Large Filing Separator Sheet

Case Number: 17-32-EL-AIR
17-33-EL-ATA
17-34-EL-AAM

Date Filed: 3/2/2017

Section 5 of 22

Number of Pages: 232

Description of Document: Application

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of Duke Energy Ohio, Inc., for an Increase in Electric Distribution Rates.	)))	Case No. 17-32-EL-AIR
In the Matter of the Application of Duke Energy Ohio, Inc., for Tariff Approval.	)))	Case No. 17-33-EL-ATA
In the Matter of the Application of Duke Energy Ohio, Inc., for Approval to Change Accounting Methods.	)))	Case No. 17-34-EL-AAM

VOLUME 4

SUPPLEMENTAL INFORMATION (C)(1) – (C)(2)

March 2, 2017

Duke Energy Ohio, Inc.
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DUKE ENERGY OHIO, INC.
Case No. 17-32-EL-AIR
Supplemental Information (C)(1)

The most recent federal regulatory agency's (FERC) audit report.

Response: See Attached.

Sponsoring Witness: David L. Doss, Jr.

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

In Reply Refer To:
Office of Enforcement
Docket No. PA14-2-000
April 1, 2016

Duke Energy Corporation
Attention: Mr. Brian D. Savoy
Senior Vice President, Chief Accounting
Officer and Controller
550 South Tryon St.
Charlotte, NC 28202

Dear Mr. Savoy:

1. The Division of Audits and Accounting (DAA) within the Office of Enforcement (OE) of the Federal Energy Regulatory Commission (Commission) has completed an audit of Duke Energy Corporation (Duke Energy) and its public utility subsidiaries. The audit covered the period from January 1, 2011 through January 31, 2016.

2. The audit evaluated Duke Energy's compliance with conditions and requirements established in Commission orders authorizing the merger of Duke Energy and Progress Energy, Inc. The audit also evaluated each Duke Energy public utility subsidiary's compliance with: (1) tariff requirements governing its transmission formula rate; (2) accounting regulations in 18 C.F.R. Part 101, Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject to the Provisions of the Federal Power Act; and (3) financial reporting regulations in 18 C.F.R. Part 141, Statements and Reports. The enclosed audit report contains eight findings and 37 recommendations that require Duke Energy to take corrective action.

3. On March 30, 2016, you notified DAA that Duke Energy does not contest the audit report or any of its recommendations. A copy of your verbatim response is included as an appendix to this report. I hereby approve the audit report.

4. Duke Energy should submit its implementation plan to comply with the recommendations within 30 days of this letter order. Duke Energy should make quarterly submissions to DAA describing the progress made to comply with the recommendations, including the completion date for each corrective action. As directed by the audit report, these submissions should be made no later than 30 days after the end of each calendar quarter, beginning with the first quarter after this audit report is issued, and continuing until all the corrective actions are completed.

5. The Commission delegated authority to act on this matter to the Director of OE under 18 C.F.R. § 375.311 (2015). This letter order constitutes final agency action. Duke Energy may file a request for rehearing with the Commission within 30 days of the date of this order under 18 C.F.R. § 385.713 (2015).

6. This letter order is without prejudice to the Commission's right to require hereafter any adjustments it may consider proper from additional information that may come to its attention. In addition, any instance of noncompliance not addressed herein or that may occur in the future may also be subject to investigation and appropriate remedies.

7. I appreciate the courtesies extended to the auditors. If you have any questions, please contact Mr. Bryan K. Craig, Director and Chief Accountant, Division of Audits and Accounting at (202) 502-8741.

Sincerely,

Larry R. Parkinson
Director
Office of Enforcement

Enclosure

Federal Energy Regulatory Commission
Office of Enforcement
Division of Audits and Accounting

AUDIT REPORT

Audit of Duke Energy Corporation and its Public Utility Subsidiaries' Compliance with:

- Conditions in Commission Merger Authorization Orders;
- Transmission Formula Rate Tariff Requirements; and
- Accounting and Financial Reporting Regulations.

Docket No. PA14-2-000
March 29, 2016

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I. Executive Summary

A. Overview

The Division of Audits and Accounting (DAA) in the Office of Enforcement has completed an audit of Duke Energy Corporation (Duke Energy) and its public utility subsidiaries'[1] (collectively, Duke Companies) compliance with conditions and requirements established in Commission orders authorizing the merger of Duke Energy and Progress Energy, Inc. (Progress Energy).[2] The audit also evaluated each Duke Energy public utility subsidiary's compliance with: (1) tariff requirements governing its transmission formula rate; (2) accounting regulations in 18 C.F.R. Part 101, Uniform System of Accounts (USofA) Prescribed for Public Utilities and Licensees Subject to the Provisions of the Federal Power Act; and (3) financial reporting regulations in 18 C.F.R. Part 141, Statements and Reports. The audit covered the period January 1, 2011 through January 31, 2016.

B. Duke Energy Corporation

Duke Energy is a public utility holding company headquartered in Charlotte, NC. It is engaged in energy production, trade, transmission, and distribution through its six public utility subsidiaries that operate in the Southeast and Midwest regions of the United States. In 2014, Duke Energy was the largest electric utility in the nation. The company had 7.3 million retail electric and 500,000 natural gas customers, 32,400 miles of transmission lines, 57,500 MW of generating capacity, and total operating revenue of $23.9 billion. Its service area covered about 95,000 square miles and had an estimated population of 23 million. Regulated operations accounted for over 90 percent of the company's total revenue, and commercial power generation and international operations provided most of the remainder.

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[1] The Duke Energy public utility subsidiaries are: Duke Energy Carolinas, LLC (DEC), Duke Energy Progress, LLC (DEP), Duke Energy Florida, LLC (DEF), Duke Energy Indiana, LLC (DEI), Duke Energy Ohio, Inc. (DEO), and Duke Energy Kentucky, Inc. (DEK).

[2] *Duke Energy Corp. and Progress Energy, Inc.*, 136 FERC ¶ 61,245 (2011) (Merger Order), *order on compliance*, 137 FERC ¶ 61,210 (2011), *order on compliance*, 139 FERC ¶ 61,194 (2012) (June 8 Compliance Order), *order on compliance*, 149 FERC ¶ 61,078 (2014) (October 29 Compliance Order).

C. Summary of Compliance Findings

Audit staff identified eight findings of noncompliance. Below is a summary of audit staff's compliance findings. Details are in section IV of this report.

- *Accounting for Merger Transaction Costs* – Duke Companies did not file merger transaction accounting entries with the Commission as required by the Merger Order, and the companies recorded merger transaction costs in operating accounts, contrary to the Commission's long-standing policy that such costs be recorded in nonoperating accounts. By not filing the accounting entries, Duke Companies prevented Commission review of the merger accounting and correction of any entries that were not in accordance with Commission accounting requirements.

- *Merger Transaction Internal Labor Costs* – Duke Companies improperly included approximately $31.4 million of merger transaction internal labor costs in wholesale power and transmission formula rate service cost determinations without first submitting a section 205 filing demonstrating that the costs were offset by quantified savings produced by the merger. As a result, the wholesale power and transmission customers' revenue requirements were inappropriately overstated by an estimated $17.5 million.

- *Merger Transaction Outside Services and Related Costs* – Duke Companies incorrectly included $1.5 million of merger transaction outside services and related costs in wholesale power and transmission formula rate service cost determinations without first submitting a section 205 filing demonstrating the costs were offset by quantified savings produced by the merger. In addition, the companies recorded the merger transaction costs in operating accounts, contrary to the Commission's long-standing policy that such costs be recorded in nonoperating accounts. As a result, the wholesale power and transmission customers' revenue requirements were inappropriately overstated by an estimated $745,000.

- *Use of the Consolidation Method of Accounting* – DEC and DEP accounted for investments in subsidiaries on a consolidated basis in their FERC Form No. 1, Annual Reports (Form No. 1), contrary to the Commission's long-standing accounting policy.

- *Accounting for Sales of Accounts Receivable* – DEC, DEP, and DEF misclassified an estimated $94.7 million of nonoperating expenses and receivables arising from transactions with their subsidiaries during the audit period. As a result, the wholesale power and transmission customers'

revenue requirements were inappropriately overstated by an estimated $61 million.

- *Accounting for Lobbying Expenses:* Duke Companies recorded approximately $2.4 million of lobbying expenses in above-the-line operating accounts from 2011 through 2013. As a consequence, Duke Companies improperly included these costs in wholesale power and transmission formula rate service cost determinations.

- *Allocation of Lobbyist Labor Costs:* Duke Companies accounted for the labor costs of internal lobbyists and their support staff in operating accounts that lacked support for inclusion in the accounts. Improper accounting for the costs can lead to inappropriate recovery of the costs through rates charged and billed to customers.

- *Nonutility Expenses in Operating Accounts:* Duke Companies recorded approximately $490,000 of nonutility expenses in operating accounts in 2014. As a result, inappropriate costs were included in wholesale power and transmission formula rate service cost determinations and charged to customers.

D. Summary of Recommendations

Audit staff's recommendations to remedy the findings are summarized below with details in section IV of this report. Audit staff recommends that Duke Companies:

Accounting for Merger Transaction Costs

1. Revise accounting policies and procedures to appropriately account for merger transactions consistent with Commission accounting requirements.

2. Develop written policies and procedures to timely identify proposed accounting transactions that would trigger a notification to the Commission.

3. Develop written policies and procedures to submit accounting questions of doubtful interpretation to the Commission.

4. Provide training to employees on compliance with the merger cost accounting conditions and the revised policies, procedures, and controls for complying with the conditions. Also, develop a training program that supports the provision of periodic training in this area.

Merger Transaction Internal Labor Costs

5. Revise all policies and procedures for tracking, accounting, and excluding merger transaction costs from wholesale power and transmission formula rates, including amounts previously charged to utility plant, accumulated deferred income taxes, construction work in progress with the associated capitalized cost of funds used during construction (AFUDC), and maintenance and operating expense accounts, and future charges to such accounts for any transaction to which a FERC hold harmless obligation applies. The revised procedures should hold customers harmless from all merger transaction costs consistent with requirements of the Merger Order. Among other things, the revised policies and procedures should include an annual review of each subsidiary's merger transaction cost adjustments as well as periodic evaluations within the year, as needed and appropriate.

6. Submit a refund analysis, within 60 days of receiving the final audit report, to DAA for review that explains and details the following: (1) calculation of refunds that include the amount of inappropriate recoveries that resulted from the inclusion of merger transaction internal labor and related costs in wholesale power and transmission formula rates during the audit period, plus interest on the costs; (2) determinative components of the refund; (3) refund method; and (4) period(s) refunds will be made.

7. File a refund report with the Commission after receiving DAA's assessment of the refund analysis.

8. Refund amounts disclosed in the refund report to wholesale power and transmission customers, with interest calculated in accordance with section 35.19a of Commission regulations.

Merger Transaction Outside Services and Related Costs

9. Revise accounting policies and procedures to appropriately account for merger transaction costs consistent with Commission accounting requirements.

10. Submit a refund analysis, within 60 days of receiving the final audit report, to DAA for review that explains and details the following: (1) calculation of refunds that include the amount of inappropriate recoveries that resulted from the inclusion of merger transaction outside services and related costs in wholesale power and transmission formula rate charges during the audit period, plus interest on the costs; (2) determinative components of the refund; (3) refund method; and (4) period(s) refunds will be made.

11. File a refund report with the Commission after receiving DAA's assessment of the refund analysis.

12. Refund amounts disclosed in the refund report to wholesale power and transmission customers, with interest calculated in accordance with section 35.19a of Commission regulations.

Use of the Consolidation Method of Accounting

13. Review and, as needed, revise accounting policies, practices, and procedures to ensure that investments in subsidiaries are accounted for consistent with the Commission's equity method accounting requirements.

14. Evaluate the accounting applied to Duke Companies' existing subsidiaries and notify DAA of any areas of noncompliance with Commission accounting requirements.

15. Revise documented policies, procedures and processes to ensure timely notice is provided to relevant regulators regarding instances of noncompliance with regulations, rules, and orders.

16. Provide training to staff on procedures, practices, and available tools to transparently or anonymously report instances of noncompliance to senior management, the Board of Directors, and relevant regulators.

Accounting for Sales of Accounts Receivable

17. Revise procedures to ensure that all costs and account balances associated with the sale of accounts receivable are accounted for in accordance with Commission accounting regulations. Among other things, the corrected accounting should ensure that all losses associated with receivable sales are recorded in Account 426.5.

18. Provide the revised procedures to DAA for review within 60 days of receiving the final audit report.

19. Recalculate charges to wholesale power and transmission customers of DEC, DEP, and DEF and submit the recalculations in a refund analysis to DAA for review within 60 days of receiving the final audit report. The refund analysis should explain and detail the: (1) return of collection service billings charged in 2014; (2) return of losses on the sales included in rates; (3) determinative components of the refund; (4) refund method; (5) period(s) refunds will be

made; and (6) interest calculated in accordance with section 35.19 of Commission regulations.

20. File a refund report with the Commission after receiving DAA's assessment of the refund analysis.

21. Refund amounts disclosed in the refund report to wholesale power and transmission customers, with interest calculated in accordance with section 35.19a of Commission regulations.

Accounting for Lobbying Expenses

22. Establish and implement written procedures governing the methods used to account for, track, report, and review lobbying costs incurred.

23. Provide training on Commission accounting requirements and the impact of accounting on cost-of-service rate determinations to employees involved in lobbying and lobbying-related work, and those with oversight responsibility for lobbying cost allocations. Also, develop a training program that supports the provision of periodic training in this area.

24. Submit a refund analysis, within 60 days of receiving the final audit report, to DAA for review that explains and details the following: (1) calculation of refunds that include the amount of inappropriate recoveries that resulted from the improper inclusion of lobbying cost in operating accounts during the audit period, plus interest on the costs; (2) determinative components of the refund; (3) refund method; and (4) period(s) refunds will be made.

25. File a refund report with the Commission after receiving DAA's assessment of the refund analysis.

26. Refund amounts disclosed in the refund report to wholesale power and transmission customers, with interest calculated in accordance with section 35.19a of Commission regulations.

Allocation of Lobbyist Labor Costs

27. Revise written policies and procedures to create a process to document and verify appropriate allocation of lobbying and lobbying-related costs, and maintain auditable support for the cost included in rate determinations.

28. Retain an independent third-party entity to conduct a representative labor time study to determine an appropriate allocation of internal lobbyist labor, support

staff, and associated costs that should be accounted for in operating and nonoperating accounts based on time spent by employees engaged in the activities. Provide the study results to audit staff within 180 days of the date of the final audit report.

29. Include the results of the labor time study in the determination of lobbying-related labor cost allocations as of January 1, 2016.

30. Implement policies and procedures to perform a labor time study biennially using an independent third-party or internal company resources that are able to attest to the results of the study. Revise the lobbying-related labor cost allocations based on the results of the study.

Nonutility Expenses in Operating Accounts

31. Develop and implement written policies, procedures, and controls to ensure proper accounting and reporting of nonutility expenses.

32. Provide training for employees involved in the invoicing process on Commission accounting requirements and the impact of the accounting on cost-of-service rate determinations.

33. Within 60 days of receiving the final audit report, provide documentation supporting the analysis performed of invoiced expenses recorded to administrative and general (A&G) accounts in 2014 that identified misclassified nonutility expenses included in A&G accounts. Develop an estimate of misclassified nonutility expenses accounted for in operating accounts in 2011 through 2013 and 2015.

34. Implement policies and procedures to provide periodic audits or reviews of A&G transactions by external or internal auditors.

35. Submit a refund analysis, within 60 days of receiving the final audit report, to DAA for review that explains and details the following: (1) calculation of refunds that include the amount of inappropriate recoveries that resulted from the improper inclusion of identified and estimated nonutility expenses in charges to wholesale power and transmission customers during the audit period, plus interest on the costs; (2) determinative components of the refund; (3) refund method; and (4) period(s) refunds will be made. Include the results of the invoice analysis in the refund analysis.

36. File a refund report with the Commission after receiving DAA's assessment of the refund analysis.

37. Refund amounts disclosed in the refund report to wholesale power and transmission customers, with interest calculated in accordance with section 35.19a of Commission regulations.

E. Implementation of Recommendations

Audit staff further recommends that Duke Companies submit the following for audit staff's review:

- A plan for implementing the audit recommendations within 30 days after the final audit report is issued;

- Quarterly reports describing progress in completing each corrective action recommended in the final audit report. Quarterly nonpublic submissions should be made no later than 30 days after the end of each calendar quarter, beginning with the first quarter after the final audit report is issued, and continuing until all recommended corrective actions are completed; and

- Copies of any written policies and procedures developed in response to recommendations in the audit report. These documents should be submitted in the first quarterly filing after Duke Companies complete such policies and procedures.

II. Background

A. Merger of Duke Energy and Progress Energy

On January 10, 2011, Duke Energy and Progress Energy announced their intention to merge in a stock-for-stock transaction under which Progress Energy would become a wholly owned subsidiary of Duke Energy, and the shareholders of Progress Energy would become shareholders of Duke Energy. At the time, the transaction was valued at over $31 billion. The merger was poised to create the largest U.S. electric utility in history with over seven million electric customers and operations in six states.

Following the announcement, on April 4, 2011, Duke Energy, Progress Energy, and their public utility subsidiaries (collectively, Duke Companies) filed an application with the Commission seeking authorization for the merger transaction under section 203 of the Federal Power Act (FPA)[3] and Part 33 of Commission regulations.[4] To receive authorization for the transaction, the companies committed to hold transmission and wholesale requirements customers harmless from the costs of the transaction for five years. The companies also contended that the transaction would not adversely affect competition, and thus there were no market power concerns associated with the transaction.

On September 30, 2011, the Commission found that the transaction, as proposed in the application, would result in significant screen failures in the horizontal market power analysis and have an adverse effect on competition.[5] As such, the Commission authorized the transaction subject to conditions. Among other things, the transaction was conditioned on Duke Companies holding transmission and wholesale requirements customers harmless from the costs of the transaction, and submitting proposed market power mitigation measures that the Commission approves. The Commission advised Duke Companies that sufficient mitigation measures could include membership in a regional transmission organization, implementing an independent coordinator of transmission arrangement, actual or virtual divestiture of generation, and/or transmission upgrades to provide greater market access to third-party energy suppliers.

Further, the Commission stated that the hold harmless commitment included all merger transaction costs, not only costs related to consummating the transaction.[6] To recover merger transaction costs through wholesale requirement or transmission rates, the

[3] 16 U.S.C. § 824b (2012).

[4] 18 C.F.R. Part 33.

[5] Merger Order, 136 FERC ¶ 61,245 at PP 145-146.

[6] *Id.* P 169.

companies were required to submit a filing to the Commission that identified merger costs to be recovered and demonstrated that the costs were exceeded by savings produced by the transaction.[7] Duke Companies did not submit a filing to recover merger transaction costs during the audit period. However, as discussed in detail below, the companies recovered merger transaction costs through rates charged.

Consistent with the Commission's merger authorization condition that required Duke Companies to submit proposed market power mitigation measures for approval, the companies submitted an initial compliance filing on October 17, 2011, which proposed to mitigate market power through virtual divestiture of generation. The filing proposed a must-offer obligation under which Duke Companies would sell specified quantities of energy at cost-based rates to entities directly or indirectly serving load in the DEC and DEP Balancing Authority Areas (BAAs). The Commission rejected the filing on the grounds that the market power mitigation proposals did not remedy the market power concerns identified in the Merger Order.[8]

A revised compliance filing was submitted by Duke Companies on March 26, 2012 that proposed permanent and interim market power mitigation measures. To permanently mitigate market power, Duke Companies proposed to build seven transmission expansion projects (TEPs), expedite completion of an eighth project that was already planned, and set aside 25 MW of transfer capacity on their transmission systems for use by third parties (Stub Mitigation). During construction of the TEPs, as an interim measure to protect against potential market power concerns, Duke Companies proposed to enter into power sale agreements with three unaffiliated firms – Cargill Power Marketing, EDF Trading, and Morgan Stanley Capital Markets – to which the companies would sell power during all periods requiring mitigation. The companies also proposed to hire an independent monitor, Potomac Economics Ltd. (Potomac Economics), to verify compliance with the provisions of the power sale agreements.

The Commission accepted the revised compliance filing on June 8, 2012, subject to certain revisions and conditions, which included, among other things, requirements to hold customers harmless from the cost of the mitigation actions and to expand Potomac Economics' duties to verify that the TEPs were completed within the prescribed scope and timeline.[9] The merger was consummated on July 2, 2012.

On December 6, 2013, after the merger was consummated, Duke Companies submitted a motion to supplement its March 26, 2012 compliance filing, due to newly identified information that affected calculation of the impact of the market power

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[7] *Id.* P 170.

[8] *Duke Energy Corp.*, 137 FERC ¶ 61,210 (2011).

[9] *See* June 8 Compliance Order, 139 FERC ¶ 61,194 at P 113.

mitigation measures. In the filing, Duke Companies offered to increase the Stub Mitigation by 104 MW (thereby raising the total amount of the transmission set-aside to 129 MW), repair out of service phase-shifting transformers at DEC's Rockingham substation and return them to service, and operate the transformers so as to create additional import capability on the transmission system. The Commission granted the motion and accepted the supplementary compliance filing subject to conditions on October 29, 2014.[10] Moreover, the Commission reiterated its requirement that transmission and wholesale requirements customers be held harmless from costs associated with repairing the transformers and returning them to service.

B. Duke Energy's Public Utility Subsidiaries

During the audit period, the Duke Companies provided electricity service in portions of North Carolina, South Carolina, Florida, Indiana, Ohio, and Kentucky. DEO and DEK also provided natural gas service in portions of Ohio and Kentucky. The following describes the services provided by each company, its open access transmission tariff (OATT), membership in an independent system operator (ISO) or regional transmission organization (RTO), transmission formula rate, and market-based rate authority.

Duke Energy Carolinas, LLC

DEC is a vertically integrated public utility that generates, transmits, distributes, and sells electricity to 2.5 million customers in a 24,000 square mile service area in North and South Carolina. DEC owns 8,302 miles of transmission lines and 19,600 MW of generating capacity.

DEC provided open access transmission service under a Commission-approved OATT at cost-based stated rates from 1995 through 2011.[11] In 2011, DEC began recovery of its transmission service cost pursuant to a formula rate that became effective June 1, 2011.[12] However, on March 26, 2012, in connection with the merger transaction, DEC, DEP, and DEF filed for approval of a Joint OATT under section 205 of the FPA and Part 35 of the Commission's regulations. The filing was conditionally accepted by the Commission on June 8, 2012.[13]

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[10] October 29 Compliance Order, 149 FERC ¶ 61,078 (2014).

[11] *Duke Power Co.*, 73 FERC ¶ 61,309 (1995) (Duke Power Order).

[12] *Duke Energy Carolinas, LLC*, 137 FERC ¶ 61,058 (2011).

[13] *Duke Energy Corp.*, 139 FERC ¶ 61,193 (2012).

The Joint OATT provided for transmission service at non pancaked rates for transactions involving the combined transmission systems of the companies. DEC's transmission formula rate is incorporated as Schedule 10-B of the Joint OATT. DEC's formula rate implementation protocols are incorporated as Exhibit A of the Joint OATT, and the formula rate template and formula rate principles are contained in Exhibit B. DEC does not belong to an ISO or RTO.

DEC has wholesale power sale agreements with cost-based rates determined under a formula, and it has Commission authorization to make wholesale sales at market-based rates outside its and DEP's BAAs and Peninsular Florida.

Duke Energy Progress, LLC

DEP is a vertically integrated public utility that generates, transmits, distributes, and sells electricity to 1.5 million customers in a 32,000 square mile service area in North and South Carolina. DEP owns 6,981 miles of transmission lines and 12,200 MW of generating capacity.

DEP provided open access transmission service under a Commission-approved OATT at cost-based stated rates from 1996 through 2008. In 2008, DEP began recovery of its transmission service cost pursuant to a formula rate that became effective July 1, 2008.[14] Since the merger, DEP has provided transmission service under the Joint OATT with DEC and DEF. DEP's transmission formula rate is incorporated in Attachment H of the Joint OATT. The formula rate template is incorporated as Attachment H-1 of the Joint OATT, and the implementation protocols as Attachment H-2. DEP does not belong to an ISO or RTO.

DEP has wholesale power sale agreements with cost-based rates determined under a formula, and it has Commission authorization to sell energy and capacity at market-based rates outside its and DEC's BAAs and Peninsular Florida.

Duke Energy Florida, LLC

DEF is a vertically integrated public utility that generates, transmits, and delivers electricity to 1.7 million customers in a 13,000 square mile area in central and southern Florida. DEF owns 4,424 miles of transmission lines and 1,200 MW of generating capacity.

[14] *Carolina Power and Light Co.*, Docket No. ER08-889-000 (June 27, 2008) (delegated letter order).

DEF provided open access transmission service under a Commission-approved OATT at cost-based stated rates from 1996 through 2008. In 2008, DEF began recovery of its transmission service cost pursuant to a formula rate that became effective January 1, 2008.[15] Since the merger, DEF has provided transmission service under the Joint OATT with DEC and DEP. DEF's transmission formula rate is incorporated as Schedule 10-A of the Joint OATT. The implementation protocols are designated as Schedule 10-A.1 of the Joint OATT, and the formula rate template as Schedule 10-A.2. DEF does not belong to an ISO or RTO. Additionally, DEF has Commission authorization to sell energy and capacity outside the DEC and DEP BAAs and Peninsular Florida.

Duke Energy Indiana, LLC

DEI is a vertically integrated utility that generates, transmits, distributes, and sells electricity to 810,000 customers within a 23,000 square mile service territory in central, north central, and southern Indiana. DEI owns 7,500 MW of generating capacity and 4,815 miles of transmission lines.

DEI became a member of the Midcontinent Independent System Operator, Inc., (MISO) in 1997 and recovered its cost of transmission service pursuant to cost-based stated rates. In 1998, DEI began to recover its transmission service cost pursuant to a transmission formula rate. DEI's transmission formula rate template is included at Attachment O of the MISO Open Access Transmission, Energy, and Operating Reserve Markets Tariff. Additionally, DEI has Commission authorization to sell power at market-based rates outside the DEC and DEP BAAs and Peninsular Florida.

Duke Energy Ohio, Inc. and Duke Energy Kentucky, Inc.

DEO is the direct parent of DEK. The companies are combination electric and gas utilities that transmit, distribute, and sell electricity at retail and wholesale, and distribute and sell natural gas at retail in southwestern Ohio and northern Kentucky, respectively. DEO owns 1,879 miles of transmission lines. The company divested its generating assets pursuant to Ohio's electric restructuring program and received Commission authorization for the divestiture.[16] DEK owns 102 miles of transmission lines and about 1,200 MW of generating capacity.

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[15] *Florida Power Corp.*, Docket No. ER08-105-000 (Dec. 17, 2007) (delegated letter order).

[16] *See Dynegy Resource I, LLC,* 150 FERC ¶ 61,232 (2015).

DEO and DEK were members of MISO until January 1, 2012, when they withdrew their membership and joined PJM Interconnection, L.L.C. (PJM).[17] The companies recover transmission service costs pursuant to a transmission formula rate under the PJM OATT. DEO and DEK's transmission formula rate is incorporated as Attachment H-22 of the PJM OATT. The formula rate template is incorporated as Attachment H-22A of the OATT, and the implementation protocols as Attachment H-22B. Additionally, DEO and DEK have Commission authorization to sell power at market-based rates outside the DEC and DEP BAAs and Peninsular Florida.

[17] The Commission conditionally authorized the move in an order issued October 21, 2010. *See Duke Energy Ohio, Inc.*, 133 FERC ¶ 61,058 (2010).

III. Introduction

A. Objectives

The audit evaluated Duke Companies' compliance with conditions established in the Merger Order and associated orders on compliance, requirements of each company's transmission formula rate tariff, and accounting and financial reporting regulations. The audit covered the period January 1, 2011 through January 31, 2016.

B. Scope and Methodology

Audit staff performed specific actions to facilitate the audit and evaluate compliance with the audit objectives. Audit staff also reviewed the effectiveness of Duke Companies' compliance program in relation to the audit objectives and other key factors. To address overall audit objectives, audit staff:

- Conducted an extensive review of publicly available materials to understand the companies' corporate structure and organization, operations, financial accounting and reporting activities, and other key regulatory and business activities, both before and after the merger. Examples of materials and documentation reviewed include Commission rules, regulations, and orders, Form No. 1 reports, FERC Form No. 65, Notification of Holding Company Status, formula rate filings, the Commission's enforcement hotline calls and company self-reports, company-related web sites, and relevant media sources. This also included a review of filings with other government agencies, such as the Securities and Exchange Commission Forms 10-K and 10-Q, Annual and Quarterly Reports;

- Evaluated the companies' internal policies and procedures relevant to the audit objectives;

- Conferred with other Commission staff on various compliance issues to ensure audit findings were consistent with Commission precedent and policy. For example, audit staff communicated with staff from other divisions within the Office of Enforcement and staff from the Office of Energy Market Regulation and Office of General Counsel;

- Conducted two site visits to Duke Energy's headquarters in Charlotte, NC. The visits enabled audit staff to further understand the company's corporate structure, functions, operations, accounting systems and practices, transmission planning and cost-estimating procedures, formula rate, internal audit function, and regulatory and corporate compliance programs. While on site, audit staff

interviewed employees and managers responsible for performing tasks within the audit scope, sampled and tested documents to verify compliance with Commission orders related to merger conditions, accounting regulations, financial reporting, transmission formula rates, and related matters. Additionally, audit staff also interviewed compliance program staff, senior officials, internal auditors, and employees who fulfill day-to-day compliance activities for the purposes of carrying out regulatory oversight responsibilities;

- Conducted teleconferences to discuss audit objectives and scope, data requests and responses, technical and administrative matters, compliance concerns, and held a closing conference to discuss the completion of audit fieldwork and results; and

- Issued data requests to gather information not available through public means. This information related to internal policies and procedures, business practices, reporting activities, corporate compliance, internal and external audit reports, merger order conditions and compliance, transaction and operational data, and other pertinent information. Audit staff used this information as underlying support for testing and evaluating compliance with Commission requirements relevant to the audit scope and objectives.

Further, audit staff performed these specific actions to facilitate the testing and evaluation of compliance with relevant requirements for the audit scope areas. A summary of these actions follows.

Compliance with Merger Conditions

To evaluate compliance with the hold harmless and market power mitigation conditions established in the Merger Order and associated compliance orders, audit staff performed audit fieldwork applicable to the merger. Audit staff performed the following steps:

- Reviewed the merger application, supporting testimony and exhibits to understand the context, terms, and conditions of the merger proposal and commitment to hold transmission and wholesale requirements customers harmless from costs of the transaction. Reviewed intervenor comments and protests, and responses to the comments and protests, and also reviewed Duke Companies' compliance filings, intervenor responses, and answers to the responses;

- Evaluated Duke Companies' responses to Commission staff's delegated data requests that sought information regarding the merger application and compliance filings;

- Examined the companies' policies and procedures associated with tracking and accounting for merger transaction costs incurred prior to and following consummation of the merger;

- Performed a comparative analysis of Duke Energy and Progress Energy's accounting for costs of the merger prior to and after its consummation and the companies' policies associated with the accounting;

- Reviewed actions taken by the companies to maintain compliance with merger conditions;

- Analyzed the companies' procedures to ensure compliance with hold harmless conditions and to account for merger transaction costs;

- Conducted sample-based tests of internal costs and external contracted costs incurred by the companies to assess the accounting for the costs and the impact on wholesale rate determinations;

- Obtained information on staff involved in merger activities, including employee names, positions, salaries, work performed on merger activities, and time spent on merger-related activities;

- Reviewed documentation and supporting evidence of merger transaction costs and performed substantive tests of sample data;

- Inspected reports submitted by Potomac Economics regarding the Rockingham phase shifters and other relevant Commission filings;

- Evaluated expenses incurred to repair the Rockingham phase shifters to assess the accounting for the costs and impacts on wholesale rate determinations; and

- Examined costs incurred to operate the TEPs – including the Rockingham phase shifters – from 2012 through Q1 2015 to evaluate the accounting used to record cost of activity and the resulting impact on wholesale rate determinations.

Furthermore, audit staff conducted the following additional steps to evaluate Duke Companies' compliance with the market power mitigation conditions:

- Reviewed the companies' contract with Potomac Economics to ascertain whether the independent monitor had sufficient oversight authority and timely

access to data needed to monitor compliance with interim and permanent market power mitigation measures;

- Examined the quarterly independent monitoring reports prepared by Potomac Economics detailing Duke Companies' compliance with interim and permanent market power mitigation conditions;

- Interviewed personnel responsible for reporting the status of TEP construction to Potomac Economics, and reviewed a sample of email communications between the parties;

- Interviewed personnel involved with TEP planning, engineering and design, purchasing and contracting, construction, and project management to verify that the projects were completed as required and to ascertain the amount of labor time employees spent on the projects;

- Identified scope changes made to the TEP plans and assessed the impact of changes on project cost and expected performance of the transmission system;

- Examined a sample of information that Potomac Economics relied on to conclude that the TEPs were placed into service. This information included data from the supervisory control and data acquisition (SCADA) system on the operation of the constructed projects and associated work orders;

- Analyzed photographs of TEP equipment nameplates for asset identification and facility ratings for a sample of major equipment installed, and compared nameplate information to construction work orders and internal company correspondence related to the TEPs;

- Reviewed Duke Companies' written procedures that governed implementation of the power sales agreements required by the Commission's interim market power mitigation measures. Also, interviewed personnel responsible for developing and implementing the agreements, and reviewed Potomac Economics' seasonal and event-based reports to the Commission on the company's performance under the agreements;

- Analyzed a sample of transaction data on power sales DEC and DEP made under the power sale agreements and reviewed transmission schedules on the Open Access Same-time Information System (OASIS) to verify the energy was scheduled and delivered;

- Interviewed power marketing personnel to gain information on operating procedures and processes used to comply with the requirement to set aside firm transmission capacity on the DEC-DEP interface (i.e., Stub Mitigation requirement);

- Reviewed Potomac Economics' reports on the Stub Mitigation requirement and analyzed a sample of data from OASIS regarding transmission offerings and requests for firm transmission service on the DEC-DEP interface;

- Evaluated the DEC-DEP Joint Dispatch Agreement (JDA) and associated operating procedures to understand the methods used to forecast load and determine the mix of generating resources needed to meet load demand on daily and weekly bases;

- Interviewed power marketing employees responsible for scheduling power between the DEC and DEP BAAs, and examined a sample of transactions that involved dispatch of generating resources, reserving and scheduling transmission service consistent with the JDA, and operating the respective BAAs separately. Also, tested a sample of OASIS transmission reservations and schedules to evaluate DEC and DEP's reservations of point-to-point and network transmission service to transmit energy and capacity between the two BAAs; and

- Identified instances in which DEC and DEP used network transmission to deliver power to their respective BAAs, and evaluated these transactions to assess compliance with conditions that restricted certain transactions in the BAAs.

Transmission Formula Rates

To evaluate compliance with the requirements of each company's transmission formula rate tariff, audit staff:

- Reviewed the initial applications filed seeking approval of each company's transmission formula rate tariff, intervenor responses to the filings, any associated settlement agreements with wholesale customers and interested parties, and the Commission orders that approved the transmission formula rate tariffs;

- Examined the transmission formula rate templates and all appendices and attachments used to compute key inputs to the annual transmission revenue requirement and associated formula rate protocols;

- Interviewed employees responsible for populating each public utility's transmission formula rate template, verifying data and calculations, and reviewing and obtaining management approval of the calculated transmission service rates;

- Assessed the adequacy of management oversight and verification controls that support performance of key activities;

- Evaluated data responses and conducted conference calls to understand the accounting for major items affecting the formula rate, including miscellaneous deferred debits, income taxes, and others. Also, reviewed these items to determine compliance with relevant accounting regulations, instructions, and definitions;

- Reviewed annual informational and true-up filings submitted after the initial rate years and during the audit period. Reconciled the Form No. 1 data with formula rate calculations and evaluated discrepancies. Conducted a detailed analysis of supporting worksheets and attachments to evaluate the calculation of transmission formula rate inputs;

- Analyzed footnotes included in each company's Form No. 1 to determine whether information disclosed provided for a reconciliation of publicly available data to balances used to calculate the transmission service rates;

- Performed procedures to verify that transmission formula rate inputs were supported by data reported in each company's Form No. 1;

- Evaluated the companies' accounting for merger transaction costs by assessing documented policies, operating processes, and procedures, and tested a sample of invoices and work orders that included merger activities and associated costs. Analyzed the accounting for the costs and the impact on transmission rate determinations;

- Checked plant balances used to calculate transmission revenue requirements, sampled work order charges included in construction work in progress and plant balances, and performed tests on amortized pre-commercial costs;

- Tested a sample of depreciation accruals on utility plant to assess the depreciation rates applied to the plant; and

- Performed substantive tests on a sample of invoices and work orders that included nonutility expenses, and evaluated the impact of identified misclassified items on transmission rate determinations.

Accounting and Reporting

To evaluate compliance with the Commission's accounting and reporting regulations in the USofA under 18 C.F.R. Parts 101 and 141, audit staff performed the following with respect to the merger:

- Conducted interviews and teleconferences and met with company staff to discuss accounting policies, procedures, and practices. These interviews included discussions with employees involved in the operation of each public utility subsidiary's financial accounting systems to assess the adequacy of accounting and reporting oversight controls related to the merger, and employees in leadership positions responsible for day-to-day oversight of merger activities to understand how merger-related labor was reported on timesheets;

- Examined procedures for preparing, reviewing, and obtaining management approval of the Form No. 1 reports. Reviewed disclosures in the reports to understand major accounting policies;

- Reviewed and evaluated the processes, procedures, and controls the companies used before and after merger consummation to track and account for merger transaction costs;

- Evaluated the Form No. 1 and Securities and Exchange Commission 10-K notes and disclosures related to tracking, accounting, and reporting merger transaction costs;

- Analyzed the companies' accounting entries that recorded merger-related labor, goodwill, TEP project costs and impairments, and the income tax effects of the transaction;

- Reviewed third-party lobbying expenditure disclosures, press articles, meeting schedules, and agendas of internal lobbyists. Interviewed internal lobbyists and support staff to understand the nature and extent of the companies' lobbying activities;

- Tested a sample of work orders, invoices, and associated accounting detail records that support internal lobbyists' labor costs incurred;

- Assessed the impact on wholesale rates of merger and other costs incurred by the companies that were reported in the Form No. 1;

- Tested a sample of FERC accounts for compliance with the Merger Order as well as the companies' internal policies and procedures; and

- Evaluated certain income statement and balance sheet accounts and balances reported in the companies' Form No. 1 reports for 2012 through 2014.

IV. Findings and Recommendations

1. Accounting for Merger Transaction Costs

Duke Companies did not file merger transaction accounting entries with the Commission as required by the Merger Order, and the companies recorded merger transaction costs in operating accounts, contrary to the Commission's long-standing policy that such costs be recorded in nonoperating accounts. By not filing the accounting entries, Duke Companies prevented Commission review of the merger accounting and correction of any entries that were not in accordance with Commission accounting requirements.

Pertinent Guidance

The Commission's September 30, 2011 order conditionally authorizing the Proposed Transaction established the following requirement concerning the submission of accounting entries related to the merger:

> To the extent any applicant that is subject to the Commission's Uniform System of Accounts records any aspect of the Proposed Transaction in its accounts, it is directed to file its accounting entries with the Commission within six months of the consummation of the Proposed Transaction. Further, if the accounting entities are recorded six months after the consummation of the Proposed Transaction, the applicant must file those accounting entries with the Commission within 60 days from the date they were recorded. The accounting submission must provide all accounting entries related to the Proposed Transaction, including narrative explanations describing the basis, and the rate impact, of such entries.[18]

The Commission's long-standing precedent stipulates that transaction costs incurred by public utilities associated with a merger are nonoperating in nature and should be charged to Account 426.5, Other Deductions, to the extent the costs are not retained by the parent holding company. For example, in *Allegheny Energy, Inc.,* the Commission stated in part:

> The Commission has previously determined that merger transaction costs are considered non-operating in nature and should be recorded in

[18] Merger Order, 136 FERC ¶ 61,245 at P 190.

Account 426.5, Other Deductions.[19]

18 C.F.R. Part 101, Account 426.5, Other Deductions, states:

> This account shall include other miscellaneous expenses which are nonoperating in nature, but which are properly deductible before determining total income before interest charges.

18 C.F.R. Part 101, General Instruction No. 5, Submittal of Questions, states:

> To maintain uniformity of accounting, utilities shall submit questions of doubtful interpretation to the Commission for consideration and decision.

Background

In the Merger Order, the Commission authorized Duke Companies to merge, subject to conditions. With respect to accounting, the Merger Order stated that if any Duke Energy subsidiary subject to the USofA recorded any aspect of the merger on its books, the subsidiary must file the accounting entries with the Commission within 60 days of consummation of the transaction. The Commission noted that such accounting entries include entries related to transaction costs, merger premiums, acquisition adjustments, goodwill, or any cost related to the merger.[20]

Moreover, pursuant to long-standing Commission precedent, merger transaction costs are considered nonoperating in nature and are required to be recorded to Account 426.5, Other Deductions. The text of Account 426.5 states that the account shall include expenses that are nonoperating in nature. Audit staff evaluated Duke Companies' accounting for the merger and found that the companies recorded merger transaction costs on their books. Further, contrary to the requirements of the Merger Order and Commission accounting rules, Duke Companies neither filed accounting entries with the Commission that reflected the recording of the transaction costs on the companies' books nor accounted for nonoperating merger transaction costs in Account 426.5.

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[19] *See Allegheny Energy, Inc.*, 133 FERC ¶ 61,222, at P 73 (2010). *See also Midwest Power Systems, Inc. and Iowa-Illinois Gas and Elec. Co.*, 71 FERC ¶ 61,386, at 62,509 (1995); *MidAmerican Energy Co. and MidAmerican Energy Holdings Co.*, 85 FERC ¶ 61,354, at 62,370 (1998); and *Wis. Elec. Power Co.*, 74 FERC ¶ 61,069, at 61,192 (1996).

[20] Merger Order, 136 FERC ¶ 61,245 at n. 414.

Duke Companies collectively incurred over $1 billion in merger costs and recorded the costs on their Form No. 1 reports from 2011 through October 30, 2015. The costs were accounted for in numerous operating plant and expense accounts, including: A&G expense; payroll tax; customer account expense; transmission, distribution, and production operating and maintenance expense; and other accounts.

Duke Energy explained that it interpreted the Merger Order to require submittal of accounting entries only if a subsidiary used the purchase method of accounting and increased the book value of assets for goodwill acquired in the transaction. However, the Merger Order did not require the companies to file accounting entries only if they used the purchase method of accounting or increased the book value of assets for goodwill. To the contrary, the Merger Order stated that if *any entity* subject to the USofA recorded *any aspect* of the merger on its books, it must file its accounting entries with the Commission. The Merger Order further clarified that such accounting entries included entries related to transaction costs, merger premiums, acquisition adjustments, goodwill, or any cost related to the merger.

All of Duke Energy's public utility subsidiaries were subject to the Commission's USofA, therefore the companies should have filed accounting entries. By not filing the accounting entries, Duke Companies prevented Commission review of the merger accounting and correction of any entries not in accordance with Commission accounting requirements.

Furthermore, Duke Companies should have recorded merger transaction costs incurred to effectuate the merger in Account 426.5 rather than in operating accounts consistent with the text of Account 426.5 and Commission precedent.[21] Audit staff found that prior to March 2012, both Duke Energy and Progress Energy recorded merger transaction costs in operating accounts. However, in March 2012, Progress Energy transferred its merger transaction costs to Account 426.5, due to its interpretation of a Commission merger order that required such accounting. Duke Energy did not implement a similar reclassification of its merger transaction costs. Duke Energy explained that it believed costs associated with the merger were appropriately recorded in operating accounts.

[21] Post-merger integration cost (i.e., cost incurred following consummation of a merger, in which the assets, personnel, and business activities of the entities participating in the merger are combined) are recordable to operating accounts; however, the cost would be subject to the Commission's hold harmless commitments and prohibited from recovery in jurisdictional rates.

In April 2012, Duke Energy's external auditors questioned its accounting of the merger transaction costs. The external auditors informed Duke Energy of the Commission's merger accounting policy, which the auditors interpreted as requiring merger transaction costs to be recorded below-the-line in Account 426.5. Duke Energy disagreed with the auditors' interpretation. Rather than adjusting its accounting, Duke Energy and its external auditors agreed that Duke Energy's management representation letter would be revised. The letter is a signed attestation by Duke Energy management of the accuracy of its financial statements. The letter was revised to include a statement that Duke Energy was aware of Commission orders that indicated merger transaction costs should be recorded in Account 426.5, but Duke Energy nonetheless believed that its classification of merger transaction costs in operating accounts was appropriate.

The Duke Companies were required to file the accounting entries with the Commission as directed in the Merger Order. The companies' improper accounting for merger transaction costs contributed to the inappropriate recovery of merger-related internal labor and outside service costs through charges to Commission-jurisdictional customers. To the extent Duke Companies was uncertain about the appropriate accounting for the transaction, the companies should have submitted accounting questions of doubtful interpretation to the Commission for consideration and decision. The Commission expects Duke Companies, and all entities that have a reporting requirement for transactions under FPA section 203, to fully comply with the orders approving such transactions. Duke Companies' lack of compliance with the Merger Order reporting requirement is a very serious matter.

Recommendations

We recommend Duke Companies:

1. Revise accounting policies and procedures to appropriately account for merger transactions consistent with Commission accounting requirements.

2. Develop written policies and procedures to timely identify proposed accounting transactions that would trigger a notification to the Commission.

3. Develop written policies and procedures to submit accounting questions of doubtful interpretation to the Commission.

4. Provide training to employees on compliance with the merger cost accounting conditions and the revised policies, procedures, and controls for complying with the conditions. Also, develop a training program that supports the provision of periodic training in this area.

2. Merger Transaction Internal Labor Costs

Duke Companies improperly included approximately $31.4 million of merger transaction internal labor costs in wholesale power and transmission formula rate service cost determinations without first submitting a section 205 filing demonstrating that the costs were offset by quantified savings produced by the merger. As a result, the wholesale power and transmission customers' revenue requirements were inappropriately overstated by an estimated $17.5 million.

Pertinent Guidance

The Commission's Merger Order states in part:

> We accept Applicants' commitment to hold transmission and wholesale requirements customers harmless for five years from costs related to the Proposed Transaction. We interpret Applicants' hold harmless commitment to include all transaction-related costs, not only costs related to consummating the transaction.
>
> If Applicants seek to recover transaction-related costs through their wholesale power or transmission rates within the next five years, they must submit a compliance filing that details how they are satisfying the hold harmless requirement. If Applicants seek to recover transaction-related costs in an existing formula rate that allows for such recovery within the next five years, then that compliance filing must be filed in the section 205 docket in which the formula rate was approved by the Commission, as well as in the instant section 203 docket. In such filings, Applicants must: (1) specifically identify the transaction-related costs they are seeking to recover; and (2) demonstrate that those costs are exceeded by quantified savings resulting from the transaction, in addition to any requirements associated with filings made under section 205.[22]

The Commission's June 8, 2012 order accepting Duke Companies' revised compliance filing states in part:

> [T]he Commission will require Applicants to hold transmission and wholesale requirements customers harmless from the costs of the Transmission Expansion Projects in accordance with the hold harmless commitment, as set forth in the Merger Order.[23]

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[22] Merger Order, 136 FERC ¶ 61,245 at PP 169-170.

[23] June 8 Compliance Order, 139 FERC ¶ 61,194 at P 91.

The Commission's October 29, 2014 order denying rehearing and granting a motion to supplement compliance filing states in part:

> [T]he Commission requires Applicants to hold transmission and wholesale requirements customers harmless for five years from costs related to the Phase Shifters.[24]

Background

On April 4, 2011, Duke Energy, Progress Energy, and their public utility subsidiaries (collectively, Duke Companies) filed an application seeking Commission authorization of a proposal to merge under section 203 of the FPA and Part 33 of Commission regulations. In the application, Duke Companies committed to exclude costs related to the merger from transmission and wholesale requirements customers' rates, except to the extent the companies demonstrated in a section 205 rate filing that merger-related savings were equal to or in excess of merger costs included in the rate filing. On September 30, 2011, the Commission issued an order authorizing Duke Companies to merge subject to conditions. Among other things, the Commission conditioned authorization on Duke Companies maintaining its commitment to hold transmission and wholesale requirements customers harmless from costs related to the merger. Pursuant to this condition, "[a]ll transaction related costs, not only costs related to consummating the transaction," were required to be excluded from rates charged.[25] To determine if Duke Companies complied with the hold harmless requirement, audit staff examined the companies' procedures for tracking and accounting for merger costs, and excluding the costs from rates.

To track costs incurred due to the merger, the companies established special accounting processes and procedures. Audit staff found that Duke Energy and Progress Energy did not account for merger costs using the same accounting treatment prior to consummation of the merger. Prior to consummation of the merger, Duke Energy accounted for merger transaction costs in above-the-line operating accounts, whereas Progress Energy accounted for the costs below-the-line in Account 426.5, Other Deductions.[26] However, after consummation of the merger, Progress Energy adopted Duke Energy's internal accounting policy for merger transaction costs and thereafter began accounting for incurred merger transaction costs in operating accounts.

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[24] October 29 Compliance Order, 149 FERC ¶ 61,078 at P 81.

[25] Merger Order, 136 FERC ¶ 61,245 at P 169.

[26] Account 426.5, Other Deductions, 18 C.F.R. Part 101 (2015), provides for the recording of expenses that are nonoperating in nature, but which are properly deductible before determining total income before interest charges.

Duke Energy devised and distributed instructions to its public utility subsidiaries regarding accounting for merger costs, which it characterized as Costs to Achieve (CTA) the merger. Duke Energy defined CTA as "costs that are incremental and nonrecurring that would otherwise not have been incurred but for the merger or integration planning efforts."[27] The CTA instructions identified the accounting codes to be used to account for and track merger costs. The codes included the business and operating unit that incurred the cost, process, task, project ID, and other details associated with activities that involved the incurrence of merger costs. The CTA instructions were communicated to managers and staff assigned to work on the merger, and employees were trained on use of the accounting codes. Duke Energy's shared services accounting group retrieved merger cost data from the general ledgers of the public utility subsidiaries, reviewed charges for reasonableness, and compared actual and budgeted costs as part of its monthly reporting process.

Duke Energy's shared services accounting group developed additional procedures to exclude certain merger costs from wholesale power and transmission formula rate determinations of the public utility subsidiaries. The procedures included preparation of monthly spreadsheets identifying merger costs included in each subsidiary's operating accounts as reported in the Form No. 1. The rate staff of each public utility subsidiary was instructed to subtract the merger costs from operating accounts in the Form No. 1 that were used to compute the company's transmission formula rate. The procedures were designed to prevent merger costs reported in operating accounts from being incorporated in wholesale power and transmission formula rate determinations.

As a result of these procedures under which merger-related internal labor costs were not treated as CTA, audit staff found that Duke Companies' wholesale power and transmission customers' revenue requirements were inappropriately overstated by an estimated $17.5 million due to the inclusion of merger transaction internal labor costs in wholesale power and transmission rate determinations without first making a section 205 filing with the Commission as the Merger Order required. The improper charges included an estimated $17.2 million through inclusion of internal labor costs incurred in merger transaction and integration activities, and over $300,000 through inclusion of

[27] This included costs incurred in developing, executing, and obtaining approvals for the merger as well as incremental integration costs, but did not include merger-related internal labor costs Duke Companies considered non-incremental. For example, the costs included severance payments, employee relocation and retention costs, bonuses paid to employees for their work on the merger, investment banking and advisory fees, state and Federal regulatory expenses, costs for integrating accounting and information technology systems, transmission systems, fuel and dispatch systems, as well as transition costs, mitigation/concession costs, depreciation expenses for merger projects, and fees paid to providers of transmission service between the regulated utilities.

internal labor costs incurred to construct and operate the transmission expansion projects (TEPs), and repair and operate the Rockingham phase shifters.

Merger Transaction Internal Labor

During fieldwork, audit staff determined that Duke Energy excluded merger transaction internal labor from its definition of CTA and its CTA coding procedures. Duke Energy acknowledged that employees spent substantial time on merger activities. However, the company contended that employees performed merger activities in addition to their regular responsibilities and, therefore, no incremental internal labor costs were incurred due to the merger. Based on a belief that the hold harmless obligation applied only to incremental merger costs, Duke Energy instructed employees not to use the special CTA codes to report time devoted to merger activities on their timesheets. Consequently, public utility subsidiaries did not track all merger transaction internal labor costs or exclude all such costs from wholesale power and transmission formula rate cost computations. As a result, the subsidiaries improperly included some merger transaction internal labor costs in wholesale power and transmission formula rate determinations and inappropriately charged the costs to customers.

Contrary to Duke Energy's interpretation, the Merger Order required Duke Companies to hold customers harmless from "*all* merger transaction costs," and did not limit this requirement only to costs Duke Energy considered incremental. Duke Energy's assertion that its hold harmless obligation extended only to incremental costs must be made within a section 205 proceeding where it and other interested parties will have an opportunity to assess all evidence that supports or contradicts such a position. By excluding internal labor from its CTA tracking and reporting procedures, Duke Energy did not have the ability to determine the proportion of employee labor costs devoted to merger-related tasks, as opposed to utility-related tasks, the cost of which are appropriately recovered in rates. Moreover, even in the absence of detailed time reporting and accounting data, the companies were nonetheless prohibited from including these merger transaction costs in rate determinations without first receiving Commission authorization to do so in a section 205 proceeding in accordance with Merger Order requirements.

Since Duke Companies did not track all merger transaction internal labor costs, audit staff issued data requests and interviewed company employees during site visits and conference calls to develop its own estimate of the amount of merger transaction internal labor costs Duke Companies incurred and included in transmission formula rate charges. The information audit staff obtained confirmed that company employees spent substantial amounts of time working on the merger, as Duke Energy acknowledged. For example, Duke Energy reported in data responses that over 2,400 employees were engaged in merger activities from mid-2010 through present. The total included more than 2,300 employees who participated in over 300 merger integration projects performed to

upgrade and integrate the companies' information technology, human resources, finance, and accounting systems and functions. About 140 employees were engaged in merger planning and evaluation, preparing and supporting merger applications and post-merger litigation, and developing and implementing measures to mitigate market power due to the merger. Audit staff found through assessment of data response information and interviews of company staff, that certain of these employees worked full time on the merger for the duration of their projects, while others devoted 50 percent or more of their time to assigned merger activities. Moreover, detailed analysis of integration projects with the largest budgets indicated that the assigned employees were heavily engaged in the projects for prolonged periods of time.

Audit staff used this information, interviews with employees engaged in merger activities, employees' salary information procured from data responses, and salary estimates found on publicly available sources to approximate the amount of internal labor costs incurred due to the merger. Audit staff estimated that the Duke Companies incurred between $55 million and $75 million of internal labor costs related to the merger, including salaries and benefits.

Audit staff then asked Duke Energy to provide its own estimate of the internal labor costs associated with each merger activity and a breakdown by FERC account. As the table below shows, Duke Energy estimated that $78.8 million in merger transaction internal labor costs were incurred to perform four primary merger tasks. Duke Energy's estimate exceeded audit staff's high-range estimate of internal labor costs.

		A	B
Row	Merger Tasks	Duke Companies' Estimated Internal Labor Cost (Million $)	Estimated Internal Labor Included in the Revenue Requirements of Wholesale Power and Transmission Rates (Million $)
1	Merger Planning, Evaluation, Due Diligence	2.3	0.1
2	Preparation and Support for Regulatory Applications and Post-Merger Litigation	3.9	0.2
3	Development and Implementation of Measures to Mitigate Market Power	0.6	0.03
4	Planning, Management, and Execution of Merger Integration Projects	72.0	16.9
	Total	**78.8**	**17.2**

Of the $78.8 million in merger transaction internal labor costs estimated by Duke Energy, about $1.6 million of the costs were recorded in distribution operating and maintenance expense accounts that were not included in Commission-jurisdictional rate

determinations, and $31.4 million was recorded in production and transmission operating and maintenance expense accounts incorporated in wholesale power and transmission formula rates. Duke Energy estimated that wholesale power and transmission customers' revenue requirements were inappropriately overstated by an estimated $17.2 million.[28] The remaining $45.8 million in merger transaction internal labor costs were charged to capital work orders for integration projects that are under construction and not yet completed. Duke Energy represented that these costs have been classified as CTA, and will be excluded from wholesale power and transmission formula rates when the projects are completed.

By including these merger-related tasks in its definition of CTA, Duke Energy acknowledged that the merger activities employees performed would not have been required in the absence of the merger. Since the work was not related to utility service, employee time engaged on the merger should have been excluded from transmission formula rate determinations. In accordance with the hold harmless commitment, to recover merger costs in their wholesale power or transmission rates, the companies were required to submit a section 205 filing with the Commission detailing costs to be recovered and demonstrating that the costs were offset by quantified savings produced by the merger. Duke Companies did not submit a section 205 filing; therefore, the companies should not have recovered the costs in rates charged.

TEP Operating Expenses

Duke Energy's public utility subsidiaries included an estimated $300,000 of merger transaction internal labor costs in the transmission customers' formula rate revenue requirement for costs related to the TEP projects from 2012 through 2015. This amount was incurred to repair and operate the Rockingham phase shifters. The $300,000 was recorded as transmission maintenance expenses in Account 570, Maintenance of Station Equipment. In accordance with Duke Companies' internal accounting policy, the companies neither characterize the costs as merger-related CTA nor exclude the costs from transmission formula rate determinations. As a result, the $300,000 was included in transmission formula rates, and thus a portion of these costs was inappropriately charged to transmission customers.

In its June 8 and October 29 Compliance Orders, the Commission explicitly directed Duke Companies to hold customers harmless from all costs related to the TEPs

[28] During the audit, DEC and DEP had about 20 wholesale power customers under service contracts with cost-based rates determined under a formula to which merger transaction internal labor costs were incorporated. As a result, a portion of the merger transaction labor costs included in the formula was charged to wholesale power customers.

and the Rockingham phase shifters, consistent with the hold harmless commitment established in the Merger Order. Duke Companies should not have included these internal labor charges in transmission formula rate determinations without first submitting a section 205 filing to the Commission that demonstrated that the costs were offset by quantified savings produced by the merger.

Recommendations

We recommend Duke Companies:

5. Revise all policies and procedures for tracking, accounting, and excluding merger transaction costs from wholesale power and transmission formula rates, including amounts previously charged to utility plant, accumulated deferred income taxes, construction work in progress with the associated capitalized cost of funds used during construction (AFUDC), and maintenance and operating expense accounts, and future charges to such accounts for any transaction to which a FERC hold harmless obligation applies. The revised procedures should hold customers harmless from all merger transaction costs consistent with requirements of the Merger Order. Among other things, the revised policies and procedures should include an annual review of each subsidiary's merger transaction cost adjustments as well as periodic evaluations within the year, as needed and appropriate.

6. Submit a refund analysis, within 60 days of receiving the final audit report, to DAA for review that explains and details the following: (1) calculation of refunds that include the amount of inappropriate recoveries that resulted from the inclusion of merger transaction internal labor and related costs in wholesale power and transmission formula rates during the audit period, plus interest on the costs; (2) determinative components of the refund; (3) refund method; and (4) period(s) refunds will be made.

7. File a refund report with the Commission after receiving DAA's assessment of the refund analysis.

8. Refund amounts disclosed in the refund report to wholesale power and transmission customers, with interest calculated in accordance with section 35.19a of Commission regulations.

3. Merger Transaction Outside Services and Related Costs

Duke Companies incorrectly included $1.5 million of merger transaction outside services and related costs in wholesale power and transmission formula rate service cost determinations without first submitting a section 205 application demonstrating the costs were offset by quantified savings produced by the merger. In addition, the companies recorded the merger transaction costs in operating accounts, contrary to the Commission's long-standing policy that such costs be recorded in nonoperating accounts. As a result, the wholesale power and transmission customers' revenue requirements were inappropriately overstated by an estimated $745,000.

Pertinent Guidance

The Commission's Merger Order states in part:

> We accept Applicants' commitment to hold transmission and wholesale requirements customers harmless for five years from costs related to the Proposed Transaction. We interpret Applicants' hold harmless commitment to include all transaction-related costs, not only costs related to consummating the transaction.
>
> If Applicants seek to recover transaction-related costs through their wholesale power or transmission rates within the next five years, they must submit a compliance filing that details how they are satisfying the hold harmless requirement. If Applicants seek to recover transaction-related costs in an existing formula rate that allows for such recovery within the next five years, then that compliance filing must be filed in the section 205 docket in which the formula rate was approved by the Commission, as well as in the instant section 203 docket. In such filings, Applicants must: (1) specifically identify the transaction-related costs they are seeking to recover; and (2) demonstrate that those costs are exceeded by quantified savings resulting from the transaction, in addition to any requirements associated with filings made under section 205.[29]

The Commission's long-standing precedent stipulates that transaction costs incurred by public utilities associated with a merger are nonoperating in nature and should be charged to Account 426.5, Other Deductions, to the extent the costs are not passed on to the parent holding company. For example, in *Allegheny Energy, Inc.,* the Commission stated in part:

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[29] Merger Order, 136 FERC ¶ 61,245 at PP 169-170.

The Commission has previously determined that merger transaction costs are considered non-operating in nature and should be recorded in Account 426.5, Other Deductions.[30]

18 C.F.R. Part 101, Account 426.5, Other Deductions, states:

This account shall include other miscellaneous expenses which are nonoperating in nature, but which are properly deductible before determining total income before interest charges.

Background

In the process of evaluating Duke Companies' compliance with the hold harmless commitment, audit staff issued data requests and interviewed company employees regarding the accounting and formula rate impact of activities engaged prior to and after public announcement of the merger, such as outside service costs incurred to facilitate the merger and associated internal corporate costs. In reviewing materials received, audit staff found that Duke Energy's corporate development group incurred over $1.5 million in merger transaction costs in the second half of 2010 (i.e., prior to the merger announcement in January 2011) and allocated those costs to its then public utility subsidiaries – DEC, DEI, DEO, and DEK – prior to consummation of the merger.

The costs included $1.35 million paid to outside consultants, lawyers, and accountants for financial forecasting, analysis of market power issues and related services, and $150,000 of internal labor and other costs related to this work. The subsidiary companies improperly recorded the merger transaction outside service costs in Account 923, Outside Services Employed, and most of the associated internal labor and other costs in Account 920, Administrative and General Salaries. Account balances reported in each company's Form No. 1 were included in the determination of the company's wholesale power and transmission formula rate service charges.

DEC, DEI, DEO, and DEK reported these costs in their respective 2010 Form No. 1 reports. The companies neither characterized the costs as merger-related CTA following the merger announcement and issuance of the Merger Order, nor excluded the costs from wholesale power and transmission formula rate determinations in 2011 or subsequent years.

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[30] *See Allegheny Energy, Inc.*, 133 FERC ¶ 61,222 at P 73 (2010). See also *Midwest Power Systems, Inc. and Iowa-Illinois Gas and Elec. Co.*, 71 FERC ¶ 61,386, at 62,509 (1995); *MidAmerican Energy Co. and MidAmerican Energy Holdings Co.*, 85 FERC ¶ 61,354, at 62,370 (1998); and *Wis. Elec. Power Co.*, 74 FERC ¶ 61,069, at 61,192 (1996).

Pursuant to the hold harmless commitment, the companies should not have included the $1.5 million in merger transaction costs in wholesale rate determinations without first submitting a section 205 filing to the Commission that demonstrated the costs were offset by quantified savings produced by the merger. Moreover, pursuant to long-standing Commission precedent, the merger transaction costs the companies recorded in Accounts 920 and 923 are considered nonoperating in nature and, as such, were required to be recorded to Account 426.5. The text of Account 426.5 states that the account shall include expenses that are nonoperating in nature. Duke Energy estimated that wholesale power and transmission customers' revenue requirements were inappropriately overstated $745,000.

Recommendations

We recommend Duke Companies:

9. Revise accounting policies and procedures to appropriately account for merger transaction costs consistent with Commission accounting requirements.

10. Submit a refund analysis, within 60 days of receiving the final audit report, to DAA for review that explains and details the following: (1) calculation of refunds that include the amount of inappropriate recoveries that resulted from the inclusion of merger transaction outside services and related costs in wholesale power and transmission formula rate charges during the audit period, plus interest on the costs; (2) determinative components of the refund; (3) refund method; and (4) period(s) refunds will be made.

11. File a refund report with the Commission after receiving DAA's assessment of the refund analysis.

12. Refund amounts disclosed in the refund report to wholesale power and transmission customers, with interest calculated in accordance with section 35.19a of Commission regulations.

4. Use of the Consolidated Method of Accounting

DEC and DEP accounted for investments in subsidiaries on a consolidated basis in their Form No. 1 reports, contrary to the Commission's long-standing accounting policy.

Pertinent Guidance

Order No. 469 revised and amended sections of 18 C.F.R. Parts 101 and 201 to adopt the equity method of accounting for long-term investments in subsidiaries and add new balance sheet and income statement accounts, and definitions. Order No. 469 states in part:

> Under the equity method of accounting, the utility's investment account is increased or decreased to reflect the utility's proportionate share of a subsidiary's current earnings applicable to common stock regardless of whether the earnings are actually paid out as dividends to the utility. When dividends are received, the investment account is reduced by an equivalent amount.[31]

18 C.F.R. Part 101, Account No. 123.1, Investment in Subsidiary Companies, states:

> A. This account shall include the cost of investments in securities issued or assumed by subsidiary companies and investment advances to such companies, including interest accrued thereon when such interest is not subject to current settlement plus the equity in undistributed earnings or losses of such subsidiary companies since acquisition. This account shall be credited with any dividends declared by such subsidiaries.
>
> B. This account shall be maintained in such a manner as to show separately for each subsidiary: the cost of such investments in the securities of the subsidiary at the time of acquisition; the amount of equity in the subsidiary's undistributed net earnings or net losses since acquisition; advances or loans to such subsidiary; and full particulars regarding any such investments that are pledged.

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[31] *Revisions in the Uniform System of Accounts, and Annual Report Forms No. 1 and No. 2 to Adopt the Equity Method of Accounting for Long-Term Investments in Subsidiaries*, Order No. 469, 49 FPC 326, *reh'g denied*, 49 FPC 1028 (1973).

18 C.F.R. Part 101, Account 216.1, Unappropriated Undistributed Subsidiary Earnings, states:

> This account shall include the balances, either debit or credit, of undistributed retained earnings of subsidiary companies since their acquisition. When dividends are received from subsidiary companies relating to amounts included in this account, this account shall be debited and account 216, Unappropriated Retained Earnings, credited.

18 C.F.R. Part 101, Account No. 418.1, Equity in Earnings of Subsidiary Companies, states:

> This account shall include the utility's equity in the earnings or losses of subsidiary companies for the year.

Background

DEC and DEP formed wholly owned special purpose subsidiaries, Duke Energy Receivables Finance Company, LLC (DERF) and Duke Energy Progress Receivables, LLC (DEPR), respectively, in 2003 and 2013. The companies accounted for their investments in the subsidiaries using the consolidated method of accounting. Specifically, DEC consolidated DERF in its Form No. 1 reports from 2003 through 2013; and DEP consolidated DEPR in its Form No. 1 in 2013. The accounting resulted in the recognition of property, expenses, revenue, debt, and equity of the subsidiaries in DEC and DEP's respective Form No. 1 reports. During the course of the audit, in 2014, the companies ceased accounting for their investments in the subsidiaries using the consolidation method of accounting and began using the equity method of accounting.

Prior to 2014, DEC and DEP's accounting for their investments in the subsidiaries was not consistent with the Commission's accounting requirements, which required the companies to account for the investments using the equity method of accounting. In accordance with the provisions of Order No. 469, the companies were required to account for the subsidiaries as investments in Account 123.1, Investments in Associated Companies, and record equity in earnings of the subsidiaries in Account 418.1, Equity in Earnings of Subsidiary Companies, and undistributed retained earnings of the subsidiaries in Account 216.1, Unappropriated Undistributed Subsidiary Earnings.[32]

[32] *Id.*

On August 19, 2015, during the course of the audit, Duke Energy submitted a request to the Commission on behalf of the companies for retroactive and prospective waivers of the equity method accounting requirement.[33] In the filing, among other things, DEC and DEP acknowledged that they had inappropriately accounted for investments in their subsidiaries using the consolidation method of accounting, and improperly included the results of the subsidiaries' operations in cost of service formula rate determinations. On December 18, 2015, the companies submitted a filing to the Commission under section 205 of the FPA seeking approval of proposed amendments to the formula rates in their Joint OATT and wholesale power agreements to provide for consolidation of the subsidiaries for cost of service rate determination purposes.[34]

Duke Energy did not notify audit staff of the inappropriate consolidation accounting, or of its request for waiver of the equity accounting requirements. The company should have disclosed the erroneous accounting to audit staff when it discovered the matter, which according to its representation occurred in late 2014. However, neither audit staff nor the Commission was notified of the improper accounting and the associated rate impacts until August 2015. Duke Energy's lack of timely disclosure of DEC and DEP's noncompliance with Commission regulations is problematic. The company should take necessary steps to ensure that its corporate compliance culture and program are strengthened to prevent situations like this on a going forward basis.

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[33] Duke Energy Carolinas, LLC, et al., Request for Waiver, Docket No. AC15-174-000, (filed Aug. 19, 2015). The filing requested waivers of the equity accounting requirement on behalf of DEC, DEP, and DEF, which formed a wholly owned subsidiary Duke Energy Florida Receivables, LLC (DEFR) in 2014. The Chief Accountant issued a delegated letter order on February 12, 2016 that granted the requested waivers to the companies and directed specific accounting regarding sales of accounts receivable. Duke Companies filed a request for rehearing of the letter order on March 14, 2016.

[34] *Duke Energy Carolinas, LLC, et al.*, Docket Nos. ER16-577-000, ER16-578-000, and ER16-579-000. The Commission issued delegated letter orders on February 11, 2016, accepting for filing the amendments to the Joint OATT and rate schedules to provide for DEC, DEP, and DEF's use of the consolidated method of accounting for ratemaking purposes.

Recommendations

We recommend Duke Companies:

13. Review and, as needed, revise accounting policies, practices, and procedures to ensure that investments in subsidiaries are accounted for consistent with the Commission's equity method accounting requirements.

14. Evaluate the accounting applied to Duke Companies' existing subsidiaries and notify DAA of any areas of noncompliance with Commission accounting requirements.

15. Revise documented policies, procedures and processes to ensure timely notice is provided to relevant regulators regarding instances of noncompliance with regulations, rules, and orders.

16. Provide training to staff on procedures, practices, and available tools to transparently or anonymously report instances of noncompliance to senior management, the Board of Directors, and relevant regulators.

5. Accounting for Sales of Accounts Receivable

DEC, DEP, and DEF misclassified an estimated $94.7 million of nonoperating expenses and receivables arising from transactions with their subsidiaries during the audit period. As a result, the wholesale power and transmission customers' revenue requirements were inappropriately overstated by an estimated $61 million.

Pertinent Guidance

18 C.F.R. Part 101, Account 930.2, Miscellaneous General Expenses, states in part:

> This account shall include the cost of labor and expenses incurred in connection with the general management of the utility not provided for elsewhere.

18 C.F.R. Part 101, Account 426.5, Other Deductions, states in part:

> This account shall include other miscellaneous expenses which are nonoperating in nature, but which are properly deductible before determining total income before interest charges.

The Commission addressed the appropriate accounting for the sale of accounts receivable in Opinion No. 375, which stated in part:

> From an accounting standpoint, we find that the record supports the staff and intervenors' position – which the initial decision adopted – that the loss on the sale of accounts receivable was erroneously recorded by SERI [System Energy Resources, Inc.] in Account 930.2. . ..[35]

Background

During audit fieldwork, audit staff analyzed data regarding transactions between DEC, DEP, and DEF and the companies' respective nonutility subsidiaries, DERF, DEPR, and DEFR, and interviewed employees responsible for accounting for the transactions. The transactions involved the companies' sales of accounts receivable to their subsidiaries. The receivables arose from billings on sales of electricity and related services by the companies. The companies sold the receivables to their subsidiaries at a loss (or discount), and accounted for the loss as an expense by debiting Account 930.2, Miscellaneous General Expenses, an account included in wholesale power and transmission service cost formula rate determinations, for the amount of the loss. DEC,

[35] *System Energy Resources, Inc.*, 60 FERC ¶ 61,131 (1992).

DEP, and DEF recognized total losses of $149.6 million, $35.1 million, and $23.5 million, respectively, from 2011 through 2014.

Audit staff also discovered that there were similar transactions involving sales of accounts receivable by DEI, DEO, and DEK to Cinergy Receivables, a Duke Energy subsidiary. However, through discussions with audit staff, Duke Energy represented that instead of recording losses on sold receivables in Account 930.2, DEI, DEO, and DEK accounted for the losses in Account 904, Uncollectible Accounts, an account not included in wholesale power or transmission service cost formula rate determinations.

DEC, DEP, and DEF performed collection services on behalf of their subsidiaries associated with the sold receivables whereby the companies collected bill payments from customers and remitted funds received to the subsidiaries. The companies charged the subsidiaries a fee for performing the collection service, which effectively resulted in a reimbursement of the collection service cost incurred by the companies. Expenses incurred by the companies associated with performing the collection service were accounted for by debiting the costs to Account 903, Customer Records and Collection Expenses. These expenses were also accounted for as a debit in Account 930.2 that Duke Energy represented was the fee billed to the subsidiaries for performing the collection service. As a result of this accounting, DEC, DEP, and DEF double-counted expenses in their respective Form No. 1 reports associated with collection services performed. Furthermore, the companies accounted for the reimbursements of their incurred collection service expenses that resulted from their billed subsidiaries by crediting Account 421, Miscellaneous Non-Operating Income.

Duke Companies' accounting for the loss on the sale of the receivables was not consistent with the Commission's accounting requirements and precedent. Under the Uniform System of Accounts (USofA), sales of accounts receivable constitute the disposition of utility assets. The USofA contemplates that in transactions of this nature, a company should recognize a gain or loss, measured by the difference between the net book value of the asset at the date of the sale and the proceeds from the sale, less related fees and expenses of the sale. Further, the USofA requires a company to record any gains or losses from the disposition of assets in nonoperating expense accounts, except with respect to the sale of future use property.[36] The instructions to Account 426.5, Other Deductions, provide for the recording of nonoperating expenses of this nature. Additionally, the Commission has previously addressed the matter of the appropriate

[36] With respect to future use property recorded in Account 105, Electric Plant Held for Future Use, the USofA requires a company to include a gain on a sale in Account 411.6, Gains from Disposition of Utility Plant, and a loss in Account 411.7, Losses from Disposition of Utility Plant.

accounting for sales of receivables in its Opinion No. 375, wherein it was determined that the loss on the sale of receivables should be accounted for in Account 426.5.[37]

In addition, DEC, DEP, and DEF's accounting for reimbursements of incurred collection service expenses was not consistent with the Commission's accounting requirements. The USofA contemplates that such reimbursements of collection service expenses incurred by DEC, DEP, and DEF on behalf of their respective subsidiaries be recorded as a reduction of the expenses. Accordingly, the companies should have accounted for the reimbursements through a credit entry to the collection service expenses recorded in Account 903.

Duke Energy represented that prior to 2014, DEC and DEP's accounting for the losses on the sales of receivables and collection service fees billed to the subsidiaries that were recorded in Account 930.2 had no impact on service rates charged to wholesale power and transmission formula rate customers due to accounting entries the companies made associated with consolidation method accounting that offset the items and neutralized the rate impact. Duke Energy indicated that the companies made the offsetting entries from the respective dates their subsidiaries were established and transactions initiated through 2013.[38] However, in 2014, DEC and DEP ceased their practice of using the consolidation method of accounting.[39] Cessation of consolidation method accounting led the companies to end their practice of recording the offsetting entries. Moreover, DEF established its subsidiary, DEFR, in 2014, and did not record any accounting entries to offset its losses on the sales and collection service fees billed to its subsidiary. As a result, rates charged by DEC, DEP, and DEF based on amounts reported in the companies' respective 2014 Form No.1 reports included the nonoperating losses and collection service fees that were misclassified in Account 930.2 and not offset by other entries. This led to DEC, DEP, and DEF inappropriately including the losses and fees of $38.1 million, $33.1 million, and $23.5 million, respectively, in rate determinations.

The companies' accounting mistakes led to an estimated $94.7 million of costs being inappropriately included in wholesale power and transmission formula rate service cost determinations during the audit period. Duke Energy estimated that this resulted in wholesale power and transmission customers' revenue requirements being inappropriately overstated by an estimated $61 million.

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[37] *System Energy Resources, Inc.*, 60 FERC ¶ 61,131 (1992).

[38] DEC's subsidiary, DERF, was established in 2003, and DEP's subsidiary, DEPR, was established in 2013.

[39] *See* Finding No. 4, Consolidation Method of Accounting.

On March 14, 2016, Duke Companies filed a request for rehearing of the Chief Accountant letter order in Docket No. AC15-174-000 challenging the order's decision regarding the appropriate accounting for losses on the sale of receivables, which is also addressed by this Audit Finding. In light of the current challenge to the Chief Accountant's order and uncertain outcome, as well as, the potential of a contested audit over the identical issue, in this instance the portions of this Audit Finding that relate to the losses issues, including Recommendations 17 and 18, shall be held in abeyance and shall be subject to the outcome of the rehearing request and any subsequent petitions for court review. Although the recommendations regarding the portion of this Audit Finding relating to the losses issues are held in abeyance and subject to the outcome of the rehearing request and any subsequent petitions for court review, the requirement to make refunds in accordance with Recommendation 21 below is not impacted by the rehearing request.

Recommendations

We recommend Duke Companies:

17. Revise procedures to ensure that all costs and account balances associated with the sale of accounts receivable are accounted for in accordance with Commission accounting regulations. Among other things, the corrected accounting should ensure that all losses associated with receivable sales are recorded in Account 426.5.

18. Provide the revised procedures to DAA for review within 60 days of receiving the final audit report.

19. Recalculate charges to wholesale power and transmission customers of DEC, DEP, and DEF and submit the recalculations in a refund analysis to DAA for review within 60 days of receiving the final audit report. The refund analysis should explain and detail the: (1) return of collection service billings charged in 2014; (2) return of losses on the sales included in rates; (3) determinative components of the refund; (4) refund method; (5) period(s) refunds will be made; and (6) interest calculated in accordance with section 35.19 of Commission regulations.

20. File a refund report with the Commission after receiving DAA's assessment of the refund analysis.

21. Refund amounts disclosed in the refund report to wholesale power and transmission customers, with interest calculated in accordance with section 35.19a of Commission regulations.

6. Accounting for Lobbying Expenses

Duke Companies recorded approximately $2.4 million of lobbying expenses in above-the-line operating accounts from 2011 to 2013. As a consequence, Duke Companies improperly included these costs in wholesale power and transmission formula rate service cost determinations.

Pertinent Guidance

18 C.F.R. Part 101, Account 426.4, Expenditures for Certain Civic, Political, and Related Activities, states in part:

> This account shall include expenditures for the purpose of influencing public opinion with respect to the election or appointment of public officials, referenda, legislation, or ordinances . . . or approval, modification, or revocation of franchises; or for the purpose of influencing the decisions of public officials. . . .

Background

Audit staff evaluated costs incurred by Duke Companies associated with civic, political, and related activities during the audit period. Audit staff reviewed third-party lobbying expenditure disclosures, press articles, internal lobbyist meeting schedules and agendas, and interviewed internal lobbyists and support staff to understand the nature and extent of the companies' lobbying activities. In addition, audit staff tested a sample of work orders, invoices, and associated accounting detail records that support internal lobbyists' labor costs incurred. Audit staff discovered that Duke Companies improperly recorded nearly $2.4 million in lobbying costs to above-the-line operating accounts rather than to Account 426.4, Expenditures for Certain Civic, Political, and Related Activities, as required.

Account 426.4 provides for reporting expenditures for the purpose of influencing public opinion, such as lobbying expenses. Audit staff found that Duke Companies recorded a portion of these costs associated with wages and salaries of internal lobbyist and support staff in Account 426.4 as required, but failed to properly charge other related costs to the account associated with the labor, such as payroll taxes, retirement, health, and other benefits. Audit staff also found that the companies incorrectly accounted for amounts paid to outside firms that lobby on behalf of the companies. Duke Companies improperly included these expenses in wholesale power and transmission formula rate determinations and recovered a portion of the costs through charges to customers.

Further, audit staff found that Duke Companies lacked formal procedures and oversight controls to help ensure that lobbying costs were accounted for appropriately.

The companies should implement procedures to reduce the risk that lobbying costs are inappropriately accounted for and included in jurisdictional rate determinations.

Recommendations

We recommend Duke Companies:

22. Establish and implement written procedures governing the methods used to account for, track, report, and review lobbying costs incurred.

23. Provide training on Commission accounting requirements and the impact of accounting on cost-of-service rate determinations to employees involved in lobbying and lobbying-related work, and those with oversight responsibility for lobbying cost allocations. Also, develop a training program that supports the provision of periodic training in this area.

24. Submit a refund analysis, within 60 days of receiving the final audit report, to DAA for review that explains and details the following: (1) calculation of refunds that include the amount of inappropriate recoveries that resulted from the improper inclusion of lobbying costs in operating accounts during the audit period, plus interest on the costs; (2) determinative components of the refund; (3) refund method; and (4) period(s) refunds will be made.

25. File a refund report with the Commission after receiving DAA's assessment of the refund analysis.

26. Refund amounts disclosed in the refund report to wholesale power and transmission customers, with interest calculated in accordance with section 35.19a of Commission regulations.

7. Allocation of Lobbyist Labor Costs

Duke Companies accounted for the labor costs of internal lobbyists and their support staff in operating accounts that lacked support for inclusion in the accounts. Improper accounting for the costs can lead to inappropriate recovery of the costs through rates charged and billed to customers.

Pertinent Guidance

18 C.F.R. Part 101, General Instruction No. 9, Distribution of Pay and Expenses of Employees, states:

> The charges to electric plant, operating expense and other accounts for services and expenses of employees engaged in activities chargeable to various accounts, such as construction, maintenance, and operations, shall be based upon the actual time engaged in the respective classes of work, or in case that method is impracticable, upon the basis of a study of the time actually engaged during a representative period.

18 C.F.R. Part 101, General Instruction No. 10, Payroll Distribution, states:

> Underlying accounting data shall be maintained so that the distribution of the cost of labor charged direct to the various accounts will be readily available. Such underlying data shall permit a reasonably accurate distribution to be made of the cost of labor charged initially to clearing accounts so that the total labor cost may be classified among construction, cost of removal, electric operating functions (steam generation, nuclear generation, hydraulic generation, transmission, distribution, etc.) and nonutility operations.

18 C.F.R. Part 101, Account 426.4, Expenditures for Certain Civic, Political, and Related Activities, states in part:

> This account shall include expenditures for the purpose of influencing public opinion with respect to the election or appointment of public officials, referenda, legislation, or ordinances . . . or approval, modification, or revocation of franchises; or for the purpose of influencing the decisions of public officials . . . .

Background

In connection with the evaluation of Duke Companies' expenditures for lobbying activities, audit staff discovered that the companies' allocation of the labor costs of internal lobbyists and their support staff was based in part on the amount of time that

state legislatures and Congress were in session. Duke Energy explained that these entities were in session on average 180 days a year, and that lobbying activities of its staff to influence legislation would typically be performed while the legislatures and Congress were in session. This resulted in the companies using a default allocator that charged 50 percent of lobbying costs above-the-line to operating accounts and 50 percent below-the-line to Account 426.4, Expenditures for Certain Civic, Political, and Related Activities.

Audit staff interviewed internal lobbyists and their support staff to understand their roles and job assignments, and reviewed lobbyists' schedules as documented in email, itineraries from industry conferences, and other materials. Duke Energy represented that the companies' internal lobbyist performed internal corporate functions such as (1) budgeting, (2) performance appraisals, (3) training, and (4) other activities. However, audit staff could not determine based on documentation provided, that the 50/50 labor allocation split between above- and below-the-line accounting for lobbying and related costs was accurate or reasonable. Moreover, audit staff discovered that the companies neither had a formal oversight review process to assess the accuracy of the labor allocations nor maintained documentation to support the allocations.

General Instructions No. 9, Distribution of Pay and Expenses of Employees, and No. 10, Payroll Distribution, require public utilities to charge lobbying-related labor to operations based on actual time engaged in utility operations or on a representative time study, and to maintain data supporting distribution of the labor to operating costs. Audit staff found that Duke Companies' charges of lobbying and support staff labor to operations were neither based on actual time engaged in utility operations nor derived from representative time studies, as required. The companies also did not maintain data supporting distribution of the costs to utility operations. Duke Companies' accounting for lobbying labor time charges was not consistent with Commission accounting requirements and could have resulted in the inclusion of inappropriate costs in operating accounts, and consequently, in charges to transmission service formula rate and wholesale requirements customers. This could have led to the overcharging of wholesale ratepayers.

Recommendations

We recommend Duke Companies:

27. Revise written policies and procedures to create a process to document and verify appropriate allocation of lobbying and lobbying-related costs, and maintain auditable support for the cost included in rate determinations.

28. Retain an independent third-party entity to conduct a representative labor time study to determine an appropriate allocation of internal lobbyist labor, support

staff, and associated costs that should be accounted for in operating and nonoperating accounts based on time spent by employees engaged in the activities. Provide the study results to audit staff within 180 days of receiving the final audit report.

29. Include the results of the labor time study in the determination of lobbying-related labor cost allocations as of January 1, 2016.

30. Implement policies and procedures to perform a labor time study at least biennially using an independent third-party or internal company resources that are able to attest to the results of the study. Revise the lobbying-related labor cost allocations based on the results of the study.

8. Nonutility Expenses in Operating Accounts

Duke Companies recorded approximately $490,000 of nonutility expenses in operating accounts in 2014. As a result, inappropriate costs were included in wholesale power and transmission formula rate service cost determinations and charged to customers.

Pertinent Guidance

Accounting Release 12, Discriminatory Employment Practices, states in part:

> Expenditures resulting from employment practices found to be discriminatory by a judicial or administrative decree or that were the result of a compromise settlement or consent decree are not just and reasonable cost of utility operations and as such must be charged to nonoperating expense accounts.

18 C.F.R Part 101, Account 426.1, Donations, states:

> This account shall include payments or donations for charitable, social, or community welfare purposes.

18 C.F.R. Part 101, Account 426.5, Other Deductions, states:

> This account shall include other miscellaneous expenses for which are non-operating in nature, but which are properly deductible before determining total income before interest charges.

Background

Audit staff reviewed a sample of expenses charged to administrative and general (A&G) accounts to determine whether the charges were accounted for in accordance with Commission accounting requirements. The sample included charges to Accounts 920, Administrative and General Salaries, 923, Outside Services Employed, and 926, Employee Pensions and Benefits, in 2012. Audit staff reviewed accounting records and documentation supporting amounts reported in the accounts, such as invoices, work orders, and billings. Audit staff also interviewed Duke Companies' employees with responsibility for documenting and accounting for costs reported in the accounts.

Audit staff's review found that Duke Companies accounted for $100,000 of expenditures resulting from employment practices found to be discriminatory as operating expenses. However, in accordance with the requirements of Accounting Release 12, Discriminatory Employment Practices, expenses of this nature should be

accounted for as nonoperating expenses. Of the $100,000, audit staff found that $40,000 was improperly recorded to Account 923 and inappropriately included in transmission formula rate determinations. The remaining $60,000 was incorrectly accounted for in production and distribution operating accounts, including Accounts 519, Coolants and Water, 524, Miscellaneous Nuclear Power Expenses, and 583, Overhead Line Expenses. The costs should have been charged to Account 426.5, Other Deductions, consistent with the instructions of the account. Account 426.5 provides for recording expenses that are nonoperating in nature, and are properly deductible before determining total income before interest charges.

Further, audit staff also found that Duke Companies improperly charged about $39,000 in costs related to donations and charitable contributions to above-the-line operating accounts rather than Account 426.1, Donations, as required. Account 426.1 provides for reporting payments or donations for charitable, social, or community welfare purposes. The sampled invoices that audit staff reviewed included expenditures for charity-related activities that were improperly charged to operating accounts.

Because audit staff's review involved a select, small sample of transactions out of a larger population of transactions that involved expenses charged to Accounts 920, 923, and 926, audit staff believes that review of a larger number of transactions charged to these accounts may have revealed additional accounting errors that could have resulted in inappropriate charges to wholesale power and transmission formula rate customers. Duke Companies represented that they performed an analysis of all charges to the 900 series expense accounts for April 2014 through December 2014, and estimated that they incorrectly accounted for approximately $490,000 of costs in the accounts in 2014. These errors are the result of Duke Companies' lack of documented policies and insufficient training of employees on Commission requirements pertaining to accounting for nonoperating expenses. Employees with responsibility for recording expenses of this nature should have knowledge of the importance of appropriate accounting and the impact of improper accounting on rates charged through transmission formula rates.

Recommendations

We recommend Duke Companies:

31. Develop and implement written policies, procedures, and controls to ensure proper accounting and reporting of nonutility expenses.

32. Provide training for employees involved in the invoicing process on Commission accounting requirements and the impact of the accounting on cost-of-service rate determinations.

33. Within 60 days of receiving the final audit report, provide documentation supporting the analysis performed of invoiced expenses recorded to A&G accounts in 2014 that identified misclassified nonutility expenses included in A&G accounts. Develop an estimate of misclassified nonutility expenses accounted for in operating accounts in 2011 through 2013 and 2015.

34. Implement policies and procedures to provide periodic audits or reviews of A&G transactions by external or internal auditors.

35. Submit a refund analysis, within 60 days of receiving the final audit report, for review to DAA that explains and details the following: (1) calculation of refunds that include the amount of inappropriate recoveries that resulted from the improper inclusion of identified and estimated nonutility expenses in charges to wholesale power and transmission customers during the audit period, plus interest on the costs; (2) determinative components of the refund; (3) refund method; and (4) period(s) refunds will be made. Include the results of the invoice analysis in the refund analysis.

36. File a refund report with the Commission after receiving DAA's assessment of the refund analysis.

37. Refund amounts disclosed in the refund report to wholesale power and transmission customers, with interest calculated in accordance with section 35.19a of Commission regulations.

Appendix: Duke Energy's Comments on Audit Report

DUKE ENERGY.

Brian D. Savoy
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March 30, 2016

Mr. Bryan K. Craig
Director and Chief Accountant
Division of Audits and Accounting
Office of Enforcement
Federal Energy Regulatory Commission
888 First Street NE, Room 5K-13
Washington, DC 20426

RE: Office of Enforcement
Docket No. PA14-2-000
Duke Energy Corporation

Dear Mr. Craig:

On February 19, 2016, the Division of Audits and Accounting ("DAA") within the Office of Enforcement of the Federal Energy Regulatory Commission (the "Commission") issued a draft audit report setting forth the DAA's findings and recommendations resulting from the audit of Duke Energy Corporation ("Duke Energy") and its public utility subsidiaries' compliance with (1) conditions in Commission merger authorization orders, (2) transmission formula rate tariff requirements, and (3) accounting and financial reporting regulations. After several constructive discussions between DAA staff and Duke Energy, the draft audit report was revised several times. DAA staff sent the latest revision to Duke Energy dated March 29, 2016. Duke Energy is responding to the March 29 revision.

SUMMARY

In the draft audit report as revised, the DAA made eight findings and 37 associated recommendations. In sum, Duke Energy accepts five of the eight findings and all associated recommendations. Duke Energy respectfully disagrees with, but will not contest, two of the eight findings (findings 2 and 3) and agrees to comply with all associated recommendations. Duke Energy disagrees with a portion of, but will not contest under 18 CFR Part 41, one of the eight findings (finding 5) and all recommendations as they apply to the portion with which it disagrees, and accepts in part finding 5 and all recommendations as they apply to the accepted portion.

RESPONSE TO FINDINGS

In accordance with the procedures set forth in 18 C.F.R. 41.1, Duke Energy responds to each of the findings as follows:

- **Finding 1.** *Accounting for Merger Transaction Costs* – Duke Companies did not file merger transaction accounting entries with the Commission as required by the Merger Order, and the companies recorded merger transaction costs in operating accounts, contrary to the Commission's long-standing policy that such costs be recorded in nonoperating accounts. By not filing the accounting entries, Duke Companies prevented Commission review of the merger accounting and correction of any entries that were not in accordance with Commission accounting requirements.

Response: Duke Energy accepts this finding.

- **Finding 2.** *Merger Transaction Internal Labor Costs* – Duke Companies improperly included approximately $31.4 million of merger transaction internal labor costs in wholesale power and transmission formula rate service cost determinations without first submitting a section 205 filing demonstrating that the costs were offset by quantified savings produced by the merger. As a result, the wholesale power and transmission customers' revenue requirements were inappropriately overstated an estimated $17.5 million.

Response: Duke Energy respectfully disagrees with this finding, but will not contest it. For the purpose of establishing a complete record, Duke Energy explains its position as follows.

Duke Energy acknowledges its obligation to hold transmission and wholesale power customers harmless for five years from costs related to the merger of Duke Energy and Progress Energy, Inc. (the "Merger").

Between the time of the Commission's Merger Order issued on September 30, 2011 and the closing of the Merger on July 2, 2012, Duke Energy determined that its hold harmless commitment is intended to apply to costs caused by the Merger ("Incremental Costs") and not to costs that would have been incurred even in the absence of the Merger ("Non-Incremental Costs"). No Commission orders squarely addressed this issue, and it seemed to be inherent in the nature of a *hold harmless* commitment that it would protect customers only from costs that they would not have incurred otherwise.

On the basis of this logic, Duke Energy did not treat as transaction-related costs any portion of the regular compensation that employees would have received in the absence of the Merger even if the employees spent some of their time working on transaction-related activities. The company would have paid those same salaries to the employees with or without the Merger. Thus the

regular compensation of employees was viewed as Non-Incremental Costs. On the other hand, Duke Energy did treat as transaction-related costs any compensation paid to employees that would *not* have been incurred but for the Merger. For example, this included any bonuses paid to employees in recognition of the extended hours many employees worked to fulfill their regular duties and to work on merger activities. It also included temporary employees and contractors hired to backfill for work that could not be absorbed in this manner. These costs were viewed as Incremental Costs and accordingly were excluded from FERC-jurisdictional rates.

Treatment of internal labor costs in the context of a hold harmless obligation was certainly not a settled issue in early 2012 or even today. This uncertainty was reflected in the Commission's notice of proposed *Policy Statement on Hold Harmless Commitments* issued January 22, 2015 in Docket No. PL15-3. In this notice of proposed policy statement issued two and a half years after the closing of the Merger, the Commission states as follows:

> "...we propose to clarify those costs to which hold harmless commitments will apply. Although the Commission has provided broad guidance regarding the costs that should be covered under hold harmless commitments, it has never defined those costs with much specificity, leading to inconsistency with respect to this issue."[1]

The Commission proposed to clarify that internal labor costs should be treated as transaction-related costs and stated as follows:

> "If the duties of employees are not solely dedicated to activities related to a transaction, internal labor costs deemed merger-related should be determined in a manner that is proportionally equal to the amount of time spent on the merger compared to other activities of the utility and tracked accordingly."[2]

While this *proposal* is clear on this issue, it is worth repeating that it was issued two and a half years after the Merger closed. It is also important to note that it is just a proposal at this time because the final policy statement has not been issued. In addition, some commenters specifically disagreed with this point.[3] Finally, the Commission stated in the notice of proposed policy statement that it would have prospective effect only.[4]

Notwithstanding Duke Energy's belief that its failure to exclude from rates Non-Incremental internal labor costs was not a violation of any settled policy and in fact was based on the most reasonable interpretation of its hold harmless commitment, Duke Energy will not expend the resources necessary to contest this issue and will comply with all associated recommendations in the audit report. Duke Energy reserves all rights in the event that the Commission issues an order

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[1] Paragraph 16 of the notice of proposed policy statement.
[2] Footnote 41 of the notice of proposed policy statement.
[3] See the comments of Edison Electric Institute filed on March 30, 2015 at p. 15-16.
[4] Paragraph 20 of the notice of proposed policy statement.

in the proposed policy statement proceeding or any other proceeding that is not consistent with Finding 2.
Duke Energy estimates that the total refunds that will be due to transmission and wholesale power customers arising from this finding will be approximately $1.2 million plus interest.

- **Finding 3.** *Merger Transaction Outside Services and Related Costs* – Duke Companies incorrectly included $1.5 million of merger transaction outside services and related costs in wholesale power and transmission formula rate service cost determinations without first submitting a section 205 filing demonstrating the costs were offset by quantified savings produced by the merger. In addition, the companies recorded the merger transaction costs in operating accounts, contrary to the Commission's long-standing policy that such costs be recorded in nonoperating accounts. As a result, the wholesale power and transmission customers' revenue requirements were inappropriately overstated an estimated $745,000.

Response: Duke Energy respectfully disagrees with this finding, but will not contest it. For the purpose of establishing a complete record, Duke Energy explains its position as follows.

The costs which are the subject of this finding are costs incurred in 2010 to investigate, agree to, and perform preliminary due diligence regarding, the Merger prior to the announcement of the Merger. Duke Energy made the determination that its hold harmless commitment was not intended to include such costs incurred during the formative stage of a potential transaction before it was clear that the company would even pursue the transaction. Like most utility holding companies, Duke Energy has a corporate development group that regularly investigates and reviews potential transactions as part of its routine operations. Only a very small percentage of potential transactions reviewed are ever consummated. In order to comply with a hold harmless commitment as interpreted in this Finding 3 for a transaction that is eventually consummated, the company would have to track all its costs for each and every potential transaction it reviews even though the vast majority will never be consummated. This would be unwieldy and wasteful. Because these potential transactions often will benefit customers, discouraging investigation of them is not in the best interests of customers.

Treatment of such investigation costs incurred prior to the announcement of a transaction in the context of a hold harmless obligation was certainly not a settled issue in early 2012 or even today. This uncertainty was reflected in the Commission's notice of proposed *Policy Statement on Hold Harmless Commitments* discussed in Duke Energy's response to Finding 2 above.

In the notice of proposed policy statement, the Commission proposed to clarify that such investigation costs would be subject to the hold harmless commitment.[5]

[5] Paragraph 22 of the notice of proposed policy statement.

As in Duke Energy's response to Finding 2 above, we will point out again that the notice of proposed policy statement was issued two and a half years after the Merger closed, and is just a proposal at this time because the final policy statement has not been issued. In addition, some commenters specifically disagreed with this point.[6]

Notwithstanding Duke Energy's belief that its failure to exclude pre-announcement costs that are the subject of Finding 3 was not a violation of any settled policy, Duke Energy will not expend the resources necessary to contest this issue and will comply with all associated recommendations in the audit report.

Duke Energy estimates that the total refunds that will be due to transmission and wholesale power customers arising from this finding will be approximately $60,000 plus interest.

- **Finding 4.** *Use of the Consolidation Method of Accounting* – DEC and DEP accounted for investments in subsidiaries on a consolidated basis in their FERC Form No. 1, Annual Reports (Form No. 1), contrary to the Commission's long-standing accounting policy.

Response: Duke Energy accepts this finding.

- **Finding 5.** *Accounting for Sales of Accounts Receivable* – DEC, DEP, and DEF misclassified an estimated $94.7 million of nonoperating expenses and receivables arising from transactions with their subsidiaries during the audit period. As a result, the wholesale power and transmission customers' revenue requirements were inappropriately overstated by an estimated $61 million.

Response: Duke Energy disagrees with the portion of this finding that concerns accounting for losses on the sale of receivables. However, Duke Energy will not contest this finding under 18 CFR Part 41 because the portion of this finding that relates to accounting for losses on the sale of receivables, including recommendations 17 and 18, will be held in abeyance and will be subject to the outcome of Duke Energy's request for rehearing in Docket No. AC15-174-001 pursuant to the draft audit report.

- **Finding 6.** *Accounting for Lobbying Expenses:* Duke Companies recorded approximately $2.4 million of lobbying expenses in above-the-line operating accounts from 2011 through 2013. As a consequence, Duke Companies improperly included these costs in wholesale power and transmission formula rate service cost determinations.

Response: Duke Energy accepts this finding.

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[6] See the comments of Edison Electric Institute filed March 30, 2015 at p. 14-15.

- **Finding 7.** *Allocation of Lobbyist Labor Costs:* Duke Companies accounted for the labor costs of internal lobbyists and their support staff in operating accounts that lacked support for inclusion in the accounts. Improper accounting for the costs can lead to inappropriate recovery of the costs through rates charged and billed to customers.

Response: Duke Energy accepts this finding.

- **Finding 8.** *Nonutility Expenses in Operating Accounts:* Duke Companies recorded approximately $490,000 of nonutility expenses in operating accounts in 2014. As a result, inappropriate costs were included in wholesale power and transmission formula rate service cost determinations and charged to customers.

Response: Duke Energy accepts this finding.

RESPONSE TO RECOMMENDATIONS

Duke Energy will comply with all recommendations except as otherwise stated below. As requested, Duke Energy proposes target completion dates below for each recommendation wherever the recommendation does not specify the completion date.

Accounting for Merger Transaction Costs

1. Revise accounting policies and procedures to appropriately account for merger transactions consistent with Commission accounting requirements.

Target Completion Date: September 30, 2016

2. Develop written policies and procedures to timely identify proposed accounting transactions that would trigger a notification to the Commission.

Target Completion Date: September 30, 2016

3. Develop written policies and procedures to submit accounting questions of doubtful interpretation to the Commission.

Target Completion Date: September 30, 2016

4. Provide training to employees on compliance with the merger cost accounting conditions and the revised policies, procedures, and controls for complying with the conditions. Also, develop a training program that supports the provision of periodic training in this area.

Target Completion Date: December 31, 2016

Merger Transaction Internal Labor Costs

If the Commission issues a policy statement on hold harmless commitments and such policy statement is inconsistent with Finding 2 or Finding 3, then Duke Energy reserves the right to seek relief from compliance with any of recommendations 5 – 12 as appropriate.

5. Revise all policies and procedures for tracking, accounting, and excluding merger transaction costs from wholesale power and transmission formula rates, including amounts previously charged to utility plant, accumulated deferred income taxes, construction work in progress with the associated capitalized cost of funds used during construction (AFUDC), and maintenance and operating expense accounts, and future charges to such accounts for any transaction to which a FERC hold harmless obligation applies. The revised procedures should hold customers harmless from all merger transaction costs consistent with requirements of the Merger Order. Among other things, the revised policies and procedures should include an annual review of each subsidiary's merger transaction cost adjustments as well as periodic evaluations within the year, as needed and appropriate.

Target Completion Date: September 30, 2016

6. Submit a refund analysis, within 60 days of receiving the final audit report, to DAA for review that explains and details the following: (1) calculation of refunds that include the amount of inappropriate recoveries that resulted from the inclusion of merger transaction internal labor and related costs in wholesale power and transmission formula rates during the audit period, plus interest on the costs; (2) determinative components of the refund; (3) refund method; and (4) period(s) refunds will be made.

7. File a refund report with the Commission after receiving DAA's assessment of the refund analysis.

Target Completion Date: 45 days after receiving DAA's assessment of the refund analysis

8. Refund amounts disclosed in the refund report to wholesale power and transmission customers, with interest calculated in accordance with section 35.19a of Commission regulations.

Target Completion Date: 45 days after receiving DAA's assessment of the refund analysis

Merger Transaction Outside Services and Related Costs

9. Revise accounting policies and procedures to appropriately account for merger transaction costs consistent with Commission accounting requirements.

Target Completion Date: September 30, 2016

10. Submit a refund analysis, within 60 days of receiving the final audit report, to DAA for review that explains and details the following: (1) calculation of refunds that include the amount of inappropriate recoveries that resulted from the inclusion of merger transaction outside services and related costs in wholesale power and transmission formula rate charges during the audit period, plus interest on the costs; (2) determinative components of the refund; (3) refund method; and (4) period(s) refunds will be made.

11. File a refund report with the Commission after receiving DAA's assessment of the refund analysis.

Target Completion Date: 45 days after receiving DAA's assessment of the refund analysis

12. Refund amounts disclosed in the refund report to wholesale power and transmission customers, with interest calculated in accordance with section 35.19a of Commission regulations.

Target Completion Date: 45 days after receiving DAA's assessment of the refund analysis

Use of the Consolidation Method of Accounting

13. Review and, as needed, revise accounting policies, practices, and procedures to ensure that investments in subsidiaries are accounted for consistent with the Commission's equity method accounting requirements.

Response and Target Completion Date: Duke Energy will comply with this recommendation, but notes that the Commission has granted to DEC, DEP, and DEF a waiver from the requirement to use the equity method as discussed above. Target Completion date is 60 days after receiving the final audit report.

14. Evaluate the accounting applied to Duke Companies' existing subsidiaries and notify DAA of any areas of noncompliance with Commission accounting requirements.

Target Completion Date: 60 days after receiving the final audit report.

15. Revise documented policies, procedures and processes to ensure timely notice is provided to relevant regulators regarding instances of noncompliance with regulations, rules, and orders.

Target Completion Date: September 30, 2016

16. Provide training to staff on procedures, practices, and available tools to transparently or anonymously report instances of noncompliance to senior management, the Board of Directors, and relevant regulators.

Target Completion Date: December 31, 2016

Accounting for Sales of Accounts Receivable

17. Revise procedures to ensure that all costs, revenues, and account balances associated with the sale of accounts receivable are accounted for in accordance with Commission accounting regulations. Among other things, the corrected accounting should ensure that all discounts, fees, and revenues associated with receivable sales are recorded in Account 426.5, and that the cost of performing collection services on behalf of the subsidiaries, including employee labor, expenses, and an appropriate allocation of overhead and utility plant, are recorded in Account 426.5.

Response and Target Completion Date: In accordance with the draft audit report, the portions of this recommendation that relate to accounting for losses on the sale of receivables are held in abeyance and subject to the outcome of the rehearing request and any subsequent petitions for review proceedings. The target completion date for portions that do *not* relate to accounting for losses on the sale of receivables is 60 days after receiving the final audit report.

18. Provide the revised procedures to DAA for review within 60 days of receiving the final audit report.

Response and Target Completion Date: In accordance with the audit report, the portions of this recommendation that relate to accounting for losses on the sale of receivables are held in abeyance and subject to the outcome of the rehearing request and any subsequent petitions for review proceedings.

19. Recalculate charges to wholesale power and transmission customers of DEC, DEP, and DEF and submit the recalculations in a refund analysis to DAA for review within 60 days of receiving the final audit report. The refund analysis should explain and detail the: (1) return of collection service billings charged in 2014; (2) return of losses on the sales included in rates; (3) determinative components of the refund; (4) refund method; (5) period(s) refunds will be made; and (6) interest calculated in accordance with section 35.19 of Commission regulations.

20. File a refund report with the Commission after receiving DAA's assessment of the refund analysis.

Target Completion Date: 45 days after receiving DAA's assessment of the refund analysis

21. Refund amounts disclosed in the refund report to wholesale power and transmission customers, with interest calculated in accordance with section 35.19a of Commission regulations.

Target Completion Date: 45 days after receiving DAA's assessment of the refund analysis

Accounting for Lobbying Expenses

22. Establish and implement written procedures governing the methods used to account for, track, report, and review lobbying costs incurred.

Response: Duke Energy has completed this action. Duke Energy will update its procedures upon completion of the labor time study referenced in recommendation 28.

23. Provide training on Commission accounting requirements and the impact of accounting on cost-of-service rate determinations to employees involved in lobbying and lobbying-related work, and those with oversight responsibility for lobbying cost allocations. Also, develop a training program that supports the provision of periodic training in this area.

Response: Duke Energy has completed this action. Duke Energy will update its procedures upon completion of the labor time study referenced in recommendation 28.

24. Submit a refund analysis, within 60 days of receiving the final audit report, to DAA for review that explains and details the following: (1) calculation of refunds that include the amount of inappropriate recoveries that resulted from the improper inclusion of lobbying cost in operating accounts during the audit period, plus interest on the costs; (2) determinative components of the refund; (3) refund method; and (4) period(s) refunds will be made.

25. File a refund report with the Commission after receiving DAA's assessment of the refund analysis.

Target Completion Date: 45 days after receiving DAA's assessment of the refund analysis

26. Refund amounts disclosed in the refund report to wholesale power and transmission customers, with interest calculated in accordance with section 35.19a of Commission regulations.

Target Completion Date: 45 days after receiving DAA's assessment of the refund analysis

Allocation of Lobbyist Labor Costs

27. Revise written policies and procedures to create a process to document and verify appropriate allocation of lobbying and lobbying-related costs, and maintain auditable support for the cost included in rate determinations.

Response: Duke Energy has completed this action. Duke Energy will update its procedures upon completion of the labor time study referenced in recommendation 28.

28. Retain an independent third-party entity to conduct a representative labor time study to determine an appropriate allocation of internal lobbyist labor, support staff, and associated costs that should be accounted for in operating and nonoperating accounts based on time spent by employees engaged in the activities. Provide the study results to audit staff within 180 days of the date of the final audit report.

29. Include the results of the labor time study in the determination of lobbying-related labor cost allocations as of January 1, 2016.

Target Completion Date: 180 days after the date of the final audit report

30. Implement policies and procedures to perform a labor time study biennially using an independent third-party or internal company resources that are able to attest to the results of the study. Revise the lobbying-related labor cost allocations based on the results of the study.

Target Completion Date: 180 days after the date of the final audit report

Nonutility Expenses in Operating Accounts

31. Develop and implement written policies, procedures, and controls to ensure proper accounting and reporting of nonutility expenses.

Response: Duke Energy has completed this action.

32. Provide training for employees involved in the invoicing process on Commission accounting requirements and the impact of the accounting on cost-of-service rate determinations.

Response: Duke Energy has completed this action.

33. Within 60 days of receiving the final audit report, provide documentation supporting the analysis performed of invoiced expenses recorded to administrative and general (A&G) accounts in 2014 that identified misclassified nonutility expenses included in A&G accounts. Develop an estimate of misclassified nonutility expenses accounted for in operating accounts in 2011 through 2013 and 2015.

34. Implement policies and procedures to provide periodic audits or reviews of A&G transactions by external or internal auditors.

Target Completion Date: 60 days after the date of the final audit report

35. Submit a refund analysis, within 60 days of receiving the final audit report, to DAA for review that explains and details the following: (1) calculation of refunds that include the amount of inappropriate recoveries that resulted from the improper inclusion of identified and estimated nonutility expenses in charges to wholesale power and transmission customers during the audit period, plus interest on the costs; (2) determinative components of the refund; (3) refund method; and (4) period(s) refunds will be made. Include the results of the invoice analysis in the refund analysis.

36. File a refund report with the Commission after receiving DAA's assessment of the refund analysis.

Target Completion Date: 45 days after receiving DAA's assessment of the refund analysis

37. Refund amounts disclosed in the refund report to wholesale power and transmission customers, with interest calculated in accordance with section 35.19a of Commission regulations.

Target Completion Date: 45 days after receiving DAA's assessment of the refund analysis

Duke Energy acknowledges and appreciates the professionalism and the courtesy with which DAA staff conducted this audit.

Sincerely,

Brian D Savoy by Paul Kinsey

Brian D. Savoy
Senior Vice President, Chief Accounting Officer and Controller

DUKE ENERGY OHIO, INC.
Case No. 17-32-EL-AIR
Supplemental Information (C)(2)

Prospectuses of current stock and/or bond offering of the applicant, and/or of parent company if applicant is a wholly owned subsidiary. In the event there are no current offerings, then provide the most recent offerings.

Response: See Attached.

Sponsoring Witness: John L. Sullivan III

PROSPECTUS SUPPLEMENT
(To Prospectus dated September 30, 2013)

$250,000,000 First Mortgage Bonds, 3.70% Series, Due June 15, 2046

Duke Energy Ohio, Inc. is offering $250 million aggregate principal amount of First Mortgage Bonds, 3.70% Series, Due June 15, 2046 (the "Mortgage Bonds"). The per annum interest rate on the Mortgage Bonds will be 3.70%.

We will pay interest on the Mortgage Bonds semi-annually in arrears on June 15 and December 15 of each year, beginning on December 15, 2016. The Mortgage Bonds will mature as to principal on June 15, 2046. The Mortgage Bonds will be secured by a first mortgage lien, subject only to permitted liens, on substantially all of our tangible electric transmission and distribution utility property located in Ohio, together with our recorded easements and rights of way, franchises, licenses, permits, grants, immunities, privileges and rights that are used or useful in the operation of such property, other than Excepted Property (as defined in the accompanying prospectus).

We may redeem the Mortgage Bonds at our option at any time and from time to time, in whole or in part, at the applicable redemption price, as described in this prospectus supplement under the caption "Description of the Mortgage Bonds—Optional Redemption." There will not be any sinking fund for the Mortgage Bonds.

The Mortgage Bonds are a new issue of securities with no established trading market. We do not intend to list the Mortgage Bonds on any securities exchange or include them in any automated quotation system. Please read the information provided under the caption "Description of the Mortgage Bonds" in this prospectus supplement and "Description of the First Mortgage Bonds" in the accompanying prospectus for a more detailed description of the Mortgage Bonds.

Investing in the Mortgage Bonds involves risks. See "Risk Factors" on page S-5 of this prospectus supplement.

	Price to Public(1)	Underwriting Discount(2)	Proceeds to Duke Energy Ohio, Inc. Before Expenses
Per Mortgage Bond	99.301%	0.875%	98.426%
Total Mortgage Bonds	$248,252,500	$2,187,500	$246,065,000

(1) Plus accrued interest from June 23, 2016, if settlement occurs after that date.

(2) The underwriters have agreed to reimburse us for a portion of our expenses incurred in connection with the offering. See "Underwriting."

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

We expect the Mortgage Bonds to be ready for delivery only in book-entry form through the facilities of The Depository Trust Company for the accounts of its participants, including Clearstream Banking, *société anonyme*, Luxembourg and Euroclear Bank S.A./N.V., on or about June 23, 2016.

Joint Book-Running Managers

Citigroup	**Lebenthal Capital Markets**	**Loop Capital Markets**	**Mischler Financial Group, Inc.**	**Ramirez & Co., Inc.**	**The Williams Capital Group, L.P.**

The date of this prospectus supplement is June 20, 2016.

You should rely only on the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus and any free writing prospectus authorized by us. We have not, and the underwriters have not, authorized anyone to provide you with information that is different. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus or any free writing prospectus authorized by us is accurate as of any date other than the date of the document containing the information or such other date as may be specified therein. Our business, financial condition, liquidity, results of operations and prospects may have changed since those respective dates.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering. The second part, the accompanying prospectus, gives more general information, some of which does not apply to this offering.

If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information contained in or incorporated by reference in this prospectus supplement.

It is important for you to read and consider all information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus in making your investment decision. You should also read and consider the information contained in the documents to which we have referred you in "Where You Can Find More Information" in this prospectus supplement and the accompanying prospectus.

Unless we have indicated otherwise, or the context otherwise requires, references in this prospectus supplement and the accompanying prospectus to "Duke Energy Ohio," "the Company," "we," "us" and "our" or similar terms are to Duke Energy Ohio, Inc.

PROSPECTUS SUPPLEMENT SUMMARY

The following summary is qualified in its entirety by, and should be read together with, the more detailed information that is included elsewhere in this prospectus supplement and the accompanying prospectus, as well as the information that is incorporated or deemed to be incorporated by reference in this prospectus supplement and the accompanying prospectus. See "Where You Can Find More Information" in this prospectus supplement for information about how you can obtain the information that is incorporated or deemed to be incorporated by reference in this prospectus supplement and the accompanying prospectus. Investing in the Mortgage Bonds involves risks. See "Risk Factors" in this prospectus supplement.

Duke Energy Ohio, Inc.

Duke Energy Ohio, Inc. is an Ohio corporation and is an indirect wholly-owned subsidiary of Duke Energy Corporation ("Duke Energy"). Duke Energy Ohio is a regulated public utility primarily engaged in the transmission and distribution of electricity in portions of Ohio and Kentucky, in the generation and sale of electricity in portions of Kentucky, and the transportation and sale of natural gas in portions of Ohio and Kentucky. Duke Energy Ohio also conducts competitive auctions for retail electricity supply in Ohio whereby recovery of the energy price is from retail customers. Operations in Kentucky are conducted through our wholly owned subsidiary, Duke Energy Kentucky, Inc. ("Duke Energy Kentucky"). As of December 31, 2015, Duke Energy Ohio's service area covers approximately 3,000 square miles and supplies electric service to approximately 840,000 residential, commercial and industrial customers and provides transmission and distribution services for natural gas to approximately 525,000 customers. As of December 31, 2015, our asset portfolio included approximately 1,062 megawatts of owned generation capacity, 19,600 miles of distribution lines and 2,400 miles of transmission lines.

Our principal executive offices are located at 139 East Fourth Street, Cincinnati, Ohio 45202. Our telephone number is (704) 382-3853.

The foregoing information about Duke Energy Ohio is only a general summary and is not intended to be comprehensive. For additional information about Duke Energy Ohio, you should refer to the information described under the caption "Where You Can Find More Information" in this prospectus supplement.

The Offering

Issuer	Duke Energy Ohio, Inc.
Securities Offered	We are offering $250 million aggregate principal amount of Mortgage Bonds.
Maturity	The Mortgage Bonds will mature on June 15, 2046.
Interest Rate	The per annum interest rate on the Mortgage Bonds will be 3.70%.
Interest Payment Dates	Interest on the Mortgage Bonds will be payable semi-annually in arrears on June 15 and December 15 of each year, beginning on December 15, 2016.
Ranking	The Mortgage Bonds will rank *pari passu* with all Securities (as defined herein) now or subsequently issued and outstanding under the Mortgage (as defined herein).
Further Issuance	Subject to limits contained in our Mortgage that are described in the accompanying prospectus, we may from time to time, without the consent of existing holders of Mortgage Bonds, create and issue additional series of bonds under the Mortgage. Additionally, we may reopen any series of mortgage bonds issued under the Mortgage and issue additional mortgage bonds of such series (including the Mortgage Bonds), provided that any such additional mortgage bonds are fungible with the then outstanding mortgage bonds of such series for U.S. federal income tax purposes.
Collateral	The Mortgage Bonds will be secured by a first mortgage lien, subject only to permitted liens, on substantially all of our tangible electric transmission and distribution utility property located in Ohio, together with our recorded easements and rights of way, franchises, licenses, permits, grants, immunities, privileges and rights that are used or useful in the operation of such property, other than Excepted Property (as defined in the accompanying prospectus).

Optional Redemption	At any time before December 15, 2045 (which is the date that is six months prior to maturity of the Mortgage Bonds (the "Par Call Date")), the Mortgage Bonds will be redeemable in whole or in part, at our option at any time, at a redemption price equal to the greater of (i) 100% of the principal amount of the Mortgage Bonds being redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the Mortgage Bonds being redeemed that would be due if the Mortgage Bonds matured on the Par Call Date (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined herein) plus 20 basis points, plus, in each case, accrued and unpaid interest on the principal amount of the Mortgage Bonds being redeemed to, but excluding, the date of redemption. At any time on or after the Par Call Date, the Mortgage Bonds will be redeemable in whole or in part, at our option at any time, at a redemption price equal to 100% of the principal amount of the Mortgage Bonds being redeemed plus accrued and unpaid interest on the principal amount of the Mortgage Bonds being redeemed to, but excluding, the date of redemption.
No Sinking Fund	There will not be any sinking fund for the Mortgage Bonds.
Use of Proceeds	The net proceeds from the sale of the Mortgage Bonds, after deducting the underwriting discount and related offering expenses and giving effect to the underwriters' reimbursement to us, will be approximately $246 million. The net proceeds from the sale of the Mortgage Bonds will be used to fund capital expenditures for ongoing construction, capital maintenance and for general corporate purposes.
Book-Entry	The Mortgage Bonds will be represented by one or more global securities registered in the name of and deposited with or on behalf of The Depository Trust Company ("DTC") or its nominee. Beneficial interests in the Mortgage Bonds will be represented through book-entry accounts at financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Investors may elect to hold interests in the global securities through either DTC in the United States or Clearstream, Luxembourg or Euroclear in Europe if they are participants in those systems, or indirectly through organizations that are participants in those systems. This means that you will not receive a certificate for your Mortgage Bonds and Mortgage Bonds will not be registered in your name except under certain limited circumstances described under the caption "Book-Entry System—Certificated Mortgage Bonds."
Trustee	The Bank of New York Mellon Trust Company, N.A.

RISK FACTORS

You should carefully consider the risk factors in our Annual Report on Form 10-K for the year ended December 31, 2015, which has been filed with the Securities and Exchange Commission (the "SEC") and is incorporated by reference in this prospectus supplement and the accompanying prospectus, as well as all of the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus, before making an investment decision.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This prospectus supplement, the accompanying prospectus and the information incorporated by reference herein and therein, include "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. 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 and federal legislative and regulatory initiatives, including costs of compliance with existing and future environmental requirements or climate change, as well as rulings that affect cost and investment recovery or have an impact on rate structures or market prices;
- The extent and timing of 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 the regulatory process;
- The risk that our credit rating may be different from what we expect;
- Costs and effects of legal and administrative proceedings, settlements, investigations and claims;
- Industrial, commercial and residential growth or decline in our service territories or customer bases resulting from variations in customer usage patterns, including energy efficiency efforts and use of alternative energy sources, including 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 rooftop solar and battery storage, in Duke Energy Ohio 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 markets and continued industry consolidation;
- The influence of weather and other natural phenomena on our operations, including the economic, operational and other effects of severe storms, hurricanes, droughts, earthquakes and tornadoes;

- The ability to successfully operate electric generating facilities and deliver electricity to customers including direct or indirect effects to Duke Energy Ohio resulting from an incident that affects the U.S. electric grid or generating resources;
- The impact on our facilities and business from a terrorist attack, cybersecurity threats, data security breaches, and other catastrophic events such as fires, explosions, pandemic health events or other similar occurrences;
- The timing and extent of changes in commodity prices, interest rates and foreign currency exchange rates and the ability to recover such costs through the regulatory process, where appropriate, and their impact on liquidity positions and the value of underlying assets;
- The results of financing efforts, including our ability to obtain financing on favorable terms, which can be affected by various factors, including our credit ratings, interest rate fluctuations, and general economic conditions;
- Declines in the market prices of equity and fixed income securities and resultant cash funding requirements of Duke Energy Ohio for Duke Energy's defined benefit pension plans and other post-retirement benefit plans;
- Construction and development risks associated with the completion of our 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 effect of accounting pronouncements issued periodically by accounting standard-setting bodies; and
- The impact of potential goodwill impairments.

Additional risks and uncertainties are identified and discussed in Duke Energy Ohio's reports filed with the SEC and available at the SEC's website. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements included or incorporated by reference in this prospectus supplement and the accompanying prospectus 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 we expressly disclaim an obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

RATIOS OF EARNINGS TO FIXED CHARGES

The ratios of earnings to fixed charges have been calculated using the SEC guidelines.

	Three Months Ended March 31, 2016	Year Ended December 31,				
		2015	2014	2013	2012	2011
		(dollars in millions)				
Earnings as defined for fixed charges calculation						
Add:						
Pretax income from continuing operations	$ 77	$230	$111	$111	$ 79	$ 44
Fixed charges	23	88	100	94	108	119
Deduct:						
Interest capitalized	1	—	—	1	2	2
Total earnings	$ 99	$318	$211	$204	$185	$161
Fixed charges:						
Interest on debt, including capitalized portions	$ 23	$ 88	$ 95	$ 90	$104	$114
Estimate of interest within rental expense	—	—	5	4	4	5
Total fixed charges	$ 23	$ 88	$100	$ 94	$108	$119
Ratio of earnings to fixed charges	4.3	3.6	2.1	2.2	1.7	1.4

USE OF PROCEEDS

The net proceeds from the sale of the Mortgage Bonds, after deducting the underwriting discount and related offering expenses and giving effect to the underwriters' reimbursement to us, will be approximately $246 million. The net proceeds from the sale of the Mortgage Bonds will be used to fund capital expenditures for ongoing construction, capital maintenance and for general corporate purposes.

DESCRIPTION OF THE MORTGAGE BONDS

We will issue the Mortgage Bonds under our First Mortgage, dated as of August 1, 1936 (the "Original Mortgage"), between us and The Bank of New York Mellon Trust Company, N.A., as trustee (which was amended and restated in its entirety by a Fortieth Supplemental Indenture, dated as of March 23, 2009), as further supplemented from time to time, including by the Forty-fourth Supplemental Indenture, to be dated as of June 23, 2016 relating to the Mortgage Bonds. The Original Mortgage, as so amended, restated and supplemented, is called the "Mortgage" and the First Mortgage Bonds, 3.70% Series, Due June 15, 2046 are called the "Mortgage Bonds" in this prospectus supplement. The trustee under the Mortgage is called the "Mortgage Trustee" in this prospectus supplement. The term "Securities" refers to all securities from time to time issued under the Mortgage, including the Mortgage Bonds.

The following description of the Mortgage Bonds is only a summary and is not intended to be comprehensive. Please read the following information concerning the Mortgage Bonds in conjunction with the statements under "Description of the First Mortgage Bonds" in the accompanying prospectus, which the following information supplements and, in the event of any inconsistencies, supersedes.

General

The Mortgage Bonds will be issued as a new series of Securities under the Mortgage. The Mortgage Bonds will be issued in an aggregate principal amount of $250 million and will mature on June 15, 2046. If the maturity date for the Mortgage Bonds falls on a day that is not a Business Day, the payment due on the maturity date will be made on the next succeeding Business Day, without any interest or other payment in respect of such delay. In this prospectus supplement, "Business Day" means any day, other than a Saturday or Sunday, that is not a day on which banking institutions or trust companies in New York, New York or Cincinnati, Ohio are generally authorized or required by law, regulation or executive order to remain closed.

The amount of Securities that we may issue under the Mortgage is unlimited, subject to the provisions stated below under "—Issuance of Additional Securities" and described in the accompanying prospectus under "Description of the First Mortgage Bonds—Issuance of Additional First Mortgage Bonds."

We may from time to time, without the consent of the existing holders of the Mortgage Bonds, create and issue additional Mortgage Bonds having the same terms and conditions as the previously issued Mortgage Bonds in all respects, except for the issue date, price to public and, if applicable, the initial interest payment date and initial interest accrual date on those additional Mortgage Bonds, provided that such additional Mortgage Bonds are fungible with the previously issued Mortgage Bonds for U.S. federal income tax purposes. Additional Mortgage Bonds issued in this manner will be consolidated with, and will form a single series with, the previously issued Mortgage Bonds.

Form, Denomination, Transfers and Exchanges

We will issue the Mortgage Bonds only in fully registered form without coupons and there will be no service charge for any transfers or exchanges of the Mortgage Bonds. We may, however, require payment to cover any tax or other governmental charge payable in connection with any transfer or exchange. If any of the Mortgage Bonds are not global securities held by DTC or its nominee, transfers and exchanges of the Mortgage Bonds may be made at The Bank of New York Mellon Trust Company, N.A., 101 Barclay Street, New York, New York 10286, or at any other office maintained by us for such purpose. We may, upon prompt written notice to the Mortgage Trustee and the holders of the Mortgage Bonds, designate one or more additional places, or change the place or places previously designated, for registration of transfer and exchange of the Mortgage Bonds.

The Mortgage Bonds will be issuable in denominations of $2,000 and integral multiples of $1,000 in excess thereof. The Mortgage Bonds will be exchangeable for an equivalent principal amount of Securities of other authorized denominations of the same series.

Interest

Interest on the Mortgage Bonds will accrue at the rate of 3.70% per annum from June 23, 2016 or from the most recent interest payment date to which interest has been paid or provided for. We will make interest payments on the Mortgage Bonds semi-annually in arrears on June 15 and December 15 of each year, beginning on December 15, 2016 to the person in whose name such Mortgage Bond is registered at the close of business on the fifteenth calendar day preceding the respective interest payment date (whether or not a Business Day); provided, however, that so long as the Mortgage Bonds are registered in the name of DTC or its nominee, the record date for interest payable on any interest payment date shall be the close of business on the Business Day immediately preceding such interest payment date. In the event that any interest payment date for the Mortgage Bonds should fall on a day that is not a Business Day, then the interest payment shall be made on the next succeeding Business Day, and no interest on such payment shall accrue for the period from and after such interest payment date. Interest on the Mortgage Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Payments and Paying Agents

Payments of principal of, and any premium and interest on, the Mortgage Bonds will be made at our office or agency in Cincinnati, Ohio, or, at the option of the registered owner of Mortgage Bonds, at the office or agency of Duke Energy Ohio in the Borough of Manhattan, The City of New York, except that interest on the Mortgage Bonds may be paid, at our option, by check mailed to the address of the person entitled to the interest payment. We may change the place of payment on the Mortgage Bonds, appoint one or more additional paying agents (including us) and remove any paying agent, all at our discretion.

For information relating to payments on book-entry Mortgage Bonds, please see the information provided under the caption "Book-Entry System—Book-Entry Format" in this prospectus supplement.

Optional Redemption

At any time before December 15, 2045 (which is the date that is six months prior to maturity of the Mortgage Bonds (the "Par Call Date")), the Mortgage Bonds will be redeemable in whole or in part, at our option at any time, at a redemption price equal to the greater of (i) 100% of the principal amount of the Mortgage Bonds being redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the Mortgage Bonds being redeemed that would be due if the Mortgage Bonds matured on the Par Call Date (exclusive of interest accrued to the date of redemption), discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 20 basis points, plus, in each case, accrued and unpaid interest on the principal amount of the Mortgage Bonds being redeemed to, but excluding, the date of redemption.

At any time on or after the Par Call Date, the Mortgage Bonds will be redeemable in whole or in part, at our option at any time, at a redemption price equal to 100% of the principal amount of the Mortgage Bonds being redeemed plus accrued and unpaid interest on the principal amount of the Mortgage Bonds being redeemed to, but excluding, the date of redemption.

For the avoidance of doubt, interest that is due and payable on an interest payment date falling on or prior to a redemption date will be payable on such interest payment date in accordance with the Mortgage Bonds and the Mortgage.

For purposes of the redemption provisions of the Mortgage Bonds, the following terms have the following meanings:

"*Comparable Treasury Issue*" means the United States Treasury security selected by the Quotation Agent as having an actual or interpolated maturity comparable to the remaining term of the Mortgage Bonds to be redeemed (assuming, for this purpose, that the Mortgage Bonds matured on the Par Call Date), that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of the Mortgage Bonds.

"*Comparable Treasury Price*" means, with respect to any redemption date for the Mortgage Bonds, (A) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (B) if the Quotation Agent obtains fewer than four of such Reference Treasury Dealer Quotations, the average of all such quotations.

"*Quotation Agent*" means one of the Reference Treasury Dealers appointed by us.

"*Reference Treasury Dealer*" means each of Citigroup Global Markets Inc., a Primary Treasury Dealer (as defined below) selected by Lebenthal & Co., LLC, a Primary Treasury Dealer selected by Loop Capital Markets LLC, a Primary Treasury Dealer selected by Mischler Financial Group, Inc., a Primary Treasury Dealer selected by Samuel A. Ramirez & Company, Inc., and a Primary Treasury Dealer selected by The Williams Capital Group, L.P., or their respective affiliates or successors, each of which is a primary U.S. Government securities dealer in the United States (a "Primary Treasury Dealer"); provided, however, that if any of the foregoing or their affiliates or successors shall cease to be a Primary Treasury Dealer, we shall substitute therefor another Primary Treasury Dealer.

"*Reference Treasury Dealer Quotations*" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Quotation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Quotation Agent by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding such redemption date.

"*Treasury Rate*" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

Redemption Procedures

We will provide not less than 30 nor more than 60 days' notice mailed or transmitted by or at our request to each registered holder of the Mortgage Bonds to be redeemed, which, as long as the Mortgage Bonds are held in the book-entry only system referred to below, will be DTC, its nominee or a successor depositary or a nominee thereof. If less than all of the Mortgage Bonds are to be redeemed, the Mortgage Bonds, if they are in global form, will be redeemed in accordance with the procedures of DTC, and if they are in the form of definitive certificates, the Mortgage Trustee will select the Mortgage Bonds to be redeemed, using a method of random selection as it may deem fair and appropriate. In the event that any redemption date is not a Business Day, we will pay the redemption price on the next Business Day without any interest or other payment due to the delay.

Unless we default in the payment of the redemption price and accrued interest, if any, in the case of an unconditional notice of redemption, the Mortgage Bonds will cease to bear interest on the redemption date. We will pay the redemption price upon surrender of any Mortgage Bond for redemption. If only part of a Mortgage Bond is redeemed, the Mortgage Trustee will deliver to the holder of the Mortgage Bond a new Mortgage Bond for the remaining portion without charge.

We may make any redemption at our option conditional upon the receipt by the paying agent, on or prior to the date fixed for redemption, of money sufficient to pay the redemption price and accrued interest, if any. If the paying agent has not received the money by the date fixed for redemption, we will not be required to redeem the Mortgage Bonds.

Security

Each series of the Mortgage Bonds will rank *pari passu* with all Securities now or subsequently issued and outstanding under the Mortgage. The Mortgage creates a first lien, subject only to permitted liens, on substantially all of our tangible electric transmission and distribution utility property located in Ohio, together with our recorded easements and rights of way, franchises, licenses, permits, grants, immunities, privileges and rights that are used or useful in the operation of such property, other than Excepted Property (as defined in the accompanying prospectus).

We have not made any appraisal of the value of the properties subject to the lien of the Mortgage. The value of the properties in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. In the event of liquidation, if the proceeds were not sufficient to repay amounts under all of the Securities then outstanding, then holders of the Mortgage Bonds, to the extent not repaid from the proceeds of the sale of the collateral, would only have an unsecured claim against our remaining assets. As of March 31, 2016, we had total consolidated indebtedness of approximately $1.65 billion, which includes $363 million of Duke Energy Kentucky indebtedness. As of May 31, 2016, we had $1.65 billion of total consolidated indebtedness. This amount includes $750 million of Securities that was outstanding under the Mortgage as of May 31, 2016.

Issuance of Additional Securities

The Mortgage Bonds will be issued on the basis of Retired Securities (as defined in the Mortgage and in the accompanying prospectus under "Description of the First Mortgage Bonds—Issuance of Additional First Mortgage Bonds").

As of March 31, 2016, we could issue under the Mortgage, upon the basis of Retired Securities, up to approximately $400 million of additional Securities (approximately $150 million after giving effect to the Mortgage Bonds offered hereby). As of March 31, 2016, we could also issue under the Mortgage, on the basis of Property Additions (as defined in the Mortgage and in the accompanying prospectus under "Description of the First Mortgage Bonds—Issuance of Additional First Mortgage Bonds"), up to approximately $330 million of additional Securities. However, the actual amount of additional Securities, if any, that we may issue under the Mortgage will vary from time to time due to numerous factors.

Sinking Fund

The Mortgage Bonds will not be entitled to the benefit of any sinking fund.

U.S. FEDERAL INCOME TAX CONSIDERATIONS FOR NON-U.S. HOLDERS

The following discussion summarizes certain U.S. federal income tax considerations relevant to the acquisition, ownership and disposition of the Mortgage Bonds, and does not purport to be a complete analysis of all potential U.S. federal income tax considerations. This discussion only applies to Mortgage Bonds that are held as capital assets, within the meaning of section 1221 of the Internal Revenue Code of 1986, as amended (the "Code"), and that are purchased in the initial offering at the initial offering price by Non-U.S. Holders (as defined below).

This summary is based on the Code, administrative pronouncements, judicial decisions and regulations of the Treasury Department, changes to any of which subsequent to the date of this prospectus supplement may affect the tax consequences described herein. This discussion does not describe all of the U.S. federal income tax considerations that may be relevant to Non-U.S. Holders in light of their particular circumstances or to Non-U.S. Holders subject to special rules, such as certain financial institutions, tax-exempt organizations, insurance companies, traders or dealers in securities or commodities, persons holding Mortgage Bonds as part of a hedge or other integrated transaction, or certain former citizens or residents of the United States. This discussion does not address any U.S. federal income tax consequences for U.S. taxpayers who purchase Mortgage Bonds. Persons considering the purchase of Mortgage Bonds are urged to consult their tax advisors with regard to the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction. Furthermore, this discussion does not describe the effect of U.S. federal estate and gift tax laws or the effect of any applicable foreign, state or local laws.

We have not and will not seek any rulings or opinions from the Internal Revenue Service (the "IRS") with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the acquisition, ownership or disposition of the Mortgage Bonds or that any such position would not be sustained.

Prospective investors should consult their own tax advisors with regard to the application of the U.S. federal income tax considerations discussed below to their particular situations as well as the application of any state, local, foreign or other tax laws, including gift and estate tax laws.

For purposes of this summary, a "Non-U.S. Holder" means a beneficial owner of a Mortgage Bond that, for U.S. federal income tax purposes, is not (i) an individual that is a citizen or resident of the United States; (ii) a corporation or other entity treated as a corporation for U.S. federal income tax purposes that is created or organized under the laws of the United States, any state thereof or the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust if (A) a court within the United States is able to exercise primary supervision over its administration and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of such trust, or (B) the trust has made an election under the applicable Treasury regulations to be treated as a United States person.

If a partnership, or other entity or arrangement treated as a partnership for U.S. federal income tax purposes, holds Mortgage Bonds, the tax treatment of a partner in such a partnership will generally depend upon the status of the partner and the activities of the partnership. Partners in a partnership holding Mortgage Bonds should consult their tax advisor as to the particular U.S. federal income tax considerations relevant to the acquisition, ownership and disposition of the Mortgage Bonds applicable to them.

Interest

It is anticipated, and this discussion assumes, that the Mortgage Bonds will not be issued with more than a de minimis amount of original issue discount. Except if interest on the Mortgage Bonds is

effectively connected with the conduct by a Non-U.S. Holder of a trade or business within the United States, and subject to the FATCA discussion below, a Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on payments of interest on the Mortgage Bonds provided that such Non-U.S. Holder (A) does not directly or indirectly, actually or constructively, own 10% or more of the total combined voting power of all classes of our stock entitled to vote, (B) is not a controlled foreign corporation that is related to us directly or constructively through stock ownership, (C) is not a bank receiving such interest on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business, and (D) satisfies certain certification requirements. Such certification requirements will be met if (x) the Non-U.S. Holder provides its name and address, and certifies on an IRS Form W-8BEN or IRS Form W-8BEN-E (or a substantially similar form), under penalties of perjury, that it is not a United States person or (y) a securities clearing organization or certain other financial institutions holding the Mortgage Bonds on behalf of the Non-U.S. Holder certifies on IRS Form W-8IMY, under penalties of perjury, that such certification has been received by it and furnishes us or our paying agent with a copy thereof. In addition, we or our paying agent must not have actual knowledge or reason to know that the beneficial owner of the Mortgage Bonds is a United States person.

If interest on the Mortgage Bonds is not effectively connected with the conduct by the Non-U.S. Holder of a trade or business within the United States, but such Non-U.S. Holder does not satisfy the other requirements outlined in the preceding paragraph, interest on the Mortgage Bonds generally will be subject to U.S. withholding tax at a 30% rate (or a lower applicable treaty rate).

If interest on the Mortgage Bonds is effectively connected with the conduct by a Non-U.S. Holder of a trade or business within the United States, and, if certain tax treaties apply, is attributable to a permanent establishment or fixed base within the United States, the Non-U.S. Holder generally will be subject to U.S. federal income tax on a net income basis at the rate applicable to United States persons generally (and, with respect to corporate holders, may also be subject to a 30% branch profits tax or a lower applicable treaty branch profits tax rate). If interest is subject to U.S. federal income tax on a net income basis in accordance with these rules, such interest payments will not be subject to U.S. withholding tax so long as the Non-U.S. Holder provides us or our paying agent with the appropriate documentation (generally an IRS Form W-8ECI).

Sale or Other Taxable Disposition of the Mortgage Bonds

Subject to the FATCA discussion below, a Non-U.S. Holder generally will not be subject to U.S. federal withholding tax with respect to gain, if any, recognized on the sale or other taxable disposition of the Mortgage Bonds. A Non-U.S. Holder will also generally not be subject to U.S. federal income tax with respect to such gain, unless (i) the gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States, and, if certain tax treaties apply, is attributable to a permanent establishment or fixed base within the United States, or (ii) in the case of a Non-U.S. Holder that is a nonresident alien individual, such Non-U.S. Holder is present in the United States for 183 or more days in the taxable year of the disposition and certain other conditions are satisfied. In the case described in (i) above, gain or loss recognized on the disposition of such Mortgage Bonds generally will be subject to U.S. federal income taxation in the same manner as if such gain or loss were recognized by a United States person, and, in the case of a Non-U.S. Holder that is a foreign corporation, may also be subject to the branch profits tax at a rate of 30% (or a lower applicable treaty branch profits tax rate). In the case described in (ii) above, the Non-U.S. Holder will be subject to a 30% tax on any capital gain recognized on the disposition of the Mortgage Bonds (after being offset by certain U.S. source capital losses).

Information Reporting and Backup Withholding

Information returns will be filed annually with the IRS in connection with payments we make on the Mortgage Bonds. Copies of these information returns may also be made available under the provisions of a specific tax treaty or other agreement to the tax authorities of the country in which the Non-U.S. Holder resides. Unless the Non-U.S. Holder complies with certification procedures to establish that it is not a United States person, information returns may be filed with the IRS in connection with the proceeds from a sale or other disposition of the Mortgage Bonds, and the Non-U.S. Holder may be subject to backup withholding tax (currently at a rate of 28%) on payments on the Mortgage Bonds or on the proceeds from a sale or other disposition of the Mortgage Bonds. The certification procedures required to claim the exemption from withholding tax on interest described above will satisfy the certification requirements necessary to avoid the backup withholding tax as well. The amount of any backup withholding from a payment to a Non-U.S. Holder will be allowed as a credit against the Non-U.S. Holder's U.S. federal income tax liability and may entitle the Non-U.S. Holder to a refund, provided that the required information is furnished to the IRS in a timely manner.

Foreign Account Tax Compliance Act

Under the Foreign Account Tax Compliance Act and related IRS guidance ("FATCA"), a 30% U.S. withholding tax is imposed on certain payments (which currently includes interest payments on the Mortgage Bonds and will include gross proceeds, including the return of principal, from the sale or other disposition, including redemptions, of the Mortgage Bonds beginning January 1, 2019) made to a non-United States entity that fails to take required steps to provide information regarding its "United States accounts" or its direct or indirect "substantial United States owners," as applicable, or to make a required certification that it has no such accounts or owners. We will not be obligated to make any "gross up" or additional payments in respect of amounts withheld on the Mortgage Bonds if we determine that we must so withhold in order to comply with FATCA in respect of the amounts described above. Prospective investors should consult their own tax advisors regarding FATCA and whether it may be relevant to the ownership and disposition of the Mortgage Bonds.

BOOK-ENTRY SYSTEM

We have obtained the information in this section concerning The Depository Trust Company, or DTC, and its book-entry system and procedures from sources that we believe to be reliable, but we take no responsibility for the accuracy of this information.

The Mortgage Bonds initially will be represented by one or more fully registered global securities. Each global security will be deposited with, or on behalf of, DTC or any successor thereto and registered in the name of Cede & Co., DTC's nominee.

Investors may elect to hold interests in each global Mortgage Bond through either DTC in the United States or Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg") or Euroclear Bank S.A./N.V., as operator of the Euroclear System (the "Euroclear System"), in Europe if they are participants of such systems, or indirectly through organizations which are participants in such systems. Clearstream, Luxembourg and the Euroclear System will hold interests on behalf of their participants through customers' securities accounts in Clearstream, Luxembourg's and the Euroclear System's names on the books of their respective depositaries, which in turn will hold such interests in customers' securities accounts in the depositaries' names on the books of DTC. Citibank N.A. will act as depositary for Clearstream, Luxembourg and JPMorgan Chase Bank, N.A. will act as depositary for the Euroclear System (in such capacities, the "U.S. Depositaries").

You may hold your interests in a global security in the United States through DTC, either as a participant in such system or indirectly through organizations which are participants in such system. So long as DTC or its nominee is the registered owner of the global securities representing the Mortgage Bonds, DTC or such nominee will be considered the sole owner and holder of the Mortgage Bonds for all purposes of the Mortgage Bonds and the Mortgage. Except as provided below, owners of beneficial interests in the Mortgage Bonds will not be entitled to have the Mortgage Bonds registered in their names, will not receive or be entitled to receive physical delivery of the Mortgage Bonds in definitive form and will not be considered the owners or holders of the Mortgage Bonds under the Mortgage, including for purposes of receiving any reports that we or the Mortgage Trustee deliver pursuant to the Mortgage. Accordingly, each person owning a beneficial interest in a Mortgage Bond must rely on the procedures of DTC or its nominee and, if such person is not a participant, on the procedures of the participant through which such person owns its interest, in order to exercise any rights of a holder of Mortgage Bonds.

Unless and until we issue the Mortgage Bonds in fully certificated form under the limited circumstances described below under the heading "—Certificated Mortgage Bonds":

- you will not be entitled to receive physical delivery of a certificate representing your interest in the Mortgage Bonds;
- all references in this prospectus supplement or in the accompanying prospectus to actions by holders will refer to actions taken by DTC upon instructions from its direct participants; and
- all references in this prospectus supplement or the accompanying prospectus to payments and notices to holders will refer to payments and notices to DTC or Cede & Co., as the registered holder of the Mortgage Bonds, for distribution to you in accordance with DTC procedures.

The Depository Trust Company

DTC will act as securities depositary for the Mortgage Bonds. The Mortgage Bonds will be issued as fully registered securities registered in the name of Cede & Co. DTC is:

- a limited-purpose trust company organized under the New York Banking Law;
- a "banking organization" within the meaning of the New York Banking Law;

- a member of the Federal Reserve System;
- a "clearing corporation" within the meaning of the New York Uniform Commercial Code; and
- a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended.

DTC holds securities that its direct participants deposit with DTC. DTC also facilitates the post-trade settlement among direct participants of sales and other securities transactions, in deposited securities through electronic computerized book-entry transfers and pledges between direct participants' accounts, thereby eliminating the need for physical movement of securities certificates.

Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to indirect participants such as securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly. The rules applicable to DTC and its participants are on file with the SEC. More information about DTC can be found at www.dtcc.com. The contents of such website do not constitute part of this prospectus supplement.

If you are not a direct participant or an indirect participant and you wish to purchase, sell or otherwise transfer ownership of, or other interests in the Mortgage Bonds, you must do so through a direct participant or an indirect participant. DTC agrees with and represents to DTC participants that it will administer its book-entry system in accordance with its rules and by-laws and requirements of law. The SEC has on file a set of the rules applicable to DTC and its direct participants.

Purchases of the Mortgage Bonds under DTC's system must be made by or through direct participants, which will receive a credit for the Mortgage Bonds on DTC's records. The ownership interest of each beneficial owner is in turn to be recorded on the records of direct participants and indirect participants. Beneficial owners will not receive written confirmation from DTC of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct or indirect participants through which such beneficial owners entered into the transaction. Transfers of ownership interests in the Mortgage Bonds are to be accomplished by entries made on the books of direct and indirect participants acting on behalf of beneficial owners. Beneficial owners will not receive physical delivery of certificates representing their ownership interests in the Mortgage Bonds, except as provided below in "—Certificated Mortgage Bonds."

To facilitate subsequent transfers, all Mortgage Bonds deposited by direct participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Mortgage Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee has no effect on beneficial ownership. DTC has no knowledge of the actual beneficial owners of the Mortgage Bonds. DTC's records reflect only the identity of the direct participants to whose accounts such Mortgage Bonds are credited, which may or may not be the beneficial owners. The direct and indirect participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants and by direct and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Book-Entry Format

Under the book-entry format, the Mortgage Trustee will pay interest and principal payments to Cede & Co., as nominee of DTC. DTC will forward the payment to the direct participants, who will then forward the payment to the indirect participants or to the beneficial owners. You may experience some delay in receiving your payments under this system.

DTC is required to make book-entry transfers on behalf of its direct participants and is required to receive and transmit payments of principal, premium, if any, and interest on the Mortgage Bonds. Any direct participant or indirect participant with which you have an account is similarly required to make book-entry transfers and to receive and transmit payments with respect to Mortgage Bonds on your behalf. We and the Mortgage Trustee have no responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Mortgage Bonds or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Mortgage Trustee will not recognize you as a holder of any Mortgage Bonds under the Mortgage and you can only exercise the rights of a holder indirectly through DTC and its direct participants. DTC has advised us that it will only take action regarding a Mortgage Bond if one or more of the direct participants to whom the Mortgage Bond is credited direct DTC to take such action. DTC can only act on behalf of its direct participants. Your ability to pledge Mortgage Bonds to indirect participants, and to take other actions, may be limited because you will not possess a physical certificate that represents your Mortgage Bonds.

Certificated Mortgage Bonds

Unless and until they are exchanged, in whole or in part, for Mortgage Bonds in definitive form in accordance with the terms of the Mortgage Bonds, the Mortgage Bonds may not be transferred except as a whole by DTC to a nominee of DTC; as a whole by a nominee of DTC to DTC or another nominee of DTC; or as a whole by DTC or a nominee of DTC to a successor of DTC or a nominee of such successor.

We will issue Mortgage Bonds to you or your nominees, in fully certificated registered form, rather than to DTC or its nominees, only if:

- DTC notifies us that it is unwilling or unable to continue as depositary or DTC is no longer a registered clearing agency under the Securities Exchange Act of 1934, as amended, and we are unable to appoint a qualified successor within 90 days;
- an event of default has occurred and is continuing under the Mortgage and the owners of a majority in aggregate principal amount of the beneficial interests in the Mortgage Bonds notify the Mortgage Trustee that the continuation of the book-entry system is no longer in the best interests of the owners; or
- we, at our option, and subject to DTC's procedures, elect to terminate use of the book-entry system through DTC.

If any of the above events occurs, DTC is required to notify all direct participants that Mortgage Bonds in fully certificated registered form are available through DTC. DTC will then surrender each global security representing the Mortgage Bonds along with instructions for re-registration. The Mortgage Trustee will re-issue the Mortgage Bonds in fully certificated registered form and will recognize the registered holders of the certificated Mortgage Bonds as holders under the Mortgage.

Global Clearance and Settlement Procedures

Initial settlement for the Mortgage Bonds will be made in immediately available funds. Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC rules

and will be settled in immediately available funds using DTC's Same-Day Funds Settlement System. Secondary market trading between Clearstream, Luxembourg participants and/or Euroclear System participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Clearstream, Luxembourg and the Euroclear System, as applicable.

Cross-market transfers between persons holding directly or indirectly through DTC on the one hand, and directly or indirectly through Clearstream, Luxembourg participants or Euroclear System participants on the other, will be effected through DTC in accordance with DTC rules on behalf of the relevant European international clearing system by its U.S. Depositary; however, such cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its U.S. Depositary to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream, Luxembourg participants and Euroclear System participants may not deliver instructions directly to their respective U.S. Depositaries.

Because of time-zone differences, credits of Mortgage Bonds received in Clearstream, Luxembourg or the Euroclear System as a result of a transaction with a DTC participant will be made during subsequent securities settlement processing and dated the business day following the DTC settlement date. Such credits or any transactions in such Mortgage Bonds settled during such processing will be reported to the relevant Euroclear System Participant or Clearstream, Luxembourg participant on such business day. Cash received in Clearstream, Luxembourg or the Euroclear System as a result of sales of the Mortgage Bonds by or through a Clearstream, Luxembourg participant or a Euroclear System participant to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Clearstream, Luxembourg or the Euroclear System cash account only as of the business day following settlement in DTC.

Although DTC, Clearstream, Luxembourg and the Euroclear System have agreed to the foregoing procedures in order to facilitate transfers of Mortgage Bonds among participants of DTC, Clearstream, Luxembourg and the Euroclear System, they are under no obligation to perform or continue to perform such procedures and such procedures may be discontinued or changed at any time.

UNDERWRITING

We have entered into an underwriting agreement with respect to the Mortgage Bonds with the underwriters listed below, for whom Citigroup Global Markets Inc., Lebenthal & Co., LLC, Loop Capital Markets LLC, Mischler Financial Group, Inc., Samuel A. Ramirez & Company, Inc. and The Williams Capital Group, L.P. are acting as representatives. Subject to certain conditions, each of the underwriters has severally agreed to purchase the principal amount of Mortgage Bonds indicated in the following table:

Name	Principal Amount of Mortgage Bonds
Citigroup Global Markets Inc.	$ 41,668,000
Lebenthal & Co., LLC	41,668,000
Loop Capital Markets LLC	41,666,000
Mischler Financial Group, Inc.	41,666,000
Samuel A. Ramirez & Company, Inc.	41,666,000
The Williams Capital Group, L.P.	41,666,000
Total	$250,000,000

The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the Mortgage Bonds are subject to certain conditions, including the receipt of legal opinions relating to certain matters. The underwriters must purchase all of the Mortgage Bonds if they purchase any of the Mortgage Bonds. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended, or to contribute to payments the underwriters may be required to make in respect of any of these liabilities.

Commissions and Discounts

The Mortgage Bonds sold by the underwriters to the public will initially be offered at the price to public set forth on the cover of this prospectus supplement and may be offered to certain dealers at that price less a concession not in excess of 0.50% of the principal amount of the Mortgage Bonds. The underwriters may allow, and those dealers may reallow, a discount not in excess of 0.30% of the principal amount of the Mortgage Bonds to certain other dealers. If all the Mortgage Bonds are not sold at the price to public, the underwriters may change the price to public and the other selling terms.

The expenses of this offering, not including the underwriting discount, are estimated to be approximately $400,000. The underwriters have agreed to reimburse us for $312,500 of these expenses.

New Issue of Mortgage Bonds

The Mortgage Bonds are a new issue of securities with no established trading market. The Mortgage Bonds will not be listed on any securities exchange or included in any automated quotation system. We have been advised by the underwriters that the underwriters intend to make a market in the Mortgage Bonds, but they are not obligated to do so and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of any trading market for the Mortgage Bonds.

Price Stabilization and Short Positions

In connection with this offering, the underwriters may engage in transactions that stabilize, maintain, or otherwise affect the price of the Mortgage Bonds. These transactions may include short

sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater aggregate principal amount of Mortgage Bonds than they are required to purchase in this offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Mortgage Bonds while this offering is in process.

These activities by the underwriters may stabilize, maintain or otherwise affect the market price of the Mortgage Bonds. As a result, the price of the Mortgage Bonds may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the underwriters at any time. These transactions may be effected in the over-the-counter market or otherwise.

Other Relationships

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include, among other activities, securities trading and underwriting, commercial and investment banking, financial advisory, corporate trust, investment management, investment research, principal investment, hedging, financing and brokerage activities. In the ordinary course of their respective businesses, some of the underwriters and/or their affiliates have in the past and may in the future provide us and our affiliates with commercial banking, investment banking, financial advisory and other services for which they have received and in the future will receive customary fees.

In addition, in the ordinary course of their business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates.

Certain of the underwriters or their affiliates have a lending relationship with us and our affiliates. Certain of those underwriters or their affiliates routinely hedge, and certain other of those underwriters or their affiliates may hedge, their credit exposure to us and our affiliates consistent with their customary risk management policies. Typically, such underwriters and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Mortgage Bonds offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the Mortgage Bonds offered hereby. The underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

EEA Selling Restrictions

Neither this prospectus supplement nor the accompanying prospectus is a prospectus for the purposes of the European Union's Directive 2003/71/EC (and any amendments thereto, including by Directive 2010/73/EU) as implemented in member states of the European Economic Area (the "EEA") (the "Prospectus Directive"). Neither Duke Energy Ohio nor the underwriters have authorized, nor does it or they authorize, the making of any offer of the Mortgage Bonds through any financial intermediary, other than offers made by underwriters which constitute the final placement of the Mortgage Bonds contemplated in this prospectus supplement and the accompanying prospectus.

In relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a "Relevant Member State"), each underwriter has represented and agreed that, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member

State, it has not made and will not make an offer of Mortgage Bonds which are the subject of the offering contemplated by this prospectus supplement and the accompanying prospectus to the public in that Relevant Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the underwriter(s) nominated by Duke Energy Ohio for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Mortgage Bonds shall require Duke Energy Ohio or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Mortgage Bonds to the public" in relation to any Mortgage Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Mortgage Bonds to be offered so as to enable an investor to decide to purchase or subscribe to the Mortgage Bonds, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

UK Selling Restrictions

Each underwriter has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the United Kingdom Financial Services and Market Act 2000 ("FSMA")) received by it in connection with the issue or sale of the Mortgage Bonds in circumstances in which Section 21(1) of the FSMA does not apply to Duke Energy Ohio; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Mortgage Bonds in, from or otherwise involving the United Kingdom.

Canada Selling Restrictions

The Mortgage Bonds may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Mortgage Bonds must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus supplement (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

EXPERTS

The consolidated financial statements incorporated in this prospectus supplement by reference from our Annual Report on Form 10-K for the year ended December 31, 2015 have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report (which report expresses an unqualified opinion and includes an explanatory paragraph regarding the adoption of Accounting Standards Update 2015-17, Balance Sheet Classification of Deferred Taxes effective December 31, 2015, on a prospective basis, discussed in Note 22 to the consolidated financial statements), which is incorporated herein by reference. Such consolidated financial statements have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

LEGAL MATTERS

The validity of the Mortgage Bonds will be passed upon for Duke Energy Ohio by Robert T. Lucas III, Esq., Deputy General Counsel of Duke Energy Business Services LLC, the service company affiliate of Duke Energy Ohio. Certain legal matters with respect to the offering of the Mortgage Bonds will be passed upon for Duke Energy Ohio by Hunton & Williams, LLP, New York, New York. Sidley Austin LLP, New York, New York, has acted as counsel to the underwriters. Sidley Austin LLP acts and, in the past has acted, as counsel to affiliates of Duke Energy Ohio in connection with various matters.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended and, in accordance therewith, file annual, quarterly and current reports and other information with the SEC. Such reports and other information can be inspected and copied at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may also obtain copies of these documents at prescribed rates from the Public Reference Section of the SEC at its Washington, D.C. address. Please call the SEC at 1-800-SEC-0330 for further information. Our filings with the SEC, as well as additional information about us, are also available to the public through Duke Energy Corporation's website at http://www.duke-energy.com and are made available as soon as reasonably practicable after such material is filed with or furnished to the SEC. The information on Duke Energy Corporation's website is not a part of this prospectus supplement or the accompanying prospectus. Our filings are also available to the public through the SEC website at http://www.sec.gov.

The SEC allows us to "incorporate by reference" into this prospectus supplement the information we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus supplement, and information that we file later with the SEC will automatically update and supersede this information. This prospectus supplement incorporates by reference the documents incorporated in the accompanying prospectus at the time the registration statement became effective and all later documents filed with the SEC, in all cases as updated and superseded by later filings with the SEC. Duke Energy Ohio incorporates by reference the documents listed below and any future documents filed by us with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, until this offering is completed:

- Annual Report on Form 10-K for the year ended December 31, 2015; and
- Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2016.

We, our parent company, Duke Energy Corporation, and certain of its other subsidiaries separately filed the combined Annual Report on Form 10-K and Quarterly Report on Form 10-Q listed above. We do not intend to incorporate by reference into this prospectus the information relating to Duke Energy

Corporation and its subsidiaries (other than Duke Energy Ohio, Inc. and its consolidated subsidiaries), and we make no representation as to the information relating to Duke Energy Corporation and its subsidiaries (other than Duke Energy Ohio, Inc. and its consolidated subsidiaries) contained in such combined reports.

We will provide you without charge a copy of these filings, other than any exhibits unless the exhibits are specifically incorporated by reference into this prospectus supplement. You may request a copy by writing us at the following address or telephoning one of the following numbers:

Investor Relations Department
Duke Energy Ohio, Inc.
P.O. Box 1005
Charlotte, North Carolina 28201
(704) 382-3853 or (800) 488-3853 (toll-free)

Prospectus

Duke Energy Ohio, Inc.

First Mortgage Bonds
Unsecured Debt Securities

From time to time, we may offer the securities described in the prospectus separately or together in any combination, in one or more classes or series, in amounts, at prices and on terms that we will determine at the time of the offering.

We will provide specific terms of these offerings and securities in supplements to this prospectus. You should read carefully this prospectus, the information incorporated by reference in this prospectus and any prospectus supplement before you invest. This prospectus may not be used to offer or sell any securities unless accompanied by a prospectus supplement.

Investing in our securities involves risks. You should carefully consider the information in the section entitled "Risk Factors" contained in our periodic reports filed with the Securities and Exchange Commission and incorporated by reference into this prospectus before you invest in any of our securities.

We may offer and sell the securities directly, through agents we select from time to time or to or through underwriters or dealers we select. If we use any agents, underwriters or dealers to sell the securities, we will name them and describe their compensation in a prospectus supplement. The price to the public of those securities and the net proceeds we expect to receive from that sale will also be set forth in a prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is September 30, 2013.

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REFERENCES TO ADDITIONAL INFORMATION

This prospectus incorporates important business and financial information about us from other documents that are not included in or delivered with this prospectus. This information is available for you to review at the Securities and Exchange Commission's, or SEC's, public reference room located at 100 F Street, N.E., Room 1580, Washington, DC 20549, and through the SEC's website, *www.sec.gov.* You can also obtain those documents incorporated by reference in this prospectus by requesting them in writing or by telephone from the company at the following address and telephone number:

Investor Relations Department
Duke Energy Ohio, Inc.
P.O. Box 1005
Charlotte, North Carolina 28201
(704) 382-3853 or (800) 488-3853 (toll free)

See "Where You Can Find More Information" in this prospectus.

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that Duke Energy Ohio filed with the SEC utilizing a "shelf" registration process. Under the shelf registration process, we are registering an unspecified amount of first mortgage bonds and unsecured debt securities, and may issue any of such securities in one or more offerings.

This prospectus provides general descriptions of the securities we may offer. Each time securities are sold, a prospectus supplement will provide specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. The registration statement filed with the SEC includes exhibits that provide more details about the matters discussed in this prospectus. You should read this prospectus, the related exhibits filed with the SEC and any prospectus supplement, together with the additional information described under the caption "Where You Can Find More Information."

Unless we have indicated otherwise, or the context otherwise requires, references in this prospectus to "Duke Energy Ohio," "the Company," "we," "us" and "our" or similar terms are to Duke Energy Ohio, Inc..

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements included or incorporated by reference in this prospectus might not occur or might occur to a different extent or at a different time than we have described. You should not put undue reliance on any forward-looking statements. We do not have any intention or obligation to update forward-looking statements after we distribute this prospectus.

THE COMPANY

Duke Energy Ohio, Inc. is an indirect wholly-owned subsidiary of Duke Energy Corporation. Duke Energy Ohio is a combination electric and gas public utility that provides service in the southwestern portion of Ohio and, through its wholly-owned subsidiary, Duke Energy Kentucky, Inc. ("Duke Energy Kentucky"), in nearby areas of Kentucky, as well as electric generation in portions of Ohio, Illinois and Pennsylvania. Duke Energy Ohio's principal lines of business include the generation, transmission, distribution and sale of electricity, the sale and/or transportation of natural gas, and energy marketing. Duke Energy Ohio conducts competitive auctions for retail electricity supply in Ohio, whereby the energy price is recovered from retail customers. Duke Energy Kentucky's principal lines of business include the generation, transmission, distribution and sale of electricity, as well as the sale and/or transportation of natural gas. Our asset portfolio includes approximately 7,850 megawatts of generation capacity, 19,600 miles of transmission lines, and 2,500 miles of distribution lines.

We are an Ohio corporation. Our principal executive offices are located at 139 East Fourth Street, Cincinnati, Ohio 45202. Our telephone number is (704) 382-3853.

The foregoing information about Duke Energy Ohio is only a general summary and is not intended to be comprehensive. For additional information about Duke Energy Ohio, you should refer to the information described under the caption "Where You Can Find More Information."

RISK FACTORS

Investing in our securities involves risks. Before purchasing any securities we offer, you should carefully consider the risk factors under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2012, which has been filed with the SEC and is incorporated by reference in this prospectus, together with all of the other information included in this prospectus and any prospectus supplement and any other information that we have incorporated by reference, including filings made with the SEC subsequent to the date hereof. Any of these risks, as well as other risks and uncertainties, could harm our financial condition, results of operations or cash flows.

USE OF PROCEEDS

Unless stated otherwise in the applicable prospectus supplement, we intend to use the net proceeds from the sale of any offered securities:

- to redeem or purchase from time to time presently outstanding securities when we anticipate those transactions will result in an overall cost savings;
- to repay maturing securities;
- to finance our ongoing construction program; or
- for general corporate purposes.

RATIO OF EARNINGS TO FIXED CHARGES

The ratios of earnings to fixed charges have been calculated using the Securities and Exchange Commission guidelines.

	Six Months Ended June 30, 2013	Years Ended December 31,				
		2012	2011	2010	2009	2008
		(dollars in millions)				
Earnings (as defined for fixed charges calculation)						
Add:						
Pretax income from continuing operations	$ 58	$273	$290	$(309)	$(240)	$458
Fixed charges	43	108	119	122	128	122
Deduct:						
Interest capitalized(a)	6	15	9	8	4	19
Total earnings (as defined for fixed charges calculation)	$ 95	$366	$400	$(195)	$(116)	$561
Fixed charges:						
Interest on debt, including capitalized portions	$ 41	$104	$114	$ 117	$ 121	$113
Estimate of interest within rental expense	2	4	5	5	7	9
Total fixed charges	$ 43	$108	$119	$ 122	$ 128	$122
Ratio of earnings to fixed charges	2.2	3.4	3.4	—(b)	—(b)	4.6

(a) Excludes the equity costs related to allowance for funds used during construction that are included in Other Income and Expenses, net in the Consolidated Statements of Operations and Comprehensive Income incorporated by reference in this prospectus.

(b) Earnings were insufficient to cover fixed charges by approximately $317 million and $224 million during the years ended December 31, 2010 and 2009, respectively, due primarily to non-cash goodwill impairment charges.

DESCRIPTION OF THE FIRST MORTGAGE BONDS

We may issue from time to time one or more series of first mortgage bonds under a first mortgage dated as of August 1, 1936 (the "Original Mortgage"), between the Company and The Bank of New York Mellon Trust Company, N.A., as first mortgage trustee, as amended and restated in its entirety by the Fortieth Supplemental Indenture, dated as of March 23, 2009 (the "Fortieth Supplemental Indenture"), as supplemented thereafter to date and as proposed to be supplemented by one or more supplemental indentures. The Original Mortgage, as amended and restated and thereafter supplemented, is sometimes called the "Mortgage" in this prospectus. The term "first mortgage bonds" in this prospectus refers to all securities from time to time issued under the Mortgage. When we offer to sell a particular series of first mortgage bonds, we will describe the specific terms of these Securities in a prospectus supplement.

We have summarized certain terms and provisions of the Mortgage. The summary is not complete. The Mortgage is an exhibit to the registration statement of which this prospectus forms a part. You should read the Mortgage for the provisions that may be important to you. Terms used in this summary have the meanings specified in the Mortgage. The Mortgage is subject to and governed by the Trust Indenture Act of 1939, as amended.

General

The Mortgage permits us to issue first mortgage bonds from time to time in an unlimited aggregate amount subject to the limitations described under "—Issuance of Additional First Mortgage Bonds." All first mortgage bonds of any one series need not be issued at the same time, and a series may be reopened for issuances of additional first mortgage bonds of that series. This means that we may from time to time, without the consent of the existing holders of the first mortgage bonds of any series, create and issue additional first mortgage bonds of a series having the same terms and conditions as the previously issued first mortgage bonds of that series in all respects, except for issue date, issue price and, if applicable, the initial interest payment on those additional first mortgage bonds. Additional first mortgage bonds issued in this manner will be consolidated with and will form a single series with, the previously issued first mortgage bonds of that series. For more information, see the discussion below under "—Issuance of Additional First Mortgage Bonds."

A prospectus supplement and any supplemental indenture, board resolution and officer's certificate relating to any series of first mortgage bonds being offered by this prospectus will include specific terms relating to that offering. These terms will include some or all of the following terms that apply to that series:

- the title of the first mortgage bonds;
- any limit upon the total principal amount of the first mortgage bonds;
- the dates, or the method to determine the dates, on which the principal of the first mortgage bonds will be payable and how it will be paid;
- the interest rate or rates which the first mortgage bonds will bear, or how the rate or rates will be determined, the interest payment dates for the first mortgage bonds and the regular record dates for interest payments;
- any right to extend the interest payments for, or the maturity of, the first mortgage bonds and the duration of any such extension;
- any date or dates on which the first mortgage bonds may be redeemed at our option and the terms, conditions and any restrictions on those redemptions;
- any sinking fund or other provisions that would obligate us to repurchase or otherwise redeem the first mortgage bonds;
- any additions or exceptions to the events of default under the Mortgage or additions or exceptions to our covenants under the Mortgage for the benefit of the holders of first mortgage bonds;
- any denominations other than multiples of $1,000 in which the first mortgage bonds will be issued;
- if payments on the first mortgage bonds may be made in a currency or currencies other than United States dollars; and, if so, the means through which the equivalent principal amount of any payment in United States dollars is to be determined for any purpose;
- any terms pursuant to which the first mortgage bonds may be converted into or exchanged for other securities of ours or of another entity; and
- any other terms of the first mortgage bonds not inconsistent with the terms of the Mortgage.

We may sell first mortgage bonds at a discount below their principal amount. United States Federal income tax considerations applicable to first mortgage bonds sold at an original issue discount will be described in the applicable prospectus supplement if we sell first mortgage bonds at an original

issue discount. In addition, important United States Federal income tax or other tax considerations applicable to any first mortgage bonds denominated or payable in a currency or currency unit other than United States dollars will be described in the applicable prospectus supplement if we sell first mortgage bonds denominated or payable in a currency or currency unit other than United States dollars.

Redemption

We will set forth any terms for the redemption of first mortgage bonds of any series in the applicable prospectus supplement. If less than all of the first mortgage bonds of any series or any tranche thereof are to be redeemed, the Mortgage Trustee will select the first mortgage bonds to be redeemed by such method as shall be provided for in such particular series or tranche. In the absence of any such provision, the Mortgage Trustee will choose a method of random selection as it may deem fair and appropriate.

Unless we default in the payment of the redemption price and accrued interest, if any, in the case of an unconditional notice of redemption, first mortgage bonds will cease to bear interest on the redemption date. We will pay the redemption price and any accrued interest to the redemption date upon surrender of any first mortgage bond for redemption. If only part of a first mortgage bond is redeemed, the Mortgage Trustee will deliver to the holder of the first mortgage bond a new first mortgage bond of the same series for the remaining portion without charge.

We may make any redemption at our option conditional upon the receipt by the paying agent, on or prior to the date fixed for redemption, of money sufficient to pay the redemption price and accrued interest, if any. If the paying agent has not received the money by the date fixed for redemption, we will not be required to redeem the first mortgage bonds.

Payment and Paying Agents

Except as may be provided in the applicable prospectus supplement, interest, if any, on each first mortgage bond payable on any interest payment date will be paid to the person in whose name that first mortgage bond is registered at the close of business on the regular record date for that interest payment date. However, interest payable at maturity will be paid to the person to whom the principal is paid. If there has been a default in the payment of interest on any first mortgage bond, the defaulted interest may be paid to the holder of that first mortgage bond as of the close of business on a date between 10 and 15 days before the date proposed by us for payment of the defaulted interest or in any other manner permitted by any securities exchange on which that first mortgage bond may be listed, if the Mortgage Trustee finds it practicable.

Unless otherwise specified in the applicable prospectus supplement, principal, premium, if any, and interest on the first mortgage bonds at maturity will be payable upon presentation of the first mortgage bonds at the corporate trust office of Mortgage Trustee, 900 Ashwood Parkway, Suite 425, Atlanta, Georgia 30338. However, we may choose to make payment of interest by check mailed to the addresses of the persons entitled to payment as they may appear or have appeared in the security register for the first mortgage bonds. We may change the place of payment on the first mortgage bonds, appoint one or more additional paying agents (including us) and remove any paying agent, all at our discretion.

Registration and Transfer

Unless otherwise specified in the applicable prospectus supplement, the transfer of first mortgage bonds may be registered, and first mortgage bonds may be exchanged for other first mortgage bonds of the same series or tranche, of authorized denominations and with the same terms and principal amount, at the corporate trust office of the Mortgage Trustee, We may, upon prompt written notice to the Mortgage Trustee and the holders of the first mortgage bonds, designate one or more additional

places, or change the place or places previously designated, for registration of transfer and exchange of the first mortgage bonds. No service charge will be made for any registration of transfer or exchange of the first mortgage bonds. However, we may require payment to cover any tax or other governmental charge that may be imposed in connection with a registration of transfer or exchange. We will not be required to execute or to provide for the registration, transfer or exchange of any first mortgage bond

- during the 15 days before giving any notice of redemption; or
- selected for redemption except the unredeemed portion of any first mortgage bond being redeemed in part.

Lien of the Mortgage

The Mortgage creates a first lien, subject to any permitted liens, on substantially all of our tangible electric transmission and distribution utility property located in Ohio, together with our recorded easements and rights of way, franchises, licenses, permits, grants, immunities, privileges and rights that are used or useful in the operation of such property, other than Excepted Property (as defined below). These properties are sometimes referred to as our "Mortgaged Property." Additionally, the Mortgage will create a first lien, subject only to permitted liens, on Mortgaged Property that we may acquire after the execution date of the Fortieth Supplemental Indenture.

We have not made any appraisal of the value of the properties subject to the lien of the Mortgage. The value of the properties in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. In the event of liquidation, if the proceeds were not sufficient to repay amounts under all of the first mortgage bonds then outstanding, then holders of first mortgage bonds, to the extent not repaid from the proceeds of the sale of the collateral, would only have an unsecured claim against our remaining assets.

Permitted Liens

The lien of the Mortgage is subject to Permitted Liens described in the Mortgage. These Permitted Liens include, among others:

- liens existing at the date of execution and delivery of the Original Mortgage;
- as to property acquired by us after the date of execution and delivery of the Original Mortgage, liens existing or placed on such property at the time we acquire such property and any Purchase Money Liens;
- tax liens, assessments and other governmental charges or requirements which are not delinquent or which are being contested in good faith and by appropriate proceedings or of which at least ten business days notice has not been given to our general counsel or to such other person designated by us to receive such notices;
- mechanics', workmen's, repairmen's, materialmen's, warehousemen's and carriers' liens, other liens incident to construction, liens or privileges of any of our employees for salary or wages earned, but not yet payable, and other liens, including without limitation liens for worker's compensation awards, arising in the ordinary course of business for charges or requirements which are not delinquent or which are being contested in good faith and by appropriate proceedings or of which at least ten business days' notice has not been given to our general counsel or to such other person designated by us to receive such notices;
- specified judgment liens and Prepaid Liens;
- easements, leases, reservations or other rights of others in, and defects in title to, our Mortgaged Property;

- liens securing indebtedness or other obligations relating to real property we acquired for specified transmission , distribution or communication purposes or for the purpose of obtaining rights-of-way;
- specified leases and leasehold, license, franchise and permit interests;
- liens resulting from law, rules, regulations, orders or rights of Governmental Authorities and specified liens required by law or governmental regulations;
- liens to secure public obligations; rights of others to take minerals, timber, electric energy or capacity, gas, water, steam or other products produced by us or by others on our property;
- rights and interests of persons other than us arising out of agreements relating to the common ownership or joint use of property, and liens on the interests of those Persons in the property;
- restrictions on assignment and/or requirements of any assignee to qualify as a permitted assignee and/or public utility or public services corporation; and
- liens which have been bonded for the full amount in dispute or for the payment of which other adequate security arrangements have been made.

The Mortgage provides that the Mortgage Trustee will have a lien, prior to the lien on the Mortgaged Property securing the first mortgage bonds, for the payment of its reasonable compensation and expenses and for indemnity against specified liabilities. This lien would be a Permitted Lien under the Mortgage.

Excepted Property

The lien of the Mortgage does not cover, among other things, the following types of property whether owned as of the execution date of the Fortieth Supplemental Indenture or acquired thereafter:

- all of the assets of our subsidiary, Duke Energy Kentucky, Inc.;
- all of our tangible gas transmission and distribution utility property;
- all cash, deposit accounts, securities and all policies of insurance on the lives of our officers not paid or delivered to or deposited with or held by the Mortgage Trustee or required so to be;
- all contracts, leases, operating agreements and other agreements of all kinds (other than our franchises, permits and licenses that are used or useful in the operation of our electric transmission and distribution businesses), contract rights, bills, notes and other instruments, revenues, income and earnings, all accounts, accounts receivable, rights to payment, payment intangibles and unbilled revenues, rights created by statute or governmental action to bill and collect revenues or other amounts from customers or others, credits, claims, demands and judgments;
- all governmental and other licenses, permits, franchises, consents and allowances (other than our franchises, permits and licenses that are used or useful in the operation of our electric transmission and distribution businesses);
- all unrecorded easements and rights of way;
- all intellectual property rights and other general intangibles;
- all vehicles, railroad and other movable equipment, aircraft and vessels and all parts, accessories and supplies used in connection with any of the foregoing;

- all personal property of such character that the perfection of a security interest therein or other lien thereon is not governed by the Uniform Commercial Code in effect where we are organized;
- all goods, stock in trade, wares, merchandise and inventory acquired for the purpose of sale or lease in the ordinary course and conduct of our business, and all materials, supplies, inventory and other items of personal property which are consumable (otherwise than by ordinary wear and tear) in their use in the operation of the Mortgaged Property;
- all fuel, whether or not any such fuel is in a form consumable in the operation of the Mortgaged Property, including separate components of any fuel;
- all portable tools and equipment, furniture and furnishings, computers and data processing, data storage, data transmission, telecommunications and other facilities, and all other equipment which is used primarily for administrative or clerical purposes;
- all coal, lignite, ore, gas, oil and other minerals and all timber, and all electric energy and capacity, gas, steam and other materials and products generated, manufactured, produced or purchased by us for sale, distribution or use in the ordinary course and conduct of our business;
- all property which is the subject of a lease agreement designating us as lessee, and all our right, title and interest in and to the property and in, to and under the lease agreement, whether or not the lease agreement is intended as security;
- all property which has been released from the lien of the Mortgage and any improvements, extensions and additions to such properties and renewals, replacements, substitutions of or for any parts thereof;
- all property located outside the State of Ohio;
- all property, stations and plants used by us in the generation of electricity, including all land, buildings, structures and works, easements, rights of way, permits, privileges, towers, poles, wires, machinery, equipment, appliances, appurtenances and supplies forming a part of the plants and stations;
- all of our water systems, including all property, permits, privileges, franchises and rights related to the water systems; and
- all property not acquired or constructed by us for use in our electric transmission and distribution businesses.

We sometimes refer to property of ours not covered by the lien of the Mortgage as "Excepted Property."

Issuance of Additional First Mortgage Bonds

Subject to the issuance restrictions described below, the aggregate principal amount of first mortgage bonds that may be authenticated and delivered under the Mortgage is unlimited. First mortgage bonds of any series may be issued from time to time only on the basis of, and in an aggregate principal amount not exceeding, the sum of the following:

- 66⅔% of the cost or fair value to us (whichever is less) of Property Additions (as described below) which do not constitute Funded Property (as described below) after specified deductions and additions, primarily including adjustments to offset property retirements;
- the aggregate principal amount of Retired Securities, as defined below; or
- an amount of cash deposited with the Mortgage Trustee.

"Property Additions" means generally any property owned by us and subject to the lien of the Mortgage. Property Additions will become "Funded Property" when used under the Mortgage for the issuance of first mortgage bonds, the release or retirement of Funded Property, or the withdrawal of cash deposited with the Mortgage Trustee for the issuance of first mortgage bonds.

"Retired Securities" means any Securities authenticated and delivered under the Mortgage on or after the execution date of the Fortieth Supplemental Indenture which:

- no longer remain outstanding;
- have not been made the basis of the authentication and delivery of first mortgage bonds, the release of Mortgaged Property or the withdrawal of cash, which have been substituted for retired Funded Property or which have been used for other specified purposes under any of the provisions of the Mortgage; and
- have not been paid, redeemed, purchased or otherwise retired by the application thereto of Funded Cash.

All first mortgage bonds of any one series need not be issued at the same time, and a series may be reopened for issuances of additional first mortgage bonds of that series, provided that such additional first mortgage bonds of that series are fungible with the previously issued first mortgage bonds of that series for U.S. federal income tax purposes. This means that we may from time to time, without the consent of the existing holders of the first mortgage bonds of any series, create and issue additional first mortgage bonds of a series having the same terms and conditions as the previously issued first mortgage bonds of that series in all respects, except for issue date, issue price and, if applicable, the initial interest payment on those additional Securities, provided that such additional first mortgage bonds of that series are fungible with the previously issued first mortgage bonds of that series for U.S. federal income tax purposes. Additional first mortgage bonds issued in this manner will be consolidated with and will form a single series with, the previously issued first mortgage bonds of that series.

Release of Property

Unless an event of default under the Mortgage has occurred and is continuing, we may obtain the release of Mortgaged Property that constitutes Funded Property, except for cash held by the Mortgage Trustee, upon delivery to the Mortgage Trustee of an amount in cash equal to the amount, if any, by which the lower of the cost or fair value of the property to be released exceeds the aggregate of:

- an amount equal to the aggregate principal amount of any obligations secured by Purchase Money Liens upon the property to be released and delivered to the Mortgage Trustee;
- an amount equal to the cost or fair value to us (whichever is less) of certified Property Additions not constituting Funded Property after specified deductions and additions, primarily including adjustments to offset property retirements (except that these adjustments need not be made if the Property Additions were acquired, made or constructed within the 90-day period preceding the release);
- 150% of the aggregate principal amount of first mortgage bonds that we would be entitled to issue on the basis of Retired Securities (with the entitlement being waived by operation of the release);
- 150% of the aggregate principal amount of any outstanding first mortgage bonds delivered to the Mortgage Trustee (with the first mortgage bonds to be cancelled by the Mortgage Trustee) other than first mortgage bonds issued on the basis of deposited cash;

- any amount in cash and/or an amount equal to the aggregate principal amount of any obligations secured by Purchase Money Liens delivered to a holder of a prior lien on Mortgaged Property in consideration for the release of such Mortgaged Property from such prior lien; and
- any taxes and expenses incidental to any sale, exchange, dedication or other disposition of the property to be released.

Unless an event of default under the Mortgage has occurred and is continuing, we may obtain the release from the lien of the Mortgage of any part of the Mortgaged Property or any interest therein, which does not constitute Funded Property, without depositing any cash or property with the Mortgage Trustee as long as (a) the aggregate amount of cost or fair value to us (whichever is less) of all Property Additions which do not constitute Funded Property (excluding the property to be released) after specified deductions and additions, primarily including adjustments to offset property retirements, is not less than zero or (b) the cost or fair value (whichever is less) of property to be released does not exceed the aggregate amount of the cost or fair value to us (whichever is less) of Property Additions acquired, made or constructed within the 90-day period preceding the release.

The Mortgage provides simplified procedures for the release of Mortgaged Property with a net book value of up to the greater of $10 million or 3% of outstanding first mortgage bonds during a calendar year and for the release of Mortgaged Property taken or sold in connection with the power of eminent domain, provides for dispositions of certain obsolete or unnecessary Mortgaged Property and for grants or surrender of certain easements, leases or rights of way without any release or consent by the Mortgage Trustee.

If we retain any interest in any property released from the lien of the Mortgage, the Mortgage will not become a lien on the property or the interest in the property or any improvements, extensions or additions to, or any renewals, replacements or substitutions of or for, any part or parts of the property unless we subject such property to the lien of the Mortgage.

The Mortgage also provides that we may terminate, abandon, surrender, cancel, release, modify or dispose of any of our franchises, permits or licenses that are Mortgaged Property without any consent of the Mortgage Trustee or the holders of outstanding first mortgage bonds; provided that (i) such action is, in our opinion, necessary, desirable or advisable in the conduct of our business, and (ii) any of our franchises, permits or licenses that, in our opinion, cease to be necessary for the operation of Mortgaged Property shall cease to be Mortgaged Property without any release or consent, or report to, the Mortgage Trustee.

Withdrawal of Cash

Unless an event of default under the Mortgage has occurred and is continuing, and subject to specified limitations, cash held by the Mortgage Trustee may, generally, (1) be withdrawn by us (a) to the extent of the cost or fair value to us (whichever is less) of Property Additions not constituting Funded Property, after specified deductions and additions, primarily including adjustments to offset retirements (except that these adjustments need not be made if the Property Additions were acquired, made or constructed within the 90-day period preceding the withdrawal) or (b) in an amount equal to the aggregate principal amount of first mortgage bonds that we would be entitled to issue on the basis of Retired Securities or bond credits (with the entitlement to the issuance being waived by operation of the withdrawal) or (c) in an amount equal to the aggregate principal amount of any outstanding first mortgage bonds delivered to the Mortgage Trustee (with the first mortgage bonds to be cancelled by the Mortgage Trustee), or (2) upon our request, be applied to (a) the purchase of first mortgage bonds or (b) the payment (or provision for payment) at stated maturity of any first mortgage bonds or the redemption (or provision for payment) of any first mortgage bonds which are redeemable.

Satisfaction and Discharge of First Mortgage Bonds

We will be discharged from our obligations on any first mortgage bonds if we irrevocably deposit with the Mortgage Trustee or any paying agent, other than us, sufficient cash or government securities to pay the principal, interest, any premium and any other sums when due on the stated maturity date or a redemption date of the first mortgage bonds.

Consolidation, Merger and Conveyance of Assets

Under the terms of the Mortgage, we may not consolidate with or merge into any other entity or convey, transfer or lease as, or substantially as, an entirety to any entity the Mortgaged Property, unless:

- the surviving or successor entity, or an entity which acquires by conveyance or transfer or which leases our Mortgaged Property as, or substantially as, an entirety, is organized and validly existing under the laws of any domestic jurisdiction, and it expressly assumes our obligations on all first mortgage bonds then outstanding under the Mortgage and confirms the lien of the Mortgage on the Mortgaged Property (as constituted immediately prior to the time such transaction became effective) and subjects to the lien of the Mortgage all property thereafter acquired by the successor entity that constitutes an improvement, extension or addition to the Mortgaged Property (as so constituted) or a renewal, replacement or substitution of or for any part thereof, but only to the extent that such improvement, extension or addition is so affixed or attached to real property as to be regarded a part of such real property or is an improvement, extension or addition to personal property that is made to maintain, renew, repair or improve the function of such personal property and is physically installed in or affixed to such personal property;
- in the case of a lease, such lease is made expressly subject to termination by us or by the Mortgage Trustee and by the purchaser of the property so leased at any sale thereof at any time during the continuance of an event of default under the Mortgage;
- we shall have delivered to the Mortgage Trustee an officer's certificate and an opinion of counsel as provided in the Mortgage; and
- immediately after giving effect to such transaction (and treating any debt that becomes an obligation of the successor entity as a result of such transaction as having been incurred by the successor entity at the time of such transaction), no event of default under the Mortgage, or event which, after notice or lapse of time or both, would become an event of default under the Mortgage, shall have occurred and be continuing.

In the case of the conveyance or other transfer of the Mortgaged Property as, or substantially as, an entirety to any other person, upon the satisfaction of all the conditions described above, we would be released and discharged from all our obligations and covenants under the Mortgage and on the first mortgage bonds then outstanding unless we elect to waive such release and discharge.

The Mortgage does not prevent or restrict:

- any conveyance or other transfer, or lease, of any part of the Mortgaged Property that does not constitute the entirety, or substantially the entirety, of the Mortgaged Property; or
- any conveyance, transfer or lease of any of our properties where we retain Mortgaged Property with a fair value in excess of 150% of the aggregate principal amount of all outstanding first mortgage bonds, and any other outstanding debt secured by a Purchase Money Lien that ranks equally with, or senior to, the first mortgage bonds with respect to the Mortgaged Property. This fair value will be determined within 90 days of the conveyance, transfer or lease by an independent expert that we select.

Although the successor entity may, in its sole discretion, subject to the lien of the Mortgage property then owned or thereafter acquired by the successor entity, the lien of the Mortgage generally will not cover the property of the successor entity other than the property it acquires from us and improvements, extensions and additions to such property and renewals, replacements and substitutions thereof, within the meaning of the Mortgage.

Events of Default

"Event of default," when used in the Mortgage, means any of the following:

- failure to pay interest on any first mortgage bonds for 30 days after it is due unless we have made a valid extension of the interest payment period with respect to such Security as provided in the Mortgage;
- failure to pay the principal of or any premium on any Security when due unless we have made a valid extension of the maturity of such Security as provided in the Mortgage;
- failure to perform or breach of any other covenant or warranty in the Mortgage that continues for 90 days after we receive written notice from the Mortgage Trustee, or we and the Mortgage Trustee receive written notice from the holders of at least 35% in aggregate principal amount of the outstanding first mortgage bonds, unless the Mortgage Trustee, or the Mortgage Trustee and the holders of a principal amount of first mortgage bonds not less than the principal amount of first mortgage bonds the holders of which gave such notice, as the case may be, agree in writing to an extension of such period prior to its expiration; provided, however, that the Mortgage Trustee, or the Mortgage Trustee and the holders of such principal amount of first mortgage bonds, as the case may be, shall be deemed to have agreed to an extension of such period if corrective action is initiated by us within such period and is being diligently pursued; or
- events of our bankruptcy, insolvency or reorganization as specified in the Mortgage.

Remedies

If an event of default under the Mortgage occurs and is continuing, then the Mortgage Trustee, by written notice to us, or the holders of at least 35% in aggregate principal amount of the outstanding first mortgage bonds, by written notice to us and the Mortgage Trustee, may declare the principal amount of all of the first mortgage bonds to be due and payable immediately, and upon our receipt of such notice, such principal amount, together with premium, if any, and accrued and unpaid interest will become immediately due and payable.

At any time after such a declaration of acceleration has been made but before any sale of the Mortgaged Property and before a judgment or decree for payment of the money due has been obtained by the Mortgage Trustee, the event of default under the Mortgage giving rise to such declaration of acceleration will be considered cured, and such declaration and its consequences will be considered rescinded and annulled, if:

- we have paid or deposited with the Mortgage Trustee a sum sufficient to pay:
  - all overdue interest on all outstanding first mortgage bonds;
  - the principal of and premium, if any, on the outstanding first mortgage bonds that have become due otherwise than by such declaration of acceleration and overdue interest thereon;
  - interest on overdue interest to the extent lawful; and
  - all amounts due to the Mortgage Trustee under the Mortgage; and

- any other event of default under the Mortgage with respect to the first mortgage bonds has been cured or waived as provided in the Mortgage.

There is no automatic acceleration, even in the event of our bankruptcy, insolvency or reorganization.

Subject to the Mortgage, under specified circumstances and to the extent permitted by law, if an event of default under the Mortgage occurs and is continuing, the Mortgage Trustee has the power to appoint a receiver for the Mortgaged Property and has the power to take possession of, and to hold, operate and manage, the Mortgaged Property, or with or without entry, sell the Mortgaged Property. If the Mortgaged Property is sold, whether by the Mortgage Trustee or pursuant to judicial proceedings, the principal of the outstanding first mortgage bonds, if not previously due, will become immediately due, together with any premium and accrued interest.

Other than its duties in case of an event of default under the Mortgage, the Mortgage Trustee is not obligated to exercise any of its rights or powers under the Mortgage at the request, order or direction of any of the holders, unless the holders offer the Mortgage Trustee an indemnity satisfactory to it.

If they provide this indemnity, the holders of a majority in principal amount of the outstanding first mortgage bonds will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Mortgage Trustee, or exercising any trust or power conferred upon the Mortgage Trustee. The Mortgage Trustee is not obligated to comply with directions that conflict with law or other provisions of the Mortgage or that could involve the Mortgage Trustee in personal liability in circumstances where indemnity would not, in the Mortgage Trustee's sole discretion, be adequate.

No holder of first mortgage bonds will have any right to institute any proceeding under the Mortgage, or any remedy under the Mortgage, unless:

- the holder has previously given to the Mortgage Trustee written notice of a continuing event of default under the Mortgage;
- the holders of a majority in aggregate principal amount of the outstanding first mortgage bonds of all series have made a written request to the Mortgage Trustee and have offered indemnity satisfactory to the Mortgage Trustee to institute proceedings; and
- the Mortgage Trustee has failed to institute any proceeding for 60 days after notice and has not received during that period any direction from the holders of a majority in aggregate principal amount of the outstanding first mortgage bonds inconsistent with the written request of holders referred to above.

However, these limitations do not apply to the absolute and unconditional right of a holder of a Security to institute suit for payment of the principal, premium, if any, or interest on such Security on or after the applicable due date.

We will provide to the Mortgage Trustee an annual statement by an appropriate officer as to our compliance with all conditions and covenants under the Mortgage.

Modification and Waiver

Without the consent of any holder of first mortgage bonds, we and the Mortgage Trustee may enter into one or more supplemental indentures for any of the following purposes:

- to evidence the assumption by any permitted successor of our covenants in the Mortgage and in the first mortgage bonds;

- to add one or more covenants or other provisions for the benefit of the holders of first mortgage bonds, or to surrender any right or power conferred upon us;
- to add additional events of default under the Mortgage;
- to change or eliminate or add any new provision to the Mortgage; provided, however, if the change, elimination or addition will adversely affect the interests of the holders of first mortgage bonds of any series in any material respect, the change, elimination or addition will become effective only:
  - when the consent of the holders of first mortgage bonds of such series has been obtained in accordance with the Mortgage; or
  - when no first mortgage bonds of the affected series remain outstanding under the Mortgage;
- to provide additional security for any first mortgage bonds;
- to establish the form or terms of first mortgage bonds of any other series as permitted by the Mortgage;
- to evidence and provide for the acceptance of appointment by a separate or successor Mortgage Trustee or co-trustee;
- to change any place where principal, premium, if any, and interest shall be payable, first mortgage bonds may be surrendered for registration of transfer or exchange, and notices and demands to us may be served;
- to amend and restate the Mortgage as originally executed and as amended from time to time, with additions, deletions and other changes that do not adversely affect the interests of the holders of first mortgage bonds of any series in any material respect; or
- to cure any ambiguity or inconsistency or to make any other changes or additions to the provisions of the Mortgage if such changes or additions will not materially adversely affect the interests of first mortgage bonds of any series in any material respect.

The holders of a majority in aggregate principal amount of then outstanding first mortgage bonds, considered as one class, may waive compliance by us with some restrictive provisions of the Mortgage. The holders of a majority in principal amount of then outstanding first mortgage bonds may waive any past default under the Mortgage, except a default in the payment of principal, premium, if any, or interest and certain covenants and provisions of the Mortgage that cannot be modified or amended without the consent of the holder of each outstanding Security of any affected series.

Except as provided below, the consent of the holders of a majority in aggregate principal amount of then outstanding first mortgage bonds, considered as one class, is required for all other amendments or modifications to the Mortgage. However, if less than all of the series of first mortgage bonds outstanding are directly affected by a proposed amendment or modification, then the consent of the holders of only a majority in aggregate principal amount of the outstanding first mortgage bonds of all series that are directly affected, considered as one class, will be required. Notwithstanding the foregoing, no amendment or modification may be made without the consent of the holder of each directly affected Security of any series then outstanding to:

- change the stated maturity of the principal of, or any installment of principal of or interest on, any Security of such series or reduce the principal amount of any Security of such series or its rate of interest or change the method of calculating that interest rate or reduce any premium payable upon redemption, or change the currency in which payments are made, or impair the

right to institute suit for the enforcement of any payment on or after the stated maturity of any Security of such series;

- create any lien ranking prior to the lien of the Mortgage with respect to the Mortgaged Property, terminate the lien of the Mortgage on the Mortgaged Property or deprive any holder of a Security of such series of the benefits of the security of the lien of the Mortgage;
- reduce the percentage in principal amount of the outstanding first mortgage bonds of any series the consent of the holders of which is required for any amendment or modification or any waiver of compliance with a provision of the Mortgage or of any default thereunder and its consequences, or reduce the requirements for a quorum or voting; or
- modify certain provisions of the Mortgage relating to supplemental indentures, waivers of some covenants and waivers of past defaults with respect to the first mortgage bonds of any series.

A supplemental indenture that is to remain in effect only so long as there shall be outstanding first mortgage bonds of one or more particular series, or that modifies the rights of the holders of first mortgage bonds of one or more series, will not affect the rights under the Mortgage of the holders of the first mortgage bonds of any other series.

The Mortgage provides that first mortgage bonds owned by us or anyone else required to make payment on the first mortgage bonds shall be disregarded and considered not to be outstanding in determining whether the required holders have given a request or consent.

We may fix in advance a record date to determine the holders entitled to give any request, demand, authorization, direction, notice, consent, waiver or similar act of the holders, but we have no obligation to do so. If we fix a record date, that request, demand, authorization, direction, notice, consent, waiver or other act of the holders may be given before or after that record date, but only the holders of record at the close of business on that record date will be considered holders for the purposes of determining whether holders of the required percentage of the outstanding first mortgage bonds have authorized or agreed or consented to the request, demand, authorization, direction, notice, consent, waiver or other act of the holders. For that purpose, the outstanding first mortgage bonds will be computed as of the record date.

Any request, demand, authorization, direction, notice, consent, election, waiver or other act of a holder of any Security will bind every future holder of that Security and the holder of every Security issued upon the registration of transfer of or in exchange for that Security. A transferee will also be bound by acts of the Mortgage Trustee or us in reliance thereon, whether or not notation of that action is made upon the Security.

Resignation of the Mortgage Trustee

The Mortgage Trustee may resign at any time by giving written notice to us or may be removed at any time by an act of the holders of a majority in principal amount of first mortgage bonds then outstanding delivered to the Mortgage Trustee and us. No resignation or removal of the Mortgage Trustee and no appointment of a successor trustee will be effective until the acceptance of appointment by a successor trustee. So long as no event of default or event which, after notice or lapse of time, or both, would become an event of default has occurred and is continuing and except with respect to a trustee appointed by act of the holders, if we have delivered to the Mortgage Trustee a board resolution appointing a successor trustee and the successor has accepted the appointment in accordance with the terms of the Mortgage, the Mortgage Trustee will be deemed to have resigned and the successor will be deemed to have been appointed as trustee in accordance with the Mortgage.

Notices

Notices to holders of first mortgage bonds of any series will be given by mail to the addresses of the holders as they may appear in the security register for the first mortgage bonds of such series.

Title

We, the Mortgage Trustee, and any of our or the Mortgage Trustee's agents, may treat the person in whose name first mortgage bonds of any series are registered as the absolute owner thereof, whether or not the first mortgage bonds of such series may be overdue, for the purpose of making payments and for all other purposes irrespective of notice to the contrary.

Governing Law

The Mortgage is governed by, and construed in accordance with, the laws of the State of Ohio except that the rights, duties, obligations, privileges, immunities and standard of care of the Trustee will be governed by the laws of the State of New York.

Information about the Mortgage Trustee

The Mortgage Trustee is The Bank of New York Mellon Trust Company, N.A. In addition to acting as Mortgage Trustee, The Bank of New York Mellon Trust Company, N.A. also acts, and may act, as trustee under various indentures, trusts and guarantees of ours and our affiliates. We and our affiliates maintain deposit accounts and credit and liquidity facilities and conduct other banking transactions with the Mortgage Trustee and its affiliate, The Bank of New York Mellon in the ordinary course of our respective businesses.

DESCRIPTION OF THE UNSECURED DEBT SECURITIES

We may issue from time to time one or more series of senior unsecured debt securities or junior subordinated unsecured debt securities under a Debenture Indenture, dated May 15, 1995, between us and The Bank of New York Mellon Trust Company, N.A., as successor debenture trustee. When we offer to sell a particular series of unsecured debt securities, we will describe the specific terms of these unsecured debt securities in a prospectus supplement. Such prospectus supplement will also indicate whether the general terms and provisions described in this prospectus apply to that particular series of unsecured debt securities.

We have summarized certain terms and provisions of the Debenture Indenture. The summary is not complete. The Debenture Indenture is an exhibit to the registration statement of which this prospectus forms a part. You should read the Debenture Indenture for the provisions that may be important to you. Terms used in this summary have the meanings specified in the Debenture Indenture. The Debenture Indenture is subject to and governed by the Trust Indenture Act of 1939, as amended.

General

The Debenture Indenture allows us to issue unsecured debt securities in an unlimited amount from time to time. The relevant prospectus supplement will describe the terms of any unsecured debt securities being offered, including:

- the title of the unsecured debt securities;
- any limit on the aggregate principal amount of the unsecured debt securities;
- the date or dates on which the principal of any of the unsecured debt securities will be payable;
- the rate or rates at which any of the unsecured debt securities will bear interest, if any;

- the date from which interest, if any, on the unsecured debt securities will accrue, the dates on which interest, if any, will be payable, the date on which payment of interest, if any, will commence, and the record dates for any interest payments;
- the right, if any, to extend interest payment periods and the duration of any extension;
- any redemption, purchase or sinking fund provisions;
- the place or places where the principal of and any premium and interest on any of the unsecured debt securities will be payable;
- the denominations in which the unsecured debt securities will be issuable;
- the index, if any, with reference to which the amount of principal of or any premium or interest on the unsecured debt securities will be determined;
- any addition to or change in the events of default applicable to any of the unsecured debt securities and any change in the right of the debenture trustee or the holders to declare the principal amount of any of the unsecured debt securities due and payable;
- any addition to or change in the covenants in the Debenture Indenture;
- whether the unsecured debt securities will be defeasible;
- whether the unsecured debt securities will be issued in the form of one or more global securities;
- the applicability of or any change in the subordination provisions of the Debenture Indenture to a series of unsecured debt securities; and
- any other terms of the unsecured debt securities not inconsistent with the provisions of the Debenture Indenture.

Subordination of Certain Unsecured Debt Securities

The Debenture Indenture provides that one or more series of unsecured debt securities may be subordinate and subject in right of payment to the prior payment in full of all senior debt of the Company.

No payment of principal of (including redemption and sinking fund payments), premium, if any, or interest on, the junior subordinated unsecured debt securities may be made if any senior debt is not paid when due, if any default has not been cured or waived, or if the maturity of any senior debt has been accelerated because of a default. Upon any distribution of assets of the Company to creditors upon any dissolution, winding-up, liquidation or reorganization, whether voluntary or involuntary or in bankruptcy, insolvency, receivership or other proceedings, all principal of, and premium, if any, and interest due or to become due on, all senior debt must be paid in full before the holders of the junior subordinated unsecured debt securities are entitled to receive or retain any payment. The rights of the holders of the junior subordinated unsecured debt securities will be subordinated to the rights of the holders of senior debt to receive payments or distributions applicable to senior debt.

In this prospectus, we use the term "senior debt" to mean the principal of, premium, if any, interest on and any other payment due pursuant to any of the following, whether currently outstanding or later incurred, created or assumed:

(a) all indebtedness of the Company evidenced by notes, debentures, bonds, or other securities sold by the Company for money, excluding junior subordinated unsecured debt securities, but including all first mortgage bonds of the Company outstanding from time to time;

(b) all indebtedness of others of the kinds described in the preceding clause (a) assumed by or guaranteed in any manner by the Company; and

(c) all renewals, extensions, or refundings of indebtedness of the kinds described in either of the preceding clauses (a) and (b);

unless the instrument creating, evidencing, assuming or guaranteeing any particular indebtedness, renewal, extension or refunding expressly provides that such indebtedness, renewal, extension or refunding is not superior in right of payment to or is *pari passu* with the junior subordinated unsecured debt securities.

The Debenture Indenture does not limit the aggregate amount of senior debt that the Company may issue.

Exchange, Register and Transfer

The unsecured debt securities of each series will be issuable only in fully registered form without coupons.

The unsecured debt securities may be presented for exchange or registration of transfer in the manner, at the places and subject to the restrictions set forth in the unsecured debt securities and the relevant prospectus supplement. Subject to the limitations noted in the Debenture Indenture, you will not have to pay for these services, except for any associated taxes or other governmental charges.

Payment and Paying Agents

Unless the applicable prospectus supplement indicates otherwise, payment of interest on an unsecured debt security on any interest payment date will be made to the person in whose name the debt security is registered at the close of business on the regular record date for the interest payment.

Unless the applicable prospectus supplement indicates otherwise, principal of and any premium and interest on the unsecured debt securities will be payable at the office of the paying agent designated by us. However, we may elect to pay interest by check mailed to the address of the person entitled to the payment at the address appearing in the security register. Unless otherwise indicated in the applicable prospectus supplement, the corporate trust office of the debenture trustee in the City of Cincinnati will be designated as our sole paying agent for payments with respect to unsecured debt securities of each series. Any other paying agents initially designated by us for the unsecured debt securities of a particular series will be named in the applicable prospectus supplement. We may at any time designate additional paying agents or rescind the designation of any paying agent or approve a change in the office through which any paying agent acts, except that we will be required to maintain a paying agent in each place of payment for the unsecured debt securities of a particular series.

All moneys paid by us to a paying agent for the payment of the principal of or any premium or interest on any unsecured debt security which remain unclaimed at the end of 18 months after the principal, premium or interest has become due and payable will be repaid to us, and the holder of the debt security thereafter may look only to us for payment.

Consolidation, Merger, and Sale of Assets

The Debenture Indenture does not contain any provision that restricts our ability to merge or consolidate with or into any other entity, sell or convey all or substantially all of our assets to any other entity or otherwise engage in restructuring transactions, provided that the successor entity assumes due and punctual payment of the principal, premium, if any, and interest on the unsecured debt securities.

Events of Default

Each of the following is defined as an event of default under the Debenture Indenture with respect to unsecured debt securities of any series:

- failure to pay principal of or any premium on any debt security of that series when due;
- failure to pay any interest on any debt security of that series when due, continued for 30 days;
- failure to deposit any sinking fund payment, when due, in respect of any debt security of that series;
- failure to perform any other of our covenants in the Debenture Indenture (other than a covenant included in the Debenture Indenture solely for the benefit of a series other than that series), continuing for 90 days after written notice has been given by the debenture trustee or the holders of at least 35% in aggregate principal amount of the outstanding unsecured debt securities of that series, as provided in the Debenture Indenture; and
- certain events of bankruptcy, insolvency or reorganization.

If an event of default (other than a bankruptcy, insolvency or reorganization event of default) with respect to the outstanding unsecured debt securities of any series occurs and is continuing, either the debenture trustee or the holders of at least 35% in aggregate principal amount of the outstanding unsecured debt securities of that series, by notice as provided in the Debenture Indenture, may declare the principal amount of the unsecured debt securities of that series to be due and payable immediately. If a bankruptcy, insolvency or reorganization event of default with respect to the outstanding unsecured debt securities of any series occurs, the principal amount of all the unsecured debt securities of that series will automatically, and without any action by the debenture trustee or any holder, become immediately due and payable. After any such acceleration, but before a judgment or decree based on acceleration, the holders of a majority in aggregate principal amount of the outstanding unsecured debt securities of that series may, under certain circumstances, rescind and annul the acceleration if all events of default, other than the non-payment of accelerated principal, have been cured or waived as provided in the Debenture Indenture. For information as to waiver of defaults, see "Modification and Waiver."

Subject to the provisions of the Debenture Indenture relating to the duties of the debenture trustee, if an event of default occurs, the debenture trustee will be under no obligation to exercise any of its rights or powers under the Debenture Indenture at the request or direction of any of the holders, unless the holders shall have offered to the debenture trustee reasonably satisfactory indemnity. Subject to these provisions for the indemnification of the debenture trustee, the holders of a majority in aggregate principal amount of the outstanding unsecured debt securities of any series will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the debenture trustee, or exercising any trust or power conferred on the debenture trustee, with respect to the unsecured debt securities of that series.

No holder of an unsecured debt security of any series will have any right to institute any proceeding with respect to the Debenture Indenture, or for the appointment of a receiver or a debenture trustee, or for any other remedy thereunder, unless:

(a) the holder has previously given to the debenture trustee written notice of a continuing event of default with respect to the unsecured debt securities of that series;

(b) the holders of at least 35% in aggregate principal amount of the outstanding unsecured debt securities of that series have made written request, and have offered reasonably satisfactory indemnity, to the debenture trustee to institute a proceeding as trustee; and

(c) the debenture trustee has failed to institute a proceeding, and has not received from the holders of a majority in aggregate principal amount of the outstanding unsecured debt securities of that series a direction inconsistent with such request, within 60 days after receipt of such notice, request and offer of indemnity. However, these limitations do not apply to a suit instituted by a holder of a debt security for the enforcement of payment of the principal of or any premium or interest on the debt security on or after the applicable due date specified in the debt security.

We will be required to furnish to the debenture trustee annually a statement by certain of our officers as to whether or not we, to our knowledge, are in default in the performance or observance of any of the terms, provisions and conditions of the Debenture Indenture and, if so, specifying all known defaults.

Modification and Waiver

Modifications and amendments of the Debenture Indenture may be made by us and the debenture trustee with the consent of the holders of not less than a majority in aggregate principal amount of the outstanding unsecured debt securities of each series affected by the modification or amendment; provided, however, no modification or amendment may, without the consent of the holder of each outstanding debt security affected:

- change the stated maturity of the principal of, or any installment of principal of or interest on, any debt security;
- reduce the principal amount of, or any premium or interest on, any debt security;
- reduce the amount of principal of an original issue discount security or any other debt security payable upon acceleration of the maturity thereof;
- change the place or currency of payment of principal of, or any premium or interest on, any debt security;
- affect the applicability of the subordination provisions to any debt security;
- impair the right to institute suit for the enforcement of any payment on or with respect to any debt security;
- reduce the percentage in aggregate principal amount of outstanding unsecured debt securities of any series, the consent of whose holders is required for modification or amendment of the Debenture Indenture;
- reduce the percentage in aggregate principal amount of outstanding unsecured debt securities of any series necessary for waiver of compliance with certain provisions of the Debenture Indenture or for waiver of certain defaults; or
- modify these provisions relating to modification and waiver.

The holders of not less than a majority in aggregate principal amount of the outstanding unsecured debt securities of any series may waive our compliance with certain restrictive provisions of the Debenture Indenture. The holders of a majority in aggregate principal amount of the outstanding unsecured debt securities of any series may waive any past default under the Debenture Indenture, except a default in the payment of principal, premium, or interest and certain covenants and provisions of the Debenture Indenture which cannot be modified or amended without the consent of the holder of each outstanding debt security of the series affected.

Generally, we will be entitled to set any day as a record date for the purpose of determining the holders of outstanding unsecured debt securities of any series entitled to give or take any direction, notice, consent, waiver, or other action under the Debenture Indenture, in the manner and subject to

the limitations provided in the Debenture Indenture. In certain limited circumstances, the debenture trustee will be entitled to set a record date for action by holders. If a record date is set for any action to be taken by holders of a particular series, the action may be taken only by persons who are holders of outstanding unsecured debt securities of that series on the record date. To be effective, the action must be taken by holders of the requisite aggregate principal amount of unsecured debt securities within 180 days following the record date, or such shorter period as we (or the debenture trustee, if it sets the record date) may specify.

Defeasance and Covenant Defeasance

Under the Debenture Indenture, we may elect to have the provisions of the Debenture Indenture relating to defeasance and discharge of indebtedness, or the provisions relating to defeasance of certain restrictive covenants, applied with respect to the unsecured debt securities of any series.

Defeasance and Discharge

If we elect to have the provisions of the Debenture Indenture relating to defeasance and discharge of indebtedness applied to any unsecured debt securities, we will be discharged from all our obligations with respect to those unsecured debt securities (except for certain obligations to exchange or register the transfer of unsecured debt securities, to replace stolen, lost or mutilated unsecured debt securities, to maintain paying agencies and to hold moneys for payment in trust) upon the deposit in trust for the benefit of the holders of such unsecured debt securities of money or U.S. Government Obligations, or both, which will provide money sufficient to pay the principal of and any premium and interest on the unsecured debt securities as they become due. This defeasance or discharge may occur only if, among other things, we have delivered to the debenture trustee an opinion of counsel to the effect that we have received from, or there has been published by, the United States Internal Revenue Service a ruling, or there has been a change in tax law, in either case to the effect that holders of the unsecured debt securities will not recognize gain or loss for federal income tax purposes as a result of the deposit, defeasance, and discharge and will be subject to federal income tax on the same amount, in the same manner and at the same times as would have been the case if the deposit, defeasance and discharge did not occur.

Defeasance of Certain Covenants

If we elect to have the provisions of the Debenture Indenture relating to defeasance of certain covenants applied to any unsecured debt securities, we may omit to comply with certain restrictive covenants that may be described in any applicable prospectus supplement, and the occurrence of certain events of default with respect to those restrictive covenants will no longer be applicable to those unsecured debt securities. In order to exercise this option, we will be required to deposit, in trust for the benefit of the holders of the unsecured debt securities, money or U.S. Government Obligations, or both, which will provide money sufficient to pay the principal of and any premium and interest on the unsecured debt securities as they become due. We will also be required, among other things, to deliver to the debenture trustee an opinion of counsel to the effect that holders of such unsecured debt securities will not recognize gain or loss for federal income tax purposes as a result of such deposit and defeasance of certain obligations and will be subject to federal income tax on the same amount, in the same manner and at the same times as would have been the case if such deposit and defeasance did not occur. If we were to exercise this option with respect to any unsecured debt securities and those unsecured debt securities subsequently were declared due and payable because of the occurrence of any event of default, the amount of money and U.S. Government Obligations deposited in trust would be sufficient to pay amounts due on the unsecured debt securities at the time of their respective stated maturities but might not be sufficient to pay the amounts due upon acceleration resulting from the event of default. In that case, we would remain liable for those payments.

Title

The Company and the debenture trustee, and any agent of the Company or the debenture trustee, may treat the person in whose name an unsecured debt security is registered as the absolute owner thereof (whether or not the debt security may be overdue) for the purpose of making payment and for all other purposes.

Governing Law

The Debenture Indenture and the unsecured debt securities will be governed by, and construed in accordance with, the laws of the State of New York.

Concerning the Debenture Trustee

The Bank of New York Mellon Trust Company, N.A. is the successor trustee under the Debenture Indenture. The Bank of New York Mellon Trust Company, N.A. also acts as the trustee for our first mortgage bonds and for certain debt securities of our affiliates. The Bank of New York Mellon makes loans to, and performs other financial services for, us and our affiliates in the normal course of business.

GLOBAL SECURITIES

We may issue some or all of the first mortgage bonds and unsecured debt securities as book-entry securities. Any such book-entry securities will be represented by one or more fully registered global certificates. We will register each global security with or on behalf of a securities depositary identified in the applicable prospectus supplement. Each global security will be deposited with the securities depositary or its nominee or a custodian for the securities depositary.

As long as the securities depositary or its nominee is the registered holder of a global security representing securities described in this prospectus, that person will be considered the sole owner and holder of the global security and the securities it represents for all purposes. Except in limited circumstances, owners of beneficial interests in a global security:

- may not have the global security or any securities it represents registered in their names;
- may not receive or be entitled to receive physical delivery of certificated securities in exchange for the global security; and
- will not be considered the owners or holders of the global security or any securities it represents for any purposes under the applicable securities or the related mortgage or indenture.

We will make all payments of principal and any premium and interest on a global security to the securities depositary or its nominee as the holder of the global security. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of securities in definitive form. These laws may impair the ability to transfer beneficial interests in a global security.

Ownership of beneficial interests in a global security will be limited to institutions having accounts with the securities depositary or its nominee, which are called "participants" in this discussion, and to persons that hold beneficial interests through participants. When a global security representing securities described in this prospectus is issued, the securities depositary will credit on its book-entry, registration and transfer system the principal amounts of securities the global security represents to the accounts of its participants. Ownership of beneficial interests in a global security will be shown only on, and the transfer of those ownership interests will be effected only through, records maintained by:

- the securities depositary, with respect to participants' interests; and
- any participant, with respect to interests the participant holds on behalf of other persons.

Payments participants make to owners of beneficial interests held through those participants will be the responsibility of those participants. The securities depositary may from time to time adopt various policies and procedures governing payments, transfers, exchanges and other matters relating to beneficial interests in a global security. None of the following will have any responsibility or liability for any aspect of the securities depositary's or any participant's records relating to beneficial interests in a global security representing securities described in this prospectus, for payments made on account of those beneficial interests or for maintaining, supervising or reviewing any records relating to those beneficial interests:

- Duke Energy Ohio;
- the applicable trustee; or
- any agent of either of them.

PLAN OF DISTRIBUTION

We may sell securities to one or more underwriters or dealers for public offering and sale by them, or we may sell the securities to investors directly or through agents. The prospectus supplement relating to the securities being offered will set forth the terms of the offering and the method of distribution and will identify any firms acting as underwriters, dealers or agents in connection with the offering, including:

- the name or names of any underwriters;
- the purchase price of the securities and the proceeds to us from the sale;
- any underwriting discounts and other items constituting underwriters' compensation;
- any public offering price;
- any discounts or concessions allowed or reallowed or paid to dealers; and
- any securities exchange or market on which the securities may be listed.

Only those underwriters identified in the prospectus supplement are deemed to be underwriters in connection with the securities offered in the prospectus supplement.

We may distribute the securities from time to time in one or more transactions at a fixed price or prices, which may be changed, or at prices determined as the prospectus supplement specifies. We may sell securities through forward contracts or similar arrangements. In connection with the sale of securities, underwriters, dealers or agents may be deemed to have received compensation from us in the form of underwriting discounts or commissions and also may receive commissions from securities purchasers for whom they may act as agent. Underwriters may sell the securities to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters or commissions from the purchasers for whom they may act as agent.

We may sell the securities directly or through agents we designate from time to time. Any agent involved in the offer or sale of the securities covered by this prospectus will be named in a prospectus supplement relating to such securities. Commissions payable by us to agents will be set forth in a prospectus supplement relating to the securities being offered. Unless otherwise indicated in a prospectus supplement, any such agents will be acting on a best-efforts basis for the period of their appointment.

Some of the underwriters, dealers or agents and some of their affiliates who participate in the securities distribution may engage in other transactions with, and perform other services for, us and our subsidiaries or affiliates in the ordinary course of business.

Any underwriting or other compensation which we pay to underwriters or agents in connection with the securities offering, and any discounts, concessions or commissions which underwriters allow to dealers, will be set forth in the applicable prospectus supplement. Underwriters, dealers and agents participating in the securities distribution may be deemed to be underwriters, and any discounts and commissions they receive and any profit they realize on the resale of the securities may be deemed to be underwriting discounts and commissions under the Securities Act of 1933. Underwriters, and their controlling persons, and agents may be entitled, under agreements we enter into with them, to indemnification against certain civil liabilities, including liabilities under the Securities Act of 1933.

EXPERTS

The consolidated financial statements incorporated in this prospectus by reference from Duke Energy Ohio, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2012 have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which is incorporated herein by reference. Such consolidated financial statements have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

VALIDITY OF THE SECURITIES

Taft Stettinius & Hollister LLP, and/or counsel named in the applicable prospectus supplement, will issue an opinion about the validity of the securities we are offering in the applicable prospectus supplement. Counsel named in the applicable prospectus supplement will pass upon certain legal matters on behalf of any underwriters.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and, in accordance therewith, file annual, quarterly and current reports and other information with the Securities and Exchange Commission, or the SEC. Such reports and other information can be inspected and copied at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may also obtain copies of these documents at prescribed rates from the Public Reference Section of the SEC at its Washington, D.C. address. Please call the SEC at 1-800-SEC-0330 for further information. Our filings with the SEC, as well as additional information about us, are also available to the public through Duke Energy Corporation's website at *http://www.duke-energy.com* and are made available as soon as reasonably practicable after such material is filed with or furnished to the SEC. The information on Duke Energy Corporation's website is not a part of this prospectus. Our filings are also available to the public through the SEC web site at *http://www.sec.gov*.

The SEC allows us to "incorporate by reference" into this prospectus the documents we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information. This prospectus incorporates by reference the documents incorporated in the prospectus at the time the registration statement became effective and all later documents filed with the SEC, in all cases as updated and superseded by later filings with the SEC.

Duke Energy Ohio incorporates by reference the documents listed below and any future filings made by us with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, until the offering is completed:

- Annual Report on Form 10-K for the year ended December 31, 2012;

- Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2013, and June 30, 2013; and
- Current Reports on Form 8-K filed on April 2, 2013, May 14, 2013 and September 6, 2013.

We, our parent company, Duke Energy Corporation, and certain of its other subsidiaries separately filed the combined Annual Report on Form 10-K and Quarterly Reports on Form 10-Q listed above. We do not intend to incorporate by reference into this prospectus the information relating to Duke Energy Corporation and its subsidiaries (other than Duke Energy Ohio, Inc. and its consolidated subsidiaries), and we make no representation as to the information relating to Duke Energy Corporation and its subsidiaries (other than Duke Energy Ohio, Inc. and its consolidated subsidiaries) contained in such combined reports.

We will provide you without charge a copy of these filings, other than any exhibits unless the exhibits are specifically incorporated by reference into this prospectus. You may request a copy by writing us at the following address or telephoning one of the following numbers:

Investor Relations Department
Duke Energy Ohio, Inc.
P.O. Box 1005
Charlotte, North Carolina 28201
(704) 382-3853 or (800) 488-3853 (toll-free)

You should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell the securities described in this prospectus in any state where the offer or sale is not permitted. You should assume that the information contained in the prospectus is accurate only as of its date. Our business, financial condition, results of operations and prospects may have changed since that date.


DUKE
ENERGY®
OHIO

PROSPECTUS SUPPLEMENT
(To Prospectus dated September 30, 2013)

$3,750,000,000

DUKE ENERGY®

$750,000,000 1.800% Senior Notes due 2021
$1,500,000,000 2.650% Senior Notes due 2026
$1,500,000,000 3.750% Senior Notes due 2046

Duke Energy Corporation is offering $3.75 billion aggregate principal amount of Senior Notes in three separate series. We are offering (i) $750 million aggregate principal amount of 1.800% Senior Notes due 2021 (the "2021 Notes"), (ii) $1.5 billion aggregate principal amount of 2.650% Senior Notes due 2026 (the "2026 Notes"), and (iii) $1.5 billion aggregate principal amount of 3.750% Senior Notes due 2046 (the "2046 Notes", and together with the 2021 Notes, the 2026 Notes and the 2046 Notes, the "Notes"). The per annum interest rate on the 2021 Notes will be 1.800%, the per annum interest rate on the 2026 Notes will be 2.650% and the per annum interest rate on the 2046 Notes will be 3.750%.

We will pay interest on the Notes of each series semi-annually in arrears on March 1 and September 1 of each year, beginning on March 1, 2017. The 2021 Notes will mature as to principal on September 1, 2021, the 2026 Notes will mature as to principal on September 1, 2026, and the 2046 Notes will mature as to principal on September 1, 2046.

On October 24, 2015, we entered into an Agreement and Plan of Merger (the "Merger Agreement") with Piedmont Natural Gas Company, Inc. ("Piedmont"). Under the terms of the Merger Agreement, we will acquire all of Piedmont's issued and outstanding stock (the "Acquisition") and Piedmont will become our wholly-owned subsidiary. The offerings contemplated hereby are not conditioned upon the completion of the Acquisition, which, if completed, will occur subsequent to the closing of the offerings. Upon the first to occur of either (i) April 30, 2017, if the Acquisition is not consummated on or prior to such date, or (ii) the date on which the Merger Agreement is terminated (each, a "Special Mandatory Redemption Trigger"), we will be required to redeem the Notes, in whole, at a redemption price equal to 101% of the aggregate principal amount of the Notes being redeemed, plus accrued and unpaid interest on the aggregate principal amount of the Notes being redeemed to, but excluding, the date of the special mandatory redemption (the "Special Mandatory Redemption"). There is no escrow account for, or security interest in, the proceeds from the sales of the Notes for the benefit of holders of the Notes. See "Risk Factors" and "Description of the Notes—Redemption—Special Mandatory Redemption." The Notes may also be redeemed at our option, in whole at any time before April 30, 2017, at a redemption price equal to 101% of the aggregate principal amount of the Notes being redeemed, plus accrued and unpaid interest on the aggregate principal amount of the Notes being redeemed to, but excluding, the date of such redemption, if, in our judgment, the Acquisition will not be consummated on or before April 30, 2017 (the "Special Optional Redemption"). See "Description of the Notes—Redemption—Special Optional Redemption." In addition, we may redeem the Notes of any series at our option at any time and from time to time, in whole or in part, as described in this prospectus supplement under the caption "Description of the Notes—Redemption—Optional Redemption." There will not be any sinking fund for the Notes. The Notes will be unsecured, senior obligations of Duke Energy Corporation.

The Notes will not be listed on any securities exchange or included in any automated quotation system. Currently, there is no public market for the Notes. Please read the information provided under the caption "Description of the Notes" in this prospectus supplement and "Description of Debt Securities" in the accompanying prospectus for a more detailed description of the Notes.

Investing in the Notes involves risks. See "Risk Factors" beginning on page S-8 of this prospectus supplement.

	Price to Public(1)	Underwriting Discount(2)	Proceeds to Duke Energy Corporation Before Expenses
Per 2021 Note	99.990%	0.600%	99.390%
Total 2021 Notes	$ 749,925,000	$ 4,500,000	$ 745,425,000
Per 2026 Note	99.692%	0.650%	99.042%
Total 2026 Notes	$1,495,380,000	$ 9,750,000	$1,485,630,000
Per 2046 Note	99.944%	0.875%	99.069%
Total 2046 Notes	$1,499,160,000	$13,125,000	$1,486,035,000

(1) Plus accrued interest from August 12, 2016, if settlement occurs after that date.
(2) The underwriters have agreed to make a payment to us in an amount equal to $6,750,000, including in respect of expenses incurred by us in connection with the offerings. See "Underwriting."

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

We expect the Notes to be ready for delivery only in book-entry form through the facilities of The Depository Trust Company for the accounts of its participants, including Clearstream Banking, société anonyme, Luxembourg and Euroclear Bank S.A./N.V. on or about August 12, 2016.

Joint Book-Running Managers

Barclays | **Credit Suisse** | **Mizuho Securities** | **MUFG** | **UBS Investment Bank**

Co-Managers

BNP PARIBAS | **BofA Merrill Lynch** | **Citigroup** | **J.P. Morgan** | **Loop Capital Markets**
RBC Capital Markets | **Scotiabank** | **SunTrust Robinson Humphrey** | **TD Securities**
US Bancorp | **Wells Fargo Securities**

The date of this prospectus supplement is August 9, 2016.

You should rely only on the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus and any free writing prospectus authorized by us. We have not, and the underwriters have not, authorized anyone to provide you with information that is different. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus or any free writing prospectus authorized by us is accurate as of any date other than the date of the document containing the information or such other date as may be specified therein. Our business, financial condition, liquidity, results of operations and prospects may have changed since those respective dates.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of these offerings. The second part, the accompanying prospectus, gives more general information, some of which does not apply to these offerings.

If the description of the offerings varies between this prospectus supplement and the accompanying prospectus, you should rely on the information contained in or incorporated by reference in this prospectus supplement.

It is important for you to read and consider all information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus in making your investment decision. You should also read and consider the information contained in the documents to which we have referred you in "Where You Can Find More Information" in this prospectus supplement and the accompanying prospectus.

Unless we have indicated otherwise, or the context otherwise requires, references in this prospectus supplement and the accompanying prospectus to "Duke Energy," "we," "us" and "our" or similar terms are to Duke Energy Corporation and its subsidiaries.

PROSPECTUS SUPPLEMENT SUMMARY

The following summary is qualified in its entirety by, and should be read together with, the more detailed information that is included elsewhere in this prospectus supplement and the accompanying prospectus, as well as the information that is incorporated or deemed to be incorporated by reference in this prospectus supplement and the accompanying prospectus. See "Where You Can Find More Information" in this prospectus supplement for information about how you can obtain the information that is incorporated or deemed to be incorporated by reference in this prospectus supplement and the accompanying prospectus. Investing in the Notes involves risks. See "Risk Factors" in this prospectus supplement.

Duke Energy Corporation

Duke Energy, together with its subsidiaries, is a diversified energy company with both regulated and unregulated utility operations. We supply, deliver and process energy for customers in the United States and selected international markets.

Duke Energy's Regulated Utilities segment consists of regulated generation and electric and gas transmission and distribution systems. The segment's generation portfolio includes a balanced mix of energy resources having different operating characteristics and fuel sources. In our regulated electric operations, we serve approximately 7.4 million retail electric customers in six states in the Southeast and Midwest regions of the United States and we own 50,170 megawatts of generating capacity serving an area of approximately 95,000 square miles with an estimated population of 24 million people. Regulated Utilities also serves 525,000 retail natural gas customers in southwestern Ohio and northern Kentucky. Electricity is also sold wholesale to incorporated municipalities, electric cooperative utilities and other load-serving entities.

Duke Energy's International Energy segment operates and manages power generation facilities and engages in sales and marketing of electric power, natural gas, and natural gas liquids outside the United States. Its activities principally target power generation in Latin America. Additionally, International Energy owns a 25 percent interest in National Methanol Company ("NMC"), a large regional producer of methyl tertiary butyl ether (a gasoline additive), located in Saudi Arabia. International Energy's ownership interest will decrease to 17.5 percent upon the successful startup of NMC's polyacetal production facility, which is expected to occur in early 2017. See "—Recent Developments—Potential Sale of Duke Energy International" in this prospectus supplement.

Duke Energy's Commercial Portfolio segment builds, develops and operates wind and solar renewable generation and storage and energy transmission projects throughout the United States. The portfolio includes nonregulated renewable energy, electric transmission, natural gas infrastructure and energy storage businesses.

We are a Delaware corporation. The address of our principal executive offices is 550 South Tryon Street, Charlotte, North Carolina 28202-1803 and our telephone number is (704) 382-3853. Our common stock is listed and trades on the New York Stock Exchange under the symbol "DUK."

The foregoing information about Duke Energy is only a general summary and is not intended to be comprehensive. For additional information about Duke Energy, you should refer to the information described under the caption "Where You Can Find More Information" in this prospectus supplement.

Recent Developments

Plans to Acquire Piedmont Natural Gas Company

On October 24, 2015, we entered into the Merger Agreement. In this transaction, which is subject to various conditions, Piedmont would become our wholly-owned subsidiary. While we currently expect to complete the Acquisition by the end of 2016, completion of the Acquisition is subject to customary conditions and approvals; accordingly, no assurance can be given that we will complete the Acquisition by this timeframe or at all. For additional information about the Acquisition, you should refer to the information described under the caption "Where You Can Find More Information" in this prospectus supplement.

Potential Sale of Duke Energy International

In February 2016, we announced that we had initiated a process to divest our International Energy business segment, excluding the equity method investment in NMC. We are actively marketing the business. Non-binding offers have been received and are being evaluated. There is no assurance that this process will result in a transaction and the timing for execution of a potential transaction is uncertain. For additional information about the potential sale of our International Energy business segment, you should refer to the information described under the caption "Where You Can Find More Information" in this prospectus supplement.

The Offerings

Issuer	Duke Energy Corporation.
Securities Offered	We are offering $750 million aggregate principal amount of 2021 Notes, $1.5 billion aggregate principal amount of 2026 Notes, and $1.5 billion aggregate principal amount of 2046 Notes.
Maturities	The 2021 Notes will mature on September 1, 2021. The 2026 Notes will mature on September 1, 2026. The 2046 Notes will mature on September 1, 2046.
Interest Rates	The per annum interest rate on the 2021 Notes will be 1.800%. The per annum interest rate on the 2026 Notes will be 2.650%. The per annum interest rate on the 2046 Notes will be 3.750%.
Interest Payment Dates	Interest on the Notes of each series will be payable semi-annually in arrears on March 1 and September 1 of each year, beginning on March 1, 2017.
Ranking	The Notes will be our direct, unsecured and unsubordinated obligations, ranking equally in priority with all of our existing and future unsecured and unsubordinated indebtedness and senior in right of payment to all of our existing and future subordinated debt. At June 30, 2016, we had approximately $9.8 billion of outstanding indebtedness, consisting of approximately $9.3 billion of unsecured and unsubordinated indebtedness and $0.5 billion of unsecured junior subordinated indebtedness. Our Indenture (as defined herein) contains no restrictions on the amount of additional indebtedness that we may issue under it.

	The Notes will be structurally subordinated to all liabilities and any preferred stock of our subsidiaries. At June 30, 2016, our subsidiaries had approximately $32.2 billion of indebtedness, payment upon approximately $0.8 billion of which is guaranteed by Duke Energy Corporation. All of such guarantees were granted to the holders of certain unsecured debt of our subsidiary Duke Energy Carolinas, LLC, in connection with changes in our corporate structure relating to the closing of our merger with Cinergy Corp. in 2006.
Special Mandatory Redemption	Upon the occurrence of a Special Mandatory Redemption Trigger, we will be required to redeem the Notes, in whole, at a redemption price equal to 101% of the aggregate principal amount of the Notes being redeemed, plus accrued and unpaid interest on the aggregate principal amount of the Notes being redeemed to, but excluding, the date of such redemption. See "Description of the Notes—Redemption—Special Mandatory Redemption."
Special Optional Redemption	We will have the right to redeem the Notes at any time, in whole, before April 30, 2017, at a redemption price equal to 101% of the aggregate principal amount of the Notes being redeemed, plus accrued and unpaid interest on the aggregate principal amount of the Notes being redeemed to, but excluding, the date of such redemption, if, in our judgment, the Acquisition will not be consummated on or before April 30, 2017. See "Description of the Notes—Redemption—Special Optional Redemption."

Optional Redemption	We will have the right to redeem each series of the Notes at any time before the applicable Par Call Date (as set forth in the table below), in whole or in part and from time to time, at a redemption price equal to the greater of (1) 100% of the principal amount of such Notes being redeemed and (2) the sum of the present values of the remaining scheduled payments of principal and interest on such Notes being redeemed that would be due if such Notes matured on the applicable Par Call Date (exclusive of interest accrued to the redemption date), discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined herein) plus a number of basis points equal to the applicable Make-Whole Spread (as set forth in the table below), plus, in each case, accrued and unpaid interest on the principal amount of such Notes being redeemed to, but excluding, such redemption date. We will have the right to redeem each series of the Notes at any time on or after the applicable Par Call Date, in whole or in part and from time to time, at a redemption price equal to 100% of the principal amount of such series of Notes being redeemed plus accrued and unpaid interest on the principal amount of such Notes being redeemed to, but excluding, such redemption date. See "Description of the Notes—Redemption—Optional Redemption."

Series	Par Call Date	Make-Whole Spread
2021 Notes . .	August 1, 2021	12.5 basis points
2026 Notes . .	June 1, 2026	20 basis points
2046 Notes . .	March 1, 2046	25 basis points

No Escrow Account	The aggregate net proceeds from the sale of the Notes will not be held in escrow, and holders of the Notes will not have any special access or rights to or a security interest or encumbrance of any kind of the net proceeds from the sale of the Notes.
No Sinking Fund	There will not be any sinking fund for the Notes.

Use of Proceeds	The aggregate net proceeds from the sale of the Notes, after deducting the respective underwriting discounts and related offering expenses and giving effect to the underwriters' payment to us, will be approximately $3.7 billion. We intend to use the aggregate net proceeds to finance a portion of our costs in connection with the Acquisition. See "Prospectus Supplement Summary—Recent Developments" and "Use of Proceeds." In addition, the lending commitments under a $3.2 billion bridge facility (the "Bridge Facility") provided to us by affiliates of certain of the underwriters in connection with the Acquisition, which originally totaled $4.9 billion, will be reduced by an amount equal to 100% of the net proceeds from the offerings contemplated hereby. See "Underwriting—Other Relationships." We expect that the sale of each series of the Notes will take place concurrently. However, the sales of the Notes are not conditioned upon each other, and we may consummate the sale of one or more series of Notes and not any of the other series of Notes, or consummate the sales at different times. Additionally, the sales of the Notes are not conditioned upon the completion of the Acquisition, which, if completed, will occur subsequent to the closing of the offerings.
Book-Entry	Each series of the Notes will be represented by one or more global securities registered in the name of and deposited with or on behalf of The Depository Trust Company ("DTC") or its nominee. Beneficial interests in the Notes will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Investors may elect to hold interests in the global securities through either DTC in the United States or Clearstream Banking, société anonyme, Luxembourg ("Clearstream, Luxembourg") or Euroclear Bank S.A./N.V., as operator of the Euroclear System (the "Euroclear System"), in Europe if they are participants in those systems, or indirectly through organizations which are participants in those systems. This means that you will not receive a certificate for your Notes and Notes will not be registered in your name, except under certain limited circumstances described under the caption "Book-Entry System."
Trustee	The Bank of New York Mellon Trust Company, N.A.

RISK FACTORS

In addition to the risk factors described below, you should carefully consider the risk factors in our Annual Report on Form 10-K for the year ended December 31, 2015, which has been filed with the Securities and Exchange Commission (the "SEC") and is incorporated by reference in this prospectus supplement and the accompanying prospectus, as well as the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus, before making an investment decision.

Upon the occurrence of a Special Mandatory Redemption Trigger, we will be required to redeem the Notes. In addition, the Notes may also be redeemed at our option, if, in our judgment, the Acquisition will not be consummated on or before April 30, 2017. If we redeem the Notes, holders may not obtain their expected return on the Notes.

The closing of the offerings contemplated hereby is not conditioned on, and is expected to be consummated before, the closing of the Acquisition, which is expected to occur by the end of 2016. We may not be able to consummate the Acquisition within the timeframe specified under "Description of the Notes—Redemption—Special Mandatory Redemption" or at all.

Upon the occurrence of a Special Mandatory Redemption Trigger, we will be required to redeem the Notes, in whole, at a redemption price equal to 101% of the aggregate principal amount of the Notes being redeemed, plus accrued and unpaid interest on the aggregate principal amount of the Notes being redeemed to, but excluding, the date of such redemption. The Notes may also be redeemed at our option, in whole, at any time before April 30, 2017, at a redemption price equal to 101% of the aggregate principal amount of the Notes being redeemed, plus accrued and unpaid interest on the aggregate principal amount of the Notes being redeemed to, but excluding, the date of such redemption, if, in our judgment, the Acquisition will not be consummated on or before April 30, 2017. Holders of the Notes will have no rights under the Special Mandatory Redemption provision if the Acquisition closes, nor will holders of the Notes have any right to require us to repurchase the Notes if, between the closing of the offerings contemplated hereby and the completion of the Acquisition, we experience any changes (including any material adverse changes) in our business or financial condition, or if the terms of the Merger Agreement change, including in any material respect.

If the Notes are redeemed, holders may not obtain their expected return on the Notes and may not be able to reinvest the proceeds from redemption in an investment that results in a comparable return. In addition, as a result of such redemption provisions of the Notes, the trading prices of the Notes may not reflect the financial results of our business or macroeconomic factors.

We are not obligated to place the net proceeds from the sales of the Notes in escrow prior to the closing of the Acquisition and, as a result, we may not be able to repurchase the Notes upon a Special Mandatory Redemption.

We are not obligated to place the net proceeds from the sales of the Notes in escrow prior to the closing of the Acquisition or to provide a security interest in those proceeds, and the Indenture (as defined herein) imposes no restrictions on our use of these proceeds during that time. Accordingly, the source of funds for any redemption of Notes upon a Special Mandatory Redemption would be the proceeds that we have voluntarily retained or other sources of liquidity, including available cash, borrowings, sales of assets or sales of equity securities. We may not be able to satisfy our obligation to redeem the Notes following a Special Mandatory Redemption Trigger because we may not have sufficient financial resources to pay the aggregate redemption price on the Notes. As a result, the net proceeds from the sales of the Notes may be subject to a greater risk of loss than if they were deposited into escrow, which may jeopardize our ability to fund the Acquisition or, upon the occurrence of a Special Mandatory Redemption Trigger, the Special Mandatory Redemption. Our failure to redeem or repurchase the Notes as required under the Indenture would result in a default under the Indenture, which could result in defaults under certain of our other debt agreements and have material adverse consequences for us and the holders of the Notes.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This prospectus supplement, the accompanying prospectus, and the information incorporated by reference herein and therein, include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). 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 or climate change, as well as rulings that affect cost and investment recovery or have an impact on rate structures or market prices;
- The extent and timing of 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 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;
- The risk that the credit ratings of Duke Energy or its subsidiaries may be different from what the companies expect;
- 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 variations in customer usage patterns, including energy efficiency efforts and use of alternative energy sources, including 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 rooftop 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 markets and continued industry consolidation;
- Political, economic and regulatory uncertainty in Brazil and other countries in which Duke Energy conducts business;
- The influence of weather and other natural phenomena on operations, including the economic, operational and other effects of severe storms, hurricanes, droughts, earthquakes and tornadoes;
- 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 impact on facilities and business from a terrorist attack, cybersecurity threats, data security breaches, and other catastrophic events such as fires, explosions, pandemic health events or other similar occurrences;
- The inherent risks associated with the operation and potential construction of nuclear facilities, including environmental, health, safety, regulatory and financial risks;
- The timing and extent of changes in commodity prices, interest rates and foreign currency exchange rates and the ability to recover such costs through the regulatory process, where appropriate, and their impact on liquidity positions and the value of underlying assets;
- The results of financing efforts, including the ability to obtain financing on favorable terms, which can be affected by various factors, including credit ratings, interest rate fluctuations, and general economic conditions;
- Declines in the market prices of equity and fixed income securities and resultant cash funding requirements for defined benefit pension plans, other post-retirement benefit plans, and nuclear decommissioning trust funds;
- Construction and development risks associated with the completion of Duke Energy's or its subsidiaries' 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 our subsidiaries to pay dividends or distributions to Duke Energy Corporation;
- The performance of projects undertaken by our nonregulated businesses and the success of efforts to invest in and develop new opportunities;
- The effect of accounting pronouncements issued periodically by accounting standard-setting bodies;
- The impact of potential goodwill impairments;
- The ability to successfully complete future merger, acquisition or divestiture plans;
- The expected timing and likelihood of completion of the proposed acquisition of Piedmont, including the timing, receipt and terms and conditions of any required governmental and regulatory approvals of the proposed acquisition that could reduce anticipated benefits or cause the parties to abandon the acquisition, and under certain specified circumstances pay a termination fee of $250 million, as well as the ability to successfully integrate the businesses and realize anticipated benefits and the risk that the credit ratings of the combined company or its subsidiaries may be different from what the companies expect; and
- The likelihood, terms and timing of the potential sale of International Energy, excluding the equity investment in NMC, could change the presentation of certain assets, liabilities and results of operations as assets held for sale, liabilities associated with assets held for sale, and discontinued operations, respectively.

Additional risks and uncertainties are identified and discussed in our reports filed with the SEC and available at the SEC's website. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements included or incorporated by reference in this prospectus supplement and the accompanying prospectus 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 we expressly disclaim an obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

RATIOS OF EARNINGS TO FIXED CHARGES

The ratios of earnings to fixed charges have been calculated using the SEC guidelines.

	Six Months Ended June 30, 2016	Year Ended December 31,				
		2015	2014	2013	2012(a)	2011
Earnings as defined for the fixed charges calculation:						
Add:						
Pretax income from continuing operations(b)	$1,630	$4,053	$3,998	$3,657	$2,068	$1,975
Fixed charges	1,071	1,859	1,871	1,886	1,510	1,057
Distributed income of equity investees	18	104	136	109	151	149
Deduct:						
Preferred dividend requirements of subsidiaries	—	—	—	—	3	—
Interest capitalized	8	18	7	8	30	46
Total earnings:	$2,711	$5,998	$5,998	$5,664	$3,696	$3,135
Fixed charges:						
Interest on debt, including capitalized portions	$1,039	$1,733	$1,733	$1,760	$1,420	$1,026
Estimate of interest within rental expense	32	126	138	126	87	31
Preferred dividend requirements	—	—	—	—	3	—
Total fixed charges	$1,071	$1,859	$1,871	$1,886	$1,510	$1,057
Ratio of earnings to fixed charges	2.5	3.2	3.2	3.0	2.4	3.0

(a) Includes the results of Progress Energy, Inc. beginning on July 2, 2012.

(b) Excludes amounts attributable to noncontrolling interests and income or loss from equity investees.

USE OF PROCEEDS

The aggregate net proceeds from the sale of the Notes, after deducting the respective underwriting discounts and related offering expenses and giving effect to the underwriters' payment to us, will be approximately $3.7 billion. We intend to use the aggregate net proceeds to finance a portion of our costs in connection with the Acquisition. See "Prospectus Supplement Summary—Recent Developments." There is no escrow account for, or security interest in, the proceeds from the sales of the Notes for the benefit of holders of the Notes. See "Risk Factors" and "Description of the Notes—Redemption—Special Mandatory Redemption."

In addition, the commitments under the Bridge Facility provided to us by affiliates of certain of the underwriters in connection with the Acquisition will be reduced by an amount equal to 100% of the net proceeds from the sales of the Notes. See "Underwriting—Other Relationships."

We expect that the sale of each series of the Notes will take place concurrently. However, the sales of the Notes are not conditioned upon each other, and we may consummate the sale of one or more series of Notes and not any of the other series of Notes, or consummate the sales at different times. Additionally, the sales of the Notes are not conditioned upon the completion of the Acquisition, which, if completed, will occur subsequent to the closing of the offerings.

DESCRIPTION OF THE NOTES

General

The following description of the terms of the Notes summarizes certain general terms that will apply to the Notes. The Notes will be issued as three separate series of senior debt securities under an Indenture between us and The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.), as Trustee, dated as of June 3, 2008, as supplemented from time to time, including by the Fourteenth Supplemental Indenture, dated as of August 12, 2016, collectively referred to as the "Indenture."

Please read the following information concerning the Notes in conjunction with the statements under "Description of Debt Securities" in the accompanying prospectus, which the following information supplements and, in the event of any inconsistencies, supersedes. Capitalized terms not defined in this prospectus supplement are used as defined in the Indenture or as otherwise provided in the accompanying prospectus.

The Notes are issuable in denominations of $2,000 or any integral multiple of $1,000 in excess thereof. The 2021 Notes will be issued in an initial aggregate principal amount of $750,000,000, the 2026 Notes will be issued in an initial aggregate principal amount of $1,500,000,000, and the 2046 Notes will be issued in an initial aggregate principal amount of $1,500,000,000.

We may from time to time, without the consent of existing holders, create and issue further notes having the same terms and conditions as the 2021 Notes, the 2026 Notes or the 2046 Notes being offered hereby in all respects, except for the issue date, the issue price and, if applicable, the first payment of interest thereon and the initial interest accrual date. Additional notes issued in this manner will be consolidated with, and will form a single series with, the applicable previously outstanding 2021 Notes, 2026 Notes or 2046 Notes.

As used in this prospectus supplement, "business day" means, with respect to the Notes, any day other than a Saturday or Sunday that is neither a legal holiday in New York, New York nor a day on which banking institutions in New York, New York are authorized or required by law, regulation or executive order to close, or a day on which the Corporate Trust Office is closed for business.

Ranking

The Notes will be our direct, unsecured and unsubordinated obligations, ranking equally in priority with all of our existing and future unsecured and unsubordinated indebtedness and senior in right of payment to all of our existing and future subordinated debt. At June 30, 2016, we had approximately $9.8 billion of outstanding indebtedness, consisting of approximately $9.3 billion of unsecured and unsubordinated indebtedness and $0.5 billion of unsecured junior subordinated indebtedness. Our Indenture contains no restrictions on the amount of additional indebtedness that we may issue under it.

The Notes will be structurally subordinated to all liabilities and any preferred stock of our subsidiaries. At June 30, 2016, our subsidiaries had approximately $32.2 billion of indebtedness, payment upon approximately $0.8 billion of which is guaranteed by Duke Energy Corporation. All of such guarantees were granted to the holders of certain unsecured debt of our subsidiary Duke Energy Carolinas, LLC, in connection with changes in our corporate structure relating to the closing of our merger with Cinergy Corp. in 2006.

Interest and Payment

The 2021 Notes will mature on September 1, 2021 and will bear interest at a rate of 1.800% per year. The 2026 Notes will mature on September 1, 2026 and will bear interest at a rate of 2.650% per year. The 2046 Notes will mature on September 1, 2046 and will bear interest at a rate of 3.750% per

year. Interest on each series of the Notes shall be payable semi-annually in arrears on March 1 and September 1 of each year, commencing on March 1, 2017. If an interest payment date falls on a day that is not a business day, interest will be payable on the next succeeding business day (and without any interest or payment in respect of any such delay) with the same force and effect as if made on such interest payment date. If a due date for the payment of interest or principal on the Notes falls on a day that is not a business day, then the payment will be made on the next succeeding business day, and no interest will accrue on the amounts payable for the period from and after the original due date and until the next business day. Interest will be paid to the person in whose name each Note is registered at the close of business on the fifteenth calendar day next preceding each semi-annual interest payment date (whether or not a business day). Interest on the Notes will be calculated on the basis of a 360-day year, consisting of twelve 30-day months. Interest on the Notes will accrue from August 12, 2016, or from the most recent interest payment date to which interest has been paid or duly provided for.

Redemption

Special Mandatory Redemption

Upon the occurrence of a Special Mandatory Redemption Trigger, we will be required to redeem the Notes, in whole, at a redemption price equal to 101% of the aggregate principal amount of the Notes being redeemed, plus accrued and unpaid interest on the aggregate principal amount of the Notes being redeemed to, but excluding, the date of such redemption. There is no escrow account for, or security interest in, the proceeds from the sales of the Notes for the benefit of holders of the Notes. See "Risk Factors."

Within five business days after the occurrence of the Special Mandatory Redemption Trigger, we will give notice of the Special Mandatory Redemption to each holder of the Notes and to the Trustee, stating, among other matters prescribed in the Indenture, that a Special Mandatory Redemption Trigger has occurred and that all of the Notes being redeemed will be redeemed on the redemption date set forth in such notice (which will be no earlier than three business days and no later than 30 days from the date such notice is given).

The aggregate net proceeds from the sale of the Notes will not be held in escrow, and holders of the Notes will not have any special access or rights to or a security interest or encumbrance of any kind on the net proceeds from the offering of the Notes.

Upon the occurrence of the closing of the Acquisition, the foregoing provisions regarding the Special Mandatory Redemption will cease to apply.

Special Optional Redemption

We will have the right to redeem the Notes, in whole, at any time before April 30, 2017, at a redemption price equal to 101% of the aggregate principal amount of the Notes being redeemed, plus accrued and unpaid interest on the aggregate principal amount of the Notes being redeemed to, but excluding, the date of such redemption, if, in our judgment, the Acquisition will not be consummated on or before April 30, 2017. If we exercise the Special Optional Redemption right, we will provide notice to each holder of the Notes to be redeemed and to the Trustee, stating, among other matters prescribed in the Indenture, the exercise of the Special Optional Redemption right and that all of the Notes being redeemed will be redeemed on the redemption date set forth in such notice (which will be no earlier than three business days and no later than 30 days from the date such notice is given). Upon the occurrence of the closing of the Acquisition, the foregoing provisions regarding the Special Optional Redemption will cease to apply.

Optional Redemption

We will have the right to redeem each series of the Notes at any time before the applicable Par Call Date (as set forth in the table below), in whole or in part and from time to time, at a redemption price equal to the greater of (1) 100% of the principal amount of such Notes being redeemed and (2) the sum of the present values of the remaining scheduled payments of principal and interest on such Notes being redeemed that would be due if such Notes matured on the applicable Par Call Date (exclusive of interest accrued to the redemption date), discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined herein) plus a number of basis points equal to the applicable Make-Whole Spread (as set forth in the table below), plus, in each case, accrued and unpaid interest on the principal amount of such Notes being redeemed to, but excluding, such redemption date.

We will have the right to redeem each series of the Notes at any time on or after the applicable Par Call Date, in whole or in part and from time to time, at a redemption price equal to 100% of the principal amount of such series of Notes being redeemed plus accrued and unpaid interest on the principal amount of such Notes being redeemed to, but excluding, such redemption date.

Series	Par Call Date	Make-Whole Spread
2021 Notes	August 1, 2021 (the "2021 Par Call Date")	12.5 basis points
2026 Notes	June 1, 2026 (the "2026 Par Call Date")	20 basis points
2046 Notes	March 1, 2046 (the "2046 Par Call Date")	25 basis points

For purposes of the optional redemption provisions, the following terms have the following meanings:

"*Comparable Treasury Issue*" means the United States Treasury security selected by the Quotation Agent as having an actual or interpolated maturity comparable to the remaining term of the applicable series of Notes to be redeemed (assuming, for this purpose, that the 2021 Notes matured on the 2021 Par Call Date, the 2026 Notes matured on the 2026 Par Call Date, and the 2046 Notes matured on the 2046 Par Call Date), that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such Notes.

"*Comparable Treasury Price*" means with respect to any redemption date, (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (2) if fewer than four of such Reference Treasury Dealer Quotations are obtained, the average of all such Reference Treasury Dealer Quotations as determined by us.

"*Quotation Agent*" means one of the Reference Treasury Dealers appointed by us.

"*Reference Treasury Dealer*" means each of Barclays Capital Inc., Credit Suisse Securities (USA) LLC, Mizuho Securities USA Inc., UBS Securities LLC and a Primary Treasury Dealer (as defined below) selected by MUFG Securities Americas Inc., or their respective affiliates or successors, each of which is a primary U.S. Government securities dealer in the United States (a "Primary Treasury Dealer"); provided, however, that if any of the foregoing or their affiliates or successors shall cease to be a Primary Treasury Dealer, we shall substitute therefor another Primary Treasury Dealer.

"*Reference Treasury Dealer Quotations*" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Quotation Agent, of the bid and asked prices for the applicable Comparable Treasury Issue (expressed in each case as a percentage of its principal

amount) quoted in writing to the Quotation Agent by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding such redemption date.

"*Treasury Rate*" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity (on a day count basis) of the applicable Comparable Treasury Issue, assuming a price for such Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the applicable Comparable Treasury Price for such redemption date.

Redemption Procedures

Other than with respect to any redemption described under "—Redemption—Special Mandatory Redemption" and "Redemption—Special Optional Redemption," we will provide not less than 30 nor more than 60 days' notice mailed (or, as long as the Notes of the applicable series are represented by one or more global securities, transmitted in accordance with DTC's procedures) to each registered holder of the Notes to be redeemed. If the redemption notice is given and funds deposited as required, then interest will cease to accrue from and after the redemption date on the Notes or portions of such Notes called for redemption. In the event that any redemption date is not a business day, we will pay the redemption price on the next business day without any interest or other payment due to the delay.

Sinking Fund

There is no provision for a sinking fund applicable to the Notes.

Reports

We will provide the Trustee any information, documents or reports required to be filed by us with the SEC under Section 13 or Section 15(d) of the Exchange Act within 15 days after the same is filed with the SEC. See "Where You Can Find More Information."

MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion summarizes the material U.S. federal income tax considerations relevant to the acquisition, ownership and disposition of the Notes, and does not purport to be a complete analysis of all potential U.S. federal income tax considerations. This discussion is based upon provisions of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), applicable Treasury regulations, administrative rulings and judicial decisions currently in effect, any of which may subsequently be changed, possibly retroactively, or interpreted differently by the Internal Revenue Service (the "IRS") or the courts so as to result in U.S. federal income tax consequences different from those discussed below. This discussion deals only with a Note held as a capital asset by a beneficial owner who purchased the Note for cash pursuant to this offering at the offer price set forth on the front cover hereof.

This discussion does not describe all of the U.S. federal income tax considerations that may be relevant to investors in light of their particular investment or other circumstances. This discussion also does not discuss the particular tax consequences that might be relevant to you if you are subject to special rules under the U.S. federal income tax laws. Special rules apply, for example, if you are:

- a bank, thrift, insurance company, regulated investment company or other financial institution or financial service company;
- a broker or dealer in securities or foreign currency;
- a U.S. person that has a functional currency other than the U.S. dollar;
- a partnership or other entity classified as a partnership for U.S. federal income tax purposes (and their beneficial owners);
- a person subject to alternative minimum tax;
- a person who owns the Notes as part of a straddle, hedging transaction, constructive sale transaction or other risk-reduction transaction;
- a tax-exempt entity;
- a person who has ceased to be a United States citizen or to be taxed as a resident alien; or
- a person who acquires the Notes in connection with employment or other performance of services.

In addition, the following discussion does not address all possible tax consequences related to the acquisition, ownership and disposition of the Notes. In particular, it does not discuss any estate, gift, generation-skipping, transfer, state, local or foreign tax consequences, or the consequences arising under any tax treaty. We have not sought, and do not intend to seek, any ruling or opinion from the IRS with respect to the statements made and the conclusions reached in the following discussion, and there can be no assurance that the IRS or the courts will agree with these statements and conclusions.

Prospective investors should consult their own tax advisors with regard to the application of the U.S. federal income tax considerations discussed below to their particular situations as well as the application of any state, local, foreign or other tax laws, including gift and estate tax laws.

Existence of the Special Mandatory Redemption and the Special Optional Redemption

We may be required, under certain circumstances, to pay additional amounts in respect of the Notes (as described in "Description of the Notes—Redemption—Special Mandatory Redemption" and "Description of the Notes—Redemption—Special Optional Redemption"). Although the issue is not free from doubt, we intend to take the position that the possibility that we will be required to pay such additional amounts is remote and, therefore, does not result in the Notes being treated as contingent

payment debt instruments under the applicable Treasury regulations. Our position is binding on all holders unless such holder discloses its contrary position in the manner required by applicable Treasury regulations. However, our position is not binding on the IRS. If the IRS takes a contrary position to that described above, the timing and character of a holder's income and the timing of our deductions with respect to the Notes could be affected. Holders of Notes should consult their tax advisors regarding the tax consequences of the Notes being treated as contingent payment debt instruments. The remainder of this discussion assumes the Notes are not treated as contingent payment debt instruments.

U.S. Holders

For purposes of this summary, a "U.S. Holder" means a beneficial owner of a Note that for U.S. federal income tax purposes is:

- an individual who is a citizen or resident of the United States;
- a corporation or other entity treated as a corporation for U.S. federal income tax purposes that is created or organized in or under the laws of the United States, any State thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if (a) a court within the United States is able to exercise primary control over its administration and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of such trust or (b) the trust has validly elected to be treated as a United States person.

If a partnership (including any entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds Notes, the tax treatment of a partner in such partnership will generally depend upon the status of the partner and upon the activities of the partnership. If you are a partner in a partnership holding Notes, you should consult your tax advisor as to the particular U.S. federal income tax considerations relevant to the acquisition, ownership and disposition of the Notes applicable to them.

Payment of Interest

It is anticipated, and this discussion assumes, that the Notes will be issued with no more than a de minimis original issue discount for U.S. federal income tax purposes. In such case, interest on a Note will generally be taxable to you as ordinary income at the time it is received or accrued, in accordance with your usual method of accounting for tax purposes. If, however, the issue price of the Notes is less than its stated principal amount and the difference is equal to or more than a de minimis amount (as set forth in the applicable Treasury regulations), you will be required to include the difference in income as original issue discount as it accrues in accordance with a constant yield method.

Sale or Other Taxable Disposition of the Notes

A U.S. Holder generally will recognize gain or loss upon the sale, exchange, redemption, retirement or other taxable disposition of the Notes equal to the difference between (a) the amount realized upon the sale, exchange, redemption, retirement, or other taxable disposition (except to the extent attributable to accrued and unpaid stated interest, which will generally be taxable as ordinary income to the extent not previously included in income), and (b) the U.S. Holder's tax basis in the Notes. A U.S. Holder's tax basis in a Note generally will equal its purchase price for the Note.

Gain or loss on the disposition of Notes will generally be capital gain or loss and will be long-term capital gain or loss if the Notes have been held for more than one year at the time of disposition. Certain non-corporate U.S. Holders, including individuals, may be eligible for a reduced rate of tax on long-term capital gains. The deductibility of capital losses is subject to certain limitations.

Medicare Tax

Certain U.S. Holders that are individuals, estates or trusts will be subject to a 3.8% tax on all or a portion of their "net investment income," which may include all or a portion of their interest income and net gains from the disposition of Notes. Each U.S. Holder that is an individual, estate or trust is urged to consult its tax advisors regarding the applicability of the Medicare tax to its income and gains in respect of its investment in the Notes.

Information Reporting and Backup Withholding Tax

In general, information reporting requirements will apply to payments to certain non-corporate U.S. Holders of principal and interest on a Note and the proceeds from the sale of a Note. If you are a U.S. Holder, you may be subject to backup withholding, currently at a rate of 28%, when you receive interest with respect to the Notes, or when you receive proceeds upon the sale, exchange, redemption, retirement or other disposition of the Notes. In general, you can avoid this backup withholding by properly executing, under penalties of perjury, an IRS Form W-9 or suitable substitute form that provides:

- your correct taxpayer identification number; and
- a certification that (a) you are exempt from backup withholding because you are a corporation or come within another enumerated exempt category, (b) you have not been notified by the IRS that you are subject to backup withholding, or (c) you have been notified by the IRS that you are no longer subject to backup withholding.

If you do not provide your correct taxpayer identification number on IRS Form W-9 or suitable substitute form in a timely manner, you may be subject to penalties imposed by the IRS.

Backup withholding will not apply, however, with respect to payments made to certain holders, including corporations and tax-exempt organizations, provided their exemptions from backup withholding are properly established. Backup withholding is not an additional tax and amounts withheld may be refunded or credited against your federal income tax liability, provided you furnish required information to the IRS.

Non-U.S. Holders

For purposes of this summary, a Non-U.S. Holder is any beneficial owner of a Note that is neither a U.S. Holder nor a partnership (including any entity or arrangement that is treated as a partnership for U.S. federal income tax purposes).

Payment of Interest

As discussed above, it is anticipated, and this discussion assumes, that the Notes will not be issued with more than a de minimis amount of original issue discount. Subject to the discussion below under "—Information Reporting and Backup Withholding" and "—Foreign Account Tax Compliance Act," a Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on payments of interest on the Notes that is not effectively connected with the conduct by the Non-U.S. Holder of a trade or business within the United States, provided that such Non-U.S. Holder (A) does not directly or indirectly, actually or constructively, own 10% or more of the total combined voting power of all classes of our stock entitled to vote, (B) is not a controlled foreign corporation that is related to us

directly or constructively through stock ownership, (C) is not a bank receiving such interest on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business, and (D) satisfies certain certification requirements. Such certification requirements will be met if (x) the Non-U.S. Holder provides its name and address, and certifies on an IRS Form W-8BEN or W-8BEN-E (or a substantially similar form), under penalties of perjury, that it is not a United States person or (y) a securities clearing organization or certain other financial institutions holding the Notes on behalf of the Non-U.S. Holder certifies on IRS Form W-8IMY, under penalties of perjury, that such certification has been received by it and furnishes us or our paying agent with a copy thereof. In addition, we or our paying agent must not have actual knowledge or reason to know that the beneficial owner of the Notes is a United States person.

If interest on the Notes is not effectively connected with the conduct by the Non-U.S. Holder of a trade or business within the United States, but such Non-U.S. Holder does not satisfy the other requirements outlined in the preceding paragraph, interest on the Notes generally will be subject to U.S. withholding tax at a 30% rate (or a lower applicable treaty rate).

If interest on the Notes is effectively connected with the conduct by a Non-U.S. Holder of a trade or business within the United States, and, if certain tax treaties apply, is attributable to a permanent establishment or fixed base within the United States, the Non-U.S. Holder generally will be subject to U.S. federal income tax on a net income basis at the rate applicable to United States persons generally (and, with respect to corporate holders, may also be subject to a 30% branch profits tax or a lower applicable treaty branch profits tax rate). If interest is subject to U.S. federal income tax on a net income basis in accordance with these rules, such interest payments will not be subject to U.S. withholding tax so long as the Non-U.S. Holder provides us or our paying agent with the appropriate documentation (generally an IRS Form W-8ECI).

Sale or Other Taxable Disposition of the Notes

Subject to the discussions below under "—Information Reporting and Backup Withholding" and "—Foreign Account Tax Compliance Act," a Non-U.S. Holder generally will not be subject to U.S. federal withholding tax with respect to gain, if any, recognized on the sale or other taxable disposition of the Notes. A Non-U.S. Holder will also generally not be subject to U.S. federal income tax with respect to such gain, unless (i) the gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States, and, if certain tax treaties apply, is attributable to a permanent establishment or fixed base within the United States, or (ii) in the case of a Non-U.S. Holder that is a nonresident alien individual, such Non-U.S. Holder is present in the United States for 183 or more days in the taxable year of the disposition and certain other conditions are satisfied. In the case described in (i) above, gain or loss recognized on the disposition of such Notes generally will be subject to U.S. federal income taxation in the same manner as if such gain or loss were recognized by a United States person, and, in the case of a Non-U.S. Holder that is a foreign corporation, may also be subject to the branch profits tax at a rate of 30% (or a lower applicable treaty branch profits tax rate). In the case described in (ii) above, the Non-U.S. Holder will be subject to a 30% tax on any capital gain recognized on the disposition of the Notes (after being offset by certain U.S. source capital losses).

Information Reporting and Backup Withholding

Information returns will be filed annually with the IRS in connection with payments we make on the Notes. Copies of these information returns may also be made available under the provisions of a specific tax treaty or other agreement to the tax authorities of the country in which the Non-U.S. Holder resides. Unless the Non-U.S. Holder complies with certification procedures to establish that it is not a United States person, information returns may be filed with the IRS in connection with the proceeds from a sale or other disposition, and the Non-U.S. Holder may be subject to backup withholding tax (currently at a rate of 28%) on payments on the Notes or on the proceeds from a sale

or other disposition of the Notes. The certification procedures required to claim the exemption from withholding tax on interest described above will satisfy the certification requirements necessary to avoid the backup withholding tax as well. The amount of any backup withholding from a payment to a Non-U.S. Holder will be allowed as a credit against the Non-U.S. Holder's U.S. federal income tax liability and may entitle the Non-U.S. Holder to a refund, provided that the required information is furnished to the IRS in a timely manner.

Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance Act and related IRS guidance ("FATCA") impose a 30% U.S. withholding tax on certain payments (which currently include interest payments on the Notes and will include gross proceeds, including the return of principal at maturity, from the sale or other disposition, including redemptions, of the Notes beginning January 1, 2019) made to a non-United States entity that fails to take required steps to provide information regarding its "United States accounts" or its direct or indirect "substantial United States owners," as applicable, or to make a required certification that it has no such accounts or owners. We will not be obligated to make any "gross up" or additional payments in respect of amounts withheld on the Notes if we determine that we must so withhold in order to comply with FATCA in respect of the amounts described above. Prospective investors should consult their own tax advisors regarding FATCA and whether it may be relevant to the ownership and disposition of the Notes.

BOOK-ENTRY SYSTEM

We have obtained the information in this section concerning DTC and its book-entry system and procedures from sources that we believe to be reliable, but we take no responsibility for the accuracy of this information.

Each series of the Notes initially will be represented by one or more fully registered global securities. Each global security will be deposited with, or on behalf of, DTC or any successor thereto and registered in the name of Cede & Co., DTC's nominee.

Investors may elect to hold interests in each global security through either DTC in the United States or Clearstream, Luxembourg or the Euroclear System in Europe if they are participants of such systems, or indirectly through organizations which are participants in such systems. Clearstream, Luxembourg and the Euroclear System will hold interests on behalf of their participants through customers' securities accounts in Clearstream, Luxembourg's and the Euroclear System's names on the books of their respective depositaries, which in turn will hold such interests in customers' securities accounts in the depositaries' names on the books of DTC. Citibank N.A. will act as depositary for Clearstream, Luxembourg and JPMorgan Chase Bank, N.A. will act as depositary for the Euroclear System (in such capacities, the "U.S. Depositaries").

You may hold your interests in a global security in the United States through DTC, either as a participant in such system or indirectly through organizations which are participants in such system. So long as DTC or its nominee is the registered owner of the global securities representing the Notes, DTC or such nominee will be considered the sole owner and holder of the Notes for all purposes of the Notes and the Indenture. Except as provided below, owners of beneficial interests in the Notes will not be entitled to have the Notes registered in their names, will not receive or be entitled to receive physical delivery of the Notes in definitive form and will not be considered the owners or holders of the Notes under the Indenture, including for purposes of receiving any reports that we or the Trustee deliver pursuant to the Indenture. Accordingly, each person owning a beneficial interest in a Note must rely on the procedures of DTC or its nominee and, if such person is not a participant, on the procedures of the participant through which such person owns its interest, in order to exercise any rights of a holder of Notes.

Unless and until we issue the Notes in fully certificated form under the limited circumstances described below under the heading "—Certificated Notes":

- you will not be entitled to receive physical delivery of a certificate representing your interest in the Notes;
- all references in this prospectus supplement or in the accompanying prospectus to actions by holders will refer to actions taken by DTC upon instructions from its direct participants; and
- all references in this prospectus supplement or the accompanying prospectus to payments and notices to holders will refer to payments and notices to DTC or Cede & Co., as the registered holder of the Notes, for distribution to you in accordance with DTC procedures.

The Depository Trust Company

DTC will act as securities depositary for the Notes. The Notes will be issued as fully registered securities registered in the name of Cede & Co. DTC is:

- a limited-purpose trust company organized under the New York Banking Law;
- a "banking organization" within the meaning of the New York Banking Law;
- a member of the Federal Reserve System;

- a "clearing corporation" within the meaning of the New York Uniform Commercial Code; and
- a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act.

DTC holds securities that its direct participants deposit with DTC. DTC also facilitates the post-trade settlement among direct participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between direct participants' accounts, thereby eliminating the need for physical movement of securities certificates.

Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to indirect participants such as securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly. The rules applicable to DTC and its participants are on file with the SEC. More information about DTC can be found at www.dtcc.com. The contents of such website do not constitute part of this prospectus supplement.

If you are not a direct participant or an indirect participant and you wish to purchase, sell or otherwise transfer ownership of, or other interests in the Notes, you must do so through a direct participant or an indirect participant. DTC agrees with and represents to DTC participants that it will administer its book-entry system in accordance with its rules and by-laws and requirements of law. The SEC has on file a set of the rules applicable to DTC and its direct participants.

Purchases of the Notes under DTC's system must be made by or through direct participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each beneficial owner is in turn to be recorded on the records of direct participants and indirect participants. Beneficial owners will not receive written confirmation from DTC of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct or indirect participants through which such beneficial owners entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of direct and indirect participants acting on behalf of beneficial owners. Beneficial owners will not receive physical delivery of certificates representing their ownership interests in the Notes, except as provided below in "—Certificated Notes."

To facilitate subsequent transfers, all Notes deposited by direct participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee has no effect on beneficial ownership. DTC has no knowledge of the actual beneficial owners of the Notes. DTC's records reflect only the identity of the direct participants to whose accounts such Notes are credited, which may or may not be the beneficial owners. The direct and indirect participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants and by direct and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Book-Entry Format

Under the book-entry format, the Trustee will pay interest and principal payments to Cede & Co., as nominee of DTC. DTC will forward the payment to the direct participants, who will then forward

the payment to the indirect participants or to the beneficial owners. You may experience some delay in receiving your payments under this system.

DTC is required to make book-entry transfers on behalf of its direct participants and is required to receive and transmit payments of principal, premium, if any, and interest on the Notes. Any direct participant or indirect participant with which you have an account is similarly required to make book-entry transfers and to receive and transmit payments with respect to Notes on your behalf. We and the Trustee have no responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Trustee will not recognize you as a holder of any Notes under the Indenture and you can only exercise the rights of a holder indirectly through DTC and its direct participants. DTC has advised us that it will only take action regarding a Note if one or more of the direct participants to whom the Note is credited direct DTC to take such action. DTC can only act on behalf of its direct participants. Your ability to pledge Notes to indirect participants, and to take other actions, may be limited because you will not possess a physical certificate that represents your Notes.

Certificated Notes

Unless and until they are exchanged, in whole or in part, for Notes in definitive form in accordance with the terms of the Notes, the Notes may not be transferred except as a whole by DTC to a nominee of DTC; as a whole by a nominee of DTC to DTC or another nominee of DTC; or as a whole by DTC or a nominee of DTC to a successor of DTC or a nominee of such successor.

We will issue Notes to you or your nominees, in fully certificated registered form, rather than to DTC or its nominees, only if:

- DTC notifies us that it is no longer willing or able to discharge its responsibilities properly or DTC is no longer a registered clearing agency under the Exchange Act, and we are unable to locate a qualified successor within 90 days;
- an event of default has occurred and is continuing under the Indenture and beneficial owners representing a majority in aggregate principal amount of the Notes represented by global securities advise DTC to cease acting as depositary; or
- we, at our option, and subject to DTC's procedures, elect to terminate use of the book-entry system through DTC.

If any of the above events occurs, DTC is required to notify all direct participants that Notes in fully certificated registered form are available through DTC. DTC will then surrender each global security representing the Notes along with instructions for re-registration. The Trustee will re-issue the Notes in fully certificated registered form and will recognize the registered holders of the certificated Notes as holders under the Indenture.

Global Clearance and Settlement Procedures

Initial settlement for the Notes will be made in immediately available funds. Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled in immediately available funds using DTC's Same-Day Funds Settlement System. Secondary market trading between Clearstream, Luxembourg participants and/or Euroclear System participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Clearstream, Luxembourg and the Euroclear System, as applicable.

Cross-market transfers between persons holding directly or indirectly through DTC on the one hand, and directly or indirectly through Clearstream, Luxembourg participants or Euroclear System

participants on the other, will be effected through DTC in accordance with DTC rules on behalf of the relevant European international clearing system by its U.S. Depositary; however, such cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its U.S. Depositary to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream, Luxembourg participants and Euroclear System participants may not deliver instructions directly to their respective U.S. Depositaries.

Because of time-zone differences, credits of Notes received in Clearstream, Luxembourg or the Euroclear System as a result of a transaction with a DTC participant will be made during subsequent securities settlement processing and dated the business day following the DTC settlement date. Such credits or any transactions in such Notes settled during such processing will be reported to the relevant Euroclear System participant or Clearstream, Luxembourg participant on such business day. Cash received in Clearstream, Luxembourg or the Euroclear System as a result of sales of the Notes by or through a Clearstream, Luxembourg participant or a Euroclear System participant to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Clearstream, Luxembourg or the Euroclear System cash account only as of the business day following settlement in DTC.

Although DTC, Clearstream, Luxembourg and the Euroclear System have agreed to the foregoing procedures in order to facilitate transfers of Notes among participants of DTC, Clearstream, Luxembourg and the Euroclear System, they are under no obligation to perform or continue to perform such procedures and such procedures may be discontinued or changed at any time.

UNDERWRITING

We have entered into an underwriting agreement with respect to the Notes with the underwriters listed below, for whom Barclays Capital Inc., Credit Suisse Securities (USA) LLC, Mizuho Securities USA Inc., MUFG Securities Americas Inc. and UBS Securities LLC are acting as representatives. Subject to certain conditions, each of the underwriters has severally agreed to purchase the principal amount of Notes indicated in the following table:

Name	Principal Amount of 2021 Notes	Principal Amount of 2026 Notes	Principal Amount of 2046 Notes
Barclays Capital Inc.	$300,000,000	$ 600,000,000	$ 600,000,000
Credit Suisse Securities (USA) LLC	42,375,000	84,750,000	84,750,000
Mizuho Securities USA Inc.	42,375,000	84,750,000	84,750,000
MUFG Securities Americas Inc.	42,375,000	84,750,000	84,750,000
UBS Securities LLC	42,375,000	84,750,000	84,750,000
BNP Paribas Securities Corp.	21,750,000	43,500,000	43,500,000
Citigroup Global Markets Inc.	30,000,000	60,000,000	60,000,000
J.P. Morgan Securities LLC	30,000,000	60,000,000	60,000,000
Loop Capital Markets LLC	30,000,000	60,000,000	60,000,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	30,000,000	60,000,000	60,000,000
RBC Capital Markets, LLC	21,750,000	43,500,000	43,500,000
Scotia Capital (USA) Inc.	21,750,000	43,500,000	43,500,000
SunTrust Robinson Humphrey, Inc.	21,750,000	43,500,000	43,500,000
TD Securities (USA) LLC	21,750,000	43,500,000	43,500,000
U.S. Bancorp Investments, Inc.	21,750,000	43,500,000	43,500,000
Wells Fargo Securities, LLC	30,000,000	60,000,000	60,000,000
Total	$750,000,000	$1,500,000,000	$1,500,000,000

The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the Notes are subject to certain conditions, including the receipt of legal opinions relating to certain matters. The underwriters must purchase all of the 2021 Notes, the 2026 Notes or the 2046 Notes, respectively, if they purchase any of the 2021 Notes, the 2026 Notes or the 2046 Notes. However, the sales of the 2021 Notes, the 2026 Notes, and the 2046 Notes are not conditioned upon each other, and we may consummate the sales of one or more series of Notes and not any of the other series of Notes, or consummate the sales at different times. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the underwriting agreement may be terminated.

We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended, or to contribute to payments the underwriters may be required to make in respect of any of these liabilities.

The underwriters are offering the Notes subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the Notes, and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officers' certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and Discounts

The Notes sold by the underwriters to the public will initially be offered at the initial prices to the public set forth on the cover of this prospectus supplement and may be offered to certain dealers at these prices less a concession not in excess of (i) 0.200% of the aggregate principal amount of the 2021 Notes, (ii) 0.400% of the aggregate principal amount of the 2026 Notes, or (iii) 0.500% of the aggregate principal amount of the 2046 Notes. The underwriters may allow, and those dealers may reallow, a discount not in excess of (i) 0.100% of the aggregate principal amount of the 2021 Notes, (ii) 0.250% of the aggregate principal amount of the 2026 Notes, or (iii) 0.250% of the aggregate principal amount of the 2046 Notes to certain other dealers. If all the Notes are not sold at the initial prices to the public, the underwriters may change the prices to the public and the other selling terms.

The expenses of the offerings, not including the underwriting discounts, are estimated to be approximately $2,650,000. The underwriters have agreed to make a payment to us in an amount equal to $6,750,000, including in respect of expenses incurred by us in connection with the offerings.

New Issue

Each series of the Notes will be a new issue of securities with no established trading market. The Notes will not be listed on any securities exchange or included in any automated quotation system. We have been advised by the underwriters that the underwriters intend to make a market in each series of the Notes, but they are not obligated to do so and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of any trading markets for the Notes.

Price Stabilization and Short Positions

In connection with the offerings, the underwriters may engage in transactions that stabilize, maintain, or otherwise affect the prices of the Notes. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater aggregate principal amount of Notes than they are required to purchase in the offerings. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market prices of the Notes while the offerings are in process.

These activities by the underwriters may stabilize, maintain or otherwise affect the market prices of the Notes. As a result, the prices of the Notes may be higher than the prices that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the underwriters at any time. These transactions may be effected in the over-the-counter market or otherwise.

Other Relationships

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include, among other activities, securities trading and underwriting, commercial and investment banking, financial advisory, corporate trust, investment management, investment research, principal investment, hedging, financing and brokerage activities. In the ordinary course of their respective businesses, some of the underwriters and/or their affiliates have in the past and may in the future provide us and our affiliates with commercial banking, investment banking, financial advisory and other services for which they have and in the future will receive customary fees. Barclays Capital Inc. is serving as financial advisor to us in connection with the Acquisition.

In addition, in the ordinary course of their business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account

and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates.

Certain of the underwriters or their affiliates have a lending relationship with us and our affiliates. Certain of those underwriters or their affiliates routinely hedge, and certain other of those underwriters or their affiliates may hedge, their credit exposure to us and our affiliates consistent with their customary risk management policies. Typically, such underwriters and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the Notes offered hereby. An affiliate of Barclays Capital Inc. and affiliates of certain other underwriters provided us with a commitment letter relating to up to $3.2 billion of borrowings, which originally totaled $4.9 billion, under the Bridge Facility. The $3.2 billion of remaining commitments of affiliates of certain of the underwriters under the Bridge Facility will be reduced by an amount equal to 100% of the net proceeds from the sales of the Notes.

The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

EEA Selling Restrictions

Neither this prospectus supplement nor the accompanying prospectus is a prospectus for the purposes of the European Union's Directive 2003/71/EC (and any amendments thereto, including by Directive 2010/73/EU) as implemented in member states of the European Economic Area (the "EEA") (the "Prospectus Directive"). Neither Duke Energy nor the underwriters have authorized, nor does it or they authorize, the making of any offer of the Notes through any financial intermediary, other than offers made by underwriters which constitute the final placement of the Notes contemplated in this prospectus supplement and the accompanying prospectus.

In relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a "Relevant Member State"), each underwriter has represented and agreed that, with the effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, it has not made and will not make an offer of Notes which are the subject of the offerings contemplated by this prospectus supplement and the accompanying prospectus to the public in that Relevant Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the underwriters for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall require Duke Energy or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe to the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

UK Selling Restrictions

Each underwriter has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the United Kingdom Financial Services and Markets Act 2000 ("FSMA") received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to Duke Energy; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Canada Selling Restrictions

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus supplement (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Hong Kong Selling Restrictions

The Notes have not been offered and will not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong), (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the Notes may be issued or has been or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Japan Selling Restrictions

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) (the "Financial Instruments and Exchange Law"), and

the Notes have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time.

Korea Selling Restrictions

The Notes may not be offered, sold and delivered directly or indirectly, or offered or sold to any person for reoffering or resale, directly or indirectly, in Korea or to any resident of Korea except pursuant to the applicable laws and regulations of Korea, including the Korea Securities and Exchange Act and the Foreign Exchange Transaction Law and the decrees and regulations thereunder. The Notes have not been and will not be registered with the Financial Services Commission of Korea for public offering in Korea. Furthermore, the Notes may not be resold to Korean residents unless the purchaser of the Notes complies with all applicable regulatory requirements (including but not limited to government approval requirements under the Foreign Exchange Transaction Law and its subordinate decrees and regulations) in connection with the purchase of the Notes.

Singapore Selling Restrictions

This prospectus supplement and the accompanying prospectus have not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus supplement and the accompanying prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA or any person pursuant to an offer referred to in Section 275(1A) of the SFA and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a "relevant person," which is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, shares, debentures and units of shares and debentures of that corporation and the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:
  - to an institutional investor, a relevant person (as defined in Section 275(2) of the SFA), or any person pursuant to an offer referred to in Section 275(1A) of the SFA (in the case of that corporation) or Section 276(4)(i)(B) of the SFA (in the case of that trust);
  - where no consideration is or will be given for the transfer; or

- where the transfer is by operation of law.

Taiwan Selling Restrictions

The Notes have not been and will not be registered with the Financial Supervisory Commission of Taiwan, the Republic of China ("Taiwan"), pursuant to relevant securities laws and regulations and may not be offered or sold in Taiwan through a public offering or in any manner which would constitute an offer within the meaning of the Securities and Exchange Act of Taiwan or would otherwise require registration with or the approval of the Financial Supervisory Commission of Taiwan. No person or entity in Taiwan has been authorized to offer, sell, give advice regarding or otherwise intermediate the offering or sale of the Notes in Taiwan.

EXPERTS

The consolidated financial statements incorporated in this prospectus supplement by reference from Duke Energy Corporation's Annual Report on Form 10-K for the year ended December 31, 2015, and the effectiveness of Duke Energy Corporation and subsidiaries' internal control over financial reporting as of December 31, 2015, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report (which report expresses an unqualified opinion and includes an explanatory paragraph regarding the adoption of Accounting Standards Update 2015-17, Balance Sheet Classification of Deferred Taxes effective December 31, 2015, on a prospective basis, discussed in Note 22 to the consolidated financial statements), which is incorporated herein by reference. Such consolidated financial statements have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

LEGAL MATTERS

The validity of the Notes will be passed upon for Duke Energy Corporation by Robert T. Lucas III, Esq., who is Deputy General Counsel of Duke Energy Business Services, LLC, the service company affiliate of Duke Energy Corporation. Certain legal matters with respect to the offerings of the Notes will be passed upon for Duke Energy Corporation by Hunton & Williams LLP, New York, New York. Sidley Austin LLP, New York, New York, has acted as counsel to the underwriters. Sidley Austin LLP acts and, in the past has acted, as counsel to Duke Energy Corporation and certain of its subsidiaries in connection with various matters.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Exchange Act, and, in accordance therewith, file annual, quarterly and current reports, proxy statements and other information with the SEC. Such reports and other information can be inspected and copied at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may also obtain copies of these documents at prescribed rates from the Public Reference Section of the SEC at its Washington, D.C. address. Please call the SEC at 1-800-SEC-0330 for further information. Our filings with the SEC, as well as additional information about us, are also available to the public through our website at http://www.duke-energy.com and are made available as soon as reasonably practicable after such material is filed with or furnished to the SEC. The information on our website is not a part of this prospectus supplement or the accompanying prospectus. Our filings are also available to the public through the SEC website at http://www.sec.gov.

The SEC allows us to "incorporate by reference" into this prospectus supplement the information we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus supplement, and information that we file later with the SEC will automatically update and supersede this information. This prospectus supplement incorporates by reference the documents incorporated in the accompanying prospectus at the time the registration statement became effective and all later documents filed with the SEC, in all cases as updated and superseded by later filings with the SEC. We incorporate by reference the documents listed below and any future documents filed by Duke Energy Corporation with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, until the offerings are completed.

- Annual Report on Form 10-K for the year ended December 31, 2015, including the portions of our definitive proxy statement filed on Schedule 14A on March 24, 2016 that are incorporated by reference therein;
- Amendment No. 1 to our Annual Report on Form 10-K for the year ended December 31, 2015;

- Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2016 and June 30, 2016; and
- Current Reports on Form 8-K filed on January 4, 2016, January 6, 2016, February 18, 2016 (solely with respect to Item 5.02), February 29, 2016, March 7, 2016, April 1, 2016, April 12, 2016, May 10, 2016 and June 10, 2016.

We will provide you without charge a copy of these filings, other than any exhibits unless the exhibits are specifically incorporated by reference into this prospectus supplement. You may request a copy by writing us at the following address or telephoning one of the following numbers:

Investor Relations Department
Duke Energy Corporation
P.O. Box 1005
Charlotte, North Carolina 28201
(704) 382-3853 or (800) 488-3853 (toll-free)

Prospectus

Duke Energy Corporation

Common Stock
Debt Securities

From time to time, we may offer the securities described in the prospectus separately or together in any combination, in one or more classes or series, in amounts, at prices and on terms that we will determine at the time of the offering.

We will provide specific terms of these offerings and securities in supplements to this prospectus. You should read carefully this prospectus, the information incorporated by reference in this prospectus and any prospectus supplement before you invest. This prospectus may not be used to offer or sell any securities unless accompanied by a prospectus supplement.

Our common stock is listed on the New York Stock Exchange, or NYSE, under the trading symbol "DUK."

Investing in our securities involves risks. You should carefully consider the information in the section entitled "Risk Factors" contained in our periodic reports filed with the Securities and Exchange Commission and incorporated by reference into this prospectus before you invest in any of our securities.

We may offer and sell the securities directly, through agents we select from time to time or to or through underwriters or dealers we select. If we use any agents, underwriters or dealers to sell the securities, we will name them and describe their compensation in a prospectus supplement. The price to the public of those securities and the net proceeds we expect to receive from that sale will also be set forth in a prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is September 30, 2013.

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REFERENCES TO ADDITIONAL INFORMATION

This prospectus incorporates important business and financial information about us from other documents that are not included in or delivered with this prospectus. This information is available for you to review at the Securities and Exchange Commission's, or SEC's, public reference room located at 100 F Street, N.E., Room 1580, Washington, DC 20549, and through the SEC's website, *www.sec.gov.* You can also obtain those documents incorporated by reference in this prospectus by requesting them in writing or by telephone from us at the following address and telephone number:

Investor Relations Department
Duke Energy Corporation
P.O. Box 1005
Charlotte, North Carolina 28201
(704) 382-3853 or (800) 488-3853 (toll-free)

See "Where You Can Find More Information" in this prospectus.

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that Duke Energy filed with the SEC utilizing a "shelf" registration process. Under the shelf registration process, we are registering an unspecified amount of our common stock and debt securities, and may issue any of such securities in one or more offerings.

This prospectus provides general descriptions of the securities we may offer. Each time securities are sold, a prospectus supplement will provide specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. The registration statement filed with the SEC includes exhibits that provide more details about the matters discussed in this prospectus. You should read this prospectus, the related exhibits filed with the SEC and any prospectus supplement, together with the additional information described under the caption "Where You Can Find More Information."

Unless we have indicated otherwise, or the context otherwise requires, references in this prospectus to "Duke Energy," "we," "us" and "our" or similar terms are to Duke Energy Corporation and its subsidiaries.

FORWARD-LOOKING STATEMENTS

This prospectus and the information incorporated by reference in this prospectus include 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. These forward-looking statements are based on our management's beliefs and assumptions and on information currently available to us. Forward-looking statements include information concerning our possible or assumed future results of operations and are identified by terms and phrases such as "may," "will," "should," "could," "projects," "predicts," "believes," "expects," "anticipates," "intends," "plans," "estimates," "continues," "potential," "forecast," "target," "guidance," "outlook" or similar expressions.

Forward-looking statements involve risks, uncertainties and assumptions. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements included or incorporated by reference in this prospectus might not occur or might occur to a different extent or at a different time than we have described. Actual results may differ materially from those expressed in these forward-looking statements. Factors that could cause actual results to differ materially from these forward-looking statements include, but are not limited to, those discussed elsewhere in this prospectus and the documents incorporated by reference in this prospectus. You should not put undue reliance on any forward-looking statements. We do not have any intention or obligation to update forward-looking statements after we distribute this prospectus.

THE COMPANY

Duke Energy, together with its subsidiaries, is a diversified energy company with both regulated and unregulated utility operations. We supply, deliver and process energy for customers in the United States and selected international markets.

Duke Energy's U.S. Franchised Electric and Gas segment, or USFE&G, serves approximately 7.2 million customers located in six states in the southeast and midwest regions of the United States. The USFE&G segment consists of regulated generation and electric and gas transmission and distribution systems. The segment's generation portfolio includes a mix of energy resources with different operating characteristics and fuel sources. In our regulated electric operations, we own approximately 49,500 megawatts of generating capacity serving an area of approximately 104,000 square miles. Our gas operations include regulated natural gas transmission and distribution, with approximately 500,000 customers located in southwestern Ohio and northern Kentucky.

Duke Energy's Commercial Power segment owns, operates and manages power plants located in the United States. Duke Energy Retail Sales, a subsidiary of Duke Energy, serves retail electric customers in Ohio with generation and other energy services at competitive rates. The Commercial Power segment owns and operates a generation portfolio of approximately 8,100 net megawatts of power generation.

Duke Energy's International Energy segment operates and manages power generation facilities and engages in sales and marketing of electric power, natural gas, and natural gas liquids primarily in Latin America. It maintains almost 4,600 megawatts of owned capacity. International Energy also owns a 25 percent interest in National Methanol Company in Saudi Arabia, a regional producer of methanol and methyl tertiary butyl ether, a gasoline additive. International Energy's customers include retail distributors, electric utilities, independent power producers, marketers and industrial/commercial companies.

We are a Delaware corporation. The address of our principal executive offices is 550 South Tryon Street, Charlotte, North Carolina 28202-1803 and our telephone number is (704) 382-3853. Our common stock is listed and trades on the New York Stock Exchange under the symbol "DUK".

The foregoing information about Duke Energy is only a general summary and is not intended to be comprehensive. For additional information about Duke Energy, you should refer to the information described under the caption "Where You Can Find More Information."

RISK FACTORS

Investing in our securities involves risks. Before purchasing any securities we offer, you should carefully consider the risk factors that are incorporated by reference herein from the section captioned "Risk Factors" in our Form 10-K for the year ended December 31, 2012, together with all of the other information included in this prospectus and any prospectus supplement and any other information that we have incorporated by reference, including filings made with the SEC subsequent to the date hereof. Any of these risks, as well as other risks and uncertainties, could harm our financial condition, results of operations or cash flows.

USE OF PROCEEDS

Unless otherwise set forth in a prospectus supplement, we intend to use the net proceeds of any offering of securities sold by us for general corporate purposes, which may include acquisitions, repayment of debt, capital expenditures and working capital. When a particular series of securities is offered, the prospectus supplement relating to that offering will set forth our intended use of the net proceeds received from the sale of those securities. The net proceeds may be invested temporarily in short-term marketable securities or applied to repay short-term debt until they are used for their stated purpose.

RATIO OF EARNINGS TO FIXED CHARGES

The ratios of earnings to fixed charges have been calculated using the Securities and Exchange Commission guidelines.

	Six Months Ended June 30, 2013	Years Ended December 31,				
		2012(a)	2011	2010	2009	2008
	(dollars in millions)					
Earnings (as defined for fixed charges calculation):						
Add:						
Pretax income from continuing operations(b)	$1,412	$2,291	$2,297	$2,097	$1,770	$1,993
Fixed charges	857	1,510	1,057	1,045	892	883
Distributed income of equity investees	57	151	149	111	82	195
Deduct:						
Preferred dividend requirements of subsidiaries	—	3	—	—	—	—
Interest capitalized(c)	46	177	166	168	102	93
Total earnings (as defined for the fixed charges calculation)	$2,280	$3,772	$3,337	$3,085	$2,642	$2,978
Fixed charges:						
Interest on debt, including capitalized portions(c)	$ 795	$1,420	$1,026	$1,008	$ 853	$ 834
Estimate of interest within rental expense	62	87	31	37	39	49
Preferred dividend requirements	—	3	—	—	—	—
Total fixed charges	$ 857	$1,510	$1,057	$1,045	$ 892	$ 883
Ratio of earnings to fixed charges	2.7	2.5	3.2	3.0	3.0	3.4

(a) Includes the results of Progress Energy, Inc. beginning on July 2, 2012

(b) Excludes amounts attributable to noncontrolling interests and income or loss from equity investees.

(c) Excludes the equity costs related to Allowance for Funds Used During Construction that are included in Other Income and Expenses in the Condensed Consolidated Statements of Operations.

DESCRIPTION OF CAPITAL STOCK

The following summary of our capital stock is subject in all respects to the applicable provisions of the Delaware General Corporation Law, or the DGCL, and our amended and restated certificate of incorporation. The following discussion is a summary of our amended and restated certificate of incorporation and by-laws and is qualified in its entirety by reference to those documents.

General

Our total number of authorized shares of capital stock consists of 2 billion shares of common stock, par value $0.001 per share, and 44 million shares of preferred stock, par value $0.001 per share.

Common Stock

Except as otherwise required by law and subject to the rights of the holders of any class or series of preferred stock, with respect to all matters upon which shareholders are entitled to vote or to which shareholders are entitled to give consent, the holders of any outstanding shares of common stock vote together as a class, and every holder of common stock is entitled to cast one vote in person or by proxy for each share of common stock standing in such holder's name on our books. We do not have a classified board of directors nor do we permit cumulative voting.

Holders of common stock are not entitled to any preemptive rights to subscribe for additional shares of common stock nor are they liable to further capital calls or to assessments by us.

Subject to applicable law and the rights, if any, of the holders of any class or series of preferred stock having a preference over the rights to participate with the common stock with respect to the payment of dividends, holders of our common stock are entitled to receive dividends or other distributions as declared by our board of directors at its discretion.

The board of directors may create a class or series of preferred stock with dividends the rate of which is calculated by reference to, and payment of which is concurrent with, dividends on shares of common stock.

Preferred Stock

Our board of directors has the full authority permitted by law, at any time and from time to time, to divide the authorized and unissued shares of preferred stock into one or more classes or series and, with respect to each such class or series, to determine by resolution or resolutions the number of shares constituting such class or series and the designation of such class or series, the voting powers, if any, of the shares of such class or series, and the preferences and relative, participating, optional or other special rights, if any, and any qualifications, limitations or restrictions thereof, of the shares of any such class or series of preferred stock to the full extent now or as may in the future be permitted by the law of the State of Delaware. The powers, preferences and relative, participating, optional and other special rights of each class or series of preferred stock and the qualifications, limitations or restrictions thereof, if any, may differ from those of any and all other classes or series at any time outstanding. Except as otherwise required by law, as provided in the certificate of incorporation or as determined by our board of directors, holders of preferred stock will not have any voting rights and will not be entitled to any notice of shareholder meetings.

Provisions that Have or May Have the Effect of Delaying or Prohibiting a Change in Control

Under our certificate of incorporation, the board of directors has the full authority permitted by Delaware law to determine the voting rights, if any, and designations, preferences, limitations and special rights of any class or any series of any class of the preferred stock.

The certificate of incorporation also provides that a director may be removed from office with or without cause. However, subject to applicable law, any director elected by the holders of any series of preferred stock may be removed without cause only by the holders of a majority of the shares of such series of preferred stock.

Our certificate of incorporation requires an affirmative vote of the holders of at least 80% of the combined voting power of the then outstanding shares of stock of all our classes entitled to vote generally in the election of directors, voting together as a single class, to amend, alter or repeal provisions in the certificate of incorporation which relate to the number of directors and vacancies and newly created directorships.

Our certificate of incorporation provides that any action required to be taken at any annual or special meeting of shareholders may be taken without a meeting and without prior notice only if consent in writing setting forth the action to be taken is signed by all the holders of our issued and outstanding capital stock entitled to vote in respect of such action.

Our by-laws provide that, except as expressly required by the certificate of incorporation or by applicable law, and subject to the rights of the holders of any series of preferred stock, special meetings of the shareholders or of any series entitled to vote may be called for any purpose or purposes only by the Chairman of the board of directors or by the board of directors. Shareholders are not entitled to call special meetings.

The provisions of our certificate of incorporation and by-laws conferring on our board of directors the full authority to issue preferred stock, the restrictions on removing directors elected by holders of

preferred stock, the supermajority voting requirements relating to the amendment, alteration or repeal of the provisions governing the number of directors and filling of vacancies and newly created directorships, the requirement that shareholders act at a meeting unless all shareholders agree in writing, and the inability of shareholders to call a special meeting, in certain instances could have the effect of delaying, deferring or preventing a change in control or the removal of existing management.

DESCRIPTION OF DEBT SECURITIES

Duke Energy will issue the debt securities, whether senior or subordinated, in one or more series under its Indenture, dated as of June 3, 2008, as supplemented from time to time. Unless otherwise specified in the applicable prospectus supplement, the trustee under the Indenture, or the Indenture Trustee, will be The Bank of New York Mellon Trust Company, N.A. A copy of the Indenture is an exhibit to the registration statement, of which this prospectus is a part.

Duke Energy conducts its business through subsidiaries. Accordingly, its ability to meet its obligations under the debt securities is dependent on the earnings and cash flows of those subsidiaries and the ability of those subsidiaries to pay dividends or to advance or repay funds to Duke Energy. In addition, the rights that Duke Energy and its creditors would have to participate in the assets of any such subsidiary upon the subsidiary's liquidation or recapitalization will be subject to the prior claims of the subsidiary's creditors. Certain subsidiaries of Duke Energy have incurred substantial amounts of debt in the operations and expansion of their businesses, and Duke Energy anticipates that certain of its subsidiaries will do so in the future.

Holders of debt securities will generally have a junior position to claims of creditors of our subsidiaries, including trade creditors, debt holders, secured creditors, taxing authorities, guarantee holders and any holders of preferred stock. In addition to trade debt, certain of our operating subsidiaries have ongoing corporate debt programs used to finance their business activities. Unless otherwise specified in a prospectus supplement, the Indenture will not limit the amount of indebtedness or preferred stock issuable by our subsidiaries.

The following description of the debt securities is only a summary and is not intended to be comprehensive. For additional information you should refer to the Indenture.

General

The Indenture does not limit the amount of debt securities that Duke Energy may issue under it. Duke Energy may issue debt securities from time to time under the Indenture in one or more series by entering into supplemental indentures or by its board of directors or a duly authorized committee authorizing the issuance.

The debt securities of a series need not be issued at the same time, bear interest at the same rate or mature on the same date.

Provisions Applicable to Particular Series

The prospectus supplement for a particular series of debt securities being offered will disclose the specific terms related to the offering, including the price or prices at which the debt securities to be offered will be issued. Those terms may include some or all of the following:

- the title of the series;
- the total principal amount of the debt securities of the series;
- the date or dates on which principal is payable or the method for determining the date or dates, and any right that Duke Energy has to change the date on which principal is payable;

- the interest rate or rates, if any, or the method for determining the rate or rates, and the date or dates from which interest will accrue;
- any interest payment dates and the regular record date for the interest payable on each interest payment date, if any;
- whether Duke Energy may extend the interest payment periods and, if so, the terms of the extension;
- the place or places where payments will be made;
- whether Duke Energy has the option to redeem the debt securities and, if so, the terms of its redemption option;
- any obligation that Duke Energy has to redeem the debt securities through a sinking fund or to purchase the debt securities through a purchase fund or at the option of the holder;
- whether the provisions described under "Satisfaction and Discharge; Defeasance and Covenant Defeasance" will not apply to the debt securities;
- the currency in which payments will be made if other than U.S. dollars, and the manner of determining the equivalent of those amounts in U.S. dollars;
- if payments may be made, at Duke Energy's election or at the holder's election, in a currency other than that in which the debt securities are stated to be payable, then the currency in which those payments may be made, the terms and conditions of the election and the manner of determining those amounts;
- the portion of the principal payable upon acceleration of maturity, if other than the entire principal;
- whether the debt securities will be issuable as global securities and, if so, the securities depositary;
- any changes in the events of default or covenants with respect to the debt securities;
- any index or formula used for determining principal, premium or interest;
- the terms of the subordination of any series of subordinated debt;
- if the principal payable on the maturity date will not be determinable on one or more dates prior to the maturity date, the amount which will be deemed to be such principal amount or the manner of determining it;
- the person to whom any interest shall be payable if other than the person in whose name the debt security is registered on the regular record date for such interest payment; and
- any other terms.

Unless Duke Energy states otherwise in the applicable prospectus supplement, Duke Energy will issue the debt securities only in fully registered form without coupons, and there will be no service charge for any registration of transfer or exchange of the debt securities. Duke Energy may, however, require payment to cover any tax or other governmental charge payable in connection with any transfer or exchange (excluding certain exchanges not constituting a transfer as set forth in the Indenture). Subject to the terms of the Indenture and the limitations applicable to global securities, transfers and exchanges of the debt securities may be made at The Bank of New York Mellon Trust Company, N.A., 101 Barclay Street, New York, New York 10286 or at any other office maintained by Duke Energy for such purpose.

The debt securities will be issuable in denominations of $1,000 and any integral multiples of $1,000, unless Duke Energy states otherwise in the applicable prospectus supplement. Duke Energy may at any time deliver executed debt securities to the Indenture Trustee for authentication, and the Indenture Trustee shall authenticate such debt securities upon the written request of Duke Energy and satisfaction of certain other conditions set forth in the Indenture.

Duke Energy may offer and sell the debt securities, including original issue discount debt securities, at a substantial discount below their principal amount. The applicable prospectus supplement will describe special United States federal income tax and any other considerations applicable to those securities. In addition, the applicable prospectus supplement may describe certain special United States federal income tax or other considerations, if any, applicable to any debt securities that are denominated in a currency other than U.S. dollars.

Global Securities

We may issue some or all of the Debt Securities as book-entry securities. Any such book-entry securities will be represented by one or more fully registered global certificates. We will register each global security with or on behalf of a securities depositary identified in the applicable prospectus supplement. Each global security will be deposited with the securities depositary or its nominee or a custodian for the securities depositary.

As long as the securities depositary or its nominee is the registered holder of a global security representing Debt Securities, that person will be considered the sole owner and holder of the global security and the securities it represents for all purposes. Except in limited circumstances, owners of beneficial interests in a global security:

- may not have the global security or any Debt Securities registered in their names;
- may not receive or be entitled to receive physical delivery of certificated Debt Securities in exchange for the global security; and
- will not be considered the owners or holders of the global security or any Debt Securities for any purposes under the applicable securities or the related mortgage or indenture.

We will make all payments of principal and any premium and interest on a global security to the securities depositary or its nominee as the holder of the global security. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of securities in definitive form. These laws may impair the ability to transfer beneficial interests in a global security.

Ownership of beneficial interests in a global security will be limited to institutions having accounts with the securities depositary or its nominee, which are called "participants" in this discussion, and to persons that hold beneficial interests through participants. When a global security representing Debt Securities is issued, the securities depositary will credit on its book-entry, registration and transfer system the principal amounts of Debt Securities the global security represents to the accounts of its participants. Ownership of beneficial interests in a global security will be shown only on, and the transfer of those ownership interests will be effected only through, records maintained by:

- the securities depositary, with respect to participants' interests; and
- any participant, with respect to interests the participant holds on behalf of other persons.

Payments participants make to owners of beneficial interests held through those participants will be the responsibility of those participants. The securities depositary may from time to time adopt various policies and procedures governing payments, transfers, exchanges and other matters relating to beneficial interests in a global security. None of the following will have any responsibility or liability for any aspect of the securities depositary's or any participant's records relating to beneficial interests in a

global security representing Debt Securities, for payments made on account of those beneficial interests or for maintaining, supervising or reviewing any records relating to those beneficial interests:

- Duke Energy Corporation;
- the applicable trustee; or
- any agent of either of them.

Redemption

Provisions relating to the redemption of debt securities will be set forth in the applicable prospectus supplement. Unless Duke Energy states otherwise in the applicable prospectus supplement, Duke Energy may redeem debt securities only upon notice mailed at least thirty (30), but not more than sixty (60) days before the date fixed for redemption. Unless Duke Energy states otherwise in the applicable prospectus supplement, that notice may state that the redemption will be conditional upon the Indenture Trustee, or the applicable paying agent, receiving sufficient funds to pay the principal, premium and interest on those debt securities on the date fixed for redemption and that if the Indenture Trustee or the applicable paying agent does not receive those funds, the redemption notice will not apply, and Duke Energy will not be required to redeem those debt securities. If less than all the debt securities of a series are to be redeemed, the particular debt securities to be redeemed shall be selected by the Indenture Trustee by such method as the Indenture Trustee shall deem fair and appropriate.

Duke Energy will not be required to:

- issue, register the transfer of, or exchange any debt securities of a series during the fifteen (15) day period before the date the notice is mailed identifying the debt securities of that series that have been selected for redemption; or
- register the transfer of or exchange any debt security of that series selected for redemption except the unredeemed portion of a debt security being partially redeemed.

Consolidation, Merger, Conveyance or Transfer

The Indenture provides that Duke Energy may consolidate or merge with or into, or convey or transfer all or substantially all of its properties and assets to, another corporation or other entity. Any successor must, however, assume Duke Energy's obligations under the Indenture and the debt securities issued under it, and Duke Energy must deliver to the Indenture Trustee a statement by certain of its officers and an opinion of counsel that affirm compliance with all conditions in the Indenture relating to the transaction. When those conditions are satisfied, the successor will succeed to and be substituted for Duke Energy under the Indenture, and Duke Energy will be relieved of its obligations under the Indenture and the debt securities.

Modification; Waiver

Duke Energy may modify the Indenture with the consent of the holders of a majority in principal amount of the outstanding debt securities of all series of debt securities that are affected by the modification, voting as one class. The consent of the holder of each outstanding debt security affected is, however, required to:

- change the maturity date of the principal or any installment of principal or interest on that debt security;

- reduce the principal amount, the interest rate or any premium payable upon redemption of that debt security;
- reduce the amount of principal due and payable upon acceleration of maturity;
- change the currency of payment of principal, premium or interest on that debt security;
- impair the right to institute suit to enforce any such payment on or after the maturity date or redemption date;
- reduce the percentage in principal amount of debt securities of any series required to modify the Indenture, waive compliance with certain restrictive provisions of the Indenture or waive certain defaults; or
- with certain exceptions, modify the provisions of the Indenture governing modifications of the Indenture or governing waiver of covenants or past defaults.

In addition, Duke Energy may modify the Indenture for certain other purposes, without the consent of any holders of debt securities.

Unless Duke Energy states otherwise in the applicable prospectus supplement, the holders of a majority in principal amount of the outstanding debt securities of any series may waive, for that series, Duke Energy's compliance with certain restrictive provisions of the Indenture. The holders of a majority in principal amount of the outstanding debt securities of all series under the Indenture with respect to which a default has occurred and is continuing, voting as one class, may waive that default for all those series, except a default in the payment of principal or any premium or interest on any debt security or a default with respect to a covenant or provision which cannot be modified without the consent of the holder of each outstanding debt security of the series affected.

Events of Default

The following are events of default under the Indenture with respect to any series of debt securities, unless Duke Energy states otherwise in the applicable prospectus supplement:

- failure to pay principal of or any premium on any debt security of that series when due;
- failure to pay when due any interest on any debt security of that series that continues for sixty (60) days; for this purpose, the date on which interest is due is the date on which Duke Energy is required to make payment following any deferral of interest payments by it under the terms of debt securities that permit such deferrals;
- failure to make any sinking fund payment when required for any debt security of that series that continues for sixty (60) days;
- failure to perform any other covenant in the Indenture (other than a covenant expressly included solely for the benefit of other series) that continues for ninety (90) days after the Indenture Trustee or the holders of at least 33% of the outstanding debt securities of that series give Duke Energy and, if such notice is given by the holders, the Indenture Trustee written notice of the default; and
- certain bankruptcy, insolvency or reorganization events with respect to Duke Energy.

In the case of the fourth event of default listed above, the Indenture Trustee may extend the grace period. In addition, if holders of a particular series have given a notice of default, then holders of at least the same percentage of debt securities of that series, together with the Indenture Trustee, may also extend the grace period. The grace period will be automatically extended if Duke Energy has initiated and is diligently pursuing corrective action within the original grace period.

Duke Energy may establish additional events of default for a particular series and, if established, any such events of default will be described in the applicable prospectus supplement.

If an event of default with respect to debt securities of a series occurs and is continuing, then the Indenture Trustee or the holders of at least 33% in principal amount of the outstanding debt securities of that series may declare the principal amount of all debt securities of that series to be immediately due and payable. However, that event of default will be considered waived at any time after the declaration, but before a judgment or decree for payment of the money due has been obtained if:

- Duke Energy has paid or deposited with the Indenture Trustee all overdue interest, the principal and any premium due otherwise than by the declaration and any interest on such amounts, and any interest on overdue interest, to the extent legally permitted, in each case with respect to that series, and all amounts due to the Indenture Trustee; and
- all events of default with respect to that series, other than the nonpayment of the principal that became due solely by virtue of the declaration, have been cured or waived.

The Indenture Trustee is under no obligation to exercise any of its rights or powers at the request or direction of any holders of debt securities unless those holders have offered the Indenture Trustee security or indemnity against the costs, expenses and liabilities which it might incur as a result. The holders of a majority in principal amount of the outstanding debt securities of any series have, with certain exceptions, the right to direct the time, method and place of conducting any proceedings for any remedy available to the Indenture Trustee or the exercise of any power of the Indenture Trustee with respect to those debt securities. The Indenture Trustee may withhold notice of any default, except a default in the payment of principal or interest, or in the payment of any sinking or purchase fund installment, from the holders of any series if the Indenture Trustee in good faith considers it in the interest of the holders to do so.

The holder of any debt security will have an absolute and unconditional right to receive payment of the principal, any premium and, within certain limitations, any interest on that debt security on its maturity date or redemption date and to enforce those payments.

Duke Energy is required to furnish each year to the Indenture Trustee a statement by certain of its officers to the effect that it is not in default under the Indenture or, if there has been a default, specifying the default and its status.

Payments; Paying Agent

The paying agent will pay the principal of any debt securities only if those debt securities are surrendered to it. The paying agent will pay interest on debt securities issued as global securities by wire transfer to the holder of those global securities. Unless Duke Energy states otherwise in the applicable prospectus supplement, the paying agent will pay interest on debt securities that are not in global form at its office or, at Duke Energy's option:

- by wire transfer to an account at a banking institution in the United States that is designated in writing to the Indenture Trustee at least sixteen (16) days prior to the date of payment by the person entitled to that interest; or
- by check mailed to the address of the person entitled to that interest as that address appears in the security register for those debt securities.

Unless Duke Energy states otherwise in the applicable prospectus supplement, the Indenture Trustee will act as paying agent for that series of debt securities, and the principal corporate trust office of the Indenture Trustee will be the office through which the paying agent acts. Duke Energy may, however, change or add paying agents or approve a change in the office through which a paying agent acts.

Any money that Duke Energy has paid to the Indenture Trustee or a paying agent for principal, any premium or interest on any debt securities which remains unclaimed at the end of two years after that principal, premium or interest has become due will be repaid to Duke Energy at its request. After repayment to Duke Energy, holders should look only to Duke Energy for those payments.

Satisfaction and Discharge, Defeasance and Covenant Defeasance

Upon the written request of Duke Energy, the Indenture shall be satisfied and discharged (except as to certain surviving rights and obligations specified in the Indenture) when:

- either all debt securities have been delivered to the Indenture Trustee for cancellation or all debt securities not delivered to the Indenture Trustee for cancellation are due and payable within one year (at maturity or due to redemption) and Duke Energy has deposited with the Indenture Trustee money or government obligations sufficient to pay and discharge such debt securities to the applicable maturity or redemption date (including principal, any premium and interest thereon);
- Duke Energy has paid or caused to be paid all other sums payable under the Indenture by Duke Energy; and
- Duke Energy has delivered to the Indenture Trustee an officers' certificate and an opinion of counsel stating that all conditions precedent relating to the satisfaction and discharge of the Indenture have been complied with.

The Indenture provides that Duke Energy may be:

- discharged from its obligations, with certain limited exceptions, with respect to any series of debt securities, as described in the Indenture, such a discharge being called a "defeasance" in this prospectus; and
- released from its obligations under certain restrictive covenants especially established with respect to any series of debt securities, as described in the Indenture, such a release being called a "covenant defeasance" in this prospectus.

Duke Energy must satisfy certain conditions to effect a defeasance or covenant defeasance. Those conditions include the irrevocable deposit with the Indenture Trustee, in trust, of money or government obligations which through their scheduled payments of principal and interest would provide sufficient money to pay the principal and any premium and interest on those debt securities on the maturity dates of those payments or upon redemption.

Following a defeasance, payment of the debt securities defeased may not be accelerated because of an event of default under the Indenture. Following a covenant defeasance, the payment of debt securities may not be accelerated by reference to the covenants from which Duke Energy has been released. A defeasance may occur after a covenant defeasance.

Under current United States federal income tax laws, a defeasance would be treated as an exchange of the relevant debt securities in which holders of those debt securities might recognize gain or loss. In addition, the amount, timing and character of amounts that holders would thereafter be required to include in income might be different from that which would be includible in the absence of that defeasance. Duke Energy urges investors to consult their own tax advisors as to the specific consequences of a defeasance, including the applicability and effect of tax laws other than United States federal income tax laws.

Under current United States federal income tax law, unless accompanied by other changes in the terms of the debt securities, a covenant defeasance should not be treated as a taxable exchange.

Concerning the Indenture Trustee

The Bank of New York Mellon Trust Company, N.A., or BNYM, is the Indenture Trustee. Duke Energy and certain of its affiliates maintain deposit accounts and banking relationships with BNYM or its affiliates. BNYM or its affiliates also serve as trustee or agent under other indentures and agreements pursuant to which securities of Duke Energy and of certain of its affiliates are outstanding.

The Indenture Trustee will perform only those duties that are specifically set forth in the Indenture unless an event of default under the Indenture occurs and is continuing. In case an event of default occurs and is continuing, the Indenture Trustee will exercise the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs.

Upon any application by Duke Energy to the Indenture Trustee to take any action under any provision of the Indenture, Duke Energy is required to furnish to the Indenture Trustee such certificates and opinions as may be required under the Trust Indenture Act of 1939, as amended.

PLAN OF DISTRIBUTION

We may sell securities to one or more underwriters or dealers for public offering and sale by them, or we may sell the securities to investors directly or through agents. The prospectus supplement relating to the securities being offered will set forth the terms of the offering and the method of distribution and will identify any firms acting as underwriters, dealers or agents in connection with the offering, including:

- the name or names of any underwriters;
- the purchase price of the securities and the proceeds to us from the sale;
- any underwriting discounts and other items constituting underwriters' compensation;
- any public offering price;
- any discounts or concessions allowed or reallowed or paid to dealers; and
- any securities exchange or market on which the securities may be listed.

Only those underwriters identified in the prospectus supplement are deemed to be underwriters in connection with the securities offered in the prospectus supplement.

We may distribute the securities from time to time in one or more transactions at a fixed price or prices, which may be changed, or at prices determined as the prospectus supplement specifies. We may sell securities through forward contracts or similar arrangements. In connection with the sale of securities, underwriters, dealers or agents may be deemed to have received compensation from us in the form of underwriting discounts or commissions and also may receive commissions from securities purchasers for whom they may act as agent. Underwriters may sell the securities to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters or commissions from the purchasers for whom they may act as agent.

We may sell the securities directly or through agents we designate from time to time. Any agent involved in the offer or sale of the securities covered by this prospectus will be named in a prospectus supplement relating to such securities. Commissions payable by us to agents will be set forth in a prospectus supplement relating to the securities being offered. Unless otherwise indicated in a prospectus supplement, any such agents will be acting on a best-efforts basis for the period of their appointment.

Some of the underwriters, dealers or agents and some of their affiliates who participate in the securities distribution may engage in other transactions with, and perform other services for, us and our subsidiaries or affiliates in the ordinary course of business.

Any underwriting or other compensation which we pay to underwriters or agents in connection with the securities offering, and any discounts, concessions or commissions which underwriters allow to dealers, will be set forth in the applicable prospectus supplement. Underwriters, dealers and agents participating in the securities distribution may be deemed to be underwriters, and any discounts and commissions they receive and any profit they realize on the resale of the securities may be deemed to be underwriting discounts and commissions under the Securities Act of 1933. Underwriters, and their controlling persons, and agents may be entitled, under agreements we enter into with them, to indemnification against certain civil liabilities, including liabilities under the Securities Act of 1933.

EXPERTS

The consolidated financial statements and the related financial statement schedule, incorporated in this prospectus by reference from Duke Energy Corporation's Annual Report on Form 10-K for the year ended December 31, 2012, and the effectiveness of Duke Energy Corporation's and its subsidiaries' internal control over financial reporting have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which is incorporated herein by reference. Such consolidated financial statements and financial statement schedule have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements and financial statement schedule of Progress Energy, Inc. and its subsidiaries incorporated in this prospectus by reference from Duke Energy Corporation's Current Report on Form 8-K dated March 2, 2012 have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report therein, which is incorporated herein by reference. Such consolidated financial statements and financial statement schedule have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

VALIDITY OF THE SECURITIES

Robert T. Lucas III, Esq., who is our Deputy General Counsel and Assistant Corporate Secretary, and/or counsel named in the applicable prospectus supplement, will issue an opinion about the validity of the securities we are offering in the applicable prospectus supplement. Counsel named in the applicable prospectus supplement will pass upon certain legal matters on behalf of any underwriters.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and, in accordance therewith, file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission, or the SEC. Such reports and other information can be inspected and copied at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may also obtain copies of these documents at prescribed rates from the Public Reference Section of the SEC at its Washington, D.C. address. Please call the SEC at 1-800-SEC-0330 for further information. Our filings with the SEC, as well as additional information about us, are also available to the public through Duke Energy's website at *http://www.duke-energy.com* and are made available as soon as reasonably practicable after such material is filed with or furnished to the SEC. The information on our website is not a part of this prospectus. Our filings are also available to the public through the SEC website at *http://www.sec.gov*.

The SEC allows us to "incorporate by reference" into this prospectus the information we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information.

This prospectus incorporates by reference the documents incorporated in the prospectus at the time the registration statement became effective and all later documents filed with the SEC, in all cases as updated and superseded by later filings with the SEC. Duke Energy incorporates by reference the documents listed below and any future documents filed by Duke Energy Corporation with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, until the offering is completed.

- Annual Report on Form 10-K for the year ended December 31, 2012, including the portions of our definitive proxy statement filed on Schedule 14A on March 21, 2013 that are incorporated by reference therein;
- Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2013, and June 30, 2013; and
- Current reports on Form 8-K filed on March 2, 2012, August 9, 2012, January 14, 2013, February 4, 2013, February 5, 2013, February 26, 2013, February 28, 2013, March 7, 2013, March 18, 2013, April 2, 2013, May 7, 2013, May 14, 2013, May 16, 2013, May 20, 2013, May 31, 2013, June 7, 2013, June 10, 2013, June 12, 2013, June 13, 2013, June 17, 2013, June 18, 2013, July 23, 2013, August 1, 2013, August 6, 2013, August 30, 2013, September 11, 2013, and September 25, 2013.

We will provide without charge a copy of these filings, other than any exhibits unless the exhibits are specifically incorporated by reference into this prospectus. You may request a copy by writing us at the following address or telephoning one of the following numbers:

Investor Relations Department
Duke Energy Corporation
P.O. Box 1005
Charlotte, North Carolina 28201
(704) 382-3853 or (800) 488-3853 (toll-free)

You should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell the securities described in this prospectus in any state where the offer or sale is not permitted. You should assume that the information contained in the prospectus is accurate only as of its date. Our business, financial condition, results of operations and prospects may have changed since that date.


DUKE
ENERGY®

PROSPECTUS SUPPLEMENT
(To Prospectus dated September 30, 2013)

9,250,000 Shares

Common Stock

We expect to enter into a forward sale agreement with an affiliate of Barclays Capital Inc., which affiliate we refer to as the forward purchaser. Barclays Capital Inc., as agent for its affiliated forward purchaser, whom we refer to in such capacity as the forward seller, at our request, has agreed to borrow from third parties and sell to the underwriters an aggregate of 9,250,000 shares of our common stock, par value $0.001 per share, in connection with the forward sale agreement between us and the forward purchaser. If the forward purchaser determines, in its commercially reasonable judgment, that the forward seller is unable to borrow, or that the forward seller is unable to borrow at a stock loan rate not greater than a specified amount, and deliver for sale on the anticipated closing date such number of shares of our common stock, then we will issue and sell to the underwriters a number of shares equal to the number of shares that the forward seller does not borrow and sell.

We will not initially receive any proceeds from the sale of the shares of our common stock offered hereby, except in certain circumstances described in this prospectus supplement. We will receive proceeds, subject to certain adjustments, from the sale of those shares of our common stock covered by the forward sale agreement only upon one or more future physical settlements of the forward sale agreement, which we expect to occur by the end of 2016, but it may occur as late as June 30, 2017. If we elect to cash settle the forward sale agreement, we will not receive any proceeds from the sale of shares of our common stock and may either receive a cash payment from, or owe a cash payment to, the forward purchaser. If we elect to net share settle the forward sale agreement, we will not receive any proceeds from the sale of shares of our common stock, and we may either receive shares of our common stock from, or owe shares of our common stock to, the forward purchaser. See "Underwriting (Conflicts of Interest)—Forward Sale Agreement" for a description of the forward sale agreement.

Our common stock is listed and trades on the New York Stock Exchange under the symbol "DUK". On March 1, 2016, the closing price of our common stock on the New York Stock Exchange was $73.35 per share.

Investing in our common stock involves risks. See "Risk Factors" beginning on page S-7 of this prospectus supplement.

	Per Share	Total
Initial Price to Public	$72.00	$666,000,000
Underwriting Discount	$ 2.16	$ 19,980,000
Proceeds, Before Expenses, to Us(1)	$69.84	$646,020,000

(1) We expect to receive net proceeds from the sale of our common stock, upon full physical settlement of the forward sale agreement, which we expect will occur by the end of 2016, but it may occur as late as June 30, 2017. For the purpose of calculating the aggregate net proceeds to us, we have assumed the forward sale agreement is fully physically settled based on the initial forward sale price of $69.84 per share (which is the initial price to public less the underwriting discount shown above). The forward sale price is subject to adjustment pursuant to the forward sale agreement, and the actual proceeds, if any, will be calculated as described in this prospectus supplement. Unless the federal funds rate increases substantially prior to the settlement of the forward sale agreement, we expect to receive an amount in cash that is less than the proceeds calculated based on the initial forward sale price per share upon physical settlement of the forward sale agreement. Although we expect to settle the forward sale agreement entirely by the full physical delivery of shares of our common stock in exchange for cash proceeds, we may elect cash settlement or net share settlement for all or a portion of the forward sale agreement. See "Underwriting (Conflicts of Interest)—Forward Sale Agreement" for a description of the forward sale agreement.

We have granted the underwriters an option for a period of 30 days from the date of this prospectus supplement to purchase up to an additional 1,387,500 shares of our common stock at the initial price to public less the underwriting discount. If such option is exercised, we will enter into an additional forward sale agreement with the forward purchaser in respect of the number of shares that are subject to the exercise of such option. Unless the context requires otherwise, the term "forward sale agreement" as used in this prospectus supplement includes any additional forward sale agreement that we enter into in connection with the exercise, by the underwriters, of their option to purchase additional shares of our common stock. In the event that we enter into an additional forward sale agreement, if the forward purchaser determines, in its commercially reasonable judgment, that the forward seller is unable to borrow, or that the forward seller is unable to borrow at a stock loan rate not greater than a specified amount, and deliver for sale on the anticipated closing date for the exercise of such option the number of shares of our common stock with respect to which such option has been exercised, then we will issue and sell to the underwriters a number of shares of our common stock equal to the number of shares of our common stock that the forward seller does not borrow and sell.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

The underwriters are offering the shares of our common stock as set forth under "Underwriting (Conflicts of Interest)." The underwriters expect that the shares of our common stock will be ready for delivery on or about March 7, 2016.

Joint Book-Running Managers

Barclays **BofA Merrill Lynch** **Citigroup** **J.P. Morgan** **Wells Fargo Securities**

Co-Managers

BNP PARIBAS **BTIG** **Credit Suisse** **Loop Capital Markets** **Mizuho Securities** **MUFG** **RBC Capital Markets**

Scotia Howard Weil **SunTrust Robinson Humphrey** **TD Securities** **UBS Investment Bank**

The date of this prospectus supplement is March 1, 2016.

You should rely only on the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus and any free writing prospectus authorized by us. We have not, the forward purchaser has not, the forward seller has not and the underwriters have not, authorized anyone to provide you with information that is different. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, the forward purchaser is not, the forward seller is not and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus or any free writing prospectus authorized by us is accurate as of any date other than the date of the document containing the information or such other date as may be specified therein.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering. The second part, the accompanying prospectus, gives more general information, some of which does not apply to this offering.

If the description of this offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information contained in or incorporated by reference in this prospectus supplement.

It is important for you to read and consider all information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus in making your investment decision. You should also read and consider the information contained in the documents to which we have referred you to in "Where You Can Find More Information" in this prospectus supplement and the accompanying prospectus.

Unless we have indicated otherwise, or the context otherwise requires, references in this prospectus supplement and the accompanying prospectus to "Duke Energy," "we," "us" and "our" or similar terms are to Duke Energy Corporation and its subsidiaries.

PROSPECTUS SUPPLEMENT SUMMARY

The following summary is qualified in its entirety by, and should be read together with, the more detailed information that is included elsewhere in this prospectus supplement and the accompanying prospectus, as well as the information that is incorporated or deemed to be incorporated by reference in this prospectus supplement and the accompanying prospectus. See "Where You Can Find More Information" in this prospectus supplement for information about how you can obtain the information that is incorporated or deemed to be incorporated by reference in this prospectus supplement and the accompanying prospectus. Investing in our common stock involves risks. See "Risk Factors" in this prospectus supplement.

Duke Energy Corporation

Duke Energy, together with its subsidiaries, is a diversified energy company with both regulated and unregulated utility operations. We supply, deliver and process energy for customers in the United States and selected international markets.

Duke Energy's Regulated Utilities segment serves approximately 7.4 million retail electric customers in six states in the Southeast and Midwest regions of the United States. The Regulated Utilities segment consists of regulated generation and electric and gas transmission and distribution systems. The segment's generation portfolio includes a balanced mix of energy resources having different operating characteristics and fuel sources. In our regulated electric operations, we own 50,170 megawatts of generating capacity serving an area of approximately 95,000 square miles with an estimated population of 24 million people. Regulated Utilities serves 525,000 retail natural gas customers in southwestern Ohio and northern Kentucky. Electricity is also sold wholesale to incorporated municipalities, electric cooperative utilities and other load-serving entities.

Duke Energy's International Energy segment principally operates and manages power generation facilities and engages in sales and marketing of electric power, natural gas, and natural gas liquids outside the United States. Its activities principally target power generation in Latin America. Additionally, International Energy owns a 25 percent interest in National Methanol Company ("NMC"), a large regional producer of methanol and methyl tertiary butyl ether (a gasoline additive), located in Saudi Arabia. International Energy's ownership interest will decrease to 17.5 percent upon the successful startup of NMC's polyacetal production facility, which is expected to occur in January 2017. See "—Recent Developments—Potential Sale of Duke Energy International" in this prospectus supplement.

Duke Energy's Commercial Portfolio segment (formerly the Commercial Power segment) primarily acquires, builds, develops, and operates wind and solar renewable generation and energy transmission projects throughout the continental United States. The portfolio includes nonregulated renewable energy, electric transmission, natural gas infrastructure and energy storage businesses. This segment was renamed in 2015 as a result of the sale of the nonregulated Midwest generation business.

We are a Delaware corporation. The address of our principal executive offices is 550 South Tryon Street, Charlotte, North Carolina 28202-1803 and our telephone number is (704) 382-3853. Our common stock is listed and trades on the New York Stock Exchange under the symbol "DUK".

The foregoing information about Duke Energy is only a general summary and is not intended to be comprehensive. For additional information about Duke Energy, you should refer to the information described under the caption "Where You Can Find More Information" in this prospectus supplement.

Recent Developments

Plans to Acquire Piedmont Natural Gas Company

On October 24, 2015, we entered into an Agreement and Plan of Merger with Piedmont Natural Gas Company, Inc. ("Piedmont"). In this transaction, which is subject to various conditions, Piedmont would become our wholly-owned subsidiary. For additional information about the proposed acquisition of Piedmont, you should refer to the information described under the caption "Where You Can Find More Information" in this prospectus supplement.

Potential Sale of Duke Energy International

On February 18, 2016, we announced that we had initiated a process to divest our International Energy business segment, excluding the investment in NMC. The process remains in a preliminary stage and there have been no binding or non-binding offers requested or submitted. There is no specific timeline for execution of a potential transaction. For additional information about the proposed sale of our International Energy business segment, you should refer to the information described under the caption "Where You Can Find More Information" in this prospectus supplement.

The Offering

Issuer	Duke Energy Corporation
Shares of Common Stock Offered by the Forward Seller(1)	9,250,000 shares of our common stock (10,637,500 shares of our common stock if the underwriters' option to purchase additional shares of our common stock is exercised in full).
Shares of Common Stock to be Outstanding Immediately After the Offering(1)	688,380,039 shares of our common stock.
Shares of Common Stock to be Outstanding After Settlement of the Forward Sale Agreement Assuming Full Physical Settlement(1)	697,630,039 shares of our common stock (699,017,539 shares of our common stock if the underwriters' option to purchase additional shares of our common stock is exercised in full).
Use of Proceeds(2)	We expect that the net proceeds from this offering will be approximately $646 million (assuming no exercise by the underwriters of their option to purchase additional shares of our common stock), after deducting the underwriting discount and estimated offering expenses, subject to certain adjustments pursuant to the forward sale agreement, only upon full physical settlement of the forward sale agreement, which we expect to occur by the end of 2016, but it may occur as late as June 30, 2017. We will not initially receive any proceeds from the sale of the shares of our common stock offered by the forward seller pursuant to this prospectus supplement unless (1) an event occurs that requires us to sell our common stock to the underwriters in lieu of the forward seller selling our common stock to the underwriters, or (2) the underwriters exercise their option to purchase additional shares of our common stock and the forward purchaser determines, in its commercially reasonable judgment, that the forward seller is unable to borrow, or that the forward seller is unable to borrow at a stock loan rate not greater than a specified amount, and deliver for sale on the anticipated closing date for the exercise of such option, the number of shares of our common stock with respect to which such option has been exercised, in which case we will issue and sell to the underwriters a number of our shares of common stock equal to the number of shares of our common stock that the forward seller does not borrow and sell. We intend to use any net proceeds we receive from any such sales in the manner described below.

	We intend to use the net proceeds, if any, from the settlement of the forward sale agreement to finance a portion of the costs in connection with the proposed acquisition of Piedmont. See "Prospectus Supplement Summary—Recent Developments", "Underwriting (Conflicts of Interest)—Conflicts of Interest" and "Use of Proceeds". In addition, the commitment under a $4.9 billion bridge facility (the "Bridge Facility") provided to us by affiliates of certain of the underwriters in connection with our pending acquisition of Piedmont will be reduced by an amount equal to 100% of the net proceeds from this offering. See "Underwriting (Conflicts of Interest)—Other Relationships" and "—Conflicts of Interest".
Accounting Treatment of the Transaction	Before the issuance of shares of our common stock, if any, upon settlement of the forward sale agreement, the forward sale agreement will be reflected in our diluted earnings per share calculations using the treasury stock method. Under this method, the number of shares of our common stock used in calculating diluted earnings per share is deemed to be increased by the excess, if any, of the number of shares of our common stock that would be issued upon full physical settlement of the forward sale agreement over the number of shares of our common stock that could be purchased by us in the market (based on the average market price during the period) using the proceeds due upon full physical settlement (based on the adjusted forward sale price at the end of the reporting period). Consequently, prior to physical or net share settlement of the forward sale agreement and subject to the occurrence of certain events, we anticipate there will be no dilutive effect on our earnings per share except during periods when the average market price of shares of our common stock is above the applicable adjusted forward sale price, which is initially $69.84 per share, subject to increase or decrease based on the federal funds rate, less a spread, and subject to decrease by amounts related to expected dividends on shares of our common stock during the term of the forward sale agreement. However, if we decide to physically or net share settle the forward sale agreement, any delivery of shares of our common stock by us upon physical or net share settlement of the forward sale agreement will result in dilution to our earnings per share and return on equity.
Listing	Our common stock is listed on the New York Stock Exchange under the symbol "DUK".
Risk Factors	Investing in our common stock involves risks. See "Risk Factors" beginning on page S-7 of this prospectus supplement.

Conflicts of Interest	All of the proceeds of this offering (excluding proceeds paid to us with respect to any shares of our common stock that we may sell to the underwriters in lieu of the forward seller selling our common stock to the underwriters) will be paid to the forward purchaser. Because an affiliate of Barclays Capital Inc. will receive more than 5% of the net proceeds of this offering, Barclays Capital Inc. is deemed to have a conflict of interest within the meaning of Rule 5121 of the Financial Industry Regulatory Authority, Inc. ("FINRA"). Accordingly, this offering will be conducted in compliance with the applicable provisions of FINRA Rule 5121. Pursuant to that rule, the appointment of a "qualified independent underwriter" is not required in connection with this offering, as the shares of our common stock have a "bona fide public market" (as defined in FINRA Rule 5121). See "Use of Proceeds" and "Underwriting (Conflicts of Interest)—Conflicts of Interest."

(1) The forward seller has advised us that it intends to acquire shares of our common stock to be sold under this prospectus supplement through borrowings from third-party stock lenders. Subject to the occurrence of certain events, we will not be obligated to deliver shares of our common stock, if any, under the forward sale agreement until final settlement of the forward sale agreement, which we expect to occur by the end of 2016, but it may occur as late as June 30, 2017. Except in certain circumstances, we have the right to elect cash settlement or net share settlement under the forward sale agreement. See "Underwriting (Conflicts of Interest)—Forward Sale Agreement" for a description of the forward sale agreement. The number of shares of our common stock to be outstanding after this offering is based on 688,380,039 shares of our common stock outstanding as of February 25, 2016, and excludes 103,360 shares of our common stock issuable upon the exercise of outstanding options and any additional shares of our common stock we may issue from and after, February 25, 2016 through final settlement of the forward sale agreement. We provide these numbers assuming no event occurs that would require us to sell shares of our common stock to the underwriters in lieu of the forward seller selling shares of our common stock to the underwriters. If such an event occurs, then (a) the number of shares of our common stock to be outstanding immediately after the offering would be increased by such number of shares and (b) the number of shares of our common stock issuable pursuant to physical settlement of the forward sale agreement would be reduced by such number of shares.

(2) Calculated as of March 1, 2016 (assuming that the forward sale agreement is fully physically settled based on the initial forward sale price of $69.84 per share by the delivery of 9,250,000 shares of our common stock and that the underwriters have not exercised their option to purchase additional shares of our common stock). The forward sale price is subject to adjustment pursuant to the forward sale agreement, and the actual proceeds are subject to settlement of the forward sale agreement.

RISK FACTORS

You should carefully consider the risk factors in our Annual Report on Form 10-K for the year ended December 31, 2015, which has been filed with the Securities and Exchange Commission, or SEC, and is incorporated by reference in this prospectus supplement, as well as the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus, before making an investment decision.

Risks Related to the Forward Sale Agreement

Settlement provisions contained in the forward sale agreement subject us to certain risks.

The forward purchaser will have the right to accelerate the forward sale agreement (with respect to all or any portion of the transaction under the forward sale agreement that the forward purchaser determines is affected by such event) and require us to settle on a date specified by the forward purchaser if:

- the forward purchaser is unable to, or would incur a materially increased cost to, establish, maintain or unwind its hedge position with respect to the forward sale agreement, subject to certain exceptions in the case of such a materially increased cost;
- the forward purchaser determines it is unable to, or it is commercially impracticable for it to, continue to borrow a number of shares of our common stock equal to the number of shares of our common stock underlying the forward sale agreement or that, with respect to borrowing such number of shares of our common stock, it would incur a rate that is greater than the borrow cost specified in the forward sale agreement, subject to certain exceptions in the case of such a rate of borrowing that is greater than such specified borrow cost;
- the forward purchaser determines that it has an excess Section 13 ownership position or an excess regulatory ownership position (as such terms are defined in the forward sale agreement) with respect to certain ownership restrictions and related filing requirements under federal securities laws, Delaware corporate laws or other applicable laws and regulations, as applicable;
- we declare a dividend or distribution on shares of our common stock with a cash value in excess of a specified amount, an ex-dividend date that occurs earlier than a specified date or certain non-cash dividends;
- there occurs a public announcement of an event or transaction that, if consummated, would result in a merger event, tender offer, nationalization or change in law (in each case, as determined pursuant to the terms of the forward sale agreement); or
- certain other events of default, termination events or other specified events occur, including, among other things, any material misrepresentation made by us in connection with entering into the forward sale agreement or a market disruption event during a specified period that lasts for more than eight scheduled trading days (in each case, as determined pursuant to the terms of the forward sale agreement).

The forward purchaser's decision to exercise its right to accelerate the settlement of the forward sale agreement will be made irrespective of our interests, including our need for capital. In such cases, we could be required to issue and deliver shares of our common stock under the physical settlement provisions, which would result in dilution to our earnings per share, return on equity and dividends per share. We expect that the forward sale agreement will settle by the end of 2016, but it may settle as late as June 30, 2017; however, the forward sale agreement may be settled earlier in whole or in part at our option, subject to the satisfaction of certain conditions. The forward sale agreement will be physically settled by delivery of shares of our common stock, unless we elect to cash settle or net share settle the forward sale agreement, subject to the satisfaction of certain conditions. Upon physical

settlement or, if we so elect, net share settlement of the forward sale agreement, delivery of shares of our common stock in connection with such physical settlement or, to the extent we are obligated to deliver shares of our common stock, net share settlement will result in dilution to our earnings per share and return on equity. If we elect cash settlement or net share settlement with respect to all or a portion of the shares of our common stock underlying the forward sale agreement, we expect the forward purchaser (or an affiliate thereof) to purchase a number of shares of our common stock necessary to satisfy its or its affiliate's obligation to return the shares of our common stock borrowed from third parties in connection with sales of shares of our common stock under this prospectus supplement. In addition, the purchase of shares of our common stock in connection with the forward purchaser or its affiliate unwinding its hedge positions could result in an increase (or a reduction in the amount of any decrease) in the price of shares of our common stock over such time, thereby increasing the amount of cash we would owe to the forward purchaser (or decreasing the amount of cash the forward purchaser would owe us) upon a cash settlement of the forward sale agreement or increasing the number of shares of our common stock we would deliver to the forward purchaser (or decreasing the number of shares of our common stock the forward purchaser would deliver to us) upon net share settlement of the forward sale agreement. The forward sale price we expect to receive upon physical settlement of the forward sale agreement will be subject to adjustment on a daily basis based on a floating interest rate factor equal to the federal funds rate less a spread, and will be decreased on certain dates by amounts related to expected dividends on shares of our common stock during the term of the forward sale agreement. If the federal funds rate is less than the spread on any day, the interest factor will result in a daily reduction of the forward sale price. As of the date of this prospectus supplement, the federal funds rate was less than the spread. If the market value of shares of our common stock during the unwind period under the forward sale agreement is above the forward sale price, in the case of cash settlement, we would pay the forward purchaser under the forward sale agreement an amount in cash equal to the difference or, in the case of net share settlement, we would deliver to the forward purchaser a number of shares of our common stock having a value equal to the difference. Thus, we could be responsible for a potentially substantial cash payment. If the market value of shares of our common stock during the unwind period under the forward sale agreement is below the relevant forward sale price, in the case of cash settlement, we would be paid the difference in cash by the forward purchaser under the forward sale agreement or, in the case of net share settlement, we would receive from the forward purchaser a number of shares of our common stock having a value equal to the difference. See "Underwriting (Conflicts of Interest)—Forward Sale Agreement" for information on the forward sale agreement.

In certain bankruptcy or insolvency events, the forward sale agreement will automatically terminate, and we would not receive the expected proceeds from the sale of our common stock.

If we file for or consent to a proceeding seeking a judgment in bankruptcy or insolvency or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights or if an appropriate regulatory or other authority takes similar action, the forward sale agreement will automatically terminate. If the forward sale agreement so terminates, we would not be obligated to deliver to the forward purchaser any shares of our common stock not previously delivered, and the forward purchaser would be discharged from its obligation to pay the forward sale price per share in respect of any shares of our common stock not previously settled. Therefore, to the extent there are any shares of our common stock with respect to which the forward sale agreement has not been settled at the time of the commencement of any such bankruptcy or insolvency proceedings, we would not receive the forward sale price per share in respect of those shares of our common stock.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This prospectus supplement, the accompanying prospectus, and the information incorporated by reference herein and therein, include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. 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 or climate change, as well as rulings that affect cost and investment recovery or have an impact on rate structures or market prices;
- The extent and timing of 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 mitigation such as coal ash impoundment retirement obligations and cost related to significant weather events, and earn an adequate return on investment through 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;
- The risk that the credit ratings of Duke Energy or its subsidiaries may be different from what the companies expect;
- 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 variations in customer usage patterns, including energy efficiency efforts and use of alternative energy sources, including 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 rooftop 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 markets and continued industry consolidation;
- Political, economic and regulatory uncertainty in Brazil and other countries in which Duke Energy conducts business;
- The influence of weather and other natural phenomena on operations, including the economic, operational and other effects of severe storms, hurricanes, droughts, earthquakes and tornadoes;
- 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 U.S. electric grid or generating resources;

- The impact on facilities and business from a terrorist attack, cybersecurity threats, data security breaches, and other catastrophic events such as fires, explosions, pandemic health events or similar occurrences;
- The inherent risks associated with the operation and potential construction of nuclear facilities, including environmental, health, safety, regulatory and financial risks;
- The timing and extent of changes in commodity prices, interest rates and foreign currency exchange rates and the ability to recover such costs through the regulatory process, where appropriate, and their impact on liquidity positions and the value of underlying assets;
- The results of financing efforts, including the ability to obtain financing on favorable terms, which can be affected by various factors, including credit ratings, interest rate fluctuations and general economic conditions;
- Declines in the market prices of equity and fixed income securities and resultant cash funding requirements for defined benefit pension plans, other post-retirement benefit plans, and nuclear decommissioning trust funds;
- Construction and development risks associated with the completion of Duke Energy's or its subsidiaries' 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 our subsidiaries to pay dividends or distributions to Duke Energy Corporation;
- The performance of projects undertaken by our nonregulated businesses and the success of efforts to invest in and develop new opportunities;
- The effect of accounting pronouncements issued periodically by accounting standard-setting bodies;
- The impact of potential goodwill impairments;
- The ability to reinvest prospective undistributed earnings of foreign subsidiaries or repatriate such earnings on a tax-efficient basis;
- The expected timing and likelihood of completion of the proposed acquisition of Piedmont, including the timing, receipt and terms and conditions of any required governmental and regulatory approvals of the proposed acquisition that could reduce anticipated benefits or cause the parties to abandon the acquisition, and under certain specified circumstance pay a termination fee of $250 million, as well as the ability to successfully integrate the businesses and realize anticipated benefits and the risk that the credit ratings of the combined company or its subsidiaries may be different from what the companies expect; and
- The ability to successfully complete future merger, acquisition or divestiture plans.

In light of the various risks, uncertainties and assumptions, the events described in the forward-looking statements included or incorporated by reference in this prospectus supplement and the accompanying prospectus 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; we expressly disclaim an obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

PRICE RANGE OF COMMON STOCK AND DIVIDENDS

Our common stock is listed on the New York Stock Exchange under the symbol "DUK". The following table sets forth the high and low intra-day sales prices per share of our common stock and the cash dividends declared per share for the periods indicated.

	High	Low	Cash dividends declared
2014:			
First Quarter	$72.67	$67.05	$0.780
Second Quarter	75.13	68.81	0.780
Third Quarter	75.21	69.48	0.795
Fourth Quarter	87.29	74.33	0.795
2015:			
First Quarter	$89.97	$73.63	$0.795
Second Quarter	79.88	70.41	0.795
Third Quarter	77.53	67.27	0.825
Fourth Quarter	75.29	65.50	0.825
2016:			
First Quarter (through March 1, 2016)	$80.10	$70.16	$0.825

The last reported sale price of our common stock on the New York Stock Exchange on March 1, 2016 was $73.35 per share. As of February 25, 2016, we had approximately 688,380,039 shares of our common stock outstanding and approximately 166,074 holders of record of our common stock.

We pay dividends on our common stock after our board of directors declares them. Subject to declaration by our board of directors, we generally pay dividends on our common stock on the 16th of March, June, September and December to stockholders of record on the Friday closest to the 15th of February, May, August and November.

On January 4, 2016, our board declared a dividend of $0.825, payable on March 16, 2016 to stockholders of record on February 12, 2016. Purchasers of our common stock in this offering will not be entitled to receive the dividend payable on March 16, 2016. The board reviews the dividend quarterly and establishes the dividend rate based upon such factors as our earnings, financial condition, capital requirements, debt covenant requirements and/or other relevant conditions. Although we expect to continue to declare and pay cash dividends on our common stock in the future, we can provide no assurance that dividends will be paid in the future or that, if paid, the dividends will be paid in the same amount as during 2016.

USE OF PROCEEDS

We expect that the net proceeds from this offering will be approximately $646 million (assuming no exercise by the underwriters of their option to purchase additional shares of our common stock), after deducting the underwriting discount and estimated offering expenses, subject to certain adjustments pursuant to the forward sale agreement, only upon full physical settlement of the forward sale agreement, which we expect to occur by the end of 2016, but it may occur as late as June 30, 2017.

We will not initially receive any proceeds from the sale of the shares of our common stock offered by the forward seller pursuant to this prospectus supplement unless (1) an event occurs that requires us to sell our common stock to the underwriters in lieu of the forward seller selling our common stock to the underwriters, or (2) the underwriters exercise their option to purchase additional shares of our common stock and the forward purchaser determines, in its commercially reasonable judgment, that the forward seller is unable to borrow, or that the forward seller is unable to borrow at a stock loan rate not greater than a specified amount, and deliver for sale on the anticipated closing date for the exercise of such option the number of shares of our common stock with respect to which such option has been exercised, in which case we will issue and sell to the underwriters a number of our shares of common stock equal to the number of shares of our common stock that the forward seller does not borrow and sell. We intend to use any net proceeds we receive from any such sales in the manner described below.

We intend to use the net proceeds, if any, from the settlement of the forward sale agreement to finance a portion of the costs in connection with our proposed acquisition of Piedmont. See "Prospectus Supplement Summary—Recent Developments" and "Underwriting (Conflicts of Interest)—Conflicts of Interest". In addition, the commitment under a $4.9 billion bridge facility provided to us by affiliates of certain of the underwriters in connection with our pending acquisition of Piedmont will be reduced by an amount equal to 100% of the net proceeds from this offering. See "Underwriting (Conflicts of Interest)—Other Relationships" and "—Conflicts of Interest".

DESCRIPTION OF COMMON STOCK

The following summary of our common stock is qualified in its entirety by, and is subject in all respects to, the applicable provisions of the Delaware General Corporation Law, our amended and restated certificate of incorporation and our amended and restated by-laws.

General

Our total number of authorized shares of capital stock consists of 2 billion shares of common stock, par value $0.001 per share, and 44 million shares of preferred stock, par value $0.001 per share.

Except as otherwise required by law and subject to the rights of the holders of any class or series of preferred stock, with respect to all matters upon which stockholders are entitled to vote or to which stockholders are entitled to give consent, the holders of any outstanding shares of our common stock vote together as a class, and every holder of common stock is entitled to cast one vote in person or by proxy for each share of common stock standing in such holder's name on our books. We do not have a classified board of directors nor do we permit cumulative voting.

Holders of common stock are not entitled to any preemptive rights to subscribe for additional shares of our common stock nor are they liable to further capital calls or to assessments by us.

Subject to applicable law and the rights, if any, of the holders of any class or series of preferred stock having a preference over the rights to participate with the common stock with respect to the payment of dividends, holders of our common stock are entitled to receive dividends or other distributions as declared by our board of directors at its discretion.

The board of directors may create a class or series of preferred stock with dividends the rate of which is calculated by reference to, and payment of which is concurrent with, dividends on shares of our common stock.

Provisions that Have or May Have the Effect of Delaying or Prohibiting a Change in Control

Under our certificate of incorporation, the board of directors has the full authority permitted by Delaware law to determine the voting rights, if any, and designations, preferences, limitations and special rights of any class or any series of any class of the preferred stock.

Our certificate of incorporation also provides that a director may be removed from office with or without cause. However, subject to applicable law, any director elected by the holders of any series of preferred stock may be removed without cause only by the holders of a majority of the shares of such series of preferred stock.

Our certificate of incorporation requires an affirmative vote of the holders of at least 80% of the combined voting power of the then outstanding shares of stock of all our classes entitled to vote generally in the election of directors, voting together as a single class, to amend, alter or repeal provisions in the certificate of incorporation which relate to the number of directors, vacancies and newly created directorships.

Our certificate of incorporation provides that any action required to be taken at any annual or special meeting of stockholders may be taken without a meeting and without prior notice only if consent in writing setting forth the action to be taken is signed by all the holders of our issued and outstanding capital stock entitled to vote in respect of such action.

Our by-laws provide that, except as expressly required by our certificate of incorporation or by applicable law, and subject to the rights of the holders of any series of preferred stock, special meetings of the stockholders or of any series entitled to vote may be called for any purpose or purposes by the Chairman of the board of directors or by the board of directors. In addition, special meetings of the

stockholders or of any class or series entitled to vote may also be called by the Secretary of the Company upon the written request by the holders of record at the time such request is delivered representing at least fifteen percent (15%) of the outstanding shares of our common stock.

The provisions of our certificate of incorporation and by-laws conferring on our board of directors the full authority to issue preferred stock, the restrictions on removing directors elected by holders of preferred stock, the supermajority voting requirements relating to the amendment, alteration or repeal of the provisions governing the number of directors and filling of vacancies and newly created directorships, and the requirement that stockholders act at a meeting unless all stockholders agree in writing, in certain instances could have the effect of delaying, deferring or preventing a change in control or the removal of existing management.

ACCOUNTING TREATMENT

Before the issuance of shares of our common stock, if any, upon settlement of the forward sale agreement, the forward sale agreement will be reflected in our diluted earnings per share calculations using the treasury stock method. Under this method, the number of shares of our common stock used in calculating diluted earnings per share is deemed to be increased by the excess, if any, of the number of shares of our common stock that would be issued upon full physical settlement of the forward sale agreement over the number of shares of our common stock that could be purchased by us in the market (based on the average market price during the period) using the proceeds due upon full physical settlement (based on the adjusted forward sale price at the end of the reporting period). Consequently, prior to physical or net share settlement of the forward sale agreement and subject to the occurrence of certain events, we anticipate there will be no dilutive effect on our earnings per share except during periods when the average market price of shares of our common stock is above the applicable adjusted forward sale price, which is initially $69.84 per share, subject to increase or decrease based on the federal funds rate, less a spread, and subject to decrease by amounts related to expected dividends on shares of our common stock during the term of the forward sale agreement. However, if we decide to physically or net share settle the forward sale agreement, any delivery of our shares by us upon physical or net share settlement of the forward sale agreement will result in dilution to our earnings per share and return on equity.

U.S. FEDERAL INCOME TAX CONSIDERATIONS FOR NON-U.S. HOLDERS

The following discussion summarizes the material U.S. federal income tax considerations relevant to the acquisition, ownership and disposition of our shares of common stock, and does not purport to be a complete analysis of all potential U.S. federal income tax considerations. This discussion only applies to shares of our common stock that are held as capital assets, within the meaning of section 1221 of the Internal Revenue Code of 1986, as amended (the "Code"), and that are purchased in the initial offering at the initial offering price by Non-U.S. Holders (as defined below). This summary is based on the Code, administrative pronouncements, judicial decisions and regulations of the Treasury Department, changes to any of which subsequent to the date of this prospectus supplement may affect the tax consequences described herein. This discussion does not describe all of the U.S. federal income tax considerations that may be relevant to Non-U.S. Holders in light of their particular circumstances or to Non-U.S. Holders subject to special rules, such as certain financial institutions, tax-exempt organizations, insurance companies, traders or dealers in securities or commodities, persons holding shares of our common stock as part of a hedge or other integrated transaction, or certain former citizens or residents of the United States. This discussion does not address any U.S. federal income tax consequences for U.S. taxpayers who purchase shares of our common stock. Persons considering the purchase of shares of our common stock are urged to consult their tax advisors with regard to the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction. Furthermore, this discussion does not describe the effect of U.S. federal estate and gift tax laws or the effect of any applicable foreign, state or local laws.

We have not and will not seek any rulings or opinions from the Internal Revenue Service (the "IRS") with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the acquisition, ownership or disposition of shares of our common stock or that any such position would not be sustained.

Prospective investors should consult their own tax advisors with regard to the application of the U.S. federal income tax considerations discussed below to their particular situations as well as the application of any state, local, foreign or other tax laws or laws under any applicable income tax treaty, including gift and estate tax laws.

For purposes of this summary, a "Non-U.S. Holder" means a beneficial owner of shares of our common stock that, for U.S. federal income tax purposes, is not (i) an individual that is a citizen or resident of the United States; (ii) a corporation or other entity treated as a corporation for U.S. federal income tax purposes that is created or organized under the laws of the United States, any State thereof or the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust if (A) a court within the United States is able to exercise primary control over its administration and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of such trust, or (B) the trust has made an election under the applicable Treasury regulations to be treated as a United States person.

If a partnership, or other entity or arrangement treated as a partnership for U.S. federal income tax purposes, holds shares of our common stock, the tax treatment of a partner in such a partnership will generally depend upon the status of the partner and the activities of the partnership. Partners in a partnership holding shares of our common stock should consult their tax advisor as to the particular U.S. federal income tax considerations relevant to the acquisition, ownership and disposition of such shares of our common stock applicable to them.

Distributions

In general, a distribution that we make to a Non-U.S. Holder with respect to shares of our common stock will constitute a dividend for U.S. federal income tax purposes to the extent paid out of

our current or accumulated earnings and profits as determined under the Code. Subject to the discussions below under "—Information Reporting and Backup Withholding" and "—Foreign Account Tax Compliance Act," dividends paid to a Non-U.S. Holder that are not effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States will generally be subject to U.S. federal withholding tax at a rate of 30% of the gross amount of the dividends (unless such dividend is eligible for a reduced rate under an applicable income tax treaty). In order to obtain a reduced rate of withholding, a Non-U.S. Holder is generally required to provide to the applicable withholding agent an IRS Form W-8BEN, IRS Form W-8BEN-E (or a suitable substitute form) properly certifying such Non-U.S. Holder's eligibility for the reduced rate. Non-U.S. Holders that do not timely provide the applicable withholding agent with the required certification, but that qualify for a reduced withholding rate, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for a refund with the IRS. Non-U.S. Holders should consult their tax advisors regarding their entitlement to benefits under an applicable income tax treaty and the timing and manner of claiming the benefits.

Subject to the discussions below under "—Information Reporting and Backup Withholding" and "—Foreign Account Tax Compliance Act," dividends that are effectively connected with a Non-U.S. Holder's conduct of a trade or business in the United States and, if an applicable income tax treaty so requires, are attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States, are taxed on a net-income basis at the regular graduated rates and in the manner applicable to U.S. persons. The Non-U.S. Holder is generally required to provide to the applicable withholding agent a properly executed IRS Form W-8ECI (or a suitable substitute form) in order to claim an exemption from, or reduction in, U.S. federal withholding. In addition, a "branch profits tax" may be imposed at a 30% rate (or a reduced rate under an applicable income tax treaty) on a foreign corporation's effectively connected earnings and profits for the taxable year, as adjusted for certain items.

Sale or Other Taxable Disposition of Our Common Stock

Subject to the discussions below under "—Information Reporting and Backup Withholding" and "—Foreign Account Tax Compliance Act," a Non-U.S. Holder generally will not be subject to U.S. federal withholding tax with respect to gain, if any, recognized on the sale or other taxable disposition of shares of our common stock. A Non-U.S. Holder will also generally not be subject to U.S. federal income tax with respect to such gain, unless (i) the gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States, and, if certain tax treaties apply, is attributable to a permanent establishment or fixed base within the United States, (ii) in the case of a Non-U.S. Holder that is a nonresident alien individual, such Non-U.S. Holder is present in the United States for 183 or more days in the taxable year of the disposition and certain other conditions are satisfied, or (iii) our common stock constitutes a U.S. real property interest by reason of our status as a U.S. real property holding corporation (a "USRPHC"), for U.S. federal income tax purposes.

In the case described in (i) above, gain or loss recognized on the disposition of shares of our common stock generally will be subject to U.S. federal income taxation in the same manner as if such gain or loss were recognized by a United States person, and, in the case of a Non-U.S. Holder that is a foreign corporation, may also be subject to the branch profits tax at a rate of 30% (or a lower applicable treaty branch profits tax rate). In the case described in (ii) above, the Non-U.S. Holder will be subject to a 30% tax on any capital gain recognized on the disposition of shares of our common stock (after being offset by certain U.S.-source capital losses). In the case described in (iii) above, we have not determined whether we are a USRPHC; however, even if we are a USRPHC, so long as shares of our common stock continues to be regularly traded on an established securities market in the United States, within the meaning of applicable Treasury regulations, a Non-U.S. Holder will not be subject to U.S. federal income tax on the disposition of shares of our common stock if the Non-U.S.

Holder has not held more than 5% (actually or constructively) of our total outstanding common stock at any time during the shorter of the five-year period preceding the date of disposition, or such Non-U.S. Holder's holding period. If a Non-U.S. Holder exceeds the limits described in the last sentence with respect to common stock and we are a USRPHC, the Non-U.S. Holder generally will be subject to U.S. federal income tax at the regular graduated rates applicable to U.S. persons upon its disposition at a gain. A Non-U.S. Holder generally would also be subject to such tax with respect to any distribution on such common stock to the extent such distribution would not be treated as a dividend if such Non-U.S. Holder were a U.S. person. If a Non-U.S. Holder is subject to the tax described in the preceding sentences, the Non-U.S. Holder will be required to file a U.S. federal income tax return with the IRS.

Non-U.S. Holders should consult their tax advisors regarding the U.S. federal income tax consequences of investing in our common stock if we were to be treated as a USRPHC. Non-U.S. Holders should also consult their tax advisors regarding potentially applicable income tax treaties that may provide for different rules.

Information Reporting and Backup Withholding

Information returns will be filed annually with the IRS in connection with any dividends paid on our common stock to a Non-U.S. Holder. Copies of these information returns may also be made available under the provisions of a specific tax treaty or other agreement to the tax authorities of the country in which the Non-U.S. Holder resides. Unless the Non-U.S. Holder complies with certification procedures to establish that it is not a United States person, information returns may be filed with the IRS in connection with the proceeds from a sale or other disposition, and the Non-U.S. Holder may be subject to backup withholding tax (currently at a rate of 28%) on dividends paid on our common stock or on the proceeds from a sale or other disposition of shares of our common stock. The certification procedures required to claim the exemption from withholding tax on payments described above will satisfy the certification requirements necessary to avoid the backup withholding tax as well. The amount of any backup withholding from a payment to a Non-U.S. Holder will be allowed as a credit against the Non-U.S. Holder's U.S. federal income tax liability and may entitle the Non-U.S. Holder to a refund, provided that the required information is furnished to the IRS in a timely manner.

Foreign Account Tax Compliance Act

Recent legislation and IRS guidance concerning foreign account tax compliance rules ("FATCA") impose a 30% U.S. withholding tax on certain payments (which currently include dividends paid on our common stock and will include gross proceeds from the sale or other disposition of shares of our common stock beginning January 1, 2019) made to a non-United States entity that fails to take required steps to provide information regarding its "United States accounts" or its direct or indirect "substantial United States owners," as applicable, or to make a required certification that it has no such accounts or owners. We will not be obligated to make any "gross up" or additional payments in respect of amounts withheld on shares of our common stock if we determine that we must so withhold in order to comply with FATCA in respect of the amounts described above. Prospective investors should consult their own tax advisors regarding FATCA and whether it may be relevant to the ownership and disposition of shares of our common stock.

UNDERWRITING (CONFLICTS OF INTEREST)

In this offering, under the terms and subject to the conditions set forth in an underwriting agreement dated the date of this prospectus supplement among us, the forward seller, the forward purchaser and the underwriters, the forward seller has agreed, at our request, to borrow from third parties and sell to the underwriters an aggregate of 9,250,000 of our shares of common stock in connection with the execution of a forward sale agreement between us and the forward purchaser. Barclays Capital Inc., Citigroup Global Markets Inc., J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Securities, LLC are acting as the representatives of the underwriters (the "representatives") and the joint book-running managers of this offering. Under the terms and subject to the conditions of the underwriting agreement, each of the underwriters has agreed, severally and not jointly, to purchase, and the forward seller has agreed to sell to the underwriters, at the initial price to public less the underwriting discount set forth on the cover page of this prospectus supplement, the number of shares of common stock shown opposite its name below:

Name	Number of Shares
Barclays Capital Inc.	3,700,000
Citigroup Global Markets Inc.	555,000
J.P. Morgan Securities LLC	555,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	555,000
Wells Fargo Securities, LLC	555,000
BNP Paribas Securities Corp.	268,250
BTIG, LLC	268,250
Credit Suisse Securities (USA) LLC	344,100
Loop Capital Markets LLC	344,100
Mitsubishi UFJ Securities (USA), Inc.	344,100
Mizuho Securities USA Inc.	344,100
RBC Capital Markets, LLC	268,250
Scotia Capital (USA) Inc.	268,250
SunTrust Robinson Humphrey, Inc.	268,250
TD Securities (USA) LLC	268,250
UBS Securities LLC	344,100
Total	9,250,000

The underwriters are offering the shares of our common stock subject to their acceptance of the shares from the forward seller and subject to certain conditions, including the receipt of legal opinions relating to certain matters. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part. The underwriters must purchase all of the common stock offered by this prospectus supplement if any of these shares are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the underwriting agreement may be terminated. Sales of shares of our common stock made outside of the United States may be made by affiliates of the underwriters.

We have agreed to indemnify the several underwriters, the forward seller, and the forward purchaser against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters, the forward seller, or the forward purchaser may be required to make in respect of any of these liabilities.

Commissions and Discounts

The underwriters have advised us and the forward seller that they propose initially to offer the shares of our common stock to the public at the initial price to public set forth on the cover page of this prospectus supplement, and to dealers at that price less a concession not in excess of $1.296 per share. After the initial public offering, the public offering price and concession may be changed.

The following table shows the initial price to public, underwriting discount and proceeds before expenses to us. The information assumes (1) either no exercise or full exercise by the underwriters of their option to purchase additional shares of our common stock and (2) that the forward sale agreement is physically settled in full based upon the aggregate initial forward sale price. We expect to receive net proceeds of approximately $646 million (assuming no exercise by the underwriters of their option to purchase additional shares of our common stock), after deducting the underwriting discount and estimated offering expenses, subject to certain adjustments as described below, only upon physical settlement of the forward sale agreement. Settlement is expected to occur by the end of 2016, but it may occur as late as June 30, 2017. If the forward sale agreement is cash settled or net share settled, we will not receive the full proceeds shown below, we may not receive any proceeds and we may have to make a cash payment (if we elect cash settlement of the forward sale agreement) or a delivery of shares of our common stock (if we elect net share settlement of the forward sale agreement), to the forward purchaser. In addition, unless the federal funds rate increases substantially prior to the settlement of the forward sale agreement, we expect to receive an amount in cash that is less than the proceeds calculated based on the initial forward price per share upon physical settlement of the forward sale agreement.

	Per Share	No Exercise of Option to Purchase Additional Shares	Full Exercise of Option to Purchase Additional Shares
Initial Price to Public	$72.00	$666,000,000	$765,900,000
Underwriting Discount	$ 2.16	$ 19,980,000	$ 22,977,000
Proceeds, Before Expenses, to Us	$69.84	$646,020,000	$742,923,000

The expenses of this offering, not including the underwriting discount, are estimated to be approximately $400,000.

Option to Purchase Additional Shares

We have granted the underwriters an option for a period of 30 days from the date of this prospectus supplement to purchase up to an additional 1,387,500 shares of our common stock at the initial price to public less the underwriting discount. If such option is exercised, we will enter into an additional forward sale agreement with the forward purchaser in respect of the number of shares that are subject to the exercise of such option. In the event that we enter into an additional forward sale agreement, if the forward purchaser determines, in its commercially reasonable judgment, that the forward seller is unable to borrow, or that the forward seller is unable to borrow at a stock loan rate not greater than a specified amount, and deliver for sale on the anticipated closing date for the exercise of such option the number of shares of our common stock with respect to which has been exercised, then we will issue and sell to the underwriters a number of our shares of common stock equal to the number of shares of common stock that the forward seller does not borrow and sell.

Lock-Up Agreement

We and our executive officers have each agreed that, subject to certain exceptions, without the prior written consent of Barclays Capital Inc., Citigroup Global Markets Inc., J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Securities, LLC on behalf

of the underwriters, we and our executive officers will not, directly or indirectly, during the 60-day period after the date of this prospectus supplement:

- offer, pledge, sell or contract to sell any shares of our common stock,
- sell any option or contract to purchase any shares of our common stock,
- purchase any option or contract to sell any shares of our common stock,
- grant any option, right or warrant for the sale of any shares of our common stock,
- lend or otherwise dispose of or transfer any shares of our common stock, or
- enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any shares of our common stock, whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise.

This lock-up provision applies to shares of our common stock and to securities convertible into or exchangeable or exercisable for or repayable with shares of our common stock. It also applies to shares of our common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition. This agreement does not apply to issuances under our employee or director compensation plans or our employee or other investment plans. Barclays Capital Inc., Citigroup Global Markets Inc., J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Securities, LLC on behalf of the underwriters, in their sole discretion, may release any of the securities subject to these lock-up agreements at any time without notice.

Electronic Prospectus

This prospectus supplement and the accompanying prospectus may be made available in electronic format on the web sites maintained by one or more underwriters, or selling group members, if any, participating in the offering. The underwriters may agree to allocate a number of shares to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to underwriters and selling group members that may make Internet distributions on the same basis as other allocations.

Forward Sale Agreement

We expect to enter into a forward sale agreement on the date of this prospectus supplement with an affiliate of Barclays Capital Inc., as the forward purchaser, relating to an aggregate of 9,250,000 shares of our common stock. In connection with the execution of the forward sale agreement and at our request, the forward seller is borrowing from third parties and selling in this offering an aggregate of 9,250,000 shares of our common stock. If the forward seller does not borrow and sell all of the shares of common stock to be sold by it pursuant to the terms of the underwriting agreement, we will issue and sell directly to the underwriters the number of shares of common stock not borrowed and delivered by the forward seller, and the number of shares of common stock underlying the forward sale agreement will be decreased in respect of the number of shares of common stock we issue and sell. Under any such circumstance, the commitment of the underwriters to purchase our shares of common stock from the forward seller, as described above, will be replaced with the commitment to purchase from us, at the initial price to public less the underwriting discount set forth on the cover page of this prospectus supplement, the relevant number of shares of common stock not borrowed and delivered by the forward seller. In such event, we or the underwriters may postpone the closing date by up to three business days to effect any necessary changes to the documents or arrangements.

We will receive an amount equal to the net proceeds from the sale of the borrowed shares of common stock sold in this offering, subject to certain adjustments pursuant to the forward sale

agreement, at the forward sale price (as described below), from the forward purchaser upon full physical settlement of the forward sale agreement. We will only receive such proceeds if we elect to fully physically settle the forward sale agreement.

We expect the forward sale agreement to settle by the end of 2016, but it may settle as late as June 30, 2017. We may, subject to certain conditions, elect to accelerate the settlement of all or a portion of the number of shares of common stock underlying the forward sale agreement and the forward purchaser may accelerate the forward purchase agreement upon the occurrence of certain events. On a settlement date, if we decide to physically settle the forward sale agreement, we will issue our shares of common stock to the forward purchaser under the forward sale agreement at the then-applicable forward sale price. The forward sale price initially will be equal to $69.84 per share, which is the initial price to public less the underwriting discount per share, as set forth on the cover page of this prospectus supplement. The forward sale agreement provides that the forward sale price will be subject to adjustment on a daily basis based on a floating interest rate factor equal to the federal funds rate less a spread and will be subject to decrease on each of certain dates by amounts related to expected dividends on our shares of common stock during the term of the forward sale agreement. If the federal funds rate is less than the spread on any day, the interest factor will result in a daily reduction of the forward sale price. As of the date of this prospectus supplement, the federal funds rate was less than the spread.

Before settlement of the forward sale agreement, the forward sale agreement will be reflected in our diluted earnings per share calculations using the treasury stock method. Under this method, the number of our shares of common stock used in calculating diluted earnings per share is deemed to be increased by the excess, if any, of the number of shares of common stock that would be issued upon full physical settlement of the forward sale agreement over the number of shares of common stock that could be purchased by us in the market (based on the average market price during the period) using the proceeds due upon full physical settlement (based on the adjusted forward sale price at the end of the reporting period). Consequently, prior to physical or net share settlement of the forward sale agreement and subject to the occurrence of certain events, we anticipate there will be no dilutive effect on our earnings per share, except during periods when the average market price of our shares of common stock is above the applicable forward sale price. However, if we decide to physically or net share settle the forward sale agreement, any delivery of our shares by us upon physical or net share settlement of the forward sale agreement will result in dilution to our earnings per share and return on equity.

The forward sale agreement will be physically settled, unless we elect cash or net share settlement under the forward sale agreement (which we have the right to do, subject to certain conditions, other than in the limited circumstances described below and set forth in the forward sale agreement). Although we expect to settle the forward sale agreement entirely by delivering our shares of common stock in connection with full physical settlement, we may, subject to certain conditions, elect cash settlement or net share settlement for all or a portion of our obligations if we conclude it is in our interest to cash settle or net share settle. For example, we may conclude it is in our interest to cash settle or net share settle if we have no then current use for all or a portion of the net proceeds we would receive upon physical settlement. In addition, subject to certain conditions, we may elect to accelerate the settlement of all or a portion of the number of shares of common stock underlying the forward sale agreement. In the event we elect to cash settle or net share settle, the settlement amount will be generally related to (1)(a) the market value of our shares of common stock during the unwind period under the forward sale agreement *minus* (b) the forward sale price; *multiplied by* (2) the number of shares of common stock underlying the forward sale agreement subject to such cash settlement or net share settlement. If this settlement amount is a negative number, the forward purchaser will pay us the absolute value of that amount or deliver to us a number of our shares of common stock having a value equal to the absolute value of such amount. If this settlement amount is a positive number, we

will pay the forward purchaser that amount or deliver to the forward purchaser a number of our shares of common stock having a value equal to such amount. In connection with any cash settlement or net share settlement, we would expect the forward purchaser or its affiliate to purchase our shares of common stock in secondary market transactions for delivery to third-party stock lenders in order to close out its, or its affiliate's, hedge position in respect of the forward sale agreement. The purchase of our shares of common stock in connection with the forward purchaser or its affiliate unwinding its hedge positions could result in an increase (or a reduction in the amount of any decrease) in the price of our shares of common stock over such time, thereby increasing the amount of cash we owe to the forward purchaser (or decreasing the amount of cash such forward purchaser owes us) upon cash settlement or increasing the number of our shares of common stock we are obligated to deliver to the forward purchaser (or decreasing the number of our shares of common stock the forward purchaser is obligated to deliver to us) upon net share settlement. See "Risk Factors—Risks Related to the Forward Sale Agreement."

The forward purchaser will have the right to accelerate the forward sale agreement (with respect to all or any portion of the transaction under the forward sale agreement that the forward purchaser determines is affected by such event) and require us to settle on a date specified by the forward purchaser if (1) the forward purchaser is unable to, or would incur a materially increased cost to, establish, maintain or unwind its hedge position with respect to the forward sale agreement, subject to certain exceptions in the case of such a materially increased cost; (2) the forward purchaser determines it is unable to, or it is commercially impracticable for it to, continue to borrow a number of our shares of common stock equal to the number of shares of common stock underlying the forward sale agreement or that, with respect to borrowing such number of shares of common stock, it would incur a rate that is greater than the borrow cost specified in the forward sale agreement, subject to certain exceptions in the case of such a rate of borrowing that is greater than such specified borrow cost; (3) the forward purchaser determines that it has an excess Section 13 ownership position or an excess regulatory ownership position (as such terms are defined in the forward sale agreement) with respect to certain ownership restrictions and related filing requirements under federal securities laws, Delaware corporate laws or other applicable laws and regulations, as applicable; (4) we declare a dividend or distribution on our shares of common stock with a cash value in excess of a specified amount, an ex-dividend date that occurs earlier than a specified date or certain non-cash dividends; (5) there occurs a public announcement of an event or transaction that, if consummated, would result in a merger event, tender offer, nationalization or change in law (in each case, as determined pursuant to the terms of the forward sale agreement); or (6) certain other events of default, termination events or other specified events occur, including, among other things, any material misrepresentation made by us in connection with entering into the forward sale agreement or a market disruption event during a specified period that lasts for more than eight scheduled trading days (in each case, as determined pursuant to the terms of the forward sale agreement). The forward purchaser's decision to exercise its right to accelerate the settlement of the forward sale agreement will be made irrespective of our interests, including our need for capital. In such cases, we could be required to issue and deliver shares of common stock under the physical settlement provisions, which would result in dilution to our earnings per share, return on equity and dividends per share. In addition, upon certain events of bankruptcy, insolvency or reorganization relating to us, the forward sale agreement will terminate. Following any such termination, we may not issue any shares of common stock and we would not receive any proceeds pursuant to the forward sale agreement. See "Risk Factors—Risks Related to the Forward Sale Agreement."

The additional forward sale agreement that we will enter into in the event the underwriters exercise their option to purchase additional shares of our common stock will contain substantially the same terms as the initial forward sale agreement described above, except that it will cover only the number of shares of our common stock that are subject to such option exercise and that the initial

forward sale price under the additional forward sale agreement will be the forward sale price then in effect under the initial forward sale agreement.

NYSE Listing

Our common stock is listed and trades on the New York Stock Exchange under the symbol "DUK".

Stabilization, Short Positions and Penalty Bids

The representatives may engage in stabilizing transactions, short sales and purchases to cover positions created by short sales, and penalty bids or purchases for the purpose of pegging, fixing or maintaining the price of the common stock, in accordance with Regulation M under the Exchange Act:

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.
- A short position involves a sale by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase in the offering, which creates the syndicate short position. This short position may be either a covered short position or a naked short position. In a covered short position, the number of shares involved in the sales made by the underwriters in excess of the number of shares they are obligated to purchase is not greater than the number of shares that they may purchase by exercising their option to purchase additional shares. In a naked short position, the number of shares involved is greater than the number of shares in their option to purchase additional shares. The underwriters may close out any short position by either exercising their option to purchase additional shares and/or purchasing shares in the open market. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through their option to purchase additional shares. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.
- Syndicate covering transactions involve purchases of the common stock in the open market after the distribution has been completed in order to cover syndicate short positions.
- Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of the common stock. As a result, the price of the common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the New York Stock Exchange or otherwise and, if commenced, may be discontinued at any time.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the common stock. In addition, neither we nor any of the underwriters make any representation that the representatives will engage in these stabilizing transactions or that any transaction, once commenced, will not be discontinued without notice.

Other Relationships

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include, among other activities, securities trading and underwriting, commercial and investment banking, financial advisory, corporate trust, investment management, investment research, principal investment, hedging, financing and brokerage activities. In the ordinary course of their respective businesses, some of the underwriters and/or their affiliates have in the past and may in the future provide us and our affiliates with financial advisory and other services for which they have and in the future will receive customary fees. Barclays Capital Inc. is serving as financial advisor to us in connection with our pending acquisition of Piedmont.

In addition, in the ordinary course of their business activities, the underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates.

Certain of the underwriters or their affiliates have a lending relationship with us. In particular, affiliates of Barclays Capital Inc., Citigroup Global Markets Inc., J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Wells Fargo Securities, LLC and affiliates of certain other underwriters have provided us with a commitment letter relating to up to $4.9 billion of borrowings under the Bridge Facility.

The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Conflicts of Interest

All of the proceeds of this offering (excluding proceeds paid to us with respect to any common stock that we may sell to the underwriters in lieu of the forward seller selling our common stock to the underwriters) will be paid to the forward purchaser. Because an affiliate of Barclays Capital Inc. will receive more than 5% of the net proceeds of this offering, Barclays Capital Inc. is deemed to have a conflict of interest within the meaning of FINRA Rule 5121. Accordingly, this offering will be conducted in compliance with the applicable provisions of FINRA Rule 5121. Pursuant to that rule, the appointment of a "qualified independent underwriter" is not required in connection with this offering, as the shares of our common stock have a "bona fide public market" (as defined in FINRA Rule 5121). In accordance with FINRA Rule 5121, Barclays Capital Inc. will not confirm any sales to any account over which it exercises discretionary authority without the specific written approval of the transaction from the account holder. See "Use of Proceeds" for additional information. In addition, the commitment under the Bridge Facility will be reduced by an amount equal to 100% of the net proceeds from this offering.

Sales Outside of the United States

Other than in the United States, no action has been taken by us or the underwriters that would permit a public offering of the securities offered by this prospectus supplement and the accompanying prospectus in any jurisdiction where action for that purpose is required. The securities offered by this prospectus supplement and the accompanying prospectus may not be offered or sold, directly or indirectly, nor may this prospectus supplement and the accompanying prospectus or any other offering material or advertisements in connection with the offer and sale of any such securities be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus

supplement and the accompanying prospectus comes are advised to inform themselves about and to observe any restrictions relating to the offering and the distribution of this prospectus supplement and the accompanying prospectus. This prospectus supplement and the accompanying prospectus do not constitute an offer to sell or a solicitation of an offer to buy any securities offered by this prospectus supplement and the accompanying prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

EEA Selling Restrictions

Neither this prospectus supplement nor the accompanying prospectus is a prospectus for the purposes of the European Union's Directive 2003/71/EC (and any amendments thereto, including by Directive 2010/73/EU) as implemented in member states of the European Economic Area (the "EEA") (the "Prospectus Directive"). Neither Duke Energy nor the underwriters have authorized, nor does it or they authorize, the making of any offer of shares of our common stock through any financial intermediary, other than offers made by the underwriters which constitute the final placement of the shares of our common stock contemplated in this prospectus supplement and the accompanying prospectus.

In relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a "Relevant Member State"), each underwriter has represented and agreed that it has not made and will not make an offer of the shares of our common stock which are the subject of the offering contemplated by this prospectus supplement and the accompanying prospectus to the public in that Relevant Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the underwriters for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the shares of our common stock shall require Duke Energy or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of shares of our common stock to the public" in relation to any shares of our common stock in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares of our common stock to be offered so as to enable an investor to decide to purchase or subscribe to the shares of our common stock, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

UK Selling Restrictions

No invitation or inducement to engage in investment activity (within the meaning of Section 21 of the United Kingdom Financial Services and Markets Act 2000 ("FSMA")) received by the underwriters in connection with the issue or sale of our common stock may be communicated or caused to be communicated persons together being referred to as "relevant persons"). This prospectus supplement must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this prospectus supplement relates is only available to, and will be engaged in with, relevant persons in circumstances in which Section 21(1) of the FSMA does not apply to us. All applicable provisions of the FSMA must be complied with respect to anything done or to be done by the underwriters in relation to any common stock in, from or otherwise involving the United Kingdom.

Canada Selling Restrictions

Shares of our common stock may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the shares of our common stock must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus supplement (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

EXPERTS

The consolidated financial statements incorporated in this prospectus supplement by reference from Duke Energy Corporation's Annual Report on Form 10-K for the year ended December 31, 2015, and the effectiveness of Duke Energy Corporation and subsidiaries' internal control over financial reporting have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report (which report expresses an unqualified opinion and includes an explanatory paragraph regarding the adoption of Accounting Standards Update 2015-17, Balance Sheet Classification of Deferred Taxes effective December 31, 2015, on a prospective basis, discussed in Note 22 to the consolidated financial statements), which is incorporated herein by reference. Such consolidated financial statements have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

LEGAL MATTERS

The validity of our common stock will be passed upon for Duke Energy Corporation by Robert T. Lucas III, Esq., who is Deputy General Counsel of Duke Energy Business Services, LLC, the service company affiliate of Duke Energy Corporation. Certain legal matters with respect to the offering will be passed upon for Duke Energy Corporation by Hunton & Williams LLP, New York, New York. Sidley Austin LLP, New York, New York, has acted as counsel to the underwriters. Sidley Austin LLP acts and, in the past has acted, as counsel to Duke Energy Corporation and certain of its subsidiaries in connection with various matters.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and, in accordance therewith, file annual, quarterly and current reports, proxy statements and other information with the SEC. Such reports and other information can be inspected and copied at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may also obtain copies of these documents at prescribed rates from the Public Reference Section of the SEC at its Washington, D.C. address. Please call the SEC at 1-800-SEC-0330 for further information. Our filings with the SEC, as well as additional information about us, are also available to the public through our website at http://www.duke-energy.com and are made available as soon as reasonably practicable after such material is filed with or furnished to the SEC. The information on our website is not a part of this prospectus supplement or the accompanying prospectus. Our filings are also available to the public through the SEC website at http://www.sec.gov.

The SEC allows us to "incorporate by reference" into this prospectus supplement the information we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus supplement, and information that we file later with the SEC will automatically update and supersede this information. This prospectus supplement incorporates by reference the documents incorporated in the accompanying prospectus at the time the registration statement became effective and all later documents filed with the SEC, in all cases as updated and superseded by later filings with the SEC. We incorporate by reference the documents listed below and any future documents filed by Duke Energy Corporation with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, until this offering is completed.

- Annual Report on Form 10-K for the year ended December 31, 2015; and
- Current Reports on Form 8-K filed on January 4, 2016, January 6, 2016, February 18, 2016 (solely with respect to item 5.02) and February 29, 2016.

We will provide you without charge a copy of these filings, other than any exhibits unless the exhibits are specifically incorporated by reference into this prospectus supplement. You may request a copy by writing us at the following address or telephoning one of the following numbers:

Investor Relations Department
Duke Energy Corporation
P.O. Box 1005
Charlotte, North Carolina 28201
(704) 382-3853 or (800) 488-3853 (toll-free)

Prospectus

Duke Energy Corporation

Common Stock
Debt Securities

From time to time, we may offer the securities described in the prospectus separately or together in any combination, in one or more classes or series, in amounts, at prices and on terms that we will determine at the time of the offering.

We will provide specific terms of these offerings and securities in supplements to this prospectus. You should read carefully this prospectus, the information incorporated by reference in this prospectus and any prospectus supplement before you invest. This prospectus may not be used to offer or sell any securities unless accompanied by a prospectus supplement.

Our common stock is listed on the New York Stock Exchange, or NYSE, under the trading symbol "DUK."

Investing in our securities involves risks. You should carefully consider the information in the section entitled "Risk Factors" contained in our periodic reports filed with the Securities and Exchange Commission and incorporated by reference into this prospectus before you invest in any of our securities.

We may offer and sell the securities directly, through agents we select from time to time or to or through underwriters or dealers we select. If we use any agents, underwriters or dealers to sell the securities, we will name them and describe their compensation in a prospectus supplement. The price to the public of those securities and the net proceeds we expect to receive from that sale will also be set forth in a prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is September 30, 2013.

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REFERENCES TO ADDITIONAL INFORMATION

This prospectus incorporates important business and financial information about us from other documents that are not included in or delivered with this prospectus. This information is available for you to review at the Securities and Exchange Commission's, or SEC's, public reference room located at 100 F Street, N.E., Room 1580, Washington, DC 20549, and through the SEC's website, *www.sec.gov.* You can also obtain those documents incorporated by reference in this prospectus by requesting them in writing or by telephone from us at the following address and telephone number:

Investor Relations Department
Duke Energy Corporation
P.O. Box 1005
Charlotte, North Carolina 28201
(704) 382-3853 or (800) 488-3853 (toll-free)

See "Where You Can Find More Information" in this prospectus.

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that Duke Energy filed with the SEC utilizing a "shelf" registration process. Under the shelf registration process, we are registering an unspecified amount of our common stock and debt securities, and may issue any of such securities in one or more offerings.

This prospectus provides general descriptions of the securities we may offer. Each time securities are sold, a prospectus supplement will provide specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. The registration statement filed with the SEC includes exhibits that provide more details about the matters discussed in this prospectus. You should read this prospectus, the related exhibits filed with the SEC and any prospectus supplement, together with the additional information described under the caption "Where You Can Find More Information."

Unless we have indicated otherwise, or the context otherwise requires, references in this prospectus to "Duke Energy," "we," "us" and "our" or similar terms are to Duke Energy Corporation and its subsidiaries.

FORWARD-LOOKING STATEMENTS

This prospectus and the information incorporated by reference in this prospectus include 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. These forward-looking statements are based on our management's beliefs and assumptions and on information currently available to us. Forward-looking statements include information concerning our possible or assumed future results of operations and are identified by terms and phrases such as "may," "will," "should," "could," "projects," "predicts," "believes," "expects," "anticipates," "intends," "plans," "estimates," "continues," "potential," "forecast," "target," "guidance," "outlook" or similar expressions.

Forward-looking statements involve risks, uncertainties and assumptions. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements included or incorporated by reference in this prospectus might not occur or might occur to a different extent or at a different time than we have described. Actual results may differ materially from those expressed in these forward-looking statements. Factors that could cause actual results to differ materially from these forward-looking statements include, but are not limited to, those discussed elsewhere in this prospectus and the documents incorporated by reference in this prospectus. You should not put undue reliance on any forward-looking statements. We do not have any intention or obligation to update forward-looking statements after we distribute this prospectus.

THE COMPANY

Duke Energy, together with its subsidiaries, is a diversified energy company with both regulated and unregulated utility operations. We supply, deliver and process energy for customers in the United States and selected international markets.

Duke Energy's U.S. Franchised Electric and Gas segment, or USFE&G, serves approximately 7.2 million customers located in six states in the southeast and midwest regions of the United States. The USFE&G segment consists of regulated generation and electric and gas transmission and distribution systems. The segment's generation portfolio includes a mix of energy resources with different operating characteristics and fuel sources. In our regulated electric operations, we own approximately 49,500 megawatts of generating capacity serving an area of approximately 104,000 square miles. Our gas operations include regulated natural gas transmission and distribution, with approximately 500,000 customers located in southwestern Ohio and northern Kentucky.

Duke Energy's Commercial Power segment owns, operates and manages power plants located in the United States. Duke Energy Retail Sales, a subsidiary of Duke Energy, serves retail electric customers in Ohio with generation and other energy services at competitive rates. The Commercial Power segment owns and operates a generation portfolio of approximately 8,100 net megawatts of power generation.

Duke Energy's International Energy segment operates and manages power generation facilities and engages in sales and marketing of electric power, natural gas, and natural gas liquids primarily in Latin America. It maintains almost 4,600 megawatts of owned capacity. International Energy also owns a 25 percent interest in National Methanol Company in Saudi Arabia, a regional producer of methanol and methyl tertiary butyl ether, a gasoline additive. International Energy's customers include retail distributors, electric utilities, independent power producers, marketers and industrial/commercial companies.

We are a Delaware corporation. The address of our principal executive offices is 550 South Tryon Street, Charlotte, North Carolina 28202-1803 and our telephone number is (704) 382-3853. Our common stock is listed and trades on the New York Stock Exchange under the symbol "DUK".

The foregoing information about Duke Energy is only a general summary and is not intended to be comprehensive. For additional information about Duke Energy, you should refer to the information described under the caption "Where You Can Find More Information."

RISK FACTORS

Investing in our securities involves risks. Before purchasing any securities we offer, you should carefully consider the risk factors that are incorporated by reference herein from the section captioned "Risk Factors" in our Form 10-K for the year ended December 31, 2012, together with all of the other information included in this prospectus and any prospectus supplement and any other information that we have incorporated by reference, including filings made with the SEC subsequent to the date hereof. Any of these risks, as well as other risks and uncertainties, could harm our financial condition, results of operations or cash flows.

USE OF PROCEEDS

Unless otherwise set forth in a prospectus supplement, we intend to use the net proceeds of any offering of securities sold by us for general corporate purposes, which may include acquisitions, repayment of debt, capital expenditures and working capital. When a particular series of securities is offered, the prospectus supplement relating to that offering will set forth our intended use of the net proceeds received from the sale of those securities. The net proceeds may be invested temporarily in short-term marketable securities or applied to repay short-term debt until they are used for their stated purpose.

RATIO OF EARNINGS TO FIXED CHARGES

The ratios of earnings to fixed charges have been calculated using the Securities and Exchange Commission guidelines.

	Six Months Ended June 30, 2013	Years Ended December 31,				
		2012(a)	2011	2010	2009	2008
		(dollars in millions)				
Earnings (as defined for fixed charges calculation):						
Add:						
Pretax income from continuing operations(b)	$1,412	$2,291	$2,297	$2,097	$1,770	$1,993
Fixed charges	857	1,510	1,057	1,045	892	883
Distributed income of equity investees	57	151	149	111	82	195
Deduct:						
Preferred dividend requirements of subsidiaries	—	3	—	—	—	—
Interest capitalized(c)	46	177	166	168	102	93
Total earnings (as defined for the fixed charges calculation)	$2,280	$3,772	$3,337	$3,085	$2,642	$2,978
Fixed charges:						
Interest on debt, including capitalized portions(c)	$ 795	$1,420	$1,026	$1,008	$ 853	$ 834
Estimate of interest within rental expense	62	87	31	37	39	49
Preferred dividend requirements	—	3	—	—	—	—
Total fixed charges	$ 857	$1,510	$1,057	$1,045	$ 892	$ 883
Ratio of earnings to fixed charges	2.7	2.5	3.2	3.0	3.0	3.4

(a) Includes the results of Progress Energy, Inc. beginning on July 2, 2012

(b) Excludes amounts attributable to noncontrolling interests and income or loss from equity investees.

(c) Excludes the equity costs related to Allowance for Funds Used During Construction that are included in Other Income and Expenses in the Condensed Consolidated Statements of Operations.

DESCRIPTION OF CAPITAL STOCK

The following summary of our capital stock is subject in all respects to the applicable provisions of the Delaware General Corporation Law, or the DGCL, and our amended and restated certificate of incorporation. The following discussion is a summary of our amended and restated certificate of incorporation and by-laws and is qualified in its entirety by reference to those documents.

General

Our total number of authorized shares of capital stock consists of 2 billion shares of common stock, par value $0.001 per share, and 44 million shares of preferred stock, par value $0.001 per share.

Common Stock

Except as otherwise required by law and subject to the rights of the holders of any class or series of preferred stock, with respect to all matters upon which shareholders are entitled to vote or to which shareholders are entitled to give consent, the holders of any outstanding shares of common stock vote together as a class, and every holder of common stock is entitled to cast one vote in person or by proxy for each share of common stock standing in such holder's name on our books. We do not have a classified board of directors nor do we permit cumulative voting.

Holders of common stock are not entitled to any preemptive rights to subscribe for additional shares of common stock nor are they liable to further capital calls or to assessments by us.

Subject to applicable law and the rights, if any, of the holders of any class or series of preferred stock having a preference over the rights to participate with the common stock with respect to the payment of dividends, holders of our common stock are entitled to receive dividends or other distributions as declared by our board of directors at its discretion.

The board of directors may create a class or series of preferred stock with dividends the rate of which is calculated by reference to, and payment of which is concurrent with, dividends on shares of common stock.

Preferred Stock

Our board of directors has the full authority permitted by law, at any time and from time to time, to divide the authorized and unissued shares of preferred stock into one or more classes or series and, with respect to each such class or series, to determine by resolution or resolutions the number of shares constituting such class or series and the designation of such class or series, the voting powers, if any, of the shares of such class or series, and the preferences and relative, participating, optional or other special rights, if any, and any qualifications, limitations or restrictions thereof, of the shares of any such class or series of preferred stock to the full extent now or as may in the future be permitted by the law of the State of Delaware. The powers, preferences and relative, participating, optional and other special rights of each class or series of preferred stock and the qualifications, limitations or restrictions thereof, if any, may differ from those of any and all other classes or series at any time outstanding. Except as otherwise required by law, as provided in the certificate of incorporation or as determined by our board of directors, holders of preferred stock will not have any voting rights and will not be entitled to any notice of shareholder meetings.

Provisions that Have or May Have the Effect of Delaying or Prohibiting a Change in Control

Under our certificate of incorporation, the board of directors has the full authority permitted by Delaware law to determine the voting rights, if any, and designations, preferences, limitations and special rights of any class or any series of any class of the preferred stock.

The certificate of incorporation also provides that a director may be removed from office with or without cause. However, subject to applicable law, any director elected by the holders of any series of preferred stock may be removed without cause only by the holders of a majority of the shares of such series of preferred stock.

Our certificate of incorporation requires an affirmative vote of the holders of at least 80% of the combined voting power of the then outstanding shares of stock of all our classes entitled to vote generally in the election of directors, voting together as a single class, to amend, alter or repeal provisions in the certificate of incorporation which relate to the number of directors and vacancies and newly created directorships.

Our certificate of incorporation provides that any action required to be taken at any annual or special meeting of shareholders may be taken without a meeting and without prior notice only if consent in writing setting forth the action to be taken is signed by all the holders of our issued and outstanding capital stock entitled to vote in respect of such action.

Our by-laws provide that, except as expressly required by the certificate of incorporation or by applicable law, and subject to the rights of the holders of any series of preferred stock, special meetings of the shareholders or of any series entitled to vote may be called for any purpose or purposes only by the Chairman of the board of directors or by the board of directors. Shareholders are not entitled to call special meetings.

The provisions of our certificate of incorporation and by-laws conferring on our board of directors the full authority to issue preferred stock, the restrictions on removing directors elected by holders of

preferred stock, the supermajority voting requirements relating to the amendment, alteration or repeal of the provisions governing the number of directors and filling of vacancies and newly created directorships, the requirement that shareholders act at a meeting unless all shareholders agree in writing, and the inability of shareholders to call a special meeting, in certain instances could have the effect of delaying, deferring or preventing a change in control or the removal of existing management.

DESCRIPTION OF DEBT SECURITIES

Duke Energy will issue the debt securities, whether senior or subordinated, in one or more series under its Indenture, dated as of June 3, 2008, as supplemented from time to time. Unless otherwise specified in the applicable prospectus supplement, the trustee under the Indenture, or the Indenture Trustee, will be The Bank of New York Mellon Trust Company, N.A. A copy of the Indenture is an exhibit to the registration statement, of which this prospectus is a part.

Duke Energy conducts its business through subsidiaries. Accordingly, its ability to meet its obligations under the debt securities is dependent on the earnings and cash flows of those subsidiaries and the ability of those subsidiaries to pay dividends or to advance or repay funds to Duke Energy. In addition, the rights that Duke Energy and its creditors would have to participate in the assets of any such subsidiary upon the subsidiary's liquidation or recapitalization will be subject to the prior claims of the subsidiary's creditors. Certain subsidiaries of Duke Energy have incurred substantial amounts of debt in the operations and expansion of their businesses, and Duke Energy anticipates that certain of its subsidiaries will do so in the future.

Holders of debt securities will generally have a junior position to claims of creditors of our subsidiaries, including trade creditors, debt holders, secured creditors, taxing authorities, guarantee holders and any holders of preferred stock. In addition to trade debt, certain of our operating subsidiaries have ongoing corporate debt programs used to finance their business activities. Unless otherwise specified in a prospectus supplement, the Indenture will not limit the amount of indebtedness or preferred stock issuable by our subsidiaries.

The following description of the debt securities is only a summary and is not intended to be comprehensive. For additional information you should refer to the Indenture.

General

The Indenture does not limit the amount of debt securities that Duke Energy may issue under it. Duke Energy may issue debt securities from time to time under the Indenture in one or more series by entering into supplemental indentures or by its board of directors or a duly authorized committee authorizing the issuance.

The debt securities of a series need not be issued at the same time, bear interest at the same rate or mature on the same date.

Provisions Applicable to Particular Series

The prospectus supplement for a particular series of debt securities being offered will disclose the specific terms related to the offering, including the price or prices at which the debt securities to be offered will be issued. Those terms may include some or all of the following:

- the title of the series;
- the total principal amount of the debt securities of the series;
- the date or dates on which principal is payable or the method for determining the date or dates, and any right that Duke Energy has to change the date on which principal is payable;

- the interest rate or rates, if any, or the method for determining the rate or rates, and the date or dates from which interest will accrue;
- any interest payment dates and the regular record date for the interest payable on each interest payment date, if any;
- whether Duke Energy may extend the interest payment periods and, if so, the terms of the extension;
- the place or places where payments will be made;
- whether Duke Energy has the option to redeem the debt securities and, if so, the terms of its redemption option;
- any obligation that Duke Energy has to redeem the debt securities through a sinking fund or to purchase the debt securities through a purchase fund or at the option of the holder;
- whether the provisions described under "Satisfaction and Discharge; Defeasance and Covenant Defeasance" will not apply to the debt securities;
- the currency in which payments will be made if other than U.S. dollars, and the manner of determining the equivalent of those amounts in U.S. dollars;
- if payments may be made, at Duke Energy's election or at the holder's election, in a currency other than that in which the debt securities are stated to be payable, then the currency in which those payments may be made, the terms and conditions of the election and the manner of determining those amounts;
- the portion of the principal payable upon acceleration of maturity, if other than the entire principal;
- whether the debt securities will be issuable as global securities and, if so, the securities depositary;
- any changes in the events of default or covenants with respect to the debt securities;
- any index or formula used for determining principal, premium or interest;
- the terms of the subordination of any series of subordinated debt;
- if the principal payable on the maturity date will not be determinable on one or more dates prior to the maturity date, the amount which will be deemed to be such principal amount or the manner of determining it;
- the person to whom any interest shall be payable if other than the person in whose name the debt security is registered on the regular record date for such interest payment; and
- any other terms.

Unless Duke Energy states otherwise in the applicable prospectus supplement, Duke Energy will issue the debt securities only in fully registered form without coupons, and there will be no service charge for any registration of transfer or exchange of the debt securities. Duke Energy may, however, require payment to cover any tax or other governmental charge payable in connection with any transfer or exchange (excluding certain exchanges not constituting a transfer as set forth in the Indenture). Subject to the terms of the Indenture and the limitations applicable to global securities, transfers and exchanges of the debt securities may be made at The Bank of New York Mellon Trust Company, N.A., 101 Barclay Street, New York, New York 10286 or at any other office maintained by Duke Energy for such purpose.

The debt securities will be issuable in denominations of $1,000 and any integral multiples of $1,000, unless Duke Energy states otherwise in the applicable prospectus supplement. Duke Energy may at any time deliver executed debt securities to the Indenture Trustee for authentication, and the Indenture Trustee shall authenticate such debt securities upon the written request of Duke Energy and satisfaction of certain other conditions set forth in the Indenture.

Duke Energy may offer and sell the debt securities, including original issue discount debt securities, at a substantial discount below their principal amount. The applicable prospectus supplement will describe special United States federal income tax and any other considerations applicable to those securities. In addition, the applicable prospectus supplement may describe certain special United States federal income tax or other considerations, if any, applicable to any debt securities that are denominated in a currency other than U.S. dollars.

Global Securities

We may issue some or all of the Debt Securities as book-entry securities. Any such book-entry securities will be represented by one or more fully registered global certificates. We will register each global security with or on behalf of a securities depositary identified in the applicable prospectus supplement. Each global security will be deposited with the securities depositary or its nominee or a custodian for the securities depositary.

As long as the securities depositary or its nominee is the registered holder of a global security representing Debt Securities, that person will be considered the sole owner and holder of the global security and the securities it represents for all purposes. Except in limited circumstances, owners of beneficial interests in a global security:

- may not have the global security or any Debt Securities registered in their names;
- may not receive or be entitled to receive physical delivery of certificated Debt Securities in exchange for the global security; and
- will not be considered the owners or holders of the global security or any Debt Securities for any purposes under the applicable securities or the related mortgage or indenture.

We will make all payments of principal and any premium and interest on a global security to the securities depositary or its nominee as the holder of the global security. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of securities in definitive form. These laws may impair the ability to transfer beneficial interests in a global security.

Ownership of beneficial interests in a global security will be limited to institutions having accounts with the securities depositary or its nominee, which are called "participants" in this discussion, and to persons that hold beneficial interests through participants. When a global security representing Debt Securities is issued, the securities depositary will credit on its book-entry, registration and transfer system the principal amounts of Debt Securities the global security represents to the accounts of its participants. Ownership of beneficial interests in a global security will be shown only on, and the transfer of those ownership interests will be effected only through, records maintained by:

- the securities depositary, with respect to participants' interests; and
- any participant, with respect to interests the participant holds on behalf of other persons.

Payments participants make to owners of beneficial interests held through those participants will be the responsibility of those participants. The securities depositary may from time to time adopt various policies and procedures governing payments, transfers, exchanges and other matters relating to beneficial interests in a global security. None of the following will have any responsibility or liability for any aspect of the securities depositary's or any participant's records relating to beneficial interests in a

global security representing Debt Securities, for payments made on account of those beneficial interests or for maintaining, supervising or reviewing any records relating to those beneficial interests:

- Duke Energy Corporation;
- the applicable trustee; or
- any agent of either of them.

Redemption

Provisions relating to the redemption of debt securities will be set forth in the applicable prospectus supplement. Unless Duke Energy states otherwise in the applicable prospectus supplement, Duke Energy may redeem debt securities only upon notice mailed at least thirty (30), but not more than sixty (60) days before the date fixed for redemption. Unless Duke Energy states otherwise in the applicable prospectus supplement, that notice may state that the redemption will be conditional upon the Indenture Trustee, or the applicable paying agent, receiving sufficient funds to pay the principal, premium and interest on those debt securities on the date fixed for redemption and that if the Indenture Trustee or the applicable paying agent does not receive those funds, the redemption notice will not apply, and Duke Energy will not be required to redeem those debt securities. If less than all the debt securities of a series are to be redeemed, the particular debt securities to be redeemed shall be selected by the Indenture Trustee by such method as the Indenture Trustee shall deem fair and appropriate.

Duke Energy will not be required to:

- issue, register the transfer of, or exchange any debt securities of a series during the fifteen (15) day period before the date the notice is mailed identifying the debt securities of that series that have been selected for redemption; or
- register the transfer of or exchange any debt security of that series selected for redemption except the unredeemed portion of a debt security being partially redeemed.

Consolidation, Merger, Conveyance or Transfer

The Indenture provides that Duke Energy may consolidate or merge with or into, or convey or transfer all or substantially all of its properties and assets to, another corporation or other entity. Any successor must, however, assume Duke Energy's obligations under the Indenture and the debt securities issued under it, and Duke Energy must deliver to the Indenture Trustee a statement by certain of its officers and an opinion of counsel that affirm compliance with all conditions in the Indenture relating to the transaction. When those conditions are satisfied, the successor will succeed to and be substituted for Duke Energy under the Indenture, and Duke Energy will be relieved of its obligations under the Indenture and the debt securities.

Modification; Waiver

Duke Energy may modify the Indenture with the consent of the holders of a majority in principal amount of the outstanding debt securities of all series of debt securities that are affected by the modification, voting as one class. The consent of the holder of each outstanding debt security affected is, however, required to:

- change the maturity date of the principal or any installment of principal or interest on that debt security;

- reduce the principal amount, the interest rate or any premium payable upon redemption of that debt security;
- reduce the amount of principal due and payable upon acceleration of maturity;
- change the currency of payment of principal, premium or interest on that debt security;
- impair the right to institute suit to enforce any such payment on or after the maturity date or redemption date;
- reduce the percentage in principal amount of debt securities of any series required to modify the Indenture, waive compliance with certain restrictive provisions of the Indenture or waive certain defaults; or
- with certain exceptions, modify the provisions of the Indenture governing modifications of the Indenture or governing waiver of covenants or past defaults.

In addition, Duke Energy may modify the Indenture for certain other purposes, without the consent of any holders of debt securities.

Unless Duke Energy states otherwise in the applicable prospectus supplement, the holders of a majority in principal amount of the outstanding debt securities of any series may waive, for that series, Duke Energy's compliance with certain restrictive provisions of the Indenture. The holders of a majority in principal amount of the outstanding debt securities of all series under the Indenture with respect to which a default has occurred and is continuing, voting as one class, may waive that default for all those series, except a default in the payment of principal or any premium or interest on any debt security or a default with respect to a covenant or provision which cannot be modified without the consent of the holder of each outstanding debt security of the series affected.

Events of Default

The following are events of default under the Indenture with respect to any series of debt securities, unless Duke Energy states otherwise in the applicable prospectus supplement:

- failure to pay principal of or any premium on any debt security of that series when due;
- failure to pay when due any interest on any debt security of that series that continues for sixty (60) days; for this purpose, the date on which interest is due is the date on which Duke Energy is required to make payment following any deferral of interest payments by it under the terms of debt securities that permit such deferrals;
- failure to make any sinking fund payment when required for any debt security of that series that continues for sixty (60) days;
- failure to perform any other covenant in the Indenture (other than a covenant expressly included solely for the benefit of other series) that continues for ninety (90) days after the Indenture Trustee or the holders of at least 33% of the outstanding debt securities of that series give Duke Energy and, if such notice is given by the holders, the Indenture Trustee written notice of the default; and
- certain bankruptcy, insolvency or reorganization events with respect to Duke Energy.

In the case of the fourth event of default listed above, the Indenture Trustee may extend the grace period. In addition, if holders of a particular series have given a notice of default, then holders of at least the same percentage of debt securities of that series, together with the Indenture Trustee, may also extend the grace period. The grace period will be automatically extended if Duke Energy has initiated and is diligently pursuing corrective action within the original grace period.

Duke Energy may establish additional events of default for a particular series and, if established, any such events of default will be described in the applicable prospectus supplement.

If an event of default with respect to debt securities of a series occurs and is continuing, then the Indenture Trustee or the holders of at least 33% in principal amount of the outstanding debt securities of that series may declare the principal amount of all debt securities of that series to be immediately due and payable. However, that event of default will be considered waived at any time after the declaration, but before a judgment or decree for payment of the money due has been obtained if:

- Duke Energy has paid or deposited with the Indenture Trustee all overdue interest, the principal and any premium due otherwise than by the declaration and any interest on such amounts, and any interest on overdue interest, to the extent legally permitted, in each case with respect to that series, and all amounts due to the Indenture Trustee; and
- all events of default with respect to that series, other than the nonpayment of the principal that became due solely by virtue of the declaration, have been cured or waived.

The Indenture Trustee is under no obligation to exercise any of its rights or powers at the request or direction of any holders of debt securities unless those holders have offered the Indenture Trustee security or indemnity against the costs, expenses and liabilities which it might incur as a result. The holders of a majority in principal amount of the outstanding debt securities of any series have, with certain exceptions, the right to direct the time, method and place of conducting any proceedings for any remedy available to the Indenture Trustee or the exercise of any power of the Indenture Trustee with respect to those debt securities. The Indenture Trustee may withhold notice of any default, except a default in the payment of principal or interest, or in the payment of any sinking or purchase fund installment, from the holders of any series if the Indenture Trustee in good faith considers it in the interest of the holders to do so.

The holder of any debt security will have an absolute and unconditional right to receive payment of the principal, any premium and, within certain limitations, any interest on that debt security on its maturity date or redemption date and to enforce those payments.

Duke Energy is required to furnish each year to the Indenture Trustee a statement by certain of its officers to the effect that it is not in default under the Indenture or, if there has been a default, specifying the default and its status.

Payments; Paying Agent

The paying agent will pay the principal of any debt securities only if those debt securities are surrendered to it. The paying agent will pay interest on debt securities issued as global securities by wire transfer to the holder of those global securities. Unless Duke Energy states otherwise in the applicable prospectus supplement, the paying agent will pay interest on debt securities that are not in global form at its office or, at Duke Energy's option:

- by wire transfer to an account at a banking institution in the United States that is designated in writing to the Indenture Trustee at least sixteen (16) days prior to the date of payment by the person entitled to that interest; or
- by check mailed to the address of the person entitled to that interest as that address appears in the security register for those debt securities.

Unless Duke Energy states otherwise in the applicable prospectus supplement, the Indenture Trustee will act as paying agent for that series of debt securities, and the principal corporate trust office of the Indenture Trustee will be the office through which the paying agent acts. Duke Energy may, however, change or add paying agents or approve a change in the office through which a paying agent acts.

Any money that Duke Energy has paid to the Indenture Trustee or a paying agent for principal, any premium or interest on any debt securities which remains unclaimed at the end of two years after that principal, premium or interest has become due will be repaid to Duke Energy at its request. After repayment to Duke Energy, holders should look only to Duke Energy for those payments.

Satisfaction and Discharge, Defeasance and Covenant Defeasance

Upon the written request of Duke Energy, the Indenture shall be satisfied and discharged (except as to certain surviving rights and obligations specified in the Indenture) when:

- either all debt securities have been delivered to the Indenture Trustee for cancellation or all debt securities not delivered to the Indenture Trustee for cancellation are due and payable within one year (at maturity or due to redemption) and Duke Energy has deposited with the Indenture Trustee money or government obligations sufficient to pay and discharge such debt securities to the applicable maturity or redemption date (including principal, any premium and interest thereon);
- Duke Energy has paid or caused to be paid all other sums payable under the Indenture by Duke Energy; and
- Duke Energy has delivered to the Indenture Trustee an officers' certificate and an opinion of counsel stating that all conditions precedent relating to the satisfaction and discharge of the Indenture have been complied with.

The Indenture provides that Duke Energy may be:

- discharged from its obligations, with certain limited exceptions, with respect to any series of debt securities, as described in the Indenture, such a discharge being called a "defeasance" in this prospectus; and
- released from its obligations under certain restrictive covenants especially established with respect to any series of debt securities, as described in the Indenture, such a release being called a "covenant defeasance" in this prospectus.

Duke Energy must satisfy certain conditions to effect a defeasance or covenant defeasance. Those conditions include the irrevocable deposit with the Indenture Trustee, in trust, of money or government obligations which through their scheduled payments of principal and interest would provide sufficient money to pay the principal and any premium and interest on those debt securities on the maturity dates of those payments or upon redemption.

Following a defeasance, payment of the debt securities defeased may not be accelerated because of an event of default under the Indenture. Following a covenant defeasance, the payment of debt securities may not be accelerated by reference to the covenants from which Duke Energy has been released. A defeasance may occur after a covenant defeasance.

Under current United States federal income tax laws, a defeasance would be treated as an exchange of the relevant debt securities in which holders of those debt securities might recognize gain or loss. In addition, the amount, timing and character of amounts that holders would thereafter be required to include in income might be different from that which would be includible in the absence of that defeasance. Duke Energy urges investors to consult their own tax advisors as to the specific consequences of a defeasance, including the applicability and effect of tax laws other than United States federal income tax laws.

Under current United States federal income tax law, unless accompanied by other changes in the terms of the debt securities, a covenant defeasance should not be treated as a taxable exchange.

Concerning the Indenture Trustee

The Bank of New York Mellon Trust Company, N.A., or BNYM, is the Indenture Trustee. Duke Energy and certain of its affiliates maintain deposit accounts and banking relationships with BNYM or its affiliates. BNYM or its affiliates also serve as trustee or agent under other indentures and agreements pursuant to which securities of Duke Energy and of certain of its affiliates are outstanding.

The Indenture Trustee will perform only those duties that are specifically set forth in the Indenture unless an event of default under the Indenture occurs and is continuing. In case an event of default occurs and is continuing, the Indenture Trustee will exercise the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs.

Upon any application by Duke Energy to the Indenture Trustee to take any action under any provision of the Indenture, Duke Energy is required to furnish to the Indenture Trustee such certificates and opinions as may be required under the Trust Indenture Act of 1939, as amended.

PLAN OF DISTRIBUTION

We may sell securities to one or more underwriters or dealers for public offering and sale by them, or we may sell the securities to investors directly or through agents. The prospectus supplement relating to the securities being offered will set forth the terms of the offering and the method of distribution and will identify any firms acting as underwriters, dealers or agents in connection with the offering, including:

- the name or names of any underwriters;
- the purchase price of the securities and the proceeds to us from the sale;
- any underwriting discounts and other items constituting underwriters' compensation;
- any public offering price;
- any discounts or concessions allowed or reallowed or paid to dealers; and
- any securities exchange or market on which the securities may be listed.

Only those underwriters identified in the prospectus supplement are deemed to be underwriters in connection with the securities offered in the prospectus supplement.

We may distribute the securities from time to time in one or more transactions at a fixed price or prices, which may be changed, or at prices determined as the prospectus supplement specifies. We may sell securities through forward contracts or similar arrangements. In connection with the sale of securities, underwriters, dealers or agents may be deemed to have received compensation from us in the form of underwriting discounts or commissions and also may receive commissions from securities purchasers for whom they may act as agent. Underwriters may sell the securities to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters or commissions from the purchasers for whom they may act as agent.

We may sell the securities directly or through agents we designate from time to time. Any agent involved in the offer or sale of the securities covered by this prospectus will be named in a prospectus supplement relating to such securities. Commissions payable by us to agents will be set forth in a prospectus supplement relating to the securities being offered. Unless otherwise indicated in a prospectus supplement, any such agents will be acting on a best-efforts basis for the period of their appointment.

Some of the underwriters, dealers or agents and some of their affiliates who participate in the securities distribution may engage in other transactions with, and perform other services for, us and our subsidiaries or affiliates in the ordinary course of business.

Any underwriting or other compensation which we pay to underwriters or agents in connection with the securities offering, and any discounts, concessions or commissions which underwriters allow to dealers, will be set forth in the applicable prospectus supplement. Underwriters, dealers and agents participating in the securities distribution may be deemed to be underwriters, and any discounts and commissions they receive and any profit they realize on the resale of the securities may be deemed to be underwriting discounts and commissions under the Securities Act of 1933. Underwriters, and their controlling persons, and agents may be entitled, under agreements we enter into with them, to indemnification against certain civil liabilities, including liabilities under the Securities Act of 1933.

EXPERTS

The consolidated financial statements and the related financial statement schedule, incorporated in this prospectus by reference from Duke Energy Corporation's Annual Report on Form 10-K for the year ended December 31, 2012, and the effectiveness of Duke Energy Corporation's and its subsidiaries' internal control over financial reporting have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which is incorporated herein by reference. Such consolidated financial statements and financial statement schedule have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements and financial statement schedule of Progress Energy, Inc. and its subsidiaries incorporated in this prospectus by reference from Duke Energy Corporation's Current Report on Form 8-K dated March 2, 2012 have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report therein, which is incorporated herein by reference. Such consolidated financial statements and financial statement schedule have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

VALIDITY OF THE SECURITIES

Robert T. Lucas III, Esq., who is our Deputy General Counsel and Assistant Corporate Secretary, and/or counsel named in the applicable prospectus supplement, will issue an opinion about the validity of the securities we are offering in the applicable prospectus supplement. Counsel named in the applicable prospectus supplement will pass upon certain legal matters on behalf of any underwriters.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and, in accordance therewith, file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission, or the SEC. Such reports and other information can be inspected and copied at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You may also obtain copies of these documents at prescribed rates from the Public Reference Section of the SEC at its Washington, D.C. address. Please call the SEC at 1-800-SEC-0330 for further information. Our filings with the SEC, as well as additional information about us, are also available to the public through Duke Energy's website at *http://www.duke-energy.com* and are made available as soon as reasonably practicable after such material is filed with or furnished to the SEC. The information on our website is not a part of this prospectus. Our filings are also available to the public through the SEC website at *http://www.sec.gov*.

The SEC allows us to "incorporate by reference" into this prospectus the information we file with it, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be a part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information.

This prospectus incorporates by reference the documents incorporated in the prospectus at the time the registration statement became effective and all later documents filed with the SEC, in all cases as updated and superseded by later filings with the SEC. Duke Energy incorporates by reference the documents listed below and any future documents filed by Duke Energy Corporation with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, until the offering is completed.

- Annual Report on Form 10-K for the year ended December 31, 2012, including the portions of our definitive proxy statement filed on Schedule 14A on March 21, 2013 that are incorporated by reference therein;
- Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2013, and June 30, 2013; and
- Current reports on Form 8-K filed on March 2, 2012, August 9, 2012, January 14, 2013, February 4, 2013, February 5, 2013, February 26, 2013, February 28, 2013, March 7, 2013, March 18, 2013, April 2, 2013, May 7, 2013, May 14, 2013, May 16, 2013, May 20, 2013, May 31, 2013, June 7, 2013, June 10, 2013, June 12, 2013, June 13, 2013, June 17, 2013, June 18, 2013, July 23, 2013, August 1, 2013, August 6, 2013, August 30, 2013, September 11, 2013, and September 25, 2013.

We will provide without charge a copy of these filings, other than any exhibits unless the exhibits are specifically incorporated by reference into this prospectus. You may request a copy by writing us at the following address or telephoning one of the following numbers:

Investor Relations Department
Duke Energy Corporation
P.O. Box 1005
Charlotte, North Carolina 28201
(704) 382-3853 or (800) 488-3853 (toll-free)

You should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell the securities described in this prospectus in any state where the offer or sale is not permitted. You should assume that the information contained in the prospectus is accurate only as of its date. Our business, financial condition, results of operations and prospects may have changed since that date.


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