, inures to the benefit of and is enforceable by the Parties and their respective successors and assigns.

26.5 No Third Party Beneficiaries. Except as expressly set forth in this Agreement, the provisions of this Agreement are intended for the sole benefit of Owner and Contractor, and there are no third party beneficiaries. No reference herein to any other Person shall restrict in any way the ability of the Parties to amend or modify this Agreement from time to time in their sole and absolute discretion.

26.6 No Waiver. No course of dealing or failure of Owner or Contractor to enforce strictly any term, right or condition of this Agreement shall be construed as a waiver of that term, right or condition. No express waiver of any term, right or condition of this Agreement shall operate as a waiver of any other term, right or condition.

26.7 Crisis Response. Notwithstanding anything to the contrary herein, any actions taken or authorized by Owner in a good faith belief that such actions are necessary to ensure safe operations at the Site, including the Facility, or to respond to an emergency or abnormal condition at the Site shall not constitute a breach hereof or absolve Contractor of any of its obligations hereunder.

26.8 Provisions Required by Laws. Any term or condition required to be contained in this Agreement as a matter of Law which is not in this Agreement shall be deemed to be incorporated in this Agreement.

26.9 Survival. Article 14 (Warranty), Article 15 (Indemnification), Article 18 (Limitation of Liability), Article 20 (Title to Documentation; Intellectual Property), Article 21 (Confidential Information), Article 23 (Records; Cooperation; Audits), Article 24 (Taxes), Article 25 (Dispute Resolution), Article 26 (Miscellaneous Provisions) and all other Sections providing for indemnification or limitation of or protection against liability of either Party shall survive the termination, cancellation, or expiration of this Agreement.

26.10 Severability. If any provision of this Agreement or the application of this Agreement to any Person or circumstance shall to any extent be held invalid or unenforceable by a court of competent jurisdiction, then (i) the remainder of this Agreement and the application of that provision to Persons or circumstances other than those as to which it is specifically held invalid or unenforceable shall not be affected, and every remaining provision of this Agreement shall be valid and binding to the fullest extent permitted by Laws, and (ii) a suitable and equitable provision shall be substituted for such invalid or unenforceable provision in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision.

26.11 Language. The language of this Agreement is the English language, which shall be the ruling language in which this Agreement shall be construed and interpreted. All correspondence, notices, certificates, Documentation, including test reports and Required Manuals, shall be entirely in the English language.

26.12 Notices. Except for field communications at the Site in furtherance of the ordinary course of the Work, any notices, demands or other communication to be sent or given hereunder by either Party shall in every case be in writing and shall be deemed properly served if (a) delivered personally to the recipient, (b) sent to the recipient by reputable express courier service (charges paid), (c) mailed to the recipient by registered or certified mail, return receipt requested and postage paid or (d) sent via electronic mail, followed by a reply e-mail acknowledging receipt by the notified Party or a notification that the email has been read by the receiving party in the form of a read receipt. Date of service of such notice, demand or other communication shall be (i) the date such notice, demand or other communication is personally delivered, (ii) three (3) Days after the date of mailing if sent by certified or registered mail, or (iii) one (1) Day after the date of delivery to the overnight courier if sent by overnight courier. Such

notices, demands and other communications shall be sent to the addresses indicated below or such other address or to the attention of such other person as the recipient has indicated by prior written notice to the sending party in accordance with this Section:

If to Owner: Piedmont Natural Gas Company, Inc.
4720 Piedmont Row Drive
Charlotte, NC 28210
Attn: Brad Patterson

with a copy to: Piedmont Natural Gas Company, Inc.
4720 Piedmont Row Drive
Charlotte, NC 28210
Attn: Amanda Johnson

and to: Piedmont Natural Gas Company, Inc.
4720 Piedmont Row Drive
Charlotte, NC 28210
Attn: Jim Ronnenberg

If to Contractor: Matrix Service Inc.
15333 JFK Boulevard
Houston, TX 77032
Attn: Patrick Chambers

with a copy to: Matrix Service Company
5100 E. Skelly Drive, Suite 100
Tulsa, OK 74135-6577
Attn: Justin Sheets

The obligation that each such notice, demand or other communication be sent or given hereunder in writing and in accordance with one of the means described in clauses (a), (b) and (c) above addressed as set forth above may not be waived. Electronic or computerized mail is not an acceptable form of delivery of any such notice, demand or other communication. Each Party expressly and unequivocally waives any claim against the other Party that effective notice, demand or other communication was given under this Agreement based upon actual, verbal, or constructive notices. The provisions of this Section are to be strictly construed, and any claim, right, or remedy of Contractor that can be asserted only by notice shall not be effective, enforceable or otherwise have any validity unless such notice is provided in accordance with the provisions of this Agreement. Without limiting this Section, Contractor shall not, and shall ensure that no Subcontractor shall, address any notice pertaining to or arising out of the subject matter of this Agreement to any individual (or office) at Owner other than as permitted in, or required by, this Agreement.

26.13 Vienna Convention. The Parties hereby expressly agree to exclude and disclaim the application of the provisions of the United Nations Convention on Contracts for the International Sale of Goods (also referred to as the Vienna Convention), and any successor convention or legislation, to this Agreement.

26.14 Counterparts. This Agreement may be executed by the Parties in multiple counterparts and shall be effective as of the Effective Date when each Party shall have executed and delivered a counterpart hereof, whether or not the same counterpart is executed and delivered by each Party. When so executed and delivered, each such counterpart shall be deemed an original and all such counterparts shall be deemed one and the same document. Electronic signature shall be deemed to be, and shall have the same effect as, execution by original signature. Transmission of images of signed signature pages by facsimile, e-mail or other electronic means shall have the same effect as the delivery of manually signed documents in person.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be executed by its duly authorized representative as of the date first above written.

Duke Energy Business Services LLC, as agent for and on behalf of **Piedmont Natural Gas Company, Inc.** **Matrix Service Inc.**

By: /s/ MELODY BIRMINGHAM-BYRD

Name: Melody Birmingham-Byrd

Title: SVP Supply Chain and CPO

By: /s/ ALAN R. UPDYKE

Name: Alan R Updyke

Title: President

EXHIBIT 10.3

Certain identified information marked with brackets and asterisks ([]) has been excluded from this exhibit because it is both material and would be competitively harmful if disclosed.**

DECOMMISSIONING SERVICES AGREEMENT

BY AND BETWEEN

DUKE ENERGY FLORIDA, LLC, as COMPANY

AND

ADP CR3, LLC, as CONTRACTOR

AND

ADP SF1, LLC, as BUYER

Dated as of May 29, 2019

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EXHIBITS

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Exhibit C	Form of SNF Services Agreement
Exhibit D	Form of Amended and Restated LLC Agreement
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Exhibit F	Fourth Amendment to Amended and Restated NDF Agreement
Exhibit G	Form of Contractor’s Provisional Trust Agreement
Exhibit H-1	Form of Parent Support Agreement (NorthStar)
Exhibit H-2	Form of Parent Support Agreement (Orano)
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Exhibit J	Form of Assignment and Assumption Agreement
Exhibit K	Form of Bill of Sale
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DECOMMISSIONING SERVICES AGREEMENT

THIS DECOMMISSIONING SERVICE AGREEMENT dated as of May 29, 2019 (the “Contract Date”), is entered into by and among DUKE ENERGY FLORIDA, LLC, a Florida limited liability company (“Company”), ADP CR3, LLC, a Delaware limited liability company (“Contractor”), and ADP SF1, LLC, a Delaware limited liability company (“Buyer”). Company, Contractor and Buyer are referred to individually herein from time to time as a “Party,” and collectively as the “Parties”.

RECITALS

WHEREAS, Company owns a one hundred percent (100%) undivided interest in the Crystal River 3 nuclear power station located in Citrus County, Florida, including the spent nuclear fuel stored in the independent spent fuel storage installation on the Crystal River Energy Complex site.

WHEREAS, the Crystal River 3 nuclear power station has been permanently shut down and is currently in SAFSTOR.

WHEREAS, Company desires to (a) engage Contractor to perform the activities necessary to decommission the CR-3 Facility and the NRC-Licensed Site, including permitting activities, demolishing, decontaminating and dismantling existing structures and facilities, and waste disposal, as further described herein, and to achieve ISFSI-Only Interim End-State Conditions and End-State Conditions (each as defined below), upon the terms and conditions set forth in this Agreement; and (b) sell and assign to Buyer the Spent Nuclear Fuel, storage canisters, HLW, including Greater Than Class C waste from the CR-3 Facility as currently stored on the ISFSI, or otherwise located at the CR-Facility and to be stored on the ISFSI, and the ISFSI and certain related assets, together with certain associated liabilities and obligations, and Buyer desires to assume such liabilities and obligations and purchase such spent nuclear fuel, HLW and the ISFSI and related assets, upon the terms and conditions as set forth in the Spent Nuclear Fuel Purchase and Sale Agreement attached hereto as Exhibit A (the “SNF PSA”). Capitalized terms used and not defined in these recitals are defined below.

WHEREAS, Company is requiring that Contractor provide guarantees in the form attached hereto as Exhibit B from the Parent Guarantors (as defined herein) as a condition to Company’s willingness to enter into and perform its obligations under this Agreement and the Ancillary Agreements (as defined below).

WHEREAS, Contractor and its Affiliates, including the Parent Guarantors, are experienced and qualified in providing technical assistance, design, licensing, engineering, procurement, supply, construction management, construction, decommissioning services, and nuclear waste packaging, storage transportation and disposal services, and possesses the requisite expertise and resources to achieve the ISFSI-Only Interim End-State Conditions and the End-State Conditions.

WHEREAS, pursuant to and in accordance with the SNF PSA, Company will transfer title for the Spent Nuclear Fuel, HLW and all rights and obligations under the Spent Fuel Disposal Contract, together with the other Assets as defined therein, to Buyer.

WHEREAS, Contractor desires to perform the Decommissioning for a fixed price, and Company has agreed to pay Contractor the fixed price for the Decommissioning from the qualified trust fund maintained within the NDF, on the terms and conditions as set forth herein.

NOW, THEREFORE, in consideration of the foregoing premises, the mutual promises and covenants herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, Company and Contractor agree as follows:

ARTICLE 1 DEFINITIONS; INTERPRETATION; EFFECTIVENESS

1.1 Definitions.

1.1.1 As used in this Agreement, the following terms have the meanings specified in this Section 1.1.1.

“Affiliate” means, with respect to a specified Person, a Person that, directly or indirectly, through one or more intermediaries, now or hereafter, owns or controls, is owned or controlled by, or is under common ownership or control with a Party, where “control” (including the terms “controlled by” and “under common control with”) means (i) at least a fifty percent (50%) ownership interest, or (ii) the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of stock or other securities, as trustee or executor, by contract or credit arrangement or otherwise.

“Agreed Amount” means, as of the Closing Date, an amount of cash in the IOI Decommissioning Subaccount that is equal to Five Hundred Forty Million Dollars (\$540,000,000) [**]

“Agreed Outage Period” has the meaning set forth in Section 8.6.4.

“Agreement” means this Decommissioning Services Agreement, and all of the Attachments and Exhibits attached hereto, each of which is incorporated herein in its entirety by the reference, as the same may be amended, supplemented or modified from time to time in accordance with the terms hereof.

“Amended and Restated LLC Agreement” means the amended and restated limited liability company agreement governing Contractor in accordance with the Laws of the State of Delaware, in the form attached hereto as Exhibit D.

“Amended and Restated NDF Agreement” means the Amended and Restated Nuclear Decommissioning Trust Agreement dated May 1, 2008 by and between the Trustee and Company, as amended as of November 13, 2013, January 29, 2014 and December 31, 2015, and following the Closing, as amended by the Fourth Amendment to Amended and Restated NDF Agreement.

“Ancillary Agreements” means the SNF PSA, the Parent Guaranties, the Pledge Agreement, the Parent Support Agreements, the Fourth Amendment to Amended and Restated

NDF Agreement, the Contractor's Provisional Trust Agreement, [**] the ISFSI Decommissioning Trust Agreement, the Amended and Restated LLC Agreement, the Assignment and Assumption Agreement, the SNF Services Agreement, and the Bill of Sale.

“ANI” means American Nuclear Insurers, or any successors thereto.

“Assignment and Assumption Agreement” means the Assignment and Assumption Agreement between Company and Buyer in the form attached hereto as Exhibit J, whereby at the Closing, Company (as Seller under the SNF PSA) shall assign and Buyer shall assume the Assets and the Assumed Liabilities, as applicable.

“Atomic Energy Act” means the Atomic Energy Act of 1954, as amended (42 U.S.C. Section 2011 et seq.).

“Bankruptcy Code” means Title 11 of the United States Code, as amended from time to time, or any similar federal or state Law for the relief of debtors.

“Bankruptcy Event” means, with respect to any Person, that any one or more of the following has occurred:

- (a) that Person has commenced a voluntary case concerning itself under the Bankruptcy Code;
- (b) an involuntary case is commenced against that Person under the Bankruptcy Code and the petition is not controverted within thirty (30) days, or is not dismissed within ninety (90) days after commencement of the case;
- (c) a custodian (as defined in the Bankruptcy Code) is appointed for, or takes charge of, all or any substantial part of the property of that Person;
- (d) that Person commences any other proceedings under any reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar Law of any jurisdiction whether now or hereafter in effect relating to that Person;
- (e) there is commenced against such Person any proceeding of the type described in clause (d) above and such proceeding is not controverted within thirty (30) days or is not dismissed for a period of ninety (90) days;
- (f) any order of relief or other order is entered approving any case or proceeding of the types described in clauses (b) or (d) above;
- (g) that Person makes a general assignment for the benefit of creditors; or
- (h) that Person admits in writing its general inability to pay its debts when due or shall, by any act consents to, approves or acquiesces in any of the foregoing.

“Bill of Sale” means the Bill of Sale, in the form attached hereto as Exhibit K, whereby at the Closing, Company (as Seller under the SNF PSA) shall transfer and Buyer shall acquire certain of the Assets, as applicable.

“Business Books and Records” means all books, operating records, licensing records, quality assurance records, purchasing records, and equipment repair, maintenance or service records of Company relating to the design, construction, licensing, operation or Decommissioning of the CR-3 Facility, including operating, safety and maintenance manuals, inspection reports, Environmental assessments, engineering design plans, Company’s costs estimates with respect to Decommissioning under its Decommissioning Plan, blueprints and as built plans, specifications, operating procedures and other similar items of Company, wherever located, including those records related to CR-3-related structures, or operations or activities anywhere on the NRC-Licensed Site, whether existing in hard copy or magnetic or electronic form; provided, however, that Business Books and Records do not include the records of Company primarily relating to the design, construction, licensing, or operation of Excluded Facilities. After the Closing, Business Books and Records shall include all books, operating records, licensing records, quality assurance records and other records relating to the Decommissioning of the CR-3 Facility and the NRC-Licensed Site that Contractor is required to maintain under applicable Laws, including Nuclear Laws.

“Business Day” any day other than Saturdays; Sundays; New Year's Day; Birthday of Dr. Martin Luther King, Jr.; Memorial Day; Independence Day; Labor Day; Veterans' Day; Thanksgiving Day; Friday after Thanksgiving and Christmas Day.

“Buyer” has the meaning set forth in the preamble.

“Byproduct Material” means any radioactive material (except Special Nuclear Material) yielded in, or made radioactive by, exposure to the radiation incident to the process of producing or utilizing Special Nuclear Material.

“Change in End-State Conditions” means a material deviation by the Florida Department of Environmental Protection from the positions regarding the end state conditions reflected in the FDEP Letter.

“Change in Law” means a change in any applicable Law, including a change in (a) release criteria for the NRC-Licensed Site under Environmental Laws or Nuclear Laws; and (b) regulations that implement such Environmental Laws or Nuclear Laws, that adversely impacts Contractor’s costs to obtain termination or partial termination of the NRC License and unrestricted release of all or part of the NRC-Licensed Site, as applicable, but not including a Change in End-State Conditions.

“Closing” has the meaning set forth in Section 4.1.

“Closing Date” has the meaning set forth in Section 4.1.

“Code” means the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

“Company” has the meaning set forth in the preamble.

“Company Indemnified Parties” means Company, its Affiliates and the respective officers, directors, employees and agents of Company and its Affiliates; provided that none of Contractor or any of its Affiliates or their respective officers, directors, employees or agents shall be a Company Indemnified Party.

“Company Permit” means each Environmental Permit to be obtained or maintained by Company as described in Attachment 14-A, and each other Permit that Company agrees to obtain and maintain under this Agreement in accordance with Section 8.2.5.

“Company Proprietary Information” means, (a) the following furnished by or on behalf of Company, its Affiliates or their respective Representatives to Contractor, its Affiliates or their respective Representatives, in each case whether furnished under this Agreement, the SNF PSA, the Pre-Closing Decommissioning Services Contract or any Ancillary Agreement, or before or after the Contract Date or the Closing Date: (i) all drawings, reports, data, software, materials or other information relating to the operation and maintenance or Decommissioning, actual or proposed, of the CR-3 Facility, the NRC-Licensed Site or the Crystal River Site; (ii) any financial, operational or other information concerning Company or any of its Affiliates or their respective assets and properties, including geologic, geophysical, scientific or other technical information, and know-how, inventions and trade secrets; (iii) any Third Party Proprietary Information; or (iv) any other information, whether oral or written or in electronic or digital media, and regardless of the manner in which it is furnished, that is provided by or on behalf of Company, its Affiliates or their respective Representatives to Contractor, its Affiliates or their respective Representatives, including any such information that may be included or reflected in reports, analysis or other documents prepared by or on behalf of Contractor, its Affiliates or their respective Representatives; and (b) any deliverables, submittals or information (other than with respect to the financial condition of Contractor or the Parent Guarantors or with respect to the Spent Nuclear Fuel and other Assets acquired by Buyer pursuant to the SNF PSA) prepared and furnished by Contractor hereunder or in connection with the SNF PSA, and the Business Books and Records to be maintained by Contractor hereunder with respect to the CR-3 Facility, the NRC-Licensed Site and the Decommissioning; provided that Company Proprietary Information does not include any such information which (i) is or becomes generally available to the public other than as a result of a disclosure by Contractor, its Affiliates or their respective Representatives; (ii) was available to Contractor, its Affiliates or their respective Representatives on a non-confidential basis prior to its disclosure by or on behalf of Company or its Affiliates; (iii) becomes available to Contractor, its Affiliates or their respective Representatives on a non-confidential basis from a Person other than Company, its Affiliates or their respective Representatives who is not otherwise bound by a confidentiality agreement with Company or any of its Affiliates, or is otherwise not under any obligation to Company or any of its Affiliates not to transmit the information to Contractor, its Affiliates or their respective Representatives; or (iv) was independently developed by Contractor, its Affiliates or their respective Representatives without reference to or reliance upon Company Proprietary Information.

“Company’s EH&S Requirements” means the environmental, health and safety procedures and requirements set forth in Attachment 8.

“Company’s Non-Exclusive Access Right” has the meaning set forth in Section 8.6.3.

“Company’s Required Regulatory Approvals” means the regulatory approvals required by Company as a condition to the Closing, as identified in Attachment 17.

“Condemned” has the meaning set forth in Section 8.5.1.

“Contract Date” has the meaning set forth in the preamble.

“Contractor” has the meaning set forth in the preamble.

“Contractor Event of Default” has the meaning set forth in Section 15.1.

“Contractor Indemnified Parties” means Contractor, its Affiliates and the respective officers, directors, employees and agents of Contractor and its Affiliates.

“Contractor Lien” has the meaning set forth in Section 6.9.

“Contractor Permit” means each Environmental Permit that is identified on Attachment 14-A as a Permit that will be transferred to or be obtained by Contractor, and each other Permit that Contractor is required to obtain and maintain under this Agreement.

“Contractor Proprietary Information” means information provided by or on behalf of Contractor, its Affiliates or their respective Representatives to Company, its Affiliates or their respective Representatives relating to Contractor’s plans for the possession and maintenance of the Assets and the Decommissioning of the CR-3 Facility and the NRC-Licensed Site, and any financial, operational or other information concerning Contractor or any of its Affiliates or their respective assets and properties, and any deliverables, submittals or information with respect to the Spent Nuclear Fuel, and other Assets acquired by Buyer pursuant to the SNF PSA prepared and furnished by Contractor hereunder or in connection with the SNF PSA, whether oral or written, and regardless of the manner in which it is furnished; provided that Contractor Proprietary Information does not include any such information which (a) is or becomes generally available to the public other than as a result of a disclosure by Company, its Affiliates or their respective Representatives; (b) was available to Company, its Affiliates or their respective Representatives on a non-confidential basis prior to its disclosure by Contractor, its Affiliates or their respective Representatives; (c) becomes available to Company, its Affiliates or their respective Representatives on a non-confidential basis from a Person other than Contractor, its Affiliates or their respective Representatives that is not, to Company’s Knowledge, otherwise bound by a confidentiality agreement with Contractor or any of its Affiliates, or is otherwise not under any obligation to Contractor or any of its Affiliates not to transmit the information to Company, its Affiliates or their respective Representatives; or (d) was independently developed by Company, its Affiliates or their respective Representatives without reference to or reliance upon Contractor Proprietary Information; provided, further, that any deliverables, submittals or information prepared and furnished by Contractor hereunder (other than with respect to the financial condition of Contractor or the Parent Guarantors or with respect to the Spent Nuclear Fuel and the other Assets acquired by Buyer pursuant to the SNF PSA, which, for the avoidance of doubt, shall be considered only Contractor Proprietary Information), and the Business Books and Records to be maintained by Contractor hereunder with respect to the CR-3 Facility, the

NRC-Licensed Site and the Decommissioning, shall be treated as both Contractor Proprietary Information and Company Proprietary Information for the purposes of this Agreement.

“Contractor’s Non-Exclusive Access Right” has the meaning set forth in Section 8.6.2.

“Contractor’s Provisional Trust Agreement” means the trust agreement, substantially in the form set forth in Exhibit G, by and between Contractor and a qualified trustee governing Contractor’s Provisional Trust Fund.

“Contractor’s Provisional Trust Fund” has the meaning set forth in Section 3.14.

“Contractor’s Required Regulatory Approvals” means the regulatory approvals required by Contractor as a condition to the Closing, as identified in Attachment 17.

“CR-3 Facility” means the pressurized reactor power plant and all of the ancillary facilities, equipment, supplies, structures and buildings, including the ISFSI and underground structures, that form the Crystal River nuclear power plant, commonly known as Crystal River Unit 3, located on the Gulf of Mexico in Citrus County, Florida, and including the real property underlying the ISFSI Site and the other portions of the Crystal River Site on which the CR-3 Facility is located, but in any event not including the Excluded Facilities. The CR-3 Facility is depicted by the green areas set forth on page 27 of Attachment 1.

“CREC Committee” means Company’s Crystal River Energy Complex management committee.

“Crystal River Decommissioning Reserve Subaccount” means a segregated subaccount within the NDF created and maintained solely for the purposes of holding the assets, funds and investments that are not otherwise held in the IOI Decommissioning Subaccount.

“Crystal River Site” means the area commonly known as the “Crystal River Energy Complex” that contains the CR-3 Facility, the NRC-Licensed Site, the ISFSI, and the Excluded Facilities, as further described and occupying the area as depicted in Attachment 1.

“Decommission” and “Decommissioning” means (a) the dismantlement and removal of the structures, and any reduction or removal of radioactivity, at the CR-3 Facility and the NRC-Licensed Site to a level that permits the release of all or any specified portion of the NRC-Licensed Site consistent with the radiological criteria for license termination specified by the NRC in 10 C.F.R. § 20.1402 for unrestricted use; (b) all other activities necessary for the retirement, dismantlement, decontamination or storage of the CR-3 Facility and NRC-Licensed Site in compliance with all applicable Nuclear Laws and Environmental Laws, including the applicable requirements of the Atomic Energy Act and the NRC’s rules, regulations, orders and pronouncements thereunder; (c) operation and maintenance of the ISFSI, management of Spent Nuclear Fuel, the packaging of the Greater Than Class C Waste generated during the Decommissioning of the CR-3 Facility, and the removal of all of the Spent Nuclear Fuel and HLW from the ISFSI and the Crystal River Site; (d) restoration of the NRC-Licensed Site in accordance with applicable Laws; and (e) any planning and administration activities incidental thereto.

“Decommissioning Costs” means the costs and expenditures incurred for goods and services (including any planning and administrative activities incidental thereto) provided in connection with the Decommissioning of the CR-3 Facility and the NRC-Licensed Site, but excluding costs incurred for the operation and maintenance of the ISFSI, management of Spent Nuclear Fuel, and the removal of all of the Spent Nuclear Fuel and HLW from the ISFSI and the Crystal River Site, and Decommissioning of the ISFSI.

“Decommissioning Plan” means the activities contemplated by the Post Shutdown Decommissioning Activities Report submitted by Company to the NRC on December 2, 2013.

“Department of Energy” or “DOE” means the United States Department of Energy and any successor agency thereto.

“Department of Energy Decommissioning and Decontamination Fees” means all fees related to the Department of Energy’s Special Assessment of utilities for the Uranium Enrichment Decontamination and Decommissioning Funds pursuant to Sections 1801, 1802 and 1803 of the Atomic Energy Act and the Department of Energy’s implementing regulations at 10 C.F.R. Part 766, as those statutes and regulations exist at the time of execution of this Agreement, applicable to separative work units purchased from the Department of Energy in order to decontaminate and decommission the Department of Energy’s gaseous diffusion enrichment facilities.

[**]

“Dispute” has the meaning set forth in Section 16.7.1.

“Dispute Engagement Notice” has the meaning set forth in Section 16.7.1(a).

“Diverse Suppliers” has the meaning set forth in Section 6.11.

“End-State Conditions” means all of the following conditions, collectively, and “achieving” or “satisfying” the End-State Conditions, or terms of similar import, means the satisfaction of all of the following conditions:

- (a) Contractor has satisfied all of the ISFSI-Only Interim End-State Conditions;
- (b) Contractor has fully performed all of its obligations under the License Termination Plan as approved by the NRC, including removal of Spent Nuclear Fuel from the NRC-Licensed Site and the Decommissioning of the ISFSI;
- (c) Contractor has completed the Remediation of all Hazardous Substances present in, on or under the CR-3 Facility sufficient to comply with Environmental Laws and all applicable Permits;
- (d) without limiting Contractor’s obligation to satisfy the criteria to complete the Decommissioning of the ISFSI, all buildings and structures constituting the ISFSI, including foundations, have been removed to a minimum of three feet (3’) below grade and

backfilled, graded and seeded to prevent erosion, and any underground storage tanks and large diameter pipes that are part of or located on or under the ISFSI and not otherwise required by Law or this Agreement to be removed, have been filled in compliance with all applicable Permits;

(e) Contractor has completed all of the work necessary to comply with the conditions set forth in the FDEP Letter and any Change in End-State Conditions, as applicable; and

(f) the NRC has approved the termination of the NRC License and released the ISFSI Site from NRC jurisdiction for unrestricted use pursuant to 10 C.F.R. § 20.1402.

“Environment” means all soil, real property, air, water (including surface waters, streams, ponds, drainage basins and wetlands), groundwater, water body sediments, drinking water supply, stream sediments or land, including land surface or subsurface strata, including all fish, plant, wildlife, and other biota and any other environmental medium or natural resource.

“Environmental Claim” means any and all written communications, administrative or judicial actions, suits, orders, liens, complaints, notices, including notices of violations of Environmental Laws, requests for information relating to the Release or threatened Release into the Environment of Hazardous Substances, proceedings, or other written communication, pursuant to or relating to any applicable Environmental Law by any Governmental Authority based upon, alleging, asserting, or claiming any actual or potential, and whether civil, criminal or administrative: (i) violation of, or Liability under any Environmental Laws; (ii) violation of any Environmental Permit; or (iii) Liability for investigatory costs, cleanup costs, removal costs, remedial costs, response costs, monitoring costs, natural resource damages, property damage, personal injury, fines, or penalties arising out of, based on, resulting from, or related to the presence, Release, or threatened Release into the Environment of any Hazardous Substances.

“Environmental Clean-up Site” means any location which is listed or formally proposed for listing on the National Priorities List, the Comprehensive Environmental Response, Compensation and Liability Information System, or on any similar state list of sites requiring investigation or cleanup.

“Environmental Laws” means all Laws, other than Nuclear Laws, relating to pollution, the protection, restoration or remediation of or prevention of harm to the Environment or natural resources, or the protection of human health and safety from the presence of Hazardous Substances, including Laws relating to Releases of Hazardous Substances (including Releases to the Environment) or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, Release, transport, disposal or handling of Hazardous Substances, and Laws regarding the treatment, storage, handling, transportation, and disposal of solid waste. “Environmental Laws” include the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. §§ 9601 et seq.), the Hazardous Materials Transportation Act (49 U.S.C. §§ 1801 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. §§ 6901 et seq.), the Federal Water Pollution Control Act (33 U.S.C. §§ 1251 et seq.), the Clean Air Act (42 U.S.C. §§ 7401 et seq.), the Toxic Substances Control Act (15 U.S.C. §§ 2601 et seq.), the Oil Pollution Act

(33 U.S.C. §§ 2701 et seq.), the Emergency Planning and Community Right-to-Know Act (42 U.S.C. §§ 11001 et seq.), the Occupational Safety and Health Act (29 U.S.C. §§ 651 et seq.) only as it relates to Hazardous Substances, and the Florida Laws governing hazardous materials and solid waste.

“Environmental Liabilities” means any Liability relating to (a) the disposal, storage, transportation, Release, recycling, or the arrangement for such activities of Hazardous Substances from the CR-3 Facility; (b) the presence of Hazardous Substances in, on or under the CR-3 Facility, regardless of how the Hazardous Substances came to rest at, on or under the CR-3 Facility; and (c) the failure of the CR-3 Facility to be in compliance with any Environmental Laws.

“EPA” means the United States Environmental Protection Agency and any successor agency thereto.

“Environmental Permit” means any federal, state or local permits, licenses, approvals, consents, registrations or authorizations required by any Governmental Authority with respect to the CR-3 Facility or the NRC-Licensed Site under or in connection with any Environmental Law, including any and all orders, consent orders or binding agreements issued or entered into by a Governmental Authority under any applicable Environmental Law, but excluding the NRC License.

“Excluded Facilities” means the facilities on the Crystal River Site (and the real property upon which the same are located) that are not related to the CR-3 Facility, including the switchyard, operating and non-operating fossil fuel-fired (coal, natural gas) power generation facilities cooling towers, coal delivery and storage areas, ash storage area, office buildings, warehouses, barge handling docks, railroad, and the other buildings or facilities that are not to be Decommissioned hereunder as identified in Attachment 1.

“Exclusion Area” has the meaning as defined under NRC rules and regulations, and with respect to the CR-3 Facility, means the area within the Exclusion Area Boundary that completely surrounds the ISFSI, as depicted in Attachment 1.

“Exclusion Area Boundary” means the boundary that completely surrounds the ISFSI and defines the Exclusion Area, as depicted in Attachment 1.

“FDEP Letter” means the letter from the Florida Department of Environmental Protection dated February 15, 2019, a copy of which is attached hereto as Attachment 13.

“Federal Trade Commission Act” means the Federal Trade Commission Act of 1914 (15 U.S.C. Section 41 et seq.), as amended.

“First Amendment to DSA” means an amendment to this Agreement to be entered into by Company and Contractor on or before the Closing Date, whereby the Parties agree to amend this Agreement by attaching the mutually agreed exhibits and attachments to be finalized between the Contract Date and the Closing Date, including [**], the Environmental Permits, the Non-Environmental Permits and the Project Schedule.

“Force Majeure” means events or circumstances that are outside the non-performing Party’s reasonable control, e.g., acts of God; war; acts of civil disobedience; acts of terrorism; fires; explosions; earthquakes; epidemics; landslides; hurricanes or windstorms; riots; floods; sabotage or other malevolent acts; labor strikes or other similar acts of industrial disturbance (other than acts of employees of the nonperforming Party or its Affiliates); acts, delays in acting, or failure to act of a Governmental Authority (including a taking or condemnation); or any similar events or occurrences; provided, however, an event shall only be considered an event of Force Majeure to the extent: (a) the non-performing Party is unable to prevent, avoid, overcome or cure such event through the exercise of commercially reasonable efforts; (b) such event is not the proximate result of the non-performing Party’s act, omission, fault or negligence, including failure to maintain equipment in good working order, failure to comply with any contract, or failure to comply with all applicable Laws; and (c) such event results in a material impairment of the non-performing Party’s ability to perform; provided, further, that the unavailability of a disposal facility for Low Level Waste, is not an event of Force Majeure.

“Fourth Amendment to Amended and Restated NDF Agreement” means the Fourth Amendment to the Amended and Restated NDF Agreement in the form attached hereto as Exhibit F.

“Good Utility Practices” means any of the practices, methods and activities generally accepted by a significant portion of the nuclear industry in the United States of America as good practices applicable to: (a) nuclear generating facilities that have ceased operating in anticipation of decommissioning, or the decommissioning of a nuclear generating facility, as applicable, of similar design, size and capacity as the CR-3 Facility; or (b) any of the practices, methods or activities which, in the exercise of reasonable judgment by a prudent Person decommissioning a nuclear facility of similar design, size and capacity as the CR-3 Facility, in light of the facts known at the time the decision was made, would reasonably have been expected to accomplish the desired result at a reasonable cost and consistent with good safety practices and applicable Laws including Nuclear Laws and Environmental Laws. Good Utility Practices are not intended to be limited to the optimal practices, methods or acts to the exclusion of all others.

“Governmental Authority” means any federal, state, local provincial, foreign, international or other governmental, regulatory or administrative agency, taxing authority, commission, department, board, or other government subdivision, court or tribunal.

“Greater Than Class C Waste” means radioactive waste that contains radionuclide concentrations exceeding the values in Table 1 or Table 2 of 10 C.F.R. § 61.55, and therefore is currently not generally acceptable for disposal at existing (near surface) low level radioactive waste disposal facilities.

“Hazardous Substances” means: (a) any petroleum (or any fraction thereof), asbestos, asbestos-containing material, and urea formaldehyde foam insulation and transformers or other equipment that contains polychlorinated biphenyl; (b) any chemicals, materials or substances defined as or included in the definition of “hazardous substances”, “hazardous wastes”, “hazardous materials”, “hazardous constituents”, “restricted hazardous materials”, “extremely hazardous substances”, “toxic substances”, “contaminants”, “pollutants”, “toxic pollutants”, “hazardous air pollutants” or words of similar meaning and regulatory effect under any

applicable Environmental Law; and (c) any other chemical, material, waste or substance that can form the basis of any Liability under any applicable Environmental Law; except that, in each case and notwithstanding any other provision of this Agreement, Hazardous Substances shall not include Nuclear Material.

“Health and Safety Laws” means any Laws pertaining to safety and health in the workplace, including the Occupational Safety and Health Act, 29 U.S.C. 651 et seq., and the Toxic Substances Control Act, 15 U.S.C. 2601, et seq.

“High Level Waste” or “HLW” means: (a) the highly radioactive material resulting from the reprocessing of spent nuclear fuel, including liquid waste produced directly in reprocessing and any solid material derived from such liquid waste that contains fission products in sufficient concentrations; and (b) other highly radioactive material that the NRC, consistent with existing Law, determines by rule requires permanent isolation, including Greater Than Class C Waste.

“High Level Waste Repository” means a facility which is designed, constructed and operated by or on behalf of the Department of Energy for the storage and disposal of Spent Nuclear Fuel in accordance with the requirements set forth in the Nuclear Waste Policy Act of 1982, as amended.

“IOI Subaccount Investment Manager” has the meaning set forth in Section 9.2.3.

“IOI Decommissioning Subaccount” means a formally separate and segregated subaccount within the NDF, the assets of which are not commingled with any of the other assets of the NDF, which is created and maintained solely for the purpose of funding the compensation to be paid to Contractor for Decommissioning the CR-3 Facility (not including costs for operation and maintenance of the ISFSI, management of Spent Nuclear Fuel, and the removal of all of the Spent Nuclear Fuel and HLW from the ISFSI and the Crystal River Site) and achieving the ISFSI-Only Interim End-State Conditions.

“IOI Disbursement” means a withdrawal from the IOI Decommissioning Subaccount used to compensate Contractor for Decommissioning the CR-3 Facility (not including costs for operation and maintenance of the ISFSI, management of Spent Nuclear Fuel, and the removal of all of the Spent Nuclear Fuel and HLW from the ISFSI and the Crystal River Site), including achieving the ISFSI-Only Interim End-State Conditions, in accordance with this Agreement.

“IOI Disbursement Certificate” has the meaning set forth in Section 9.3.

“ISFSI” means the existing dry spent fuel storage installation on the Crystal River Site where the Spent Nuclear Fuel and HLW from the CR-3 Facility is located and stored, and the ancillary facilities related thereto, but excluding the Spent Nuclear Fuel and High Level Waste stored thereon, and excluding the storage canisters that will be shipped together with the Spent Nuclear Fuel and the HLW when it is removed from the ISFSI and the NRC-Licensed Site.

“ISFSI-Only Interim End-State Conditions” means all of the following conditions, collectively, and “achieving” or “satisfying” the ISFSI-Only Interim End-State Conditions, or terms of similar import, means the satisfaction of all of the following conditions:

(a) without limiting Contractor's obligation to satisfy the criteria to complete the Decommissioning of the CR-3 Facility, all buildings and structures constituting the CR-3 Facility, other than the ISFSI, have been removed to a minimum of three feet (3') below grade and backfilled, graded and seeded to prevent erosion;

(b) underground storage tanks and large diameter pipes that are part of the CR-3 Facility, other than the ISFSI, and not otherwise required by Law or this Agreement to be removed have been filled in compliance with all applicable Permits;

(c) Contractor has otherwise completed the Decommissioning of the CR-3 Facility and fully performed all of its obligations under the PLTA, with the exception of removal of Spent Nuclear Fuel and HLW from the NRC-Licensed Site and the Decommissioning of the ISFSI;

(d) Contractor has completed the Remediation of Hazardous Substances present in, on or under the CR-3 Facility other than with respect to the ISFSI Site, sufficient to comply with Environmental Laws and all applicable Permits;

(e) Contractor has completed all of the work necessary to comply with the conditions set forth in the FDEP Letter except with respect to the ISFSI Site, and any Change in End-State Conditions that have occurred prior to such date, as applicable; and

(f) the NRC has approved an amendment to the NRC License to release the NRC-Licensed Site from NRC jurisdiction for unrestricted use pursuant to 10 C.F.R. § 20.1402, except for the ISFSI Site.

"ISFSI Decommissioning Trust" means a nuclear decommissioning trust fund established by Buyer pursuant to an appropriate trust agreement in compliance with 10 CFR 72.30 in order to hold funds dedicated to the Decommissioning of the ISFSI.

"ISFSI Decommissioning Trust Agreement" means the trust agreement, substantially in the form set forth in Exhibit M, by and between Buyer and a qualified trustee governing the ISFSI Decommissioning Trust.

"ISFSI Site" means the portion of the Crystal River Site where the ISFSI is located, as further described and occupying the area as depicted in Attachment 1, and including the area that lies within the Exclusion Area Boundary, as that area may be modified from time to time under the NRC License.

"Knowledge" means: (a) with respect to Contractor, the actual knowledge of the officers and employees of Contractor listed on Attachment 6; (b) with respect to Buyer, the actual knowledge of the officers and employees of Buyer listed on Attachment 6; and (c) with respect to Company, the actual knowledge of the officers and employees of Company listed on Attachment 6, but without independent investigation or inquiry by or on behalf of Company or any such officer or employee.

"Law" or "Laws" means all laws, rules, regulations, codes, statutes, ordinances, decrees, treaties, or administrative orders of any Governmental Authority including administrative and

judicial interpretations thereof, including Environmental Laws, Health and Safety Laws and Nuclear Laws, and common law.

“Letter of Credit” has the meaning set forth in Section 10.1.

“Liability” or “Liabilities” means any liability or obligation (whether known or unknown, whether asserted or unasserted, whether absolute or contingent, whether accrued or unaccrued, whether liquidated or unliquidated, and whether due or to become due), and in the case of the NRC License, includes the NRC Commitments.

“License Termination” has the meaning defined in applicable NRC regulations.

“License Termination Plan” has the meaning defined in applicable NRC regulations.

“Local Suppliers” means a subcontractor (of any tier) of Contractor who has a headquarters or branch within Florida.

“Loss” or “Losses” means any and all damages, fines, fees, penalties, deficiencies, losses and expenses (including all Remediation costs, reasonable attorneys’ fees, accountants, and other experts, or other expenses of litigation or proceedings or of any claim, default or assessment).

“Low Level Waste” means radioactive material that (a) is neither Spent Nuclear Fuel nor HLW; and (b) any other substance that the NRC, consistent with existing Law and in accordance with clause (a), classifies as low-level radioactive waste.

“Milestone One” means that (a) Contractor has submitted the PLTA to the NRC; and (b) the ISFSI-Only Interim End-State Conditions as stated in subparagraphs (a) through and including (e) of the definition of ISFSI-Only Interim End-State Conditions have been satisfied.

“NDF” means the qualified trust fund meeting the requirements of Code Section 468A and Treas. Reg. § 1.468A-5 and the non-qualified trust fund that is maintained by Company pursuant to and in accordance with the Amended and Restated NDF Agreement for purposes of Decommissioning the CR-3 Facility and the NRC-Licensed Site.

“NEIL” means Nuclear Electric Insurance Limited, or any successor or replacement thereto.

“Notice of End-State Conditions” has the meaning set forth in Section 9.6.

“Notice of ISFSI-Only Interim End-State Conditions” has the meaning set forth in Section 9.6.

“Notice of Milestone One” has the meaning set forth in Section 9.6.

“NRC” means the United States Nuclear Regulatory Commission and any successor agency thereto.

“NRC Commitments” means all written regulatory commitments made by Company to the NRC prior to the Closing Date with respect to the CR-3 Facility or the NRC-Licensed Site.

“NRC License” means the NRC Operating License No DPR-72, Docket No. 50-302 for the CR-3 Facility and the NRC-Licensed Site, and all amendments thereto.

“NRC-Licensed Site” means all of the real property subject to the NRC License, as more particularly described in Attachment 1. Any reference to the NRC-Licensed Site shall include, by definition, the surface and subsurface elements, including the soils and groundwater present at the NRC-Licensed Site and any references to items “at the NRC-Licensed Site” shall include all items “at, in, on, upon, over, across, under, and within” the NRC-Licensed Site.

“NRC MARSSIM” means the Multi-Agency Radiation Survey and Site Investigation Manual, published by NRC (NUREG-1575, Revision 1) (August 2000), as amended and supplemented from time to time.

“Nuclear Insurance Policies” means all nuclear insurance policies carried by or for the benefit of Company with respect to the ownership, operation or maintenance of the CR-3 Facility and the NRC-Licensed Site, including all nuclear liability and nuclear property damage policies in respect thereof, including all policies issued or administered by ANI or NEIL.

“Nuclear Laws” means all Laws, other than Environmental Laws, relating to the regulation of nuclear power plants, Source Material, Byproduct Material and Special Nuclear Material; the regulation of Low Level Waste, HLW and Spent Nuclear Fuel; the transportation and storage of Nuclear Material; the regulation of Safeguards Information (as defined in 10 C.F.R. 2.4); the enrichment of uranium; the disposal and storage of Spent Nuclear Fuel; contracts for and payments into the Nuclear Waste Fund; and the antitrust Laws and the Federal Trade Commission Act, as applicable to specified activities or proposed activities of certain licensees of commercial nuclear reactors. Nuclear Laws include the Atomic Energy Act; the Price-Anderson Act; the Energy Reorganization Act of 1974 (42 U.S.C. Section 5801 et seq.); Convention on the Physical Protection of Nuclear Material Implementation Act of 1982 (Public Law 97 -351; 96 Stat. 1663); the Foreign Assistance Act of 1961 (22 U.S.C. Section 2429 et seq.); the Nuclear Non-Proliferation Act of 1978 (22 U.S.C. Section 3201); the Low-Level Radioactive Waste Policy Act (42 U.S.C. Section 2021b et seq.); the Nuclear Waste Policy Act (42 U.S.C. Section 10101 et seq. as amended); the Low-Level Radioactive Waste Policy Amendments Act of 1985 (42 U.S.C. Section 2021d, 471); the Energy Policy Act of 1992 (4 U.S.C. Section 13201 et seq.); the provisions of 10 C.F.R. Section 73.21, and any state or local Laws, other than Environmental Laws, analogous to the foregoing.

“Nuclear Material” means Source Material, Byproduct Material, Low Level Waste, HLW, and Special Nuclear Material, including Spent Nuclear Fuel.

“Nuclear Waste Fund” means the fund established by Section 302(c) of the Nuclear Waste Policy Act in which the Spent Nuclear Fuel fees to be used for the design, construction and operation of a High Level Waste Repository and other activities related to the storage and disposal of Spent Nuclear Fuel is deposited.

“Outage Work” has the meaning set forth in Section 8.6.4.

“Parent Guarantors” means each of NorthStar Group Services, Inc., a Delaware corporation, and Orano USA LLC, a Delaware limited liability company.

“Parent Guaranty” means a guaranty in the form attached hereto as Exhibit B issued by each Parent Guarantor in favor of Company, pursuant to which such Parent Guarantor, severally (and not jointly) with the other Parent Guarantor and in accordance with the terms and conditions set forth therein, guarantees the payment and performance of the obligations of Contractor under this Agreement and the Ancillary Agreements to which Contractor is a party, and the obligations of Buyer under the SNF PSA and the Ancillary Agreements to which Buyer is a party.

“Parent Support Agreement” means a Support Agreement in the form attached hereto as Exhibit H-1 and Exhibit H-2 by and among each Parent Guarantor, Contractor and Buyer, pursuant to which such Parent Guarantor agrees to provide up to a specified amount of funding to Contractor and Buyer totaling One Hundred Forty Million Dollars (\$140,000,000), in the aggregate, to perform their obligations under this Agreement and complete the Decommissioning of the CR-3 Facility, including the ISFSI.

“Party” or “Parties” has the meaning set forth in the preamble.

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“Permits” means any federal, state or local permits, licenses, approvals, consents, registrations or authorizations required by any Governmental Authority in connection with the Decommissioning, but not including the NRC License or any Environmental Permits.

“Person” means any individual, partnership, limited liability company, joint venture, corporation, trust, unincorporated organization, association, or Governmental Authority.

“Pledge Agreement” means the Pledge Agreement to be entered into by Company and Contractor’s sole member, Accelerated Decommissioning Partners, LLC, whereby Accelerated Decommissioning Partners, LLC will pledge its equity interest in Contractor to Company as collateral for Contractor’s obligations hereunder, in the form attached hereto as Exhibit E.

“PLR” has the meaning set forth in Section 3.11.3.

“PLTA” means the partial License Termination application to be submitted to the NRC in order to obtain the release of the NRC-Licensed Site, other than the ISFSI Site, from NRC jurisdiction for unrestricted use pursuant to 10 C.F.R. § 20.1402, and achieve the ISFSI-Only Interim End-State Conditions.

“Pre-Closing Decommissioning Services Contract” means one or more services agreements between Contractor and Company for Contractor’s performance of Decommissioning planning activities and such other activities as stated therein, prior to the Closing Date.

“Pre-Closing Period” means the period beginning on the Contract Date and ending on the calendar day immediately preceding the Closing Date.

“Price-Anderson Act” means Section 170 of the Atomic Energy Act, as amended, and related provisions of Section 11 of the Atomic Energy Act.

“Project Schedule” means a schedule meeting the requirements of Section 6.7 that sets forth Contractor’s schedule for completion of Decommissioning, including the Target Completion Date and the scheduled date for achievement of the End-State Conditions, and as of the Contract Date, means such schedule as set forth in Attachment 2 hereto.

“Project Specifications” means the specifications regarding the Decommissioning as set forth in Attachment 1 hereto.

“Proprietary Information” means the Contractor Proprietary Information or the Company Proprietary Information, or both, as the context requires.

“Provisional IOI Account” means a formally separate and segregated account within the Contractor’s Provisional Trust Fund, the assets of which are not commingled with any of the other assets of the Contractor’s Provisional Trust Fund, that may not be terminated until Contractor has achieved the ISFSI-Only Interim End-State Conditions.

“Provisional Milestone Account” means a formally separate and segregated account within the Contractor’s Provisional Trust Fund, the assets of which are not commingled with any of the other assets of the Contractor’s Provisional Trust Fund, that may be terminated when Contractor has achieved Milestone One.

“Release” means any actual or threatened spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing of a Hazardous Substance or Nuclear Material into the Environment or within any building, structure, facility or fixture; provided, however, that Release shall not include any release that is permissible under applicable Environmental Laws or any Permit.

“Remediation” means action of any kind required by any applicable Law or order of a Governmental Authority to address a Release, the threat of a Release or the presence of Hazardous Substances, including any or all of the following activities: (a) monitoring, investigation, assessment, treatment, cleanup, containment, removal, mitigation, response or restoration work; (b) obtaining any permits, consents, approvals or authorizations of any Governmental Authority necessary to conduct any such activity; (c) preparing and implementing any plans or studies for any such activity; (d) obtaining a written notice from a Governmental Authority with jurisdiction under Environmental Laws that no material additional work is required by such Governmental Authority; (e) the use, implementation, application, installation, operation or maintenance of remedial action, remedial technologies applied to the surface or subsurface soils, excavation and treatment or disposal of soils, systems for long term treatment of surface water or ground water, engineering controls or institutional controls; and (f) any other activities required under Environmental Laws to address the presence or Release of Hazardous Substances.

“Representatives” of a Party or its Affiliates means such Party’s and such Affiliates’ respective directors, managers, officers, employees, agents, partners, advisors (including accountants, legal counsel, environmental consultants, and financial advisors) and other authorized representatives, but in no event shall Representatives of Company include Contractor or any of its Affiliates, notwithstanding Contractor’s designation as an agent of Company pursuant to this Agreement.

“SAFSTOR Condition” means the occurrence after the Closing Date of: (a) with respect to Contractor, (i) a Change in Law that occurs after the Closing Date; or (ii) an Environmental Liability which Contractor is responsible for Remediating hereunder that was not disclosed to or known by Contractor prior to the Closing Date, and which results in a material increase in Contractor’s costs to complete the Decommissioning, as a result of which Contractor reasonably believes that the remaining amount of funds in the IOI Decommissioning Subaccount, or the Contractor’s Provisional Trust Fund are insufficient to pay for the remaining costs of Decommissioning after taking such Change in Law or the Remediation of such Environmental Liability into account; and (b) with respect to Company, the occurrence following the Closing Date of a Change in End-State Conditions for which Company is obligated to reimburse costs to Contractor pursuant to Section 11.2, or an Environmental Liability for which Company is obligated to indemnify the Contractor Indemnified Parties pursuant to Section 13.2, the costs of which Company reasonably believes would exceed the amounts in the Crystal River Decommissioning Reserve Subaccount.

“Schedule Extension Condition” means any of the following: (a) delays caused by events of Force Majeure; and (b) delays caused by the issuance of a preliminary injunction or other order or decree by a Governmental Authority having jurisdiction halting all or substantially all of the Decommissioning work to be performed by Contractor hereunder; provided, however, an event that causes delays shall only be a Schedule Extension Condition to the extent (i) Contractor is unable to prevent, avoid or overcome such event or the delay through the exercise of commercially reasonable efforts and proceed with work not affected by the Schedule Extension Condition; and (ii) such event is not the result of Contractor’s or of its Affiliates’ (or any Person performing any work or activities on Contractor’s or such Affiliate’s behalf) act, omission, fault or negligence. For purpose of this definition, it is expressly agreed that delay due to the unavailability of a disposal facility for radiological waste is not a Schedule Extension Condition.

“SNF PSA” has the meaning set forth in the recitals.

“SNF Services Agreement” means an agreement substantially in the form set forth in Exhibit C between Contractor and Buyer, wherein Buyer agrees to pay Contractor’s costs incurred in performance of the services associated with packaging the Greater than Class C Waste generated during Decommissioning of the ISFSI, operating and maintaining the ISFSI, and ultimately removing all material owned by Buyer located at the CR-3 Facility from the Crystal River Site.

“Source Material” means: (a) uranium or thorium or any combination thereof, in any physical or chemical form, or (b) ores which contain by weight one-twentieth of one percent (0.05%) or more of (i) uranium, (ii) thorium, or (iii) any combination thereof. Source Material does not include Special Nuclear Material.

“Special Nuclear Material” means (a) plutonium, uranium-233, uranium enriched in the isotope-233 or in the isotope-235, and any other material that the NRC determines to be “Special Nuclear Material,” and (b) any material artificially enriched by any of the materials or isotopes described in clause (a). Special Nuclear Material includes the Spent Nuclear Fuel; provided, however, that Special Nuclear Material does not include Source Material.

“Spent Fuel Disposal Contract” means the U.S. Department of Energy Contract No. DE-CR01-83NE44382 Contract for Disposal of Spent Nuclear Fuel and/or High-Level Radioactive Waste dated as of June 30, 1983, by and between the DOE and Florida Power Corporation (which, by virtue of intervening corporate reorganizations, is now known as Duke Energy Florida, LLC), for the disposal of Spent Nuclear Fuel and HLW from the CR-3 Facility.

“Spent Nuclear Fuel” means all nuclear fuel located at the ISFSI that has been permanently withdrawn from the nuclear reactor in the CR-3 Facility following irradiation, and has not been chemically separated into its constituent elements by reprocessing.

“Target Completion Date” means the date by which Contractor shall have completed Milestone One, which shall be January 21, 2029, as such date may be extended under Article 11.

“Tax” or “Taxes” means, all taxes, charges, fees, levies, penalties or other assessments imposed by any federal, state, local, provincial or foreign taxing authority, including income, gross receipts, excise, real or personal property, sales, transfer, customs, duties, franchise, payroll, withholding, social security, receipts, license, stamp, occupation, employment, or other taxes, including any interest, penalties or additions attributable thereto, and any payments to any state, local, provincial or foreign taxing authorities in lieu of any such taxes, charges, fees, levies or assessments.

“Tax Return” means any return, report, information return, declaration, claim for refund or other document (including any schedule or related or supporting information) required to be supplied to any Governmental Authority with respect to Taxes including amendments thereto, including any information return filed by a tax exempt organization and any return filed by a nuclear decommissioning trust.

“Termination Date” has the meaning set forth in Section 5.1.6.

“Third Party Proprietary Information” means any drawings, reports, data, software, materials, scientific or other technical information, know-how, inventions and trade secrets pertaining to any proprietary or confidential information provided to Company or its predecessors by, or intellectual property of, any third party that has or is providing goods or services to Company with respect to the CR-3 Facility or the NRC-Licensed Site, including in connection with the ISFSI and the storage of Spent Nuclear Fuel and HLW on the ISFSI.

“Trustee” means the trustee of the NDF appointed by Company pursuant to the Amended and Restated NDF Agreement.

“U.S. Government” means the government of the United States of America.

1.1.1 As used in this Agreement, the following terms have the meanings specified in the SNF PSA:

Assets	Seller Material Adverse Effect
Assumed Liabilities	Transfer Taxes
Buyer Material Adverse Effect	

1.2 Certain Interpretive Matters.

1.2.1 Unless otherwise required by the context in which any term appears:

(a) The singular shall include the plural, the plural shall include the singular, and the masculine shall include the feminine and neuter.

(b) References to “Articles,” “Sections” or “Attachments” shall be to articles, sections or attachments of or to this Agreement, and references to “paragraphs” or “clauses” shall be to separate paragraphs or clauses of the section or subsection in which the reference occurs.

(c) The words “herein,” “hereof” and “hereunder” shall refer to this Agreement as a whole and not to any particular section or subsection, of this Agreement; and the words “include,” “includes” or “including” shall mean “including, but not limited to” or “including, without limitation.” The word “threatened” refers to threats made in writing.

(d) The term “day” shall mean a calendar day, commencing at 12:01 a.m. Eastern time. The term “week” shall mean any seven (7) consecutive day period, and the term “month” shall mean a calendar month; provided, however, that when a period measured in months commences on a date other than the first day of a month, the period shall run from the date on which it starts to the corresponding date in the next month and, as appropriate, to succeeding months thereafter. Whenever a payment is to be made by a particular date and the date in question falls on a day which is not a Business Day, the payment shall be made on the next succeeding Business Day; provided, however, that all calculations shall be made regardless of whether any given day is a Business Day and whether or not any given period ends on a Business Day.

(e) All references to a particular entity shall include such entity’s permitted successors and permitted assigns unless otherwise specifically provided herein.

(f) All references herein to any Law or to any contract or other agreement shall be to such Law, contract or other agreement as amended, supplemented or modified from time to time unless otherwise specifically provided herein.

1.2.2 The table of contents and the titles or headings of the Articles and Sections hereof and Attachments hereto have been inserted as a matter of convenience of reference only,

and shall not control or affect the meaning or construction of any of the terms or provisions hereof.

1.2.3 This Agreement was negotiated and prepared by the Parties with advice of counsel to the extent deemed necessary by each Party; the Parties have agreed to the wording of this Agreement; and none of the provisions hereof shall be construed against one Party on the ground that such Party is the author of this Agreement or any part hereof.

1.2.4 The Attachments hereto are incorporated herein and are intended to be a part of this Agreement.

1.3 Effectiveness; Survival. [**]

ARTICLE 2 REPRESENTATIONS AND WARRANTIES.

2.1 Contractor and Buyer Representations and Warranties.

2.1.1 Organization; Qualification. Contractor is and at all times during the term of this Agreement shall be a limited liability company validly existing and in good standing under the Laws of the State of Delaware. Contractor has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as it is now being conducted. Contractor is and at all times during the terms of this Agreement shall be qualified to conduct business in the State of Florida.

2.1.2 Capitalization. Accelerated Decommissioning Partners, LLC is and at all times during the term of this Agreement shall be the sole member and owner of all of the outstanding equity interests in Contractor.

2.1.3 Authority Relative to this Agreement. Contractor and Buyer have full corporate power and authority to execute and deliver this Agreement and to perform their obligations hereunder. The execution and delivery of this Agreement has been duly and validly authorized by all necessary corporate action required on the part of Contractor and Buyer and no other corporate proceedings on the part of Contractor or Buyer are necessary to authorize this Agreement or to perform its obligations hereunder. This Agreement has been duly and validly executed and delivered by Contractor and Buyer, and assuming that this Agreement constitutes the valid and binding agreement of Company, this Agreement constitutes the legal, valid and binding agreement of Contractor and Buyer, enforceable against Contractor and Buyer in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar Laws of general applicability relating to or affecting creditors' rights and to general equity principles.

2.1.4 No Violation. Neither the execution and delivery of this Agreement by Contractor and Buyer, nor the performance by Contractor or by Buyer of their obligations hereunder will (a) conflict with or result in any breach of any provision of the certificate of formation or organization, or limited liability company or operating agreement, of Contractor; (b) require consent, notice or other action, conflict with, result in a violation or breach of, constitute a default or an event that, with or without notice or the lapse of time or both, would

constitute a default under, or give rise to any right of termination, cancellation, modification or acceleration, under any of the terms, conditions or provisions of any material contract or Permit to which Contractor or Buyer is a party or by which any of its assets may be bound, other than the Contractor's Required Regulatory Approvals; or (c) violate in any material respect any Laws applicable to Contractor or Buyer.

2.1.5 Professional Licenses. As of the Closing Date, and at all times after the Closing Date during the term of this Agreement, Contractor will have a valid certified contractor's license in the appropriate category or specialty issued by the Florida Department of Business and Professional Regulation, and such license shall remain in full force and affect at all times during the term of this Agreement. All Persons who perform any portion of the Decommissioning have and shall at all times during the performance of Contractor's obligations hereunder have all business and professional certifications required by applicable Laws to perform such work.

2.2 Company Representations and Warranties. Company represents and warrants to Contractor as follows:

2.2.1 Organization; Qualification. Company is a limited liability company validly existing and in good standing under the Laws of the State of Florida and has all requisite corporate power and authority to own, transfer, lease and operate its properties and to carry on its business as is now being conducted. Company is duly licensed or qualified to do business and is in good standing in Florida and each other jurisdiction, if any, in which the operation of the business related to the CR-3 Facility as currently conducted makes licensing or qualification necessary.

2.2.2 Authority Relative to this Agreement. Company has full corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder. The execution and delivery of this Agreement has been duly and validly authorized by all necessary corporate action required on the part of Company and no other corporate proceedings on the part of Company are necessary to authorize this Agreement or to perform its obligations hereunder. This Agreement has been duly and validly executed and delivered by Company, and assuming that this Agreement constitutes the valid and binding agreement of Contractor, this Agreement constitutes the legal, valid and binding agreement of Company, enforceable against Company in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar Laws of general applicability relating to or affecting creditors' rights and to general equity principles.

2.2.3 No Violation. Neither the execution and delivery of this Agreement by Company, nor the performance by Company of its obligations hereunder will (a) conflict with or result in any breach of any provision of the certificate of formation or organization, or limited liability company or operating agreement, of Company; (b) require consent, notice or other action, conflict with, result in a violation or breach of, constitute a default or an event that, with or without notice or the lapse of time or both, would constitute a default under, or give rise to any right of termination, cancellation, modification or acceleration, under any of the terms, conditions or provisions of any material contract or Permit to which Company is a party or by which any of its assets may be bound, other than Company's Required Regulatory Approvals; or

(c) violate in any material respect any Laws applicable to Company; provided, however, that Company makes no warranty or representation that the Permits that it currently holds are or will be adequate or the only Permits necessary for Contractor's activities or actions necessary to complete the Decommissioning or achieve the End-State Conditions.

2.2.4 Filings and Reports. Company has filed or caused to be filed with the applicable state or local regulatory bodies, the NRC, and the Department of Energy, and the State of Florida, as the case may be, all material forms, statements, reports and documents (including all exhibits, amendments and supplements thereto) required to be filed by Company with respect to the NRC-Licensed Site or the ownership or operation thereof under each of the applicable state public utility Laws, the Atomic Energy Act, the Energy Reorganization Act, and the Price-Anderson Act and the respective rules and regulations thereunder. All such filings complied in all material respects with all applicable requirements of the appropriate act and the rules and regulations thereunder in effect on the date each such report was filed. The representations and warranties under this Section 2.2.4 do not apply to any statement by Company in any filing regarding the cost estimated by Company to perform the Decommissioning of the CR-3 Facility or the NRC-Licensed Site.

2.2.5 Real Property. Company has not entered into any real property agreements, including any leases, subleases, licenses or other rental agreements or occupancy agreements (written or verbal), mortgages, deeds of trust, easements, or agreements regarding potential ingress and egress, with respect to any part of the NRC-Licensed Site, that would reasonably be expected to materially impair Contractor's intended operation, possession, or use of the NRC-Licensed Site with respect to the performance of the Decommissioning or its obligations under this Agreement.

2.2.6 Spent Fuel Disposal Contract. Company has paid the one-time fee required to be paid as contemplated under Article VIII.A.3 of the Spent Fuel Disposal Contract.

2.2.7 ANI Insurance Policy. All premiums with respect to the ANI nuclear liability insurance policy covering the CR-3 Facility due prior to the Closing Date shall have been paid by Company, other than retroactive premiums which may be payable with respect thereto.

2.2.8 NRC License. Company has not received any written notification which remains unresolved that it is in violation of any of the NRC License, or any order, rule, regulation, or decision of the NRC with respect to the NRC-Licensed Site.

2.2.9 Environmental Matters. With respect to the CR-3 Facility and the ownership or operation thereof, except as disclosed in Schedule 2.2.9:

(a) To the Knowledge of Company, there are no material Environmental Liabilities with respect to the CR-3 Facility as of the Contract Date.

(b) Company has obtained and holds the Environmental Permits listed on Attachment 14-A. Such Environmental Permits are all of the material Environmental Permits used in or necessary for Company's ownership and possession of the CR-3 Facility as of the Contract Date; provided, that Company makes no representation or warranty that such

Environmental Permits include any or are all of the Environmental Permits that would be necessary for Contractor to perform Contractor's obligations under this Agreement. Each such Environmental Permit is in full force and effect. Company is in compliance in all material respects with all of its obligations under each such Environmental Permit. There are no proceedings pending, or to the Knowledge of Company, threatened, that could reasonably be expected to result in the revocation, termination, modification or amendment of any such Environmental Permit. Company has not failed to make in a timely fashion any application or other filing required for the renewal of any such Environmental Permit which failure could reasonably be expected to result in the termination of such Environmental Permit or such Environmental Permit being revoked, suspended or adversely modified.

(c) There are no Environmental Claims pending or, to the Knowledge of Company, threatened against Company, with respect to the CR-3 Facility, and to Company's Knowledge there are no facts or circumstances which are reasonably likely to form the basis for any material Environmental Claim against Company with respect to the CR-3 Facility.

(d) To Company's Knowledge, the CR-3 Facility is not an Environmental Clean-up Site.

(e) To the Knowledge of Company, there are no (i) underground storage tanks, active or abandoned; or (ii) polychlorinated biphenyls-containing equipment located at the CR-3 Facility.

(f) To the Knowledge of Company, there are no material Encumbrances, other than Permitted Encumbrances, arising under or pursuant to an Environmental Law with respect to the CR-3 Facility and, to the Knowledge of Company, there are no facts, circumstances, or conditions that could reasonably be expected to materially restrict, encumber or result in the imposition of special conditions under any Environmental Law with respect to the Decommissioning of the CR-3 Facility, except those facts, circumstances or conditions relating to the status of the CR-3 Facility as a nuclear facility.

(g) There have been no Environmental audits or assessments with respect to the CR-3 Facility by, on behalf of, or which are in the possession of Company, which have not been made available to Contractor prior to the Contract Date.

The representations and warranties set forth in this Section 2.2.9 are Company's sole and exclusive representations and warranties regarding any Environmental matters and Environmental Laws.

2.2.10 Compliance with Permits, Laws. Company has not received any written notification which remains unresolved that it is in violation of (a) any of the material Permits held by Company that are used in, or necessary for its maintenance, ownership, use, or possession of, the CR-3 Facility as presently conducted or as required by Law (other than Environmental Laws or Nuclear Laws); or (b) any Law (other than Environmental Laws or Nuclear Laws) applicable to the CR-3 Facility or activities at the CR-3 Facility. Company is in compliance in all material respects with all such Permits and Laws (other than Environmental Permits, Environmental Laws or Nuclear Laws) applicable to the CR-3 Facility or activities at

the CR-3 Facility; provided, that Company makes no representation or warranty that such Permits include any or are all of the Permits that would be necessary for Contractor to perform Contractor's obligations under this Agreement.

2.2.11 NDF.

(a) With respect to all periods ending on or prior to the Closing Date: (i) the NDF is a trust, validly existing under the Laws of the Commonwealth of Pennsylvania with all requisite authority to conduct its affairs as it now does; (ii) the qualified trust fund maintained within the NDF satisfies all requirements necessary for it to be treated as a nuclear decommissioning fund as defined in Treas. Reg. Sections 1.468A-1(b)(4) and 1.468A-5; and (iii) the NDF is in compliance in all material respects with all applicable Laws of the NRC and any other Governmental Authority.

(b) Company has heretofore delivered to Contractor a copy of the Amended and Restated NDF Agreement, as in effect on the Contract Date.

(c) With respect to all periods ending on or prior to the Closing Date: (i) Company or the Trustee of the NDF has filed or caused to be filed with the NRC and any other Governmental Authority all material forms, statements, reports, documents (including all exhibits, amendments and supplements thereto) required to be filed by such entities; and (i) Company is not subject to any Governmental Authority's regulation over its rates that could reasonably be expected to pose a material risk of requiring disbursements to be made from the NDF.

(d) With respect to all taxable periods ending prior to the Closing Date, Company has filed all required Tax Returns with respect to the NDF, and such Tax Returns were true, correct and complete in all material respects, and all Taxes due have been paid in full. No notice of deficiency or assessment has been received from any taxing authority with respect to any Liability for Taxes of the NDF which have not been fully paid or finally settled.

(e) Attachment 15 to this Agreement sets forth a statement of assets of the NDF as of December 31, 2018 and such statement presents fairly in all material respects as of such date the fair market value of the assets of the NDF. There are no Encumbrances for Taxes affecting the assets of the NDF other than Permitted Encumbrances.

ARTICLE 3
PRE-CLOSING COVENANTS OF THE PARTIES

3.1 Company's Conduct of Business Relating to the Assets and the CR-3 Facility.

3.1.1 During the Pre-Closing Period, Company shall use and maintain, or cause to be used and maintained, the Assets and the CR-3 Facility in the ordinary course of present use consistent with Good Utility Practices such that at the Closing, the CR-3 Facility and the NRC-Licensed Site will conform with the descriptions thereof in of the Project Specifications; it being understood that any actions deemed reasonably necessary in the use and maintenance of the Assets or the CR-3 Facility in accordance with Good Utility Practices shall be deemed to be in the ordinary course unless Company would reasonably expect such actions to impair in any material respect Contractor's performance of its obligations under this Agreement or any of the Ancillary Agreements. Without limiting the generality of the foregoing, and, except as contemplated in this Agreement, without the prior written consent of Contractor (unless the requirement for such consent would be prohibited by Law), which consent will not be unreasonably withheld, delayed or conditioned, Company shall not directly do any of the following with respect to the CR-3 Facility or, where expressly indicated, the NRC-Licensed Site:

(a) sell, transfer, remove, lease, pledge, mortgage, encumber, restrict, dispose of, grant any right or interest with respect to any Assets;

(b) amend or extend in any material respect, or voluntarily terminate prior to the expiration date thereof or allow to expire, the Spent Fuel Disposal Contract or any Company Permit used in, or necessary for the maintenance, ownership, use, or possession of, the CR-3 Facility or the ISFSI or the NRC-Licensed Site; provided, however, that Contractor's consent shall not be required for actions with respect to Company Permits for which applications have been filed and approval is pending as of the Contract Date as described in Attachment 14-A, or for the settlement of any claims pending with respect to the Spent Fuel Disposal Contract;

(c) fail to maintain in effect the Nuclear Insurance Policies with the limits of liability as in effect on the Contract Date or as otherwise allowed by the NRC;

(d) move any Nuclear Material to, or bring any Hazardous Substances onto, the CR-3 Facility or the NRC-Licensed Site, other than in the ordinary course of business and in accordance with Good Utility Practices;

(e) make any modification to the CR-3 Facility, except for Decommissioning activities in the ordinary course of business and consistent with Company's Decommissioning plan as contemplated by the Post Shutdown Decommissioning Activities Report submitted by Company to the NRC on December 2, 2013;

(f) settle any claim or litigation that results in a material obligation that would adversely impact the CR-3 Facility or the performance of Contractor's obligations under this Agreement with respect to the NRC-Licensed Site, or expands in any material respect the NRC Commitments; provided, however, that Company may settle alleged violations of

Company Permits without the consent of Contractor if the settlement would not reasonably be expected to adversely affect the performance of Contractor's obligations under this Agreement;

(g) knowingly engage in any practice, take any action, fail to take any action, or enter into any transaction that will result or could reasonably be expected to result in any misrepresentation of Company hereunder or of Seller under the SNF PSA as of the Closing Date;

(h) amend the Amended and Restated NDF Agreement in any way that would alter in any material respect the business and investment practices with respect to the NDF, except as contemplated by the Fourth Amendment to Amended and Restated NDF Agreement;

(i) except as required by any Law or generally accepted accounting principles, change, in any material respect, its Tax practice or policy with respect to the NDF (including making new Tax elections or changing Tax elections and settling Tax controversies not in the ordinary course of business) or make any change in any method of accounting or accounting practice with respect to the Assets to the extent such change or settlement would be binding on Contractor; or

(j) agree to enter into any of the transactions set forth in the foregoing provisions of this Section 3.1.1.

3.1.2 Company shall also:

(a) maintain the CR-3 Facility in the ordinary course of business and in compliance in all material respects with applicable Laws, the NRC License, the Permits and Environmental Permits;

(b) make all required deposits, if any, to the NDF and cause Trustee to pay all Taxes, if any, and expenses and fees relating to the NDF; and

(c) not amend the Amended and Restated NDF Agreement, other than the Fourth Amendment to Amended and Restated NDF Agreement entered into in accordance with this Agreement and the SNF PSA, without the consent of Contractor, which consent shall not be unreasonably withheld or delayed.

3.2 Contractor's Conduct of Business. During the Pre-Closing Period, Contractor shall not:

3.2.1 Amend Contractor's certificate of formation or operating agreement without the prior written consent of Company, except as set forth in the Amended and Restated LLC Agreement.

3.2.2 Sell or transfer the membership interests in Contractor to any third party, without the prior written consent of Company.

3.2.3 Engage in any business activity or incur any Liability by or on behalf of Contractor, except as reasonably necessary in connection with the transactions contemplated by this Agreement.

3.2.4 Knowingly engage in any practice, take any action, fail to take any action, or enter into any transaction that will result or may reasonably be anticipated to result in any misrepresentation or breach of any warranty or covenant of Contractor or the Parent Guarantors hereunder or under the Ancillary Agreements.

3.2.5 Agree to take any action or enter into any transaction that would violate the foregoing provisions of this Section 3.2.

3.3 Further Assurances. Subject to the terms and conditions of this Agreement, prior to the Closing, each of the Parties will use commercially reasonable efforts to take, or cause to be taken, all action, and to do, or cause to be done, all things necessary, proper or advisable under applicable Laws to consummate the Closing. Notwithstanding anything in the previous sentence to the contrary, Company shall use commercially reasonable efforts to obtain any Company Permits, if any, and Contractor shall use commercially reasonable efforts to obtain all Contractor Permits, that are necessary as of the Closing Date for Contractor to perform its obligations under this Agreement at the NRC-Licensed Site. Each Party shall cooperate with the other Party in all commercially reasonable efforts to (a) obtain the Company Permits and Contractor Permits; and (b) lift any preliminary or permanent injunction or other order or decree by any federal or state court or Governmental Authority that restrains or prevents the Closing.

3.4 Consents and Approvals.

3.4.1 As promptly as practicable after the Contract Date, Contractor and Company, as applicable, shall make the filings necessary to obtain the Required Regulatory Approvals. In fulfilling their respective obligations under this Section 3.4.1, Contractor and Company shall each use commercially reasonable efforts to effect or cause to be effected any such filings (other than as contemplated in Section 3.4.2) within sixty (60) days after the Contract Date. Prior to any Party's submission of the applications contemplated by this Section 3.4.1, the submitting Party shall provide a draft of such application to the other Party for review and comment and the submitting Party shall in good faith consider any revisions reasonably requested by the reviewing Party. Each Party will bear its own costs of the preparation and review of any such filings; [**]

3.4.2 As promptly as practicable after the Contract Date, Contractor and Company shall file an application with the NRC requesting consent under Section 184 of the Atomic Energy Act and 10 C.F.R. § 50.80 for the transfer of the NRC License authorizing possession and maintenance, including Decommissioning, of the NRC-Licensed Site, from Company to Contractor, and approval of any conforming license amendments, and any other related approvals; provided, however, that Company shall retain its rights as the owner of the CR-3 Facility and the NRC-Licensed Site (other than the ISFSI) under the NRC License. In fulfilling their respective obligations set forth in the immediately preceding sentence, each of Contractor and Company shall use its commercially reasonable efforts to effect any such filing within sixty (60) days after the Contract Date. [**] Thereafter, Contractor and Company shall cooperate with one another to facilitate NRC review of the application by promptly providing the NRC staff with such documents or information that the NRC staff may reasonably request or require any of the Parties to provide or generate.

3.4.3 The Parties shall respond promptly to any requests for additional information made by Governmental Authorities, use their respective commercially reasonable efforts to participate in any hearings, settlement proceedings or other proceedings ordered with respect to the applications, and use their respective commercially reasonable efforts to cause regulatory approval to be obtained at the earliest possible date after the date of filing. Company shall have the right to review in advance all characterizations of the information relating to the transactions contemplated by this Agreement which appear in any application or filing made in connection with the transactions contemplated hereby by Contractor, and Contractor shall consider in good faith any revisions reasonably requested by Company.

3.4.4 During the Pre-Closing Period, Contractor and Company shall cooperate with each other, including by establishment of a transition committee with representatives of each of Contractor and Company that shall develop a transition plan to be implemented to transition the CR-3 Facility from Company to Contractor upon the Closing. Without limiting the foregoing, among other things, Contractor and Company shall prepare the procedures as described in Attachment 14-B.

3.5 Notice of Significant Changes; Revised Schedules; First Amendment to DSA.

3.5.1 Each Party will promptly advise the other Party in writing of any change or circumstance arising, or being discovered, after the Contract Date that would constitute a material breach of any representation or warranty of such Party under this Agreement or the SNF PSA. No later than fifteen (15) Business Days prior to the Closing, each Party shall provide the other Party with any and all revisions, modifications and updates to the Schedules to the SNF PSA such that the Schedules to the SNF PSA will be true and correct as of such date, including with respect to any breach of any representation or warranty of a Party under the SNF PSA. Such revisions, modifications and updates will be incorporated into the Schedules prior to the Closing; provided, however, that to the extent that such revisions, modifications and updates have a Seller Material Adverse Effect or a Buyer Material Adverse Effect, as the case may be, then such revisions, modifications or updates to the Schedules will not be deemed to have cured any inaccuracy or breach of any representation or warranty in this Agreement for purposes of the termination rights contained in this Agreement or of determining whether the conditions to Closing under Section 6.1 or Section 6.2 of the SNF PSA have been satisfied.

3.5.2 Notwithstanding anything to the contrary herein, if either Party becomes aware of a Change in Law or a Change in End-State Condition prior to the Closing, the Party becoming aware of such change shall promptly notify the other Party in writing. Within thirty (30) days thereafter, the Parties, acting reasonably and in good faith, shall meet to review an estimate, prepared by Contractor of the changes in its cost to perform the Decommissioning and its obligations under this Agreement taking into account such Change in Law or Change in End-State Condition. If the Parties are able to agree on an adjustment to the Agreed Amount, the Parties shall enter into an amendment to this Agreement to make such adjustment prior to the Closing, and such change shall not be a Seller Material Adverse Effect or a Buyer Material Adverse Effect and shall be deemed waived by the Parties for purposes of the obligation of the Parties with respect to the Closing.

3.5.3 No later than forty five (45) days prior to the expected Closing Date, the Parties shall prepare and deliver a draft of the First Amendment to DSA, together with any Attachments hereto that will be updated pursuant to the First Amendment to DSA, as the Parties have determined during the Pre-Closing Period. The Parties shall cooperate in good faith to finalize the First Amendment to DSA and the updated Attachments by no later than ten (10) Business Days prior to the expected Closing Date. If the Parties are not able to mutually agree on revisions to Attachment 2 and Attachment 7 and to mutually agree on a final First Amendment to DSA by the Closing Date, either Party may terminate this Agreement pursuant to Section 5.1.5.

3.6 Contractor's Delivery of Financial Statements. During the Pre-Closing Period, Contractor shall deliver to Company:

3.6.1 As soon as available and in any event within sixty (60) days after the end of each of the first three quarters of each fiscal year of Northstar Group Services, Inc., a copy of such Parent Guarantor's unaudited consolidated balance sheet as of the end of such quarter and the related unaudited consolidated statement of income and cash flow statement of such Parent Guarantor for the portion of the fiscal year of such Parent Guarantor ending on the last day of such quarter, in each case prepared in accordance with generally accepted accounting principles, subject to the absence of footnotes and to year-end audit adjustments, together with a certificate of the chief financial officer of such Parent Guarantor to the effect that such financial statements fairly present the consolidated financial condition of such Parent Guarantor as of the date thereof and results of operations for the period then ended.

3.6.2 As soon as available and in any event within one hundred twenty (120) days after the end of each fiscal year of NorthStar Group Services, Inc., a Delaware corporation, an audited copy of the consolidated balance sheet of such Parent Guarantor as of the last day of such fiscal year and the related audited consolidated statements of income, retained earnings, cash flows, and notes to consolidated financial statements of such Parent Guarantor for such fiscal year, together with an opinion of certified public accountants of recognized national standing.

3.6.3 As soon as available and in any event within sixty (60) days after the end of each of the first three quarters of each fiscal year of Orano USA LLC, a Delaware limited liability company, a copy of such Parent Guarantor's unaudited consolidated balance sheet as of

the end of such quarter and the related unaudited consolidated statement of income of such Parent Guarantor for the portion of the fiscal year of such Parent Guarantor ending on the last day of such quarter, in each case prepared in accordance with international financial reporting standards, subject to the absence of footnotes and to year-end audit adjustments, together with a certificate of the chief financial officer of such Parent Guarantor to the effect that such financial statements fairly present the consolidated financial condition of such Parent Guarantor as of the date thereof and results of operations for the period then ended.

3.6.4 As soon as available and in any event within one hundred twenty (120) days after the end of each fiscal year of Orano USA LLC, a Delaware limited liability company, a copy of such Parent Guarantor's unaudited consolidated balance sheet as of the last day of such fiscal year and the related unaudited consolidated statements of income of such Parent Guarantor for such fiscal year, prepared in accordance with international financial reporting standards, subject to the absence of footnotes, together with a certificate of the chief financial officer of such Parent Guarantor to the effect that such financial statements fairly present the consolidated financial condition of such Parent Guarantor as of the date thereof and results of operations for the period then ended.

3.7 Access to Information.

3.7.1 During the Pre-Closing Period, Company will, during ordinary business hours, upon reasonable notice and subject to compliance with all applicable NRC rules and regulations and other applicable Laws: (a) allow Contractor and its representatives reasonable access to Company management personnel engaged in the management of the Assets, the CR-3 Facility, the NRC-Licensed Site and the Business Books and Records; (b) permit Contractor to make such reasonable inspections thereof as Contractor may reasonably request; (c) furnish Contractor with such other information with respect to the Assets or the CR-3 Facility or the NRC-Licensed Site that is in Company's possession, as Contractor may from time to time reasonably request; and (d) furnish Contractor a copy of each material report, schedule or other document filed or received by it with respect to the Assets or the CR-3 Facility with the NRC or any other Governmental Authority having jurisdiction over any of the Assets or the CR-3 Facility; provided, however, that (i) any such investigation shall be conducted in such a manner as not to interfere unreasonably with the ownership, use or management of the other activities of Company or its other contractors at the NRC-Licensed Site; (ii) Company shall not be required to provide Contractor any information which would reasonably be expected to result in a waiver of the attorney-client privilege; provided, however, that Company shall use commercially reasonable efforts to allow for such access or disclosure in a manner that does not result in a waiver of the attorney-client privilege (including, if applicable, by entering into a common interest or similar agreement to preserve such privilege); and (iii) Company need not supply Contractor with any information that Company is legally or contractually prohibited from supplying; provided, however, that Company shall use commercially reasonable efforts (not including payment of any money or granting of any concessions) to obtain any consents necessary in order to provide Contractor with the information from the contractual counterparty to the extent such prohibition exists.

3.7.2 Prior to the Closing Date, Contractor shall not, and shall not allow its Affiliates to, contact any vendors, suppliers, employees, or other contracting parties of Company

or Company's Affiliates with respect to any aspect of the Assets or the CR-3 Facility or the NRC-Licensed Site, or the transactions contemplated hereby or under the SNF PSA, without the prior written consent of Company, which consent shall not be unreasonably withheld, delayed or conditioned.

3.8 Protection of Proprietary Information.

3.8.1 From and after the Contract Date: (a) Contractor shall use and disclose, and shall cause its Affiliates and their respective Representatives to use and disclose, Company's Proprietary Information only to the extent necessary to consummate the transactions contemplated by, and perform their obligations under, this Agreement and the Ancillary Agreements; and (b) Company shall use and disclose, and shall cause its Affiliates and its Representatives to use and disclose, Contractor's Proprietary Information only to the extent necessary to consummate the transactions contemplated by, and perform its obligations under, this Agreement and the Ancillary Agreements. Any disclosure to Affiliates or Representatives of a Party shall only be made after such Affiliates and Representatives are advised of the confidentiality obligations hereunder and required by the disclosing Party to comply, and the disclosing Party shall be responsible for any violations of the obligations of this Section 3.8 by any such Affiliates or Representatives. Any disclosure to third parties other than a Party's Affiliates or Representatives by either Company or Contractor shall only be made subject to confidentiality agreements with such third parties that are at least as stringent as the requirements of this Section 3.8.

3.8.2 Upon Contractor's, or Company's (as the case may be), prior written approval (which approval shall not be unreasonably withheld, delayed or conditioned), Company or Contractor, respectively, may provide Proprietary Information of the other Party to the NRC or any other Governmental Authority having jurisdiction over the Assets, the CR-3 Facility, the NRC-Licensed Site or any portion thereof, as may be necessary to obtain Company's Required Regulatory Approvals or Contractor's Required Regulatory Approvals, respectively. The disclosing Party shall seek confidential treatment for the Proprietary Information provided to any such Governmental Authority and the disclosing Party shall notify the other Party whose Proprietary Information is to be disclosed, as far in advance as reasonably practical, of its intention to release to any Governmental Authority any such Proprietary Information. In the event that disclosure of Proprietary Information is required by order of a court or other Governmental Authority or by subpoena or other similar legal process, the Party subject to such order, subpoena or other legal process shall, to the extent permitted by Law, notify the other Party whose Proprietary Information is to be disclosed and the Parties shall consult and cooperate in seeking a protective order or other relief to preserve the confidentiality of Proprietary Information.

3.8.3 Company or Contractor may, without the prior consent of the other Party, disclose Proprietary Information of the other Party as may be necessary to comply generally with any applicable Laws or with the rules of any applicable stock exchange. The disclosing Party shall notify the other Party whose Proprietary Information is to be disclosed, as far in advance as reasonably practical, of its intention to release to any third party any such Proprietary Information.

3.8.4 Notwithstanding anything to the contrary in the foregoing, nothing in this Section 3.8 authorizes or permits Contractor to disclose any Third Party Proprietary Information that Contractor obtains as part of the Company Proprietary Information to any other Person. Contractor acknowledges and agrees that to the extent Company is prohibited or restricted by any non-disclosure or confidentiality obligation to any third party from disclosing any Third Party Proprietary Information to Contractor, Company shall have the right to not disclose such Third Party Proprietary Information to Contractor until Contractor has reached agreement with such third party and such third party has notified Company in writing that Company may disclose such Third Party Proprietary Information to Contractor. Company shall notify Contractor if there is any Third Party Proprietary Information of which Company is aware that Company is prohibited or restricted from disclosing to Contractor, and advise Contractor of such third party so that Contractor may make appropriate arrangements with such third party. Company's failure to disclose any Third Party Proprietary Information pursuant to this Section 3.8.4 shall not serve as the basis for a claim of any breach of a representation, warranty or other obligation of Company hereunder.

3.8.5 If this Agreement is terminated before the Closing, this Section 3.8 shall survive the termination of this Agreement for five (5) years. In addition, if this Agreement is terminated before the Closing, Contractor shall, within thirty (30) days after receipt of a written request from Company, return or destroy Company's Proprietary Information in the possession or control of Contractor, any of its Affiliates or their respective Representatives, and Company shall, within thirty (30) days after receipt of a written request from Contractor, return or destroy Contractor's Proprietary Information in the possession or control of Company, any of its Affiliates or their respective Representatives. Notwithstanding the foregoing, a recipient or another Party's Proprietary Information shall not be required to return or destroy such other Party's Proprietary Information to the extent that it (a) is commingled with other electronic records that are collected and maintained in a separate secure facility as part of information technology backup procedures in accordance with the normal course of business; (b) is included in a Party's disclosures to its or its Affiliate's board of directors or similar governing body or the records of deliberations of such body in connection with the consideration of the authorization and approval of this Agreement and the transactions contemplated hereby; (c) the recipient is required to retain such Proprietary Information under applicable Law; or (d) the recipient is a legal or other professional advisor to a Party with professional responsibilities to maintain client confidences; provided, however, that such retained Proprietary Information shall remain subject to the provisions of this Section 3.8.

3.9 Expenses. [**]

3.10 Public Statements.

3.10.1 During the Pre-Closing Period: (a) Company shall issue all news releases, public statements and similar publicity concerning this Agreement and the Ancillary Agreements and the transactions contemplated hereby and thereby, in form and substance mutually agreed by the Parties; and (b) Contractor shall not, and shall not permit any of its Affiliates or subcontractors to, engage in any form of publicity or publish, release, disclose or disseminate to any member of the public, media, Governmental Authority or any other Person other than Company, whether in writing or orally, this Agreement, the Ancillary Agreements or any information regarding the transactions contemplated hereby or thereby, without Company's express prior written consent, except as may be required by applicable Law or stock exchange rules, such as required filings and other required public statements or testimony before regulatory authorities, and then only to the extent that Company has, to the extent permitted by applicable Law, been provided an opportunity to review and comment on such release or disclosure. Notwithstanding anything to the contrary in the foregoing, Contractor may also disclose information regarding this Agreement, the Ancillary Agreement and the transactions contemplated hereby and thereby in accordance with Sections 3.4 and 3.8.1.

3.10.2 During the Pre-Closing Period, on a case-by-case basis, as determined by Company and with Company's express prior written consent: (a) Contractor may be requested to provide media interviews concerning this Agreement, the Ancillary Agreement and the transactions contemplated hereby and thereby; and (b) Contractor may share Company's news releases, social media posts and other external content in Contractor's internal and external communication channels. Contractor shall cooperate with Company in maintaining good community relations during the Pre-Closing Period.

3.10.3 Contractor shall not, and shall not permit any of its Affiliates or subcontractors to, use Company's or any of its Affiliates' names, logos, trademarks, service marks or trade names in any way without Company's prior written consent.

3.10.4 Upon the Closing, the Parties will issue a joint press release or coordinated separate press releases concerning the consummation of the transactions contemplated hereby, in form and substance to be mutually agreed. The Parties shall reasonably cooperate in matters relating to the content and timing of public announcements and other public disclosures (other than required filings and other required public statements or testimony before regulatory authorities) relating to this Agreement or the transactions contemplated hereby.

3.11 Taxes.

3.11.1 Any Transfer Taxes incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by Contractor and Company in equal proportions. Contractor and Company will file, to the extent required by applicable Law, all necessary Tax Returns and other documentation with respect to any such Transfer Taxes, and, if required by applicable Law, will each join in the execution of any such Tax Returns or other documentation. The Parties shall use commercially reasonable efforts to comply with all requirements and secure applicable sales tax exemptions for the transactions contemplated by this Agreement.

3.11.2 The Parties acknowledge, agree, and intend, as a result of the agreements and arrangements set forth in this Agreement and the Ancillary Agreements, as follows for all Tax purposes: (a) Company shall have retained ownership and use of all of its assets and shall not have transferred ownership of the NRC-Licensed Site or any other of its assets to Contractor or any of its Affiliates (whether by application of Section 7701(e) of the Code or otherwise) except for the Assets transferred to Buyer pursuant to the SNF PSA; (b) Company shall be treated as the owner of the NDF, and the NDF shall be the owner of the assets held in the IOI Decommissioning Subaccount, as well as any proceeds held or earned therein unless, until, and to the extent such proceeds are paid to Contractor or any of its Affiliates in payment of services performed, and obligations discharged, by Contractor or any of its Affiliates pursuant to this Agreement and the Amended and Restated NDF Agreement; and (c) the rights and obligations of Company, Contractor and any of its Affiliates set forth in this Agreement and the Ancillary Agreements shall be respected (after the application of Section 7701(e) of the Code and other relevant Tax ownership principles) as representing only an arrangement whereby Contractor and its Affiliates will perform Decommissioning and other services for Company on Company's behalf in exchange for disbursements of cash consideration from the IOI Decommissioning Subaccount within the NDF as a fixed price fee for these services equal to the Agreed Amount, with such Agreed Amount to be paid in portions periodically to Contractor when the services necessary to discharge the Decommissioning liabilities are performed in accordance with the terms of this Agreement. The Parties hereto, as well as their Affiliates, shall prepare all applicable Tax books, records, and filings, and otherwise act, in a manner consistent with this Section 3.11.2, unless otherwise required by Law.

3.11.3 Promptly following the Contract Date, Company shall use commercially reasonable efforts to obtain a private letter ruling (the "PLR") from the IRS regarding [**] Company shall (i) provide Contractor with a draft of the PLR prior to filing (and allow Contractor a reasonable opportunity to review and comment); (ii) notify Contractor once the PLR is submitted, and promptly provide Contractor with a copy of the PLR request as submitted to the IRS; and (iii) notify Contractor once the final response is received from the IRS, and promptly provide Contractor with a copy of the PLR issued by IRS.

3.12 NRC Commitments. Until the Closing, Company shall maintain and use the Assets in accordance with the NRC Commitments, the NRC License, applicable NRC regulations and policies and with applicable Laws, including Nuclear Laws.

3.13 Decommissioning. Contractor shall commit to the NRC and other applicable Governmental Authorities that Contractor will complete the Decommissioning of the CR-3 Facility and the Crystal River Site, and that it will complete all Decommissioning activities as contemplated under this Agreement in accordance with all Nuclear Laws and Environmental Laws, including applicable requirements of the Atomic Energy Act and the NRC's rules, regulations, orders and guidance thereunder. Contractor shall, and shall cause the Parent Guarantors to, take commercially reasonable steps necessary to satisfy any requirements imposed by the NRC regarding decommissioning funds, in a manner sufficient to obtain NRC approval of the transfer of the NRC License from Company to Contractor. In the event that the NRC or other Governmental Authority reasonably requires Contractor to provide Decommissioning funding assurance, Contractor, the Parent Guarantors, or such other entity as shall be acceptable to the NRC, shall post a guaranty or other financial assurances or take such other action as is sufficient to satisfy such reasonable additional assurance requirement in such form as reasonably required by such Governmental Authority.

3.14 Contractor's Provisional Trust. On or before the Closing Date, Contractor shall establish a separate trust fund, the "Contractor's Provisional Trust Fund", which shall: (a) be a trust, validly existing under the Laws of the Commonwealth of Pennsylvania with all requisite authority to conduct its affairs; (b) satisfy all requirements necessary for such trust to be treated as a "grantor trust" for federal and state income tax purposes pursuant to Sections 671-678 of the Code of which Contractor is the "grantor"; and (c) be in compliance in all material respects with all applicable Laws of the NRC and any other Governmental Authority. The Contractor's Provisional Trust Fund shall be governed by a trust agreement in substantially in the form set forth in Exhibit G. Within such trust fund, the Contractor's Provisional Trust Agreement shall establish a Provisional Milestone Account and a Provisional IOI Account. On or before the Closing Date, Contractor shall deposit Twenty Million Dollars (\$20,000,000) into the Provisional IOI Account. [**] On-going funding of Contractor's Provisional Trust Fund shall be made in accordance with Section 6.14, and disbursements from the Provisional Milestone Account shall be made in accordance with Section 9.4.

3.15 ISFSI Decommissioning Trust. On or before the Closing Date, Buyer shall establish the ISFSI Decommissioning Trust. The ISFSI Decommissioning Trust shall be governed by a trust agreement in substantially in the form set forth in Exhibit M. On or before the Closing Date, Contractor shall provide financial assurance in a form and in an amount meeting the requirements of 10 CFR 70.32(e) to the ISFSI Decommissioning Trust. The ISFSI Decommissioning Trust shall be established to hold the financial assurance until Contractor achieves the End-State Conditions.

3.16 Appointment of Company Designee. On or before the Closing Date, Contractor shall have taken such actions as necessary to cause a person to be duly appointed to serve as an independent manager of Contractor, with such rights as set forth in and in accordance with the Amended and Restated LLC Agreement.

3.17 Pre-Closing Decommissioning Services. If Company and Contractor agree on any services related to the Decommissioning that will be performed by Contractor prior to the Closing, the Parties shall enter into a Pre-Closing Decommissioning Services Contract that

establishes the scope of such services, related deliverables and payments to be made to Contractor thereunder.

3.18 Administration of Security Screening. The Parties acknowledge and agree that, as of the Contract Date, the administration of security screening for the CR-3 Facility is performed by Duke Energy Nuclear Security Service, a centralized, nuclear fleet organization.

3.18.1 As promptly as practicable after the Contract Date, Company will modify the existing security processes such that all provisions of the CR-3 Facility security plan, including security screening, shall be solely and exclusively performed by Company employees assigned to the CR-3 Facility or contractors engaged to perform such functions for the CR-3 Facility.

3.18.2 On the Closing Date, Contractor shall adopt the approved CR-3 Facility security plan. On or before the Closing Date, Contractor will engage sufficient qualified personnel or enter into subcontracts as may be required for Contractor to perform all functions of the CR-3 Facility security plan adopted by Contractor, including security screening, physical security, training and qualification, and safeguards contingency plans.

ARTICLE 4 THE CLOSING OF THE SNF PSA

4.1 Closing. The consummation of the transactions as contemplated by the SNF PSA (the “Closing”) shall be held within ten (10) Business Days after the date on which the last of the conditions precedent to Closing set forth in Sections 6.1 and 6.2 of the SNF PSA have been either satisfied or waived by the respective Party for whose benefit such conditions precedent exist (except with respect to those conditions which by their terms are to be satisfied at Closing), but in any event not after the termination of this Agreement pursuant to Article 5. The date on which the Closing occurs under the SNF PSA is referred to herein as the “Closing Date.”

4.2 Deliveries by Company.

At the Closing, Company will deliver, or cause to be delivered, the following to Contractor:

4.2.1 the SNF PSA, duly executed and delivered by Company as Seller thereunder;

4.2.2 the PLR;

4.2.3 the other Ancillary Agreements to which Company is a party, duly executed and delivered by Company and such other Persons (other than Contractor, or any Parent Guarantor or other Affiliate of Contractor) as indicated therein, as applicable;

4.2.4 the First Amendment to DSA, duly executed and delivered by Company;

4.2.5 copies of any and all governmental and other third party consents, waivers or approvals obtained by Company with respect to the consummation of the transactions

contemplated by this Agreement and the SNF PSA, including the Company's Required Regulatory Approvals obtained by Company;

4.2.6 the procedures to be maintained and implemented by Company in accordance with Attachment 14-B;

4.2.7 copies, certified by the Secretary or any Assistant Secretary of Company, of corporate resolutions authorizing the execution and delivery of this Agreement, the Ancillary Agreements and any other agreements and instruments to be executed and delivered by Company in connection herewith, and the consummation of the transactions contemplated hereby;

4.2.8 a certificate of the Secretary or any Assistant Secretary of Company identifying the name and title and bearing the signatures of the officers of Company authorized to execute and deliver this Agreement, the Ancillary Agreements and the other agreements and instruments contemplated hereby and thereby;

4.2.9 a certificate of good standing with respect to Company issued by the Secretary of State of the State of Florida no earlier than ten (10) days prior to the Closing Date; and

4.2.10 such other agreements, consents, documents, instruments and writings as are required to be delivered by Company at or prior to the Closing Date pursuant to this Agreement, the SNF PSA or the Ancillary Agreements or otherwise reasonably required in connection herewith or therewith.

4.3 Deliveries by Contractor and Buyer.

At the Closing, Contractor will deliver, or cause to be delivered, the following to Company:

4.3.1 the SNF PSA, duly executed by Buyer, and the consideration to be paid thereunder;

4.3.2 all of the Ancillary Agreements to which Contractor, Buyer or any Parent Guarantor is a party, duly executed and delivered, as applicable, by Contractor, Buyer, the Parent Guarantors, and such other Persons (other than Company) as indicated therein, as applicable;

4.3.3 the First Amendment to DSA, duly executed and delivered by Contractor and Buyer;

4.3.4 evidence of the required deposits having been made into the Contractor's Provisional Trust Fund;

4.3.5 evidence of financial assurance in a form and in an amount meeting the requirements of 10 CFR 70.32(e) having been provided to the ISFSI Decommissioning Trust;

- 4.3.6 certificates of insurance and such other evidence as reasonably acceptable to Company demonstrating that Contractor has obtained the insurance policy as described in Section 14.3;
- 4.3.7 the procedures to be maintained and implemented by Contractor in accordance with Attachment 14-B;
- 4.3.8 evidence that Contractor has engaged personnel to perform the security screening and other functions required under Contractor's security plan, or has engaged a subcontractor to perform such functions, in compliance with NRC regulations;
- 4.3.9 copies of any and all governmental and other third party consents, waivers or approvals obtained by Contractor with respect to the Closing, including the Contractor's Required Regulatory Approvals obtained by Contractor;
- 4.3.10 copies, certified by the Secretary or any Assistant Secretary of Contractor, Buyer and each Parent Guarantor, as applicable, of resolutions authorizing the execution and delivery of this Agreement, the Ancillary Agreements and any other agreements and instruments to be executed and delivered by Contractor, Buyer and each Parent Guarantor in connection herewith, and the consummation of the transactions contemplated hereby and thereby, including the adoption of the Amended and Restated LLC Agreement, and appointment of Company's designee (as identified in Section 3.16) to the governing board of Contractor;
- 4.3.11 a certificate of the Secretary or any Assistant Secretary of Contractor, Buyer and each Parent Guarantor, as applicable, identifying the name and title and bearing the signatures of the officers of Contractor and such Parent Guarantor authorized to execute and deliver this Agreement, the Ancillary Agreements and the other agreements and instruments contemplated hereby;
- 4.3.12 certificates of good standing with respect to each of Contractor and Buyer issued by the Secretary of State of the State of Delaware no earlier than ten (10) days prior to the Closing Date;
- 4.3.13 a copy of the certificate of authority or qualification of Contractor to do business in the State of Florida, issued by the Secretary of State of the State of Florida no earlier than ten (10) days prior to the Closing Date;
- 4.3.14 a copy of Contractor's license to perform contractor services as issued by the State of Florida and evidence reasonably satisfactory to Company that such license is in full force and effect dated no earlier than ten (10) days prior to the Closing Date;
- 4.3.15 a certificate of good standing of each Parent Guarantor issued by the Secretary of State of the State of Delaware, no earlier than ten (10) days prior to the Closing Date;
- 4.3.16 (a) a copy of the actual compliance calculation of NorthStar Group Services, Inc. with respect to the financial covenants under its long-term debt agreements showing that NorthStar Group Services, Inc. satisfies such financial covenants as of such date, as

certified by the chief financial officer of NorthStar Group Services, Inc.; (b) a copy of NorthStar Group Services, Inc.'s most recent audited or reviewed financial statements underlying such calculations of such financial covenants, as certified by the chief financial officer of NorthStar Group Services, Inc.; and (c) a certification by the chief financial officer of NorthStar Group Services, Inc. that such entity is not in a position where it is unable to renew any credit facility to which it is a party by reason of NorthStar Group Services, Inc.'s financial condition;

4.3.17 all such other instruments of assumption as shall, in the reasonable opinion of Company and its counsel, be necessary for Buyer to assume the Assumed Liabilities in accordance with the SNF PSA;

4.3.18 a legal opinion from Pillsbury Winthrop Shaw Pittman LLP, addressed to Company to the effect set forth in Exhibit L and otherwise in form and substance reasonably satisfactory to Company; and

4.3.19 such other agreements, documents, instruments and writings as are required to be delivered by Contractor, Buyer or any Parent Guarantor at or prior to the Closing Date pursuant to this Agreement or the Ancillary Agreements or otherwise reasonably required in connection herewith or therewith.

ARTICLE 5 TERMINATION

5.1 Termination. This Agreement may be terminated at any time prior to the Closing Date as follows:

5.1.1 By mutual written consent of Company and Contractor;

5.1.2 By Company or Contractor if: (a) any federal or state court of competent jurisdiction shall have issued an order, judgment or decree permanently restraining, enjoining or otherwise prohibiting the Closing, and such order, judgment or decree shall have become final and non-appealable; or (b) any statute, rule, order or regulation shall have been enacted or issued by any Governmental Authority which, directly or indirectly, prohibits the consummation of the Closing, unless the Party seeking to terminate is responsible for the imposition of the prohibition;

5.1.3 By Company or Contractor if any Contractor's Required Regulatory Approval or Company's Required Regulatory Approval has been denied and is non-appealable, or Contractor or Company, as applicable, elects not to appeal, or in the case of the PLR, Company is unable to obtain a PLR confirming the items described in Section 3.11.3;

5.1.4 By Company or Contractor if Closing does not occur within three (3) months following receipt of the last of the Contractor's Required Regulatory Approvals and the Company's Required Regulatory Approvals, unless the Party seeking to terminate is responsible for any failure to meet any condition to Closing;

5.1.5 By Company or Contractor if the Parties have not agreed on revisions to Attachment 2, Attachment 7 and a final form of the First Amendment to DSA on or before the Closing Date;

5.1.6 By Company or Contractor if Closing does not occur within two (2) years following the Contract Date (the “Termination Date”), unless the Party seeking to terminate is responsible for any failure to meet any condition to Closing; provided that the foregoing shall not apply to diminish or limit Contractor’s or Company’s respective right to terminate this Agreement pursuant to Section 5.1.4;

5.1.7 By Contractor if there has been a material violation or breach by Company of any applicable covenant, representation or warranty contained in this Agreement or the SNF PSA, and such violation or breach (a) is not cured by the earlier of the Closing Date or thirty (30) days after receipt by Company of written notice specifying particularly such violation or breach (provided that in the event Company is attempting to cure the violation or breach in good faith, then Contractor may not terminate pursuant to this provision unless the violation or breach is not cured within thirty (30) days after all other conditions precedent to Closing set forth in Article 6 of the SNF PSA have been either satisfied or waived); and (b) such violation or breach has not been waived by Contractor; provided that the foregoing shall not apply to diminish or limit Contractor’s or Company’s respective right to terminate this Agreement pursuant to Section 5.1.4 or 5.1.6;

5.1.8 By Company if there has been a material violation or breach by Contractor of any covenant, representation or warranty contained in this Agreement and such violation or breach (a) is not cured by the earlier of the Closing Date or thirty (30) days after receipt by Contractor of written notice specifying particularly such violation or breach (provided that in the event Contractor, as the case may be, is attempting to cure the violation or breach in good faith, then Company may not terminate pursuant to this provision unless the violation or breach is not cured within thirty (30) days after all other conditions precedent to Closing set forth in Article 6 of the SNF PSA have been either satisfied or waived); and (b) such violation or breach has not been waived by Company; provided that the foregoing shall not apply to diminish or limit Contractor’s or Company’s respective right to terminate this Agreement pursuant to Section 5.1.4 or 5.1.6.

5.1.9 By Company if, at any time up to or prior to Closing:

(a) the financial condition of NorthStar Group Services, Inc. or NorthStar Group Holdings, LLC causes it to be (i) out of compliance with the covenants of its long-term debt agreements or other similar scenarios that would force a non-discretionary acceleration of debt service payments beyond the level deemed “current” in the most recent audited financial statements of NorthStar Group Services, Inc. or NorthStar Group Holdings, LLC, as applicable, notwithstanding any waiver by the lender(s) for being out of compliance; or (ii) unable to renew any credit facility; and

(b) the senior unsecured debt rating or long-term issuer rating of Orano SA falls below “BB-” by S&P Global Ratings or its successor.

Notwithstanding anything to the contrary herein, (a) if Contractor is in material breach of any agreement, covenant, representation or warranty in this Agreement, then Contractor may not exercise any right it may otherwise have under this Section 5.1 to elect to terminate this Agreement until such material breach has been cured, and (b) if Company is in

material breach of any agreement, covenant, representation or warranty in this Agreement, then Company may not exercise any right it may otherwise have under this Section 5.1 to elect to terminate this Agreement until such material breach has been cured; provided that the foregoing shall not apply to diminish or limit Contractor's or Company's respective right to terminate this Agreement pursuant to Section 5.1.4 or 5.1.6.

5.1.10 Effect of Termination. In the event of a termination of this Agreement by Company or Contractor pursuant to Section 5.1, written notice thereof shall promptly be given by the terminating Party to the other Party, and this Agreement shall immediately become void and neither Party shall thereafter have any further liability hereunder to the other Parties; provided, however, that nothing in this Agreement shall relieve a Party from liability for any willful breach of or willful failure to perform under this Agreement.

ARTICLE 6

CONTRACTOR'S AND BUYER'S POST-CLOSING RIGHTS, OBLIGATIONS AND RESPONSIBILITIES

6.1 Authority for Operations; Limitations. Contractor shall possess, maintain and Decommission the CR-3 Facility and NRC-Licensed Site, and shall control all activities at the NRC-Licensed Site as permitted and required by, and subject to the provisions and limitations set forth in, this Agreement, including Section 8.6. In carrying out its responsibilities, Contractor shall have the authority, in accordance with this Agreement and in compliance with NRC regulations and the requirements of applicable Laws, to take any and all action necessary or desirable to obtain and maintain in effect the NRC License and Contractor Permits relating to the NRC-Licensed Site that are necessary to effectuate the Decommissioning and amendment and termination of the NRC License as contemplated by this Agreement, and to enter into agreements and make other commitments necessary or desirable to carry out its responsibility to accomplish Decommissioning of the NRC-Licensed Site and achieve the ISFSI-Only Interim End-State Conditions and the End-State Conditions. Contractor shall have the sole authority to make all decisions necessary for NRC licensed activities at the NRC-Licensed Site, including Decommissioning and to protect the public health and safety as required by the NRC License.

6.2 Decommissioning. Contractor shall perform the Decommissioning and other work required under this Agreement in accordance with the Project Specifications, the Project Schedule, all applicable Laws, the applicable Permits and Good Utility Practices, and shall complete Milestone One by the Target Completion Date. Without limiting the generality of the foregoing, Buyer and Contractor shall be solely responsible for the operation and maintenance of the ISFSI, including providing NRC-mandated security, at all times from the Closing Date until achievement of the End-State Conditions. With respect to the majority of the Decommissioning work, Contractor will enter into fixed price subcontracts with an Affiliate of NorthStar Group Services, Inc., and an Affiliate of Orano USA LLC, and expects to enter into fixed price subcontracts with specialty trade subcontractors. With respect to each fixed price subcontract, Contractor will obtain payment and performance bonds or similar guaranties in the amount of the fixed price work covered by that fixed price subcontract; provided, however, because a small portion of the work covered by certain fixed price subcontracts with specialty trade subcontractors may not be bonded, Contractor will use commercially reasonable efforts to obtain bonds from subcontractors covering an aggregate of [**] of the value of the work covered by

fixed price subcontracts. Contractor anticipates that that it will enter into a unit price subcontract with Waste Control Specialists, LLC for waste disposal services; provided, however, in the event that Contractor is able to obtain a fixed price subcontract, Waste Control Specialists, LLC shall post a payment and performance bond that complies with the requirements of this Section 6.2. Each payment and performance bond shall be issued by surety issuer(s) with a credit rating of A-VII or higher.

6.3 [**]

6.4 Security. From and after the Closing Date, Contractor shall be responsible for the provision of security and access control for all NRC-mandated security and access control at the NRC-Licensed Site in accordance with applicable Laws; provided, however, Company shall be responsible for all other security and access control at the Crystal River Site. Contractor shall implement access control and security programs with respect to the CR-3 Facility and the ISFSI and Exclusion Area to be adhered to and followed during performance of Contractor's obligations under this Agreement.

6.5 Safety. Contractor shall prepare safety and environmental policies and procedures ("Contractor's Safety Plan") for the performance of the Decommissioning in compliance with all applicable Laws, including health and safety and Environmental Laws, which shall apply to all activities and aspects of the Decommissioning at the CR-3 Facility, but shall not apply to the Excluded Facilities or the other portions of the NRC-Licensed Site. Company's EH&S Site Requirements shall apply to the Excluded Facilities and the NRC-Licensed Site other than the CR-3 Facility.

6.6 Decommissioning in Compliance with Laws. Contractor shall, at its expense, in compliance with NRC regulations and the requirements of applicable Law, perform all Decommissioning work at the NRC-Licensed Site required to complete Milestone One and achieve the ISFSI-Only Interim End-State Conditions and the End-State Conditions. The NRC-Licensed Site (including the Excluded Facilities) shall be radiologically released upon meeting applicable NRC requirements, in a manner consistent with NRC MARSSIM guidance, and any other applicable Laws, subject to any rights of Contractor to employ regulatory processes or litigation to challenge or modify any standards, including work practices, more stringent and pre-empted by those adopted by the NRC. Contractor shall promptly provide Company with copies of any reports to the NRC on the adequacy of Decommissioning financial assurance provided by Contractor or Buyer, or NRC notices or requests for additional information on the conduct of the Decommissioning or Contractor's or Buyer's compliance with NRC requirements or Nuclear Laws.

6.7 Project Schedule. As of the Contract Date, the Parties have agreed on the Project Schedule for the performance of the Decommissioning as set forth in Attachment 2, subject to modification as agreed to by the Parties pursuant to the First Amendment to DSA; provided, however, that the scheduled date of Milestone One shall only be subject to change to the same extent (day for day) of the change in the scheduled Closing Date if the actual Closing Date is other than March 31, 2020, whether earlier or later. Following the Closing Date, Contractor shall prepare and provide Company on at least a quarterly basis an updated Project Schedule prepared using critical path methodology, that fully integrates schedules for performance of any of the

Decommissioning activities by any subcontractors, suppliers or vendors, and is sufficiently detailed to show the progress of the Decommissioning. The Project Schedule shall, among other things, show the scheduled date for completion of the [**] and completion of Milestone One, compared to the Target Completion Date, achievement of the ISFSI-Only Interim End-State Conditions, and the then-projected date for achievement of the End-State Conditions, giving effect to any extension of the schedule for such work by reason of the occurrence of any Schedule Extension Conditions. If the Project Schedule does not project that Contractor will complete Milestone One on or before the Target Completion Date, Contractor shall also provide its written plans to address any projected failure to meet the Target Completion Date.

6.8 Removal of Improvements; Site Restoration. Contractor shall only construct structures or install any equipment on the NRC-Licensed Site as reasonably necessary for Contractor to perform its obligations under this Agreement and in compliance with Company's EH&S Site Requirements. Contractor shall coordinate with the CREC Committee prior to the construction or installation of any such structure or equipment. Within sixty (60) days after the date that the ISFSI-Only Interim End-State Conditions are achieved, Contractor shall remove all of its personnel, all rubbish generated by Contractor prior to such date, and all structures that it has constructed or equipment that it has installed on the NRC-Licensed Site except as necessary for Contractor to carry out NRC licensed activities and complete Decommissioning and achieve the End-State Conditions. Once the End-State Conditions are achieved, Contractor shall, at its expense, remove all of its personnel, all rubbish generated by Contractor during the performance of its obligations hereunder, and all structures that it has constructed or equipment that it has installed and that is located at the NRC-Licensed Site.

6.9 Covenant Against Liens. Contractor shall not cause or permit any right of retention, mortgage, pledge, assessment, security interest, lease, advance claim, levy, claim, lien, charge or encumbrance, including any mechanic's or materialman's lien (each, a "Contractor Lien"), to be asserted against any part of the Crystal River Site or any other property of Company or any of its Affiliates, as a result of any act or omission of Contractor, its agents, contractors and employees. In the event any such Contractor Lien is filed, Contractor will within fifteen (15) days after receiving written notice thereof, cause such Contractor Lien to be discharged or released in accordance with the Laws of the State of Florida. In the event such Contractor Lien is not timely released or discharged, Company, at its sole option and in addition to any of its other rights and remedies, may obtain the release or discharge of same, and Contractor shall promptly upon notice thereof reimburse Company for the cost of obtain the release or discharge of such Contractor Lien. Contractor shall indemnify, defend and hold harmless Company from and against any and all Contractor Liens arising out of or in any way connected with Contractor's use and occupancy of the NRC-Licensed Site or the performance of its obligations hereunder. Without limiting the generality of the foregoing, Contractor shall, to the fullest extent permitted by Law, cause all contractors, subcontractors, material suppliers, service providers, and other vendors performing work or providing materials or services with respect to the NRC-Licensed Site with a value in excess of [**] on behalf of Contractor to provide lien waivers to Company reasonably satisfactory to Company, and Contractor shall, unless unconditional lien waivers have been provided, provide evidence of payment of amounts noted as due under such lien waivers. Contractor's obligations under this Section 6.9 shall be subject to Company's compliance with its obligations pursuant to Article 9.

6.10 Maintenance of Records. Contractor shall maintain all CR-3 Facility records required to be maintained and held by the licensee of the NRC-Licensed Site until the completion of the End-State Conditions and the completion of performance of all work required to be performed by Contractor under this Agreement. Such records shall be considered Business Books and Records for purposes of this Agreement.

6.11 Diverse Suppliers. Contractor shall adopt and utilize a subcontracting plan to use commercially reasonable efforts to: (a) use subcontractors who meet the description of at least one of the categories of diverse suppliers set forth at <http://www.duke-energy.com/suppliers/supplier-diversity-definitions.asp> ("Diverse Suppliers"); and (b) use Local Suppliers. Contractor shall: (i) use commercially reasonable efforts to utilize Diverse Suppliers and Local Suppliers; and (ii) provide a quarterly status report to Company in Company's Power Advocate reporting tool and in a format reasonably acceptable to Company containing Contractor's Diverse Supplier and Local Supplier spend. Company's designated auditors shall have the right of access in accordance with Section 9.9 to inspect Contractor's records related to compliance with this Section 6.11.

6.12 Reporting; Walk-downs; Compliance Meetings.

6.12.1 Contractor shall provide Company with all reports and notifications required by and in accordance with Attachment 9.

6.12.2 Subject to compliance with Contractor's Safety Plan, Company shall have the right to review and walk-down the Decommissioning work from time to time; provided that such walk-downs do not interfere with or impede the progress of the Decommissioning work. Contractor shall also, within three (3) Business Days after a request by Company, but no more than once in a month, walk-down the progress of the Decommissioning work with Company or its designee, answering questions and allowing Company or its designee to inspect any aspect of the work, subject to compliance of such Persons with Contractor's Safety Plan; provided that Contractor shall also walk-down the progress of the Decommissioning work with Company or its designee as described above more frequently than monthly if requested by Company in connection with unresolved disputed costs.

6.12.3 At Company's request, Contractor shall meet with Company to discuss any concerns with the performance of the Decommissioning work, including Contractor's performance of its obligations under this Article 6 and pursuant to Article 8, regardless of whether there has been a Contractor Event of Default or not. If the Parties are not able to resolve such concerns in a mutually satisfactory manner following discussion by the Project managers of Contractor and Company, either Party may escalate such concerns for resolution by executives of each Party who has authority to resolve such concerns and who is at a higher level of management than such Party's representative that participated in the initial meetings and discussions of the Parties with respect to such issues by submitting the same to executive management, who shall then meet within fifteen (15) Business Days to further attempt to resolve such concerns.

6.13 Claims Under the Spent Fuel Disposal Contract. In no event shall this Agreement affect or impact in any way Company's claims under the Spent Fuel Disposal Contract that are Excluded Assets, and Company shall pay for and be entitled exclusively to control, defend and settle any litigation, administrative or regulatory proceeding under the Spent Fuel Disposal Contract against the U.S. Government, including claims for damages for breach of the Nuclear Waste Policy Act and the Spent Fuel Disposal Contract for any period prior to the Closing Date. Buyer shall pay for and be entitled exclusively to control, defend and settle any litigation, administrative or regulatory proceeding under the Spent Fuel Disposal Contract against the U.S. Government, including claims for damages for breach of the Nuclear Waste Policy Act and the Spent Fuel Disposal Contract for the period from and after the Closing Date.

6.14 Contractor's Provisional Trust Fund. From and after the Closing, Company shall direct payment of an amount equal to six percent (6%) of each disbursement requested from the IOI Decommissioning Subaccount pursuant to Section 9.3 into the Provisional Milestone Account in Contractor's Provisional Trust Fund, until the date on which amounts held in the Provisional Milestone Account are equal to Thirty Million Dollars (\$30,000,000). Any earnings on the Twenty Million Dollars (\$20,000,000) in the Provisional IOI Account shall also be deposited into the Provisional Milestone Account. [**] when the aggregate amount on deposit in the Contractor's Provisional Trust Fund (including the Provisional IOI Account and the Provisional Milestone Account) equals Fifty Million Dollars (\$50,000,000). Contractor shall maintain and shall continue to fund the Contractor's Provisional Trust Fund in accordance with this Section 6.14 and (a) shall maintain and fund the Provisional Milestone Account until Milestone One is completed; and (b) shall maintain and fund the Provisional IOI Account until the ISFSI-Only Interim End-State Conditions are achieved. Disbursements from the Contractor's Provisional Trust Fund shall be made in accordance with Section 9.5. Contractor shall provide Company with quarterly statements from the trustee of the Contractor's Provisional Trust Fund throughout the term of this Agreement until the ISFSI-Only Interim End-State Conditions are achieved in accordance with Section 9.6.

6.15 Amended and Restated LLC Agreement. Contractor shall not amend or modify the Amended and Restated LLC Agreement, and shall not transfer any equity interest in Contractor, without the prior written consent of Company (which may be withheld or denied in Company's sole discretion). Until the date on which the End-State Conditions are achieved, at Company's request to replace Company's designated member of the governing body, Contractor shall take any actions necessary to appoint Company's designated replacement serve as an independent manager of Contractor. During any period in which a Company designee is serving as an independent manager of Contractor, Contractor shall, to the maximum extent permitted by applicable Law, indemnify and save harmless such independent manager, and their respective Affiliates, officers, employees and agents from all liabilities, expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with any proceeding arising out of or as a result of any event or occurrence related to the fact that such Person is or was serving as an independent manager of Contractor, in accordance with the Amended and Restated LLC Agreement.

6.16 Parent Guaranties and Parent Support Agreements. Contractor shall cause the Parent Guarantors to maintain the Parent Guaranties and the Parent Support Agreements in full force and effect in accordance with their respective terms. Contractor shall not allow the Parent Guarantors to amend or modify the Parent Guaranties, and Contractor shall not, and shall not allow the Parent Guarantors to, amend or modify the Parent Support Agreements, without the prior written consent of Company, which Company may grant or withhold in its sole discretion.

6.17 Utilities and Site Maintenance Services. Contractor, at its own expense, shall arrange with the appropriate utility companies and service providers for the provision to the CR-3 Facility of water, sewer, trash collection, electricity, telephone, vegetation control, access control and similar utility and site maintenance services reasonably required for the performance of Contractor's obligations under this Agreement.

6.18 Intent of Agreement. The Parties acknowledge that pursuant to, and subject to, the specific provisions of this Agreement: (a) Contractor is assuming all responsibility for the Decommissioning of the CR-3 Facility, including the ISFSI, and the NRC-Licensed Site; (b) Company remains the NRC owner licensee for the site and retains liability for Decommissioning of the CR-3 Facility and the NRC-Licensed Site, which it has engaged Contractor to discharge through Decommissioning services rendered on Company's behalf as Company's agent pursuant to the terms of this Agreement; and (c) Contractor shall Decommission the CR-3 Facility and the NRC-Licensed Site in compliance with all applicable Laws, the NRC License and the Permits, in exchange for payment of the Agreed Amount in accordance with Article 9.

6.19 Third Party Contracts. Contractor will cause each party to any agreement with Contractor to covenant and agree that such party shall not institute, or join any other Person in instituting, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding, or any other proceeding under the Bankruptcy Code, against Contractor.

6.20 SNF Services Agreement. Contractor and Buyer shall each perform their respective obligations under the SNF Services Agreement and shall maintain the SNF Services Agreement in full force and effect until all of the End-State Conditions have been achieved. Buyer shall not institute, or join any other Person in instituting, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding, or any other proceeding under the Bankruptcy Code, against Contractor.

6.21 Property Taxes. In accordance with the SNF PSA, Contractor shall be responsible to pay any Taxes assessed with respect to the ISFSI Assets. To the extent that any Taxes are imposed on Company, or Company is assessed any Taxes, with respect to the ISFSI or the ISFSI Assets, Company shall invoice Contractor, and Contractor shall within thirty (30) days after receipt of such invoice pay to Company, the amount of any such Taxes, and Company shall pay such Taxes to the applicable Governmental Authority. Contractor shall be responsible to pay any fines or penalties assessed against Company for late or overdue payments of such Taxes to the extent that Contractor does not make payments to Company when due pursuant to this Section 6.21.

6.22 **Financial Statements.** From and after the Closing, until the Parent Guaranties have expired in accordance with their terms, Contractor shall deliver to Company:

6.22.1 As soon as available and in any event: (a) within sixty (60) days after the end of the first six months of each fiscal year of Orano SA, a copy of Orano SA's unaudited consolidated balance sheet and the related unaudited consolidated statement of income as of the end of such six months, prepared in accordance with international financial reporting standards, subject to the absence of footnotes and to year-end audit adjustments; and (b) within one hundred twenty (120) days after the end of each fiscal year of Orano SA, an audited copy of Orano SA's consolidated balance sheet as of the last day of such fiscal year and the related audited consolidated statements of income, cash flows, and notes to such consolidated financial statements of Orano SA for such fiscal year, prepared in accordance with international financial reporting standards, together with an opinion of certified public accountants of recognized national standing; provided that Contractor's delivery requirement in the case of the documents to be delivered under this Section 6.22.1 may be satisfied by Orano SA's making such documents available to the public online at the following URL (or a successor URL): www.orano.group/en/finance/publications-and-regulated-information.

6.22.2 As soon as available and in any event within sixty (60) days after the end of each of the first three quarters of each fiscal year of Northstar Group Services, Inc., a copy of such Parent Guarantor's unaudited consolidated balance sheet as of the end of such quarter and the related unaudited consolidated statement of income and cash flow statement of such Parent Guarantor for the portion of the fiscal year of such Parent Guarantor ending on the last day of such quarter, in each case prepared in accordance with generally accepted accounting principles, subject to the absence of footnotes and to year-end audit adjustments, together with a certificate of the chief financial officer of such Parent Guarantor to the effect that such financial statements fairly present the consolidated financial condition of such Parent Guarantor as of the date thereof and results of operations for the period then ended.

6.22.3 As soon as available and in any event within one hundred twenty (120) days after the end of each fiscal year of NorthStar Group Services, Inc., a Delaware corporation, an audited copy of the consolidated balance sheet of such Parent Guarantor as of the last day of such fiscal year and the related audited consolidated statements of income, retained earnings, cash flows, and notes to consolidated financial statements of such Parent Guarantor for such fiscal year, together with an opinion of certified public accountants of recognized national standing.

6.22.4 As soon as available and in any event within sixty (60) days after the end of each of the first three quarters of each fiscal year of Orano USA LLC, a Delaware limited liability company, a copy of such Parent Guarantor's unaudited consolidated balance sheet as of the end of such quarter and the related unaudited consolidated statement of income of such Parent Guarantor for the portion of the fiscal year of such Parent Guarantor ending on the last day of such quarter, in each case prepared in accordance with international financial reporting standards, subject to the absence of footnotes and to year-end audit adjustments, together with a certificate of the chief financial officer of such Parent Guarantor to the effect that such financial statements fairly present the consolidated financial condition of such Parent Guarantor as of the date thereof and results of operations for the period then ended.

6.22.5 As soon as available and in any event within one hundred twenty (120) days after the end of each fiscal year of Orano USA LLC, a Delaware limited liability company, a copy of such Parent Guarantor's unaudited consolidated balance sheet as of the last day of such fiscal year and the related unaudited consolidated statements of income of such Parent Guarantor for such fiscal year, prepared in accordance with international financial reporting standards, subject to the absence of footnotes, together with a certificate of the chief financial officer of such Parent Guarantor to the effect that such financial statements fairly present the consolidated financial condition of such Parent Guarantor as of the date thereof and results of operations for the period then ended.

ARTICLE 7

COMPANY'S POST-CLOSING RIGHTS, OBLIGATIONS AND RESPONSIBILITIES

7.1 Company Access. Consistent with Section 8.6 and in accordance with Section 8.6.3, Company shall have access to the NRC-Licensed Site, subject to the requirements of the NRC License, Contractor's security obligations hereunder, and Contractor's Safety Plan, for purposes of Company's continued ownership and operation of the Excluded Facilities.

7.2 Department of Energy Decommissioning and Decontamination Fees. Company will continue to pay all Department of Energy Decommissioning and Decontamination Fees relating to Spent Nuclear Fuel purchased and consumed at CR-3 prior to the Closing Date, including all annual Special Assessment invoices (if any) to be issued after the Closing Date by the Department of Energy, as contemplated by its regulations at 10 C.F.R. Part 766 implementing Sections 1801, 1802, and 1803 of the Atomic Energy Act.

7.3 Cooperation for Claims Under Standard Contract. Company shall reasonably cooperate with Contractor at Contractor's reasonable cost with regard to any future litigation, settlement efforts or other claims that Contractor may pursue against the U.S. Government for damages for breach of the Nuclear Waste Policy Act and the Spent Fuel Disposal Contract in accordance with Section 6.13.

ARTICLE 8

RIGHTS, OBLIGATIONS AND RESPONSIBILITIES OF BOTH PARTIES

8.1 Compliance with Laws and Permits. Each Party shall conduct its operations on and adjacent to the NRC-Licensed Site in compliance with all Laws, including Environmental Laws, and Permits applicable to that Party, and neither (a) Company nor (b) Contractor shall use, bring, transport, store, keep or cause or allow the discharge or spill (or allow a threatened discharge or spill) of any Hazardous Substances in, on, under or from the NRC-Licensed Site or the areas adjacent thereto (including, without limitation, the switchyard) in violation of Environmental Law. Each Party shall immediately notify the other in writing upon obtaining Knowledge of any material violation of any applicable Laws relating to the NRC-Licensed Site or upon receiving any written notice, correspondence, written demand or written communication from any Governmental Authority alleging a material violation of any Laws or Permits relating to the NRC-Licensed Site.

8.2 Permits.

8.2.1 Contractor shall obtain and maintain the Environmental Permits as described in Attachment 14-A, and shall obtain and maintain any and all other non-Environmental Permits required to perform the Decommissioning work.

8.2.2 Company shall obtain and maintain all of the Company Permits to be obtained or maintained by Company as described in Attachment 14-A. Notwithstanding anything to the contrary in Attachment 14-A, Company shall have the right from time to time to elect to maintain or to close out any of the Company Permits; provided, however, that to the extent such Company Permit is required for Contractor to perform the Decommissioning work, Company shall first notify Contractor, and if such Permit is transferable, shall reasonably cooperate with Contractor in its efforts to transfer such Permit to Contractor.

8.2.3 Contractor shall cooperate with and shall provide reasonable assistance to Company in obtaining and maintaining the Company Permits. Contractor shall appoint a Person to coordinate with Company and to serve as a single point of contact with Contractor with respect to all such matters. Contractor shall provide data and other information reasonably available to Contractor that is requested by Company and required for any applications for the Company Permits and any amendments to such Permits that may become necessary during the performance of Contractor's obligations under this Agreement, and shall notify Company of any violations of any Company Permits by Contractor or any Person performing any of the Decommissioning on its behalf. Contractor understands that the Company Permits may require further approvals or authorizations for the performance of Contractor's obligations under this Agreement and that Company's ability to obtain and maintain such Permits and further approvals or authorizations may be in part dependent on Contractor's assistance and cooperation.

8.2.4 Company shall cooperate with and shall provide reasonable assistance to Contractor in obtaining the Contractor Permits. Company shall appoint a Person to coordinate with Contractor and to serve as a single point of contact with Company with respect to all such matters. Company shall provide data and other information reasonably available to Company that is requested by Contractor and required for any applications for the Contractor Permits and any amendments to such Permits that may become necessary during the performance of Contractor's obligations under this Agreement. Company understands that the Contractor Permits may require further approvals or authorizations for the performance of Contractor's obligations under this Agreement and that Contractor's ability to obtain and maintain such Permits and further approvals or authorizations may be in part dependent on Company's assistance and cooperation. Company's reasonable assistance shall not include or require Company to identify the Permits necessary for Contractor's activities, or Company's agreement to modify any of the provisions in any of Company's permits for the Excluded Facilities.

8.2.5 In the event that a Permit is subsequently identified as being required for the performance of Contractor's obligations under this Agreement and such Permit is not included in the Environmental Permits set forth in Attachment 14-A, Contractor or Company, as applicable, shall promptly, after it becomes aware of the need for such Permit, notify the other Party that such Permit is required. Unless such Permit may only be obtained by Company, or Company notifies Contractor in writing that Company elects to obtain such Permit (in which

case such Permit shall be a Company Permit for the purpose of this Agreement), Contractor shall obtain and maintain the Permit and such Permit shall be a Contractor Permit for the purposes of this Agreement.

8.2.6 The Parties shall comply with the terms and conditions of Attachment 14-B with respect to the protection of sea turtle species at the intake area of the Crystal River Energy Complex.

8.3 Release of any Hazardous Substance. Each Party shall provide the other with telephonic or electronic notice within twenty-four (24) hours of obtaining knowledge of any Release of any Hazardous Substances or Nuclear Material on, in or under the NRC-Licensed Site in violation of Environmental Laws or Nuclear Laws or that requires reporting under Environmental Laws or Nuclear Laws. Contractor shall be responsible for making any required reports to Governmental Authorities of the Release of Hazardous Substances or Nuclear Material arising from or caused by Contractor's Decommissioning or Contractor's acts or omissions at the NRC-Licensed Site. If, after a Party provides the other with telephonic or electronic notice of a Release of any Hazardous Substances or Nuclear Material, there is a material delay in or a disagreement in determining which Party is responsible for making a required report to Governmental Authorities that either Party believes in good faith might result in a violation of Environmental Laws, either Party may make any required reports. The notifying Party shall provide the other Party with copies of any and all reports concerning such a Release, including the reports on investigation and Remediation of the Release and any final reports to or approvals from Governmental Authorities relating to the Release or its Remediation.

8.4 Protection of Wetlands. The Parties shall comply with and observe all applicable Laws related to the use and protection of wetlands. Contractor shall not change the physical characteristics of any wetland areas located on the Crystal River Site or any adjoining land, without in each instance obtaining Company's prior written consent (which may be granted or withheld in Company's sole discretion), and then only in compliance with all applicable Permits and all applicable Laws.

8.5 Condemnation.

8.5.1 If the entire NRC-Licensed Site, or the use or occupancy thereof, shall be permanently taken or condemned by any Governmental Authority or quasi-Governmental Authority for any public or quasi-public use or purpose or sold under threat of such a taking or condemnation (collectively, "Condemned") so as to render Contractor unable to perform its obligations with respect to the entire NRC-Licensed Site, then Contractor's obligations under this Agreement will terminate on the day prior to the date that Contractor is required to cease performance of such obligations, except that Contractor will remain entitled to compensation for all [**] completed before the date of termination. If less than the entire NRC-Licensed Site is permanently Condemned, and such partial Condemnation renders Contractor unable to perform its obligations with respect to a portion of the NRC-Licensed Site, then this Agreement shall continue in full force and effect with respect to the portion of the NRC-Licensed Site that Contractor is able to continue Decommissioning, and Contractor shall prepare a revised [**] for Company's review and approval for the Decommissioning that Contractor is able to continue performing. If all or any portion of the NRC-Licensed Site is permanently Condemned and such

Condemnation does not render Contractor unable to perform all of its obligations or delay the performance of such obligations, then this Agreement shall remain in full force and effect. If and to the extent that any such Condemnation prevents or delays performance of Contractor's obligations with respect to the NRC-Licensed Site or any portion of the NRC-Licensed Site, such Condemnation shall be deemed a Force Majeure condition with respect to the portion of the NRC-Licensed Site affected by such Condemnation. For purposes of this section, the NRC-Licensed Site or portions thereof, as applicable, shall be deemed to be permanently Condemned if Condemned for a period in excess of thirty six (36) consecutive calendar months.

8.5.2 If all or any portion of the NRC-Licensed Site is Condemned for a period of thirty six (36) consecutive calendar months or less, all of the terms and conditions of this Agreement shall remain in full force and effect, notwithstanding such Condemnation. If and to the extent that any such Condemnation prevents or delays performance of Contractor's obligations with respect to the NRC-Licensed Site or any portion of the NRC-Licensed Site, such Condemnation shall be deemed a Force Majeure condition with respect to the portion of the NRC-Licensed Site affected by such Condemnation.

8.5.3 All awards, damages and other compensation paid on account of condemnation shall belong to Company, and Contractor assigns to Company all rights to such awards, damages and compensation, except to the extent the condemnation applies to the ISFSI. Contractor shall not make any claim against Company or such authority for such portion of such award, damages or compensation, including, without limitation, any such award, damage or compensation attributable to damage to the NRC-Licensed Site, loss of goodwill, NRC-Licensed Site improvements or severance damages.

8.6 Access to the NRC-Licensed Site; Coordination of Access.

8.6.1 Subject to the remaining provisions of this Section 8.6, Company shall provide Contractor access to the Crystal River Site and the NRC-Licensed Site in accordance with Company's securities policies and procedures in effect for the Crystal River Site, during the time in which Contractor is performing its obligations under this Agreement and holds the NRC License with responsibility for possession and maintenance, including Decommissioning, of the NRC-Licensed Site, to the extent required to comply with the NRC License or to the extent reasonably necessary or appropriate in connection with Contractor's performance of its obligations under this Agreement.

8.6.2 Contractor shall presumptively have the primary right to access, occupy, use, perform activities on and control the area of the NRC-Licensed Site containing the CR-3 Facility, including the ISFSI and other areas within the Exclusion Area Boundary, as shown in Attachment 1. Such right to access includes the right for the benefit of and on behalf of Company (i) to exclusively process, dispose of or salvage, including transfer of title for, any plant, material or equipment associated with the CR-3 Facility, but excluding all plant, property, materials or equipment associated with the Excluded Facilities; (ii) subject to the terms of this Agreement, for ingress and egress onto the Crystal River Site and the NRC-Licensed Site at any time during the term of this Agreement, 24 hours a day, 7 days a week, 365 days per year, using the roads and routes of access agreed to by the Parties from time to time, and subject to Contractor's compliance with the Company EH&S Site Requirements and security and safety

policies and procedures of Company in effect for the Crystal River Site from time to time, as the same have been coordinated with Contractor's requirements for performance of the Decommissioning. Such rights of ingress and egress shall be only for the purposes of Decommissioning of the CR-3 Facility and the NRC-Licensed Site, and satisfaction of all of the End-State Conditions, including all site restoration obligations, and for no other purpose. Contractor shall be exclusively entitled to control all policies, procedures, means and methods with respect to the access, maintenance and performance of services at the CR-3 Facility. Subject to compliance with Company's EH&S Site Requirements, Contractor shall presumptively have the non-exclusive right to access at all reasonable times over and across the other portions of the NRC-Licensed Site to the extent reasonably required by Contractor to access the CR-3 Facility or the ISFSI (that non-exclusive right, the "Contractor's Non-Exclusive Access Right"). Notwithstanding the foregoing, Contractor acknowledges and agrees that Company intends to have other contractors working on the NRC-Licensed Site from time to time, sometimes in close proximity to the CR-3 Facility. Contractor shall participate in Company's regular CREC Committee coordination meetings and shall cooperate and coordinate with such other contractors and Company's representatives in order to avoid interfering with or hindering such other contractors or Company's personnel from the performance or completion of their activities.

8.6.3 Subject to Section 8.6.5, Company shall presumptively have (a) the primary right to access, use, perform activities on and control the portions of the Crystal River Site that does not contain the CR-3 Facility; and (b) the non-exclusive right to access the CR-3 Facility at all reasonable times to the extent reasonably required by Company to access the other portions of the Crystal River Site (that non-exclusive right, the "Company's Non-Exclusive Access Right"). Contractor shall not erect any barriers, fences or other obstructions that unreasonably interfere with Company's Non-Exclusive Access Right. Notwithstanding anything to the contrary in this Section 8.6.3, to the extent necessary to assure compliance with all applicable NRC requirements and Nuclear Laws, Contractor (i) is authorized to direct maintenance and security within the NRC-Licensed Site as required under the NRC License; and (ii) has the authority under any emergency conditions to control and determine all activities performed on and within the NRC-Licensed Site.

8.6.4 No later than six (6) months before the performance of any work by Contractor that requires an outage of an Excluded Facility ("Outage Work"), the Parties shall agree on the time period during which that outage of the Excluded Facility will occur (an "Agreed Outage Period"). Contractor shall perform the Outage Work during the Agreed Outage Period. If Contractor does not complete the Outage Work during the Agreed Outage Period, then Company may direct that the Outage Work be suspended by Contractor at the conclusion of the Agreed Outage Period and carried over for completion during the next Agreed Outage Period, and no Schedule Extension Condition will occur. If the time of the outage of an Excluded Facility differs from the Agreed Outage Period and the differing time of the outage affects Contractor in its performance of the Outage Work or if Company does not permit Contractor to perform the Outage Work during the Agreed Outage Period, then a Schedule Extension Condition may occur.

8.6.5 Contractor has the authority under any emergency conditions to control and determine all activities performed at the Exclusion Area Boundary and within the Exclusion

Area to the extent necessary to assure compliance with all applicable NRC requirements and Nuclear Laws. Company and Contractor shall reasonably cooperate and communicate regarding their respective operations around the ISFSI.

8.6.6 During the term of this Agreement, at all times while on any part of the Crystal River Site other than the CR-3 Facility, Contractor shall comply with Company's EH&S Site Requirements, including participation in Company's Crystal River Site meetings as contemplated therein, the requirements with respect to stopping work and notifying the CREC Committee or its members or personnel upon encountering Hazardous Substances or archeological or cultural discoveries, and requirements for notice and Remediation in the event of a Release of Hazardous Substances by Contractor or any person performing any of the Decommissioning work on behalf of Contractor. Prior to accessing any part of the Crystal River Site other than the CR-3 Facility, Contractor shall contact the CREC Committee, and at the request of Contractor, the CREC Committee shall advise Contractor of any Environmental Liabilities or Hazardous Substances in the area to be accessed by Contractor of which the CREC Committee has actual knowledge. Contractor acknowledges and agrees that Company may update, amend or modify Company's EH&S Site Requirements as they apply to the Crystal River Site from time to time. Company shall give Contractor as much advance notice as possible through the use of use commercially reasonable efforts of any such updates, amendments or modifications, and Contractor shall comply with such revised practices, policies or procedures once they are put into effect. Company shall comply with Contractor's Safety Plan, as provided in writing to Company, while at the CR-3 Facility.

8.6.7 Contract information for the CREC Committee is as follows; provided, however, that Company may change the contact person and contract information from time to time upon written notice to Contractor:

Marty Drango
GM – Citrus County Combined Cycle
Telephone: 352 501-2003 (O)
863 344-0059 (M)
E-mail: martin.drango@duke-energy.com

8.7 **Books and Records.** From and after the Closing, the Business Books and Records shall be maintained at the CR-3 Facility and off-site storage (with Contractor to provide reasonable access to Company to the Business Books and Records in Contractor's possession), or, if the CR-3 Facility or such off-site is no longer in use and the Business Books and Records are in Contractor's possession at another location, at a facility to which Contractor shall provide reasonable access to Company. At Contractor's request, Contractor may have reasonable access to other Company books and records related to the NRC-Licensed Site or the CR-3 Facility, and that may reasonably be useful for planning or conducting Decommissioning activities; provided, however, that (a) Company shall not be required to provide Contractor any information which would reasonably be expected to result in a waiver of the attorney-client privilege (but Company shall use commercially reasonable efforts to allow for such access or disclosure in a manner that does not result in a waiver of the attorney-client privilege (including, if applicable, by entering into a common interest or similar agreement to preserve such privilege)); and (b) Company need

not supply Contractor with any information that Company is legally or contractually prohibited from supplying.

8.8 Post-Closing - Further Assurances. Subject to the terms and conditions of this Agreement, each of the Parties will use commercially reasonable efforts to take, or cause to be taken, all action, and to do, or cause to be done, all things necessary, proper or advisable under applicable Laws to facilitate the performance of Contractor's obligations at the NRC-Licensed Site to achieve the ISFSI-Only Interim End-State Conditions and the End-State Conditions. Each Party shall cooperate with the other Party in all commercially reasonable efforts to lift any preliminary or permanent injunction or other order or decree by any federal or state court or Governmental Authority that restrains or prevents the performance of Contractor's work or activities or the achievement of the ISFSI-Only Interim End-State Conditions and the End-State Conditions.

8.9 Occurrence of SAFSTOR Condition. If following the Closing, a SAFSTOR Condition occurs and either Contractor or Company reasonably believes it is in the best interest of the Decommissioning and Company's retail ratepayers to return the CR-3 Facility to SAFSTOR under the NRC rules and regulations, such Party may give a written notice to the other Party that it is requesting the CR-3 Facility be returned to SAFSTOR, which notice shall include a reasonably detailed explanation as to why the CR-3 Facility should be returned to SAFSTOR, how long the CR-3 Facility would be expected to remain in SAFSTOR, the impact on the Project Schedule and the relevant [**], and such other matters that such Party reasonably determines. Within 30 days of the receipt of such notice, executive-level representatives from both Parties will meet to discuss the matter. The Parties shall each notify the other of their approval or disapproval of such request within fifteen (15) days after such meeting, such approval not to be unreasonably withheld, delayed or conditioned. Notwithstanding anything to the contrary herein or in the Amended and Restated LLC Agreement, if the Parties mutually agree to return the CR-3 Facility to SAFSTOR, the independent manager of Contractor appointed by Company shall not veto the submission of a request to the NRC to return the CR-3 Facility to SAFSTOR that is made in accordance with the mutual agreement of the Parties under this Section 8.9.

ARTICLE 9

NDF; CONTRACTOR'S PROVISIONAL TRUST FUND; DISBURSEMENTS

9.1 Compensation; [**] As compensation for completion of the Decommissioning and performance of its obligations hereunder [**]

9.2 NDF; IOI Decommissioning Subaccount.

9.2.1 As of the Closing Date, Company has entered into the Fourth Amendment to Amended and Restated NDF Agreement with the Trustee and established the IOI Decommissioning Subaccount. Company shall retain ownership and title to the NDF, and the NDF shall retain ownership of the IOI Decommissioning Subaccount (which subaccount shall as of the Closing Date be funded with cash equal in the aggregate to the Agreed Amount), the Crystal River Decommissioning Reserve Subaccount and the assets, funds and investments contained therein. Company has the exclusive right, in its sole discretion, to appoint the Trustee for the NDF and any is for the Crystal River Decommissioning Reserve Subaccount.

9.2.2 Company shall: (a) cause the investment manager(s) to implement and follow the investment policies and guidelines set forth Attachment 12, applicable to the assets, funds and investments contained in the IOI Decommissioning Subaccount; (b) monitor Trustee's acts in the administration of the NDF; and (c) provide Contractor on or before February 15 of each calendar year during the term of this Agreement with summary reports that include the current balance of, and assets contained in, the IOI Decommissioning Subaccount, and the Crystal River Decommissioning Reserve Subaccount as of December 31 of the previous calendar year, and such other information as Contractor reasonably requests and is necessary for Contractor to comply with the NRC reporting requirements set forth in 10 C.F.R. §§ 50.75, 50.82 & 72.30 (which reports when submitted by Contractor will be consistent in form and detail with the reports issued by Company before the Closing Date with respect to the NDF).

9.2.3 Within thirty (30) days after the Closing Date, Company shall appoint an investment manager for the IOI Decommissioning Subaccount (the "IOI Subaccount Investment Manager"). The IOI Subaccount Investment Manager shall be bound by the investment policies and guidelines applicable to the IOI Decommissioning Subaccount, set forth in Attachment 12, and shall have full authority to direct the acquisition, retention and disposition of assets in the IOI Decommissioning Subaccount in accordance therewith. Except after a Contractor Event of Default or termination of this Agreement, (a) Company shall not remove or replace any IOI Subaccount Investment Manager without the prior written consent of Contractor, such consent to not be unreasonably withheld, delayed or conditioned; (b) Company shall not change the investment policies and guidelines set forth in Attachment 12, without the prior written consent of Contractor, such consent to not be unreasonably withheld, delayed or conditioned; and (c) Company shall not amend the Amended and Restated NDF Agreement with respect to the IOI Decommissioning Subaccount without the prior written consent of Contractor, such consent to not be unreasonably withheld, delayed or conditioned.

9.2.4 Fees and Taxes shall be paid from the NDF as follows: (a) investment management fees for the IOI Subaccount Investment Manager shall be paid from the IOI Decommissioning Subaccount; (b) investment management fees for any investment manager appointed to manage the Crystal River Decommissioning Reserve Subaccount shall be paid from the Crystal River Decommissioning Reserve Subaccount; (c) transaction fees associated with sales, trades and other investment activities executed by the IOI Subaccount Investment Manager shall be paid from the IOI Decommissioning Subaccount; (d) transaction fees associated with sales, trades and other investment activities executed by the investment manager for the Crystal River Decommissioning Reserve Subaccount shall be paid from the Crystal River

Decommissioning Reserve Subaccount; (e) fees paid to the Trustee and fees paid for the preparation of Tax Returns prepared for the NDF (including any of the IOI Decommissioning Subaccount and the Crystal River Decommissioning Reserve Subaccount) shall be paid from the Crystal River Decommissioning Reserve Subaccount or the nonqualified trust fund as maintained with the NDF, in Company's sole discretion; (f) any Taxes due with respect to earnings on the IOI Decommissioning Subaccount shall be paid from the IOI Decommissioning Subaccount; (g) any Taxes due with respect to earnings on the Crystal River Decommissioning Reserve Subaccount shall be paid from the Crystal River Decommissioning Reserve Subaccount; and (h) any Taxes due with respect to the nonqualified trust fund maintained within the NDF will be paid from the nonqualified trust fund.

9.2.5 The Company shall not withdraw funds from the IOI Decommissioning Subaccount for any purpose other than to make payments to Contractor pursuant to Section 9.3, to make the payments as contemplated to be made from the IOI Decommissioning Subaccount in Section 9.2.4, or in accordance with Section 9.8.

9.3 Withdrawals from IOI Decommissioning Subaccount. Contractor shall have the right to request payments from the IOI Decommissioning Subaccount (including interest earned thereon from and after the Closing in accordance with Section 9.3.4) for services rendered under the terms of this Agreement, [**] Contractor may submit a request for Company (each, an "IOI Disbursement Certificate") to instruct the Trustee to make a disbursement from the IOI Decommissioning Subaccount to Contractor once each month [**] Company shall cause the disbursement of funds from the IOI Decommissioning Subaccount in accordance with Section 9.7.

9.3.1 In order to allow the Trustee to coordinate planning for availability of liquid funds for withdrawals from the IOI Decommissioning Subaccount, Contractor shall provide Company monthly written notices, by the twenty-fifth (25th) day of each month, estimating the amount of liquid funds that Contractor estimates it may request for withdrawals during the following calendar month. Payments to Contractor may be delayed for the reasonable period necessary for the Trustee to liquidate IOI Decommissioning Subaccount investments to disburse funds if Contractor submits withdrawal requests that exceed the estimated monthly withdrawal stated in the written notice.

9.3.2 Until the date that the ISFSI-Only Interim End-State Conditions are achieved, Contractor may request Disbursements under this Section 9.3.1 as follows:

(a) Contractor may request payment for amounts to be paid [**];

(b) Contractor shall include with the IOI Disbursement Certificate a certificate duly executed by an authorized officer of Contractor attesting as follows:

(i) [**]

(ii) The requested disbursement is due and owing to Contractor for goods or services provided in connection with the Decommissioning and other work to achieve the ISFSI-Only Interim End-State Conditions;

(iii) All requested disbursement amounts constitute Decommissioning Costs incurred to achieve the ISFSI-Only Interim End-State Conditions; and

(iv) Any necessary authorizations of the NRC or any corresponding Governmental Authority having jurisdiction over the Decommissioning of the NRC-Licensed Site or the possession and maintenance of the ISFSI have been obtained and all requirements of Law have been satisfied.

9.3.3 The Parties agree that at the end of each calendar quarter during the period beginning on the Closing Date and ending on the date on which Contractor achieves the last of the ISFSI-Only Interim End-State Conditions (or on the date on which Contractor achieves the last of the ISFSI-Only Interim End-State Conditions if it occurs on a date other than the last day of a calendar quarter), or more frequently than quarterly if requested by a Party, the Parties shall review the amounts of any IOI Disbursement Certificates that are then in dispute. Notwithstanding anything to the contrary herein, including Section 9.7, if the total amount of unresolved disputed costs exceeds [**], Company shall be entitled to reduce the payment made under any subsequent IOI Disbursement Certificate by the amount in dispute that exceeds [**], and the withholding of such amounts shall not entitle Contractor to suspend the Decommissioning work pursuant to Section 9.7. Such payment may be withheld until such time as and to the extent that the total amount of unresolved disputed costs is less than [**].

9.3.4 Upon achievement of all of the ISFSI-Only Interim End-State Conditions in accordance with Section 9.6 and resolution of any disputed amounts that are still outstanding under any IOI Disbursement Certificates, Contractor shall have the right to any funds remaining in the IOI Decommissioning Subaccount be disbursed and paid to Contractor as a final payment for achievement of the ISFSI-Only Interim End-State Conditions.

9.4 Maintenance of ISFSI Decommissioning Trust. Buyer shall at all times maintain the ISFSI Decommissioning Trust and establish financial assurance meeting the requirements of 10 CFR 72.30, or any successor regulation, until the End-State Conditions are satisfied. Any amounts remaining in the ISFSI Decommissioning Trust after all of the End-State Conditions are achieved in accordance with Section 9.6, shall be disbursed from the ISFSI Decommissioning Trust as directed by Buyer in its discretion.

9.5 Maintenance and Termination of Contractor's Provisional Trust Fund. Contractor shall maintain the Contractor's Provisional Trust Fund throughout the term of this Agreement until all of the ISFSI-Only Interim End-State Conditions are achieved in accordance with Section 9.6. Once the aggregate amount of funds [**] held in the Contractor's Provisional Trust Fund exceeds Fifty Million Dollars (\$50,000,000), Contractor shall have the right to receive disbursements from the Provisional Milestone Account ; provided, that the aggregate of the amounts held in the Contractor's Provisional Trust Fund following any such disbursement shall be no less than Fifty Million Dollars (\$50,000,000); provided, further, that the Provisional Milestone Account may be terminated and all of the funds therein may be disbursed to Contractor (or as Contractor directs) following Contractor's completion of Milestone One in accordance with Section 9.6. Following the completion of Milestone One and the closing of the Provisional Milestone Account, Contractor shall have the right to receive disbursements from the Provisional IOI Account; provided, that the amount held in the Provisional IOI Account following any such disbursement shall be no less than Twenty Million Dollars (\$20,000,000); provided, further, that the Provisional IOI Account may be terminated and all of the funds therein may be disbursed to Contractor (or as Contractor directs) once all of the ISFSI-Only Interim End-State Conditions are achieved in accordance with Section 9.6. Contractor shall provide Company with quarterly statements from the trustee of the Contractor's Provisional Trust Fund throughout the term of this Agreement until all of the ISFSI-Only Interim End-State Conditions are achieved in accordance with Section 9.6. Any amounts remaining in the Contractor's Provisional Trust Fund after all of the ISFSI-Only Interim End-State Conditions are achieved in accordance with Section 9.6, shall be disbursed from the fund as directed by Contractor in its discretion.

9.6 Notice of Milestone One and End-State Conditions; Actions of Parties. Upon completion of Milestone One, and upon achievement of all of the ISFSI-Only Interim End-State Conditions or all of the End-State Conditions, Contractor shall provide notice to Company (a "Notice of Milestone One", "Notice of ISFSI-Only Interim End-State Conditions" or "Notice of End-State Conditions," respectively), including copies of any NRC determinations or license amendments related to or comprising the achievement of Milestone One, the ISFSI-Only Interim End-State Conditions or the End-State Conditions. Within sixty (60) days after receipt of a Notice of Milestone One, Notice of ISFSI-Only Interim End-State Conditions or Notice of End-State Conditions, Company shall by notice to Contractor either indicate its agreement that Milestone One, the ISFSI-Only Interim End-State Conditions or the End-State Conditions, as applicable, have been achieved or that Milestone One, the ISFSI-Only Interim End-State Conditions or the End-State Conditions have not been achieved, identifying with particularity the reason(s) why Milestone One, the ISFSI-Only Interim End-State Conditions or the End-State Conditions have not been achieved. Contractor shall take reasonable actions to cause Milestone One, the ISFSI-Only Interim End-State Conditions or the End-State Conditions to be achieved after receiving that notice. If Company either indicates its agreement that Milestone One, the ISFSI-Only Interim End-State Conditions or the End-State Conditions have been achieved or fails to provide notice within that sixty (60) day period, then Milestone One, the ISFSI-Only Interim End-State Conditions or the End-State Conditions, as applicable, will be deemed to have been achieved.

9.7 Payment of IOI Disbursement Certificates. After receiving an IOI Disbursement Certificate containing the required certifications under Section 9.3, Company shall instruct the Trustee under the Amended and Restated NDF Agreement to make a disbursement to Contractor from the IOI Decommissioning Subaccount, and Company shall cause the Trustee to make such disbursement within thirty (30) days after Company's receipt of such IOI Disbursement Certificate. Notwithstanding any disagreement between the Parties over the amounts requested or the progress of the Decommissioning or other performance of Contractor, if the Disbursement Certificate contains the required certifications and supporting documentation under Section 9.3, Company shall instruct the Trustee to make the disbursement from the IOI Decommissioning Subaccount, but Company will not by submitting the disbursement request to the Trustee waive any rights to contest the amounts claimed by Contractor in the IOI Disbursement Certificate, or the performance by Contractor under this Agreement with respect to the Decommissioning work for which Contractor seeks payment, or otherwise, and Company shall retain the right to challenge whether such amounts were properly payable from the IOI Decommissioning Subaccount. Subject to Company's withholding rights pursuant to Section 9.3.3, if Company does not instruct the Trustee to make the disbursement for an IOI Disbursement Certificate that contains the required certifications and supporting documentation under Section 9.3, Contractor may suspend all work and performance of obligations to be performed by Contractor under this Agreement until payment of the requested amounts and will be entitled to payment for incremental costs incurred as a result of such suspension in accordance with Section 11.2.

9.8 Effect of Termination on Contractor's Rights to Disbursement from the IOI Decommissioning Subaccount. If this Agreement is terminated by Company due to a Contractor Event of Default before the End-State Conditions are achieved, Contractor shall suspend requests for withdrawals of funds from the IOI Decommissioning Subaccount, and Company shall no longer have any obligation to cause the Trustee to disburse funds from such subaccount; provided, that Contractor may request a disbursement in accordance with Section 9.3 for amounts to be paid [**].

9.9 Audit Rights.

9.9.1 Company shall have the right to audit the [**] Contractor's Decommissioning work, including the supporting documentation, underlying Contractor's IOI Disbursement Certificates, as required to demonstrate that Contractor has expended such costs in the amounts and for the purposes indicated in such disbursement requests, and in connection with any disputes with respect to any IOI Disbursement Certificates. Such audits shall be conducted during normal business hours of Contractor on Business Days upon reasonable advance written notice to Contractor and may be conducted no more than once in a calendar year, or more frequently if requested by Company in connection with unresolved disputed costs, ending on the date that is eighteen (18) months after the date on which Contractor achieves the last of the End-State Conditions. Contractor shall provide Company's auditors with reasonable access to its books and records, including in computer readable format, and Contractor's personnel shall cooperate with the auditors, in order to effectuate the audit or audits hereunder. The auditors shall have the right to copy the books and records reviewed or examined in the course of the audit.

9.9.2 If Contractor is not able to substantiate any of the [**] of Contractor's Decommissioning work underlying an IOI Disbursement Certificate, or such costs do not constitute Decommissioning Costs necessary to achieve the ISFSI-Only Interim End-State Conditions or End-State Conditions, as applicable, Contractor shall reimburse Company for such amounts, or Company may withhold such amounts (and the withholding of such amounts shall not entitle Contractor to suspend the Decommissioning work pursuant to Section 9.7). If any such audit reveals that: (a) Contractor has not been paid [**] for progress achieved on any [**], Company shall cause the Trustee to disburse such amounts from the IOI Decommissioning Subaccount; or (b) Company otherwise owes any amounts to Contractor that have not been paid to Contractor in accordance with this Agreement, Company shall cause the disbursement of such amounts from the Crystal River Decommissioning Reserve Subaccount or otherwise from the NDF, and in each case Company shall use commercially reasonable efforts to cause the disbursement of such amounts to Contractor within thirty (30) days after Contractor's written request for payment.

9.9.3 At Contractor's written request, Company shall require its third party auditors performing any such audit on behalf of Company to sign a customary, commercially reasonable confidentiality agreement with Contractor prior to commencement of any such audit conducted by such third parties.

ARTICLE 10

TARGET COMPLETION DATE

10.1 Guaranteed Completion. If Contractor fails to complete Milestone One on or before the Target Completion Date, Contractor shall within five (5) Business Days after the Target Completion Date, deliver to Company a letter of credit issued in favor of Company by a Qualified Institution in the amount of [**] payable upon demand by the Company to an account in the NDF as directed by Company for use as directed by the Company (the "Letter of Credit"). Such Letter of Credit shall be in a form reasonably acceptable to Company and issued by a Qualified Institution. Contractor shall ensure that the Letter of Credit remains in full force and effect until Milestone One is completed, and if at any time the Letter of Credit fails to meet the conditions of this Section 10.1, Contractor shall replace the outstanding Letter of Credit with a Letter of Credit that meets the foregoing conditions. Company shall have the right to draw upon the Letter of Credit immediately upon issuance.

10.2 Qualified Institution. For purposes of this Agreement a "Qualified Institution" means a commercial bank or trust company incorporated under the laws of the United States or any state thereof, with an office or branch in New York, New York, with an aggregate capital surplus in excess of Twenty Five Billion Dollars (\$25,000,000,000), and with senior unsecured debt rated at least "A" by S&P Global Ratings or its successor, and "A2" by Moody's Investors Service, Inc., or such other financial institution that is reasonably acceptable to Company.

ARTICLE 11
EXTENSIONS OF TIME; ADJUSTMENTS TO COSTS

11.1 Occurrence of Schedule Extension Condition; Adjustment of Project Schedule.

11.1.1 Upon the occurrence of a Schedule Extension Condition, Contractor shall have the right to a day-for-day extension (pro-rated) to the Project Schedule, including extending the Target Completion Date. Contractor shall give written notice to Company within a reasonable amount of time after Contractor knew or would reasonably have been expected to know of the impact of Schedule Extension Condition that has occurred, stating the events or conditions that constitute the Schedule Extension Condition and the steps Contractor is taking or intends to take to overcome such events or conditions, if any. Failure or delay of Contractor to provide Company any of the notices required by the preceding sentence shall not waive Contractor's rights relating to or arising from the occurrence of a Schedule Extension Condition, unless such failure causes material prejudice to Company or such notice is provided more than ninety (90) days after the occurrence of such Schedule Extension Condition. A Schedule Extension Condition will continue only so long as Contractor is using diligent efforts to overcome such Schedule Extension Condition and only until it has been remediated, resolved or complied with. Contractor shall give prompt written notice to Company upon the termination of any continuing Schedule Extension Condition.

11.1.2 Contractor shall submit its request for adjustment to the Project Schedule, together with the proposed Project Schedule as adjusted, in native file format, and reasonable supporting documentation of the impacts of such Schedule Extension Condition, for Company's review and approval. Company shall provide any comments or questions that is regarding the Schedule Extension Condition or the proposed adjustments to Contractor, and Contractor shall respond to such comments or questions. The Parties will repeat this process until the Parties agree on an adjusted Project Schedule, which, once it is accepted by Company in writing, will thereafter be the Project Schedule for all purposes of this Agreement.

11.1.3 Except as provided in Section 11.2, the agreed adjusted Project Schedule shall be Contractor's sole and exclusive remedy for a Schedule Extension Condition.

11.2 Occurrence of a Change in End-State Conditions; Inability to Access; Failure to Disburse Funds. Upon the occurrence of one or more of the following events or circumstances described in Section 11.2.1, 11.2.2 or 11.2.3, Contractor shall have the right to the relief as further described in this Section 11.2.

11.2.1 In the case of the occurrence of a Change in End-State Conditions, Contractor shall have the right to payment of its actual, direct incremental costs to comply with the changes in the End-State Conditions that result from such Change in End-State Conditions, which costs may include general and administrative and overhead costs, and profit, margin or fees. Such work occasioned by the Change in End-State Conditions may be performed by Contractor on a cost plus, time and material or lump sum basis (or a combination thereof) as mutually agreed upon between Contractor and Company. General and administrative and overhead costs, and profit, margin or fees shall be up to [**] of direct cost. In addition, Contractor shall have the right to an equitable adjustment to the Project Schedule, including the

Target Completion Date, as necessary based on the additional activities required to perform the Decommissioning as modified by the Change in End-State Conditions.

11.2.2 If Contractor is unable to access the CR-3 Facility for seven (7) or more consecutive calendar days, or sixteen (16) or more days in the aggregate, with each occurrence lasting at least forty eight (48) consecutive hours, during any ninety (90) day period, due to Company's acts or omissions that are not caused by the occurrence of an event of Force Majeure, Contractor shall have the right to payment of its actual, direct incremental costs (not including any amounts in respect of general and administrative and overhead costs, and profit, margin or fees) incurred due to the resulting delay, if any, in the Project Schedule as a result of Contractor's inability to access the CR-3 Facility, including mitigation costs. In addition, Contractor shall have the right to an equitable adjustment to the Project Schedule, including the Target Completion Date, with respect to such delay. NOTWITHSTANDING ANYTHING TO THE CONTRARY HEREIN, COMPANY'S MAXIMUM AGGREGATE LIABILITY WITH RESPECT TO THE PAYMENT OF ANY AMOUNTS TO CONTRACTOR UNDER THIS SECTION 11.2.2 SHALL IN NO EVENT EXCEED [**]. In the event of extraordinary circumstances, Company and Contractor shall confer.

11.2.3 If Company fails to disburse funds to Contractor in accordance with its obligations under Article 9, Contractor shall have the right to payment of its actual, direct incremental costs incurred due to Contractor's suspension of the Decommissioning work in accordance with Section 9.7, including reasonable demobilization and remobilization costs, which costs may include up to [**] in respect of general and administrative and overhead costs and profit, margin or fees. In addition, Contractor shall have the right to an equitable adjustment to the Project Schedule, including the Target Completion Date, with respect to the delay incurred due to such suspension.

11.2.4 In the case of an occurrence of any of the events or circumstances described in Section 11.2, Contractor shall promptly notify Company in writing of the expected direct, actual incremental costs that Contractor will incur as a result of such event or circumstance, including any demobilization or remobilization costs, along with a reasonably detailed description of the activities that will be performed, and of the anticipated impact to the Project Schedule. Contractor shall provide monthly invoices to Company, together with reasonable supporting documentation of costs when incurred, and shall submit requests for reimbursement of its costs in accordance with Section 11.2.1, 11.2.2 or 11.2.3, as applicable, and Company shall disburse funds to reimburse Contractor for such costs from the Crystal River Decommissioning Reserve Subaccount or otherwise from the NDF within thirty (30) days after Company receives such invoice and supporting documentation.

11.3 Duty to Mitigate. Contractor shall act diligently to mitigate the effects of any Schedule Extension Condition and to minimize the incremental costs or delays to the Project Schedule resulting from the occurrence of an event or circumstance as described in Section 11.2. Among other things: (a) in the case of the occurrence of an event of Force Majeure, Contractor shall, as reasonably practicable under the given circumstances, adopt measures in anticipation of the occurrence of the event of Force Majeure in an effort to mitigate potential damage; and (b) if Contractor is unable to access the CR-3 Facility for seven (7) or more consecutive calendar days due to Company's acts or omissions that are not caused by the occurrence of an event of Force

Majeure, Contractor shall use commercially reasonable efforts to identify and utilize alternative routes to access to the CR-3 Facility.

11.4 No Duplicate Relief. In no event shall Contractor be entitled to adjustments to the Project Schedule pursuant to Section 11.1 in connection with the same events or circumstances for which Contractor receives any relief under Section 11.2.

ARTICLE 12

CONFIDENTIALITY; PUBLIC STATEMENTS

12.1 Access to Information. Subject to all applicable NRC rules and regulations and other applicable Laws, each Party shall have reasonable access to all of the Business Books and Records in the possession of the other Party to the extent that such access may reasonably relate to or be affected by the ownership, possession or use of the CR-3 Facility, including the ISFSI, or performance of the Decommissioning. Such access shall be afforded by the Party in possession of such Business Books and Records upon receipt of reasonable advance notice and during normal business hours. The Party exercising this right of access shall be solely responsible for any costs or expenses incurred by it or them pursuant to this Section 12.1. The Party or Parties in possession of such Business Books and Records shall retain such Business Books and Records; provided, however, that all of the Business Books and Records held by Contractor that are required to be maintained by NRC regulations or Nuclear Law shall be retained by Contractor. If the Party in possession of such Business Books and Records desire to dispose of any such Business Books and Records, such Party shall, prior to such disposition, give the other Party a reasonable opportunity at such other Party's expense, to segregate and remove such Business Books and Records as such other Party may select. Notwithstanding the foregoing, the right of access to medical records and other confidential employee records shall be subject to all applicable Laws.

12.2 Protection of Proprietary Information. From and after the Closing Date: (a) Contractor shall use and disclose, and shall cause its Affiliates and their respective Representatives to use and disclose, Company's Proprietary Information only to the extent necessary to consummate the transactions contemplated by, and perform their obligations under, this Agreement and the Ancillary Agreements; and (b) Company shall use and disclose, and shall cause its Affiliates and its Representatives to use and disclose, Contractor's Proprietary Information only to the extent necessary to consummate the transactions contemplated by, and perform its obligations under, this Agreement and the Ancillary Agreements. Any disclosure to Affiliates or Representatives of a Party shall only be made after such Affiliates and Representatives are advised of the confidentiality obligations hereunder and required by the disclosing Party to comply, and the disclosing Party shall be responsible for any violations of the obligations of this Section 12.2 by any such Affiliates or Representatives. Any disclosure to third parties other than a Party's Affiliates or Representatives by either Company or Contractor shall only be made subject to confidentiality agreements with such third parties that are at least as stringent as the requirements of this Section 12.2.

12.2.1 Notwithstanding anything to the contrary in Section 12.2, Contractor may reveal or disclose Proprietary Information to such Persons with whom Contractor expects may act as potential suppliers or subcontractors to Contractor in connection with the performance of

the Decommissioning and its other obligations hereunder to the extent necessary or appropriate in connection with the performance of Contractor's obligations under this Agreement, in each case so long as each such Person has entered into a confidentiality agreement with Contractor with at least equivalent terms with respect to maintaining the confidentiality of Proprietary Information.

12.2.2 Upon Contractor's or Company's (as the case may be) prior written approval (which approval shall not be unreasonably withheld, delayed or conditioned), Company or Contractor (as the case may be) may provide Proprietary Information of any other Party to the NRC or any other Governmental Authority having jurisdiction over the NRC-Licensed Site or any portion thereof, as may be necessary in connection with the Decommissioning or as required under the Permits. The disclosing Party shall reasonably seek confidential treatment for the Proprietary Information provided to any such Governmental Authority and shall notify the other Party whose Proprietary Information is to be disclosed, as far in advance as reasonably practical, of its intention to release to any Governmental Authority any such Proprietary Information. In the event that disclosure of Proprietary Information is required by order of a court or other Governmental Authority or by subpoena or other similar legal process, the Party subject to such order, subpoena or other legal process shall, to the extent permitted by Law, notify the other Party whose Proprietary Information is to be disclosed and the Parties shall consult and cooperate in seeking a protective order or other relief to preserve the confidentiality of Proprietary Information.

12.2.3 Company or Contractor (as the case may be) may, without the prior consent of the other Party, disclose Proprietary Information of any other Party as may be necessary to comply generally with any applicable Laws or with the rules of any applicable stock exchange. The disclosing Party shall notify the other Party whose Proprietary Information is to be disclosed, as far in advance as reasonably practical, of its intention to release to any third party any such Proprietary Information.

12.2.4 Notwithstanding anything to the contrary in the foregoing, nothing in this Section 12.2 authorizes or permits Contractor to disclose any Third Party Proprietary Information that Contractor obtains as part of the Company Proprietary Information to any other Person. Contractor acknowledges and agrees that to the extent Company is prohibited or restricted by any non-disclosure or confidentiality obligation to any third party from disclosing any Third Party Proprietary Information to Contractor, Company shall have the right to not disclose such Third Party Proprietary Information to Contractor until Contractor has reached agreement with such third party and such third party has notified Company in writing that Company may disclose such Third Party Proprietary Information to Contractor. Company shall notify Contractor if there is any Third Party Proprietary Information of which Company is aware that Company is prohibited or restricted from disclosing to Contractor, and advise Contractor of such third party so that Contractor may make appropriate arrangements with such third party. Company's failure to disclose any Third Party Proprietary Information pursuant to this Section 12.2.4 shall not serve as the basis for a claim of any breach of any obligation of Company hereunder.

12.2.5 If this Agreement is terminated before the End-State Conditions have been achieved, this Section 12.2 shall survive the termination of this Agreement for five (5) years. In

addition, if this Agreement is terminated before the End-State Conditions have been achieved, Contractor shall, within thirty (30) days after receipt of a written request from Company, return or destroy Company's Proprietary Information in the possession or control of Contractor, any of its Affiliates or their respective Representatives, and Company shall, within thirty (30) days after receipt of a written request from Contractor, return or destroy Contractor's Proprietary Information in the possession or control of Company, any of its Affiliates or their respective Representatives. Notwithstanding the foregoing, a recipient or another Party's Proprietary Information shall not be required to return or destroy such other Party's Proprietary Information to the extent that it (a) is commingled with other electronic records that are collected and maintained in a separate secure facility as part of information technology backup procedures in accordance with the normal course of business; (b) is included in a Party's disclosures to its or its Affiliate's board of directors or similar governing body or the records of deliberations of such body in connection with the consideration of the authorization and approval of this Agreement and the transactions contemplated hereby; or (c) the recipient is a legal or other professional advisor to a Party with professional responsibilities to maintain client confidences; provided, however, that such retained Proprietary Information shall remain subject to the provisions of this Article 12.

12.3 Public Statements. Except as may be required by applicable Law or stock exchange rules, Contractor shall not issue any press release or other public disclosure (other than required filings and other required public statements or testimony before regulatory authorities) with respect to this Agreement or the performance of the Decommissioning, without Company's prior written approval. If Contractor determines it has to make any such public disclosure, it shall, to the extent permitted by applicable Law, first afford Company a reasonable opportunity to review and comment on such press release or public disclosure, and to seek appropriate confidential treatment. Contractor shall not, and shall not permit any of its Affiliates or subcontractors to, use Company's or any of its Affiliates' names, logos, trademarks, service marks or trade names in any way without Company's prior written consent. Contractor shall cooperate with Company in maintaining good community relations.

ARTICLE 13 INDEMNIFICATION

13.1 Contractor Indemnification. From and after the Closing Date, Contractor shall indemnify, defend and hold harmless the Company Indemnified Parties from and against [**].

13.2 Company Indemnification. From and after the Closing Date, Company shall indemnify, defend and hold harmless the Contractor Indemnified Parties from and against [**].

ARTICLE 14 INSURANCE

14.1 Contractor Insurance. With respect to transportation services for Nuclear Material: (a) Contractor and its Affiliates will, in the aggregate, maintain ANI domestic Suppliers and Transporters insurance in amounts no less than [**], and (b) Contractor shall cause any subcontractor to maintain ANI domestic Suppliers and Transporters insurance in amounts no less than [**]. In addition, Contractor shall maintain the insurance coverages as required under Attachment 10, and shall obtain all additional insured provisions and waivers of subrogation and provide all written confirmations for the benefit of Company in accordance with Attachment 10.

14.2 Company Insurance. Company shall maintain the Nuclear Insurance Policies with ANI and NEIL, in such form and amount as will satisfy the then-current minimum requirements of the applicable Nuclear Laws or NRC license obligations for the CR-3 Facility. Contractor and Buyer shall be named as additional insureds, and Company shall obtain a waiver of rights of subrogation by NEIL against Contractor and Buyer.

14.2.1 Pursuant to the SNF PSA, Buyer has assumed the liability and responsibility for insurance costs relating to the ISFSI, and therefore: (a) during the period beginning on the Closing Date and ending on the date on which the last of the ISFSI-Only Interim End-State Conditions are achieved, Buyer shall, within thirty (30) days of receipt of an invoice for payment from Company, reimburse Company for the insurance premiums paid by Company for the NEIL property damage insurance policy relating to the CR-3 Facility attributable to the ISFSI (based on the insurance premium for coverage of the ISFSI as shown on the applicable NEIL endorsement); and (b) from and after the date on which the last of the ISFSI-Only Interim End-State Conditions are achieved and until the last of the End-State Conditions are achieved, Buyer shall, within thirty (30) days of receipt of an invoice for payment from Company, reimburse Company for [**] of any insurance premiums paid by Company for the ANI nuclear insurance liability policy and NEIL property damage insurance policy relating to the CR-3 Facility.

14.2.2 Company shall have the sole right to any and all return premiums, refunds, distributions and continuity or other credits received from ANI or NEIL during any period before or after the Closing Date.

14.2.3 Without limiting Contractor's obligations under Section 13.1, Contractor shall be solely responsible for the payment of the deductibles under any of the Nuclear Insurance Policies with respect to each claim made for losses suffered during the period beginning on the Closing Date and ending on the date on which the last of the End-State Conditions are achieved, that arise out of, result from or are connected with (a) the acts or omissions of Contractor, or any third party acting on behalf of Contractor, or the performance by Contractor, or any third party acting on behalf of Contractor, of any Decommissioning or other obligations under this Agreement; or (b) any loss or damage to the ISFSI caused by an event of Force Majeure.

14.3 Environmental Liability Insurance Coverage. Without limiting the generality of the foregoing provisions of this Article 14, Contractor shall on or before the Closing Date, obtain environmental liability insurance coverage substantially in the form of Attachment 16 with the maximum limit of liability that Contractor can obtain for a premium of [**]. Subject to Contractor having provided Company with the certificates of insurance and such other information required for Company to confirm the coverage provided complies with the requirements of this Section 14.3, Contractor may submit a request for payment to Company, together with evidence of Contractor's payment of the premium for such environmental liability insurance coverage, and Company shall, within thirty (30) days after receipt of such request for payment, pay Contractor up to [**] to reimburse Contractor for the cost of the premium paid for such environmental liability insurance coverage. Company and Contractor acknowledge and agree that the payment contemplated in this Section 14.3 is in addition to and not included within the [**] or the Agreed Amount. Contractor further acknowledges and agrees that Company shall not have any liability or obligation to reimburse Contractor for any premiums or deductibles or other payments made by Contractor to obtain and maintain the insurance coverages as set forth in Attachment 10, other than as may be included within the [**] and the Agreed Amount.

ARTICLE 15 DEFAULT; REMEDIES

15.1 Contractor Events of Default. Each of the following shall constitute a "Contractor Event of Default":

15.1.1 Contractor fails to pay or cause to be paid when due and payable any amount owed by Contractor to Company in accordance with this Agreement, and such failure continues and is not cured within ten (10) Business Days after written notice from Company regarding such failure.

15.1.2 The occurrence of a Bankruptcy Event with respect to Contractor.

15.1.3 The occurrence of a Bankruptcy Event with respect to a Parent Guarantor, and Contractor's failure to provide a replacement Parent Guaranty from a replacement guarantor with equivalent or better financial condition to that of such Parent Guarantor as of the Contract Date, within five (5) Business Days thereafter.

15.1.4 [**]

15.1.5 Contractor fails to provide or the Parent Guarantors fail to maintain in effect the Parent Guaranties or the Parent Support Agreements, any Parent Guarantor fails to make any payment or render performance when due under the respective Parent Guaranty or Parent Support Agreement, or a Parent Guarantor breaches, defaults or fails to comply with any covenant or obligation of such Parent Guarantor under the respective Parent Guaranty or Parent Support Agreement, and such failure, breach, failure to comply or event of default continues and is not cured within ten (10) Business Days after written notice from Company regarding such failure.

15.1.6 Contractor's performance of its Decommissioning obligations under this Agreement at the NRC-Licensed Site is suspended by NRC order for a period in excess of one

hundred eighty (180) days for Contractor's deficient activities, including failure to comply with NRC regulations.

15.1.7 Contractor fails to discharge or obtain the release of any Contractor Lien in accordance with this Agreement, and such failure continues and is not cured within ten (10) Business Days after written notice from Company regarding such failure.

15.1.8 Contractor fails to mobilize or retain sufficient qualified personnel and equipment to and at the Crystal River Site as necessary to commence and progress the Decommissioning and perform its obligations hereunder in accordance with the Project Schedule, or stops, suspends, terminates or refuses to perform its obligations hereunder, such that Contractor would not reasonably be capable of maintaining progress on the Decommissioning or the performance of its obligations hereunder in accordance with the Project Schedule, and such failure, or the stoppage, suspension or termination of performance of its obligations hereunder, is not cured within ten (10) Business Days after written notice from Company regarding such failure, stoppage, suspension or termination.

15.1.9 Contractor fails to complete Milestone One on or before the Target Completion Date.

15.1.10 Contractor submits a Disbursement Certificate which Contractor knows contains false information.

15.1.11 Contractor fails to perform any material covenant or obligation hereunder not otherwise addressed in this Section 15.1, and Contractor fails to commence the cure of such failure within thirty (30) Days after receipt of notice from Company identifying such failure, or if, having commenced the cure within such period, Company fails (a) to diligently pursue such cure in a manner and pursuant to a schedule reasonably acceptable to Company; or (b) to cure such failure, within ninety (90) Days after Contractor's receipt of such notice.

15.2 Remedies Upon a Contractor Event of Default.

15.2.1 If a Contractor Event of Default occurs and is continuing, Company shall have the right but not the obligation, at its sole option, to exercise its rights under the Pledge Agreement or terminate this Agreement by written notice to Contractor, or both, or pursue any other remedy provided by law or equity, including specific performance, or any other remedy provided in the Ancillary Agreements.

15.2.2 To the fullest extent permitted by Law, if Company elects to terminate this Agreement due to a Contractor Event of Default or Company elects to exercise its rights under the Pledge Agreement, Company may proceed to remove Contractor from the NRC-Licensed Site in accordance with applicable Laws and Contractor agrees to cooperate with Company to the fullest extent necessary in connection with Company's recovery of, or the transfer to a third party designated by Company of, full possession and use of the NRC-Licensed Site and the Contractor's Provisional Trust Fund, and the transfer of the membership interests in Contractor to Company or its designee, including in connection with obtaining any approval of the NRC or other Governmental Authority required to permit Company to (a) transfer the NRC License authorizing possession and maintenance, including Decommissioning, of the NRC-Licensed Site, to Company (or its designee) from Contractor, and approval of any conforming license amendments, and any other related approvals; and (b) recover full possession and use of NRC-Licensed Site.

15.2.3 To the fullest extent permitted by Law, if Company elects to terminate this Agreement due to a Contractor Event of Default, at Company's request: (a) Contractor shall assign the SNF Services Agreement to Company or a third party designated by Company that will hold the NRC License authorizing possession and maintenance of the NRC-Licensed Site, except that Contractor shall not assign and Company shall not assume any rights or obligations thereunder with respect to the Spent Fuel Disposal Contract; and (b) neither Contractor nor Buyer shall terminate the SNF Services Agreement.

15.3 Obligations Upon Termination. Despite the termination of this Agreement, Contractor and Buyer, as applicable, shall:

15.3.1 so long as it holds the NRC License authorizing possession and maintenance of the NRC-Licensed Site, perform and carry out all NRC licensed activities with respect to security, safety, emergency preparedness, the operation and maintenance of the ISFSI, management of Spent Nuclear Fuel, and the removal of all of the Spent Nuclear Fuel and HLW from the ISFSI and the Crystal River Site, and any other obligations of Contractor as the holder of the NRC License, in accordance with this Agreement;

15.3.2 so long as it holds the NRC License authorizing possession and maintenance of the NRC-Licensed Site, continue to perform its obligations under the SNF Services Agreement; and

15.3.3 maintain the ISFSI Decommissioning Trust and Contractor's Provisional Trust Fund in accordance with Section 9.4 and Section 9.5, respectively.

During the period following termination during which Contractor holds the NRC License authorizing possession and maintenance of the NRC-Licensed Site, Company shall provide Contractor with access to the Crystal River Site and the ISFSI in accordance with this Agreement so that Contractor may perform such functions.

ARTICLE 16 MISCELLANEOUS PROVISIONS

16.1 Amendment and Modification. Subject to applicable Law, this Agreement may be amended, modified or supplemented only by written agreement of Company and Contractor.

16.2 Waiver of Compliance; Consents. Except as otherwise provided in this Agreement, any failure of any of the Parties to comply with any obligation, covenant, agreement or condition herein may be waived by the Party entitled to the benefits thereof only by a written instrument signed by the Party granting such waiver, but such waiver of such obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent failure to comply therewith.

16.3 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally or by electronic mail, provided that delivery by electronic mail is confirmed in writing (which may be by return electronic mail), or mailed by overnight courier or registered or certified mail (return receipt requested), postage prepaid, to the recipient Party at its address (or at such other address or facsimile number for a Party as shall be specified by like notice; provided, however, that notices of a change of address shall be effective only upon receipt thereof):

16.3.1 If to Company, to:

Duke Energy Florida, LLC
15760 W. Power Line Street
Crystal River, FL 34428
Attn.: Terry Hobbs, CR-3 Decommissioning Manager
E-mail: terry.hobbs@duke-energy.com

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

Duke Energy Florida, LLC
550 South Tryon Street, DEC 45A
Charlotte, NC 28202
Attn: Tracey LeRoy, Legal Counsel, Nuclear (Crystal River Unit 3)
Email: tracey.leroy@duke-energy.com

and

Morgan, Lewis & Bockius LLP
300 S. Grand Avenue, 22nd Floor
Los Angeles, CA 90071
Attn: Ingrid A. Myers
E-mail: Ingrid.myers@morganlewis.com

16.3.2 if to Contractor, to:

ADP CR3, LLC
c/o Accelerated Decommissioning Partners, LLC
17101 Preston Road, Suite 115
Dallas, TX 75248
Attn: Scott State, CEO
E-mail: ssate@northstar.com

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

NorthStar Group Services, Inc.
35 Corporate Drive, Suite 1155
Trumbull, CT 06611
Attn: Gregory G. DiCarlo, Vice President & General Counsel
E-mail: gdicarlo@northstar.com

Orano USA, LLC
1155 F St. NW, Suite 800
Washington, DC 20004
Attn: Michael Woods, General Counsel
E-mail: michael.woods@orano.group

Pillsbury Winthrop Shaw Pittman LLP
31 West 52nd Street
New York, NY 10019-6131
Attn: Stephen B. Amdur, Esq.
Email: stephen.amdur@pillsburylaw.com

16.3.3 if to Buyer, to:

ADP SF1, LLC
c/o Accelerated Decommissioning Partners, LLC
17101 Preston Road, Suite 115
Dallas, TX 75248
Attn: Scott State, CEO
E-mail: ssate@northstar.com

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

NorthStar Group Services, Inc.
35 Corporate Drive, Suite 1155
Trumbull, CT 06611
Attn: Gregory G. DiCarlo, Vice President & General Counsel
E-mail: gdicarlo@northstar.com

Orano USA, LLC
1155 F St. NW, Suite 800
Washington, DC 20004
Attn: Michael Woods, General Counsel
E-mail: michael.woods@orano.group

Pillsbury Winthrop Shaw Pittman LLP
31 West 52nd Street
New York, NY 10019-6131
Attn: Stephen B. Amdur, Esq.
Email: stephen.amdur@pillsburylaw.com

16.4 Assignment. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns, but no Party may assign this Agreement or its rights under this Agreement, including by operation of law, without the prior written consent of the other Party, such consent not to be unreasonably withheld, delayed or conditioned. Any assignment in contravention of the foregoing sentence shall be null and void and without legal effect on the rights and obligations of the Parties.

16.5 Third Party Beneficiaries. This Agreement does not, and is not intended to confer upon any other Person except the Parties any rights, interests, obligations or remedies hereunder.

16.6 Governing Law. This Agreement shall be governed by and construed in accordance with the Law of the State of Florida (without giving effect to conflict of law principles) as to all matters, including matters of validity, construction, effect, performance and remedies.

16.7 Dispute Resolution.

16.7.1 In an effort to promote the highest quality working relationship, the Parties agree that the following steps will be responsively and openly pursued in an effort to resolve any dispute under or arising out of this Agreement (each, a "Dispute") before resorting to litigation (except as may be necessary to preserve any rights or the status quo):

(a) All Disputes will be made in a written notice by authorized representatives of either Party initiating the process set forth herein (the "Dispute Engagement Notice"). Promptly after receipt of the Dispute Engagement Notice, both Parties shall discuss the issues, present reasonably requested documentation and attempt to reach a settlement that is agreeable to both Parties. As part of the Dispute Engagement Notice, the Party initiating the

dispute resolution process will submit a summary of the issues, the requesting Party's position and a summary of the evidence and arguments supporting its position.

(b) If the Dispute cannot be resolved by the Parties as provided in Section 16.7.1(a) within fifteen (15) Business Days after receipt of the Dispute Engagement Notice, or such later date as the Parties may agree in writing to permit all requested facts to be known and presented to the above personnel, the Dispute shall be escalated to an executive of each Party who has authority to settle the Dispute and who is at a higher level of management than such Party's representative set forth in Section 16.7.1(a).

(c) If the Dispute cannot be resolved by the Parties as provided in Section 16.7.1(b) within fifteen (15) Business Days after referral of the Dispute as provided therein (or such other period agreed to by both Parties in writing), then either Party may pursue any rights or remedies available at law or in equity through judicial relief or, if and as agreed to by both Parties in writing, non-judicial relief through an alternative dispute resolution process. The Parties agree that any discussions and negotiations related to any proposed settlement of any Dispute may not be introduced into evidence by either Party in any judicial action or non-judicial alternative dispute resolution forum used to resolve such Dispute.

16.7.2 Each Party irrevocably and unconditionally submits to the exclusive jurisdiction of the federal courts of the United States of America or the courts of the State of Florida, in each case located in the City of St. Petersburg and County of Pinellas, and any appellate courts from any such court, in any action or proceeding arising out of or relating to this Agreement or the subject matter hereof or for recognition or enforcement of any judgment, and each of the Parties irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding shall be heard and determined in such courts. Each of the Parties agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Each Party irrevocably and unconditionally waives, and agrees not to assert, by way of motion, as a defense, or otherwise, to the fullest extent permitted by applicable Law, any objection that it may now or hereafter have (a) that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or that this Agreement or the subject matter hereof may not be enforced in or by such court and (b) to the laying of venue of any action or proceeding arising out of or relating to this Agreement in any court referred to above. Each of the Parties hereby irrevocably and unconditionally waives, to the fullest extent permitted by applicable Law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

16.7.3 No litigation arising under this Agreement shall include, by consolidation, joinder, or any other manner, any Person not a party to this Agreement unless (a) such Person is substantially involved in a common question of fact or law, (b) the presence of the Person is required if complete relief to the requesting Party is to be accorded in the litigation, and (c) the Person has consented.

16.7.4 Contractor shall proceed diligently with the performance or provision of the Decommissioning work and its other duties and obligations without diminution of effort

during the pendency of any Dispute (including any Dispute regarding the basis on which Contractor purports to exercise any right to suspend the work).

16.8 WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVES ANY RIGHTS IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BETWEEN THE PARTIES OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH THIS AGREEMENT, THE ANCILLARY AGREEMENTS OR ANY OTHER DOCUMENTS ENTERED INTO IN CONNECTION HERewith.

16.9 Entire Agreement. This Agreement, the SNF PSA and the Ancillary Agreements, including the Attachments, exhibits, schedules, documents, certificates and instruments referred to herein or therein, embody the entire agreement and understanding of the Parties in respect of the transactions contemplated by this Agreement and shall supersede all previous oral and written and all contemporaneous oral negotiations, commitments and understandings including all letters, memoranda or other documents or communications, whether oral, written or electronic, submitted or made by (a) either Company, its Affiliates or any of their respective Representatives; or (b) Contractor, its Affiliates, including the Parent Guarantors, or any of their respective Representatives, in connection with the negotiation and execution of this Agreement.

16.10 No Joint Venture. Nothing in this Agreement creates or is intended to create an association, trust, partnership, joint venture or other entity or similar legal relationship among the Parties, or impose a trust, partnership or fiduciary duty, obligation, or liability on or with respect to the Parties. Except as expressly provided herein, no Party is or shall act as or be the agent or representative of any other Party.

16.11 Change in Law. If and to the extent that any Laws or regulations that govern any aspect of this Agreement shall change, so as to make any aspect of this transaction unlawful, then the Parties agree to make such modifications to this Agreement as may be reasonably necessary for this Agreement to accommodate any such legal or regulatory changes, without materially changing the overall benefits or consideration expected hereunder by any Party.

16.12 Severability. Any term or provision of this Agreement that is held invalid or unenforceable in any situation shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation; provided, however, that the remaining terms and provisions of this Agreement may be enforced only to the extent that such enforcement in the absence of any invalid terms and provisions would not result in (a) deprivation of a Party of a material aspect of its original bargain upon execution of this Agreement, (b) unjust enrichment of a Party, or (c) any other manifestly unfair or inequitable result.

16.13 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

16.14 EXCLUSIVITY OF WARRANTIES. THERE ARE NO WARRANTIES OF CONTRACTOR TO COMPANY HEREUNDER WITH RESPECT TO THE PERFORMANCE

OF ITS OBLIGATIONS UNDER THIS AGREEMENT, EXPRESS OR IMPLIED, OTHER THAN AS EXPRESSLY SET FORTH IN THIS AGREEMENT. CONTRACTOR DOES NOT MAKE ANY OTHER EXPRESS WARRANTIES, OR ANY IMPLIED WARRANTIES, OF ANY KIND, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. ALL IMPLIED WARRANTIES (INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE) ARE HEREBY DISCLAIMED.

16.15 LIMITATION ON CONSEQUENTIAL DAMAGES. NOTWITHSTANDING ANY OTHER PROVISIONS OF THIS AGREEMENT TO THE CONTRARY, NONE OF THE PARTIES SHALL BE LIABLE TO ANY OTHER PARTY (OR TO ANY OTHER PERSON CLAIMING THROUGH THEM OR UNDER THIS AGREEMENT) PURSUANT TO THIS AGREEMENT OR UNDER ANY CAUSE OF ACTION RELATED TO THE SUBJECT MATTER OF THIS AGREEMENT, FOR ANY SPECIAL, INDIRECT, INCIDENTAL, PUNITIVE, EXEMPLARY, CONSEQUENTIAL LOSSES OR DAMAGES, OR ANY LOSS, DAMAGE OR OTHER LIABILITY OTHERWISE EQUIVALENT TO OR IN THE NATURE OF SUCH LOSSES OR DAMAGES, OR ANY LOSS OF PROFITS, LOSS OF REVENUE, LOSS OF USE DOWNTIME COSTS, LOSS OF OPPORTUNITY OR GOODWILL, LOSS OF PRODUCTIVITY, LOSS OF OR REDUCTION IN BONDING CAPACITY, LOSSES DUE TO THEORIES SUCH AS CUMULATIVE IMPACT, COST OF PURCHASED OR REPLACEMENT POWER, COST OF CAPITAL OR CLAIMS OF CUSTOMERS, WHETHER SUCH LIABILITY ARISES IN CONTRACT, WARRANTY, TORT (INCLUDING NEGLIGENCE), MISREPRESENTATION (INCLUDING NEGLIGENT MISREPRESENTATION), STRICT LIABILITY OR OTHERWISE.

{Remainder of this page intentionally left blank}

IN WITNESS WHEREOF, the Parties have caused this Agreement to be signed by their respective duly authorized officers as of the date first written above.

COMPANY:

DUKE ENERGY FLORIDA, LLC

By: /s/ MELODY BIRMINGHAM-BYRD

Name: Melody Birmingham-Byrd

Title: SVP & Chief Procurement Officer

CONTRACTOR:

ADP CR3, LLC

By: /s/ SCOTT SLATE

Name: Scott State

Title: Chief Executive Officer

BUYER:

ADP SF1, LLC

By: /s/ SCOTT SLATE

Name: Scott State

Title: Chief Executive Officer

[Signature Page to the Decommissioning Services Agreement]

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Lynn J. Good, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Corporation;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2019

/s/ LYNN J. GOOD

Lynn J. Good
Chairman, President and
Chief Executive Officer

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Lynn J. Good, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Carolinas, LLC;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2019

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Lynn J. Good, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Progress Energy, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2019

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Lynn J. Good, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Progress, LLC;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2019

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Lynn J. Good, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Florida, LLC;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2019

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Lynn J. Good, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Ohio, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2019

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Lynn J. Good, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Indiana, LLC;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2019

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Lynn J. Good, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Piedmont Natural Gas Company, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2019

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Steven K. Young, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Corporation;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2019

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Steven K. Young, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Carolinas, LLC;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2019

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Steven K. Young, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Progress Energy, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2019

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Steven K. Young, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Progress, LLC;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2019

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Steven K. Young, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Florida, LLC;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2019

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Steven K. Young, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Ohio, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2019

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Steven K. Young, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Duke Energy Indiana, LLC;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2019

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Steven K. Young, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Piedmont Natural Gas Company, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Acts Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2019

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Corporation ("Duke Energy") on Form 10-Q for the period ending June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynn J. Good, Chairman, President and Chief Executive Officer of Duke Energy, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy.

/s/ LYNN J. GOOD

Lynn J. Good
Chairman, President and
Chief Executive Officer

August 6, 2019

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Carolinas, LLC ("Duke Energy Carolinas") on Form 10-Q for the period ending June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynn J. Good, Chief Executive Officer of Duke Energy Carolinas, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Carolinas.

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

August 6, 2019

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Progress Energy, Inc. ("Progress Energy") on Form 10-Q for the period ending June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynn J. Good, Chief Executive Officer of Progress Energy, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Progress Energy.

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

August 6, 2019

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Progress, LLC ("Duke Energy Progress") on Form 10-Q for the period ending June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynn J. Good, Chief Executive Officer of Duke Energy Progress, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Progress.

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

August 6, 2019

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Florida, LLC ("Duke Energy Florida") on Form 10-Q for the period ending June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynn J. Good, Chief Executive Officer of Duke Energy Florida, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Florida.

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

August 6, 2019

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Ohio, Inc. ("Duke Energy Ohio") on Form 10-Q for the period ending June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynn J. Good, Chief Executive Officer of Duke Energy Ohio, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Ohio.

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

August 6, 2019

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Indiana, LLC ("Duke Energy Indiana") on Form 10-Q for the period ending June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynn J. Good, Chief Executive Officer of Duke Energy Indiana, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Indiana.

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

August 6, 2019

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Piedmont Natural Gas Company, Inc. ("Piedmont") on Form 10-Q for the period ending June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynn J. Good, Chief Executive Officer of Piedmont, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Piedmont.

/s/ LYNN J. GOOD

Lynn J. Good
Chief Executive Officer

August 6, 2019

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Corporation ("Duke Energy") on Form 10-Q for the period ending June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven K. Young, Executive Vice President and Chief Financial Officer of Duke Energy, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy.

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

August 6, 2019

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Carolinas, LLC ("Duke Energy Carolinas") on Form 10-Q for the period ending June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven K. Young, Executive Vice President and Chief Financial Officer of Duke Energy Carolinas, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Carolinas.

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

August 6, 2019

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Progress Energy, Inc. ("Progress Energy") on Form 10-Q for the period ending June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven K. Young, Executive Vice President and Chief Financial Officer of Progress Energy, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Progress Energy.

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

August 6, 2019

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Progress, LLC ("Duke Energy Progress") on Form 10-Q for the period ending June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven K. Young, Executive Vice President and Chief Financial Officer of Duke Energy Progress, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Progress.

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

August 6, 2019

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Florida, LLC ("Duke Energy Florida") on Form 10-Q for the period ending June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven K. Young, Executive Vice President and Chief Financial Officer of Duke Energy Florida, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Florida.

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

August 6, 2019

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Ohio, Inc. ("Duke Energy Ohio") on Form 10-Q for the period ending June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven K. Young, Executive Vice President and Chief Financial Officer of Duke Energy Ohio, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Ohio.

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

August 6, 2019

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Duke Energy Indiana, LLC ("Duke Energy Indiana") on Form 10-Q for the period ending June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven K. Young, Executive Vice President and Chief Financial Officer of Duke Energy Indiana, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Duke Energy Indiana.

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

August 6, 2019

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Piedmont Natural Gas Company, Inc. ("Piedmont") on Form 10-Q for the period ending June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven K. Young, Executive Vice President and Chief Financial Officer of Piedmont, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Piedmont.

/s/ STEVEN K. YOUNG

Steven K. Young
Executive Vice President and Chief Financial Officer

August 6, 2019