

# Large Filing Separator Sheet

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

Date Filed: 3/2/2017

Section 10 of 22

Number of Pages: 199

Description of Document: Application

## PART II

DUKE ENERGY CORPORATION • DUKE ENERGY CAROLINAS, LLC • PROGRESS ENERGY, INC. •  
DUKE ENERGY PROGRESS, INC. • DUKE ENERGY FLORIDA, INC. • DUKE ENERGY OHIO, INC. • DUKE ENERGY INDIANA, INC.

**Combined Notes to Consolidated Financial Statements – (Continued)**

(in millions)	Year Ended December 31, 2012						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Regulatory assets, net increase (decrease)	\$976	\$(111)	\$(76)	\$(89)	\$23	\$22	\$17
Accumulated other comprehensive (income) loss							
Deferred income tax benefit	\$14	\$—	\$—	\$—	\$—	\$15	\$—
Reclassification of actuarial losses to an affiliate	—	—	—	—	—	(48)	—
Actuarial (gains) losses arising during the year	(2)	—	3	—	—	—	—
Prior year service credit arising during the year	(7)	—	—	—	—	—	—
Amortization of prior year actuarial losses	(13)	—	(2)	—	—	(3)	—
Reclassification of actuarial losses to regulatory assets	(20)	—	—	—	—	(1)	—
Amortization of prior year service cost	(1)	—	(1)	—	—	(1)	—
Net amount recognized in accumulated other comprehensive income	\$ (29)	\$ —	\$ —	\$ —	\$ —	\$(38)	\$ —

**Reconciliation of Funded Status to Net Amount Recognized**

(in millions)	Year Ended December 31, 2013						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
<b>Change in Projected Benefit Obligation</b>							
Obligation at prior measurement date	\$ 8,030	\$2,028	\$2,868	\$1,264	\$1,309	\$ 527	\$ 684
Service cost	167	49	60	22	30	6	11
Interest cost	320	80	116	50	53	21	28
Actuarial gains	(399)	(73)	(118)	(26)	(75)	(71)	(56)
Transfers	—	(26)	(7)	(45)	(17)	(2)	(2)
Plan amendments	(41)	(13)	(19)	(8)	(7)	—	—
Benefits paid	(567)	(170)	(161)	(85)	(60)	(39)	(33)
Obligation at measurement date	\$ 7,510	\$1,875	\$2,739	\$1,172	\$1,233	\$ 442	\$ 632
<b>Accumulated Benefit Obligation at measurement date</b>	<b>\$ 7,361</b>	<b>\$1,875</b>	<b>\$2,698</b>	<b>\$1,172</b>	<b>\$1,192</b>	<b>\$ 429</b>	<b>\$ 608</b>
<b>Change in Fair Value of Plan Assets</b>							
Plan assets at prior measurement date	\$ 7,754	\$2,151	\$2,647	\$1,289	\$1,150	\$ 446	\$ 627
Actual return on plan assets	705	207	215	108	93	43	62
Benefits paid	(567)	(170)	(161)	(85)	(60)	(39)	(33)
Transfers	—	(26)	(7)	(45)	(17)	(2)	(2)
Employer contributions	250	—	250	63	133	—	—
Plan assets at measurement date	\$ 8,142	\$2,162	\$2,944	\$1,330	\$1,299	\$ 448	\$ 654
Funded status of plan	\$ 632	\$ 287	\$ 205	\$ 158	\$ 66	\$ 6	\$ 22

### Combined Notes to Consolidated Financial Statements – (Continued)

(in millions)	Year Ended December 31, 2012						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
<b>Change in Projected Benefit Obligation</b>							
Obligation at prior measurement date	\$ 4,880	\$ 1,831	\$ 2,729	\$ 1,263	\$ 1,179	\$ 627	\$ 613
Obligation assumed from acquisition	2,850	—	—	—	—	—	—
Service cost	122	35	63	25	30	6	9
Interest cost	307	90	127	58	56	31	30
Actuarial losses	489	73	166	34	120	68	76
Transfers	—	176	—	—	—	(167)	—
Plan amendments	(170)	(52)	(64)	(43)	(10)	—	(1)
Benefits paid	(448)	(125)	(153)	(73)	(66)	(38)	(43)
Obligation at measurement date	\$ 8,030	\$ 2,028	\$ 2,868	\$ 1,264	\$ 1,309	\$ 527	\$ 684
<b>Accumulated Benefit Obligation at measurement date</b>	<b>\$ 7,843</b>	<b>\$ 2,028</b>	<b>\$ 2,820</b>	<b>\$ 1,264</b>	<b>\$ 1,261</b>	<b>\$ 501</b>	<b>\$ 653</b>
<b>Change in Fair Value of Plan Assets</b>							
Plan assets at prior measurement date	\$ 4,741	\$ 1,820	\$ 2,191	\$ 1,091	\$ 969	\$ 565	\$ 582
Assets received from acquisition	2,285	—	—	—	—	—	—
Actual return on plan assets	872	280	263	130	119	86	88
Benefits paid	(448)	(125)	(153)	(73)	(66)	(38)	(43)
Transfers	—	176	—	—	—	(167)	—
Employer contributions	304	—	346	141	128	—	—
Plan assets at measurement date	\$ 7,754	\$ 2,151	\$ 2,647	\$ 1,289	\$ 1,150	\$ 446	\$ 627
Funded status of plan	\$ (276)	\$ 123	\$ (221)	\$ 25	\$ (159)	\$ (81)	\$ (57)

### Amounts Recognized in the Consolidated Balance Sheets

(in millions)	December 31, 2013						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Prefunded pension <sup>(a)</sup>	\$ 632	\$ 287	\$ 230	\$ 158	\$ 66	\$ 2	\$ 75
Noncurrent pension liability	\$ —	\$ —	\$ 25	\$ —	\$ —	\$ (4)	\$ 53
Net asset recognized	\$ 632	\$ 287	\$ 205	\$ 158	\$ 66	\$ 6	\$ 22
Regulatory assets	\$ 1,599	\$ 377	\$ 826	\$ 363	\$ 395	\$ 48	\$ 147
Accumulated other comprehensive (income) loss							
Deferred income tax asset	\$ (41)	\$ —	\$ (9)	\$ —	\$ —	\$ —	\$ —
Prior service credit	(5)	—	—	—	—	—	—
Net actuarial loss	121	—	21	—	—	—	—
Net amounts recognized in accumulated other comprehensive loss <sup>(a)</sup>	\$ 75	\$ —	\$ 12	\$ —	\$ —	\$ —	\$ —
Amounts to be recognized in net periodic pension expense in the next year							
Unrecognized net actuarial loss	\$ 149	\$ 35	\$ 71	\$ 33	\$ 32	\$ 4	\$ 7
Unrecognized prior service credit	(15)	(8)	(4)	(2)	(1)	—	—

## PART II

DUKE ENERGY CORPORATION • DUKE ENERGY CAROLINAS, LLC • PROGRESS ENERGY, INC. •  
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**Combined Notes to Consolidated Financial Statements – (Continued)**

(in millions)	December 31, 2012						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Prefunded pension <sup>(a)</sup>	\$ 163	\$123	\$ —	\$ 25	\$ —	\$ —	\$ —
Noncurrent pension liability	\$ 439	\$ —	\$ 221	\$ —	\$ 159	\$ 81	\$ 57
Net asset (liability) recognized	\$ (276)	\$123	\$ (221)	\$ 25	\$ (159)	\$ (81)	\$ (57)
Regulatory assets	\$2,387	\$582	\$1,079	\$472	\$ 541	\$144	\$246
Accumulated other comprehensive (income) loss							
Deferred income tax asset	\$ (59)	\$ —	\$ (9)	\$ —	\$ —	\$ —	\$ —
Prior service credit	(4)	—	—	—	—	—	—
Net actuarial loss	166	—	26	—	—	—	—
Net amounts recognized in accumulated other comprehensive loss <sup>(b)</sup>	\$ 103	\$ —	\$ 17	\$ —	\$ —	\$ —	\$ —

(a) Included in Other within Investments and Other Assets on the Consolidated Balance Sheets.

(b) Excludes accumulated other comprehensive income of \$16 million and \$9 million as of 2013 and 2012, respectively, net of tax, associated with a Brazilian retirement plan.

**Information for Plans with Accumulated Benefit Obligation in Excess of Plan Assets**

As of December 31, 2013, no qualified pension plans had an accumulated benefit obligation in excess of plan assets.

(in millions)	December 31, 2012				
	Duke Energy	Progress Energy	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Projected benefit obligation	\$5,396	\$2,868	\$1,309	\$527	\$684
Accumulated benefit obligation	5,201	2,820	1,261	501	653
Fair value of plan assets	4,957	2,647	1,150	446	627

**Assumptions Used for Pension Benefits Accounting**

The discount rate used to determine the current year pension obligation and following year's pension expense is based on a bond selection-settlement portfolio approach. This approach develops a discount rate by selecting a portfolio of high quality corporate bonds that generate sufficient cash flow to provide for projected benefit payments of the plan. The selected bond portfolio is derived from a universe of non-callable corporate bonds rated Aa quality or higher. After the bond portfolio is selected, a single interest rate is determined that equates the present value of the plan's projected benefit payments discounted at this rate with the market value of the bonds selected.

The average remaining service period of active covered employees is nine years for Duke Energy, Duke Energy Carolinas, Duke Energy Ohio and Duke Energy Indiana and eight years for Progress Energy, Duke Energy Progress and Duke Energy Florida.

The following tables present the assumptions used for pension benefit accounting. For Progress Energy plans, the assumptions used in 2012 to determine net periodic pension cost reflect remeasurement as of July 1, 2012, due to the merger between Duke Energy and Progress Energy.

	Duke Energy			Progress Energy		
	December 31,			December 31,		
	2013	2012	2011	2013	2012	2011
<b>Benefit Obligations</b>						
Discount rate	4.70%	4.10%	5.10%	4.70%	4.10%	4.75%
Salary increase	4.40%	4.30%	4.40%	4.00%	4.00%	4.00%
<b>Net Periodic Benefit Cost</b>						
Discount rate	4.10%	4.60-5.10%	5.00%	4.10%	4.60-4.75%	5.55%
Salary increase	4.30%	4.40%	4.10%	4.00%	4.00%	4.50%
Expected long-term rate of return on plan assets	7.75%	8.00%	8.25%	7.75%	8.00-8.25%	8.50%



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## Combined Notes to Consolidated Financial Statements – (Continued)

### Expected Benefit Payments

(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Years ending December 31,							
2014	\$ 667	\$ 224	\$ 190	\$ 98	\$ 68	\$ 36	\$ 47
2015	643	218	185	92	71	35	45
2016	640	212	190	93	74	34	46
2017	633	205	191	91	77	34	44
2018	623	196	194	91	80	34	46
2019 – 2023	2,933	807	969	422	430	171	227

### NON-QUALIFIED PENSION PLANS

#### Components of Net Periodic Pension Costs

(in millions)	Year Ended December 31, 2013						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Service cost	\$ 3	\$ —	\$ 1	\$ 1	\$ —	\$ —	\$ —
Interest cost on projected benefit obligation	13	1	7	1	1	—	—
Amortization of actuarial loss	5	—	3	1	1	—	—
Amortization of prior service credit	(1)	—	(1)	—	—	—	—
Net periodic pension costs	\$20	\$ 1	\$10	\$ 3	\$ 2	\$ —	\$ —

(in millions)	Year Ended December 31, 2012						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Service cost	\$ 2	\$ —	\$ 2	\$ 1	\$ —	\$ —	\$ —
Interest cost on projected benefit obligation	12	1	8	1	2	—	—
Amortization of actuarial loss	4	—	5	1	—	—	—
Amortization of prior service cost (credit)	1	—	(1)	—	—	—	—
Net periodic pension costs	\$19	\$ 1	\$14	\$ 3	\$ 2	\$ —	\$ —

(in millions)	Year Ended December 31, 2011						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Service cost	\$ 1	\$ —	\$ 2	\$ 1	\$ —	\$ —	\$ —
Interest cost on projected benefit obligation	8	1	9	2	2	—	—
Amortization of actuarial loss	—	—	3	—	1	—	—
Amortization of prior service cost	2	—	—	—	—	—	—
Net periodic pension costs	\$11	\$ 1	\$14	\$ 3	\$ 3	\$ —	\$ —

## Combined Notes to Consolidated Financial Statements – (Continued)

### Amounts Recognized in Accumulated Other Comprehensive Income and Regulatory Assets and Liabilities

(in millions)	Year Ended December 31, 2013						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Regulatory assets, net (decrease) increase	\$ (14)	\$ 1	\$ (16)	\$ (4)	\$ (3)	\$ —	\$ (2)
Regulatory liabilities, net increase	\$ 5	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Accumulated other comprehensive (income) loss							
Deferred income tax benefit	\$ —	\$ —	\$ 1	\$ —	\$ —	\$ —	\$ —
Actuarial losses (gains) arising during the year	2	—	(5)	—	—	—	—
Prior year service credit arising during the year	(1)	—	—	—	—	—	—
Net amount recognized in accumulated other comprehensive loss (income)	\$ 1	\$ —	\$ (4)	\$ —	\$ —	\$ —	\$ —

(in millions)	Year Ended December 31, 2012						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Regulatory assets, net increase (decrease)	\$ 34	\$ —	\$ (6)	\$ (2)	\$ 1	\$ —	\$ —
Regulatory liabilities, net increase	\$ (8)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Accumulated other comprehensive (income) loss							
Deferred income tax benefit	\$ —	\$ —	\$ (1)	\$ —	\$ —	\$ —	\$ —
Actuarial (gains) losses arising during the year	(2)	—	3	—	—	—	—
Net amount recognized in accumulated other comprehensive (income) loss	\$ (2)	\$ —	\$ 2	\$ —	\$ —	\$ —	\$ —

### Reconciliation of Funded Status to Net Amount Recognized

(in millions)	Year Ended December 31, 2013						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
<b>Change in Projected Benefit Obligation</b>							
Obligation at prior measurement date	\$ 335	\$ 16	\$ 176	\$ 38	\$ 45	\$ 4	\$ 5
Service cost	3	—	1	1	—	—	—
Interest cost	13	1	7	1	1	—	—
Actuarial losses	(15)	1	(11)	(3)	(3)	(1)	—
Settlements	(5)	—	—	—	—	—	—
Plan amendments	(1)	—	—	—	—	—	—
Transfers	—	—	(21)	—	—	—	—
Benefits paid	(26)	(3)	(12)	(3)	(4)	—	—
Obligation at measurement date	\$ 304	\$ 15	\$ 140	\$ 34	\$ 39	\$ 3	\$ 5
<b>Accumulated Benefit Obligation at measurement date</b>	<b>\$ 302</b>	<b>\$ 15</b>	<b>\$ 140</b>	<b>\$ 34</b>	<b>\$ 39</b>	<b>\$ 3</b>	<b>\$ 5</b>
<b>Change in Fair Value of Plan Assets</b>							
Plan assets at prior measurement date	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Benefits paid	(26)	(3)	(12)	(3)	(4)	—	—
Employer contributions	26	3	12	3	4	—	—
Plan assets at measurement date	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

## PART II

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**Combined Notes to Consolidated Financial Statements – (Continued)**

(in millions)	Year Ended December 31, 2012						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
<b>Change in Projected Benefit Obligation</b>							
Obligation at prior measurement date	\$ 160	\$ 18	\$ 177	\$ 39	\$ 44	\$ 4	\$ 5
Obligation assumed from acquisition	172	—	—	—	—	—	—
Service cost	2	—	2	1	—	—	—
Interest cost	12	1	8	1	2	—	—
Actuarial losses	18	—	11	3	3	—	—
Plan amendments	(5)	—	(12)	(4)	(2)	—	—
Transfers	—	1	—	—	—	—	—
Benefits paid	(24)	(4)	(10)	(2)	(2)	—	—
Obligation at measurement date	\$ 335	\$ 16	\$ 176	\$ 38	\$ 45	\$ 4	\$ 5
<b>Accumulated Benefit Obligation at measurement date</b>	<b>\$ 332</b>	<b>\$ 16</b>	<b>\$ 175</b>	<b>\$ 36</b>	<b>\$ 44</b>	<b>\$ 4</b>	<b>\$ 5</b>
<b>Change in Fair Value of Plan Assets</b>							
Plan assets at prior measurement date	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Benefits paid	(24)	(4)	(10)	(2)	(3)	—	—
Employer contributions	24	4	10	2	3	—	—
Plan assets at measurement date	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

**Amounts Recognized in the Consolidated Balance Sheets**

(in millions)	December 31, 2013						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Current pension liability <sup>(a)</sup>	\$ 30	\$ 2	\$ 11	\$ 2	\$ 3	\$ —	\$ —
Noncurrent pension liability	274	13	129	32	36	3	5
<b>Total accrued pension liability</b>	<b>\$ 304</b>	<b>\$ 15</b>	<b>\$ 140</b>	<b>\$ 34</b>	<b>\$ 39</b>	<b>\$ 3</b>	<b>\$ 5</b>
Regulatory assets	\$ 45	\$ 4	\$ 18	\$ 3	\$ 6	\$ —	\$ —
Regulatory liabilities	\$ 7	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Accumulated other comprehensive (income) loss							
Deferred income tax asset	\$ —	\$ —	\$ (3)	\$ —	\$ —	\$ —	\$ —
Prior service credit	(1)	—	—	—	—	—	—
Net actuarial loss	1	—	7	—	—	—	—
<b>Net amounts recognized in accumulated other comprehensive loss</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 4</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>
<i>Amounts to be recognized in net periodic pension expense in the next year</i>							
Unrecognized net actuarial loss	\$ 5	\$ —	\$ 2	\$ 1	\$ —	\$ —	\$ —
Unrecognized prior service credit	(1)	—	(1)	(1)	—	—	—

### Combined Notes to Consolidated Financial Statements – (Continued)

	December 31, 2012						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Current pension liability <sup>(a)</sup>	\$ 30	\$ 3	\$ 11	\$ 2	\$ 3	\$ —	\$ —
Noncurrent pension liability	305	13	165	36	42	4	5
<b>Total accrued pension liability</b>	<b>\$ 335</b>	<b>\$ 16</b>	<b>\$ 176</b>	<b>\$ 38</b>	<b>\$ 45</b>	<b>\$ 4</b>	<b>\$ 5</b>
Regulatory assets	\$ 59	\$ 3	\$ 34	\$ 7	\$ 9	\$ —	\$ 2
Regulatory liabilities	\$ 2	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Accumulated other comprehensive (income) loss							
Deferred income tax asset	\$ —	\$ —	\$ (4)	\$ —	\$ —	\$ —	\$ —
Net actuarial (gain) loss	(1)	—	12	—	—	—	—
<b>Net amounts recognized in accumulated other comprehensive (income) loss</b>	<b>\$ (1)</b>	<b>\$ —</b>	<b>\$ 8</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>

(a) Included in Other within Current Liabilities on the Consolidated Balance Sheets.

### Information for Plans with Accumulated Benefit Obligation in Excess of Plan Assets

	December 31, 2013						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Projected benefit obligation	\$ 304	\$ 15	\$ 140	\$ 34	\$ 39	\$ 3	\$ 5
Accumulated benefit obligation	302	15	140	34	39	3	5

	December 31, 2012						
(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Projected benefit obligation	\$ 335	\$ 16	\$ 176	\$ 38	\$ 45	\$ 4	\$ 5
Accumulated benefit obligation	332	16	175	36	44	4	5

### Assumptions Used for Pension Benefits Accounting

The discount rate used to determine the current year pension obligation and following year's pension expense is based on a bond selection-settlement portfolio approach. This approach develops a discount rate by selecting a portfolio of high quality corporate bonds that generate sufficient cash flow to provide for projected benefit payments of the plan. The selected bond portfolio is derived from a universe of non-callable corporate bonds rated Aa quality or higher. After the bond portfolio is selected, a single interest rate is determined that equates the present value of the plan's projected benefit payments discounted at this rate with the market value of the bonds selected.

The average remaining service period of active covered employees is 13 years for Duke Energy and Progress Energy, nine years for Duke Energy Carolinas, Duke Energy Ohio and Duke Energy Indiana, 12 years for Duke Energy Progress and 17 years for Duke Energy Florida.

The following tables present the assumptions used for pension benefit accounting. For Progress Energy plans, the assumptions used in 2012 to determine net periodic pension cost reflect remeasurement as of July 1, 2012, due to the merger between Duke Energy and Progress Energy.

### Combined Notes to Consolidated Financial Statements – (Continued)

	Duke Energy			Progress Energy		
	December 31,			December 31,		
	2013	2012	2011	2013	2012	2011
<b>Benefit Obligations</b>						
Discount rate	4.70%	4.10%	5.10%	4.70%	4.10%	4.80%
Salary increase	4.40%	4.30%	4.40%	—%	—%	5.25%
<b>Net Periodic Benefit Cost</b>						
Discount rate	4.10%	4.60-5.10%	5.00%	4.10%	4.60-4.80%	5.60%
Salary increase	4.30%	4.40%	4.10%	—%	—%	5.25%

### Expected Benefit Payments

(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Years ending December 31,							
2014	\$ 31	\$ 3	\$ 11	\$ 2	\$ 3	\$ —	\$ —
2015	28	2	11	2	3	—	—
2016	26	2	11	2	3	—	—
2017	27	2	11	2	3	—	—
2018	24	2	11	2	3	—	—
2019 – 2023	112	6	52	13	15	1	2

### OTHER POST-RETIREMENT BENEFIT PLANS

Duke Energy provides, and the Subsidiary Registrants participate in, some health care and life insurance benefits for retired employees on a contributory and non-contributory basis. Employees are eligible for these benefits if they have met age and service requirements at retirement, as defined in the plans. The health care benefits include medical, dental, and prescription drug coverage and are subject to certain limitations, such as deductibles and co-payments.

Duke Energy did not make any pre-funding contributions to its other post-retirement benefit plans during the years ended December 31, 2013, 2012 or 2011.

### Components of Net Periodic Other Post-Retirement Benefit Costs

(in millions)	Year Ended December 31, 2013						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Service cost	\$ 24	\$ 2	\$ 18	\$ 9	\$ 7	\$ 1	\$ 1
Interest cost on accumulated post-retirement benefit obligation	68	13	41	22	16	2	5
Expected return on plan assets	(14)	(11)	—	—	—	(1)	(1)
Amortization of actuarial loss (gain)	52	3	57	34	16	(1)	1
Amortization of prior service credit	(41)	(7)	(30)	(20)	(6)	(1)	—
Net periodic post-retirement benefit costs <sup>(a)(b)</sup>	\$ 89	\$ —	\$ 86	\$ 45	\$ 33	\$ —	\$ 6

## PART II

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### Combined Notes to Consolidated Financial Statements – (Continued)

(in millions)	Year Ended December 31, 2012						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Service cost	\$ 16	\$ 2	\$ 17	\$ 8	\$ 7	\$ 1	\$ 1
Interest cost on accumulated post-retirement benefit obligation	56	15	43	23	18	3	6
Expected return on plan assets	(17)	(10)	(2)	—	(2)	(1)	(1)
Amortization of actuarial loss (gain)	14	3	35	20	12	(2)	—
Amortization of prior service credit	(8)	(5)	—	—	—	(1)	—
Amortization of net transition liability	10	7	4	—	3	—	—
Special termination benefit cost	9	1	5	2	1	—	—
Net periodic post-retirement benefit costs <sup>(a)(b)</sup>	\$ 80	\$ 13	\$ 102	\$ 53	\$ 39	\$ —	\$ 6

(in millions)	Year Ended December 31, 2011						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Service cost	\$ 7	\$ 2	\$ 11	\$ 5	\$ 5	\$ 1	\$ 1
Interest cost on accumulated post-retirement benefit obligation	35	16	41	20	18	3	7
Expected return on plan assets	(15)	(10)	(2)	—	(2)	(1)	(1)
Amortization of actuarial (gain) loss	(3)	2	12	5	7	(2)	2
Amortization of prior service credit	(8)	(5)	—	—	—	(1)	—
Amortization of net transition liability	10	9	5	1	4	—	—
Net periodic post-retirement benefit costs <sup>(a)(b)</sup>	\$ 26	\$ 14	\$ 67	\$ 31	\$ 32	\$ —	\$ 9

(a) Duke Energy amounts exclude \$8 million, \$9 million and \$8 million for the years ended December 31, 2013, 2012 and 2011, respectively, of regulatory asset amortization resulting from purchase accounting adjustments associated with Duke Energy's merger with Cinergy in April 2006.

(b) Duke Energy Ohio amounts exclude \$2 million for each of the years ended December 31, 2013, 2012 and 2011, respectively, of regulatory asset amortization resulting from purchase accounting adjustments associated with Duke Energy's merger with Cinergy in April 2006.

### Amounts Recognized in Accumulated Other Comprehensive Income and Regulatory Assets and Liabilities

(in millions)	Year Ended December 31, 2013						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Regulatory assets, net (decrease) increase	\$ (683)	\$ (51)	\$ (634)	\$ (388)	\$ (166)	\$ —	\$ (6)
Regulatory liabilities, net increase (decrease)	\$ 30	\$ —	\$ —	\$ —	\$ —	\$ 3	\$ 9
Accumulated other comprehensive (income) loss							
Deferred income tax benefit	\$ 2	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Actuarial gains arising during the year	(4)	—	—	—	—	—	—
Prior year service credit arising during the year	(3)	—	—	—	—	—	—
Amortization of prior year actuarial loss	1	—	—	—	—	—	—
Net amount recognized in accumulated other comprehensive income	\$ (4)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

## PART II

DUKE ENERGY CORPORATION • DUKE ENERGY CAROLINAS, LLC • PROGRESS ENERGY, INC. •  
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## Combined Notes to Consolidated Financial Statements – (Continued)

(in millions)	Year Ended December 31, 2012						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Regulatory assets, net increase (decrease)	\$484	\$ (20)	\$ 228	\$170	\$ 28	\$ —	\$ (6)
Regulatory liabilities, net decrease	\$ (6)	\$ —	\$ —	\$ —	\$ —	\$ (1)	\$ (2)
Accumulated other comprehensive (income) loss							
Deferred income tax expense	\$ (2)	\$ —	\$ —	\$ —	\$ —	\$ (4)	\$ —
Reclassification of actuarial losses to an affiliate	—	—	—	—	—	6	—
Actuarial losses arising during the year	—	—	—	—	—	2	—
Prior year service cost arising during the year	—	—	—	—	—	1	—
Amortization of prior year actuarial loss	—	—	—	—	—	1	—
Reclassification of actuarial gains to regulatory liabilities	4	—	—	—	—	—	—
Net amount recognized in accumulated other comprehensive loss	\$ 2	\$ —	\$ —	\$ —	\$ —	\$ 6	\$ —

## Reconciliation of Funded Status to Accrued Other Post-Retirement Benefit Costs

(in millions)	Year Ended December 31, 2013						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
<b>Change in Projected Benefit Obligation</b>							
Accumulated post-retirement benefit obligation at prior measurement date	\$ 1,794	\$ 316	\$ 1,128	\$ 612	\$413	\$ 48	\$ 136
Service cost	24	2	18	9	7	1	1
Interest cost	68	13	41	22	16	2	5
Plan participants' contributions	47	15	14	6	7	3	3
Actuarial gains	(227)	(32)	(156)	(73)	(70)	(6)	(12)
Transfers	—	—	(1)	(8)	—	—	—
Benefits paid	(132)	(36)	(60)	(26)	(31)	(6)	(14)
Plan amendments	(476)	(16)	(455)	(311)	(91)	—	(3)
Accrued retiree drug subsidy	8	3	4	2	2	—	2
Accumulated post-retirement benefit obligation at measurement date	\$ 1,106	\$ 265	\$ 533	\$ 233	\$253	\$ 42	\$ 118
<b>Change in Fair Value of Plan Assets</b>							
Plan assets at prior measurement date	\$ 198	\$ 134	\$ —	\$ —	\$ —	\$ 7	\$ 17
Actual return on plan assets	18	13	—	—	—	2	2
Benefits paid	(132)	(36)	(60)	(26)	(31)	(6)	(14)
Transfers <sup>(a)</sup>	—	(1)	—	—	—	—	—
Employer contributions	83	18	46	20	24	2	10
Plan participants' contributions	47	15	14	6	7	3	3
Plan assets at measurement date	\$ 214	\$ 143	\$ —	\$ —	\$ —	\$ 8	\$ 18

## PART II

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## Combined Notes to Consolidated Financial Statements – (Continued)

(in millions)	Year Ended December 31, 2012						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
<b>Change in Projected Benefit Obligation</b>							
Accumulated post-retirement benefit obligation at prior measurement date	\$ 667	\$ 312	\$ 841	\$ 407	\$ 368	\$ 61	\$ 135
Obligation assumed from acquisition	977	—	—	—	—	—	—
Service cost	16	2	17	8	7	1	1
Interest cost	56	15	43	23	18	3	6
Plan participants' contributions	41	18	13	5	7	4	8
Actuarial gains	198	28	291	205	49	3	(2)
Transfers	—	9	—	—	—	(16)	—
Benefits paid	(105)	(38)	(61)	(24)	(33)	(8)	(13)
Special termination benefit cost	9	1	5	2	1	—	—
Plan amendments	(70)	(33)	(25)	(16)	(6)	—	—
Accrued retiree drug subsidy	5	2	4	2	2	—	1
Accumulated post-retirement benefit obligation at measurement date	\$ 1,794	\$ 316	\$ 1,128	\$ 612	\$ 413	\$ 48	\$ 136
<b>Change in Fair Value of Plan Assets</b>							
Plan assets at prior measurement date	\$ 181	\$ 120	\$ 37	\$ —	\$ 37	\$ 9	\$ 14
Actual return on plan assets	23	12	2	—	2	1	2
Benefits paid	(105)	(38)	(61)	(24)	(33)	(8)	(13)
Transfers <sup>(a)</sup>	—	5	(39)	—	(39)	(3)	—
Employer contributions	58	17	48	19	26	4	6
Plan participants' contributions	41	18	13	5	7	4	8
Plan assets at measurement date	\$ 198	\$ 134	\$ —	\$ —	\$ —	\$ 7	\$ 17

(a) Progress Energy and Duke Energy Florida amounts reflect assets that did not meet the definition of plan assets. These assets are included in Other within Investments and Other Assets on the Consolidated Balance Sheets.

## Amounts Recognized in the Consolidated Balance Sheets

(in millions)	December 31, 2013						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Current post-retirement liability <sup>(a)</sup>	\$ 39	\$ —	\$ 36	\$ 17	\$ 16	\$ 2	\$ —
Noncurrent post-retirement liability	853	122	497	216	237	32	100
Total accrued post-retirement liability	\$ 892	\$ 122	\$ 533	\$ 233	\$ 253	\$ 34	\$ 100
Regulatory assets	\$(162)	\$(34)	\$(129)	\$(97)	\$ 4	\$ —	\$ 71
Regulatory liabilities	\$ 131	\$ —	\$ —	\$ —	\$ —	\$ 21	\$ 77
Accumulated other comprehensive (income) loss							
Deferred income tax liability	\$ 4	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Prior service credit	(5)	—	—	—	—	—	—
Net actuarial gain	(6)	—	—	—	—	—	—
Net amounts recognized in accumulated other comprehensive income	\$ (7)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Amounts to be recognized in net periodic pension expense in the next year							
Unrecognized net actuarial loss (gain)	\$ 38	\$ 3	\$ 46	\$ 30	\$ 10	\$ (2)	\$ (6)
Unrecognized prior service credit	(125)	(10)	(112)	(73)	(21)	—	—



### Combined Notes to Consolidated Financial Statements – (Continued)

(in millions)	December 31, 2012						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Current post-retirement liability <sup>(a)</sup>	\$ 50	\$ —	\$ 47	\$ 23	\$ 20	\$ 2	\$ —
Noncurrent post-retirement liability	1,546	182	1,081	589	393	39	119
Total accrued post-retirement liability	\$ 1,596	\$ 182	\$ 1,128	\$ 612	\$ 413	\$ 41	\$ 119
Regulatory assets	\$ 521	\$ 17	\$ 505	\$ 291	\$ 170	\$ —	\$ 77
Regulatory liabilities	\$ 101	\$ —	\$ —	\$ —	\$ —	\$ 18	\$ 68
Accumulated other comprehensive (income) loss							
Deferred income tax liability	\$ 2	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Prior service credit	(3)	—	—	—	—	—	—
Net actuarial gain	(2)	—	—	—	—	—	—
Net amounts recognized in accumulated other comprehensive income	\$ (3)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

(a) Included in Other within Current Liabilities on the Consolidated Balance Sheets.

#### Assumptions Used for Other Post-Retirement Benefits Accounting

The discount rate used to determine the current year other post-retirement benefits obligation and following year's other post-retirement benefits expense is based on a bond selection-settlement portfolio approach. This approach develops a discount rate by selecting a portfolio of high quality corporate bonds that generate sufficient cash flow to provide for projected benefit payments of the plan. The selected bond portfolio is derived from a universe of non-callable corporate bonds rated Aa quality or higher. After the bond portfolio is selected, a single interest rate is determined that equates present value of the plan's

projected benefit payments discounted at this rate with the market value of the bonds selected.

The following tables present the assumptions used for other post-retirement benefits accounting. For Progress Energy plans, the assumptions used in 2012 to determine net periodic other post-retirement benefit cost reflect remeasurement as of July 1, 2012, due to the merger between Duke Energy and Progress Energy.

	Duke Energy			Progress Energy		
	December 31,			December 31,		
	2013	2012	2011	2013	2012	2011
<b>Benefit Obligations</b>						
Discount rate	4.70%	4.10%	5.10%	4.70%	4.10%	4.85%
<b>Net Periodic Benefit Cost</b>						
Discount rate	4.10%	4.60-5.10%	5.00%	4.10%	4.60-4.85%	5.70%
Expected long-term rate of return on plan assets	7.75%	5.20-8.00%	5.36-8.25%	—%	N/A-5.00%	5.00%
Assumed tax rate	35%	35%	35%			

#### Assumed Health Care Cost Trend Rate

	December 31,	
	2013	2012
Health care cost trend rate assumed for next year	8.50%	8.50%
Rate to which the cost trend is assumed to decline (the ultimate trend rate)	5.00%	5.00%
Year that rate reaches ultimate trend	2021	2020

## Combined Notes to Consolidated Financial Statements – (Continued)

### Sensitivity to Changes in Assumed Health Care Cost Trend Rates

(in millions)	Year Ended December 31, 2013						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
<b>1-Percentage Point Increase</b>							
Effect on total service and interest costs	\$ 11	\$ 2	\$ 7	\$ 4	\$ 3	\$ 1	\$ 1
Effect on post-retirement benefit obligation	42	10	20	9	10	2	4
<b>1-Percentage Point Decrease</b>							
Effect on total service and interest costs	(9)	(1)	(6)	(3)	(2)	—	(1)
Effect on post-retirement benefit obligation	(36)	(9)	(16)	(7)	(8)	(1)	(4)

### Expected Benefit Payments

(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Years ending December 31,							
2014	\$ 85	\$ 21	\$ 36	\$ 17	\$ 17	\$ 4	\$ 11
2015	88	22	38	17	17	4	12
2016	89	23	38	18	17	4	12
2017	89	23	38	18	17	3	11
2018	89	24	38	18	17	3	11
2019 – 2023	413	109	180	81	84	17	47

## PLAN ASSETS

### Description and Allocations

#### Duke Energy Master Retirement Trust

Assets for both the qualified pension and other post-retirement benefits are maintained in the Duke Energy Master Retirement Trust. Approximately 98 percent of the Duke Energy Master Retirement Trust assets were allocated to qualified pension plans and approximately 2 percent were allocated to other post-retirement plans, as of December 31, 2013 and 2012. The investment objective of the Duke Energy Master Retirement Trust is to achieve reasonable returns, subject to a prudent level of portfolio risk, for the purpose of enhancing the security of benefits for plan participants.

The asset allocation targets were set after considering the investment objective and the risk profile. Equity securities are held for their high expected return. Debt securities, hedge funds, real estate and other global securities are held for diversification. Investments within asset classes are to be diversified to achieve broad market participation and reduce the impact of individual managers or investments. Duke Energy regularly reviews its actual asset allocation and periodically rebalances its investments to the targeted allocation when considered appropriate.

Qualified pension and other post-retirement benefits for the Subsidiary Registrants are derived from the Duke Energy Master Retirement Trust, as such, each are allocated their proportionate share of the assets discussed below.

The following table includes the target asset allocations by asset class at December 31, 2013 and the actual asset allocations for the Duke Energy Master Retirement Trust.

	Target Allocation	Actual Allocation at December 31,	
		2013	2012
U.S. equity securities	10%	10%	28%
Non-U.S. equity securities	8%	8%	15%
Global equity securities	10%	10%	10%
Global private equity securities	3%	3%	3%
Debt securities	63%	63%	32%
Hedge funds	2%	3%	4%
Real estate and cash	2%	1%	4%
Other global securities	2%	2%	4%
Total	100%	100%	100%

## Combined Notes to Consolidated Financial Statements – (Continued)

### Progress Energy Master Retirement Trust

As of December 31, 2012, assets for Progress Energy qualified pension benefits were maintained in the Progress Energy Master Retirement Trust.

As of January 1, 2013, assets previously held in the Progress Energy Master Retirement Trust were transferred into the Duke Energy Master Retirement Trust. The following table includes the actual asset allocations for the Progress Energy Master Retirement Trust at December 31, 2012.

	Actual Allocation at December 31,
	2012
U.S. equity securities	20%
Non-U.S. equity securities	14%
Global equity securities	8%
Global private equity securities	10%
Debt securities	35%
Hedge funds	9%
Real estate and cash	1%
Other global securities	3%
Total	100%

### VEBA I

Duke Energy also invests other post-retirement assets in the Duke Energy Corporation Employee Benefits Trust (VEBA I). The investment objective of VEBA I is to achieve sufficient returns, subject to a prudent level of portfolio risk, for

the purpose of promoting the security of plan benefits for participants. VEBA I is passively managed.

The following table includes the weighted-average returns expected by asset classes and the target asset allocations at December 31, 2013 and the actual asset allocations for VEBA I.

	Target Allocation	Actual Allocation at December 31,	
		2013	2012
U.S. equity securities	30%	29%	23%
Debt securities	45%	29%	32%
Cash	25%	42%	45%
Total	100%	100%	100%

### Fair Value Measurements

Duke Energy classifies recurring and non-recurring fair value measurements based on the fair value hierarchy as discussed in Note 16.

Valuation methods of the primary fair value measurements disclosed above are as follows:

#### Investments in equity securities

Investments in equity securities, other than those accounted for as equity and cost method investments, are typically valued at the closing price in the principal active market as of the last business day of the reporting period. Principal active markets for equity prices include published exchanges such as NASDAQ and NYSE. Foreign equity prices are translated from their trading currency using the currency exchange rate in effect at the close of the principal active market. Prices have not been adjusted to reflect after-hours market activity. The majority of investments in equity securities are valued using Level 1 measurements. When (i) the Duke Energy Registrants lack the ability to redeem investments valued on a net asset value per share basis at net asset value per share in the near future or (ii) net asset value per share is not available at the measurement date, the fair value measurement of the investment is categorized as Level 3.

#### Investments in debt securities

Most debt investments are valued based on a calculation using interest rate curves and credit spreads applied to the terms of the debt instrument

(maturity and coupon interest rate) and consider the counterparty credit rating. Most debt valuations are Level 2 measurements. If the market for a particular fixed income security is relatively inactive or illiquid, the measurement is Level 3. U.S. Treasury debt is typically Level 1.

#### Investments in short-term investment funds

Investments in short-term investment funds are valued at the net asset value of units held at year end. Investments in short-term investment funds with published prices are valued as Level 1. Investments in short-term investment funds with unpublished prices are valued as Level 2.

#### Investments in real estate investment trusts

Investments in real estate investment trusts are valued based upon property appraisal reports prepared by independent real estate appraisers. The Chief Real Estate Appraiser of the asset manager is responsible for assuring that the valuation process provides independent and reasonable property market value estimates. An external appraisal management firm not affiliated with the asset manager has been appointed to assist the Chief Real Estate Appraiser in maintaining and monitoring the independence and the accuracy of the appraisal process.

## PART II

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## Combined Notes to Consolidated Financial Statements – (Continued)

### Duke Energy Master Retirement Trust

The following table provides the fair value measurement amounts for the Duke Energy Master Retirement Trust qualified pension and other post-retirement assets.

(in millions)	December 31, 2013			
	Total Fair Value	Level 1	Level 2	Level 3
Equity securities	\$2,877	\$1,801	\$1,022	\$ 54
Corporate debt securities	2,604	—	2,601	3
Short-term investment funds	1,158	254	904	—
Partnership interests	307	—	—	307
Hedge funds	164	—	111	53
Real estate trusts	95	—	—	95
U.S. government securities	927	—	927	—
Guaranteed investment contracts	33	—	—	33
Governments bonds – foreign	19	—	18	1
Cash	58	58	—	—
Government and commercial mortgage backed securities	7	—	7	—
Net pending transactions and other investments	12	7	5	—
Total assets <sup>(a)</sup>	\$8,261	\$2,120	\$5,595	\$546

(a) Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio and Duke Energy Indiana were allocated approximately 28 percent, 35 percent, 16 percent, 16 percent, 5 percent and 8 percent, respectively of the Duke Energy Master Retirement Trust assets at December 31, 2013. Accordingly, all Level 1, 2 and 3 amounts included in the table above are allocable to the Subsidiary Registrants using these percentages.

(in millions)	December 31, 2012			
	Total Fair Value	Level 1	Level 2	Level 3
Equity securities	\$ 2,993	\$1,415	\$1,575	\$ 3
Corporate debt securities	1,391	—	1,388	3
Short-term investment funds	100	23	77	—
Partnership interests	141	—	—	141
Hedge funds	97	—	97	—
Real estate trusts	167	—	—	167
U.S. government securities	237	—	237	—
Guarantees investment contracts	37	—	—	37
Governments bonds – foreign	65	—	64	1
Cash	4	4	—	—
Asset backed securities	14	—	14	—
Net pending transactions and other investments	(16)	(21)	5	—
Total assets <sup>(a)</sup>	\$ 5,230	\$1,421	\$3,457	\$ 352

(a) Duke Energy Carolinas, Duke Energy Ohio and Duke Energy Indiana were allocated approximately 43 percent, 9 percent and 12 percent, respectively, of the Duke Energy Master Retirement Trust assets at December 31, 2012. Accordingly, all Level 1, 2 and 3 amounts included in the table above are allocable to Duke Energy Carolinas, Duke Energy Ohio and Duke Energy Indiana using these percentages.

### Combined Notes to Consolidated Financial Statements – (Continued)

The following table provides a reconciliation of beginning and ending balances of assets of master trusts measured at fair value on a recurring basis where the determination of fair value includes significant unobservable inputs (Level 3).

(in millions)	2013	2012
Balance at January 1	\$ 352	\$322
Combination of trust assets	288	—
Purchases, sales, issuances and settlements		
Purchases	25	21
Sales	(152)	(4)
Total gains (losses) and other	33	13
Balance at December 31	\$ 546	\$352

#### Progress Energy Master Retirement Trust

The following table provides the fair value measurement amounts for the Progress Energy Master Retirement Trust qualified pension assets.

(in millions)	December 31, 2012			
	Total Fair Value	Level 1	Level 2	Level 3
Equity securities	\$ 1,094	\$ 361	\$ 733	\$ —
Corporate debt securities	432	—	432	—
Partnership interests	154	—	—	154
Hedge funds	313	—	189	124
U.S. government securities	515	405	110	—
Governments bonds – foreign	6	—	6	—
Cash	160	113	47	—
Net pending transactions and other investments	16	—	6	10
Total assets <sup>(a)</sup>	\$ 2,690	\$ 879	\$1,523	\$ 288

(a) Duke Energy Progress and Duke Energy Florida were allocated approximately 48 percent and 44 percent, respectively, of the Progress Energy Master Trust assets at December 31, 2012. Accordingly, all Level 1, 2 and 3 amounts included in the table above are allocable to Duke Energy Progress and Duke Energy Florida using these percentages.

The following table provides a reconciliation of beginning and ending balances of Progress Trust assets measured at fair value on a recurring basis where the determination of fair value includes significant unobservable inputs (Level 3).

(in millions)	2013	2012
Balance at January 1	\$ 288	\$311
Combination of trust assets	(288)	—
Purchases, sales, issuances and settlements		
Purchases	—	13
Sales	—	(14)
Transfers in and/or out of level 3	—	(41)
Total gains (losses) and other	—	19
Balance at December 31	\$ —	\$288

## Combined Notes to Consolidated Financial Statements – (Continued)

### VEBA I

The following tables provide the fair value measurement amounts for VEBA I other post-retirement assets.

(in millions)	December 31, 2013			
	Total Fair Value	Level 1	Level 2	Level 3
Cash and cash equivalents	\$21	\$ —	\$ 21	\$ —
Equity securities	15	—	15	—
Debt securities	15	—	15	—
Total assets	\$51	\$ —	\$ 51	\$ —

(in millions)	December 31, 2012			
	Total Fair Value	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 22	\$ —	\$ 22	\$ —
Equity securities	12	—	12	—
Debt securities	16	—	16	—
Total assets	\$ 50	\$ —	\$ 50	\$ —

### EMPLOYEE SAVINGS PLANS

Duke Energy sponsors, and the Subsidiary Registrants participate in, employee savings plans that cover substantially all U.S. employees. Most employees participate in a matching contribution formula where Duke Energy provides a matching contribution generally equal to 100 percent of employee

before-tax and Roth 401(k) contributions, and, as applicable, after-tax contributions, of up to 6 percent of eligible pay per pay period. Dividends on Duke Energy shares held by the savings plans are charged to retained earnings when declared and shares held in the plans are considered outstanding in the calculation of basic and diluted earnings per share.

The following table includes pretax employer matching contributions made by Duke Energy and expensed by the Subsidiary Registrants.

(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Years ended December 31,							
2013	\$134	\$45	\$45	\$25	\$14	\$3	\$7
2012	107	37	45	24	15	4	6
2011	86	37	44	23	14	4	8

## Combined Notes to Consolidated Financial Statements – (Continued)

### 22. INCOME TAXES

#### INCOME TAX EXPENSE

##### Components of Income Tax Expense

(in millions)	Year Ended December 31, 2013						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Current income taxes							
Federal	\$ (123)	\$ 49	\$ (221)	\$ (70)	\$ (143)	\$ (21)	\$ (88)
State	(37)	11	(37)	(10)	(13)	(2)	7
Foreign	151	—	—	—	—	—	—
Total current income taxes	(9)	60	(258)	(80)	(156)	(23)	(81)
Deferred income taxes							
Federal	1,129	464	555	316	326	93	276
State	142	75	84	59	44	5	29
Foreign	14	—	—	—	—	—	—
Total deferred income taxes <sup>(a)</sup>	1,285	539	639	375	370	98	305
Investment tax credit amortization	(15)	(5)	(8)	(7)	(1)	—	(1)
Income tax expense from continuing operations	1,261	594	373	288	213	75	223
Tax benefit from discontinued operations	(27)	—	(26)	—	—	—	—
Total income tax expense included in Consolidated Statements of Operations	\$ 1,234	\$ 594	\$ 347	\$ 288	\$ 213	\$ 75	\$ 223

(a) Includes benefits of net operating loss (NOL) carryforwards of \$837 million at Duke Energy, \$458 million at Progress Energy, \$64 million at Duke Energy Progress, \$301 million at Duke Energy Florida, \$29 million at Duke Energy Ohio and \$179 million at Duke Energy Indiana.

(in millions)	Year Ended December 31, 2012						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Current income taxes							
Federal	\$ (46)	\$ (1)	\$ (88)	\$ (48)	\$ 6	\$ 26	\$ (27)
State	35	(25)	2	(6)	—	11	27
Foreign	133	—	—	—	—	—	—
Total current income taxes	122	(26)	(86)	(54)	6	37	—
Deferred income taxes							
Federal	513	408	226	162	121	72	(47)
State	64	77	40	9	21	(9)	(25)
Foreign	20	—	—	—	—	—	—
Total deferred income taxes <sup>(a)</sup>	597	485	266	171	142	63	(72)
Investment tax credit amortization	(14)	(6)	(8)	(7)	(1)	(2)	(1)
Income tax expense (benefit) from continuing operations	705	453	172	110	147	98	(73)
Tax expense from discontinued operations	24	—	29	—	—	—	—
Total income tax expense (benefit) included in Consolidated Statements of Operations	\$ 729	\$ 453	\$ 201	\$ 110	\$ 147	\$ 98	\$ (73)

(a) Includes benefits of NOL carryforwards of \$1,127 million at Duke Energy, \$245 million at Duke Energy Carolinas, \$357 million at Progress Energy, \$257 million at Duke Energy Progress, \$25 million at Duke Energy Florida, \$99 million at Duke Energy Ohio and \$205 million at Duke Energy Indiana.

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### Combined Notes to Consolidated Financial Statements – (Continued)

(in millions)	Year Ended December 31, 2011						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Current income taxes							
Federal	\$ (37)	\$ (122)	\$ (91)	\$ (27)	\$ (60)	\$ (95)	\$ 95
State	21	30	29	21	5	1	42
Foreign	164	—	—	—	—	—	—
Total current income taxes	148	(92)	(62)	(6)	(55)	(94)	137
Deferred income taxes							
Federal	526	531	365	262	214	194	(38)
State	56	40	27	6	22	(2)	(23)
Foreign	32	—	—	—	—	—	—
Total deferred income taxes <sup>(a)</sup>	614	571	392	268	236	192	(61)
Investment tax credit amortization	(10)	(7)	(7)	(6)	(1)	(2)	(2)
Income tax expense from continuing operations	752	472	323	256	180	96	74
Tax benefit from discontinued operations	—	—	(3)	—	—	—	—
Total income tax expense included in Consolidated Statements of Operations	\$ 752	\$ 472	\$ 320	\$ 256	\$ 180	\$ 96	\$ 74

(a) Includes benefits of NOL carryforwards of \$274 million at Duke Energy, \$79 million at Duke Energy Carolinas, \$213 million at Progress Energy, \$54 million at Duke Energy Progress, \$41 million at Duke Energy Florida and \$47 million at Duke Energy Ohio.

### Duke Energy Income from Continuing Operations before Income Taxes

(in millions)	Years Ended December 31,		
	2013	2012	2011
Domestic	\$ 3,320	\$ 1,827	\$ 1,780
Foreign	600	624	685
Income from continuing operations before income taxes	\$ 3,920	\$ 2,451	\$ 2,465

### Statutory Rate Reconciliation

The following tables present a reconciliation of income tax expense at the U.S. federal statutory tax rate to the actual tax expense from continuing operations.

(in millions)	Year Ended December 31, 2013						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Income tax expense, computed at the statutory rate of 35 percent	\$ 1,372	\$ 549	\$ 361	\$ 276	\$ 188	\$ 62	\$ 203
State income tax, net of federal income tax effect	67	56	31	31	20	2	23
Tax differential on foreign earnings	(45)	—	—	—	—	—	—
AFUDC equity income	(55)	(32)	(18)	(15)	(3)	—	(5)
Renewable energy production tax credits	(59)	—	—	—	—	—	—
Other items, net	(19)	21	(1)	(4)	8	11	2
Income tax expense from continuing operations	\$ 1,261	\$ 594	\$ 373	\$ 288	\$ 213	\$ 75	\$ 223
Effective tax rate	32.2%	37.8%	36.2%	36.5%	39.6%	42.2%	38.4%



## Combined Notes to Consolidated Financial Statements – (Continued)

(in millions)	Year Ended December 31, 2012						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Income tax expense, computed at the statutory rate of 35 percent	\$ 858	\$ 461	\$ 185	\$ 134	\$ 145	\$ 96	\$ (43)
State income tax, net of federal income tax effect	64	34	33	1	14	1	1
Tax differential on foreign earnings	(66)	—	—	—	—	—	—
AFUDC equity income	(101)	(54)	(37)	(24)	(13)	(2)	(26)
Renewable energy production tax credits	(25)	—	—	—	—	—	—
Other items, net	(25)	12	(9)	(1)	1	3	(5)
Income tax expense (benefit) from continuing operations	\$ 705	\$ 453	\$ 172	\$ 110	\$ 147	\$ 98	\$ (73)
Effective tax rate	28.8%	34.3%	32.7%	28.7%	35.7%	36.0%	59.5%

(in millions)	Year Ended December 31, 2011						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Income tax expense, computed at the statutory rate of 35 percent	\$ 863	\$ 457	\$ 319	\$ 270	\$ 173	\$ 102	\$ 85
State income tax, net of federal income tax effect	50	46	39	18	17	(1)	13
Tax differential on foreign earnings	(44)	—	—	—	—	—	—
AFUDC equity income	(91)	(59)	(36)	(25)	(11)	(2)	(31)
Renewable energy production tax credits	(21)	—	—	—	—	—	—
Other items, net	(5)	28	1	(7)	1	(3)	7
Income tax expense from continuing operations	\$ 752	\$ 472	\$ 323	\$ 256	\$ 180	\$ 96	\$ 74
Effective tax rate	30.5%	36.1%	35.6%	33.2%	36.3%	33.1%	30.6%

Valuation allowances have been established for certain foreign and state NOL carryforwards and state income tax credits that reduce deferred tax assets to an amount that will be realized on a more-likely-than-not basis. The net

change in the total valuation allowance is included in Tax differential on foreign earnings and State income tax, net of federal income tax effect in the above tables.

## DEFERRED TAXES

### Net Deferred Income Tax Liability Components

(in millions)	December 31, 2013						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Deferred credits and other liabilities	\$ 245	\$ 56	\$ 136	\$ 9	\$ 96	\$ (13)	\$ 9
Capital lease obligations	59	11	—	—	—	—	(2)
Pension, postretirement and other employee benefits	649	18	341	119	145	23	54
Progress Energy merger purchase accounting adjustments <sup>(a)</sup>	1,184	—	—	—	—	—	—
Tax credits and NOL carryforwards	4,307	488	1,965	396	365	165	521
Other	265	15	116	39	43	20	14
Valuation allowance	(192)	—	(40)	(1)	—	—	—
Total deferred income tax assets	6,517	588	2,518	562	649	195	596
Investments and other assets	(1,396)	(999)	(209)	(160)	(49)	(17)	(7)
Accelerated depreciation rates	(12,615)	(4,400)	(3,663)	(2,528)	(1,160)	(1,937)	(1,591)
Regulatory assets and deferred debits	(3,185)	(609)	(1,389)	(202)	(1,159)	(168)	(117)
Total deferred income tax liabilities	(17,196)	(6,008)	(5,261)	(2,890)	(2,368)	(2,122)	(1,715)
Net deferred income tax liabilities	\$ (10,679)	\$ (5,420)	\$ (2,743)	\$ (2,328)	\$ (1,719)	\$ (1,927)	\$ (1,119)

(a) Primarily related to capital lease obligations and debt fair value adjustments.

## Combined Notes to Consolidated Financial Statements – (Continued)

On July 23, 2013, HB 998 was signed into law. HB 998 reduces the North Carolina corporate income tax rate from a statutory 6.9 percent to 6.0 percent in January 2014 with a further reduction to 5.0 percent in January 2015. Duke Energy recorded a net reduction of approximately \$145 million to its North Carolina deferred tax liability in the third quarter of 2013. The significant majority of this deferred tax liability reduction was offset by recording

a regulatory liability pending NCUC determination of the disposition of the amounts related to Duke Energy Carolinas and Duke Energy Progress. The impact of HB 998 did not have a significant impact on the financial position, results of operation, or cash flows of Duke Energy, Duke Energy Carolinas, Progress Energy or Duke Energy Progress.

The following table presents the expiration of tax credits and NOL carryforwards.

(in millions)	December 31, 2013	
	Amount	Expiration Year
Investment Tax Credits	\$ 498	2029 — 2033
Alternative Minimum Tax Credits	1,028	Indefinite
Federal NOL carryforwards	2,471	2030 — 2033
State NOL carryforwards and credits <sup>(a)</sup>	189	2014 — 2033
Foreign NOL carryforwards <sup>(b)</sup>	121	2015 — 2033
Total tax credits and NOL carryforwards	\$ 4,307	

(a) A valuation allowance of \$83 million has been recorded on the state NOL carryforwards, state tax credits and state capital loss carryforwards, as presented in the Net Deferred Income Tax Liability Components table.

(b) A valuation allowance of \$109 million has been recorded on the foreign NOL carryforwards, as presented in the Net Deferred Income Tax Liability Components table. Certain foreign NOL carryforwards have an indefinite expiration period.

(in millions)	December 31, 2012						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Deferred credits and other liabilities	\$ 256	\$ 64	\$ 110	\$ 24	\$ 76	\$ (10)	\$ 22
Capital lease obligations	60	13	—	—	—	—	(1)
Pension, postretirement and other employee benefits	1,320	117	712	318	257	62	94
Progress Energy merger purchase accounting adjustments <sup>(a)</sup>	1,312	—	—	—	—	—	—
Tax credits and NOL carryforwards	3,311	447	1,536	309	91	152	340
Other	408	22	230	82	126	10	27
Valuation allowance	(226)	—	(77)	—	—	(1)	—
Total deferred income tax assets	6,441	663	2,511	733	550	213	482
Investments and other assets	(1,093)	(838)	(112)	(108)	(6)	(25)	(18)
Accelerated depreciation rates	(11,208)	(4,289)	(2,803)	(2,178)	(592)	(1,823)	(1,131)
Regulatory assets and deferred debits	(3,819)	(627)	(1,775)	(465)	(1,318)	(197)	(185)
Total deferred income tax liabilities	(16,120)	(5,754)	(4,690)	(2,751)	(1,916)	(2,045)	(1,334)
Net deferred income tax liabilities	\$ (9,679)	\$ (5,091)	\$ (2,179)	\$ (2,018)	\$ (1,366)	\$ (1,832)	\$ (852)

(a) Primarily related to capital lease obligations and debt fair value adjustments

## Classification of Deferred Tax Assets (Liabilities) in the Consolidated Balance Sheets

(in millions)	December 31, 2013						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Current Assets: Other	\$ 1,373	\$ 286	\$ 540	\$ 229	\$ 110	\$ 85	\$ 52
Investments and Other Assets: Other	45	—	—	—	—	—	—
Deferred Credits and Other Liabilities: Other	(12,097)	(5,706)	(3,283)	(2,557)	(1,829)	(2,012)	(1,171)
Net deferred income tax liabilities	\$ (10,679)	\$ (5,420)	\$ (2,743)	\$ (2,328)	\$ (1,719)	\$ (1,927)	\$ (1,119)

### Combined Notes to Consolidated Financial Statements – (Continued)

(in millions)	December 31, 2012						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Current Assets: Other	\$ 732	\$ 90	\$ 359	\$ 144	\$ 152	\$ 21	\$ 1
Investments and Other Assets: Other	85	—	20	—	—	—	—
Current Liabilities: Other	(6)	—	—	—	—	—	—
Deferred Credits and Other Liabilities: Other	(10,490)	(5,181)	(2,558)	(2,162)	(1,518)	(1,853)	(853)
Net deferred income tax liabilities	\$ (9,679)	\$ (5,091)	\$ (2,179)	\$ (2,018)	\$ (1,366)	\$ (1,832)	\$ (852)

Deferred income taxes and foreign withholding taxes have not been provided on undistributed earnings of Duke Energy's foreign subsidiaries when such amounts are deemed to be indefinitely reinvested. The cumulative undistributed earnings as of December 31, 2013 on which Duke Energy has not provided

deferred income taxes and foreign withholding taxes is approximately \$2.4 billion. The amount of unrecognized deferred tax liability related to these undistributed earnings is estimated at between \$300 million and \$375 million.

### UNRECOGNIZED TAX BENEFITS

The following tables present changes to unrecognized tax benefits.

(in millions)	Year Ended December 31, 2013						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Unrecognized tax benefits — January 1	\$ 540	\$ 271	\$ 131	\$ 67	\$ 44	\$ 36	\$ 32
Unrecognized tax benefits increases (decreases)							
Gross decreases — tax positions in prior periods	(231)	(100)	(86)	(45)	(37)	(36)	(31)
Decreases due to settlements	(66)	—	—	—	—	—	—
Reduction due to lapse of statute of limitations	(13)	—	(13)	—	1	—	—
Total changes	(310)	(100)	(99)	(45)	(36)	(36)	(31)
Unrecognized tax benefits — December 31	\$ 230	\$ 171	\$ 32	\$ 22	\$ 8	\$ —	\$ 1

(in millions)	Year Ended December 31, 2012						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Unrecognized tax benefits — January 1	\$ 385	\$ 260	\$ 173	\$ 73	\$ 80	\$ 32	\$ 24
Acquisitions	128	—	—	—	—	—	—
Unrecognized tax benefits increases (decreases)							
Gross increases — tax positions in prior periods	29	12	23	10	12	2	6
Gross decreases — tax positions in prior periods	(4)	—	(72)	(19)	(52)	—	—
Gross increases — current period tax positions	28	15	8	4	4	4	4
Gross decreases — current period tax positions	(9)	(5)	(1)	(1)	—	(2)	(2)
Decreases due to settlements	(13)	(11)	—	—	—	—	—
Reduction due to lapse of statute of limitations	(4)	—	—	—	—	—	—
Total changes	155	11	(42)	(6)	(36)	4	8
Unrecognized tax benefits — December 31	\$ 540	\$ 271	\$ 131	\$ 67	\$ 44	\$ 36	\$ 32

## PART II

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**Combined Notes to Consolidated Financial Statements – (Continued)**

(in millions)	Year Ended December 31, 2011						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Unrecognized tax benefits — January 1	\$ 342	\$ 217	\$ 176	\$ 74	\$ 99	\$ 29	\$ 21
Unrecognized tax benefits increases (decreases)							
Gross increases — tax positions in prior periods	49	42	88	19	66	4	3
Gross decreases — tax positions in prior periods	(18)	(8)	(24)	(14)	(21)	(5)	(3)
Gross increases — current period tax positions	16	9	9	8	1	4	3
Gross decreases — current period tax positions	—	—	(8)	(4)	(4)	—	—
Decreases due to settlements	(4)	—	(68)	(10)	(61)	—	—
Total changes	43	43	(3)	(1)	(19)	3	3
Unrecognized tax benefits — December 31	\$ 385	\$ 260	\$ 173	\$ 73	\$ 80	\$ 32	\$ 24

The following table includes additional information regarding the Duke Energy Registrants' unrecognized tax benefits. It is reasonably possible that Duke Energy and Duke Energy Carolinas will reflect an approximate \$4 million reduction in unrecognized tax benefits within the next 12 months due to expected settlements. All other Duke Energy Registrants do not anticipate a material increase or decrease in unrecognized tax benefits within the next 12 months.

(in millions)	December 31, 2013						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Amount that if recognized, would affect the effective tax rate or regulatory liability <sup>(a)</sup>	\$ 128	\$ 116	\$ 2	\$ 1	\$ 1	\$ 1	\$ 1
Amount that if recognized, would be recorded as a component of discontinued operations	8	—	—	—	—	—	—

(a) Duke Energy, Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida and Duke Energy Indiana are unable to estimate the specific amounts that would affect the effective tax rate versus the regulatory liability.

**OTHER TAX MATTERS**

The following tables include interest recognized in the Consolidated Statements of Operations and the Consolidated Balance Sheets.

(in millions)	Year Ended December 31, 2013						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Net interest income recognized related to income taxes	\$ 2	\$ 2	\$ 6	\$ 7	\$ —	\$ 4	\$ 1
Interest payable related to income taxes	27	8	10	2	7	—	—

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**Combined Notes to Consolidated Financial Statements – (Continued)**

(in millions)	Year Ended December 31, 2012						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Net interest income recognized related to income taxes	\$ 10	\$ 9	\$ —	\$ —	\$ —	\$ —	\$ 2
Net interest expense recognized related to income taxes	—	—	2	—	2	—	—
Interest receivable related to income taxes	—	7	—	—	—	—	—
Interest payable related to income taxes	7	—	17	8	9	3	1

(in millions)	Year Ended December 31, 2011						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Net interest income recognized related to income taxes	\$ 12	\$ 5	\$ 24	\$ 6	\$ 22	\$ —	\$ —
Net interest expense recognized related to income taxes	—	—	—	—	—	1	1
Interest receivable related to income taxes	8	5	—	—	—	—	—
Interest payable related to income taxes	—	—	21	8	7	3	3

Duke Energy and its subsidiaries are no longer subject to U.S. federal examination for years before 2006. The years 2006 and 2007 are in Appeals. The IRS is currently auditing the federal income tax returns for years 2008 through 2011. With few exceptions, Duke Energy and its subsidiaries are no longer subject to state, local or non-U.S. income tax examinations by tax authorities for years before 2004.

**23. OTHER INCOME AND EXPENSES, NET**

The components of Other income and expenses, net on the Consolidated Statements of Operations are as follows.

(in millions)	Year Ended December 31, 2013						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Interest income	\$ 26	\$ 1	\$ 7	\$ 1	\$ 3	\$ 6	\$ 6
Foreign exchange losses	(18)	—	—	—	—	—	—
AFUDC equity	157	91	50	42	8	1	15
Deferred returns	39	32	7	7	—	—	—
Other income (expense)	58	(4)	30	7	19	(3)	(3)
Other income and expense, net	\$ 262	\$ 120	\$ 94	\$ 57	\$ 30	\$ 4	\$ 18

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**Combined Notes to Consolidated Financial Statements – (Continued)**

(in millions)	Year Ended December 31, 2012						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Interest income	\$ 50	\$ 11	\$ 2	\$ 1	\$ 1	\$ 10	\$ 7
Foreign exchange losses	(5)	—	—	—	—	—	—
AFUDC equity	300	154	106	69	37	6	84
Deferred returns	24	24	—	—	—	—	—
Other income (expense)	28	(4)	22	9	1	(3)	(1)
Other income and expense, net	\$ 397	\$ 185	\$ 130	\$ 79	\$ 39	\$ 13	\$ 90

(in millions)	Year Ended December 31, 2011						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Interest income	\$ 53	\$ 10	\$ 2	\$ 1	\$ 1	\$ 14	\$ 14
Foreign exchange gains	2	—	—	—	—	—	—
AFUDC equity	260	168	103	71	32	5	88
Contingent value obligations mark-to-market loss	—	—	(59)	—	—	—	—
Deferred returns	10	10	—	—	—	—	—
Other income (expense)	51	(2)	6	8	(3)	—	(5)
Other income and expense, net	\$ 376	\$ 186	\$ 52	\$ 80	\$ 30	\$ 19	\$ 97

**24. SUBSEQUENT EVENTS**

For information on subsequent events related to acquisitions, dispositions and sales of other assets, regulatory matters and commitments and contingencies, see Notes 2, 4 and 5.

## Combined Notes to Consolidated Financial Statements – (Continued)

### 25. QUARTERLY FINANCIAL DATA (UNAUDITED)

#### DUKE ENERGY

The following table includes the results of Progress Energy beginning July 2, 2012. Quarterly EPS amounts are meant to be stand-alone calculations and are not always additive to the full-year amount due to rounding and the weighting of share issuances.

(in millions, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
<b>2013</b>					
Operating revenues	\$5,898	\$5,879	\$6,709	\$6,112	\$24,598
Operating income	1,215	821	1,743	1,203	4,982
Income from continuing operations	634	345	994	686	2,659
Net income	634	342	1,008	692	2,676
Net income attributable to Duke Energy Corporation	634	339	1,004	688	2,665
Earnings per share:					
Income from continuing operations attributable to Duke Energy Corporation common shareholders					
Basic	\$ 0.89	\$ 0.48	\$ 1.40	\$ 0.96	\$ 3.74
Diluted	\$ 0.89	\$ 0.48	\$ 1.40	\$ 0.96	\$ 3.74
Net income attributable to Duke Energy Corporation common shareholders					
Basic	\$ 0.89	\$ 0.48	\$ 1.42	\$ 0.97	\$ 3.77
Diluted	\$ 0.89	\$ 0.48	\$ 1.42	\$ 0.97	\$ 3.76
<b>2012</b>					
Operating revenues	\$3,630	\$3,577	\$6,722	\$5,695	\$19,624
Operating income	495	786	1,078	767	3,126
Income from continuing operations	297	449	594	406	1,746
Net income	299	448	598	437	1,782
Net income attributable to Duke Energy Corporation	295	444	594	435	1,768
Earnings per share:					
Income from continuing operations attributable to Duke Energy Corporation common shareholders					
Basic	\$ 0.66	\$ 0.99	\$ 0.84	\$ 0.57	\$ 3.01
Diluted	\$ 0.66	\$ 0.99	\$ 0.84	\$ 0.57	\$ 3.01
Net income attributable to Duke Energy Corporation common shareholders					
Basic	\$ 0.66	\$ 0.99	\$ 0.85	\$ 0.62	\$ 3.07
Diluted	\$ 0.66	\$ 0.99	\$ 0.85	\$ 0.62	\$ 3.07

The following table includes unusual or infrequently occurring items in each quarter during the two most recently completed fiscal years. All amounts discussed below are pretax unless otherwise noted.

(in millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
<b>2013<sup>(a)</sup></b>					
Costs to achieve Progress Energy merger (see Note 2)	\$ (55)	\$ (82)	\$ (88)	\$ (72)	\$ (297)
Crystal River Unit 3 charges (see Note 4)	—	(295)	—	(57)	(352)
Harris and Levy nuclear development charges (see Note 4)	—	(87)	—	—	(87)
Gain on sale of DukeNet (see Note 12)	—	—	—	105	105
<b>Total</b>	<b>\$ (55)</b>	<b>\$ (464)</b>	<b>\$ (88)</b>	<b>\$ (24)</b>	<b>\$ (631)</b>
<b>2012</b>					
Costs to achieve Progress Energy merger (see Note 2)	\$ (8)	\$ (7)	\$ (457)	\$ (164)	\$ (636)
Edwardsport IGCC charges (see Note 4)	(420)	—	(180)	(28)	(628)
Voluntary Opportunity Plan deferral (see Note 19)	101	—	—	—	101
<b>Total</b>	<b>\$ (327)</b>	<b>\$ (7)</b>	<b>\$ (637)</b>	<b>\$ (192)</b>	<b>\$ (1,163)</b>

(a) Revised retail rates became effective in January for Duke Energy Florida, May for Duke Energy Ohio, June for Duke Energy Progress and September for Duke Energy Carolinas (see Note 4 for further information).

#### DUKE ENERGY CAROLINAS

(in millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
<b>2013</b>					
Operating revenues	\$1,729	\$1,591	\$1,919	\$1,715	\$6,954
Operating income	434	351	604	420	1,809
Net income	244	181	342	209	976
<b>2012</b>					
Operating revenues	\$1,501	\$1,616	\$1,939	\$1,609	\$6,665
Operating income	475	386	440	216	1,517
Net income	266	211	258	130	865

The following table includes unusual or infrequently occurring items in each quarter during the two most recently completed fiscal years. All amounts discussed below are pretax unless otherwise noted.

(in millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
<b>2013<sup>(a)</sup></b>					
Costs to achieve Progress Energy merger (see Note 2)	\$ (22)	\$ (35)	\$ (34)	\$ (29)	\$ (120)
<b>2012</b>					
Costs to achieve Progress Energy merger (see Note 2)	\$ (4)	\$ (5)	\$ (184)	\$ (46)	\$ (239)
Voluntary Opportunity Plan deferral (see Note 19)	101	—	—	—	101
<b>Total</b>	<b>\$ 97</b>	<b>\$ (5)</b>	<b>\$ (184)</b>	<b>\$ (46)</b>	<b>\$ (138)</b>

(a) Revised retail rates became effective in September in both North Carolina and South Carolina (see Note 4 for further information).

## Combined Notes to Consolidated Financial Statements – (Continued)

### PROGRESS ENERGY

(in millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
<b>2013</b>					
Operating revenues	\$2,186	\$2,281	\$2,766	\$2,300	\$9,533
Operating income	430	114	671	403	1,618
Income (loss) from continuing operations	154	(13)	328	190	659
Net income (loss)	154	(17)	342	196	675
Net income (loss) attributable to Parent	153	(17)	341	195	672
<b>2012</b>					
Operating revenues	\$2,102	\$2,288	\$2,788	\$2,227	\$9,405
Operating income	363	277	379	118	1,137
Income (loss) from continuing operations	141	68	154	(8)	355
Net income	152	64	157	34	407
Net income attributable to Parent	150	63	155	32	400

The following table includes unusual or infrequently occurring items in each quarter during the two most recently completed fiscal years. All amounts discussed below are pretax unless otherwise noted.

(in millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
<b>2013<sup>(a)</sup></b>					
Costs to achieve the merger with Duke Energy (see Note 2)	\$(19)	\$(33)	\$(42)	\$(28)	\$(122)
Crystal River Unit 3 charges (see Note 4)	—	(295)	—	(57)	(352)
Harris and Levy nuclear development charges (see Note 4)	—	(87)	—	—	(87)
<b>Total</b>	<b>\$(19)</b>	<b>\$(415)</b>	<b>\$(42)</b>	<b>\$(85)</b>	<b>\$(561)</b>
<b>2012</b>					
Costs to achieve the merger with Duke Energy (see Note 2)	\$(7)	\$(20)	\$(217)	\$(82)	\$(326)
Florida replacement power refund (see Note 4)	—	—	(100)	—	(100)
Crystal River Unit 3 charges (see Note 4)	—	—	—	(192)	(192)
<b>Total</b>	<b>\$(7)</b>	<b>\$(20)</b>	<b>\$(317)</b>	<b>\$(274)</b>	<b>\$(618)</b>

(a) Revised retail rates became effective in January in Florida and June in North Carolina (see Note 4 for further information).

### DUKE ENERGY PROGRESS

(in millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
<b>2013</b>					
Operating revenues	\$1,216	\$1,135	\$1,430	\$1,211	\$4,992
Operating income	212	166	303	251	932
Net income	110	77	175	138	500
<b>2012</b>					
Operating revenues	\$1,090	\$1,090	\$1,398	\$1,128	\$4,706
Operating income	107	83	172	148	510
Net income	52	31	96	93	272

The following table includes unusual or infrequently occurring items in each quarter during the two most recently completed fiscal years. All amounts discussed below are pretax unless otherwise noted.

(in millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
<b>2013<sup>(a)</sup></b>					
Costs to achieve the merger with Duke Energy (see Note 2)	\$(11)	\$(22)	\$(32)	\$(19)	\$(84)
Harris nuclear development charges (see Note 4)	—	(22)	—	—	(22)
<b>Total</b>	<b>\$(11)</b>	<b>\$(44)</b>	<b>\$(32)</b>	<b>\$(19)</b>	<b>\$(106)</b>

### 2012

Costs to achieve the merger with Duke Energy (see Note 2)	\$(4)	\$(12)	\$(180)	\$(36)	\$(232)
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(a) Revised retail rates became effective in June in North Carolina (see Note 4 for further information).

### DUKE ENERGY FLORIDA

(in millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
<b>2013</b>					
Operating revenues	\$968	\$1,142	\$1,332	\$1,085	\$4,527
Operating income (loss)	221	(53)	369	151	688
Net income (loss)	110	(57)	197	75	325
<b>2012</b>					
Operating revenues	\$1,010	\$1,196	\$1,388	\$1,095	\$4,689
Operating income (loss)	255	196	207	(29)	629
Net income (loss)	128	83	100	(45)	266



## Combined Notes to Consolidated Financial Statements – (Continued)

The following table includes unusual or infrequently occurring items in each quarter during the two most recently completed fiscal years. All amounts discussed below are pretax unless otherwise noted.

(in millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
<b>2013<sup>(a)</sup></b>					
Costs to achieve the merger with Duke Energy (see Note 2)	\$ (8)	\$ (11)	\$ (10)	\$ (9)	\$ (38)
Crystal River Unit 3 charges (see Note 4)	—	(295)	—	(57)	(352)
Levy nuclear development charges (see Note 4)	—	(65)	—	—	(65)
<b>Total</b>	<b>\$ (8)</b>	<b>\$ (371)</b>	<b>\$ (10)</b>	<b>\$ (66)</b>	<b>\$ (455)</b>
<b>2012</b>					
Costs to achieve the merger with Duke Energy (see Note 2)	\$ (3)	\$ (8)	\$ (37)	\$ (46)	\$ (94)
Replacement power refund (see Note 4)	—	—	(100)	—	(100)
Crystal River Unit 3 charges (see Note 4)	—	—	—	(192)	(192)
<b>Total</b>	<b>\$ (3)</b>	<b>\$ (8)</b>	<b>\$ (137)</b>	<b>\$ (238)</b>	<b>\$ (386)</b>

(a) Revised retail rates became effective in January (see Note 4 for further information).

### DUKE ENERGY OHIO

(in millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
<b>2013</b>					
Operating revenues	\$ 747	\$ 811	\$ 819	\$ 868	\$3,245
Operating (loss) income	(17)	108	116	44	251
Net (loss) income	(21)	58	59	6	102
<b>2012</b>					
Operating revenues	\$ 912	\$ 717	\$ 757	\$ 766	\$3,152
Operating income	138	95	42	74	349
Net income	74	45	14	42	175

The following table includes unusual or infrequently occurring items in each quarter during the two most recently completed fiscal years. All amounts discussed below are pretax unless otherwise noted.

(in millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
<b>2013<sup>(a)</sup></b>					
Costs to achieve Progress Energy merger (see Note 2)	\$ (4)	\$ (4)	\$ (4)	\$ (4)	\$ (16)
<b>2012</b>					
Costs to achieve Progress Energy merger (see Note 2)	\$ (1)	\$ (1)	\$ (22)	\$ (12)	\$ (36)

(a) Revised retail rates became effective in May (see Note 4 for further information).

### DUKE ENERGY INDIANA

(in millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
<b>2013</b>					
Operating revenues	\$ 724	\$ 700	\$ 755	\$ 747	\$2,926
Operating income	181	168	203	181	733
Net income	90	82	104	82	358
<b>2012</b>					
Operating revenues	\$ 688	\$ 685	\$ 718	\$ 626	\$2,717
Operating (loss) income	(272)	134	(30)	93	(75)
Net (loss) income	(167)	77	(19)	59	(50)

The following table includes unusual or infrequently occurring items in each quarter during the two most recently completed fiscal years. All amounts discussed below are pretax unless otherwise noted.

(in millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
<b>2013</b>					
Costs to achieve Progress Energy merger (see Note 2)	\$ (4)	\$ (5)	\$ (5)	\$ (5)	\$ (19)
<b>2012</b>					
Costs to achieve Progress Energy merger (see Note 2)	\$ (1)	\$ (1)	\$ (21)	\$ (11)	\$ (34)
Edwardsport IGCC charges (see Note 4)	(420)	—	(180)	(28)	(628)
<b>Total</b>	<b>\$ (421)</b>	<b>\$ (1)</b>	<b>\$ (201)</b>	<b>\$ (39)</b>	<b>\$ (662)</b>

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

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None.

**ITEM 9A. CONTROLS AND PROCEDURES**

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**Disclosure Controls and Procedures**

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by the Duke Energy Registrants in the reports they file or submit under the Securities Exchange Act of 1934 (Exchange Act) is recorded, processed, summarized, and reported, within the time periods specified by the Securities and Exchange Commission's (SEC) rules and forms.

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

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, the Duke Energy Registrants have evaluated their effectiveness of their disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2013, and, based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are effective in providing reasonable assurance of compliance.

**Changes in Internal Control over Financial Reporting**

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, the Duke Energy Registrants have evaluated changes in internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange

Act) that occurred during the fiscal quarter ended December 31, 2013 and have concluded no change has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

**Management's Annual Report On Internal Control Over Financial Reporting**

The Duke Energy Registrants' management is responsible for establishing and maintaining an adequate system of internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). The Duke Energy Registrants' internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes, in accordance with U.S. generally accepted accounting principles. Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

The Duke Energy Registrants' management, including their Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of the effectiveness of their internal control over financial reporting as of December 31, 2013 based on the framework in the 1992 Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, management concluded that its internal controls over financial reporting were effective as of December 31, 2013.

Deloitte & Touche LLP, Duke Energy's independent registered public accounting firm, has issued an attestation report on the effectiveness of Duke Energy's internal control over financial reporting.

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

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Duke Energy will provide information that is responsive to this Item 10 in its definitive proxy statement or in an amendment to this Annual Report not later than 120 days after the end of the fiscal year covered by this Annual Report, in either case under the caption "Directors and Executive Officers," and possibly elsewhere therein. That information is incorporated in this Item 10 by reference.

**ITEM 11. EXECUTIVE COMPENSATION**

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Duke Energy will provide information that is responsive to this Item 11 in its definitive proxy statement or in an amendment to this Annual Report not later than 120 days after the end of the fiscal year covered by this Annual Report, in either case under the caption "Executive Compensation," and possibly elsewhere therein. That information is incorporated in this Item 11 by reference.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

Duke Energy will provide information that is responsive to this Item 12 in its definitive proxy statement or in an amendment to this Annual Report not later than 120 days after the end of the fiscal year covered by this Annual Report, in either case under the caption "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters," and possibly elsewhere therein. That information is incorporated in this Item 12 by reference.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

Duke Energy will provide information that is responsive to this Item 13 in its definitive proxy statement or in an amendment to this Annual Report not later than 120 days after the end of the fiscal year covered by this Annual Report, in either case under the caption "Certain Relationships and Related Transactions," and possibly elsewhere therein. That information is incorporated in this Item 13 by reference.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

Deloitte & Touche LLP, and the member firms of Deloitte Touche Tohmatsu and their respective affiliates (collectively, Deloitte) provided professional services to the Duke Energy Registrants. The following tables present the Deloitte fees for services rendered to the Duke Energy Registrants during 2013 and 2012.

(in millions)	Year Ended December 31, 2013						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
<b>Types of Fees</b>							
Audit Fees <sup>(a)</sup>	\$11.5	\$4.1	\$4.3	\$2.5	\$1.8	\$1.3	\$1.2
Audit-Related Fees <sup>(d)</sup>	2.3	0.4	0.2	0.1	0.1	—	—
Tax Fees <sup>(e)</sup>	0.5	0.2	0.2	0.1	0.1	0.1	0.1
<b>Total Fees</b>	<b>\$14.3</b>	<b>\$4.7</b>	<b>\$4.7</b>	<b>\$2.7</b>	<b>\$2.0</b>	<b>\$1.4</b>	<b>\$1.3</b>

(in millions)	Year Ended December 31, 2012						
	Duke Energy <sup>(a)</sup>	Duke Energy Carolinas	Progress Energy <sup>(b)</sup>	Duke Energy Progress <sup>(b)</sup>	Duke Energy Florida <sup>(b)</sup>	Duke Energy Ohio	Duke Energy Indiana
<b>Types of Fees</b>							
Audit Fees <sup>(c)</sup>	\$12.2	\$4.2	\$3.2	\$1.7	\$1.5	\$2.8	\$1.3
Audit-Related Fees <sup>(d)</sup>	2.5	0.9	0.4	0.2	0.2	0.5	0.3
Tax Fees <sup>(e)</sup>	0.9	0.3	0.2	0.1	0.1	0.2	0.1
<b>Total Fees</b>	<b>\$15.6</b>	<b>\$5.4</b>	<b>\$3.8</b>	<b>\$2.0</b>	<b>\$1.8</b>	<b>\$3.5</b>	<b>\$1.7</b>

(a) Excludes accounting fees and services for Progress Energy registrants paid prior to the merger on July 2, 2012.

(b) Includes all accounting fees and services paid prior to and subsequent to the merger.

(c) Audit Fees are fees billed or expected to be billed for professional services for the audit of the Duke Energy Registrants' financial statements included in the annual report on Form 10-K and the review of financial statements included in quarterly reports on Form 10-Q, for services that are normally provided by Deloitte in connection with statutory, regulatory or other filings or engagements or for any other service performed by Deloitte to comply with generally accepted auditing standards.

(d) Audit-Related Fees are fees for assurance and related services that are reasonably related to the performance of an audit or review of financial statements, including assistance with acquisitions and divestitures and internal control reviews.

(e) Tax Fees are fees for tax return assistance and preparation, tax examination assistance, and professional services related to tax planning and tax strategy.

To safeguard the continued independence of the independent auditor, the Duke Energy Audit Committee adopted a policy that provides the independent public accountants are only permitted to provide services to Duke Energy and its consolidated subsidiaries, including the Subsidiary Registrants that have been pre-approved by the Duke Energy Audit Committee. Pursuant to the policy, detailed audit services, audit-related services, tax services and certain other services have been specifically pre-approved up to certain fee limits. In the event the cost of any of these services may exceed the pre-approved limits, the Duke Energy Audit Committee must pre-approve the service. All other services that are not prohibited pursuant to the Securities and Exchange Commission's or other applicable regulatory bodies' rules of regulations must be specifically pre-approved by the Duke Energy Audit Committee. All services performed in 2013 and 2012 by the independent public accountant were approved by the Duke Energy Audit Committee and Legacy Progress Energy Audit Committee pursuant to their pre-approval policies.

## ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Consolidated Financial Statements, Supplemental Financial Data and Supplemental Schedules included in Part II of this annual report are as follows:

### **Duke Energy Corporation**

Consolidated Financial Statements  
 Consolidated Statements of Operations for the Years Ended December 31, 2013, 2012 and 2011  
 Consolidated Comprehensive Income for the Years Ended December 31, 2013, 2012 and 2011  
 Consolidated Balance Sheets as of December 31, 2013 and 2012  
*Consolidated Statements of Cash Flows for the Years Ended December 31, 2013, 2012 and 2011*  
 Consolidated Statements of Changed in Equity for the Years Ended December 31, 2013, 2012 and 2011  
 Notes to the Consolidated Financial Statements  
 Quarterly Financial Data, (unaudited, included in Note 25 to the Consolidated Financial Statements)  
 Consolidated Financial Statement Schedule I — Condensed Parent Company Financial Information for the Years Ended December 31, 2013, 2012 and 2011  
 Report of Independent Registered Public Accounting Firm  
 All other schedules are omitted because they are not required, or because the required information is included in the Consolidated Financial Statements or Notes.

### **Duke Energy Carolinas, LLC**

Consolidated Financial Statements  
 Consolidated Statements of Operations and Comprehensive Income for the Years Ended December 31, 2013, 2012 and 2011  
 Consolidated Balance Sheets as of December 31, 2013 and 2012  
 Consolidated Statements of Cash Flows for the Years Ended December 31, 2013, 2012 and 2011  
 Consolidated Statements of Changes in Member's Equity for the Years Ended December 31, 2013, 2012 and 2011  
 Notes to the Consolidated Financial Statements  
 Quarterly Financial Data, (unaudited, included in Note 25 to the Consolidated Financial Statements)  
 Report of Independent Registered Public Accounting Firm  
 All other schedules are omitted because they are not required, or because the required information is included in the Consolidated Financial Statements or Notes.

### **Progress Energy, Inc.**

Consolidated Financial Statements  
 Consolidated Statements of Operations and Comprehensive Income for the Years Ended December 31, 2013, 2012 and 2011  
 Consolidated Balance Sheets as of December 31, 2013 and 2012  
 Consolidated Statements of Cash Flows for the Years Ended December 31, 2013, 2012 and 2011  
 Consolidated Statements of Changes in Common Stockholder's Equity for the Years Ended December 31, 2013, 2012 and 2011  
 Notes to the Consolidated Financial Statements  
 Quarterly Financial Data, (unaudited, included in Note 25 to the Consolidated Financial Statements)  
 Report of Independent Registered Public Accounting Firm  
 All other schedules are omitted because they are not required, or because the required information is included in the Consolidated Financial Statements or Notes.

### **Duke Energy Progress, Inc.**

Consolidated Financial Statements  
 Consolidated Statements of Operations and Comprehensive Income for the Years Ended December 31, 2013, 2012 and 2011  
 Consolidated Balance Sheets as of December 31, 2013 and 2012  
 Consolidated Statements of Cash Flows for the Years Ended December 31, 2013, 2012 and 2011  
 Consolidated Statements of Changes in Common Stockholder's Equity for the Years Ended December 31, 2013, 2012 and 2011  
 Notes to the Consolidated Financial Statements  
 Quarterly Financial Data, (unaudited, included in Note 25 to the Consolidated Financial Statements)  
 Report of Independent Registered Public Accounting Firm  
 All other schedules are omitted because they are not required, or because the required information is included in the Consolidated Financial Statements or Notes.

### **Duke Energy Florida, Inc.**

Financial Statements  
 Statements of Operations and Comprehensive Income for the Years Ended December 31, 2013, 2012 and 2011  
 Balance Sheets as of December 31, 2013 and 2012  
 Statements of Cash Flows for the Years Ended December 31, 2013, 2012 and 2011  
 Statements of Changes in Common Stockholder's Equity for the Years Ended December 31, 2013, 2012 and 2011  
 Notes to the Financial Statements  
 Quarterly Financial Data, (unaudited, included in Note 25 to the Consolidated Financial Statements)  
 Report of Independent Registered Public Accounting Firm  
 All other schedules are omitted because they are not required, or because the required information is included in the Consolidated Financial Statements or Notes.

## PART IV

### **Duke Energy Ohio, Inc.**

Consolidated Financial Statements

Consolidated Statements of Operations and Comprehensive Income for the Years Ended December 31, 2013, 2012 and 2011

Consolidated Balance Sheets as of December 31, 2013 and 2012

Consolidated Statements of Cash Flows for the Years Ended December 31, 2013, 2012 and 2011

Consolidated Statements of Changes in Common Stockholder's Equity for the Years Ended December 31, 2013, 2012 and 2011

Notes to the Consolidated Financial Statements

Quarterly Financial Data, (unaudited, included in Note 25 to the Consolidated Financial Statements)

Report of Independent Registered Public Accounting Firm

All other schedules are omitted because they are not required, or because the required information is included in the Consolidated Financial Statements or Notes.

### **Duke Energy Indiana, Inc.**

Consolidated Financial Statements

Consolidated Statements of Operations and Comprehensive Income for the Years Ended December 31, 2013, 2012 and 2011

Consolidated Balance Sheets as of December 31, 2013 and 2012

Consolidated Statements of Cash Flows for the Years Ended December 31, 2013, 2012 and 2011

Consolidated Statements of Changes in Common Stockholder's Equity for the Years Ended December 31, 2013, 2012 and 2011

Notes to the Consolidated Financial Statements

Quarterly Financial Data, (unaudited, included in Note 25 to the Consolidated Financial Statements)

Report of Independent Registered Public Accounting Firm

All other schedules are omitted because they are not required, or because the required information is included in the Consolidated Financial Statements or Notes.

PART IV

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned, thereunto duly authorized.

Date: February 28, 2014

DUKE ENERGY CORPORATION  
(Registrant)

By: /s/ LYNN J. GOOD  
Lynn J. Good  
Vice Chairman, President and  
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

(i) /s/ LYNN J. GOOD  
Lynn J. Good  
Vice Chairman, President and Chief Executive Officer (Principal Executive Officer and Director)

(ii) /s/ STEVEN K. YOUNG  
Steven K. Young  
Executive Vice President and Chief Financial Officer (Principal Financial Officer)

(iii) /s/ BRIAN D. SAVOY  
Brian D. Savoy  
Vice President, Chief Accounting Officer and Controller (Principal Accounting Officer)

(iv) Directors:

William Barnet, III*	James H. Hance, Jr.*	Carlos A. Saladrigas*
G. Alex Bernhardt, Sr.*	John T. Herron *	Philip R. Sharp*
Michael G. Browning*	James B. Hyler, Jr.*	
Harris E. DeLoach, Jr.*	William E. Kennard *	
Daniel R. DiMicco*	E. Marie McKee*	
John H. Forsgren*	E. James Reinsch*	
Ann M. Gray*	James T. Rhodes*	

Steven K. Young, by signing his name hereto, does hereby sign this document on behalf of the registrant and on behalf of each of the above-named persons previously indicated by asterisk pursuant to a power of attorney duly executed by the registrant and such persons, filed with the Securities and Exchange Commission as an exhibit hereto.

By: /s/ STEVEN K. YOUNG  
Attorney-In-Fact

Date: February 28, 2014

PART IV

**SIGNATURES**

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Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 28, 2014

DUKE ENERGY CAROLINAS, LLC  
(Registrant)

By: /s/ LYNN J. GOOD  
Lynn J. Good  
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

- (i) /s/ LYNN J. GOOD  
Lynn J. Good  
Chief Executive Officer (Principal Executive Officer)
- (ii) /s/ STEVEN K. YOUNG  
Steven K. Young  
Executive Vice President and Chief Financial Officer (Principal Financial Officer)
- (iii) /s/ BRIAN D. SAVOY  
Brian D. Savoy  
Vice President, Chief Accounting Officer and Controller (Principal Accounting Officer)
- (iv) Directors:
  - /s/ LYNN J. GOOD  
Lynn J. Good
  - /s/ B. KEITH TRENT  
B. Keith Trent
  - /s/ LLOYD M. YATES  
Lloyd M. Yates

Date: February 28, 2014

PART IV

**SIGNATURES**

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Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 28, 2014

PROGRESS ENERGY, INC.  
(Registrant)

By: /s/ LYNN J. GOOD  
Lynn J. Good  
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

- (i) /s/ LYNN J. GOOD  
Lynn J. Good  
Chief Executive Officer (Principal Executive Officer)
- (ii) /s/ STEVEN K. YOUNG  
Steven K. Young  
Executive Vice President and Chief Financial Officer (Principal Financial Officer)
- (iii) /s/ BRIAN D. SAVOY  
Brian D. Savoy  
Vice President, Chief Accounting Officer and Controller (Principal Accounting Officer)
- (iv) Directors:
  - /s/ LYNN J. GOOD  
Lynn J. Good
  - /s/ JULIA S. JANSON  
Julia S. Janson

Date: February 28, 2014



PART IV

**SIGNATURES**

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Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 28, 2014

DUKE ENERGY PROGRESS, INC.  
(Registrant)

By: /s/ LYNN J. GOOD  
Lynn J. Good  
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

- (i) /s/ LYNN J. GOOD  
Lynn J. Good  
Chief Executive Officer (Principal Executive Officer)
- (ii) /s/ STEVEN K. YOUNG  
Steven K. Young  
Executive Vice President and Chief Financial Officer (Principal Financial Officer)
- (iii) /s/ BRIAN D. SAVOY  
Brian D. Savoy  
Vice President, Chief Accounting Officer and Controller (Principal Accounting Officer)
- (iv) Directors:
  - /s/ LYNN J. GOOD  
Lynn J. Good
  - /s/ DHIAA M. JAMIL  
Dhiaa M. Jamil
  - /s/ JULIA S. JANSON  
Julia S. Janson
  - /s/ B. KEITH TRENT  
B. Keith Trent
  - /s/ LLOYD M. YATES  
Lloyd M. Yates

Date: February 28, 2014

PART IV

**SIGNATURES**

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Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 28, 2014

DUKE ENERGY FLORIDA, INC.  
(Registrant)

By: /s/ LYNN J. GOOD  
Lynn J. Good  
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

- (i) /s/ LYNN J. GOOD  
Lynn J. Good  
Chief Executive Officer (Principal Executive Officer)
- (ii) /s/ STEVEN K. YOUNG  
Steven K. Young  
Executive Vice President and Chief Financial Officer (Principal Financial Officer)
- (iii) /s/ BRIAN D. SAVOY  
Brian D. Savoy  
Vice President, Chief Accounting Officer and Controller (Principal Accounting Officer)
- (iv) Directors:
  - /s/ LYNN J. GOOD  
Lynn J. Good
  - /s/ DHIAA M. JAMIL  
Dhiaa M. Jamil
  - /s/ JULIA S. JANSON  
Julia S. Janson
  - /s/ B. KEITH TRENT  
B. Keith Trent
  - /s/ LLOYD M. YATES  
Lloyd M. Yates

Date: February 28, 2014

PART IV

**SIGNATURES**

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Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 28, 2014

DUKE ENERGY OHIO, INC  
(Registrant)

By: /s/ LYNN J. GOOD  
Lynn J. Good  
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

- (i) /s/ LYNN J. GOOD  
Lynn J. Good  
Chief Executive Officer (Principal Executive Officer)
- (ii) /s/ STEVEN K. YOUNG  
Steven K. Young  
Executive Vice President and Chief Financial Officer (Principal Financial Officer)
- (iii) /s/ BRIAN D. SAVOY  
Brian D. Savoy  
Vice President, Chief Accounting Officer and Controller (Principal Accounting Officer)
- (iv) Directors:
  - /s/ LYNN J. GOOD  
Lynn J. Good
  - /s/ B. KEITH TRENT  
B. Keith Trent
  - /s/ LLOYD M. YATES  
Lloyd M. Yates

Date: February 28, 2014

PART IV

**SIGNATURES**

---

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 28, 2014

DUKE ENERGY INDIANA, INC  
(Registrant)

By: /s/ LYNN J. GOOD  
Lynn J. Good  
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

- (i) /s/ LYNN J. GOOD  
Lynn J. Good  
Chief Executive Officer (Principal Executive Officer)
- (ii) /s/ STEVEN K. YOUNG  
Steven K. Young  
Executive Vice President and Chief Financial Officer (Principal Financial Officer)
- (iii) /s/ BRIAN D. SAVOY  
Brian D. Savoy  
Vice President, Chief Accounting Officer and Controller (Principal Accounting Officer)
- (iv) Directors:
  - /s/ DOUGLAS F. ESAMANN  
Douglas F. Esamann
  - /s/ KELLEY A. KARN  
Kelley A. Karn
  - /s/ LLOYD M. YATES  
Lloyd M. Yates

Date: February 28, 2014

**EXHIBIT INDEX**

Exhibits filed herewithin are designed by an asterisk (\*). All exhibits not so designated are incorporated by reference to a prior filing, as indicated. Items constituting management contracts or compensatory plans or arrangements are designated by a double asterisk (\*\*). The Company agrees to furnish upon request to the Commission a copy of any omitted schedules or exhibits upon request on all items designated by a triple asterisk (\*\*\*). Legacy Progress Energy, management contract or compensation plan or arrangement required to be filed as an exhibit to this report pursuant to Item 15 (b) of Form 10-K (+).

Exhibit Number		Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
2.1	Agreement and Plan of Merger between Duke Energy Corporation, Diamond Acquisition Corporation and Progress Energy, Inc., dated as of January 8, 2011, (incorporated by reference to Exhibit 2.1 to Duke Energy Corporation's Current Report on Form 8-K filed on January 11, 2011, File No. 1-32853).	X						
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to Duke Energy Corporation's Current Report on Form 8-K filed on April 4, 2006, File No. 1-32853).	X						
3.1.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to Duke Energy Corporation's Current Report on Form 8-K filed on July 3, 2012, File No. 1-32853).	X						
3.2	Articles of Organization including Articles of Conversion (incorporated by reference to Exhibit 3.1 to Duke Energy Carolinas, LLC's Current Report on Form 8-K filed on April 7, 2006, File No. 1-04928).		X					
3.2.1	Amended Articles of Organization, effective October 1, 2006, (incorporated by reference to Exhibit 3.1 to Duke Energy Carolinas, LLC's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 filed on November 13, 2006, File No. 1-04928).		X					
3.3	Amended Articles of Consolidation of Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company), effective October 23, 1996, (incorporated by reference to Exhibit 3(a) to registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996 filed on November 13, 1996, File No. 1-01232).						X	
3.3.1	Amended Articles of Consolidation, effective October 1, 2006, (incorporated by reference to Exhibit 3.1 to Duke Energy Ohio, Inc.'s (formerly The Cincinnati Gas & Electric Company) Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 filed on November 17, 2006, File No. 1-01232).						X	
3.4	Amended Articles of Consolidation of Duke Energy Indiana, Inc. (formerly PSI Energy Inc.), effective April 20, 1995, (incorporated by reference to Exhibit 3(a) to registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995 filed on August 11, 1995, File No. 1-03543).							X
3.4.1	Amendment to Article D of the Amended Articles of Consolidation of Duke Energy Indiana, Inc. (formerly PSI Energy Inc.), effective July 10, 1997, (incorporated by reference to Exhibit 3(f) to registrant's Annual Report on Form 10-K for the year ended December 31, 1997 filed on March 27, 1998, File No. 1-03543).							X
3.4.2	Amended Articles of Consolidation, effective October 1, 2006, (incorporated by reference to Exhibit 3.1 to Duke Energy Indiana, Inc.'s (formerly PSI Energy, Inc.) Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 filed on November 17, 2006, File No. 1-03543).							X
3.5	Amended and Restated By-Laws of Duke Energy Corporation (incorporated by reference to Exhibit 3.1 to registrant's Current Report on Form 8-K filed on October 25, 2013, File No. 1-32853).	X						
3.6	Limited Liability Company Operating Agreement of Duke Energy Carolinas, LLC (incorporated by reference to Exhibit 3.2 to registrant's Current Report on Form 8-K filed on April 7, 2006, File No. 1-04928).		X					
3.7	Regulations of Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company), effective July 23, 2003, (incorporated by reference to Exhibit 3.2 to registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 filed on August 13, 2003, File No. 1-01232).						X	

## PART IV

Exhibit Number		Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
3.8	By-Laws of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.), effective July 23, 2003, (incorporated by reference to Exhibit 3.1 to registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 filed on August 13, 2003, File No. 1-03543).							X
3.10	Restated Charter of Duke Energy Progress (formerly Carolina Power & Light Company), effective May 10, 1996, (incorporated by reference to Exhibit 3(i) to registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997 filed on August 13, 1997, File No. 1-03382).				X			
3.11	Amended and Restated Articles of Incorporation of Progress Energy, Inc. (formerly CP&L Energy, Inc.), effective June 15, 2000, (incorporated by reference to Exhibit 3(a)(1) to registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000 filed on August 14, 2000, File No. 1-03382).			X				
3.11.1	Articles of Amendment to the Amended and Restated Articles of Incorporation of Progress Energy, Inc. (formerly CP&L Energy, Inc.), effective December 4, 2000, (incorporated by reference to Exhibit 3(b)(1) to registrant's Annual Report on Form 10-K for the year ended December 31, 2001 filed on March 28, 2002, File No. 1-03382).			X				
3.11.2	Articles of Amendment to the Amended and Restated Articles of Incorporation of Progress Energy, Inc. (formerly CP&L Energy, Inc.), effective May 10, 2006, (incorporated by reference to Exhibit 3(a) to registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006 filed on August 9, 2006, File No. 1-15929).			X				
3.12	Amended Articles of Incorporation of Duke Energy Florida, Inc. (formerly Florida Power Corporation) (incorporated by reference to Exhibit 3(a) to registrant's Annual Report on Form 10-K for the year ended December 31, 1991 filed on March 30, 1992, File No. 1-03274).					X		
3.13	By-Laws of Progress Energy, Inc. (formerly CP&L Energy, Inc.), effective May 10, 2006, (incorporated by reference to Exhibit 3(b) to registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006 filed on August 9, 2006, File No. 1-15929).			X				
3.14	By-Laws of Duke Energy Progress, Inc. (formerly Carolina Power & Light Company), effective May 13, 2009, (incorporated by reference to Exhibit 3(b) to registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009 filed on August 7, 2009, File No. 1-15929).				X			
3.15	By-Laws of Duke Energy Florida, Inc. (formerly Florida Power Corporation), effective September 20, 2010, (incorporated by reference to Exhibit 3.1 to registrant's Current Report on Form 8-K filed on September 20, 2010, File No. 1-3274).					X		
4.1	Indenture between Duke Energy Corporation and The Bank of New York Mellon Trust Company, N.A., as Trustee, dated as of June 3, 2008, (incorporated by reference to Exhibit 4.1 to registrant's Current Report on Form 8-K filed on June 16, 2008, File No. 1-32853).	X						
4.1.1	First Supplemental Indenture, dated as of June 16, 2008, (incorporated by reference to Exhibit 4.2 to Duke Energy Corporation's Current Report on Form 8-K filed on June 16, 2008, File No. 1-32853).	X						
4.1.2	Second Supplemental Indenture, dated as of January 26, 2009, (incorporated by reference to Exhibit 4.1 to Duke Energy Corporation's Current Report on Form 8-K filed on January 26, 2009, File No. 1-32853).	X						
4.1.3	Third Supplemental Indenture, dated as of August 28, 2009, (incorporated by reference to Exhibit 4.1 to Duke Energy Corporation's Current Report on Form 8-K filed on August 28, 2009, File No. 1-32853).	X						
4.1.4	Fourth Supplemental Indenture, dated as of March 25, 2010, (incorporated by reference to Exhibit 4.1 to Duke Energy Corporation's Current Report on Form 8-K filed on March 25, 2010, File No. 1-32853).	X						

## PART IV

Exhibit Number		Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
4.1.5	Fifth Supplemental Indenture, dated as of August 25, 2011, (incorporated by reference to Exhibit 4.1 to Duke Energy Corporation's Current Report on Form 8-K filed on August 25, 2011, File No. 1-32853).	X						
4.1.6	Sixth Supplemental Indenture, dated as of November 17, 2011, (incorporated by reference to Exhibit 4.1 to Duke Energy Corporation's Current Report on Form 8-K filed on November 17, 2011, File No. 1-32853).	X						
4.1.7	Seventh Supplemental Indenture, dated as of August 16, 2012, (incorporated by reference to Exhibit 4.1 to Duke Energy Corporation's Current Report on Form 8-K filed on August 16, 2012, File No. 1-32853).	X						
4.1.8	Eighth Supplemental Indenture, dated as of January 14, 2013, (incorporated by reference to Exhibit 2 to Duke Energy Corporation's Form 8-A filed on January 14, 2013, File No. 1-32853).	X						
4.1.9	Ninth Supplemental Indenture, dated as of June 13, 2013, (incorporated by reference to Exhibit 4.1 to Duke Energy Corporation's Current Report on Form 8-K filed on June 13, 2013, File No. 1-32853).	X						
4.1.10	Tenth Supplemental Indenture, dated as of October 11, 2013, (incorporated by reference to Exhibit 4.1 to Duke Energy Corporation's Current Report on Form 8-K filed on October 11, 2013, File No. 1-32853).	X						
4.2	Senior Indenture between Duke Energy Carolinas, LLC and The Bank of New York Mellon Trust Company, N.A., as successor trustee to JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), dated as of September 1, 1998, (incorporated by reference to Exhibit 4-D-1 to registrant's Post-Effective Amendment No. 2 to Registration Statement on Form S-3 filed on April 7, 1999, File No. 333-14209).		X					
4.2.1	Fifteenth Supplemental Indenture, dated as of April 3, 2006, (incorporated by reference to Exhibit 4.4.1 to Duke Energy Corporation's Registration Statement on Form S-3 filed on October 3, 2007, File No. 333-146483).	X						
4.2.2	Sixteenth Supplemental Indenture, dated as of June 5, 2007, (incorporated by reference to Exhibit 4.1 to Duke Energy Carolinas, LLC's Current Report on Form 8-K filed on June 6, 2007, File No. 1-04928).		X					
4.3	First and Refunding Mortgage from Duke Energy Carolinas, LLC to The Bank of New York Mellon Trust Company, N.A., successor trustee to Guaranty Trust Company of New York, dated as of December 1, 1927, (incorporated by reference to Exhibit 7(a) to registrant's Form S-1, effective October 15, 1947, File No. 2-7224).		X					
4.3.1	Instrument of Resignation, Appointment and Acceptance among Duke Energy Carolinas, LLC, JPMorgan Chase Bank, N.A., as Trustee, and The Bank of New York Mellon Trust Company, N.A., as Successor Trustee, dated as of September 24, 2007, (incorporated by reference to Exhibit 4.6.1 to registrant's Registration Statement on Form S-3 filed on October 3, 2007, File No. 333-146483).		X					
4.3.2	Ninth Supplemental Indenture, dated as of February 1, 1949, (incorporated by reference to Exhibit 7 (j) to registrant's Form S-1 filed on February 3, 1949, File No. 2-7808).		X					
4.3.3	Twentieth Supplemental Indenture, dated as of June 15, 1964, (incorporated by reference to Exhibit 4-B-20 to registrant's Form S-1 filed on August 23, 1966, File No. 2-25367).		X					
4.3.4	Twenty-third Supplemental Indenture, dated as of February 1, 1968, (incorporated by reference to Exhibit 2-B-26 to registrant's Form S-9 filed on January 21, 1969, File No. 2-31304).		X					
4.3.5	Sixtieth Supplemental Indenture, dated as of March 1, 1990, (incorporated by reference to Exhibit 4-B-61 to registrant's Annual Report on Form 10-K for the year ended December 31, 1990, File No. 1-04928).		X					
4.3.6	Sixty-third Supplemental Indenture, dated as of July 1, 1991, (incorporated by reference to Exhibit 4-B-64 to registrant's Registration Statement on Form S-3 filed on February 13, 1992, File No. 33-45501).		X					

# PART IV

Exhibit Number		Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
4.3.7	Eighty-fourth Supplemental Indenture, dated as of March 20, 2006, (incorporated by reference to Exhibit 4.6.9 to Duke Energy Corporation's Registration Statement on Form S-3 filed on October 3, 2007, File No. 333-146483).	X						
4.3.8	Eighty-fifth Supplemental Indenture, dated as of January 10, 2008, (incorporated by reference to Exhibit 4.1 to Duke Energy Carolinas, LLC's Current Report on Form 8-K filed on January 11, 2008, File No.1-04928).		X					
4.3.9	Eighty-seventh Supplemental Indenture, dated as of April 14, 2008, (incorporated by reference to Exhibit 4.1 to Duke Energy Carolinas, LLC's Current Report on Form 8-K filed on April 15, 2008, File No.1-04928).		X					
4.3.10	Eighty-eighth Supplemental Indenture, dated as of November 17, 2008, (incorporated by reference to Exhibit 4.1 to Duke Energy Carolinas, LLC's Current Report on Form 8-K filed on November 20, 2008, File No.1-04928).		X					
4.3.11	Ninetieth Supplemental Indenture, dated as of November 19, 2009, (incorporated by reference to Exhibit 4.1 to Duke Energy Carolinas, LLC's Current Report on Form 8-K filed on November 19, 2009, File No.1-04928).		X					
4.3.12	Ninety-first Supplemental Indenture, dated as of June 7, 2010, (incorporated by reference to Exhibit 4.1 to Duke Energy Carolinas, LLC's Current Report on Form 8-K filed on June 7, 2010, File No.1-04928).		X					
4.3.13	Ninety-third Supplemental Indenture, dated as of May 19, 2011, (incorporated by reference to Exhibit 4.1 to Duke Energy Carolinas, LLC's Current Report on Form 8-K filed on May 19, 2011, File No.1-04928).		X					
4.3.14	Ninety-fourth Supplemental Indenture, dated as of December 8, 2011, (incorporated by reference to Exhibit 4.1 to Duke Energy Carolinas, LLC's Current Report on Form 8-K filed on December 8, 2011, File No.1-04928).		X					
4.3.15	Ninety-fifth Supplemental Indenture, dated as of September 21, 2012, (incorporated by reference to Exhibit 4.1 to Duke Energy Carolinas, LLC's Current Report on Form 8-K filed on September 21, 2012, File No.1-04928).		X					
4.4	Mortgage and Deed of Trust between Duke Energy Progress, Inc. (formerly Carolina Power & Light Company) and The Bank of New York Mellon (formerly Irving Trust Company) and Frederick G. Herbst (Tina D. Gonzalez, successor), as Trustees, dated as of May 1, 1940.				X			
4.4.1	First through Fifth Supplemental Indentures thereto (Exhibit 2(b), File No. 2-64189); the Sixth through Sixty-sixth Supplemental Indentures (Exhibit 2(b)-5, File No. 2-16210; Exhibit 2(b)-6, File No. 2-16210; Exhibit 4(b)-8, File No. 2-19118; Exhibit 4(b)-2, File No. 2-22439; Exhibit 4(b)-2, File No. 2-24624; Exhibit 2(c), File No. 2-27297; Exhibit 2(c), File No. 2-30172; Exhibit 2(c), File No. 2-35694; Exhibit 2(c), File No. 2-37505; Exhibit 2(c), File No. 2-39002; Exhibit 2(c), File No. 2-41738; Exhibit 2(c), File No. 2-43439; Exhibit 2(c), File No. 2-47751; Exhibit 2(c), File No. 2-49347; Exhibit 2(c), File No. 2-53113; Exhibit 2(d), File No. 2-53113; Exhibit 2(c), File No. 2-59511; Exhibit 2(c), File No. 2-61611; Exhibit 2(d), File No. 2-64189; Exhibit 2(c), File No. 2-65514; Exhibits 2(c) and 2(d), File No. 2-66851; Exhibits 4(b)-1, 4(b)-2, and 4(b)-3, File No. 2-81299; Exhibits 4(c)-1 through 4(c)-8, File No. 2-95505; Exhibits 4(b) through 4(h), File No. 33-25560; Exhibits 4(b) and 4(c), File No. 33-33431; Exhibits 4(b) and 4(c), File No. 33-38298; Exhibits 4(h) and 4(i), File No. 33-42869; Exhibits 4(e)-(g), File No. 33-48607; Exhibits 4(e) and 4(f), File No. 33-55060; Exhibits 4(e) and 4(f), File No. 33-60014; Exhibits 4(a) and 4(b) to Post-Effective Amendment No. 1, File No. 33-38349; Exhibit 4(e), File No. 33-50597; Exhibit 4(e) and 4(f) to Registration Statement on Form S-3, File No. 33-57835, filed on February 24, 1995; Exhibit to the Current Report on Form 8-K filed on August 28, 1997, File No. 1-03382; Exhibit 4(b) to Registration Statement on Form S-3, File No. 333-69237, filed on December 18, 1998; and Exhibit 4(c) to the Current Report on Form 8-K filed on March 19, 1999, File No. 1-03382).				X			



## PART IV

Exhibit Number		Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
4.4.2	Seventy-second Supplemental Indenture, dated as of September 1, 2003, (incorporated by reference to Exhibit 4 to Duke Energy Progress, Inc.'s (formerly Carolina Power & Light Company (d/b/a Progress Energy Carolinas, Inc.)) Current Report on Form 8-K filed on September 12, 2003, File No. 1-03382).				X			
4.4.3	Seventy-third Supplemental Indenture, dated as of March 1, 2005, (incorporated by reference to Exhibit 4 to Duke Energy Progress, Inc.'s (formerly Carolina Power & Light Company (d/b/a Progress Energy Carolinas, Inc.)) Current Report on Form 8-K filed on March 22, 2005, File No. 1-03382).				X			
4.4.4	Seventy-fourth Supplemental Indenture, dated as of November 1, 2005, (incorporated by reference to Exhibit 4 to Duke Energy Progress, Inc.'s (formerly Carolina Power & Light Company (d/b/a Progress Energy Carolinas, Inc.)) Current Report on Form 8-K filed on November 30, 2005, File No. 1-03382).				X			
4.4.5	Seventy-fifth Supplemental Indenture, dated as of March 1, 2008, (incorporated by reference to Exhibit 4 to Duke Energy Progress, Inc.'s (formerly Carolina Power & Light Company (d/b/a Progress Energy Carolinas, Inc.)) Current Report on Form 8-K filed on March 13, 2008, File No. 1-03382).				X			
4.4.6	Seventy-sixth Supplemental Indenture, dated as of January 1, 2009, (incorporated by reference to Exhibit 4 to Duke Energy Progress, Inc.'s (formerly Carolina Power & Light Company (d/b/a Progress Energy Carolinas, Inc.)) Current Report on Form 8-K filed on January 15, 2009, File No. 1-03382).				X			
4.4.7	Seventy-seventh Supplemental Indenture, dated as of June 18, 2009, (incorporated by reference to Exhibit 4 to Duke Energy Progress, Inc.'s (formerly Carolina Power & Light Company (d/b/a Progress Energy Carolinas, Inc.)) Current Report on Form 8-K filed on June 23, 2009, File No. 1-03382).				X			
4.4.8	Seventy-eighth Supplemental Indenture, dated as of September 1, 2011, (incorporated by reference to Exhibit 4 to Duke Energy Progress, Inc.'s (formerly Carolina Power & Light Company (d/b/a Progress Energy Carolinas, Inc.)) Current Report on Form 8-K filed on September 15, 2011, File No. 1-03382).				X			
4.4.9	Seventy-ninth Supplemental Indenture, dated as of May 1, 2012, (incorporated by reference to Exhibit 4 to Duke Energy Progress, Inc.'s (formerly Carolina Power & Light Company (d/b/a Progress Energy Carolinas, Inc.)) Current Report on Form 8-K filed on May 18, 2012, File No. 1-03382).				X			
4.4.10	Eightieth Supplemental Indenture, dated as of March 1, 2013, (incorporated by reference to Exhibit 4.1 to Duke Energy Progress, Inc.'s (formerly Carolina Power & Light Company (d/b/a Progress Energy Carolinas, Inc.)) Current Report on Form 8-K filed on March 12, 2013, File No. 1-03382).				X			
4.5	Indenture (for Debt Securities) between Duke Energy Progress, Inc. (formerly Carolina Power & Light Company) and The Bank of New York Mellon (successor in interest to The Chase Manhattan Bank), as Trustee (incorporated by reference to Exhibit 4(a) to registrant's Current Report on Form 8-K filed on November 5, 1999, File No. 1-03382).				X			
4.6	Indenture (for [Subordinated] Debt Securities)(open ended) (incorporated by reference to Exhibit 4(a)(2) to Duke Energy Progress, Inc.'s (formerly Carolina Power & Light Company (d/b/a Progress Energy Carolinas, Inc.)) Registration Statement on Form S-3 filed on November 18, 2008, File No. 333-155418).				X			
4.7	Indenture (for First Mortgage Bonds) between Duke Energy Florida, Inc. (formerly Florida Power Corporation) and The Bank of New York Mellon (as successor to Guaranty Trust Company of New York and The Florida National Bank of Jacksonville), as Trustee, dated as of January 1, 1944, (incorporated by reference to Exhibit B-18 to registrant's Form A-2, File No. 2-05293).					X		
4.7.1	Seventh Supplemental Indenture (incorporated by reference to Exhibit 4(b) to Duke Energy Florida, Inc.'s (formerly Florida Power Corporation) Registration Statement on Form S-3 filed on September 27, 1991, File No. 33-16788).					X		

PART IV

Exhibit Number		Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
4.7.2	Eighth Supplemental Indenture (incorporated by reference to Exhibit 4(c) to Duke Energy Florida, Inc.'s (formerly Florida Power Corporation) Registration Statement on Form S-3 filed on September 27, 1991, File No. 33-16788).					X		
4.7.3	Sixteenth Supplemental Indenture (incorporated by reference to Exhibit 4(d) to Duke Energy Florida, Inc.'s (formerly Florida Power Corporation) Registration Statement on Form S-3 filed on September 27, 1991, File No. 33-16788).					X		
4.7.4	Twenty-ninth Supplemental Indenture (incorporated by reference to Exhibit 4(c) to Duke Energy Florida, Inc.'s (formerly Florida Power Corporation) Registration Statement on Form S-3 filed on September 17, 1982, File No. 2-79832).					X		
4.7.5	Thirty-eighth Supplemental Indenture, dated as of July 25, 1994, (incorporated by reference to exhibit 4(f) to Duke Energy Florida, Inc.'s (formerly Florida Power Corporation) Registration Statement on Form S-3 filed on August 29, 1994, File No. 33-55273).					X		
4.7.6	Forty-first Supplemental Indenture, dated as of February 1, 2003, (incorporated by reference to Exhibit 4 to Duke Energy Florida, Inc.'s (formerly Duke Energy Florida Power Corporation (d/b/a Progress Energy Florida, Inc.)) Current Report on Form 8-K filed on February 21, 2003, File No. 1-03274).					X		
4.7.7	Forty-second Supplemental Indenture, dated as of April 1, 2003, (incorporated by reference to Exhibit 4 to Duke Energy Florida, Inc.'s (formerly Florida Power Corporation (d/b/a Progress Energy Florida, Inc.)) Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 filed on August 11, 2003, File No. 1-03274).					X		
4.7.8	Forty-third Supplemental Indenture, dated as of November 1, 2003, (incorporated by reference to Exhibit 4 to Duke Energy Florida, Inc.'s (formerly Florida Power Corporation (d/b/a Progress Energy Florida, Inc.)) Current Report on Form 8-K filed on November 21, 2003, File No. 1-03274).					X		
4.7.9	Forty-fourth Supplemental Indenture, dated as of August 1, 2004, (incorporated by reference to Exhibit 4(m) to Duke Energy Florida, Inc.'s (formerly Florida Power Corporation (d/b/a Progress Energy Florida, Inc.)) Annual Report on Form 10-K for the year ended December 31, 2004 filed on March 16, 2005, File No. 1-03274).					X		
4.7.10	Forty-sixth Supplemental Indenture, dated as of September 1, 2007, (incorporated by reference to Exhibit 4 to Duke Energy Florida, Inc.'s (formerly Florida Power Corporation (d/b/a Progress Energy Florida, Inc.)) Current Report on Form 8-K filed on September 19, 2007, File No. 1-03274).					X		
4.7.11	Forty-seventh Supplemental Indenture, dated as of December 1, 2007, (incorporated by reference to Exhibit 4 to Duke Energy Florida, Inc.'s (formerly Florida Power Corporation (d/b/a Progress Energy Florida, Inc.)) Current Report on Form 8-K filed on December 13, 2007, File No. 1-03274).					X		
4.7.12	Forty-eighth Supplemental Indenture, dated as of June 1, 2008, (incorporated by reference to Exhibit 4 to Duke Energy Florida, Inc.'s (formerly Florida Power Corporation (d/b/a Progress Energy Florida, Inc.)) Current Report on Form 8-K filed on June 18, 2008, File No. 1-03274).					X		
4.7.13	Forty-ninth Supplemental Indenture, dated as of March 1, 2010, (incorporated by reference to Exhibit 4 to Duke Energy Florida, Inc.'s (formerly Florida Power Corporation (d/b/a Progress Energy Florida, Inc.)) Current Report on Form 8-K filed on March 25, 2010, File No. 1-03274).					X		
4.7.14	Fiftieth Supplemental Indenture, dated as of August 11, 2011, (incorporated by reference to Exhibit 4 to Duke Energy Florida, Inc.'s (formerly Florida Power Corporation (d/b/a Progress Energy Florida, Inc.)) Current Report on Form 8-K filed on August 18, 2011, File No. 1-03274).					X		
4.7.15	Fifty-first Supplemental Indenture, dated as of November 1, 2012, (incorporated by reference to Exhibit 4.1 to Duke Energy Florida, Inc.'s (formerly Florida Power Corporation (d/b/a Progress Energy Florida, Inc.)) Current Report on Form 8-K filed on November 20, 2012, File No. 1-03274).					X		

## PART IV

Exhibit Number	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
4.8					X		
4.9					X		
4.10						X	
4.10.1						X	
4.10.2						X	
4.11						X	
4.11.1						X	
4.11.2						X	
4.12							X
4.12.1							X
4.12.2							X
4.12.3							X

## PART IV

Exhibit Number		Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
4.12.4	Tenth Supplemental Indenture, dated as of June 9, 2006, (incorporated by reference to Exhibit 4.1 to Duke Energy Indiana, Inc.'s (formerly PSI Energy, Inc.) Current Report on Form 8-K filed on June 15, 2006, File No. 1-03543).							X
4.13	Original Indenture (First Mortgage Bonds) between Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) and Deutsche Bank National Trust Company, as Successor Trustee, dated as of September 1, 1939, (filed as an exhibit in File No. 70-258).							X
4.13.1	Tenth Supplemental Indenture, dated as of July 1, 1952, (filed as an exhibit in File No. 2-9687).							X
4.13.2	Twenty-third Supplemental Indenture, dated as of January 1, 1977, (filed as an exhibit in File No. 2-57828).							X
4.13.3	Twenty-fifth Supplemental Indenture, dated as of September 1, 1978, (filed as an exhibit in File No. 2-62543).							X
4.13.4	Twenty-sixth Supplemental Indenture, dated as of September 1, 1978, (filed as an exhibit in File No. 2-62543).							X
4.13.5	Thirtieth Supplemental Indenture, dated as of August 1, 1980, (filed as an exhibit in File No. 2-68562).							X
4.13.6	Thirty-fifth Supplemental Indenture, dated as of March 30, 1984, (filed as an exhibit to registrant's Annual Report on Form 10-K for the year ended December 31, 1984, File No. 1-03543).							X
4.13.7	Forty-sixth Supplemental Indenture, dated as of June 1, 1990, (filed as an exhibit to registrant's Annual Report on Form 10-K for the year ended December 31, 1991, File No. 1-03543).							X
4.13.8	Forty-seventh Supplemental Indenture, dated as of July 15, 1991, (filed as an exhibit to registrant's Annual Report on Form 10-K for the year ended December 31, 1991, File No. 1-03543).							X
4.13.9	Forty-eighth Supplemental Indenture, dated as of July 15, 1992, (filed as an exhibit to registrant's Annual Report on Form 10-K for the year ended December 31, 1992, File No. 1-03543).							X
4.13.10	Fifty-second Supplemental Indenture, dated as of April 30, 1999, (incorporated by reference to Exhibit 4 to Duke Energy Indiana, Inc.'s (formerly PSI Energy, Inc.) Quarterly Report on Form 10-Q for the quarter ended March 31, 1999 filed on May 13, 1999, File No. 1-03543).							X
4.13.11	Fifty-seventh Supplemental Indenture, dated as of August 21, 2008, (incorporated by reference to Exhibit 4.1 to Duke Energy Indiana, Inc.'s (formerly PSI Energy, Inc.) Current Report Form 8-K filed on August 21, 2008, File No. 1-03543).							X
4.13.12	Fifty-eighth Supplemental Indenture, dated as of December 19, 2008, (incorporated by reference to Exhibit 4.8.12 to Duke Energy Indiana, Inc.'s (formerly PSI Energy, Inc.) Registration Statement on Form S-3 filed on September 29, 2010, File No. 333-169633-02).							X
4.13.13	Fifty-ninth Supplemental Indenture, dated as of March 23, 2009, (incorporated by reference to Exhibit 4.1 to Duke Energy Indiana, Inc.'s (formerly PSI Energy, Inc.) Current Report on Form 8-K filed on March 24, 2009, File No. 1-03543).							X
4.13.14	Sixtieth Supplemental Indenture, dated as of June 1, 2009, (incorporated by reference to Exhibit 4.8.14 to Duke Energy Indiana, Inc.'s (formerly PSI Energy, Inc.) Registration Statement on Form S-3 filed on September 29, 2010, File No. 333-169633-02).							X
4.13.15	Sixty-first Supplemental Indenture, dated as of October 1, 2009, (incorporated by reference to Exhibit 4.8.15 to Duke Energy Indiana, Inc.'s (formerly PSI Energy, Inc.) Registration Statement on Form S-3 filed on September 29, 2010, File No. 333-169633-02).							X

PART IV

Exhibit Number		Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
4.13.16	Sixty-second Supplemental Indenture, dated as of July 9, 2010, (incorporated by reference to Exhibit 4.1 to Duke Energy Indiana, Inc.'s (formerly PSI Energy, Inc.) Current Report on Form 8-K filed on July 9, 2010, File No. 1-03543).							X
4.13.17	Sixty-third Supplemental Indenture, dated as of September 23, 2010, (incorporated by reference to Exhibit 4.8.17 to Duke Energy Indiana, Inc.'s (formerly PSI Energy, Inc.) Registration Statement on Form S-3 filed on September 29, 2010, File No. 333-169633-02).							X
4.13.18	Sixty-fourth Supplemental Indenture, dated as of December 1, 2011, (incorporated by reference to Exhibit 4(d)(2)(xviii) to Duke Energy Indiana, Inc.'s (formerly PSI Energy, Inc.) Registration Statement on Form S-3 filed on September 30, 2013, File No.333-191462-03).							X
4.13.19	Sixty-fifth Supplemental Indenture, dated as of March 15, 2012, (incorporated by reference to Exhibit 4.1 to Duke Energy Indiana, Inc.'s (formerly PSI Energy, Inc.) Current Report on Form 8-K filed on March 15, 2012, File No. 1-03543).							X
4.13.20	Sixty-sixth Supplemental Indenture, dated as of July 11, 2013, (incorporated by reference to Exhibit 4.1 to Duke Energy Indiana, Inc.'s (formerly PSI Energy, Inc.) Current Report on Form 8-K filed on July 11, 2013, File No. 1-03543).							X
4.14	Repayment Agreement between Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company) and The Dayton Power and Light Company, dated as of December 23, 1992, (filed with registrant's Annual Report on Form 10-K for the year ended December 31, 1992, File No. 1-01232).						X	
4.15	Unsecured Promissory Note between Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) and the Rural Utilities Service, dated as of October 14, 1998, (incorporated by reference to Exhibit 4 to registrant's Annual Report on Form 10-K for the year ended December 31, 1998 filed on March 8, 1999, File No. 1-03543).							X
4.16	6.302% Subordinated Note between Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) and Cinergy Corp., dated as of February 5, 2003, (incorporated by reference to Exhibit 4 (yyy) to registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 filed on May 12, 2003, File No. 1-03543).							X
4.17	6.403% Subordinated Note between Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) and Cinergy Corp., dated as of February 5, 2003, (incorporated by reference to Exhibit 4 (zzz) to registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 filed on May 12, 2003, File No. 1-03543).							X
4.18	Form of Duke Energy InterNote (Fixed Rate), dated as of November 13, 2012, (incorporated by reference to Exhibit 4.1 to Duke Energy Corporation's Current Report on Form 8-K filed on November 14, 2012, File No. 1-32853).	X						
4.19	Form of Duke Energy InterNote (Floating Rate), dated as of November 13, 2012, (incorporated by reference to Exhibit 4.2 to Duke Energy Corporation's Current Report on Form 8-K filed on November 14, 2012, File No. 1-32853).	X						
4.20	Contingent Value Obligation Agreement between Progress Energy, Inc. (formerly CP&L Energy, Inc.) and The Chase Manhattan Bank, as Trustee, dated as of November 30, 2000, (incorporated by reference to Exhibit 4.1 to registrant's Current Report on Form 8-K filed on December 1, 2000, File No. 1-03382).			X				
4.21	Forty-second Supplemental Indenture between Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company) and The Bank of New York Mellon Trust Company, N.A., as Trustee, dated as of September 6, 2013, (incorporated by reference to Exhibit 4.1 to registrant's Current Report on Form 8-K filed on September 6, 2013, File No. 1-01232).						X	
4.22	Sixty-sixth Supplemental Indenture between Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) and Deutsche Bank National Trust Company, as Trustee, dated as of July 11, 2013, (incorporated by reference to Exhibit 4.1 to registrant's Current Report on Form 8-K filed on July 11, 2013, File No. 1-03543).							

## PART IV

Exhibit Number		Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
							X	
10.1	Purchase and Sale Agreement between Duke Energy Americas, LLC and LSP Bay II Harbor Holding, LLC, dated as of January 8, 2006, (incorporated by reference to Exhibit 10.2 to registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 filed on May 10, 2006, File No. 1-32853).	X	X					
10.1.1	Amendment to Purchase and Sale Agreement between Duke Energy Americas, LLC, LS Power Generation, LLC (formerly LSP Bay II Harbor Holding, LLC), LSP Gen Finance Co, LLC, LSP South Bay Holdings, LLC, LSP Oakland Holdings, LLC, and LSP Morro Bay Holdings, LLC, dated as of May 4, 2006, (incorporated by reference to Exhibit 10.2.1 to registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 filed on May 10, 2006, File No. 1-32853).	X	X					
10.2**	Directors' Charitable Giving Program (incorporated by reference to Exhibit 10-P to Duke Energy Carolinas, LLC's Annual Report on Form 10-K for the year ended December 31, 1992, File No. 1-04928).	X						
10.2.1**	Amendment to Directors' Charitable Giving Program, dated as of June 18, 1997, (incorporated by reference to Exhibit 1-1.1 to Duke Energy Carolinas, LLC's Annual Report on Form 10-K for the year ended December 31, 2003 filed on March 15, 2004, File No. 1-04928).	X						
10.2.2**	Amendment to Directors' Charitable Giving Program, dated as of July 28, 1997, (incorporated by reference to Exhibit 10-1.2 to Duke Energy Carolinas, LLC's Annual Report on Form 10-K for the year ended December 31, 2003 filed on March 15, 2004, File No. 1-04928).	X						
10.2.3**	Amendment to Directors' Charitable Giving Program, dated as of February 18, 1998, (incorporated by reference to Exhibit 10-1.3 to Duke Energy Carolinas, LLC's Annual Report on Form 10-K for the year ended December 31, 2003 filed on March 15, 2004, File No. 1-04928).	X						
10.3**	Duke Energy Corporation 1998 Long-Term Incentive Plan, as amended, (incorporated by reference to Exhibit 1 to Duke Energy Carolinas, LLC's Form DEF 14A filed on March 28, 2003, File No. 1-04928).	X						
10.4	Agreements with Piedmont Electric Membership Corporation, Rutherford Electric Membership Corporation and Blue Ridge Electric Membership Corporation to provide wholesale electricity and related power scheduling services from September 1, 2006 through December 31, 2021 (incorporated by reference to Exhibit 10.15 to Duke Energy Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006 filed on August 9, 2006, File No. 1-32853).	X						
10.5	Asset Purchase Agreement between Saluda River Electric Cooperative, Inc., as Seller, and Duke Energy Carolinas, LLC, as Purchaser, dated as of December 20, 2006, (incorporated by reference to Exhibit 10.1 to registrant's Current Report on Form 8-K filed on December 27, 2006, File No. 1-04928).		X					
10.6	Settlement between Duke Energy Corporation, Duke Energy Carolinas, LLC and the U.S. Department of Justice resolving Duke Energy's used nuclear fuel litigation against the U.S. Department of Energy, dated as of March 6, 2007, (incorporated by reference to Item 8.01 to registrant's Current Report on Form 8-K filed on March 12, 2007, File No. 1-04928).		X					
10.7	Engineering, Procurement and Construction Agreement between Duke Energy Carolinas, LLC and Stone & Webster National Engineering P.C., dated as of July 11, 2007, (incorporated by reference to Exhibit 10.1 to registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007 filed on November 12, 2007, File No. 1-04928). (Portions of the exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended.)		X					
10.8	Deferred Compensation Agreement between Duke Energy Indiana, Inc. (PSI Energy, Inc.) and James E. Rogers, dated as of January 1, 1992.							X

## PART IV

Exhibit Number		Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
10.9	Amended and Restated Engineering, Procurement and Construction Agreement between Duke Energy Carolinas, LLC and Stone & Webster National Engineering P.C., dated as of February 20, 2008, (incorporated by reference to Exhibit 10.1 to registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 filed on May 14, 2008, File No. 1-04928). (Portions of the exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended).		X					
10.10	Asset Purchase Agreement between Cinergy Capital & Trading, Inc. (Capital & Trading), CinCap Madison, LLC and Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.), dated as of February 5, 2003, (incorporated by reference to Exhibit 10(tt) to registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 filed on May 12, 2003, File No. 1-03543).							X
10.11**	Form of Phantom Stock Award Agreement (incorporated by reference to Exhibit 10.1 to Duke Energy Corporation's Current Report on Form 8-K filed on April 4, 2006, File No. 1-32853).	X						
10.12	Amended and Restated Engineering and Construction Agreement between Duke Energy Carolinas, LLC and Shaw North Carolina, Inc., dated as of December 21, 2009, (incorporated by reference to Item 1.01 to registrant's Current Report on Form 8-K filed on December 28, 2009, File No. 1-04928).		X					
10.13	Asset Purchase Agreement between Capital & Trading, CinCap VII, LLC and Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.), dated as of February 5, 2003, (incorporated by reference to Exhibit 10(uu) to registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 filed on May 12, 2003, File No. 1-03543).							X
10.14	Asset Purchase Agreement between Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) and Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company) and Allegheny Energy Supply Company, LLC, Allegheny Energy Supply Wheatland Generating Facility, LLC and Lake Acquisition Company, L.L.C., dated as of May 6, 2005, (incorporated by reference to registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 filed on August 4, 2005, File No. 1-01232).						X	
10.15	Asset Purchase Agreement between Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) and CG&E and Allegheny Energy Supply Company, LLC, Allegheny Energy Supply Wheatland Generating Facility, LLC and Lake Acquisition Company, L.L.C., dated as of May 6, 2005, (incorporated by reference to Exhibit 10(kkkk) to registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 filed on August 4, 2005, File No. 1-03543).							X
10.16	Keepwell Agreement between Duke Capital LLC and Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company), dated as of April 10, 2006, (incorporated by reference to Exhibit 10.1 to registrant's Current Report on Form 8-K filed on April 14, 2006, File No. 1-01232).						X	
10.17	Agreements between Piedmont Electric Membership Corporation, Rutherford Electric Membership Corporation and Blue Ridge Electric Membership Corporation to provide wholesale electricity and related power scheduling services from September 1, 2006 through December 31, 2021 (incorporated by reference to Exhibit 10.15 to Duke Energy Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006 filed on August 9, 2006, File No. 1-32853).	X						
10.18	Asset Purchase Agreement between Duke Energy Indiana, Inc., (formerly PSI Energy, Inc.), as Seller, and Wabash Valley Power Association, Inc., as Buyer, dated as of December 1, 2006, (incorporated by reference to Exhibit 10.1 to registrant's Current Report on Form 8-K filed on December 7, 2006, File No. 1-03543).							X

## PART IV

Exhibit Number		Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
10.19	Purchase and Sale Agreement between Cinergy Capital & Trading, Inc., as Seller, and Fortis Bank, S.A./N.V., as Buyer, dated as of June 26, 2006, (incorporated by reference to Exhibit 10.1 to Duke Energy Corporation's Current Report on Form 8-K filed on June 30, 2006, File No. 1-32853).	X						
10.20	Engineering, Procurement and Construction Management Agreement between Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) and Bechtel Power Corporation, dated as of December 15, 2008, (incorporated by reference to Exhibit 10.16 to registrant's Annual Report on Form 10-K for the year ended December 31, 2008 filed on March 13, 2009, File No. 1-03543). (Portions of the exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended).							X
10.21	Formation and Sale Agreement between Duke Ventures, LLC, Crescent Resources, LLC, Morgan Stanley Real Estate Fund V U.S. L.P., Morgan Stanley Real Estate Fund V Special U.S., L.P., Morgan Stanley Real Estate Investors V U.S., L.P., MSP Real Estate Fund V, L.P., and Morgan Stanley Strategic Investments, Inc., dated as of September 7, 2006, (incorporated by reference to Exhibit 10.3 to Duke Energy Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 filed on November 9, 2006, File No. 1-32853).	X						
10.22**	Stock Option Grant Agreement between Duke Energy Corporation and James E. Rogers, dated as of April 4, 2006, (incorporated by reference to Exhibit 10.4 to registrant's Current Report on Form 8-K filed April 6, 2006, File No. 1-32853).	X						
10.23**	Duke Energy Corporation 2006 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to registrant's Current Report on Form 8-K filed on October 27, 2006, File No. 1-32853).	X						
10.24**	Amendment to the Duke Energy Corporation 1998 Long-Term Incentive Plan between Duke Energy Corporation and Spectra Energy Corp., effective February 27, 2007, (incorporated by reference to Exhibit 10.6 to registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 filed on May 10, 2007, File No. 1-32853).	X						
10.25**	Amendment to the Duke Energy Corporation 2006 Long-Term Incentive Plan between Duke Energy Corporation and Spectra Energy Corp., (incorporated by reference to Exhibit 10.7 to registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 filed on May 10, 2007, File No. 1-32853).	X						
10.26	Engineering, Procurement and Construction Agreement between Duke Energy Carolinas, LLC and Stone & Webster National Engineering PC., dated as of July 11, 2007, (incorporated by reference to Exhibit 10.2 to Duke Energy Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007 filed on November 9, 2007, File No. 1-32853). (Portions of the exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended).	X						
10.27	Amended and Restated Engineering, Procurement and Construction Agreement between Duke Energy Carolinas, LLC and Stone & Webster National Engineering PC., dated as of February 20, 2008, (incorporated by reference to Exhibit 10.1 to Duke Energy Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 filed on May 9, 2008, File No. 1-32853). (Portions of the exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended).	X						
10.28	Agreement and Plan of Merger between DEGS Wind I, LLC, DEGS Wind Vermont, Inc., Catamount Energy Corporation, dated as of June 25, 2008, (incorporated by reference to Exhibit 10.2 to Duke Energy Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 filed on August 11, 2008, File No. 1-32853).	X						



## PART IV

Exhibit Number		Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
10.29	Amended and Restated Engineering and Construction Agreement between Duke Energy Carolinas, LLC and Shaw North Carolina, Inc., dated as of December 21, 2009, (incorporated by reference to Exhibit 10.41 to Duke Energy Corporation's Annual Report on Form 10-K for the year ended December 31, 2009 filed on February 26, 2010, File No. 1-32853).	X						
10.30	Operating Agreement of Pioneer Transmission, LLC (incorporated by reference to Exhibit 10.1 to Duke Energy Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008 filed on November 7, 2008, File No. 1-32853).	X						
10.31**	Amendment to Deferred Compensation Agreement between PSI Energy, Inc. and James E. Rogers, effective August 26, 2008, (incorporated by reference to Exhibit 10.6 to Duke Energy Corporation's Current Report on Form 8-K filed on September 2, 2008, File No. 1-32853).	X						
*10.32**	Amended and Restated Duke Energy Corporation Directors' Saving Plan, dated as of January 1, 2014.	X						
10.33**	Deferred Compensation Agreement between PSI Energy, Inc. and James E. Rogers, dated as of December 16, 1992.	X						
10.34	Engineering, Procurement and Construction Management Agreement between Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) and Bechtel Power Corporation, dated as of December 15, 2008, (incorporated by reference to Item 1.01 to registrant's Current Report on Form 8-K filed on December 19, 2008, File Nos. 1-32853 and 1-03543). (Portions of the exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended).	X						X
10.35	Amended and Restated Engineering and Construction Agreement between Duke Energy Carolinas, LLC and Shaw North Carolina, Inc., dated as of March 8, 2010, (incorporated by reference to Exhibit 10.1 to registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 filed on May 7, 2010, File Nos. 1-32853 and 1-04928).	X	X					
10.36**	Form of Performance Award Agreement of Duke Energy Corporation (incorporated by reference to Exhibit 10.1 to registrant's Current Report on Form 8-K filed on February 22, 2011, File No. 1-32853).	X						
10.37**	Form of Phantom Stock Award of Duke Energy Corporation (incorporated by reference to Exhibit 10.2 to registrant's Current Report on Form 8-K filed on February 22, 2011, File No. 1-32853).	X						
10.38**	Form of Performance Award Agreement between Duke Energy Corporation and James E. Rogers (incorporated by reference to Exhibit 10.3 to registrant's Current Report on Form 8-K filed on February 22, 2011, File No. 1-32853).	X						
10.39**	Duke Energy Corporation Executive Severance Plan (incorporated by reference to Exhibit 10.1 to registrant's Current Report on Form 8-K filed on January 10, 2011, File No. 1-32853).	X						
10.40	\$6,000,000,000 Five-Year Credit Agreement between Duke Energy Corporation, Duke Energy Carolinas, LLC, Duke Energy Ohio, Inc., Duke Energy Indiana, Inc., Duke Energy Kentucky, Inc., Carolina Power and Light Company d/b/a Duke Energy Progress, Inc. and Florida Power Corporation, d/b/a Duke Energy Florida, Inc., as Borrowers, the lenders listed therein, Wells Fargo Bank, National Association, as Administrative Agent, Bank of America, N.A. and The Royal Bank of Scotland plc, as Co-Syndication Agents and Bank of China, New York Branch, Barclays Bank PLC, Citibank, N.A., Credit Suisse AG, Cayman Islands Branch, Industrial and Commercial Bank of China Limited, New York Branch, JPMorgan Chase Bank, N.A. and UBS Securities LLC, as Co-Documentation Agents, dated as of November 18, 2011, (incorporated by reference to Exhibit 10.1 to registrant's Current Report on Form 8-K filed on November 25, 2011, File Nos. 1-32853, 1-04928, 1-01232 and 1-03543).	X	X				X	X

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Exhibit Number		Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
10.41**	Form of Performance Award Agreement of Duke Energy Corporation under the Duke Energy Corporation 2010 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 to registrant's Current Report on Form 8-K filed on February 22, 2011, File No. 1-32853).	X						
10.42**	Form of Phantom Stock Award Agreement of Duke Energy Corporation under the Duke Energy Corporation 2010 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2 to registrant's Current Report on Form 8-K filed on February 22, 2011, File No. 1-32853).	X						
10.43**	Form of Performance Award Agreement between Duke Energy Corporation and James E. Rogers under the Duke Energy Corporation 2010 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.3 to registrant's Current Report on Form 8-K filed on February 22, 2011, File No. 1-32853).	X						
10.44**	Employment Agreement between Duke Energy Corporation and James E. Rogers, dated as of February 19, 2009, (incorporated by reference to Exhibit 10.1 to registrant's Current Report on Form 8-K filed on February 25, 2009, File No. 1-32853).	X						
10.44.1**	Amendment, dated as of June 27, 2012, to the Employment Agreement, dated as of February 19, 2009, between Duke Energy Corporation and James E. Rogers (incorporated by reference to Exhibit 10.1 to registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012 filed on August 8, 2012, File No. 1-32853).	X						
10.44.2**	Second Amendment, dated as of July 3, 2012, to the Employment Agreement, dated as of February 19, 2009, between Duke Energy Corporation and James E. Rogers (incorporated by reference Exhibit 10.2 to registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012 filed on August 8, 2012, File No. 1-32853).	X						
10.45**	Duke Energy Corporation 2010 Long-term Incentive Plan (incorporated by reference to Appendix A to registrant's Form DEF 14A filed on March 22, 2010, File No. 1-32853).	X						
10.45.1**	Amendment to Duke Energy Corporation 2010 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.3 to registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012 filed on August 8, 2012, File No. 1-32853).	X						
10.46	Settlement Agreement between Duke Energy Corporation, the North Carolina Utilities Commission Staff and the North Carolina Public Staff, dated as of November 28, 2012, (incorporated by reference to Exhibit 10.1 to registrant's Current Report on Form 8-K filed on November 29, 2012, File No. 1-32853).	X						
10.47	Settlement Agreement between Duke Energy Corporation and the North Carolina Attorney General, dated as of December 3, 2012, (incorporated by reference Item 7.01 to registrant's Current Report on Form 8-K filed on December 3, 2012, File No. 1-32853).	X						
10.48**	Retention Award Agreement between Duke Energy Corporation and Lloyd Yates, dated as of July 9, 2012, (incorporated by reference to Exhibit 10.56 to registrant's Annual Report on Form 10-K for the year ended December 31, 2012 filed on March 1, 2013, File No. 1-32853).	X						
10.49**	Form of Change-in-Control Agreement (incorporated by reference to Exhibit 10.58 to Duke Energy Corporation's Annual Report on Form 10-K for the year ended December 31, 2012 filed on March 1, 2013, File No. 1-32853).	X						
10.50**	Consulting Agreement between Duke Energy Corporation and John R. McArthur, dated as of January 1, 2013, (incorporated by reference to Exhibit 10.63 to registrant's Annual Report on Form 10-K for the year ended December 31, 2012 filed on March 1, 2013, File No. 1-32853).	X						
10.51**	Form of Performance Share Award (incorporated by reference to Exhibit 10.64 to Duke Energy Corporation's Annual Report on Form 10-K for the year ended December 31, 2012 filed on March 1, 2013, File No. 1-32853).	X						

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Exhibit Number		Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
*10.52**	Amended and Restated Duke Energy Corporation Executive Cash Balance Plan, dated as of January 1, 2014.	X						
10.53	Purchase, Construction and Ownership Agreement, dated as of July 30, 1981, between Duke Energy Progress, Inc. (formerly Carolina Power & Light Company) and North Carolina Municipal Power Agency Number 3 and Exhibits, together with resolution, dated as of December 16, 1981, changing name to North Carolina Eastern Municipal Power Agency, amending letter, dated as of February 18, 1982, and amendment, dated as of February 24, 1982, (incorporated by reference to Exhibit 10(a) to registrant's File No. 33-25560).				X			
10.54	Operating and Fuel Agreement, dated as of July 30, 1981, between Duke Energy Progress, Inc. (formerly Carolina Power & Light Company) and North Carolina Municipal Power Agency Number 3 and Exhibits, together with resolution, dated as of December 16, 1981, changing name to North Carolina Eastern Municipal Power Agency, amending letters, dated as of August 21, 1981 and December 15, 1981, and amendment, dated as of February 24, 1982, (incorporated by reference to Exhibit 10(b) to registrant's File No. 33-25560).				X			
10.55	Power Coordination Agreement, dated as of July 30, 1981, between Duke Energy Progress, Inc. (formerly Carolina Power & Light Company) and North Carolina Municipal Power Agency Number 3 and Exhibits, together with resolution, dated as of December 16, 1981, changing name to North Carolina Eastern Municipal Power Agency and amending letter, dated as of January 29, 1982, (incorporated by reference to Exhibit 10(c) to registrant's File No. 33-25560).				X			
10.56	Amendment, dated as of December 16, 1982, to Purchase, Construction and Ownership Agreement, dated as of July 30, 1981, between Duke Energy Progress, Inc. (formerly Carolina Power & Light Company) and North Carolina Eastern Municipal Power Agency (incorporated by reference to Exhibit 10(d) to registrant's File No. 33-25560).				X			
10.57 +	Retirement Plan for Outside Directors (incorporated by reference to Exhibit 10(i) to registrant's File No. 33-25560).				X			
10.58 +	Resolutions of Board of Directors amending the Deferred Compensation Plan for Key Management Employees of Duke Energy Progress, Inc. (formerly Carolina Power & Light Company), dated as of July 9, 1997, (incorporated by reference to Exhibit 10(b)(11) to registrant's Annual Report on Form 10-K for the year ended December 31, 1997 filed on March 26, 1998, File No. 1-03382).				X			
10.59 +	2002 Progress Energy, Inc. Equity Incentive Plan, Amended and Restated, effective January 1, 2007, (incorporated by reference to Exhibit 10(c)5 to registrant's Annual Report on Form 10-K for the year ended December 31, 2006 filed on March 1, 2007, File Nos. 1-15929, 1-03382 and 1-03274).			X	X	X		
10.60 +	Amended and Restated Broad-Based Performance Share Sub-Plan, Exhibit B to the 2002 Progress Energy, Inc. Equity Incentive Plan, effective January 1, 2007, (incorporated by reference to Exhibit 10(c)6 to registrant's Annual Report on Form 10-K for the year ended December 31, 2006 filed on March 1, 2007, File Nos. 1-15929, 1-03382 and 1-03274).			X	X	X		
10.61 +	Amended and Restated Executive and Key Manager Performance Share Sub-Plan, Exhibit A to the 2002 Progress Energy, Inc. Equity Incentive Plan, effective January 1, 2007, (incorporated by reference to Exhibit 10(c)7 to registrant's Annual Report on Form 10-K for the year ended December 31, 2006 filed on March 1, 2007, File Nos. 1-15929, 1-03382 and 1-03274).			X	X	X		
10.62 +	Progress Energy, Inc. 2007 Equity Incentive Plan (incorporated by reference to Exhibit C to registrant's Form DEF 14A filed on March 30, 2007, File No. 1-15929).			X				
10.63 +	Executive and Key Manager 2007 Performance Share Sub-Plan, Exhibit A to the 2007 Equity Incentive Plan, effective January 1, 2007, (incorporated by reference to Exhibit 10.1 to registrant's Current Report on Form 8-K filed on July 16, 2007, File Nos. 1-15929, 1-03382 and 1-03274).			X	X	X		

## PART IV

Exhibit Number	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
10.64 +	Form of Progress Energy, Inc. Restricted Stock Agreement pursuant to the 2002 Progress Energy Inc. Equity Incentive Plan, effective July 2002, (incorporated by reference to Exhibit 10(c)(18) to registrant's Annual Report on Form 10-K for the year ended December 31, 2004 filed on March 16, 2005, File Nos. 1-15929 and 1-03382).		X	X			
10.65 +	Form of Employment Agreement between (i) Progress Energy Service Company, LLC and Robert McGehee, John R. McArthur and Peter M. Scott III; (ii) PEC and Lloyd M. Yates, Fredrick N. Day IV, Paula M. Sims, William D. Johnson and Clayton S. Hinnant; and (iii) PEF and Jeffrey A. Corbett and Jeffrey J. Lyash, dated as of May 8, 2007, (incorporated by reference to Exhibit 10 to registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 filed on May 9, 2007, File Nos. 1-15929, 1-03382 and 1-03274).		X	X	X		
10.66 +	Form of Employment Agreement between Progress Energy Service Company, LLC and Mark F. Mulhern, dated September 18, 2007, (incorporated by reference to Exhibit 10 to registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 filed on May 8, 2007, File No. 1-15929).		X				
10.67 +	Form of Executive and Key Manager 2008 Performance Share Sub-Plan (incorporated by reference to Exhibit 10(a) to registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 filed on May 12, 2008, File No. 1-15929, 1-03382 and 1-03274).		X	X	X		
10.68 +	Progress Energy, Inc. 2009 Executive Incentive Plan, effective March 17, 2009, (incorporated by reference to Exhibit D to registrant's Form DEF 14A filed on March 31, 2009, File No. 1-15929).		X				
10.69 +	Form of Letter Agreement executed by certain officers of Progress Energy, Inc., waiving certain rights under Progress Energy, Inc.'s Management Change-in-Control Plan and their employment agreements, dated as of January 8, 2011, (incorporated by reference to Exhibit 10.1 to registrant's Current Report on Form 8-K filed on January 8, 2011, File No. 1-15929).		X				
10.70 +	Deferred Compensation Plan for Key Management Employees of Progress Energy, Inc., Amended and Restated, effective July 13, 2011, (incorporated by reference to Exhibit 10(a) to registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011 filed on November 8, 2011, File Nos. 1-15929, 1-03382 and 1-03274).		X	X	X		
10.71 +	Executive and Key Manager 2009 Performance Share Sub-Plan, Exhibit A to 2007 Equity Incentive Plan, Amended and Restated, effective July 12, 2011, (incorporated by reference to Exhibit 10(b) to registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011 filed on November 8, 2011, File Nos. 1-15929, 1-03382 and 1-03274).		X	X	X		
10.72 +	Progress Energy, Inc. Management Change-in-Control Plan, Amended and Restated, effective July 13, 2011, (incorporated by reference to Exhibit 10(d) to registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011 filed on November 8, 2011, File Nos. 1-15929, 1-03382 and 1-03274).		X	X	X		
10.73 +	Amended and Restated Supplemental Senior Executive Retirement Plan of Progress Energy, Inc., Amended and Restated, effective July 13, 2011, (incorporated by reference to Exhibit 10(i) to registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011 filed November 8, 2011, File Nos. 1-15929, 1-03382 and 1-03274).		X	X	X		
10.74 +	Form of Progress Energy, Inc. Restricted Stock Unit Award Agreement (Graded Vesting), effective September 15, 2011.		X	X	X		
10.75 +	Form of Progress Energy, Inc. Restricted Stock Unit Award Agreement (Cliff Vesting), effective September 15, 2011.		X	X	X		

## PART IV

Exhibit Number		Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
10.76	Precedent and Related Agreements between Duke Energy Florida, Inc. (formerly Florida Power Corporation d/b/a Progress Energy Florida, Inc. ("PEF")), Southern Natural Gas Company, Florida Gas Transmission Company ("FGT"), and BG LNG Services, LLC ("BG"), including: a) Precedent Agreement between Southern Natural Gas Company and PEF, dated as of December 2, 2004; b) Gas Sale and Purchase Contract between BG and PEF, dated as of December 1, 2004; c) Interim Firm Transportation Service Agreement by and between FGT and PEF, dated as of December 2, 2004; d) Letter Agreement between FGT and PEF, dated as of December 2, 2004 and Firm Transportation Service Agreement between FGT and PEF to be entered into upon satisfaction of certain conditions precedent; e) Discount Agreement between FGT and PEF, dated as of December 2, 2004; f) Amendment to Gas Sale and Purchase Contract between BG and PEF, dated as of January 28, 2005; and g) Letter Agreement between FGT and PEF, dated as of January 31, 2005, (incorporated by reference to Exhibit 10.1 to registrant's Current Report on Form 8-K/A filed on March 15, 2005, File Nos. 1-15929 and 1-03274). (Portions of the exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended).			X		X		
10.77	Engineering, Procurement and Construction Agreement between Duke Energy Florida, Inc. (formerly Florida Power Corporation d/b/a/ Progress Energy Florida, Inc.), as owner, and a consortium consisting of Westinghouse Electric Company LLC and Stone & Webster, Inc., as contractor, for a two-unit AP1000 Nuclear Power Plant, dated as of December 31, 2008, (incorporated by reference to Exhibit 10.1 to registrant's Current Report on Form 8-K filed on March 2, 2009, File Nos. 1-15929 and 1-03274). (Portions of the exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended).			X		X		
10.78	Amendment No. 1 and Consent between Duke Energy Corporation, Duke Energy Carolinas, LLC, Duke Energy Ohio, Inc., Duke Energy Indiana, Inc., Duke Energy Kentucky, Inc., Duke Energy Progress, Inc., Duke Energy Florida, Inc., and Wells Fargo Bank, National Association, dated as of December 18, 2013, (incorporated by reference to Exhibit 10.1 to registrant's Current Report on Form 8-K filed on December 23, 2013, File Nos. 1-32853, 1-04928, 1-03382, 1-03274, 1-01232 and 1-03543).	X	X		X	X	X	X
10.79**	Employment Agreement between Duke Energy Corporation and Lynn J. Good, dated as of June 17, 2013, (incorporated by reference to Exhibit 10.1 to registrant's Current Report on Form 8-K filed on June 18, 2013, File No. 1-32853).	X						
10.80**	Duke Energy Corporation Executive Short-Term Incentive Plan, effective February 25, 2013, (incorporated by reference to Exhibit 10.1 to registrant's Current Report on Form 8- filed on May 7, 2013, File No. 1-32853).	X						
*10.81**	Duke Energy Corporation 2013 Director Compensation Program Summary.	X						
*10.82**	Amended and Restated Duke Energy Corporation Executive Savings Plan, dated as of January 1, 2014.	X						
*12.1	Computation of Ratio of Earnings to Fixed Charges - DUKE ENERGY CORPORATION	X						
*12.2	Computation of Ratio of Earnings to Fixed Charges - DUKE ENERGY CAROLINAS, LLC		X					
*12.3	Computation of Ratio of Earnings to Fixed Charges - PROGRESS ENERGY, INC			X				
*12.4	Computation of Ratio of Earnings to Fixed Charges - DUKE ENERGY PROGRESS, INC				X			

## PART IV

Exhibit Number		Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
*12.5	Computation of Ratio of Earnings to Fixed Charges - DUKE ENERGY FLORIDA, INC					X		
*12.6	Computation of Ratio of Earnings to Fixed Charges - DUKE ENERGY OHIO, INC.						X	
*12.7	Computation of Ratio of Earnings to Fixed Charges - DUKE ENERGY INDIANA, INC.							X
*21	List of Subsidiaries	X						
*23.1.1	Consent of Independent Registered Public Accounting Firm.	X						
*23.1.2	Consent of Independent Registered Public Accounting Firm.		X					
*23.1.3	Consent of Independent Registered Public Accounting Firm.			X				
*23.1.4	Consent of Independent Registered Public Accounting Firm.				X			
*23.1.5	Consent of Independent Registered Public Accounting Firm.					X		
*23.1.6	Consent of Independent Registered Public Accounting Firm.						X	
*23.1.7	Consent of Independent Registered Public Accounting Firm.							X
*24.1	Power of attorney authorizing Lynn J. Good and others to sign the annual report on behalf of the registrant and certain of its directors and officers.	X						
*24.2	Certified copy of resolution of the Board of Directors of the registrant authorizing power of attorney.	X						
*31.1.1	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X						
*31.1.2	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.		X					
*31.1.3	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			X				
*31.1.4	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X			
*31.1.5	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X		
*31.1.6	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.						X	
*31.1.7	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.							X
*31.2.1	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X						
*31.2.2	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.		X					
*31.2.3	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			X				
*31.2.4	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X			
*31.2.5	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X		
*31.2.6	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.						X	
*31.2.7	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.							X
*32.1.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X						

## PART IV

Exhibit Number		Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
*32.1.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.		X					
*32.1.3	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			X				
*32.1.4	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X			
*32.1.5	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X		
*32.1.6	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.						X	
*32.1.7	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.							X
*32.2.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X						
*32.2.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.		X					
*32.2.3	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			X				
*32.2.4	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X			
*32.2.5	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X		
*32.2.6	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.						X	
*32.2.7	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.							X
*101.INS	XBRL Instance Document	X	X	X	X	X	X	X
*101.SCH	XBRL Taxonomy Extension Schema Document	X	X	X	X	X	X	X
*101.CAL	XBRL Taxonomy Calculation Linkbase Document	X	X	X	X	X	X	X
*101.LAB	XBRL Taxonomy Label Linkbase Document	X	X	X	X	X	X	X
*101.PRE	XBRL Taxonomy Presentation Linkbase Document	X	X	X	X	X	X	X
*101.DEF	XBRL Taxonomy Definition Linkbase Document	X	X	X	X	X	X	X

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

## Annual Meeting

The 2014 Annual Meeting of Duke Energy Shareholders will be:

Date: Thursday, May 1, 2014

Time: 10 a.m.

Place: O.J. Miller Auditorium  
Energy Center  
526 South Church Street  
Charlotte, NC 28202

## Shareholder Services

Shareholders may call 800.488.3853 or 704.382.3853 with questions about their stock accounts, legal transfer requirements, address changes, replacement dividend checks, replacement of lost certificates or other services. Additionally, registered shareholders can view their account online through DUK-Online, available at [duke-energy.com](http://duke-energy.com). Send written requests to:

Investor Relations  
Duke Energy  
P.O. Box 1005  
Charlotte, NC 28201-1005

For electronic correspondence, visit  
[duke-energy.com/investors/contactIR](http://duke-energy.com/investors/contactIR).

## Stock Exchange Listing

Duke Energy's common stock is listed on the New York Stock Exchange. The company's common stock trading symbol is DUK.

## Website Addresses

Corporate home page: [duke-energy.com](http://duke-energy.com)

Investor Relations: [duke-energy.com/investors](http://duke-energy.com/investors)

## InvestorDirect Choice Plan

The InvestorDirect Choice Plan provides a simple and convenient way to purchase common stock directly through the company, without incurring brokerage fees. Purchases may be made weekly. Bank drafts for monthly purchases, as well as a safekeeping option for depositing certificates into the plan, are available.

The plan also provides for full reinvestment, direct deposit or cash payment of a portion of the dividends. Additionally, participants may register for DUK-Online, our online account management service.

## Financial Publications

Duke Energy's Annual Report and related financial publications can be found on our website at [duke-energy.com/investors](http://duke-energy.com/investors). Printed copies are also available free of charge upon request.

## Duplicate Mailings

If your shares are registered in different accounts, you may receive duplicate mailings of annual reports, proxy statements and other shareholder information. Call Investor Relations for instructions on eliminating duplications or combining your accounts.

## Transfer Agent and Registrar

Duke Energy maintains shareholder records and acts as transfer agent and registrar for the company's common stock.

## Dividend Payment

Duke Energy has paid quarterly cash dividends on its common stock for 88 consecutive years. For the remainder of 2014, dividends on common stock are expected to be paid, subject to declaration by the Board of Directors, on June 16, September 16 and December 16.

## Bond Trustee

If you have questions regarding your bond account, call 800.254.2826, or write to:

The Bank of New York Mellon  
Global Trust Services  
101 Barclay Street – 21st Floor  
New York, NY 10286

## Send Us Feedback

We welcome your opinion on this annual report. Please visit [duke-energy.com/investors](http://duke-energy.com/investors), where you can view and provide feedback on both the print and online versions of this report. Or contact Investor Relations directly. Duke Energy is an equal opportunity employer. This report is published solely to inform shareholders and is not to be considered an offer, or the solicitation of an offer, to buy or sell securities.



Products with a Mixed sources label support the development of responsible forest management worldwide. The wood comes from Forest Stewardship Council™ (FSC®) certified well-managed forests and other responsible sources. This annual report is printed on paper manufactured with energy generated from renewable sources.



Bridge photo taken in the Ellerbe Creek watershed, part of an urban nature preserve in Durham, North Carolina, that includes land donated by Duke Energy Corporation.

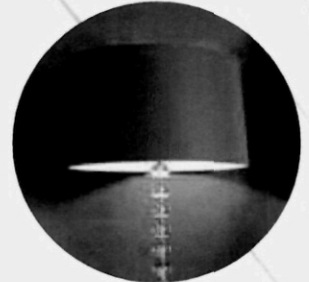


[www.duke-energy.com](http://www.duke-energy.com)

# Connected

2014 ANNUAL REPORT AND FORM 10-K





*Jim Freeman, Wilmington, North Carolina*  
One of the thousands of line technicians dedicated to providing  
essential service to our customers and communities.



**Lynn J. Good** | Vice Chairman, President and Chief Executive Officer

**We're always connected to what matters most:  
the people and communities we serve every day.**

**DEAR STAKEHOLDERS:**

In my letter to you last March, I wrote about Duke Energy's determination to earn the trust of our customers, communities and investors every day. Throughout the year, the men and women of our company worked hard to fulfill that aspiration. We acted decisively and addressed complex issues head-on.

2014 was a year of opportunity, challenge and accomplishment. We learned from adversity, such as the Dan River coal ash spill in early

2014. We also advanced important strategic growth initiatives and stimulated economic development for our communities.

We learned anew how deeply connected we are to the customers we serve and to the investors and neighbors who place their trust in us. This year's annual report reflects our commitment to these relationships with all the people who depend on us to be there for them day after day, and years from now.

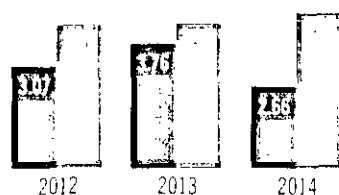
## OUR FINANCIAL HIGHLIGHTS<sup>a,b</sup>

(in millions, except per share amounts and ratios)

	2014	2013	2012
<b>Operating Results</b>			
Total operating revenues	\$23,925	\$22,756	\$17,912
Net income	\$1,889	\$2,676	\$1,782
Net income attributable to Duke Energy Corporation	\$1,883	\$2,665	\$1,768
<b>Ratio of Earnings to Fixed Charges</b>			
	3.2	3.0	2.4
<b>Common Stock Data</b>			
Shares of common stock outstanding			
Year-end	707	706	704
Weighted average -- basic	707	706	574
Weighted average -- diluted	707	706	575
Reported diluted earnings per share	\$2.66	\$3.76	\$3.07
Adjusted diluted earnings per share	\$4.55	\$4.36	\$4.33
Dividends per share	\$3.15	\$3.09	\$3.03
<b>Balance Sheet Data</b>			
Total assets	\$120,709	\$114,779	\$113,856
Long-term debt including capital leases and redeemable preferred stock of subsidiaries, less current maturities	\$37,213	\$38,152	\$36,444
Total Duke Energy Corporation shareholders' equity	\$40,875	\$41,330	\$40,863

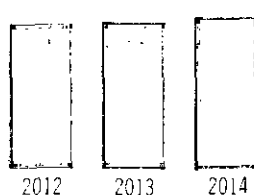
### Earnings Per Share

(in dollars) ■ Reported Diluted ■ Adjusted Diluted



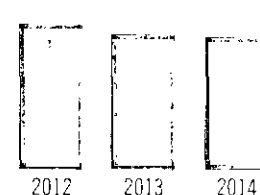
### Dividends Per Share

(in dollars)



### Capital and Investment Expenditures

(in dollars) (in millions)



<sup>a</sup> Significant transactions reflected in the results above include: (i) 2014 impairment of the Disposal Group (see Note 2 to the Consolidated Financial Statements, "Acquisitions, Dispositions and Sales of Other Assets"); (ii) 2014 incremental tax expense resulting from the decision to repatriate all cumulative historical undistributed foreign earnings (see Note 22 to the Consolidated Financial Statements, "Income Taxes"); (iii) 2014 reserve related to the investigation of the Dan River coal ash spill and other North Carolina ash basin management (see Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies"); (iv) the 2014, 2013 and 2012 costs to achieve the merger with Progress Energy (see Note 2 to the Consolidated Financial Statements, "Acquisitions, Dispositions and Sales of Other Assets"); (v) 2014, 2013 and 2012 asset impairments (see Notes 4 and 11 to the Consolidated Financial Statements, "Regulatory Matters" and "Goodwill and Intangible Assets," respectively), and 2013 asset sales.

<sup>b</sup> On July 2, 2012, immediately prior to the merger with Progress Energy, Duke Energy executed a one-for-three reverse stock split. All share and earnings per share amounts are presented as if the one-for-three reverse stock split had been effective at the beginning of the earliest period presented.

## Connected to results

We achieved our financial objectives in 2014, continuing a long, successful record of performance for investors. We delivered \$4.55 in adjusted diluted earnings per share, which was within our guidance range. This was our fifth consecutive year of meeting or exceeding guidance.

We continued to focus on maintaining an efficient cost structure. Since the Progress Energy merger in mid-2012, we have realized about \$550 million in annual merger-related nonfuel operating and maintenance expense savings across the company. Our efficient, increasingly diverse power system and the skill and dedication of our employees have kept our customer rates below national averages.

In 2014, we increased our quarterly dividend payment by approximately 2 percent, the seventh consecutive year of annual dividend growth. It was the 88th year in a row that Duke Energy has paid a quarterly cash dividend on our common stock, a record we expect to continue for shareholders, who rely on a growing dividend.

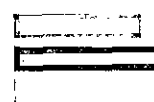
We continue to deliver attractive returns to our shareholders. In 2014, Duke Energy achieved a total shareholder return of 26.4 percent, slightly below the Philadelphia Utility Index (UTY) return of 28.9 percent. Our balance sheet and credit quality remain strong, which keeps financing costs low and helps maintain competitive energy prices for customers.

Since 2009, we have consistently met our long-term annual adjusted diluted earnings-per-share growth objective of 4 to 6 percent. From 2009 through 2014, our actual average annual growth rate was approximately 4.5 percent.

We have extended our 4 to 6 percent growth objective through 2017, based on 2013 earnings.

## TOTAL SHAREHOLDER RETURN

### One year:

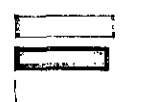


S&P 500 Index  
13.7%

Duke Energy Corporation  
**26.4%**

Philadelphia Utility Index  
**28.9%**

### Three years:

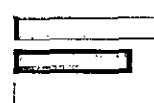


S&P 500 Index  
20.4%

Duke Energy Corporation  
**13.1%**

Philadelphia Utility Index  
**12.5%**

### Five years:



S&P 500 Index  
15.4%

Duke Energy Corporation  
**15.6%**

Philadelphia Utility Index  
**12.4%**

\* For the periods ended December 31, 2014

This objective is supported by growth investment projects of \$14 billion to \$16 billion from 2015 to 2017, as well as organic retail and wholesale load growth. Later in this letter, I will report on the approximately \$8 billion of growth projects and investments we advanced in 2014.

As we move forward, we will continue to closely monitor variability in retail load growth trends, in particular the residential class, as well as some of the variables at Duke Energy International, such as hydrology in Brazil, foreign exchange rates and crude oil prices.



## Community

### Supporting the local economy

Our employees and retirees

volunteered

212,000 hours in

our communities

during 2014

and

retirees

volunteered

212,000 hours in

our communities

during 2014

and

retirees

volunteered

212,000 hours in

our communities

during 2014

In August, we announced an agreement to sell our Midwest commercial generation business to Dynegy for \$2.8 billion in cash. This decision supports our strategy to focus investments in businesses with more predictable and less volatile earnings.

As of this writing, we are awaiting the Federal Energy Regulatory Commission's final approval to sell these assets, and expect to close this transaction by the end of the second quarter of 2015. We remain committed to the more than 2 million customers in our regulated utilities in Indiana, Ohio and Kentucky.

Duke Energy International represents about 10 percent of our overall business mix. From 2009 through 2014, its net income contribution grew from \$230 million to just around \$430 million. However, the strengthening U.S. dollar, an extended drought in Brazil and lower oil prices have reduced the forecasted earnings contributions expected from this business in 2015.

Duke Energy International generates \$300 million to \$400 million in annual free cash flows, but it has been difficult to gain access to it. In February 2015, following a strategic review of this business, we announced a tax-efficient plan to bring \$2.7 billion in foreign earnings home to the U.S. by end of 2022. Of this amount, we expect to repatriate \$1.2 billion to \$1.4 billion to the U.S. in 2015. This cash will help us grow our domestic investments and support the Duke Energy dividend.

## Connected to the environment

Last year, I wrote about the February 2014 coal ash release into the Dan River, which resulted from a stormwater pipe break at the retired Dan River Steam Station in Eden, North Carolina. We took swift and effective action to stop the leak, care for the river and reform operations.

Since then, we have worked under the direction of environmental agencies to remove ash deposits below the Dan River plant, and we continue to take direction from the U.S. Environmental Protection Agency regarding any future ash removal needs. Independent research has demonstrated that the Dan River ecosystem is thriving. Long-term monitoring continues.

In February 2015, Duke Energy reached a proposed agreement with the U.S. government that, if approved by the court, would close the federal grand jury inquiry into the company related to the Dan River ash spill and ash basin operations at other North Carolina coal plants. The agreement identifies nine misdemeanor violations of the Clean Water Act. It would require Duke Energy Carolinas and Duke Energy Progress to pay a total of \$68.2 million in *finest and restitution and \$34 million for community service and mitigation*. These payments will be borne by shareholders, not customers.

The spill at Dan River has put Duke Energy in the forefront of designing industry-leading solutions to this nationwide issue of safely managing coal ash. We have reorganized to strengthen coal ash management and are accelerating our

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## We've learned from the Dan River incident and are using it to set new standards and strengthen operational performance throughout the company.

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plans to close all our ash basins. Some of the nation's top experts in ash management, engineering and the environment are helping to guide our strategy.

In 2014, North Carolina enacted comprehensive legislation setting aggressive deadlines for coal ash basin closure. As of this writing, we have filed excavation plans for the four high-priority sites marked for early closure in North Carolina, and for one site in South Carolina. We are also recycling nearly half of our coal ash produced today and are exploring innovative new options for safely reusing even more of the material for beneficial purposes.

As I have said from the outset, Duke Energy is accountable for what happened at Dan River. We are applying what we've learned to set new standards and implement smart, sustainable solutions for all our ash basins. Going beyond that, we are using this event to strengthen operational performance throughout the company. We are committed to operating our facilities safely and responsibly, with great care for our customers, communities and the environment.

### Connected to continuous improvement

Overall, Duke Energy performed well on operational metrics in 2014, underpinning our ability to deliver reliable, affordable energy in a safe, increasingly clean way.

Our 11 nuclear units, all in the Carolinas, set a company record for total electricity production and achieved a combined capacity factor of 93 percent, the 16th consecutive year above 90 percent on this plant reliability measure.

Production from our fossil-hydro plants, including new, efficient natural gas-fired units, was critical to meeting our customers' demand for electricity in all our service areas. Since 2011, Duke Energy has opened five new, cleaner-burning natural gas-fired power plants in North Carolina, replacing seven coal plants. This helps us meet new environmental standards and produce power more efficiently.

We continue to meet and exceed the fuel efficiencies and power generation-dispatch goal promised in our July 2012 merger with neighboring Progress Energy. At that



#### 93% capacity

Our 11 nuclear units set a company record in 2014 for total electricity production





**OUR SENIOR LEADERSHIP TEAM**



**Staying  
connected:**

Our systems  
successfully  
weathered  
record-breaking  
polar cold fronts

time, we expected to achieve \$687 million of guaranteed savings for our Carolinas customers over the first five years. Now, just two and a half years into the merger, we have already realized more than 60 percent of the savings.

Our Edwardsport gasified-coal plant in Indiana completed its first full year of commercial operation in 2014. One of the world's cleanest-burning coal plants, it is an example of how we're reducing emissions. Edwardsport's performance improved significantly during the year as we gained more experience with this complex technology. We expect the plant to be a valuable resource for our Indiana customers for decades to come.

Early last year, our power delivery teams mobilized early and responded swiftly to two major ice storms. I deeply appreciate the essential work our utility crews perform around high-voltage lines throughout the year, often at night and in severe weather. This work requires courage, skill and a devotion to our communities.

In January 2014, punishing arctic cold fronts pushed customer demand for power to historic levels in our Indiana, Ohio, Kentucky and Carolinas service areas. Duke Energy Carolinas surpassed an all-time record that had stood since 2007. In February 2015, another polar front shattered power demand records at both our utilities in the Carolinas, 7 percent higher at Duke Energy Progress. Our personnel and diverse, integrated power systems successfully met all of these challenges.

In terms of the total incident case rate for Duke Energy as a whole, 2014 was our best safety year ever, and OSHA-recordable injuries improved 11 percent. Safety takes priority in operational excellence, and we focus on it daily. Despite that, three employees and a contractor tragically lost their lives in work-related accidents in 2014. We will remember these teammates as we incorporate the lessons learned from these accidents into new practices, and place special focus on the highest-risk activities.



As a result, we have been able to reduce our cost of capital, which has helped us to improve our credit ratings. We have also been able to reduce our debt levels, which has helped us to improve our financial flexibility. We believe these actions will help us to achieve our long-term goals and to provide a strong return to our shareholders.

## Connected to sustainable growth

We advanced Duke Energy's growth strategy in 2014, announcing approximately \$8 billion of investments in electric and natural gas infrastructure, solar energy and natural gas-fired generation. These projects support our ability to provide customers with affordable, reliable energy from an increasingly clean and diverse generation portfolio. They will also support economic development in our communities.

Last August, we announced a \$1.9 billion electric grid modernization plan for Indiana. This seven-year project will upgrade the infrastructure and add advanced technology to improve service, creating an estimated 5,000 Indiana jobs over the period. "Self-healing" technology will automatically isolate power outages and reroute power on the grid to minimize the number of customers affected while we're making repairs. New technology will enable us to inform customers throughout the year about how to manage energy use and save money. We expect a state regulatory decision on this modernization plan by midyear 2015.

In September, we announced our joint venture with Dominion, Piedmont Natural Gas and AGL Resources to build and own the Atlantic Coast Pipeline. This approximately \$4.5 billion to \$5 billion project will deliver natural gas over a 550-mile pipeline from West Virginia through Virginia and into eastern North Carolina. It will add geographic diversity to our natural gas supply and increase the reliable delivery of natural gas to support our modernized generation fleet. The project will also drive economic development and job creation in eastern North Carolina. Duke Energy will own 40 percent of the pipeline, and our Carolinas utilities will take contracted natural gas from the pipeline.

Last July, Duke Energy announced a \$1.2 billion agreement to purchase the N.C. Eastern Municipal Power Agency's minority interest in four of our jointly owned nuclear and coal plants in the state. This transaction will provide significant benefits to both parties. It will enable the power agency's cities in eastern North Carolina to reduce their debt burden and electric rates, while providing long-term cost



### Connecting resources:

Joint ownership of a 550-mile natural gas pipeline will support our modernized generation fleet and local economies.



### Connected to what's next:

We've invested more than \$4 billion in wind and solar in 12 states.

savings and fuel diversity for Duke Energy Progress customers. The Federal Energy Regulatory Commission granted approval in November 2014. The parties are working to secure the additional needed approvals and legislation, with a target to close the transaction in late 2015 or early 2016.

Also in 2014, we announced several significant new investments in natural gas-fueled power generation: almost \$2 billion for three Florida generation projects and approximately \$600 million for a new combined-cycle power plant in South Carolina.

Renewable energy has also become a central part of Duke Energy's growth strategy, enabling us to respond effectively to the strong customer interest in clean-tech options while increasing the diversity of our energy system. We anticipate investing \$2 billion to \$3 billion in renewable energy in the next five years.

This includes a \$500 million expansion of solar energy in our regulated utility business in North Carolina. It also includes new projects by our commercial renewables business, which in the past eight years has invested more than \$4 billion in wind and solar facilities in 12 states. In February 2015, we bought a majority stake in REC Solar, which provides comprehensive commercial solar and energy solutions nationwide. This transaction expands our ability to help business customers reduce energy costs and achieve sustainability goals.

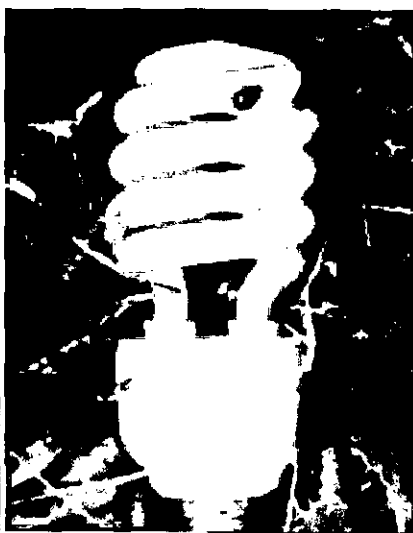
Last year, Duke Energy helped pave the way for solar energy development in

South Carolina. We were instrumental in collaborative stakeholder efforts that resulted in the state's comprehensive Distributed Energy Resource Program Act of 2014 and an agreement on a balanced path to determine energy credits and incentives for customers who install solar. In February 2015, Duke Energy proposed specific initiatives to spur rooftop solar installations in the state as well as community-scale and larger utility-scale solar facilities.

### Connected to customers and communities

Approximately 23 million people across six states rely on Duke Energy for electric and natural gas service. We touch many additional lives through our nonregulated commercial businesses in the U.S. and Latin America. Our long-term success as a business depends on how well we serve customers' needs and adapt to their changing expectations. It's also very personal. Our employees live and work in these communities. Consequently, we never take the privilege and responsibility of our mission for granted.

We are taking steps to improve our customers' experience when they interact with Duke Energy. For example, we are identifying new and better ways to communicate with our customers about power outages and restoration, as well as making account setup and payment more convenient. We're also digging deeper to understand our customers' different needs and expectations for customized new products and services.



- The Duke Energy Foundation helped to offset energy efficiency light bulbs
- The energy efficiency programs help people everywhere save their hard-earned money

Providing a menu of energy efficiency programs is one way we are helping our customers control their energy costs while also improving the environment. For example, we have distributed nearly 61 million energy-efficient light bulbs. This is equivalent to the energy saved from powering almost 192,000 homes and also offsets the carbon output of about 352,000 cars. Since 2009, our total energy efficiency programs have saved customers more than \$650 million.

Economic growth through aggressive recruitment efforts, site readiness programs and collaboration with our state partners strengthens the connections with our communities. In 2014, our economic development teams helped attract about \$3.5 billion in capital investment to our states and more than 11,000 jobs for the people in our communities. For over a decade, Site Selection magazine has named Duke Energy as one of the top 10 utilities for economic development. Last year, 20 percent of the new jobs added in the U.S. were in the six states our utilities serve.

Corporate philanthropy and employee giving have long been a hallmark of this company's commitment to the communities we serve. In 2014, through grants and matching donations, the Duke Energy Foundation contributed more than \$26 million to nonprofit organizations.

In September, we announced a \$10 million Water Resources Fund to improve waterways across the Carolinas. Additionally, our employees and retirees contributed more than \$11 million to nonprofit organizations through charitable gifts and volunteerism last year. Employee volunteers helped communities do everything from clean up parks to build houses.

For the ninth consecutive year in 2014, Duke Energy was named to the Dow Jones Sustainability Index for North America. This index identifies the top performers in each business sector based on economic, environmental and social criteria, including corporate governance, environmental policy, climate strategy, human capital development and labor practices, among others.



#### Connections that matter:

The Duke Energy Foundation gave \$26.6 million to nonprofits in 2014.

## Connected to the future

In looking ahead, the Duke Energy leadership team is unified and focused on four priorities that will drive our company's success:

Develop and engage our employees, and strengthen our leadership.

Excel in safety, operational performance and environmental stewardship.

Improve the lives of our customers and the vitality of our communities.

Grow and adapt the business, and achieve our financial objectives.

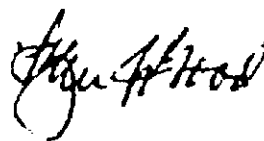
These four priorities are all important and closely interconnected. Each starts with the talents and dedication of the people of Duke Energy. We're challenging ourselves to strengthen trust and create new value in our 24/7 business, both now and far into the future. The response I'm seeing reveals the *determination and grit to succeed.*

In January 2015, I met with a group of young engineers at our McGuire Nuclear Station. Their keen interest in our business strategy and how we are shaping the energy future was invigorating. In a later session with leaders from throughout Florida, I was moved by the front-line employees

recognized as everyday heroes. They each stood and spoke of their career. Each person ended with a heartfelt, "I am Florida's Duke Energy." It was another reminder of the connections we share in our company.

Early this year, I convened the top 350 leaders from across Duke Energy to discuss our priorities and plans. The CEO of an industrial customer spoke and praised his company's partnership with Duke Energy. He cited our electric rates that keep his business globally competitive. We listened even more intently as he spoke of service interruptions that hurt his bottom line. Our team took notes, and then took action. Throughout this meeting, there was straight talk and strong conviction. Later, one leader commented, "it was the most candid leadership conference I've attended in my 25-plus years at the company."

In the same spirit of our heroes on the front lines of service, I speak for all of us whose daily actions define Duke Energy. I'm inspired by the determination of our 28,000 talented, caring men and women, our highly capable senior leadership team and our seasoned Board of Directors who offer wisdom and support. Together, we are moving forward in 2015 with optimism and gratitude — our eyes open to risks, challenges and opportunities.

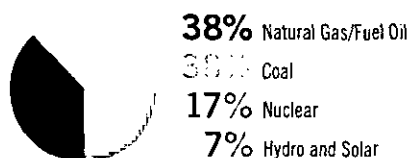


**Lynn J. Good**  
Vice Chairman, President and  
Chief Executive Officer  
March 6, 2015

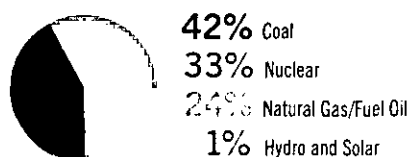
## DUKE ENERGY AT A GLANCE

### REGULATED UTILITIES

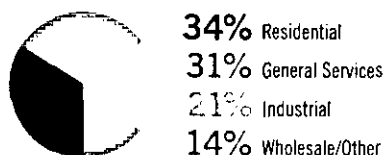
Generation Diversity (percent owned capacity)<sup>1</sup>



Generated (net output gigawatt-hours (GWh))<sup>2</sup>



Customer Diversity (in billed GWh sales)<sup>3</sup>



Regulated Utilities consists of Duke Energy's regulated generation, electric and natural gas transmission and distribution systems. Regulated Utilities generation portfolio is a balanced mix of energy resources having different operating characteristics and fuel sources designed to provide energy at the lowest possible cost.

#### Electric Operations

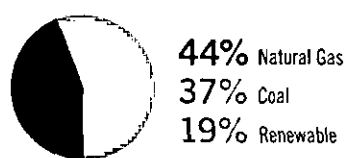
- Owns approximately 49,600 megawatts (MW) of generating capacity
- Service area covers about 95,000 square miles with an estimated population of 23 million
- Service to approximately 7.3 million residential, commercial and industrial customers
- 262,900 miles of distribution lines and a 32,400-mile transmission system

#### Natural Gas Operations

- Regulated natural gas transmission and distribution services to approximately 500,000 customers in southwestern Ohio and northern Kentucky

### COMMERCIAL POWER

Generation Diversity (percent owned capacity)<sup>1</sup>

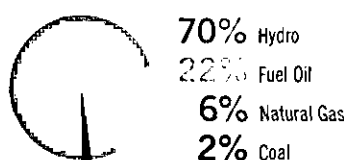


Duke Energy has entered into a purchase and sale agreement with Dynegy under which Dynegy will buy Duke Energy's nonregulated Midwest Commercial Generation Business, which includes ownership interests in 11 power plants, and Duke Energy Retail, the company's competitive retail business in Ohio. The transaction is expected to close by the end of the second quarter of 2015. Commercial Power owns, operates and manages power plants and engages in the wholesale marketing and procurement of electric power, fuel and emission allowances related to these plants as well as other contractual positions.

- Owns and operates a balanced generation portfolio of approximately 5,800 net MW of power generation (excluding wind and solar generation assets)
- Duke Energy Renewables currently has more than 1,800 MW of wind and solar energy in operation (pie chart excludes 442 MW, which are from equity investments), and has a significant pipeline of development projects

### INTERNATIONAL ENERGY

Generation Diversity (percent owned capacity)<sup>1</sup>



International Energy operates and manages power generation facilities and engages in sales and marketing of electric power and natural gas outside the U.S. International Energy's activities target power generation in Latin America. International Energy also has an equity investment in National Methanol Co., a Saudi Arabian regional producer of MTBE, a gasoline additive.

- Owns, operates or has substantial interests in approximately 4,300 net MW of generation facilities
- Approximately two-thirds of International Energy's generating capacity is hydroelectric

As of December 31, 2014

For the year ended December 31, 2014

The company announced in August 2014 that it has agreed to sell its nonregulated Midwest Commercial Generation Business to Dynegy

## BOARD OF DIRECTORS



From left to right: Jim Hance Jr., Ann Maynard Gray, Jim Hyler Jr., Jim Rhodes, Jim Reinsch, Alex Bernhardt Sr., Carlos Saladrigas, Lynn Good, Bill Kennard, John Forsgren, John Herron, Marie McKee, Harris DeLoach Jr., Michael Browning, Dick Meserve and Bill Kennard.

**G. Alex Bernhardt Sr.**  
Chairman – Bernhardt Furniture Company  
*Member, Nuclear Oversight Committee, Regulatory Policy and Operations Committee*  
*Director of Duke Energy, since 1991*

**Michael G. Browning**  
Chairman – Browning Consolidated LLC  
*Member, Audit Committee, Corporate Governance Committee, Finance and Risk Management Committee*  
*Director of Duke Energy, since 2006*

**Harris E. DeLoach Jr.**  
Executive Chairman – Sonoco Products Company  
*Member, Corporate Governance Committee, Nuclear Oversight Committee*  
*Director of Duke Energy, since 2012*

**Daniel R. (Dan) DiMicco**  
Chairman Emeritus, Retired President and Chief Executive Officer – Nucor Corporation  
*Member, Corporate Governance Committee, Nuclear Oversight Committee*  
*Director of Duke Energy, since 2007*

**John H. Forsgren**  
Retired Vice Chairman, Executive Vice President and Chief Financial Officer – Northeast Utilities  
*Member, Finance and Risk Management Committee, Nuclear Oversight Committee*  
*Director of Duke Energy, since 2009*

**Lynn J. Good**  
Vice Chairman, President and Chief Executive Officer – Duke Energy Corporation  
*Director of Duke Energy, since 2013*

**Ann Maynard Gray**  
Retired Vice President, ABC, Inc., and President, Diversified Publishing Group of ABC, Inc.  
*Chairman*  
*Chair, Corporate Governance Committee*  
*Member, Compensation Committee, Finance and Risk Management Committee*  
*Director of Duke Energy, since 1997*

**James H. (Jim) Hance Jr.**  
Retired Vice Chairman and Chief Financial Officer – Bank of America Corporation  
*Chair, Finance and Risk Management Committee*  
*Member, Audit Committee, Compensation Committee*  
*Director of Duke Energy, since 2005*

**John T. Herron**  
Retired President, Chief Executive Officer and Chief Nuclear Officer – Entergy Nuclear  
*Member, Nuclear Oversight Committee, Regulatory Policy and Operations Committee*  
*Director of Duke Energy, since 2013*

**James B. (Jim) Hyler Jr.**  
Managing Director – Morehead Capital Management, LLC  
*Chair, Regulatory, Policy and Operations Committee*  
*Member, Audit Committee, Finance and Risk Management Committee*  
*Director of Duke Energy, since 2012*

**William E. (Bill) Kennard**  
Non-Executive Chairman – Velocitas Partners, LLC  
*Member, Corporate Governance Committee, Finance and Risk Management Committee, Regulatory Policy and Operations Committee*  
*Director of Duke Energy, since 2014*

**E. Marie McKee**  
Retired Senior Vice President – Corning, Incorporated  
*Chair, Compensation Committee*  
*Member, Audit Committee, Corporate Governance Committee*  
*Director of Duke Energy, since 2012*

**Richard A. (Dick) Meserve**  
President Emeritus, Carnegie Institution for Science  
*Member, Nuclear Oversight Committee, Regulatory Policy and Operations Committee*  
*Director of Duke Energy, since 2015*

**E. James (Jim) Reinsch**  
Retired Senior Vice President and Partner – Bechtel Group and past President – Bechtel Nuclear  
*Member, Finance and Risk Management Committee, Nuclear Oversight Committee*  
*Director of Duke Energy, since 2009*

**James T. (Jim) Rhodes**  
Retired Chairman, President and Chief Executive Officer – Institute of Nuclear Power Operations  
*Chair, Nuclear Oversight Committee*  
*Member, Regulatory Policy and Operations Committee*  
*Director of Duke Energy, since 2001*

**Carlos A. Saladrigas**  
Chairman – Regis HR Group and Chairman – Concordia Healthcare Holdings, LLC  
*Chair, Audit Committee*  
*Member, Compensation Committee, Regulatory Policy and Operations Committee*  
*Director of Duke Energy, since 2012*

# DUKE ENERGY CORPORATION

**Cautionary Statement  
Regarding Forward-Looking  
Information**

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**Non-GAAP Financial  
Measures**

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**2014  
Form 10-K**



## FORWARD-LOOKING INFORMATION

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This document includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are based on management's beliefs and assumptions. 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," "outlook," "guidance," 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: 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 the costs and liabilities relating to the Dan River ash basin release and compliance with current and any future regulatory changes related to the management of coal ash; the ability to recover eligible costs, including those associated with future significant weather events, and earn an adequate return on investment through the regulatory process; the risk that the credit ratings of the company 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 customer usage patterns, including energy efficiency efforts and use of alternative energy sources including self-generation and distributed generation technologies; additional competition in electric markets and continued industry consolidation; political and regulatory uncertainty in 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 and tornadoes; the ability to successfully operate electric generating facilities and deliver electricity to customers; the impact on facilities and business from a terrorist attack, cybersecurity threats, data security breaches and other catastrophic events; 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 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 and its subsidiaries' capital investment projects in existing and new generation facilities, including risks related to financing, obtaining and complying with terms of permits, meeting construction budgets and schedules, and satisfying operating and environmental performance standards, as well as the ability to recover costs from customers in a timely manner or at all; changes in rules for regional transmission organizations, including changes in rate designs and new and evolving capacity markets, and risks related to obligations created by the

default of other participants; the ability to control operation and maintenance costs; the level of creditworthiness of counterparties to transactions; employee workforce factors, including the potential inability to attract and retain key personnel; the ability of subsidiaries to pay dividends or distributions to Duke Energy Corporation holding company (the Parent); the performance of projects undertaken by our nonregulated businesses and the success of efforts to invest in and develop new opportunities; the effect of accounting pronouncements issued periodically by accounting standard-setting bodies; the impact of potential goodwill impairments; the ability to reinvest prospective undistributed earnings of foreign subsidiaries or repatriate such earnings on a tax-efficient basis; and the ability to successfully complete future merger, acquisition or divestiture plans.

Additional risks and uncertainties are identified and discussed in Duke Energy's and its subsidiaries' reports filed with the SEC and available at the SEC's website at [www.sec.gov](http://www.sec.gov). In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than Duke Energy has described. Duke Energy undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## NON-GAAP MEASURES

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### Adjusted Earnings, Adjusted Diluted Earnings per Share ("EPS") and Adjusted Segment Income

Duke Energy's 2014 Annual Report references 2014 adjusted earnings of \$3,218 million and adjusted diluted EPS of \$4.55.

Management evaluates financial performance in part based on the non-GAAP financial measures, adjusted earnings and adjusted diluted EPS. These items are measured as income from continuing operations net of income (loss) attributable to noncontrolling interests, adjusted for the dollar and per share impact of mark-to-market impacts of economic hedges in the Commercial Power segment and special items including the operating results of the Disposal Group classified as discontinued operations for GAAP purposes. Special items represent certain charges and credits, which management believes will not be recurring on a regular basis, although it is reasonably possible such charges and credits could recur. As result of the agreement in August 2014 to sell the Disposal Group to Dynegy, the operating results of the Disposal Group are classified as discontinued operations, including a portion of the mark-to-market adjustments associated with derivative contracts. Management believes that including the operating results of the Disposal Group classified as discontinued operations better reflects its financial performance and therefore has included these results in adjusted earnings and adjusted diluted EPS. Derivative contracts are used in Duke Energy's hedging of a portion of the economic value of its generation assets in the Commercial Power segment. The mark-to-market impact of derivative contracts is recognized in GAAP earnings immediately and, if associated with the Disposal Group, classified as discontinued operations, as such derivative contracts do not qualify for hedge accounting or regulatory treatment. The economic value of generation assets is subject to fluctuations in fair value due to market price volatility of input and output commodities (e.g., coal, electricity, natural gas). Economic hedging involves both purchases and sales of those input and output commodities related to generation assets. Operations of the generation assets are accounted for under the accrual method. Management believes excluding impacts of mark-to-market changes of the

derivative contracts from adjusted earnings until settlement better matches the financial impacts of the derivative contract with the portion of economic value of the underlying hedged asset. Management believes the presentation of adjusted earnings and adjusted diluted EPS provides useful information to investors, as it provides them an additional relevant comparison of Duke Energy's performance across periods. Management uses these non-GAAP financial measures for planning and forecasting and for reporting results to the Duke Energy Board of Directors (Board of Directors), employees, shareholders, analysts and investors concerning Duke Energy's financial performance. Adjusted diluted EPS is also used as a basis for employee incentive bonuses. The most directly comparable GAAP measures for adjusted earnings and adjusted diluted EPS are Net Income Attributable to Duke Energy Corporation and Diluted EPS Attributable to Duke Energy Corporation common shareholders, which include the dollar and per share impact of special items, mark-to-market impacts of economic hedges in the Commercial Power segment and discontinued operations.

Management evaluates segment performance based on segment income. Segment income is defined as income from continuing operations net of income (loss) attributable to noncontrolling interests. Segment income, as discussed below, includes intercompany revenues and expenses that are eliminated in the

Consolidated Financial Statements. Management also uses adjusted segment income as a measure of historical and anticipated future segment performance. Adjusted segment income is a non-GAAP financial measure, as it is based upon segment income adjusted for the mark-to-market impacts of economic hedges in the Commercial Power segment and special items. Management believes the presentation of adjusted segment income as presented provides useful information to investors, as it provides them with an additional relevant comparison of a segment's performance across periods. The most directly comparable GAAP measure for adjusted segment income is segment income, which represents segment income from continuing operations, including any special items and the mark-to-market impacts of economic hedges in the Commercial Power segment.

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

The following is a reconciliation of segment income net income and diluted EPS to adjusted segment income, adjusted income and adjusted diluted EPS for 2014, 2013 and 2012:

Year Ended December 31, 2014								
(in millions, except per share amounts)	Regulated Utilities	International Energy	Commercial Power	Total Reportable Segments	Other	Eliminations/Discontinued	Duke Energy	Per Diluted Share
Adjusted segment income/Adjusted earnings	\$2,897	\$ 428	\$ 109	\$3,434	\$(216)	\$ —	\$3,218	\$ 4.55
International tax adjustment	—	(373)	—	(373)	—	—	(373)	(0.53)
Costs to achieve Progress Energy merger	—	—	—	—	(127)	—	(127)	(0.18)
Midwest generation operations	—	—	(114)	(114)	—	114	—	—
Coal ash Plea Agreements reserve	(102)	—	—	(102)	—	—	(102)	(0.14)
Asset impairment	—	—	(59)	(59)	—	—	(59)	(0.08)
Asset sales	—	—	—	—	9	—	9	0.01
Economic hedges (mark-to-market)	—	—	(6)	(6)	—	—	(6)	(0.01)
Discontinued operations	—	—	15	15	—	(692)	(677)	(0.96)
Segment income (loss)/Net Income Attributable to Duke Energy Corporation	\$2,795	\$ 55	\$ (55)	\$2,795	\$(334)	\$(578)	\$1,883	\$ 2.66

Year Ended December 31, 2013								
(in millions, except per share amounts)	Regulated Utilities	International Energy	Commercial Power	Total Reportable Segments	Other	Eliminations/Discontinued	Duke Energy	Per Diluted Share
Adjusted segment income/Adjusted earnings	\$2,776	\$ 408	\$ 15	\$3,199	\$(119)	\$ —	\$3,080	\$ 4.36
Crystal River Unit 3 charges	(215)	—	—	(215)	—	—	(215)	(0.31)
Costs to achieve Progress Energy merger	—	—	—	—	(184)	—	(184)	(0.26)
Midwest generation operations	—	—	(88)	(88)	14	74	—	—
Nuclear development charges	(57)	—	—	(57)	—	—	(57)	(0.08)
Litigation reserve	—	—	—	—	(14)	—	(14)	(0.02)
Asset sales	—	—	(15)	(15)	65	—	50	0.07
Discontinued operations	—	—	—	—	—	5	5	—
Segment income (loss)/Net Income Attributable to Duke Energy Corporation	\$2,504	\$ 408	\$ (88)	\$2,824	\$(238)	\$ 79	\$2,665	\$ 3.76

Year Ended December 31, 2012								
(in millions, except per share amounts)	Regulated Utilities	International Energy	Commercial Power	Total Reportable Segments	Other	Eliminations/ Discontinued	Duke Energy	Per Diluted Share
Adjusted segment income/Adjusted earnings	\$2,086	\$ 439	\$ 93	\$2,618	\$(129)	\$ —	\$2,489	\$ 4.33
Edwardsport impairment and other charges	(402)	—	—	(402)	—	—	(402)	(0.70)
Costs to achieve Progress Energy merger	—	—	—	—	(397)	—	(397)	(0.70)
Midwest generation operations	—	—	(149)	(149)	9	140	—	—
Economic hedges (mark-to-market)	—	—	(3)	(3)	—	—	(3)	(0.01)
Democratic National Convention Host Committee support	—	—	—	—	(6)	—	(6)	(0.01)
Employee severance and office consolidation	60	—	—	60	—	—	60	0.11
Discontinued operations	—	—	—	—	—	27	27	0.05
Segment income (loss)/Net Income Attributable to Duke Energy Corporation	\$1,744	\$ 439	\$ (59)	\$2,124	\$(523)	\$ 167	\$1,768	\$ 3.07

Duke Energy's 2014 Annual Report also references Duke Energy's forecasted adjusted diluted EPS outlook range of \$4.55 - \$4.75 per share. The materials also reference the long-term targeted range of growth of 4 to 6 percent in adjusted diluted EPS (on a compound annual growth rate ("CAGR") basis). Due to the forward-looking nature of this non-GAAP financial measure for future periods, information to reconcile it to the most directly comparable GAAP financial measure is not available at this time, as management is unable to project all special items or mark-to-market adjustments for future periods. Irrespective of discontinued operations accounting treatment, operating results from the nonregulated Midwest generation business will be included in Duke Energy's adjusted diluted EPS and adjusted segment income until the close of the transaction.

#### Dividend Payout Ratio

Duke Energy's 2014 Annual Report includes a discussion of Duke Energy's anticipated long-term dividend payout ratio of 65 to 70 percent based upon adjusted diluted EPS. This payout ratio is a non-GAAP financial measure as it is based upon forecasted diluted EPS from continuing operations attributable to Duke Energy Corporation shareholders, adjusted for the per-share impact of special items and the mark-to-market impacts of economic hedges in the Commercial Power segment, as discussed above under Adjusted Diluted EPS. The most directly comparable GAAP measure for adjusted diluted EPS is reported diluted EPS from continuing operations attributable to Duke Energy Corporation common shareholders, which includes the impact of special items and the mark-to-market impacts of economic hedges in the Commercial Power segment. Due to the forward-looking nature of this non-GAAP financial measure

for future periods, information to reconcile it to the most directly comparable GAAP financial measure is not available at this time, as management is unable to project special items or mark-to-market adjustments for future periods.

#### Total Available Liquidity

Duke Energy's 2014 Annual Report includes a discussion of Duke Energy's total available liquidity. The available liquidity balance presented is a non-GAAP financial measure as it represents cash and cash equivalents (excluding certain amounts held in foreign jurisdictions and cash otherwise unavailable for operations) and remaining availability under the master credit facility. The most directly comparable GAAP financial measure for available liquidity is cash and cash equivalents. The following is a reconciliation of total available liquidity as of December 31, 2014 and December 31, 2013, to the most directly comparable GAAP measure:

(in millions)	As of December 31,	
	2014	2013
Cash and cash equivalents	\$ 2,036	\$ 1,501
Short-term investments	—	44
Less: Certain amounts held in foreign jurisdictions	(442)	(1,139)
Less: Unavailable domestic cash	(34)	(24)
	1,560	382
Plus: Remaining availability under master credit	3,793	5,248
Total available liquidity	\$ 5,353	\$ 5,630

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

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal period ended December 31, 2014 or  
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission  
file number

Registrant, State of Incorporation or Organization, Address of  
Principal Executive Offices, and Telephone Number

IRS Employer  
Identification No.



1-32853

**DUKE ENERGY CORPORATION**  
(a Delaware corporation) 550 South Tryon Street  
Charlotte, NC 28202-1803 704-382-3853

20-2777218

Commission file number	Registrant, State of Incorporation or Organization, Address of Principal Executive Offices, and Telephone Number	Commission file number	Registrant, State of Incorporation or Organization, Address of Principal Executive Offices, and Telephone Number
1-4928	<b>DUKE ENERGY CAROLINAS, LLC</b> (a North Carolina limited liability company) 526 South Church Street Charlotte, North Carolina 28202-1803 704-382-3853 56-0205520	1-3274	<b>DUKE ENERGY FLORIDA, INC.</b> (a Florida corporation) 299 First Avenue North St. Petersburg, Florida 33701 704-382-3853 59-0247770
1-15929	<b>PROGRESS ENERGY, INC.</b> (a North Carolina corporation) 410 South Wilmington Street Raleigh, North Carolina 27601-1748 704-382-3853 56-2155481	1-1232	<b>DUKE ENERGY OHIO, INC.</b> (an Ohio corporation) 139 East Fourth Street Cincinnati, Ohio 45202 704-382-3853 31-0240030
1-3382	<b>DUKE ENERGY PROGRESS, INC.</b> (a North Carolina corporation) 410 South Wilmington Street Raleigh, North Carolina 27601-1748 704-382-3853 56-0165465	1-3543	<b>DUKE ENERGY INDIANA, INC.</b> (an Indiana corporation) 1000 East Main Street Plainfield, Indiana 46168 704-382-3853 35-0594457

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

Registrant	Title of each class	Name of each exchange on which registered
Duke Energy Corporation (Duke Energy)	Common Stock, \$0.001 par value	New York Stock Exchange, Inc.
Duke Energy	5.125% Junior Subordinated Debentures due January 15, 2073	New York Stock Exchange, Inc.
Duke Energy Carolinas, LLC (Duke Energy Carolinas)	All of the registrant's limited liability company member interests are directly owned by Duke Energy.	
Progress Energy, Inc. (Progress Energy)	All of the registrant's common stock is directly owned by Duke Energy.	
Duke Energy Progress, Inc. (Duke Energy Progress)	All of the registrant's common stock is indirectly owned by Duke Energy.	
Duke Energy Florida, Inc. (Duke Energy Florida)	All of the registrant's common stock is indirectly owned by Duke Energy.	
Duke Energy Ohio, Inc. (Duke Energy Ohio)	All of the registrant's common stock is indirectly owned by Duke Energy.	
Duke Energy Indiana, Inc. (Duke Energy Indiana)	All of the registrant's common stock is indirectly owned by Duke Energy.	

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

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

Duke Energy	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Duke Energy Florida	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Duke Energy Carolinas	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Duke Energy Ohio	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Progress Energy	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	Duke Energy Indiana	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Duke Energy Progress	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>		

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

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrants have submitted electronically and posted on their corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Duke Energy	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Duke Energy Florida	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Duke Energy Carolinas	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Duke Energy Ohio	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Progress Energy	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Duke Energy Indiana	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Duke Energy Progress	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>		

Indicate by check mark whether Duke Energy is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer,"

"accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one): Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio and Duke Energy Indiana are large accelerated filers, accelerated filers, non-accelerated filers, or smaller reporting companies. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☐

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

Estimated aggregate market value of the common equity held by nonaffiliates of Duke Energy at June 30, 2014.

52,431,523,340

Number of shares of Common Stock, \$0.001 par value, outstanding at February 24, 2015.

707,554,168

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Duke Energy definitive proxy statement for the 2014 Annual Meeting of the Shareholders or an amendment to this Annual Report are incorporated by reference into PART III, Items 10, 11, 12, 13 and 14 hereof. This combined Form 10-K is filed separately by seven registrants: Duke Energy, Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio and Duke Energy Indiana (collectively the Duke Energy Registrants). Information contained herein relating to any individual registrant is filed by such registrant solely on its own behalf. Each registrant makes no representation as to information relating exclusively to the other registrants.

Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio and Duke Energy Indiana meet the conditions set forth in General Instructions (I)(a) and (b) of Form 10-K and are, therefore, filing this form with the reduced disclosure format specified in General Instructions (I2) of Form 10-K.

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#### CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This document includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are based on management's beliefs and assumptions. 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:

- 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 the costs and liabilities relating to the Dan River ash basin release and compliance with current and any future regulatory changes related to the management of coal ash;
- The ability to recover eligible costs, including those associated with future significant weather events, and earn an adequate return on investment through the regulatory process;
- The costs of decommissioning nuclear facilities could prove to be more extensive than are currently identified and all costs may not be fully recoverable through the regulatory process;
- The risk that the credit ratings of the company 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 customer usage patterns, including energy efficiency efforts and use of alternative energy sources, including self-generation and distributed generation technologies;
- Additional competition in electric markets and continued industry consolidation;
- Political and regulatory uncertainty in 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 and tornadoes;
- The ability to successfully operate electric generating facilities and deliver electricity to customers;
- The impact on facilities and business from a terrorist attack, cybersecurity threats, data security breaches, and other catastrophic events;
- 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 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 Registrants' capital investment projects in existing and new generation facilities, including risks related to financing, obtaining and complying with terms of permits, meeting construction budgets and schedules, and satisfying operating and environmental performance standards, as well as the ability to recover costs from customers in a timely manner or at all;
- Changes in rules for regional transmission organizations, including changes in rate designs and new and evolving capacity markets, and risks related to obligations created by the default of other participants;
- The ability to control operation and maintenance costs;
- The level of creditworthiness of counterparties to transactions;
- Employee workforce factors, including the potential inability to attract and retain key personnel;
- The ability of subsidiaries to pay dividends or distributions to Duke Energy Corporation holding company (the Parent);
- The performance of projects undertaken by our nonregulated businesses and the success of efforts to invest in and develop new opportunities;
- The effect of accounting pronouncements issued periodically by accounting standard-setting bodies;
- The impact of potential goodwill impairments;
- The ability to reinvest prospective undistributed earnings of foreign subsidiaries or repatriate such earnings on a tax-efficient basis; and
- The ability to successfully complete future merger, acquisition or divestiture plans

In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than described. Forward-looking statements speak only as of the date they are made; the Duke Energy Registrants undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise that occur after that date.

## Glossary of Terms

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

Term or Acronym	Definition	Term or Acronym	Definition
the 2010 Plan	Duke Energy's 2010 Long-Term Incentive Plan	CWA	Clean Water Act
the 2012 Edwardsport settlement	Settlement agreement in 2012 among Duke Energy Indiana, the OUC, the Duke Energy Indiana Industrial Group and Nucor Steel-Indiana	DB	Defined Benefit (Pension Plan)
the 2012 Settlement	Settlement agreement in 2012 among Duke Energy Florida, the OPC and other customer advocates	D.C. Circuit Court	U.S. Court of Appeals for the District of Columbia
the 2013 Settlement	Settlement agreement in 2013 among Duke Energy Florida, the OPC and other customer advocates	DEBS	Duke Energy Business Services, LLC
ACP	Atlantic Coast Pipeline	DECAM	Duke Energy Commercial Asset Management, Inc.
AFUDC	Allowance for Funds Used During Construction	DECS	Duke Energy Corporate Services
Aguaytia	Aguaytia Integrated Energy Project	DEFR	Duke Energy Florida Receivables Company, LLC
AHFS	Assets held for sale	DEGS	Duke Energy Generation Services, Inc.
ALJ	Administrative Law Judge	DEIGP	Duke Energy International Geracao Paranapenema S.A.
ANEEL	Brazilian electricity regulatory agency	Deloitte	Deloitte & Touche LLP and the member firms of Deloitte Touche Tohmatsu and their respective affiliates
AOCI	Accumulated Other Comprehensive Income	DENR	Department of Environment and Natural Resources
ASU	Accounting standard update	DEPR	Duke Energy Progress Receivables Company, LLC
Board of Directors	Duke Energy Board of Directors	DERF	Duke Energy Receivables Finance Company, LLC
Bison	Bison Insurance Company Limited	Disposal Group	Duke Energy Ohio's nonregulated Midwest generation business and Duke Energy Retail Sales, LLC
Brunswick	Brunswick Nuclear Station	DOE	U.S. Department of Energy
CAA	Clean Air Act	Dominion	Dominion Resources
CAIR	Clean Air Interstate Rule	DSM	Demand Side Management
Calpine	Calpine Corporation	Duke Energy	Duke Energy Corporation (collectively with its subsidiaries)
Catawba	Catawba Nuclear Station	Duke Energy Audit Committee	Audit Committee of the Board of Directors
Catawba Riverkeeper	Catawba Riverkeeper Foundation, Inc.	Duke Energy Carolinas	Duke Energy Carolinas, LLC
CCR	Coal Combustion Residuals	Duke Energy Defendants	Several current and former Duke Energy officers and directors named as defendants in the Consolidated Complaint
CCS	Carbon Capture and Storage	Duke Energy Florida	Duke Energy Florida, Inc.
CECPN	Certificate of Environmental Compatibility and Public Convenience and Necessity	Duke Energy Indiana	Duke Energy Indiana, Inc.
CEO	Chief Executive Officer	Duke Energy Kentucky	Duke Energy Kentucky, Inc.
Cinergy	Cinergy Corp. (collectively with its subsidiaries)	Duke Energy Ohio	Duke Energy Ohio, Inc.
CO <sub>2</sub>	Carbon Dioxide	Duke Energy Progress	Duke Energy Progress, Inc.
Coal Ash Act	North Carolina Coal Ash Management Act of 2014	Duke Energy Registrants	Duke Energy, Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio, and Duke Energy Indiana
Coal Ash Commission	Coal Ash Management Commission	Duke Energy Retail	Duke Energy Retail Sales, LLC
COL	Combined Construction and Operating License	Duke Energy Vermillion	Duke Energy Vermillion II, LLC
the Company	Duke Energy Corporation and its subsidiaries	DukeNet	DukeNet Communications Holdings, LLC
Consolidated Complaint	Corrected Verified Consolidated Shareholder Derivative Complaint	Dynegy	Dynegy Inc.
CPP	Clean Power Plan	EE	Energy efficiency
CRC	Cinergy Receivables Company, LLC	EGU	Electric Generating Units
CRES	Competitive Retail Electric Supplier	EIP	Progress Energy's Equity Incentive Plan
Crescent	Crescent Resources LLC	Electric Settlement	Settlement agreement in 2013 among Duke Energy Ohio and all intervening parties
Crystal River Unit 3	Crystal River Unit 3 Nuclear Station		
CSAPR	Cross-State Air Pollution Rule		

Term or Acronym	Definition	Term or Acronym	Definition
ELG .....	Effluent Limitation Guidelines	JDA .....	Joint Dispatch Agreement
EMC .....	North Carolina Environmental Management Commission	Joint intervenors .....	Intervenor in matters related to the Edward-sport IGCC Plan, including the Citizens Action Coalition of Indiana, Inc., Sierra Club, Inc., Save the Valley, Inc., and Valley Watch, Inc.
EPA .....	U.S. Environmental Protection Agency	KPSC .....	Kentucky Public Service Commission
EPC .....	Engineering, Procurement and Construction agreement	kV .....	Kilovolt
EPS .....	Earnings Per Share	kWh .....	Kilowatt-hour
ESP .....	Electric Security Plan	Lee Nuclear Station .....	William States Lee III Nuclear Station
ETR .....	Effective tax rate	Levy .....	Duke Energy Florida's proposed nuclear plant in Levy County, Florida
Exchange Act .....	Exchange Act of 1934	Legacy Duke Energy Directors .....	Members of the pre-merger Duke Energy Board of Directors
FASB .....	Financial Accounting Standards Board	LIBOR .....	London Interbank Offered Rate
FERC .....	Federal Energy Regulatory Commission	Long-Term FERC Mitigation .....	The revised market power mitigation plan related to the Progress Energy merger
Fitch .....	Fitch Ratings, Inc.	MATS .....	Mercury and Air Toxics Standards (previously referred to as the Utility MACT Rule)
Florida Global Case .....	Litigation case filed in the Circuit Court for Broward County, Florida by U.S. Global, LLC	Mcf .....	Thousand cubic feet
Florida Municipal Joint Owners .....	Seminole Electric Cooperative, Inc., City of Ocala, Orlando Utilities Commission, City of Gainesville, City of Leesburg, Kissimmee Utility Authority, Utilities Commission of the City of New Smyrna Beach, City of Alachua and City of Bushnell	McGuire .....	McGuire Nuclear Station
Form S-3 .....	Registration statement	MGP .....	Manufactured gas plant
FPSC .....	Florida Public Service Commission	MISO .....	Midcontinent Independent System Operator, Inc.
FRR .....	Fixed Resource Requirement	MMBtu .....	Million British Thermal Unit
FTR .....	Financial transmission rights	Moody's .....	Moody's Investor Service, Inc.
GAAP .....	Generally Accepted Accounting Principles in the United States	MTBE .....	Methyl tertiary butyl ether
Gas Settlement .....	Settlement agreement in 2013 among Duke Energy Ohio, PUCO Staff and intervening parties	MTEP .....	MISO Transmission Expansion Planning
GBRA .....	Generation Base Rate Adjustment recovery mechanism	MW .....	Megawatt
GHG .....	Greenhouse Gas	MVP .....	Multi Value Projects
Global .....	U.S. Global, LLC	MWh .....	Megawatt-hour
GPC .....	Georgia Power Company	NASDAQ .....	Nasdaq Composite
GWh .....	Gigawatt-hours	NCAG .....	North Carolina Attorney General
Harris .....	Shearon Harris Nuclear Station	NCEMC .....	North Carolina Electric Membership Corporation
HB 998 .....	North Carolina House Bill 998	NCEMPA .....	North Carolina Eastern Municipal Power Agency
Hines .....	Hines Energy Complex	NCRC .....	Florida's Nuclear Cost Recovery Clause
IAP .....	State Environmental Agency of Parana	NCSC .....	North Carolina Supreme Court
IBAMA .....	Brazil Institute of Environment and Renewable Natural Resources	NCUC .....	North Carolina Utilities Commission
Ibener .....	Iberoamericana de Energia Ibener, S.A.	NC WARN .....	N.C. Waste Awareness and Reduction Network
IBNR .....	Incurred but not yet reported	NDTF .....	Nuclear decommissioning trust funds
IC .....	Internal combustion	NEIL .....	Nuclear Electric Insurance Limited
IGCC .....	Integrated Gasification Combined Cycle	NMC .....	National Methanol Company
Interim FERC Mitigation .....	Interim firm power sale agreements mitigation plans related to the Progress Energy merger	NOL .....	Net operating loss
IRP .....	Integrated Resource Plans	NOx .....	Nitrogen oxide
IRS .....	Internal Revenue Service	NPNS .....	Normal purchase/normal sale
ISFSI .....	Independent Spent Fuel Storage Installation	NRC .....	U.S. Nuclear Regulatory Commission
ISO .....	Independent System Operator	NSR .....	New Source Review
ITC .....	Investment Tax Credit	NWPA .....	Nuclear Waste Policy Act of 1982
IURC .....	Indiana Utility Regulatory Commission	NYSE .....	New York Stock Exchange
Investment Trusts .....	Grantor trusts of Duke Energy Progress, Duke Energy Florida and Duke Energy Indiana	Oconee .....	Oconee Nuclear Station
		Ohio EPA .....	Ohio Environmental Protection Agency
		OPC .....	Florida Office of Public Counsel
		QPEB .....	Other Post-Retirement Benefit Obligations
		ORS .....	South Carolina Office of Regulatory Staff



Term or Acronym	Definition	Term or Acronym	Definition
Osprey Plant acquisition	Duke Energy Florida's proposed acquisition of Calpine Corporation's 599 MW combined cycle natural gas plant in Auburndale, Florida	SELC	Southern Environmental Law Center
OUCC	Office of Utility Consumer Counselor	Segment Income	Income from continuing operations net of income attributable to noncontrolling interests
OVEC	Ohio Valley Electric Corporation	SO <sub>2</sub>	Sulfur dioxide
the Parent	Duke Energy Corporation Holding Company	SOA	Society of actuaries
PESC	Progress Energy Service Company	Spectra Energy	Spectra Energy Corp.
PJM	PJM Interconnection, LLC	Spectra Capital	Spectra Energy Capital, LLC (formerly Duke Capital LLC)
Plea Agreements	Plea Agreements entered into by Duke Energy Carolinas and Duke Energy Progress in connection with a criminal investigation related to the Dan River ash basin release and the management of coal ash basins in North Carolina	S&P	Standard & Poor's Rating Services
Progress Energy	Progress Energy, Inc.	SSO	Standard Service Offer
PSA	Purchase sale agreement	State Utility Commissions	NCUC, PSCSC, FPSC, PUCO, IURC and KPSC (Collectively)
PSCSC	Public Service Commission of South Carolina	Subsidiary Registrants	Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio and Duke Energy Indiana
Public Staff	North Carolina Utilities Commission Public Staff	Supreme Court	U.S. Supreme Court
PUCO	Public Utilities Commission of Ohio	Sutton	L.V. Sutton combined cycle facility
PURPA	Public Utility Regulatory Act of 1978	Suwannee project	Proposed 320 MW combustion turbine plant at Duke Energy Florida's Suwannee generating facility
QF	Qualifying Facility	TSR	Total shareholder return
QUIPS	Quarterly Income Preferred Securities	U.S.	United States
RCA	Revolving Credit Agreement	USDOJ	United States Department of Justice
RCRA	Resource Conservation and Recovery Act		Environmental Crimes Section and the United States Attorneys for the Eastern District of North Carolina, the Middle District of North Carolina and the Western District of North Carolina, collectively
Relative TSR	TSR of Duke Energy stock relative to a pre-defined peer group	VDEQ	Virginia Department of Environmental Quality
the Resolutions	Proposed resolutions promulgated by the Brazilian electricity regulatory agency	VEBA I	Duke Energy Corporation Employee Benefits Trust
Robinson	Robinson Nuclear Station	Vermillion	Vermillion Generating Station
RTO	Regional Transmission Organization	VIE	Variable Interest Entity
SAFSTOR	A method of decommissioning in which a nuclear facility is placed and maintained in a condition that allows the facility to be safely stored and subsequently decontaminated to levels that permit release for unrestricted use	VSP	Voluntary Severance Plan
SCDHEC	South Carolina Department of Health and Environmental Control	WACC	Weighted Average Cost of Capital
SEC	Securities and Exchange Commission	WVPA	Wabash Valley Power Association, Inc.

## PART I

### ITEM 1. BUSINESS

#### DUKE ENERGY

##### General

Duke Energy Corporation (collectively with its subsidiaries, Duke Energy) is an energy company headquartered in Charlotte, North Carolina, subject to regulation by the Federal Energy Regulatory Commission (FERC). Duke Energy operates in the United States (U.S.) and Latin America primarily through its direct and indirect subsidiaries. Duke Energy's subsidiaries include its subsidiary registrants (collectively referred to as the Subsidiary Registrants): Duke Energy Carolinas, LLC (Duke Energy Carolinas); Progress Energy, Inc. (Progress Energy); Duke Energy Progress, Inc. (Duke Energy Progress); Duke Energy Florida, Inc. (Duke Energy Florida); Duke Energy Ohio, Inc. (Duke Energy Ohio); and Duke Energy Indiana, Inc. (Duke Energy Indiana). When discussing Duke Energy's consolidated financial information, it necessarily includes the results of its Subsidiary Registrants, which along with Duke Energy, are collectively referred to as the Duke Energy Registrants.

On August 21, 2014, Duke Energy entered into an agreement to sell its nonregulated Midwest generation business (Disposal Group) to Dynegy Inc. (Dynegy) for approximately \$2.8 billion in cash subject to adjustments at closing for changes in working capital and capital expenditures. The Disposal Group primarily includes Duke Energy Ohio's coal-fired and gas-fired generation assets located in the Midwest region of the United States and dispatched into the PJM wholesale market. These assets earn energy and capacity revenue at market price. The Disposal Group also includes a retail sales subsidiary of Duke Energy, Duke Energy Retail Sales, LLC (Duke Energy Retail), which is certified as a Competitive Retail Electric Supplier (CRES) provider in Ohio. Duke Energy Retail serves retail electric and gas customers in Ohio with energy and provides other energy services at competitive rates. Completion of the transaction is conditioned on approval by FERC. The transaction is expected to close by the end of the second quarter of 2015. For additional information on the Midwest generation business disposition see Note 2 to the Consolidated Financial Statements, "Acquisitions, Dispositions and Sales of Other Assets."

The Duke Energy Registrants electronically file reports with the Securities and Exchange Commission (SEC), including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxies and amendments to such reports.

The public may read and copy any materials the Duke Energy Registrants file with the SEC at the SEC's Public Reference Room at 100 F Street, NE,

Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at <http://www.sec.gov>. Additionally, information about the Duke Energy Registrants, including reports filed with the SEC, is available through Duke Energy's website at <http://www.duke-energy.com>. Such reports are accessible at no charge and are made available as soon as reasonably practicable after such material is filed with or furnished to the SEC.

##### Business Segments

Duke Energy conducts its operations in three business segments: Regulated Utilities, International Energy and Commercial Power. The remainder of Duke Energy's operations are presented as Other. Duke Energy's chief operating decision maker regularly reviews financial information about each of these business segments in deciding how to allocate resources and evaluate performance. For additional information on each of these business segments, including financial and geographic information, see Note 3 to the Consolidated Financial Statements, "Business Segments."

The following sections describe the business and operations of each of Duke Energy's reportable business segments, as well as Other.

##### REGULATED UTILITIES

Regulated Utilities conducts operations primarily through Duke Energy Carolinas, Duke Energy Progress, Duke Energy Florida, Duke Energy Indiana and Duke Energy Ohio. These electric and gas operations are subject to the rules and regulations of the FERC, the North Carolina Utilities Commission (NCUC), the Public Service Commission of South Carolina (PSCSC), the Florida Public Service Commission (FPSC), the Indiana Utility Regulatory Commission (IURC), the Public Utilities Commission of Ohio (PUCO), and the Kentucky Public Service Commission (KPSC).

Regulated Utilities serves 7.3 million retail electric customers in six states in the Southeast and Midwest regions of the U.S. Its service area covers approximately 95,000 square miles with an estimated population of 23 million people. Regulated Utilities serves 500,000 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.

The following table represents the distribution of billed sales by customer class for the year ended December 31, 2014.

	Duke Energy Carolinas <sup>(a)</sup>	Duke Energy Progress <sup>(a)</sup>	Duke Energy Florida <sup>(b)</sup>	Duke Energy Ohio <sup>(c)</sup>	Duke Energy Indiana <sup>(d)</sup>
Residential	32%	29%	49%	36%	28%
General service	32%	24%	39%	39%	25%
Industrial	25%	16%	8%	24%	32%
Total retail sales	89%	69%	96%	99%	85%
Wholesale and other sales	11%	31%	4%	1%	15%
Total sales	100%	100%	100%	100%	100%

(a) Primary general service sectors include health care, education, financial services, information technology and military buildings. Primary industrial sectors include textiles, chemicals, rubber and plastics, paper, food and beverage and auto manufacturing.

(b) Primary general service sectors include tourism, health care and government facilities and schools. Primary industrial sectors include phosphate rock mining and processing and citrus and other food processing.

(c) Primary general service sectors include health care, education, real estate and rental/leasing, financial and insurance services, water/wastewater services, and wholesale trade services. Primary industrial sectors include aerospace, primary metals, chemicals and food.

(d) Primary general service sectors include retail, financial, health care and education services. Primary industrial sectors include primary and fabricated metals, transportation equipment, building materials, food and beverage, stone/clay/glass, and chemicals.

## PART I

The number of residential, general service and industrial customers within the Regulated Utilities service territory is expected to increase over time. However, growth in the near term has been hampered by current economic conditions. Average usage per residential customer is expected to remain flat or decline for the foreseeable future. While total industrial and general service sales increased in 2014 when compared to 2013, the growth rate was modest when compared to historical periods.

### Seasonality and the Impact of Weather

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

The estimated impact of weather on earnings is based on the number of customers, temperature variances from a normal condition and customers' historic usage levels and patterns. The methodology used to estimate the impact of weather does not and cannot consider all variables that may impact customer response to weather conditions such as humidity and relative temperature changes. The precision of this estimate may also be impacted by applying long-term weather trends to shorter-term periods.

Degree-day data are used to estimate energy required to maintain comfortable indoor temperatures based on each day's average temperature. Heating-degree days measure the variation in weather based on the extent the average daily temperature falls below a base temperature. Cooling-degree days measure the variation in weather based on the extent the average daily temperature rises above the base temperature. Each degree of temperature below the base temperature counts as one heating-degree day and each degree of temperature above the base temperature counts as one cooling-degree day.

### Competition

#### Retail

Regulated Utilities' businesses operate as the sole supplier of electricity within their service territories, with the exception of Ohio, which has a competitive electricity supply market for generation service. Regulated Utilities owns and operates facilities necessary to transmit and distribute electricity and, except in Ohio, to generate electricity. Services are priced by state commission approved rates designed to include the costs of providing these services and a reasonable return on invested capital. This regulatory policy is intended to provide safe and reliable electricity at fair prices. Competition in the regulated electric distribution business is primarily from on-site generation of industrial customers and distributed generation, such as rooftop solar, at residential, general service and/or industrial customer sites.

Regulated Utilities is not aware of any proposed legislation in any jurisdiction that would give its retail customers the right to choose their electricity provider or otherwise restructure or deregulate the electric industry.

Although there is no pending legislation at this time, if the retail jurisdictions served by Regulated Utilities become subject to deregulation, the recovery of stranded costs could become a significant consideration. Stranded costs primarily include the generation assets of Regulated Utilities whose value

in a competitive marketplace may be less than their current book value, as well as above-market purchased power commitments from qualifying facilities (QFs). The Public Utility Regulatory Policies Act of 1978 (PURPA) established a new class of generating facilities as QFs, typically small power production facilities that generate power within a utility company's service territory for which the utility companies are legally obligated to purchase the energy at an avoided cost rate. Thus far, all states that have passed restructuring legislation have provided for the opportunity to recover a substantial portion of stranded costs.

Regulated Utilities' largest stranded cost exposure is primarily related to Duke Energy Florida's purchased power commitments with QFs, under which it has future minimum expected capacity payments through 2025 of \$2.2 billion. Duke Energy Florida was obligated to enter into these contracts under provisions of PURPA. Duke Energy Florida continues to seek ways to address the impact of escalating payments under these contracts. However, the FPSC allows full recovery of the retail portion of the cost of power purchased from QFs. For additional information related to these purchased power commitments, see Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies."

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

### Wholesale

Regulated Utilities competes with other utilities and merchant generators for bulk power sales, sales to municipalities and cooperatives, and wholesale transactions. The principal factors in competing for these sales are price, availability of capacity and power, and reliability of service. Prices are influenced primarily by market conditions and fuel costs.

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

### Energy Capacity and Resources

Regulated Utilities owns approximately 50,000 megawatts (MW) of generation capacity. For additional information on Regulated Utilities' generation facilities, see Item 2, "Properties."

Energy and capacity are also supplied through contracts with other generators and purchased on the open market. Factors that could cause Regulated Utilities to purchase power for its customers include generating plant outages, extreme weather conditions, generation reliability, growth and price. Regulated Utilities has interconnections and arrangements with its neighboring utilities to facilitate planning, emergency assistance, sale and purchase of capacity and energy, and reliability of power supply.

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

## PART I

### Recently Completed Generation Projects

The additional capacity from recently completed generation projects allowed Regulated Utilities to retire or plan to retire older, less efficient capacity. The following table summarizes the generation projects constructed and placed in service during the past three years.

		Megawatts	Fuel	Commercial Operation	Cost (in millions)
Duke Energy Carolinas	Cliffside Unit 6	844	Coal	2012	\$ 2,100
Duke Energy Carolinas	Dan River Combined Cycle	637	Natural Gas	2012	675
Duke Energy Progress	H.F. Lee Combined Cycle	916	Natural Gas	2012	725
Duke Energy Progress	L.V. Sutton Combined Cycle	622	Natural Gas	2013	575
Duke Energy Indiana	Edwardsport IGCC	595	Coal	2013	3,550
Total		3,614			\$ 7,625

### Potential Plant Retirements

The Subsidiary Registrants periodically file Integrated Resource Plans (IRP) with state regulatory commissions. The IRPs provide a view of forecasted energy needs over a long term (10 to 20 years) and options being considered to meet those needs. Recent IRPs filed by the Subsidiary Registrants included planning assumptions to potentially retire certain coal-fired generating facilities earlier than their current estimated useful lives. These facilities do not have the requisite emission control equipment, primarily to meet United

States Environmental Protection Agency (EPA) regulations recently approved or proposed. These facilities total approximately 1,704 MW at three sites. Duke Energy continues to evaluate the potential need to retire these coal-fired generating facilities earlier than the current estimated useful lives, and plans to seek regulatory recovery for amounts that would not be otherwise recovered when any of these assets are retired. For additional information related to potential plant retirements see Note 4 to the Consolidated Financial Statements, "Regulatory Matters."

### Sources of Electricity

Regulated Utilities relies principally on coal, natural gas and nuclear fuel for its generation of electricity. The following table lists sources of electricity and fuel costs for the three years ended December 31, 2014.

	Generation by Source <sup>(a)(b)</sup>			Cost of Delivered Fuel per Net Kilowatt-hour Generated (Cents) <sup>(a)(d)</sup>		
	2014	2013	2012	2014	2013	2012
Coal <sup>(b)</sup>	36.5%	35.7%	39.1%	3.54	3.67	3.55
Nuclear <sup>(b)</sup>	28.4%	28.7%	30.8%	0.65	0.66	0.62
Gas and oil <sup>(b)</sup>	20.8%	21.3%	14.0%	4.70	4.18	4.03
All fuels (cost-based on weighted average) <sup>(b)</sup>	85.7%	85.7%	83.9%	2.86	2.79	2.55
Hydroelectric and solar <sup>(c)</sup>	0.9%	1.5%	0.8%			
Total generation	86.6%	87.2%	84.7%			
Purchased power and net interchange <sup>(d)</sup>	13.4%	12.8%	15.3%			
Total sources of energy	100.0%	100.0%	100.0%			

(a) Statistics include Duke Energy Progress and Duke Energy Florida beginning July 2, 2012.

(b) Statistics related to all fuels reflect Regulated Utilities' ownership interest in jointly owned generation facilities.

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

(d) Purchased power includes renewable energy purchases.

(e) Includes the effect of the Joint Dispatch Agreement (UDA) and Mitigation sales. Mitigation sales are excluded from the Regulated Utilities segment.

### Coal

Regulated Utilities meets its coal demand through a portfolio of long-term purchase contracts and short-term spot market purchase agreements. Large amounts of coal are purchased under long-term contracts with mining operators who mine both underground and at the surface. Regulated Utilities uses spot-market purchases to meet coal requirements not met by long-term contracts. Expiration dates for its long-term contracts, which have various price adjustment provisions and market re-openers, range from 2015 to 2016 for Duke Energy Carolinas, 2015 to 2018 for Duke Energy Progress, 2015 to 2016 for Duke Energy Florida, and 2015 to 2025 for Duke Energy Indiana. Regulated Utilities expects to renew these contracts or enter into similar contracts with other suppliers as existing contracts expire, though prices will fluctuate over time as coal markets change. Coal purchased for the Carolinas is primarily produced from mines in Central Appalachia, Northern Appalachia and the Illinois Basin. Coal purchased

for Florida is primarily produced from mines in Central Appalachia and the Illinois Basin. Coal purchased for Indiana is primarily produced in Indiana and Illinois. Regulated Utilities has an adequate supply of coal under contract to fuel its projected 2015 operations and a significant portion of supply to fuel its projected 2016 operations. Current coal inventory levels for Regulated Utilities are at adequate levels and are expected to remain at adequate levels for the remainder of 2015. Changing natural gas prices continue to influence the level of coal generation.

The current average sulfur content of coal purchased by Regulated Utilities is between 1.5 percent and 2 percent for Duke Energy Carolinas, between 1.5 percent and 2 percent for Duke Energy Progress, between 1 percent and 2.5 percent for Duke Energy Florida, and between 2 percent and 3 percent for Duke Energy Indiana. Regulated Utilities' environmental controls, in combination with the use of sulfur dioxide (SO<sub>2</sub>) emission allowances, enable Regulated Utilities to satisfy current SO<sub>2</sub> emission limitations for its existing facilities.

## PART I

### **Nuclear**

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

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

Regulated Utilities has entered into fuel contracts that cover 100 percent of its uranium concentrates, conversion services, and enrichment services requirements through at least 2015 and cover fabrication services requirements for these plants through at least 2018. For future requirements not already covered under long-term contracts, Regulated Utilities believes it will be able to renew contracts as they expire, or enter into similar contractual arrangements with other suppliers of nuclear fuel materials and services.

### **Gas and Oil**

Natural gas and oil supply for Regulated Utilities' generation fleet is purchased under term and spot contracts from various suppliers. Duke Energy Carolinas, Duke Energy Progress, Duke Energy Florida and Duke Energy Indiana use derivative instruments to limit a portion of their exposure to price fluctuations for natural gas. Regulated Utilities has certain dual-fuel generating facilities that can operate with both natural gas and oil. The cost of Regulated Utilities' natural gas and oil is either at a fixed price or determined by market prices as reported in certain industry publications. Regulated Utilities believes it has access to an adequate supply of gas and oil for the reasonably foreseeable future. Regulated Utilities' natural gas transportation for its gas generation is purchased under long-term firm transportation contracts with interstate and intrastate pipelines. Regulated Utilities may also purchase additional shorter-term transportation for its load requirements during peak periods. The Regulated Utilities natural gas plants are served by several supply zones and multiple pipelines.

### **Purchased Power**

Regulated Utilities purchased approximately 14.3 million megawatt-hours (MWh), 11.7 million MWh and 19.8 million MWh of its system energy requirements during 2014, 2013 and 2012, respectively, under purchase obligations and leases and had 4,500 and 3,800 MW of firm purchased capacity under contract during 2014 and 2013, respectively. These amounts include MWh for Duke Energy Progress and Duke Energy Florida for all periods presented. These agreements include amounts contracted with certain QFs. Regulated Utilities may need to acquire additional purchased power capacity in the future to accommodate a portion of its system load needs. Regulated Utilities believes it can obtain adequate purchased power to meet these needs. However, during periods of high demand, the price and availability of purchased power may be significantly affected.

### **Gas for Retail Distribution**

Regulated Utilities is responsible for the purchase and the subsequent delivery of natural gas to retail customers in its Ohio and Kentucky service territories. Regulated Utilities' natural gas procurement strategy is to buy firm natural gas supplies and firm interstate pipeline transportation capacity during the winter season and during the non-heating season through a combination of

firm supply and transportation capacity along with spot supply and interruptible transportation capacity. This strategy allows Regulated Utilities to assure reliable natural gas supply for its non-curtailable customers during peak winter conditions and provides Regulated Utilities the flexibility to reduce its contract commitments if firm customers choose alternate gas. In 2014, firm supply purchase commitment agreements provided approximately 97 percent of the natural gas supply.

### **Inventory**

Generation of electricity is capital intensive. Regulated Utilities must maintain an adequate stock of fuel and materials and supplies in order to ensure continuous operation of generating facilities and reliable delivery to customers. As of December 31, 2014, the inventory balance for Regulated Utilities was \$3,348 million. For additional information on inventory see Note 1 to the Consolidated Financial Statements, "Summary of Significant Accounting Policies."

### **North Carolina Ash Basin Management**

On February 2, 2014, a break in a stormwater pipe beneath an ash basin at Duke Energy Carolinas' retired Dan River steam station caused a release of ash basin water and ash into the Dan River. On February 8, 2014, a permanent plug was installed in the stormwater pipe, stopping the release of materials into the river. Duke Energy Carolinas estimates 30,000 to 39,000 tons of ash and 24 million to 27 million gallons of basin water were released into the river during the incident. Duke Energy Carolinas incurred approximately \$24 million of repairs and remediation expense related to this incident during the year ended December 31, 2014. Duke Energy Carolinas will not seek recovery of these costs from customers. In July 2014, Duke Energy completed remediation work identified by the EPA and continues to cooperate with the EPA's civil enforcement process.

As a result of separate Memoranda of Plea Agreement (Plea Agreements) entered into by Duke Energy Carolinas and Duke Energy Progress in connection with a criminal investigation related to the Dan River ash basin release and the management of coal ash basins at the 14 plants in North Carolina with coal ash basins, Duke Energy Carolinas and Duke Energy Progress recognized expense for the year ended December 31, 2014 of \$72 million and \$30 million, respectively. The Plea Agreements are subject to the approval of the U.S. District Court for the Eastern District of North Carolina and, if approved, will end the grand jury investigation related to the Dan River ash basin release and the management of coal ash basins at the 14 plants in North Carolina with coal ash basins.

The Plea Agreements do not cover pending civil claims related to the Dan River coal ash release and operations at other North Carolina facilities with ash basins. Duke Energy Corporation will continue to defend against remaining civil actions associated with these matters. Other costs related to the Dan River release including state or federal civil enforcement proceedings, future regulatory directives, natural resources damages, pending litigation, future claims or litigation, and long-term environmental impact costs cannot be reasonably estimated at this time.

For additional information on the North Carolina Ash Basin Grand Jury Investigation and Plea Agreements, see Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies."

### **Nuclear Matters**

Regulated Utilities owns, wholly or partially, 12 nuclear reactors located at seven stations. Nuclear insurance includes: nuclear liability coverage; property, decontamination and premature decommissioning coverage; and replacement power expense coverage. Joint owners reimburse Regulated Utilities for certain expenses associated with nuclear insurance in accordance with joint owner agreements. The Price-Anderson Act requires plant owners to provide for public nuclear liability claims resulting from nuclear incidents to the maximum total financial protection liability, which currently is \$13.6 billion. For additional information on nuclear insurance see Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies."

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

The following table summarizes the fair value of nuclear decommissioning trust fund (NDTF) balances and cost study results for Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida.

(in millions)	NDTF		Decommissioning Costs <sup>(a)(b)</sup>	Year of Cost Study
	December 31, 2014	December 31, 2013		
Duke Energy Carolinas	\$ 3,042	\$ 2,840	\$ 3,420	2013
Duke Energy Progress	1,701	1,539	3,062	2014
Duke Energy Florida	803	753	1,083	2013

(a) Represents cost per the most recent site-specific nuclear decommissioning cost studies, including costs to decommission plant components not subject to radioactive contamination. Amounts are in dollars of the year of cost study.  
(b) Includes the Subsidiary Registrants' ownership interest in jointly owned reactors. Other joint owners are responsible for decommissioning costs related to their interest in the reactors.

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

The Nuclear Waste Policy Act of 1982 (as amended) (NWPA) provides the framework for development by the federal government of interim storage and permanent disposal facilities for high-level radioactive waste materials. The NWPA promotes increased usage of interim storage of spent nuclear fuel at existing nuclear plants. Regulated Utilities will continue to maximize the use of spent fuel storage capability within its own facilities for as long as feasible.

Under federal law, the U.S. Department of Energy (DOE) is responsible for the selection and construction of a facility for the permanent disposal of spent nuclear fuel and high-level radioactive waste. Delays have occurred in the DOE's proposed permanent repository to be located at Yucca Mountain, Nevada.

Until the DOE begins to accept the spent nuclear fuel, Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida will continue to safely manage their spent nuclear fuel. With certain modifications and additional

approvals by the Nuclear Regulatory Commission (NRC), including the expansion of on-site dry cask storage facilities, spent nuclear fuel storage facilities will be sufficient to provide storage space for spent fuel through the expiration of the operating licenses, including any license renewals, for all sites except Shearon Harris Nuclear Station (Harris) and Crystal River Unit 3 Nuclear Station (Crystal River Unit 3). Under current regulatory guidelines, Harris has sufficient storage capacity in its spent fuel pools through the expiration of its renewed operating license. Crystal River Unit 3 was retired in 2013, with plans to place the facility in SAFSTOR prior to final decommissioning. An independent spent fuel storage installation will be installed to accommodate storage of all spent nuclear fuel until the DOE accepts the spent nuclear fuel.

The nuclear power industry faces uncertainties with respect to the cost and long-term availability of disposal sites for spent nuclear fuel and other radioactive waste, compliance with changing regulatory requirements, capital outlays for modifications and new plant construction, the technological and financial aspects of decommissioning plants at the end of their licensed lives, and requirements relating to nuclear insurance. Nuclear units are periodically removed from service to accommodate normal refueling and maintenance outages, repairs, uprates and certain other modifications.

Regulated Utilities is subject to the jurisdiction of the NRC for the design, construction and operation of its nuclear generating facilities. Nuclear operating licenses are potentially subject to extension. The following table includes the current expiration of nuclear operating licenses.

Unit	Year of Expiration
<b>Duke Energy Carolinas</b>	
Catawba Unit 1	2043
Catawba Unit 2	2043
McGuire Unit 1	2041
McGuire Unit 2	2043
Oconee Unit 1	2033
Oconee Unit 2	2033
Oconee Unit 3	2034
<b>Duke Energy Progress</b>	
Brunswick Unit 1	2036
Brunswick Unit 2	2034
Harris	2046
Robinson	2030
<b>Duke Energy Florida</b>	
Crystal River Unit 3	(a)

(a) Duke Energy Florida has requested the NRC to terminate the Crystal River Unit 3 operating license as Crystal River Unit 3 permanently ceased operation in February 2013. For additional information on decommissioning activity and transition to SAFSTOR, see Note 4 "Regulatory Matters."

The NRC issues orders with regard to security at nuclear plants in response to new or emerging threats. The most recent orders include additional restrictions on nuclear plant access, increased security measures at nuclear facilities and closer coordination with intelligence, military, law enforcement

and emergency response functions at the federal, state and local levels. As the NRC, other governmental entities and the industry continue to consider security issues, it is possible that more extensive security plans could be required.

## PART I

### Regulation

#### State

The NCUC, PSCSC, FPSC, PUCO, IURC and KPSC (collectively, the state utility commissions) approve rates for retail electric and gas service within their respective states. The state utility commissions, to varying degrees, have authority over the construction and operation of Regulated Utilities' generating facilities. Certificates of Public Convenience and Necessity issued by the state utility commissions, as applicable, authorize Regulated Utilities to construct and operate its electric facilities, and to sell electricity to retail and wholesale customers. Prior approval from the relevant state utility commission is required for Regulated Utilities to issue securities. The underlying concept of utility ratemaking is to set rates at a level that allows the utility to collect revenues equal to its cost of providing service plus earn a reasonable rate of return on its invested capital, including equity.

Each of the state utility commissions allow recovery of certain costs through various cost-recovery clauses to the extent the respective commission determines in periodic hearings that such costs, including any past over or under-recovered costs, are prudent. The clauses are in addition to approved base rates.

Fuel, fuel-related costs and certain purchased power costs are eligible for recovery by Regulated Utilities. Regulated Utilities uses coal, hydroelectric, natural gas, oil and nuclear fuel to generate electricity, thereby maintaining a diverse fuel mix that helps mitigate the impact of cost increases in any one fuel. Due to the associated regulatory treatment and the method allowed for recovery, changes in fuel costs from year to year have no material impact on operating results of Regulated Utilities, unless a commission finds a portion of such costs to have been imprudent. However, delays between the expenditure for fuel costs and recovery from customers can adversely impact the timing of cash flows of Regulated Utilities.

The following table summarizes base rate cases approved and effective in the past three years.

	Annual Increase (in millions)	Return on Equity	Equity Component of Capital Structure	Effective Date	Other
Duke Energy Carolinas 2013 North Carolina Rate Case <sup>(a)</sup>	\$ 234	10.2%	53%	September 2013	(b)
Duke Energy Carolinas 2013 South Carolina Rate Case <sup>(a)</sup>	118	10.2%	53%	September 2013	(c)
Duke Energy Carolinas 2011 North Carolina Rate Case	309	10.5%	53%	February 2012	
Duke Energy Carolinas 2011 South Carolina Rate Case	93	10.5%	53%	February 2012	
Duke Energy Progress 2012 North Carolina Rate Case <sup>(a)</sup>	178	10.2%	53%	June 2013	(d)
Duke Energy Ohio 2012 Electric Rate Case	49	9.84%	53%	May 2013	
Duke Energy Ohio 2012 Natural Gas Rate Case	—	9.84%	53%	December 2013	(e)
Duke Energy Florida 2013 FPSC Settlement	—	10.5%	49%	October 2013	(f)(h)
Duke Energy Florida 2012 FPSC Settlement	150	10.5%	49%	January 2013	(g)(h)

(a) Rates increase over a two or three year period as approved by the NCUC and PSCSC. Annual increase amounts represent the total increase once effective.

(b) Terms of this rate case include (i) recognition of nuclear outage expenses over the refueling cycle rather than when the outage occurs, (ii) a \$10 million shareholder contribution to agencies providing energy assistance to low-income customers, (iii) an annual reduction in the regulatory liability for costs of removal of \$30 million for each of the first two years, and (iv) no additional base rate increases to be effective before September 2015.

(c) Terms of this rate case include (i) recognition of nuclear outage expenses over the refueling cycle rather than when the outage occurs, (ii) an approximate \$4 million shareholder contribution to agencies providing energy assistance to low-income customers and for economic development, (iii) a reduction in the regulatory liability for costs of removal of \$45 million for the first year, and (iv) no additional base rate increases to be effective before September 2015.

(d) Terms of this rate case include (i) recognition of nuclear outage expenses over the refueling cycle rather than when the outage occurs, (ii) a \$20 million shareholder contribution to agencies providing energy assistance to low-income customers, and (iii) a reduction in the regulatory liability for costs of removal of \$20 million for the first year.

(e) Although the PUCO approved no increase in base rates, more than half of the revenue request was approved to be recovered in various riders, including recovery of costs related to former manufactured gas plants (MGP). Recovery of \$36 million of MGP costs via a rider was approved in November 2013. The rider became effective in March 2014, was suspended in June 2014 and reinstated in January 2015. For additional information on MGP recovery see Note 4 to the Consolidated Financial Statements, "Regulatory Matters."

(f) Terms of this settlement include (i) no additional base rate increases until 2019, (ii) partial recovery of Crystal River Unit 3 beginning in 2014, and (iii) full recovery of Crystal River Unit 3, not to exceed \$1,466 million, plus the cost to build a dry cask storage facility, beginning no later than 2017.

(g) Terms of this settlement include the removal of Crystal River Unit 3 assets from rate base.

(h) Capital structure includes deferred income tax, customer deposits and investment tax credits.

For more information on rate matters and other regulatory proceedings, see Note 4 to the Consolidated Financial Statements, "Regulatory Matters."

#### Federal

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

**Regional Transmission Organizations (RTO).** PJM Interconnection, LLC (PJM) and Midcontinent Independent Transmission System Operator, Inc. (MISO) are the Independent System Operators (ISO) and FERC-approved RTOs for the regions in which Duke Energy Ohio and Duke Energy Indiana operate. PJM and MISO operate energy, capacity and other markets, and, through central dispatch, control the day-to-day operations of bulk power systems.

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

**Environmental.** Regulated Utilities is subject to the jurisdiction of the EPA and state and local environmental agencies. For a discussion of environmental regulation, see "Environmental Matters" in this section.

See "Other Matters" section of Management's Discussion and Analysis of Financial Condition and Results of Operations for a discussion about potential Global Climate Change legislation and other EPA regulations under development and the potential impacts such legislation and regulation could have on Duke Energy's operations.

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### INTERNATIONAL ENERGY

International Energy principally operates and manages power generation facilities and engages in sales and marketing of electric power, natural gas, and natural gas liquids outside the U.S. 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 (MTBE) located in Saudi Arabia. International Energy's economic ownership interest will decrease to 17.5 percent upon successful startup of NMC's polyacetal production facility, which is expected to occur after June 2016. International Energy will retain 25 percent of the board representation and voting rights of NMC. The investment in NMC is accounted for under the equity method of accounting.

International Energy's customers include retail distributors, electric utilities, independent power producers, marketers, and industrial and commercial companies. International Energy's current strategy is focused on optimizing the value of its current Latin American portfolio and expanding the portfolio through investment in generation opportunities in Latin America.

During 2014, Duke Energy performed a strategic review of International Energy to evaluate a wide range of options and opportunities for growth of the business, including strategies for utilization of off-shore cash. Duke Energy determined it is in the shareholders' best interest, at the present time, to continue to own, operate and create value through portfolio optimization and efficiency of International Energy operations.

Duke Energy also declared a taxable dividend of historical foreign earnings in the form of notes payable that will result in the repatriation of approximately \$2.7 billion in cash held and expected to be generated by International Energy over a period of up to eight years. Duke Energy's intention is to indefinitely reinvest prospective undistributed foreign earnings generated by International Energy. For additional information see Note 22 to the Consolidated Financial Statements, "Income Taxes."

### Competition and Regulation

International Energy's sales and marketing of electric power and natural gas competes directly with other generators and marketers serving its market areas. Competitors are country- and region-specific but include government-owned electric generating companies, local distribution companies with self-generation capability and other privately owned electric generating and marketing companies. The principal elements of competition are price and availability, terms of service, flexibility and reliability of service.

A high percentage of International Energy's portfolio consists of baseload hydroelectric generation facilities, which compete with other forms of electric generation available to International Energy's customers and end-users, including natural gas and fuel oils. Economic activity, conservation, legislation, governmental regulations, weather, including rainfall, additional generation capacities and other factors affect the supply and demand for electricity in the regions served by International Energy.

International Energy's operations are subject to both country-specific and international laws and regulations. See "Environmental Matters" in this section.

### COMMERCIAL POWER

Commercial Power builds, develops, and operates wind and solar renewable generation and energy transmission projects throughout the continental U.S. Long-term contracts are generally executed with load-serving entities, which, in most instances, have obligations under state-mandated renewable energy portfolio standards or similar state or local renewable energy goals. Energy and renewable energy credits generated by wind and solar projects are generally sold at contractual prices. Commercial Power also builds, develops and operates high voltage power and natural gas transmission projects. These projects are designed to increase reliability, integrate renewables generation and relieve grid congestion.

Duke Energy, Dominion Resources (Dominion), Piedmont Natural Gas and AGL Resources announced the formation of a joint venture, Atlantic Coast Pipeline, LLC, to build and own the proposed Atlantic Coast Pipeline (ACP), a 550-mile interstate natural gas pipeline. The ACP is designed to meet the needs identified in requests for proposals by Duke Energy Carolinas, Duke Energy Progress and Piedmont Natural Gas. Dominion will build and operate the ACP and will own 45 percent. Duke Energy, will own 40 percent ownership of the pipeline through its Commercial Power segment. The remaining share will be owned by Piedmont Natural Gas and AGL Resources. Duke Energy Carolinas and Duke Energy Progress will be customers of the pipeline and enter into 20-year transportation contracts with ACP, subject to state regulatory approval. The project will require FERC approval, which the joint venture will seek to secure by summer 2016. The estimated in-service date of the pipeline is late 2018. For additional information on the ACP, see Note 4 to the Consolidated Financial Statements, "Regulatory Matters."

Commercial Power has three wind projects totaling approximately 510 MW under various stages of construction in Starr County, Texas. A 200 MW project is expected to commence operation in the second quarter of 2015, a 110 MW project is expected to commence commercial operations by the end of 2015 and a third 200 MW project is expected to commence operation in the third quarter of 2016. All three projects have entered into long-term power purchase agreements with third parties.

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

### Other Matters

Commercial Power is subject to regulation at the federal level, primarily from the FERC. Regulations of the FERC govern access to regulated electric customer and other data by nonregulated entities, services provided between regulated and nonregulated energy affiliates, and Commercial Power's investments in transmission projects. These regulations affect the activities of Commercial Power.

For more information on rate matters, see Note 4 to the Consolidated Financial Statements, "Regulatory Matters – Rate Related Information."

### Market Environment and Competition

The market price of commodities and services, along with the quality and reliability of services provided, drive competition in the wholesale energy business. Commercial Power's main competitors include other nonregulated generators and wholesale power providers.

### Sources of Electricity

Commercial Power relies on wind and solar resources for its generation of electric energy.

### OTHER

The remainder of Duke Energy's operations is presented as Other. While it is not an operating segment, Other primarily includes unallocated corporate interest expense, certain unallocated corporate costs, Bison Insurance Company Limited (Bison), Duke Energy's wholly owned, captive insurance subsidiary, contributions to the Duke Energy Foundation, and other investments in businesses the Company is in various stages of exiting or winding down. On December 31, 2013, Duke Energy sold its interest in DukeNet Communications Holdings, LLC (DukeNet) to Time Warner Cable, Inc. Following the repayment of existing DukeNet indebtedness at closing, transaction expenses and other purchase price adjustments, Duke Energy received cash proceeds of approximately \$215 million.



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Bison's principal activities as a captive insurance entity include the indemnification of various business risks and losses, such as property, workers' compensation and general liability of Duke Energy subsidiaries and affiliates.

### Regulation

Certain entities within Other are subject to the jurisdiction of state and local agencies.

### Geographic Regions

For a discussion of Duke Energy's foreign operations see "Management's Discussion and Analysis of Results of Operations" and Note 3 to the Consolidated Financial Statements, "Business Segments."

### Employees

On December 31, 2014, Duke Energy had 28,344 employees. A total of 6,267 operating and maintenance employees were represented by unions.

### Executive Officers

Melissa H. Anderson	50	<b>Senior Vice President and Chief Human Resources Officer.</b> Ms. Anderson assumed her position in January 2015. Prior to joining Duke Energy, she served as Senior Vice President of Human Resources at Domtar Inc. since 2010.
Lynn J. Good	55	<b>Vice Chairman, President and Chief Executive Officer.</b> Ms. Good assumed her current position in July 2013. Prior to that, she served as Executive Vice President and Chief Financial Officer since 2009.
Dhira M. Jamil	58	<b>Executive Vice President and President, Regulated Generation.</b> Mr. Jamil assumed his current position in August 2014. He served as Executive Vice President and President of Duke Energy Nuclear from March 2013 and as Chief Nuclear Officer from February 2008 to August 2014. He also served as Chief Generation Officer for Duke Energy from July 2009 to June 2012.
Julia S. Janson	50	<b>Executive Vice President, Chief Legal Officer and Corporate Secretary.</b> Ms. Janson assumed her current position in December 2012. Prior to that, she had held the position of President of Duke Energy Ohio and Duke Energy Kentucky since 2008.
Marc E. Manly	62	<b>Executive Vice President and President, Commercial Portfolio.</b> Mr. Manly assumed his current position in August 2014. He served as Executive Vice President and President, Commercial Businesses from December 2012 until August 2014. He previously held the position of Chief Legal Officer from April 2006, upon the merger of Duke Energy and Cinergy, until December 2012.
A. R. Mullinax	60	<b>Executive Vice President, Strategic Services.</b> Mr. Mullinax assumed his current position in August 2014. Prior to that, he had held the position of Chief Information Officer since 2007.
Brian D. Savoy	39	<b>Senior Vice President, Controller and Chief Accounting Officer.</b> Mr. Savoy assumed his current position in September 2013. Prior to that, he had held the position of Director, Forecasting and Analysis since 2009.
B. Keith Trent	55	<b>Executive Vice President, Grid Solutions and President, Midwest and Florida Regions.</b> Mr. Trent assumed his current position in August 2014. He served as Executive Vice President and Chief Operating Officer, Regulated Utilities from December 2012 until August 2014. Prior to that, he held the position of Executive Vice President, Regulated Utilities upon the merger with Progress Energy in July 2012, and President, Commercial Businesses from July 2009 until July 2012.
Jennifer L. Weber	48	<b>Executive Vice President, External Affairs and Strategic Policy.</b> Ms. Weber assumed her current position in August 2014. Prior to that, she had served as Executive Vice President Chief Human Resources Officer since January 2011. She previously held the position of Senior Vice President and Chief Human Resources Officer from November 2008 until January 2011.
Lloyd M. Yates	54	<b>Executive Vice President, Market Solutions and President, Carolinas Region.</b> Mr. Yates assumed his current position in August 2014. He held the position of Executive Vice President, Regulated Utilities from December 2012 to August 2014, and prior to that, had served as Executive Vice President, Customer Operations since July 2012, upon the merger of Duke Energy and Progress Energy. Prior to the merger, Mr. Yates had served as Chief Executive Officer, Duke Energy Progress, Inc. since July 2007.
Steven K. Young	56	<b>Executive Vice President and Chief Financial Officer.</b> Mr. Young assumed his current position in August 2013. Prior to that, he had served as Vice President, Chief Accounting Officer and Controller since April 2006.

Executive officers serve until their successors are duly elected or appointed.

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

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### Environmental Matters

The Duke Energy Registrants are subject to federal, state and local laws and regulations with regard to air and water quality, hazardous and solid waste disposal and other environmental matters. Duke Energy is also subject to international laws and regulations with regard to air and water quality, hazardous and solid waste disposal and other environmental matters. Environmental laws and regulations affecting the Duke Energy Registrants include, but are not limited to:

- The Clean Air Act (CAA), as well as state laws and regulations impacting air emissions, including State Implementation Plans related to existing and new national ambient air quality standards for ozone and particulate matter. Owners and/or operators of air emission sources are responsible for obtaining permits and for annual compliance and reporting.
- The Clean Water Act (CWA) which requires permits for facilities that discharge wastewaters into the environment.
- The Comprehensive Environmental Response, Compensation and Liability Act, which can require any individual or entity that currently owns or in the past may have owned or operated a disposal site, as well as transporters or generators of hazardous substances sent to a disposal site, to share in remediation costs.
- The Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act (RCRA), which requires certain solid wastes, including hazardous wastes, to be managed pursuant to a comprehensive regulatory regime.
- The National Environmental Policy Act, which requires federal agencies to consider potential environmental impacts in their decisions, including siting approvals.

See "Other Matters" section of Management's Discussion and Analysis of Financial Condition and Results of Operations for a discussion about potential Global Climate Change legislation and the potential impacts such legislation could have on the Duke Energy Registrants' operations. Additionally, other recently passed and potential future environmental laws and regulations could have a significant impact on the Duke Energy Registrants' results of operations, cash flows or financial position. However, if and when such laws and regulations become effective, the Duke Energy Registrants will seek appropriate regulatory recovery of costs to comply within its regulated operations.

For more information on environmental matters involving the Duke Energy Registrants, including possible liability and capital costs, see Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies – Environmental." Except to the extent discussed in Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies," compliance with current international, federal, state and local provisions regulating the discharge of materials into the environment, or otherwise protecting the environment, is incorporated into the routine cost structure of our various business segments and is not expected to have a material adverse effect on the competitive position, consolidated results of operations, cash flows or financial position of the Duke Energy Registrants.

### DUKE ENERGY CAROLINAS

Duke Energy Carolinas is a regulated public utility primarily engaged in the generation, transmission, distribution, and sale of electricity in portions of North Carolina and South Carolina. Duke Energy Carolinas' service area covers approximately 24,000 square miles and supplies electric service to 2.5 million residential, commercial and industrial customers. For information about Duke Energy Carolinas' generating plants, see Item 2, "Properties." Duke Energy Carolinas is subject to the regulatory provisions of the NCUC, PSCSC, NRC and FERC.

Substantially all of Duke Energy Carolinas operations are regulated and qualify for regulatory accounting. Duke Energy Carolinas operates one reportable business segment, Regulated Utility. For additional information regarding this business segment, including financial information, see Note 3 to the Consolidated Financial Statements, "Business Segments."

### PROGRESS ENERGY

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

Substantially all of Progress Energy's operations are regulated and qualify for regulatory accounting. Progress Energy operates one reportable business segment, Regulated Utilities. For additional information regarding this business segment, including financial information, see Note 3 to the Consolidated Financial Statements, "Business Segments."

### DUKE ENERGY PROGRESS

Duke Energy Progress is a regulated public utility primarily engaged in the generation, transmission, distribution and sale of electricity in portions of North Carolina and South Carolina. Duke Energy Progress' service area covers approximately 32,000 square miles, and supplies electric service to approximately 1.5 million residential, commercial and industrial customers. For information about Duke Energy Progress' generating plants, see Item 2, "Properties." Duke Energy Progress is subject to the regulatory provisions of the NCUC, PSCSC, NRC and FERC.

Substantially all of Duke Energy Progress' operations are regulated and qualify for regulatory accounting. Duke Energy Progress operates one reportable business segment, Regulated Utility. For additional information regarding this business segment, including financial information, see Note 3 to the Consolidated Financial Statements, "Business Segments."

### DUKE ENERGY FLORIDA

Duke Energy Florida is a regulated public utility primarily engaged in the generation, transmission, distribution, and sale of electricity in portions of Florida. Duke Energy Florida's service area covers approximately 13,000 square miles and supplies electric service to approximately 1.7 million residential, commercial and industrial customers. For information about Duke Energy Florida's generating plants, see Item 2, "Properties." Duke Energy Florida is subject to the regulatory provisions of the FPSC, NRC and FERC.

Substantially all of Duke Energy Florida's operations are regulated and qualify for regulatory accounting. Duke Energy Florida operates one reportable business segment, Regulated Utility. For additional information regarding this business segment, including financial information, see Note 3 to the Consolidated Financial Statements, "Business Segments."

### DUKE ENERGY OHIO

Duke Energy Ohio is a public utility that provides service in portions of Ohio and Kentucky. References herein to Duke Energy Ohio include Duke Energy Ohio and its subsidiaries. Duke Energy Ohio is subject to the regulatory provisions of the PUCC, KPSC and FERC.

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### Business Segments

Duke Energy Ohio operates two business segments: Regulated Utilities and Commercial Power. For additional information on each of these business segments, including financial information, see Note 3 to the Consolidated Financial Statements, "Business Segments."

The following is a brief description of the nature of operations of each of Duke Energy Ohio's reportable business segments.

### REGULATED UTILITIES

Regulated Utilities transmits and distributes electricity in Ohio. Regulated Utilities also generates, transmits and distributes electricity in Kentucky. Regulated Utilities also transports and sells natural gas in Ohio and Kentucky. Duke Energy Ohio applies regulatory accounting to substantially all of the operations in its Regulated Utilities operating segment.

Duke Energy Ohio's Regulated Utilities service area covers 3,000 square miles and supplies electric service to 840,000 residential, commercial and industrial customers and provides regulated transmission and distribution services for natural gas to 500,000 customers. See Item 2, "Properties" for further discussion of Duke Energy Ohio's Regulated Utilities generating facilities.

See Note 4 to the Consolidated Financial Statements, "Regulatory Matters," for further discussion related to regulatory filings.

### COMMERCIAL POWER

On August 21, 2014, Duke Energy entered into an agreement to sell Commercial Power's Midwest generation business to Dynegy. The transaction is conditioned on approval by FERC, and is expected to close by the end of the second quarter of 2015. The results of these operations have been reclassified to Discontinued Operations on the Consolidated Statements of Operations and Comprehensive Income. For additional information on the Midwest generation business disposition see Note 2 to the Consolidated Financial Statements, "Acquisitions, Dispositions and Sales of Other Assets."

For additional information on Duke Energy Ohio's Commercial Power generating facilities, see Item 2, "Properties."

### DUKE ENERGY INDIANA

Duke Energy Indiana is a regulated public utility primarily engaged in the generation, transmission, distribution and sale of electricity in portions of Indiana. Duke Energy Indiana's service area covers 23,000 square miles and supplies electric service to 810,000 residential, commercial and industrial customers. See Item 2, "Properties" for further discussion of Duke Energy Indiana's generating facilities, transmission and distribution. Duke Energy Indiana is subject to the regulatory provisions of the IURC and FERC.

Substantially all of Duke Energy Indiana's operations are regulated and qualify for regulatory accounting. Duke Energy Indiana operates one reportable business segment, Regulated Utility. For additional information regarding this business segment, including financial information, see Note 3 to the Consolidated Financial Statements, "Business Segments."

### ITEM 1A. RISK FACTORS

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

### REGULATORY, LEGISLATIVE AND LEGAL RISKS

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

The Duke Energy Registrants' regulated utility businesses are regulated on a cost-of-service/rate-of-return basis subject to statutes and regulatory commission rules and procedures of North Carolina, South Carolina, Florida, Ohio, Indiana and Kentucky. If the Duke Energy Registrants' regulated utility earnings exceed the returns established by the state utility commissions, retail electric rates may be subject to review and possible reduction by the commissions, which may decrease the Duke Energy Registrants' future earnings. Additionally, if regulatory bodies do not allow recovery of costs incurred in providing service on a timely basis, the Duke Energy Registrants' future earnings could be negatively impacted.

If legislative and regulatory structures were to evolve in such a way that the Duke Energy Registrants' exclusive rights to serve their regulated customers were eroded, their future earnings could be negatively impacted.

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

Increased competition resulting from deregulation or restructuring legislation could have a significant adverse impact on the Duke Energy Registrants' results of operations, financial position or cash flows. Retail competition and the unbundling of regulated electric service could have a significant adverse financial impact on the Duke Energy Registrants due to an impairment of assets, a loss of retail customers, lower profit margins or increased costs of capital. The Duke Energy Registrants cannot predict the extent and timing of entry by additional competitors into the electric markets. The Duke Energy Registrants cannot predict if or when they will be subject to changes in legislation or regulation, nor can they predict the impact of these changes on their financial position, results of operations or cash flows.

**The Duke Energy Registrants' businesses are subject to extensive federal regulation that will affect their operations and costs.**

The Duke Energy Registrants are subject to regulation by FERC, NRC, EPA and various other federal agencies as well as the North American Electric Reliability Corporation. Regulation affects almost every aspect of the Duke Energy Registrants' businesses, including, among other things, their ability to: take fundamental business management actions; determine the terms and rates of transmission and distribution services; make acquisitions; issue equity or debt securities; engage in transactions with other subsidiaries and affiliates; and pay dividends upstream to the Duke Energy Registrants. Changes to federal regulations are continuous and ongoing. The Duke Energy Registrants cannot predict the future course of regulatory changes or the ultimate effect those changes will have on their businesses. However, changes in regulation can cause delays in or affect business planning and transactions and can substantially increase the Duke Energy Registrants' costs.

**The Dan River ash basin release could impact the reputation and financial condition of the Duke Energy Registrants.**

There is uncertainty regarding the extent and timing of future additional costs and liabilities related to the Dan River ash basin release, including the amount and extent of any pending or future civil or criminal penalties, and resulting litigation. These uncertainties are likely to continue for an extended

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period and may further increase costs. Thus, the Dan River ash basin release could have an adverse impact on the reputation of the Duke Energy Registrants and their financial position, results of operations and cash flows.

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

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

The EPA has recently enacted or proposed new federal regulations governing the management of cooling water intake structures, wastewater and carbon dioxide (CO<sub>2</sub>) emissions. These regulations may require the Duke Energy Registrants to make additional capital expenditures and increase operating and maintenance costs.

**Duke Energy's investments and projects located outside of the U.S. expose it to risks related to the laws, taxes, economic and political conditions, and policies of foreign governments. These risks may delay or reduce Duke Energy's realization of value from its international projects.**

Duke Energy currently owns and may acquire and/or dispose of material energy-related investments and projects outside the U.S. The economic, regulatory, market and political conditions in some of the countries where Duke Energy has interests may impact its ability to obtain financing on suitable terms. Other risks relate to its customers' ability to honor their obligations with respect to projects and investments, delays in construction, limitations on its ability to enforce legal rights, and interruption of business, as well as risks of war, expropriation, nationalization, renegotiation, trade sanctions or nullification of existing contracts and changes in law, regulations, market rules or tax policy.

## OPERATIONAL RISKS

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

Sustained downturns or sluggishness in the economy generally affect the markets in which the Duke Energy Registrants operate and negatively influence electricity operations. Declines in demand for electricity as a result of economic downturns in the Duke Energy Registrants' regulated electric service territories will reduce overall sales and lessen cash flows, especially as industrial customers reduce production and, therefore, consumption of electricity. Although the Duke Energy Registrants' regulated electric business is subject to regulated allowable rates of return and recovery of certain costs, such as fuel, under periodic adjustment clauses, overall declines in electricity sold as a result of economic downturn or recession could reduce revenues and cash flows, thereby diminishing results of operations. Additionally, prolonged economic downturns that negatively impact the Duke Energy Registrants' results of operations and cash flows could result in future material impairment charges to write-down the carrying value of certain assets, including goodwill, to their respective fair values.

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

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

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

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

Natural disasters (such as electromagnetic events or the 2011 earthquake and tsunami in Japan) or other operational accidents within the company or industry (such as the San Bruno, California natural gas transmission pipeline failure) could have direct significant impacts on the Duke Energy Registrants as well as on key contractors and suppliers. Such events could indirectly impact the Duke Energy Registrants through changes to policies, laws and regulations

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whose compliance costs have a significant impact on the Duke Energy Registrants' financial position, results of operations and cash flows.

### **Coal ash storage and management strategies to comply with CCR regulations could impact the reputation and financial condition of the Duke Energy Registrants.**

As a result of electricity produced at coal-fired power plants Duke Energy Registrants manage large amounts of CCRs in dry storage in landfills or combined with water in ash basins. The potential exists for another coal ash pond failure or coal ash related incident, such as the one that occurred during the Dan River ash basin release, that could impact the environment or raise general public health concerns. Such an incident could have a material adverse impact to the reputation and financial condition of the Duke Energy Registrants.

Recent regulations for the disposal of CCRs from power plants by the EPA are expected to be effective in 2015. These regulations classify CCR as nonhazardous waste under the RCRA and apply to all new and existing landfills, new and existing surface impoundments, structural fills and CCR piles and establishes requirements regarding landfill design, structural integrity design and assessment criteria for surface impoundments, groundwater monitoring and protection procedures and other operational and reporting procedures to ensure the safe disposal and management of CCR. In addition to federal CCR regulations, CCR landfills and surface impoundments will continue to be independently regulated by most states and additional regulations by states may be imposed in the future. At this time, Duke Energy is evaluating the federal and state CCR regulations and developing cost estimates that will largely be dependent upon compliance alternatives selected to meet requirements of the regulations. These federal and state regulations may require additional capital expenditures, increased operating and maintenance costs, or closure of certain facilities which could affect the financial position, results of operations and cash flows of the Duke Energy Registrants. Although the Duke Energy Registrants intend to seek cost recovery for future expenditures through the normal ratemaking process with state utility commissions, which permit recovery of necessary and prudently incurred costs associated with Duke Energy's regulated operations, there is no guarantee that recovery of such costs will be granted.

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

Growth in customer accounts and growth of customer usage each directly influence demand for electricity and the need for additional power generation and delivery facilities. Customer growth and customer usage are affected by a number of factors outside the control of the Duke Energy Registrants, such as mandated energy efficiency measures, demand-side management goals, distributed generation resources and economic and demographic conditions, such as population changes, job and income growth, housing starts, new business formation and the overall level of economic activity.

Certain regulatory and legislative bodies have introduced or are considering requirements and/or incentives to reduce energy consumption by certain dates. Additionally, technological advances driven by federal laws mandating new levels of energy efficiency in end-use electric devices or other improvements in or applications of technology could lead to declines in per capita energy consumption.

Advances in distributed generation technologies that produce power, including fuel cells, micro-turbines, wind turbines and solar cells, may reduce the cost of alternative methods of producing power to a level competitive with central power station electric production utilized by the Duke Energy Registrants.

Some or all of these factors, could result in a lack of growth or decline in customer demand for electricity or number of customers, and may cause the failure of the Duke Energy Registrants to fully realize anticipated benefits from

significant capital investments and expenditures which could have a material adverse effect on their financial position, results of operations and cash flows.

Furthermore, the Duke Energy Registrants currently have energy efficiency riders in place to recover the cost of energy efficiency programs in North Carolina, South Carolina, Florida, Ohio and Kentucky. Should the Duke Energy Registrants be required to invest in conservation measures that result in reduced sales from effective conservation, regulatory lag in adjusting rates for the impact of these measures could have a negative financial impact.

### **The Duke Energy Registrants' operating results may fluctuate on a seasonal and quarterly basis and can be negatively affected by changes in weather conditions and severe weather.**

Electric power generation is generally a seasonal business. In most parts of the U.S., and other markets in which Duke Energy operates, demand for power peaks during the warmer summer months, with market prices typically peaking at that time. In other areas, demand for power peaks during the winter. Further, extreme weather conditions such as heat waves or winter storms could cause these seasonal fluctuations to be more pronounced. As a result, in the future, the overall operating results of the Duke Energy Registrants' businesses may fluctuate substantially on a seasonal and quarterly basis and thus make period-to-period comparison less relevant.

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

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

The Duke Energy Registrants depend on transmission and distribution facilities owned and operated by utilities and other energy companies to deliver electricity sold to the wholesale market. FERC's power transmission regulations, as well as those of Duke Energy's international markets, require wholesale electric transmission services to be offered on an open-access, non-discriminatory basis. If transmission is disrupted, or if transmission capacity is inadequate, the Duke Energy Registrants' ability to sell and deliver products may be hindered.

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

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

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

Additionally, the Duke Energy Registrants are exposed to risk that counterparties will not be able to fulfill their obligations. Disruption in the delivery of fuel, including disruptions as a result of, among other things, transportation

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delays, weather, labor relations, *force majeure* events, or environmental regulations affecting any of these fuel suppliers, could limit the Duke Energy Registrants to operate their facilities. Should counterparties fail to perform, the Duke Energy Registrants might be forced to replace the underlying commitment at prevailing market prices possibly resulting in losses in addition to the amounts, if any, already paid to the counterparties.

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

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

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

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

Information security risks have generally increased in recent years as a result of the proliferation of new technologies and the increased sophistication and frequency of cyberattacks and data security breaches. The utility industry requires the continued operation of sophisticated information technology systems and network infrastructure, which are part of an interconnected regional grid. Additionally, connectivity to the Internet continues to increase through smart grid and other initiatives. Because of the critical nature of the infrastructure, increased connectivity to the Internet and technology systems' inherent vulnerability to disability or failures due to hacking, viruses, acts of war or terrorism or other types of data security breaches, the Duke Energy Registrants face a heightened risk of cyberattack. In the event of such an attack, the Duke Energy Registrants could (i) have business operations disrupted, property damaged, customer information stolen and other private information accessed (ii) experience substantial loss of revenues, repair and restoration costs, implementation costs for additional security measures to avert future cyberattacks and other financial loss, and (iii) be subject to increased regulation, litigation and reputational damage.

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

Certain events, such as an aging workforce, mismatch of skill set or complement to future needs, or unavailability of contract resources may lead to operating challenges and increased costs. The challenges include lack of resources,

loss of knowledge base and the lengthy time required for skill development. In this case, costs, including costs for contractors to replace employees, productivity costs and safety costs, may rise. Failure to hire and adequately train replacement employees, including the transfer of significant internal historical knowledge and expertise to new employees, or future availability and cost of contract labor may adversely affect the ability to manage and operate the business, especially considering the workforce needs associated with nuclear generation facilities. If the Duke Energy Registrants are unable to successfully attract and retain an appropriately qualified workforce, their financial position or results of operations could be negatively affected.

### **Duke Energy's investments and projects located outside of the U.S. expose it to risks related to fluctuations in currency rates. These risks, and Duke Energy's activities to mitigate such risks, may adversely affect its cash flows and results of operations.**

Duke Energy's operations and investments outside the U.S. expose it to risks related to fluctuations in currency rates. As each local currency's value changes relative to the U.S. dollar, the value in U.S. dollars of Duke Energy's assets and liabilities in such locality and the cash flows generated in such locality, expressed in U.S. dollars, also change. Duke Energy's primary foreign currency rate exposure is to the Brazilian Real.

Duke Energy selectively mitigates some risks associated with foreign currency fluctuations by, among other things, indexing contracts to the U.S. dollar and/or local inflation rates, hedging through debt denominated or issued in the foreign currency and hedging through foreign currency derivatives. These efforts, however, may not be effective and, in some cases, may expose Duke Energy to other risks that could negatively affect its cash flows and results of operations.

### **The costs of retiring Duke Energy Florida's Crystal River Unit 3 could prove to be more extensive than is currently identified.**

Costs to retire and decommission the plant could exceed estimates and, if not recoverable through the regulatory process, could adversely affect Duke Energy's, Progress Energy's and Duke Energy Florida's financial condition, results of operations and cash flows.

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

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

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

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### NUCLEAR GENERATION RISKS

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

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

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

### LIQUIDITY, CAPITAL REQUIREMENTS AND COMMON STOCK RISKS

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

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

Market disruptions may increase the cost of borrowing or adversely affect the ability to access one or more financial markets. Such disruptions could include: economic downturns, the bankruptcy of an unrelated energy company, capital market conditions generally, market prices for electricity and gas, actual or threatened terrorist attacks, or the overall health of the energy industry. The availability of credit under Duke Energy's Master Credit Facility depends upon the ability of the banks providing commitments under the facility to provide funds when their obligations to do so arise. Systematic risk of the banking system and the financial markets could prevent a bank from meeting its obligations under the facility agreement.

Duke Energy maintains a revolving credit facility to provide backup for its commercial paper program and letters of credit to support variable rate demand tax-exempt bonds that may be put to the Duke Energy Registrant issuer at the option of the holder. The facility includes borrowing sublimits for the Duke Energy Registrants, each of whom is a party to the credit facility, and financial covenants that limit the amount of debt that can be outstanding as a percentage of the total capital for the specific entity. Failure to maintain these covenants at a particular entity could preclude Duke Energy from issuing commercial paper or the Duke Energy Registrants from issuing letters of credit or borrowing under the Master Credit Facility.

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

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

If the rating agencies were to rate the Duke Energy Registrants below investment grade, borrowing costs would increase, perhaps significantly. In addition, the potential pool of investors and funding sources would likely decrease. Further, if the short-term debt rating were to fall, access to the commercial paper market could be significantly limited. A reduction in liquidity and borrowing availability could ultimately impact the ability to indefinitely reinvest prospective undistributed earnings generated by Duke Energy's foreign subsidiaries, which could result in significant income taxes that would have a material effect on its results of operations.

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

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

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

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

Ownership and operation of nuclear generation facilities also requires the maintenance of funded trusts that are intended to pay for the decommissioning costs of the respective nuclear power plants. The performance of the capital markets affects the values of the assets held in trust to satisfy these future obligations. Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida have significant obligations in this area and hold significant assets in these trusts. These assets are subject to market fluctuations and will yield uncertain returns, which may fall below projected rates of return. Although a number of factors impact funding requirements, a decline in the market

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value of the assets may increase the funding requirements of the obligations for decommissioning nuclear plants. If Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida are unable to successfully manage their NDTF assets, their financial condition, results of operations and cash flows could be negatively affected.

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

The costs of providing non-contributory defined benefit pension plans are dependent upon a number of factors, such as the rates of return on plan

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

## ITEM 1B. UNRESOLVED STAFF COMMENTS

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None.



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ITEM 2. PROPERTIES

REGULATED UTILITIES

The following table provides information related to Regulated Utilities' electric generation stations as of December 31, 2014. The MW displayed in the table below are based on summer capacity.

Facility	Plant Type	Primary Fuel	Location	Total MW Capacity	Owned MW Capacity	Ownership Interest
<b>Duke Energy Carolinas</b>						
Oconee	Nuclear	Uranium	SC	2,554	2,554	100%
Catawba <sup>(a)</sup>	Nuclear	Uranium	SC	2,290	441	19.25
McGuire	Nuclear	Uranium	NC	2,278	2,278	100
Belews Creek	Fossil Steam	Coal	NC	2,220	2,220	100
Marshall	Fossil Steam	Coal	NC	2,078	2,078	100
J.E. Rogers	Fossil Steam	Coal	NC	1,396	1,396	100
Bad Creek	Hydro	Water	SC	1,360	1,360	100
Lincoln	Combustion Turbine	Gas/Oil	NC	1,267	1,267	100
Allen	Fossil Steam	Coal	NC	1,127	1,127	100
Rockingham	Combustion Turbine	Gas/Oil	NC	825	825	100
Jocassee	Hydro	Water	SC	780	780	100
Dan River	Combined Cycle	Gas	NC	637	637	100
Buck	Combined Cycle	Gas	NC	631	631	100
Mill Creek	Combustion Turbine	Gas/Oil	SC	596	596	100
Cowans Ford	Hydro	Water	NC	325	325	100
W.S. Lee	Fossil Steam	Coal	SC	170	170	100
Keowee	Hydro	Water	SC	152	152	100
W.S. Lee	Combustion Turbine	Gas/Oil	SC	82	82	100
Distributed generation	Renewable	Solar	NC	4	4	100
Other small hydro (25 plants)	Hydro	Water	NC/SC	666	666	100
<b>Total Duke Energy Carolinas</b>				<b>21,438</b>	<b>19,589</b>	
<b>Duke Energy Progress</b>						
Roxboro <sup>(b) (c)</sup>	Fossil Steam	Coal	NC	2,433	2,343	96.30%
Brunswick <sup>(c)</sup>	Nuclear	Uranium	NC	1,870	1,527	81.67
Smith	Combined Cycle	Gas/Oil	NC	1,088	1,088	100
Harris <sup>(c)</sup>	Nuclear	Uranium	NC	928	778	83.83
H.F. Lee	Combined Cycle	Gas/Oil	NC	916	916	100
Wayne County	Combustion Turbine	Gas/Oil	NC	863	863	100
Darlington	Combustion Turbine	Gas/Oil	SC	787	787	100
Smith	Combustion Turbine	Gas/Oil	NC	784	784	100
Robinson	Nuclear	Uranium	SC	741	741	100
Mayo <sup>(a)</sup>	Fossil Steam	Coal	NC	727	609	83.83
L.V. Sutton	Combined Cycle	Gas/Oil	NC	622	622	100
Asheville	Fossil Steam	Coal	NC	376	376	100
Asheville	Combustion Turbine	Gas/Oil	NC	324	324	100
Weatherspoon	Combustion Turbine	Gas/Oil	NC	128	128	100
Walters	Hydro	Water	NC	112	112	100
L.V. Sutton	Combustion Turbine	Gas/Oil	NC	61	61	100
Blewett	Combustion Turbine	Oil	NC	52	52	100
Other small hydro (3 plants)	Hydro	Water	NC	110	110	100
<b>Total Duke Energy Progress</b>				<b>12,922</b>	<b>12,221</b>	

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Facility	Plant Type	Primary Fuel	Location	Total MW Capacity	Owned MW Capacity	Ownership Interest
<b>Duke Energy Florida</b>						
Crystal River	Fossil Steam	Coal	FL	2,291	2,291	100%
Hines	Combined Cycle	Gas/Oil	FL	1,912	1,912	100
Bartow	Combined Cycle	Gas/Oil	FL	1,074	1,074	100
Anclote	Fossil Steam	Gas	FL	991	991	100
Intercession City <sup>(a)</sup>	Combustion Turbine	Gas/Oil	FL	986	986	(d)
DeBary	Combustion Turbine	Gas/Oil	FL	637	637	100
Tiger Bay	Combined Cycle	Gas/Oil	FL	205	205	100
Bartow	Combustion Turbine	Gas/Oil	FL	177	177	100
Bayboro	Combustion Turbine	Oil	FL	174	174	100
Suwannee River	Combustion Turbine	Gas	FL	155	155	100
Turner	Combustion Turbine	Oil	FL	131	131	100
Suwannee River	Fossil Steam	Gas/Oil	FL	128	128	100
Higgins	Combustion Turbine	Gas/Oil	FL	105	105	100
Avon Park	Combustion Turbine	Gas/Oil	FL	48	48	100
University of Florida Cogeneration	Combustion Turbine	Gas	FL	46	46	100
Rio Pinar	Combustion Turbine	Oil	FL	12	12	100
<b>Total Duke Energy Florida</b>				<b>9,072</b>	<b>9,072</b>	
<b>Duke Energy Ohio</b>						
East Bend	Fossil Steam	Coal	KY	500	500	100%
Woodsdale	Combustion Turbine	Gas/Propane	OH	462	462	100
Miami Fort (Unit 6)	Fossil Steam	Coal	OH	163	163	100
<b>Total Duke Energy Ohio</b>				<b>1,225</b>	<b>1,225</b>	
<b>Duke Energy Indiana</b>						
Gibson <sup>(a)</sup>	Fossil Steam	Coal	IN	3,132	2,822	90.10%
Cayuga <sup>(b)</sup>	Fossil Steam	Coal/Oil	IN	1,005	1,005	100
Wabash River <sup>(c)</sup>	Fossil Steam	Coal/Oil	IN	676	676	100
Edwardsport	Fossil Steam	Coal	IN	595	595	100
Madison	Combustion Turbine	Gas	OH	576	576	100
Vermillion <sup>(d)</sup>	Combustion Turbine	Gas	IN	568	355	62.50
Wheatland	Combustion Turbine	Gas	IN	460	460	100
Noblesville	Combined Cycle	Gas/Oil	IN	285	285	100
Gallagher	Fossil Steam	Coal	IN	280	280	100
Henry County	Combustion Turbine	Gas/Oil	IN	129	129	100
Cayuga	Combustion Turbine	Gas/Oil	IN	99	99	100
Connersville	Combustion Turbine	Oil	IN	86	86	100
Miami Wabash	Combustion Turbine	Oil	IN	80	80	100
Markland	Hydro	Water	IN	45	45	100
<b>Total Duke Energy Indiana</b>				<b>8,016</b>	<b>7,493</b>	
<b>Total Regulated Utilities</b>				<b>52,673</b>	<b>49,600</b>	
<b>Totals By Plant Type</b>						
Nuclear				10,661	8,319	
Fossil Steam				20,388	19,870	
Combined Cycle				7,370	7,370	
Combustion Turbine				10,700	10,487	
Hydro				3,550	3,550	
Renewable				4	4	
<b>Total Regulated Utilities</b>				<b>52,673</b>	<b>49,600</b>	

(a) Jointly owned with North Carolina Municipal Power Agency Number 1, North Carolina Electric Membership Corporation and Piedmont Municipal Power Agency

(b) Duke Energy Progress owns and operates Roxboro Station Units 1-3 and owns 87.06 percent of, and operates, Unit 4

(c) Jointly owned with North Carolina Eastern Municipal Power Agency (NCEMPA). Duke Energy Progress executed an agreement in September 2014 to purchase NCEMPA's ownership interest in these facilities. For additional information see Note 2 to the Consolidated Financial Statements, "Acquisitions, Dispositions and Sales of Other Assets."

(d) Duke Energy Florida owns and operates Intercession City Station Units 1-10 and 12-14. Unit 11 is jointly owned with Georgia Power Company (GPC). GPC has the exclusive right to the output of this unit during the months of June through September. Duke Energy Florida has the exclusive right to the output of this unit for the remainder of the year.

(e) Duke Energy Indiana owns and operates Gibson Station Units 1-4 and owns 50.05 percent of, and operates, Unit 5. Unit 5 is jointly owned with Wabash Valley Power Association, Inc. and Indiana Municipal Power Agency

(f) Includes Cayuga Internal Combustion (IC)

(g) Includes Wabash River IC

(h) Jointly owned with Wabash Valley Power Association

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The following table provides information related to Regulated Utilities' electric transmission and distribution properties as of December 31, 2014.

	Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana	Total Regulated Utilities
<b>Electric Transmission Lines</b>						
Miles of 500 to 525 Kilovolt (kV)	600	300	200	—	—	1,100
Miles of 345 kV	—	—	—	1,000	700	1,700
Miles of 230 kV	2,600	3,400	1,700	—	700	8,400
Miles of 100 to 161 kV	6,800	2,600	1,000	700	1,400	12,500
Miles of 13 to 69 kV	3,100	—	2,300	800	2,500	8,700
Total conductor miles of electric transmission lines	13,100	6,300	5,200	2,500	5,300	32,400
<b>Electric Distribution Lines</b>						
Miles of overhead lines	66,600	44,600	24,100	13,800	22,500	171,600
Miles of underground line	36,000	23,400	17,700	5,700	8,500	91,300
Total conductor miles of electric distribution lines	102,600	68,000	41,800	19,500	31,000	262,900
Number of electric transmission and distribution substations	1,500	500	500	300	500	3,300
Miles of gas mains	—	—	—	7,200	—	7,200
Miles of gas service lines	—	—	—	6,200	—	6,200

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

## INTERNATIONAL ENERGY

The following table provides additional information related to International Energy's electric generation stations as of December 31, 2014. The MW displayed in the table below are based on summer capacity.

Facility	Primary Fuel	Location	Total MW Capacity	Owned MW Capacity	Ownership Interest
DEI Brazil <sup>(a)</sup>	Water	Brazil	2,274	2,089	92%
Egenor	Water	Peru	357	357	100
Cerro Colorado	Water/Gas	Argentina	576	524	91
DEI Chile	Water/Diesel	Chile	362	362	100
DEI El Salvador	Oil/Diesel	El Salvador	324	293	90
DEI Guatemala	Oil/Diesel/Coal	Guatemala	361	361	100
Electroquil	Diesel	Ecuador	192	163	85
Aguaytia	Gas	Peru	192	192	100
<b>Total International Energy</b>			<b>4,638</b>	<b>4,341</b>	

(a) Includes Canoas I and II, which are jointly owned with Companhia Brasileira de Alumínio, as well as the wholly owned Palmeiras and Retiro small hydro plants.

International Energy also owns a 25 percent equity interest in NMC. In 2014, NMC produced approximately 921,000 metric tons of methanol and approximately 1.1 million metric tons of MTBE. Approximately 40 percent of methanol is normally used in the MTBE production.

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## COMMERCIAL POWER

The following table provides information related to Commercial Power's electric generation facilities as of December 31, 2014. The MW displayed in the table below are based on summer capacity.

Facility	Plant Type	Primary Fuel	Location	Total MW Capacity	Owned MW Capacity	Ownership Interest
<b>Duke Energy Renewables</b>						
Los Vientos Windpower	Renewable	Wind	TX	402	402	100%
Top of the World	Renewable	Wind	WY	200	200	100
Notrees	Renewable	Wind	TX	153	153	100
Campbell Hill	Renewable	Wind	WY	99	99	100
North Allegheny	Renewable	Wind	PA	70	70	100
Laurel Hill Wind Energy	Renewable	Wind	PA	69	69	100
Ocotillo	Renewable	Wind	TX	59	59	100
Kit Carson	Renewable	Wind	CO	51	51	100
Silver Sage	Renewable	Wind	WY	42	42	100
Happy Jack	Renewable	Wind	WY	29	29	100
Shirley	Renewable	Wind	WI	20	20	100
Highlander	Renewable	Solar	CA	21	21	100
Dogwood	Renewable	Solar	NC	20	20	100
Halifax Airport	Renewable	Solar	NC	20	20	100
Colonial Eagle – Pasquotank	Renewable	Solar	NC	20	20	100
Bagdad	Renewable	Solar	AZ	15	15	100
TX Solar	Renewable	Solar	TX	14	14	100
Washington White Post	Renewable	Solar	NC	12	12	100
Other small solar	Renewable	Solar	Various	54	54	100
<b>Total Duke Energy Renewables</b>				<b>1,370</b>	<b>1,370</b>	
<b>Duke Energy Ohio</b>						
Stuart <sup>(a)(b)</sup>	Fossil Steam	Coal	OH	2,308	900	39%
Zimmer <sup>(a)</sup>	Fossil Steam	Coal	OH	1,300	605	46.5
Hanging Rock	Combined Cycle	Gas	OH	1,226	1,226	100
Miami Fort (Units 7 and 8) <sup>(a)</sup>	Fossil Steam	Coal	OH	1,020	652	64
Conesville <sup>(a)(b)</sup>	Fossil Steam	Coal	OH	780	312	40
Washington	Combined Cycle	Gas	OH	617	617	100
Fayette	Combined Cycle	Gas	PA	614	614	100
Killer <sup>(a)(b)</sup>	Fossil Steam	Coal	OH	600	198	33
Lee	Combustion Turbine	Gas	IL	568	568	100
Dick's Creek	Combustion Turbine	Gas	OH	136	136	100
Miami Fort	Combustion Turbine	Oil	OH	56	56	100
<b>Total Duke Energy Ohio<sup>(c)</sup></b>				<b>9,225</b>	<b>5,884</b>	
<b>Totals By Facility Type</b>						
Renewable – Wind				1,194	1,194	
Renewable – Solar				176	176	
Fossil Steam				6,008	2,667	
Combined Cycle				2,457	2,457	
Combustion Turbine				760	760	
<b>Total Commercial Power</b>				<b>10,595</b>	<b>7,254</b>	

(a) Jointly owned with American Electric Power Generation Resources and/or The Dayton Power & Light Company

(b) Facility is not operated by Duke Energy Ohio

(c) Duke Energy Ohio facilities are included in the Disposal Group as of December 31, 2014

In addition to the above facilities, Commercial Power owns an equity interest in the 585 MW capacity Sweetwater wind projects located in Texas, the 299 MW capacity DS Cornerstone wind projects located in Kansas and the 17 MW capacity INDU Solar Holding Joint Venture. Commercial Power's ownership share is 442 MW of capacity in these projects.

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### OTHER

Duke Energy owns approximately 5.2 million square feet and leases 2.9 million square feet of corporate, regional and district office space spread throughout its service territories and in Houston, Texas.

### ITEM 3. LEGAL PROCEEDINGS

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For information regarding legal proceedings, including regulatory and environmental matters, see Note 4 to the Consolidated Financial Statements, "Regulatory Matters" and Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies – Litigation" and "Commitments and Contingencies – Environmental."

#### Virginia Department of Environmental Quality Civil Enforcement

Duke Energy Carolinas and the Virginia Department of Environmental Quality are in negotiations regarding civil enforcement against Duke Energy Carolinas related to the February 2, 2014, coal ash release from Duke Energy Carolinas' Dan River Steam Station. Monetary sanctions in excess of \$100,000 appear likely.

#### Brazilian Transmission Fee Assessments

On July 16, 2008, Duke Energy International Geracao Paranapanema S.A. (DEIGP) filed a lawsuit in the Brazilian federal court challenging transmission fee assessments imposed under two new resolutions promulgated by the Brazilian electricity regulatory agency (ANEEL) (collectively, the Resolutions). The Resolutions purport to impose additional transmission fees on generation companies located in the State of Sao Paulo for utilization of the electric transmission system. The fees were retroactive to July 1, 2004, and effective through June 30, 2009. DEIGP's original assessment under these Resolutions amounts to approximately \$56 million inclusive of interest through December 2014. Pending resolution of this dispute on the merits, DEIGP deposited the disputed portion, approximately \$19 million, of the assessment into a court-monitored escrow, and paid the undisputed portion to the distribution companies. In a decision published on October 2, 2013, the trial court affirmed an additional fine imposed by ANEEL in the amount of \$9 million for DEIGP's failure to pay the disputed portion of the assessment. The \$9 million was also deposited into a court-monitored escrow. In December 2014, the trial court ruled in favor of DEIGP on the merits of the original assessment. The merits of the original

assessment and fine, as well as the contradiction between the trial court's ruling in favor of DEIGP on the original assessment but against DEIGP on its alleged failure to timely pay that assessment, will be addressed on appeal.

#### Brazilian Regulatory Citations

In September 2007, the State Environmental Agency of Parana (IAP) assessed seven fines against DEIGP, totaling \$15 million for failure to comply with reforestation measures allegedly required by state regulations in Brazil. DEIGP has challenged the fines in administrative and judicial proceedings. Two of the seven fines have subsequently been dismissed or otherwise resolved in favor of DEIGP. A third fine was determined legitimate by the trial court, but is under appeal. The remaining fines are pending.

Additionally, DEIGP was assessed three fines by Brazil Institute of Environment and Renewable Natural Resources (IBAMA) for improper maintenance of existing reforested areas. One of these fines was determined legitimate by the trial court and is under appeal. The others are pending. The total current IBAMA assessment is approximately \$500,000. DEIGP believes that it has properly maintained all reforested areas and has challenged the IBAMA assessments.

#### Gibson Notice of Violations

Pursuant to Notices of Violation dated June 23, 2011 and July 16, 2013, the EPA has asserted that, on several occasions between August 1, 2008 through March 31, 2013, Duke Energy Indiana's Gibson steam station violated opacity limits contained in its Title V permit. Duke Energy Indiana entered into a settlement agreement with the EPA in the fourth quarter of 2014, which required payment of a civil penalty of \$199,000.

### ITEM 4. MINE SAFETY DISCLOSURES

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

PART I

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

Duke Energy's common stock is listed for trading on the New York Stock Exchange (NYSE) (ticker symbol DUK). As of February 24, 2015, there were approximately 172,448 common stockholders of record.

**Common Stock Data by Quarter**

	2014			2013		
	Dividends Declared Per Share	Stock Price Range <sup>(a)</sup>		Dividends Declared Per Share	Stock Price Range <sup>(a)</sup>	
		High	Low		High	Low
First Quarter	\$0.780	\$ 72.67	\$67.05	\$0.765	\$72.68	\$ 64.44
Second Quarter <sup>(b)</sup>	0.780	75.13	68.81	1.545	75.46	64.62
Third Quarter	0.795	75.21	69.48	—	72.01	64.16
Fourth Quarter	0.795	87.29	74.33	0.780	73.53	66.05

(a) Stock prices represent the intra-day high and low stock price

(b) Two dividends were declared in the second quarter of 2013. The first was \$0.765 per share and the second was \$0.78 per share

Duke Energy expects to continue its policy of paying regular cash dividends; however, there is no assurance as to the amount of future dividends as they depend on future earnings, capital requirements, and financial condition, and are subject to declaration by the Duke Energy Board of Directors.

Duke Energy's operating subsidiaries have certain restrictions on their ability to transfer funds in the form of dividends or loans to Duke Energy. See Note 4 to the Consolidated Financial Statements, "Regulatory Matters" for further information regarding these restrictions.

**Securities Authorized for Issuance Under Equity Compensation Plans**

Duke Energy will provide information that is responsive to this Item 5 in its definitive proxy statement or in an amendment to this Annual Report not later than 120 days after the end of the fiscal year covered by this Annual Report, in either case under the caption "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters," and possibly elsewhere therein. That information is incorporated in this Item 5 by reference.

**Issuer Purchases of Equity Securities for Fourth Quarter of 2014**

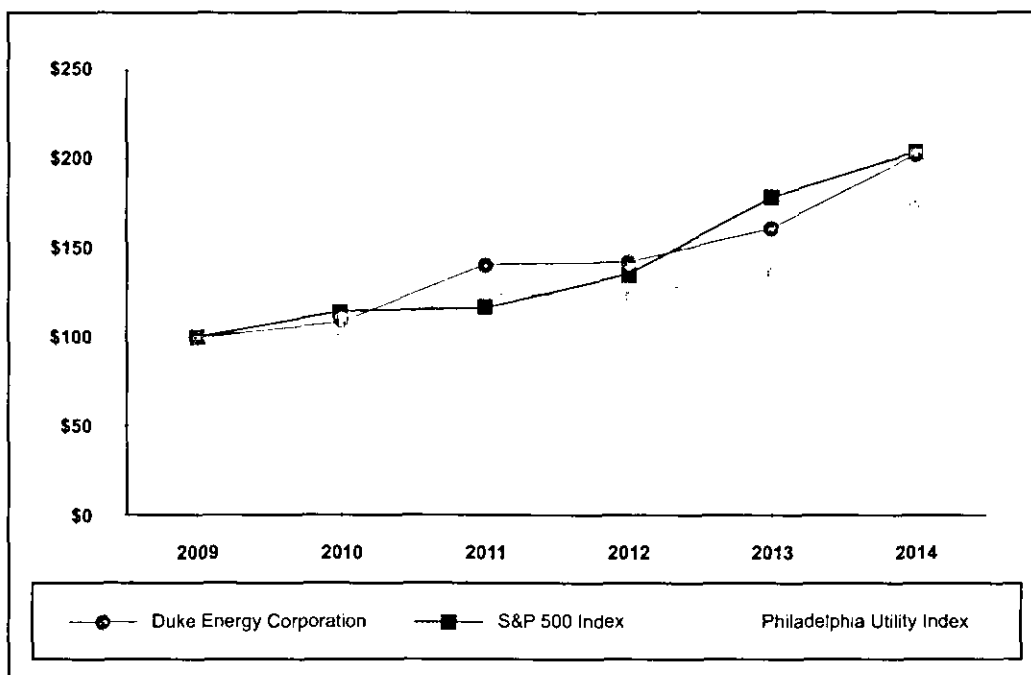
There were no repurchases of equity securities during the fourth quarter of 2014.

## PART II

### Stock Performance Graph

The performance graph below illustrates a five-year comparison of cumulative total returns of Duke Energy Corporation common stock, as compared with the S&P 500 Stock Index and the Philadelphia Utility Index for the five-year period 2009 through 2014.

This performance graph assumes an initial investment of \$100 invested on December 31, 2009, in Duke Energy common stock, in the S&P 500 Stock Index and in the Philadelphia Utility Index and that all dividends are reinvested.



### NYSE CEO Certification

Duke Energy has filed the certification of its Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 as exhibits to this Annual Report on Form 10-K for the year ended December 31, 2014.

## PART II

### ITEM 6. SELECTED FINANCIAL DATA

(in millions, except per share amounts)	2014 <sup>(c)</sup>	2013 <sup>(c)</sup>	2012 <sup>(c)</sup>	2011 <sup>(c)</sup>	2010 <sup>(c)</sup>
<b>Statement of Operations<sup>(a)</sup></b>					
Total operating revenues	\$ 23,925	\$ 22,756	\$ 17,912	\$12,412	\$12,220
Operating income	5,258	4,854	2,911	2,475	2,444
Income from continuing operations	2,465	2,590	1,611	1,508	1,481
(Loss) Income From Discontinued Operations, net of tax	(576)	86	171	206	(157)
Net income	1,889	2,676	1,782	1,714	1,324
Net income attributable to Duke Energy Corporation	1,883	2,665	1,768	1,706	1,320
<b>Common Stock Data</b>					
Income from continuing operations attributable to Duke Energy Corporation common shareholders <sup>(b)</sup>					
Basic	\$ 3.46	\$ 3.64	\$ 2.77	\$ 3.34	\$ 3.34
Diluted	3.46	3.63	2.77	3.34	3.33
(Loss) Income from discontinued operations attributable to Duke Energy Corporation common shareholders					
Basic	\$ (0.80)	\$ 0.13	\$ 0.30	\$ 0.49	\$ (0.34)
Diluted	(0.80)	0.13	0.30	0.49	(0.33)
Net income attributable to Duke Energy Corporation common shareholders <sup>(b)</sup>					
Basic	\$ 2.66	\$ 3.77	\$ 3.07	\$ 3.83	\$ 3.00
Diluted	2.66	3.76	3.07	3.83	3.00
Dividends declared per common share <sup>(b)</sup>	3.15	3.09	3.03	2.97	2.91
<b>Balance Sheet</b>					
Total assets	\$ 120,709	\$ 114,779	\$ 113,856	\$62,526	\$59,090
Long-term debt including capital leases and redeemable preferred stock of subsidiaries, less current maturities	37,213	38,152	36,444	18,679	17,935

- (a) Significant transactions reflected in the results above include: (i) 2014 impairment of the Disposal Group (see Note 2 to the Consolidated Financial Statements, "Acquisitions, Dispositions and Sales of Other Assets"); (ii) 2014 incremental tax expense resulting from the decision to repatriate all cumulative historical undistributed foreign earnings (see Note 22 to the Consolidated Financial Statements, "Income Taxes"); (iii) 2014 increase in the litigation reserve related to the criminal investigation of the Dan River coal ash spill (see Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies"); (iv) 2013 charges related to Crystal River Unit 3 and nuclear development costs (see Notes 4 and 25 to the Consolidated Financial Statements, "Regulatory Matters" and "Quarterly Financial Data", respectively); (v) the 2012 merger with Progress Energy (see Note 2 to the Consolidated Financial Statements, "Acquisitions, Dispositions and Sales of Other Assets"); (vi) 2012 and 2011 pretax impairment and other charges related to the Edwardsport Integrated Gasification Combined Cycle (IGCC) project of \$628 million and \$222 million, respectively; and (vii) 2010 pretax impairment of goodwill and other assets of \$660 million.
- (b) On July 2, 2012, immediately prior to the merger with Progress Energy, Duke Energy executed a one-for-three reverse stock split. All share and earnings per share amounts are presented as if the one-for-three reverse stock split had been effective at the beginning of the earliest period presented.
- (c) Operating results reflect reclassifications due to the impact of discontinued operations (see Note 2 to the Consolidated Financial Statements, "Acquisitions, Dispositions and Sales of Other Assets").

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

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

The following combined Management's Discussion and Analysis of Financial Condition and Results of Operations is separately filed by Duke Energy Corporation (collectively with its subsidiaries, Duke Energy) and its subsidiaries Duke Energy Carolinas, LLC (Duke Energy Carolinas), Progress Energy, Inc. (Progress Energy), Duke Energy Progress, Inc. (Duke Energy Progress), Duke Energy Florida, Inc. (Duke Energy Florida), Duke Energy Ohio, Inc. (Duke Energy Ohio) and Duke Energy Indiana, Inc. (Duke Energy Indiana) (collectively referred to as the Subsidiary Registrants). However, none of the registrants makes any representation as to information related solely to Duke Energy or the Subsidiary Registrants of Duke Energy other than itself.

#### DUKE ENERGY

Duke Energy is an energy company headquartered in Charlotte, North Carolina. Duke Energy operates in the U.S. primarily through its wholly owned

subsidiaries, Duke Energy Carolinas, Duke Energy Progress, Duke Energy Florida, Duke Energy Ohio, and Duke Energy Indiana, as well as in Latin America.

When discussing Duke Energy's consolidated financial information, it necessarily includes the results of the Subsidiary Registrants, which, along with Duke Energy, are collectively referred to as the Duke Energy Registrants.

Management's Discussion and Analysis should be read in conjunction with the Consolidated Financial Statements and Notes for the years ended December 31, 2014, 2013 and 2012.

#### Executive Overview

#### MERGER WITH PROGRESS ENERGY

On July 2, 2012, Duke Energy merged with Progress Energy, with Duke Energy continuing as the surviving corporation, and Progress Energy becoming a wholly owned subsidiary of Duke Energy. Duke Energy Progress and Duke Energy Florida, Progress Energy's regulated utility subsidiaries, are now indirect wholly owned subsidiaries of Duke Energy. Duke Energy's consolidated financial statements include Progress Energy, Duke Energy Progress and Duke Energy Florida activity beginning July 2, 2012.

Immediately preceding the merger, Duke Energy completed a one-for-three reverse stock split with respect to the issued and outstanding shares of Duke Energy common stock. All share and per share amounts presented herein reflect the impact of the one-for-three reverse stock split.

For additional information on the details of this transaction including regulatory conditions and accounting implications, see Note 2 to the Consolidated Financial Statements, "Acquisitions, Dispositions and Sales of Other Assets."



## PART II

### DISPOSITION OF THE NONREGULATED MIDWEST GENERATION BUSINESS

On August 21, 2014, Duke Energy entered into a purchase sale agreement (PSA) to sell its nonregulated Midwest generation business and Duke Energy Retail Sales LLC (Disposal Group) to Dynegy Inc. (Dynegy) for approximately \$2.8 billion in cash subject to adjustments at closing for changes in working capital and capital expenditures. The completion of the transaction, conditioned on approval by Federal Energy Regulatory Commissions (FERC), is expected by the end of the second quarter of 2015.

For additional information on the details of this transaction including regulatory conditions and accounting implications, see Note 2 to the Consolidated Financial Statements, "Acquisitions, Dispositions and Sales of Other Assets."

### 2014 FINANCIAL RESULTS

The following table summarizes adjusted earnings and net income attributable to Duke Energy.

(in millions, except per share amounts)	Years Ended December 31,					
	2014		2013		2012	
	Amount	Per diluted share	Amount	Per diluted share	Amount	Per diluted share
Adjusted earnings <sup>(a)</sup>	\$ 3,218	\$ 4.55	\$ 3,080	\$ 4.36	\$ 2,489	\$ 4.33
Net income attributable to Duke Energy	\$ 1,883	\$ 2.66	\$ 2,665	\$ 3.76	\$ 1,768	\$ 3.07

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

Adjusted earnings increased from 2013 to 2014 primarily due to the impact of the revised rates and favorable weather, partially offset by higher depreciation and amortization expense. Adjusted earnings increased from 2012 to 2013 primarily due to the inclusion of a full year of Progress Energy results in 2013, the impact of the revised rates, net of higher depreciation and amortization expense and lower allowance for funds used during construction (AFUDC).

See "Results of Operations" below for a detailed discussion of the consolidated results of operations, as well as a detailed discussion of financial results for each of Duke Energy's reportable business segments, as well as Other.

### 2014 AREAS OF FOCUS AND ACCOMPLISHMENTS

In 2014, Duke Energy focused on achieving financial objectives, completing important strategic initiatives, including the agreement to sell the nonregulated Midwest Generation business and completion of a strategic review of the international business, advancing a platform of growth initiatives, operational excellence, and the strengthening of coal ash management practices and plans to accelerate basin closure strategies resulting from the Dan River coal ash spill.

**Sale of the Midwest Generation Business.** In 2014, Duke Energy entered into a PSA to sell the Disposal Group to Dynegy for approximately \$2.8 billion. This decision supports Duke Energy's strategy to focus investments on businesses with more predictable and less volatile earnings.

**International Energy Operations.** Duke Energy completed the strategic review of the international operations. As a result of the review, Duke Energy determined it is in the shareholders' best interest, at the present time, to continue to own, operate and create value through portfolio optimization and efficiency in the international operations. In addition, Duke Energy declared a

taxable dividend of historical foreign earnings in the form of notes payable that will result in the repatriation of approximately \$2.7 billion of cash held and expected to be generated by International Energy over a period of up to eight years. The cash will help support the dividend and growth in the investment portfolio of the domestic businesses.

**Growth Initiatives.** In 2014, Duke Energy announced new growth initiatives representing a total investment of approximately \$8 billion. These initiatives include:

- Duke Energy Indiana proposed transmission and distribution infrastructure improvement totaling \$1.9 billion.
- Duke Energy Florida proposed approximately \$1.8 billion investment in three new generation projects, a combined-cycle plant in Citrus County, an uprate plan at the Hines Energy Complex (Hines) facility and acquisition of the Osprey plant from Calpine Corporation (Calpine).
- Duke Energy Progress proposed the acquisition of North Carolina Eastern Municipal Power Agency's (NCEMPA) ownership interest in some of Duke Energy Progress's existing nuclear and coal generation and the acquisition of solar projects in eastern North Carolinas for a total amount of approximately \$1.2 billion.
- Duke Energy Carolinas proposed construction of a combined-cycle natural gas plant at the William States Lee generation facility at a cost of approximately \$600 million.
- Commercial Power proposed construction of the Atlantic Coast Pipeline for a total investment of approximately \$2 billion.

**Operational Excellence of the Nuclear Fleet.** Duke Energy's nuclear fleet set a company record for total electricity production and demonstrated a combined capacity factor at approximately 93 percent, the 16th consecutive year above 90 percent on this plant reliability measure.

**Deliver Merger Benefits.** Duke Energy continues to focus on realizing benefits of the merger with Progress Energy. Duke Energy is on-track to achieve the \$687 million of guaranteed savings for customers in the Carolinas over five years. After two and a half years, Duke Energy Carolinas and Duke Energy Progress have generated over 60 percent of the guaranteed fuel and joint dispatch savings. In total 85 percent of the guaranteed benefit has been locked-in or delivered to Duke Energy's customers in the Carolinas.

**Dan River Coal Ash Spill and Other Coal Ash Management.** Duke Energy has improved coal ash practices and accelerated plans to close its ash basins. Comprehensive engineering reviews were completed at each of the ash basins, and a central internal organization was formed to manage all coal combustion products. Duke Energy also established an independent national Coal Ash Management Advisory Board to help guide company strategy. Excavation plans have been filed for four high priority sites identified in connection with North Carolina coal ash management enacted in 2014 — Dan River, Asheville, Riverbend and L.V. Sutton combined cycle facility (Sutton). Excavation plans have also been filed for the W.S. Lee site in South Carolina, and work is progressing on closure plans for the other ten North Carolina sites.

On February 20, 2015, Duke Energy Carolinas, Duke Energy Progress and Duke Energy Business Services LLC (DEBS), a wholly owned subsidiary of Duke Energy, each entered into a Memorandum of Plea Agreement (Plea Agreements) in connection with an investigation initiated by the USDOJ. The Plea Agreements are subject to the approval of the United States District Court for the Eastern District of North Carolina and, if approved, will end the grand jury investigation related to the Dan River ash basin release and the management of coal ash basins at 14 plants in North Carolina with coal ash basins.

## PART II

Under the Plea Agreements, the USDOJ charged DEBS and Duke Energy Progress with four misdemeanor CWA violations related to violations at Duke Energy Progress' H.F. Lee Steam Electric Plant, Cape Fear Steam Electric Plant and Asheville Steam Electric Generating Plant. The United States Department Of Justice charged Duke Energy Carolinas and DEBS with five misdemeanor Clean Water Act violations related to violations at Duke Energy Carolinas' Dan River Steam Station and Riverbend Steam Station. DEBS, Duke Energy Carolinas and Duke Energy Progress also agreed (i) to a five-year probation period, (ii) to pay a total of approximately \$68 million in fines and restitution and \$34 million for community service and mitigation (the Payments), and (iii) to establish environmental compliance plans subject to the oversight of a court-appointed monitor paid for by the companies for the duration of the probation period (iii) for Duke Energy Carolinas and Duke Energy Progress each to maintain \$250 million under their Master Credit Facility as security to meet their obligations under the Plea Agreements, in addition to certain other conditions set out in the Plea Agreements. Payments under the Plea Agreements will be borne by shareholders and are not tax deductible. Duke Energy Corporation has agreed to issue a guarantee of all payments and performance due from the Companies, including but not limited to payments for fines, restitution, community service, mitigation and the funding of, and obligations under, the environmental compliance plans. As a result of the Plea Agreements, Duke Energy Carolinas and Duke Energy Progress recognized charges of \$72 million and \$30 million, respectively, in the fourth quarter of 2014. The amounts are recorded in Operation, maintenance and other on the Consolidated Statements of Operations and Comprehensive Income.

### Duke Energy Objectives – 2015 and Beyond

Duke Energy is committed to creating value and trust, while transforming our energy future. Primary objectives for 2015 are:

- Growing and adapting the business and achieving financial objectives, including delivering on the 2015 adjusted diluted earnings per share (EPS) guidance range of \$4.55 to \$4.75, and advancing viable future growth opportunities for regulated and nonregulated businesses
- Excelling in safety, operational performance and environmental stewardship
- Developing and engaging employees, while strengthening leadership
- Improving the lives of our customers and the vitality of our communities

**Complete the Sale of the Nonregulated Midwest Generation Business.** In January 2015, FERC requested additional information regarding the proposed sale of the nonregulated Midwest Generation business. The parties to the transaction responded to FERC on February 6, 2015, and the comment period expired on February 23, 2015. FERC approval is the final regulatory approval required to close the transaction, which is expected by the end of the second quarter of 2015.

Proceeds from the sale are expected to be deployed to recapitalize Duke Energy in a balanced manner, with a combination of an accelerated share repurchase and reductions in holding company debt. However, this plan could change depending on circumstances at the time of closing.

**Growth Initiatives.** Duke Energy will continue to pursue regulatory, state and federal approval of the growth projects. These projects will support long-term adjusted earnings growth of 4 to 6 percent and support Duke Energy's ability to continue providing its customers affordable, reliable energy from an increasingly diverse generation portfolio.

In the Regulated Utilities business, Duke Energy does not anticipate any significant base rate cases through 2017. Growth is expected to be supported by retail and wholesale load growth and significant investments. Duke Energy expects to invest between \$4 billion and \$5 billion annually in Regulated business growth projects. Many of these projects will be recovered through riders

such as transmission and distribution expenditures in Indiana and Ohio, as well as the Crystal River Unit 3 rider in Florida and energy efficiency riders in the Carolinas. The regulated wholesale business is expected to grow in 2015.

The Commercial Power renewables business is a significant component of the Duke Energy growth strategy. Renewable projects enable Duke Energy to respond to customer interest in clean tech while increasing diversity in the generation portfolio. The portfolio of wind and solar is expected to continue growing as between \$1 billion and \$2 billion is deployed over the next three years. Additionally, investments in the Atlantic Coast pipeline adds approximately \$1 billion of capital spending through 2017.

**Continue the Coal Ash Management Strategy.** In December 2014, U.S. Environmental Protection Agency (EPA) finalized the Resource Conservation and Recovery Act (RCRA) related to coal combustion residuals (CCR) associated with the generation of electricity from coal. The rules classify coal ash as nonhazardous waste and provide guidelines related to the disposal of coal ash. Duke Energy will continue the compliance strategy with the North Carolina Coal Ash Management Act of 2014 (Coal Ash Act) and complete an evaluation of the provisions for this rule. Duke Energy will update ash management plans to comply with all state and federal regulations and begin excavation or other compliance work once plans and permits are approved.

### Results of Operations

In this section, Duke Energy provides analysis and discussion of earnings and factors affecting earnings on both a GAAP and non-GAAP basis.

Management evaluates financial performance in part based on the non-GAAP financial measures, adjusted earnings and adjusted diluted EPS. These items are measured as income from continuing operations net of income (loss) attributable to noncontrolling interests, adjusted for the dollar and per share impact of mark-to-market impacts of economic hedges in the Commercial Power segment and special items including the operating results of the Disposal Group classified as discontinued operations for GAAP purposes. Special items represent certain charges and credits, which management believes will not be recurring on a regular basis, although it is reasonably possible such charges and credits could recur. As result of the agreement in August 2014 to sell the Disposal Group to Dynegy, the operating results of the Disposal Group are classified as discontinued operations, including a portion of the mark-to-market adjustments associated with derivative contracts. Management believes that including the operating results of the Disposal Group classified as discontinued operations better reflects its financial performance and therefore has included these results in adjusted earnings and adjusted diluted EPS. Derivative contracts are used in Duke Energy's hedging of a portion of the economic value of its generation assets in the Commercial Power segment. The mark-to-market impact of derivative contracts is recognized in GAAP earnings immediately and, if associated with the Disposal Group, classified as discontinued operations, as such derivative contracts do not qualify for hedge accounting or regulatory treatment. The economic value of generation assets is subject to fluctuations in fair value due to market price volatility of input and output commodities (e.g., coal, electricity, natural gas). Economic hedging involves both purchases and sales of those input and output commodities related to generation assets. Operations of the generation assets are accounted for under the accrual method. Management believes excluding impacts of mark-to-market changes of the derivative contracts from adjusted earnings until settlement better matches the financial impacts of the derivative contract with the portion of economic value of the underlying hedged asset. Management believes the presentation of adjusted earnings and adjusted diluted EPS provides useful information to investors, as it provides them an additional relevant comparison of Duke Energy's performance across periods. Management uses these non-GAAP financial measures for planning and forecasting and for reporting results to the Duke Energy Board of Directors (Board of Directors), employees, shareholders, analysts and investors concerning Duke Energy's financial performance. Adjusted diluted EPS is also

## PART II

used as a basis for employee incentive bonuses. The most directly comparable GAAP measures for adjusted earnings and adjusted diluted EPS are Net Income Attributable to Duke Energy Corporation and Diluted EPS Attributable to Duke Energy Corporation common shareholders, which include the dollar and per share impact of special items, mark-to-market impacts of economic hedges in the Commercial Power segment and discontinued operations.

Management evaluates segment performance based on segment income. Segment income is defined as income from continuing operations net of income (loss) attributable to noncontrolling interests. Segment income, as discussed below, includes intercompany revenues and expenses that are eliminated in the Consolidated Financial Statements. Management also uses adjusted segment income as a measure of historical and anticipated future segment performance. Adjusted segment income is a non-GAAP financial measure, as it is based upon segment income adjusted for the mark-to-market impacts of economic

hedges in the Commercial Power segment and special items. Management believes the presentation of adjusted segment income as presented provides useful information to investors, as it provides them with an additional relevant comparison of a segment's performance across periods. The most directly comparable GAAP measure for adjusted segment income is segment income, which represents segment income from continuing operations, including any special items and the mark-to-market impacts of economic hedges in the Commercial Power segment.

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

See Note 3 to the Consolidated Financial Statements, "Business Segments," for a discussion of Duke Energy's segment structure.

## OVERVIEW

The following table reconciles non-GAAP measures to the most directly comparable GAAP measure.

Year Ended December 31, 2014								
(in millions, except per share amounts)	Regulated Utilities	International Energy	Commercial Power	Total Reportable Segments	Other	Eliminations/Discontinued Operations	Duke Energy	Per Diluted Share
Adjusted segment income/Adjusted earnings	\$2,897	\$ 428	\$ 109	\$3,434	\$(216)	\$ —	\$3,218	\$ 4.55
International tax adjustment	—	(373)	—	(373)	—	—	(373)	(0.53)
Costs to achieve Progress Energy merger	—	—	—	—	(127)	—	(127)	(0.18)
Midwest generation operations	—	—	(114)	(114)	—	114	—	—
Coal ash Plea Agreements reserve	(102)	—	—	(102)	—	—	(102)	(0.14)
Asset impairment	—	—	(59)	(59)	—	—	(59)	(0.08)
Asset sales	—	—	—	—	9	—	9	0.01
Economic hedges (mark-to-market)	—	—	(6)	(6)	—	—	(6)	(0.01)
Discontinued operations	—	—	15	15	—	(692)	(677)	(0.96)
Segment income (loss)/Net Income Attributable to Duke Energy Corporation	\$2,795	\$ 55	\$ (55)	\$2,795	\$(334)	\$(578)	\$1,883	\$ 2.66

Year Ended December 31, 2013								
(in millions, except per share amounts)	Regulated Utilities	International Energy	Commercial Power	Total Reportable Segments	Other	Eliminations/Discontinued Operations	Duke Energy	Per Diluted Share
Adjusted segment income/Adjusted earnings	\$2,776	\$ 408	\$ 15	\$3,199	\$(119)	\$ —	\$3,080	\$ 4.36
Crystal River Unit 3 charges	(215)	—	—	(215)	—	—	(215)	(0.31)
Costs to achieve Progress Energy merger	—	—	—	—	(184)	—	(184)	(0.26)
Midwest generation operations	—	—	(88)	(88)	14	74	—	—
Nuclear development charges	(57)	—	—	(57)	—	—	(57)	(0.08)
Litigation reserve	—	—	—	—	(14)	—	(14)	(0.02)
Asset sales	—	—	(15)	(15)	65	—	50	0.07
Discontinued operations	—	—	—	—	—	5	5	—
Segment income (loss)/Net Income Attributable to Duke Energy Corporation	\$2,504	\$ 408	\$ (88)	\$2,824	\$(238)	\$ 79	\$2,665	\$ 3.76

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Year Ended December 31, 2012								
(in millions, except per share amounts)	Regulated Utilities	International Energy	Commercial Power	Total Reportable Segments	Other	Eliminations/Discontinued Operations	Duke Energy	Per Diluted Share
Adjusted segment income/Adjusted earnings	\$ 2,086	\$ 439	\$ 93	\$ 2,618	\$ (129)	\$ —	\$ 2,489	\$ 4.33
Edwardsport impairment and other charges	(402)	—	—	(402)	—	—	(402)	(0.70)
Costs to achieve Progress Energy merger	—	—	—	—	(397)	—	(397)	(0.70)
Midwest generation operations	—	—	(149)	(149)	9	140	—	—
Economic hedges (mark-to-market)	—	—	(3)	(3)	—	—	(3)	(0.01)
Democratic National Convention Host Committee support	—	—	—	—	(6)	—	(6)	(0.01)
Employee severance and office consolidation	60	—	—	60	—	—	60	0.11
Discontinued operations	—	—	—	—	—	27	27	0.05
Segment income (loss)/Net Income								
Attributable to Duke Energy Corporation	\$ 1,744	\$ 439	\$ (59)	\$ 2,124	\$ (523)	\$ 167	\$ 1,768	\$ 3.07

The variance in adjusted earnings for the year ended December 31, 2014, compared to 2013, was primarily due to:

- Increased retail pricing and riders primarily resulting from the implementation of revised rates in most jurisdictions;
- Favorable weather in 2014 compared to 2013;
- Higher PJM capacity revenues for the nonregulated Midwest generation business due to higher prices; and
- Higher results of the renewables business due to higher production from the wind and solar portfolios, lower costs and additional renewables investments.

Partially offset by:

- Higher depreciation and amortization expense primarily due to higher depreciable asset base and lower reductions to cost of removal reserves;
- Higher operations and maintenance expense due to higher storm costs, the timing of fossil plant outages and the impact of nuclear outage cost levelization;
- Lower post in-service debt returns due to projects added to customer rates; and
- Higher property and other non-income taxes.

The variance in adjusted earnings for the year ended December 31, 2013, compared to 2012, was primarily due to:

- The inclusion of Progress Energy results for the first six months of 2013;
- Increased retail pricing and riders resulting primarily from the implementation of revised rates in all jurisdictions; and
- Lower operating and maintenance expense resulting primarily from the adoption of nuclear outage cost levelization in the Carolinas, lower benefit costs and merger synergies.

Partially offsetting these increases was:

- Higher depreciation and amortization expense;
- Lower AFUDC;
- Lower nonregulated Midwest gas generation results; and
- Incremental shares issued to complete the Progress Energy merger (impacts per diluted share amounts only).

#### SEGMENT RESULTS

The remaining information presented in this discussion of results of operations is on a GAAP basis.

## PART II

### Regulated Utilities

(in millions)	Years Ended December 31,				
	2014	2013	Variance 2014 vs. 2013	2012	Variance 2013 vs. 2012
Operating Revenues	\$ 22,271	\$ 20,910	\$ 1,361	\$ 16,080	\$ 4,830
Operating Expenses	17,026	16,126	900	12,943	3,183
Gains on Sales of Other Assets and Other, net	4	7	(3)	15	(8)
Operating Income	5,249	4,791	458	3,152	1,639
Other Income and Expense, net	267	221	46	341	(120)
Interest Expense	1,093	986	107	806	180
Income Before Income Taxes	4,423	4,026	397	2,687	1,339
Income Tax Expense	1,628	1,522	106	941	581
Less: Income Attributable to Noncontrolling Interest	—	—	—	2	(2)
Segment Income	\$ 2,795	\$ 2,504	\$ 291	\$ 1,744	\$ 760
Duke Energy Carolinas' GWh sales	87,645	85,790	1,855	81,362	4,428
Duke Energy Progress' GWh sales <sup>(a)</sup>	62,871	60,204	2,667	58,390	1,814
Duke Energy Florida GWh sales <sup>(b)</sup>	38,703	37,974	729	38,443	(469)
Duke Energy Ohio GWh sales	24,735	24,557	178	24,344	213
Duke Energy Indiana GWh sales	33,433	33,715	(282)	33,577	138
Total Regulated Utilities GWh sales	247,387	242,240	5,147	236,116	6,124
Net proportional MW capacity in operation	49,600	49,607	(7)	49,654	(47)

(a) For Duke Energy Progress, 26,634 gigawatt-hours (GWh) sales for the year ended December 31, 2012, occurred prior to the merger between Duke Energy and Progress Energy

(b) For Duke Energy Florida, 18,348 GWh sales for the year ended December 31, 2012, occurred prior to the merger between Duke Energy and Progress Energy

#### Year Ended December 31, 2014 as Compared to 2013

Regulated Utilities' results were positively impacted by higher retail pricing and rate riders, favorable weather, an increase in wholesale power margins, higher weather-normal sales volumes, and 2013 impairments and other charges. These impacts were partially offset by higher depreciation and amortization expense, higher operation and maintenance costs, higher interest expense, and higher income tax expense. The following is a detailed discussion of the variance drivers by line item.

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

- A \$614 million increase in fuel revenues driven primarily by increased demand from electric retail customers resulting from favorable weather conditions, and higher fuel rates for electric retail customers for all jurisdictions, except North Carolina. Fuel revenues represent sales to retail and wholesale customers;
- A \$556 million net increase in retail pricing primarily due to retail rate changes and updated rate riders;
- A \$216 million increase in electric sales (net of fuel revenue) to retail customers due to more favorable weather conditions. (i) For the year ended December 31, 2014 in the Carolinas, cooling degree days were 4 percent below normal as compared with 15 percent below normal during the same period in 2013, and heating degree days were 11 percent above normal as compared with 4 percent above normal during the same period in 2013. (ii) For the year ended December 31, 2014 in the Midwest, cooling degree days were 21 percent below normal as compared with 8 percent below normal during the same period in 2013, and heating degree days were 18 percent above normal as compared with 7 percent above normal during the same period in 2013. (iii) For the year ended December 31, 2014 in Florida, cooling degree days were 3 percent below normal as compared with 2 percent above normal during the same period in 2013, and heating degree days were 4 percent above normal as compared with 35 percent below normal during the same period in 2013;

- A \$63 million increase in wholesale power revenues, net of sharing, primarily due to additional volumes and capacity charges for customers served under long-term contracts; and
- A \$21 million increase in weather-normal sales volumes to retail customers (net of fuel revenue) reflecting increased demand.

##### Partially offset by:

- A \$139 million decrease in gross receipts tax revenue due to the North Carolina Tax Simplification and Rate Reduction Act which terminated the collection of the North Carolina gross receipts tax effective July 1, 2014.

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

- A \$611 million increase in fuel expense (including purchased power and natural gas purchases for resale) primarily related to (i) higher volumes of coal, and oil used in electric generation due primarily to increased generation resulting from favorable weather conditions, (ii) higher natural gas prices, and (iii) the application of the Nuclear Electric Insurance Limited (NEIL) settlement proceeds in 2013 for Duke Energy Florida;
- A \$436 million increase in depreciation and amortization expense primarily due to increases in depreciation as a result of additional plant in service and amortization of regulatory assets, and higher 2013 reductions to cost of removal reserves in accordance with regulatory orders; and
- A \$292 million increase in operating and maintenance expense primarily due to a litigation reserve related to the criminal investigation of the Dan River coal ash spill (See Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies," for additional information), higher storm costs, repairs and remediation expenses associated with the Dan River coal ash discharge and other ash basin related assessment costs, and higher nuclear costs, including nuclear outage levelization costs, and higher environmental and operational costs that are recoverable in rates; partially offset by a 2013 Crystal River Unit 3 Nuclear Station (Crystal River Unit 3) related settlement matter, decreased benefits costs and 2013 donations for low-income

## PART II

customers and job training in accordance with 2013 North Carolina Utilities Commission (NCUC) and Public Service Commission of South Carolina (PSCSC) rate case orders.

Partially offset by:

- A \$346 million decrease due to the 2013 impairment and other charges primarily related to Crystal River Unit 3 and the proposed Levy Nuclear Station (Levy). See Note 4 to the Consolidated Financial Statements, "Regulatory Matters," for additional information;
- A \$42 million decrease in property and other taxes primarily due to the termination of the collection of the North Carolina gross receipts tax as mentioned above; partially offset by a sales tax reserve as a result of an Indiana sales tax audit, and higher property taxes; and
- A \$22 million decrease due to the 2013 impairment resulting from the decision to suspend the application for two proposed nuclear units at Shearon Harris Nuclear Station (Harris).

**Other Income and Expenses, net.** The variance is primarily due to recognition of post in-service equity returns for projects that had been completed prior to being reflected in customer rates, partially offset by lower AFUDC – equity, primarily due to placing the Sutton plant into service in late 2013.

**Interest Expense.** The variance was primarily due to no longer recording post in-service debt returns on projects now reflected in customer rates and a reduction in debt return on the Crystal River Unit 3 regulatory asset now recovered through fuel revenues.

**Income Tax Expense.** The variance was primarily due to higher pretax income and partially offset by a lower effective tax rate of 36.8 percent compared to 37.8 percent, respectively, for the years ended December 31, 2014 and 2013. The decrease in effective tax rate is primarily due to favorable audit settlements, a higher manufacturing deduction due to prior year limitations based on taxable income, and changes in income apportionment for state income tax, partially offset by the non-deductible litigation reserve related to the criminal investigation of the Dan River coal ash spill.

### Year Ended December 31, 2013 as Compared to 2012

Regulated Utilities' results were positively impacted by 2012 impairment and other charges related to the Edwardsport Integrated Gasification Combined Cycle (IGCC) plant, higher retail pricing and rate riders, the inclusion of Progress Energy results for the first six months of 2013, a net increase in wholesale power revenues, and higher weather-normal sales volumes. These impacts were partially offset by higher income tax expense, Crystal River Unit 3 charges, lower AFUDC – equity and higher depreciation and amortization expense. The following is a detailed discussion of the variance drivers by line item.

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

- A \$4,339 million increase due to the inclusion of Progress Energy for the first six months of 2013;
- A \$434 million net increase in retail pricing primarily due to revised rates approved in all jurisdictions;
- A \$76 million net increase in wholesale power revenues, net of sharing, primarily due to additional volumes and charges for capacity for customers served under long-term contracts; and
- A \$72 million increase in weather-normal sales volumes to retail customers (net of fuel revenue) reflecting increased demand.

Partially offset by:

- A \$132 million decrease in fuel revenues (including emission allowances) driven primarily by (i) the impact of lower Florida residential fuel rates, including amortization associated with the settlement agreement approved by the Florida Public Service Commission (FPSC) in 2012 (2012 Settlement), (ii) lower fuel rates for electric retail customers in the Carolinas, Florida and Ohio, and (iii) lower revenues for purchased power, partially offset by (iv) increased demand from electric retail customers. Fuel revenues represent sales to retail and wholesale customers.

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

- A \$3,393 million increase due to the inclusion of Progress Energy for the first six months of 2013;
- A \$346 million increase in impairment and other charges in 2013 primarily related to Crystal River Unit 3 and Levy; and
- A \$102 million increase in depreciation and amortization expense primarily due to a decrease in the reduction of the cost of removal component of amortization expense as allowed under the 2012 Settlement.

Partially offset by:

- A \$600 million decrease due to 2012 impairment and other charges related to the Edwardsport IGCC plant. See Note 4 to the Consolidated Financial Statements, "Regulatory Matters," for additional information, and
- A \$120 million decrease in fuel expense (including purchased power and natural gas purchases for resale) primarily related to (i) the application of the NEIL settlement proceeds in Florida, including amortization associated with the 2012 Settlement; (ii) lower purchased power costs in (a) the Carolinas, primarily due to additional generating capacity placed in service in late 2012 and market conditions, (b) Ohio, primarily due to reduced sales volumes, and (c) Indiana, reflective of market conditions; partially offset by (iii) higher volumes of natural gas used in electric generation due primarily to additional generating capacity placed in service; (iv) higher prices for natural gas and coal used in electric generation; and (v) higher volumes of coal used in electric generation primarily due to generation mix.

**Other Income and Expenses, net.** The decrease is primarily due to lower AFUDC equity, resulting from major projects that were placed into service in late 2012 and the implementation of new customer rates related to the IGCC rider, partially offset by the inclusion of Progress Energy for the first six months of 2013.

**Interest Expense.** The variance was primarily driven by the inclusion of Progress Energy for the first six months of 2013.

**Income Tax Expense.** The variance was primarily due to an increase in pretax income. The effective tax rates for the years ended December 31, 2013 and 2012 were 37.8 percent and 35 percent, respectively. The increase in the effective tax rate was primarily due to an increase in pretax income and a reduction in AFUDC equity.

### Matters Impacting Future Regulated Utilities Results

On February 2, 2014, a break in a stormwater pipe beneath an ash basin at the retired Dan River steam station caused a release of ash basin water and ash into the Dan River. On February 8, 2014, a permanent plug was installed in

## PART II

the stormwater pipe, stopping the release of materials into the river. Duke Energy is a party to multiple lawsuits filed in regards to the Dan River coal ash release and operations at other North Carolina facilities with ash basins. The outcome of these lawsuits could have an adverse impact to Regulated Utilities' financial position, results of operations and cash flows. See Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

An order from regulatory authorities disallowing recovery of costs related to closure of ash basins could have an adverse impact to the Regulated Utilities' financial position, results of operations and cash flows. See Notes 5 and 9 to the Consolidated Financial Statements, "Commitments and Contingencies" and "Asset Retirement Obligations," respectively, for additional information.

In 2015, the Indiana Utility Regulatory Commission (IURC) is examining intervenors' allegations that the Edwardsport IGCC was not properly placed in commercial operation in June 2013 and intervenors' allegations regarding plant performance. In addition, the Indiana Court of Appeals remanded the IURC order in the ninth IGCC rider proceeding back to the IURC for further findings concerning approximately \$61 million of financing charges Joint Intervenor claimed were caused by construction delay and a ratemaking issue concerning the in-service date determination for tax purposes. The outcome of these proceedings could have an adverse impact to Regulated Utilities' financial position, results of operations and cash flows. Duke Energy cannot predict on the outcome of these proceedings. See Note 4 to the Consolidated Financial Statements, "Regulatory Matters," for additional information.

### International Energy

(in millions)	Years Ended December 31,				
	2014	2013	Variance 2014 vs. 2013	2012	Variance 2013 vs. 2012
Operating Revenues	\$ 1,417	\$ 1,546	\$ (129)	\$ 1,549	\$ (3)
Operating Expenses	1,007	1,000	7	1,043	(43)
Gains (Losses) on Sales of Other Assets and Other, net	6	3	3	—	3
Operating Income	416	549	(133)	506	43
Other Income and Expense, net	190	125	65	171	(46)
Interest Expense	93	86	7	76	10
Income Before Income Taxes	513	588	(75)	601	(13)
Income Tax Expense	449	166	283	149	17
Less: Income Attributable to Noncontrolling Interests	9	14	(5)	13	1
Segment Income	\$ 55	\$ 408	\$ (353)	\$ 439	\$ (31)
Sales, GWh	18,629	20,306	(1,677)	20,132	174
Net proportional MW capacity in operation	4,340	4,600	(260)	4,584	16

#### Year Ended December 31, 2014 as Compared to 2013

International Energy's results were negatively impacted by higher tax expense resulting from the decision to repatriate historical undistributed foreign earnings, unfavorable hydrology and exchange rates in Brazil and an unplanned outage in Chile, partially offset by higher equity earnings in National Methanol Company (NMC) and a 2013 net currency remeasurement loss in Latin America. The following is a detailed discussion of the variance drivers by line item.

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

- A \$44 million decrease in Peru as a result of lower sales volumes and unfavorable exchange rates;
- A \$35 million decrease in Brazil due to unfavorable exchange rates and lower sales volumes partially offset by higher average prices;
- A \$27 million decrease in Chile as a result of lower sales volumes due to an unplanned outage, and lower average prices; and
- A \$25 million decrease in Argentina due to unfavorable exchange rates and lower average prices.

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

- A \$75 million increase in Brazil due to higher purchased power as a result of unfavorable hydrology, partially offset by favorable exchange rates.

Partially offset by:

- A \$38 million decrease in Peru as a result of lower purchased power, transmission, and royalty costs; and
- A \$26 million decrease in Argentina due to favorable exchange rates and lower purchased power and fuel consumption.

**Other Income and Expenses, net.** The variance is primarily due to a 2013 net currency remeasurement loss in Latin America, higher interest income in Brazil, and higher equity earnings in NMC as a result of increased methyl tertiary butyl ether (MTBE) and methanol sales volumes, partially offset by lower average prices and higher butane costs.

**Income Tax Expense.** The variance was primarily due to approximately \$373 million of incremental tax expense resulting from the decision to repatriate all cumulative historical undistributed foreign earnings at that time. The effective tax rate for the years ended December 31, 2014 and 2013 was 87.3 percent and 28.3 percent, respectively. The increase in the effective tax rate was also primarily due to the tax expense associated with the repatriation decision.

#### Year Ended December 31, 2013 as Compared to 2012

International Energy's results were negatively impacted by an extended outage at NMC and unfavorable exchange rates in Latin America, partially offset by the acquisition of Iberoamericana de Energia Ibener, S.A. (Ibener) in 2012 and higher average prices and lower purchased power costs in Brazil. The following is a detailed discussion of the variance drivers by line item.

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

- A \$67 million decrease in Brazil due to weakening of the Real to the U.S. dollar,
- A \$53 million decrease in Central America due to lower average prices and volumes, and
- An \$18 million decrease in Argentina as a result of unfavorable exchange rates.

Partially offset by:

- A \$67 million increase in Brazil due to higher average prices, net of lower volumes, and
- A \$65 million increase in Chile as a result of asset acquisitions in 2012.

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

- A \$65 million decrease in Central America due to lower fuel costs, partially offset by higher purchased power and coal consumption, and
- A \$20 million decrease in Brazil due to weakening of the Real to the U.S. dollar and lower purchased power partially offset by higher variable costs.

Partially offset by:

- A \$36 million increase in Chile as a result of acquisitions in 2012.

**Other Income and Expenses, net.** The decrease was primarily driven by a net currency remeasurement loss in Latin America due to strengthening of the dollar, and lower equity earnings at NMC as a result of lower MTBE average prices and lower volumes due to extended maintenance, partially offset by lower butane costs.

**Interest Expense.** The variance was primarily due to the Chile acquisitions in 2012, partially offset by favorable exchange rates and lower inflation in Brazil.

**Income Tax Expense.** The variance was primarily due to a decrease in pretax income. The effective tax rates for the years ended December 31, 2013 and 2012 were 28.3 percent and 24.8 percent, respectively. The increase in the effective tax rate is primarily due to a higher proportion of earnings in countries with higher tax rates.

### Matters Impacting Future International Energy Results

International Energy's operations include conventional hydroelectric power generation facilities located in Brazil where water reservoirs are currently at abnormally low levels due to a lack of rainfall. In addition, International Energy's equity earnings from NMC reflect sales of methanol and MTBEs, which generates margins that are directionally correlated with crude oil prices. International Energy's earnings and future cash flows could be adversely impacted by either a sustained period of low reservoir levels, especially if the government of Brazil were to implement rationing or some other mandatory conservation program, or a significant decrease in crude oil prices.

### Commercial Power

(in millions)	Years Ended December 31,				
	2014	2013	Variance 2014 vs. 2013	2012	Variance 2013 vs. 2012
Operating Revenues	\$ 255	\$ 260	\$ (5)	\$ 307	\$ (47)
Operating Expenses	441	425	16	419	6
(Losses) Gains on Sales of Other Assets and Other, net	—	(23)	23	2	(25)
Operating Loss	(186)	(188)	2	(110)	(78)
Other Income and Expense, net	18	13	5	33	(20)
Interest Expense	58	61	(3)	63	(2)
Loss Before Income Taxes	(226)	(236)	10	(140)	(96)
Income Tax Benefit	(171)	(148)	(23)	(82)	(66)
Less: Income Attributable to Noncontrolling Interests	—	—	—	1	(1)
Segment Loss	\$ (55)	\$ (88)	\$ 33	\$ (59)	\$ (29)
Coal-fired plant production, GWh	867	1,644	(777)	2,096	(452)
Renewable plant production, GWh	5,462	5,111	351	3,452	1,659
Total Commercial Power production, GWh	6,329	6,755	(426)	5,548	1,207
Net proportional MW capacity in operation	1,370	2,031	(661)	2,222	(191)

### Year Ended December 31, 2014 as Compared to 2013

Commercial Power's results were impacted by higher production tax credits generation, higher production and lower operating costs by the renewables business and a prior-year loss recognized on certain renewables projects, partially offset by an impairment recorded for an intangible asset. The following is a detailed discussion of the variance drivers by line item.

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

- An \$8 million decrease in electric revenues for the Beckjord station, which is not included in the Disposal Group, driven from lower production as units have been retired; and

- A \$7 million decrease in net mark-to-market revenues on non-qualifying power hedge contracts.

Partially offset by:

- A \$16 million increase in electric revenues from higher production in the renewables portfolio.

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

- A \$94 million increase driven by an impairment taken related to Ohio Valley Electric Corporation (OVEC). See Note 11 to the Consolidated Financial Statements, "Goodwill and Intangible Assets" for additional information.



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Partially offset by:

- An \$18 million decrease in depreciation driven by discontinued amortization of an intangible asset that was impaired and written off in 2014 and extensions on the projected useful lives of assets in the renewable portfolio;
- A \$17 million decrease in fuel expense for the Beckjord station driven by lower cost of coal from decreased production as units have been retired;
- A \$16 million decrease related to a 2013 legal settlement reserve related to previously disposed businesses;
- A \$10 million decrease in general and administrative costs;
- A \$9 million decrease in operations and maintenance expense for the renewables portfolio driven primarily by development cost reductions; and
- A \$6 million decrease in property tax expense driven by cost reductions in the renewables portfolio resulting from a property tax abatement that went into effect in the current year.

**Losses on Sales of Other Assets and Other, net.** The variance is attributable to a loss recognized on the sale of certain renewable development projects in 2013.

**Other Income and Expense.** The variance was primarily due to a net gain recognized for the sale of certain renewable development assets and increased equity earnings from higher production in the renewable wind portfolio.

**Income Tax Benefit.** The variance was primarily due to changes in state deferred taxes and higher production tax credits in 2014 for the Renewables portfolio. The effective tax rate for the years ended December 31, 2014 and 2013 was 75.5 percent and 62.8 percent, respectively.

### Year Ended December 31, 2013 as Compared to 2012

Commercial Power's results were negatively impacted by the sale of non-core business operations and lower income from the renewables portfolio and Beckjord generating station. These impacts are partially offset by higher income tax benefits. The following is a detailed discussion of the variance drivers by line item.

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

- An \$81 million decrease due primarily to the sale of non-core businesses in 2012; and
- A \$35 million decrease in electric revenues for the Beckjord station driven from lower production as units were prepared for retirement.

Partially offset by:

- A \$67 million increase due to higher volumes in the renewables portfolio.

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

- A \$34 million increase in operations and maintenance expense for the renewables portfolio driven primarily by commercial operation of certain assets and costs to run the renewables services company acquired in 2012;
- A \$25 million increase in depreciation driven by renewable portfolio assets put in service;
- A \$17 million increase related to Midcontinent Independent System Operator, Inc. (MISO) and PJM Transmission System Enhancement obligations; and
- A \$16 million increase related to a 2013 legal settlement reserve related to previously disposed businesses.

Partially offset by:

- A \$56 million decrease due primarily to the sale of non-core businesses in 2012;
- A \$17 million decrease in general and administrative costs; and
- A \$16 million decrease in fuel expense for the Beckjord station, which is not included in the Disposal Group, driven by lower cost of coal from decreased production as units were prepared for retirement.

**(Losses) Gains on Sales of Other Assets and Other, net.** The variance is attributable to a loss recognized on the sale of certain renewable development projects in 2013 and a gain on the 2012 contribution of certain renewable assets to a joint venture.

**Other Income and Expense, net.** The variance is primarily due to the sale of non-core businesses in 2012, lower equity earnings from the renewables portfolio, and lower interest income.

**Income Tax Benefit.** The variance was primarily due to an increase in pretax loss and a decrease in manufacturing deductions combined with higher production tax credits in 2013. The effective tax rates for the years ended December 31, 2013 and 2012 were 62.8 percent and 58.4 percent, respectively. The increase in the effective tax rate for the period was primarily due to higher production tax credits in 2013 for the renewable portfolio.

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### Other

(in millions)	Years Ended December 31,				
	2014	2013	Variance 2014 vs. 2013	2012	Variance 2013 vs. 2012
Operating Revenues	\$ 105	\$ 175	\$ (70)	\$ 84	\$ 91
Operating Expenses	322	457	(135)	704	(247)
Gains (Losses) on Sales of Other Assets and Other, net	6	(3)	9	(7)	4
Operating Loss	(211)	(285)	74	(627)	342
Other Income and Expense, net	45	131	(86)	19	112
Interest Expense	400	416	(16)	299	117
Loss Before Income Taxes	(566)	(570)	4	(907)	337
Income Tax Benefit	(237)	(335)	98	(386)	51
Less: Income (Loss) Attributable to Noncontrolling Interests	5	3	2	2	1
Net Expense	\$ (334)	\$ (238)	\$ (96)	\$ (523)	\$ 285

### Year Ended December 31, 2014 as Compared to 2013

Other's results were negatively impacted by a decrease in income tax benefit. The following is a detailed discussion of the variance drivers by line item.

**Operating Revenues.** The decrease was primarily due to mark-to-market activity of mitigation sales related to the Progress Energy merger.

**Operating Expenses.** The decrease was primarily due to lower charges related to the Progress Energy merger and prior year Crescent Resources LLC (Crescent) litigation reserve, partially offset by unfavorable loss experience at Bison.

**Other Income and Expenses.** The decrease was primarily due to a gain on the sale of Duke Energy's 50 percent ownership in DukeNet Communications Holdings, LLC (DukeNet) in 2013, partially offset by a current year investment sale gain and higher investment income at Bison Insurance Company Limited (Bison).

**Interest Expense.** The variance was due primarily to lower interest on long-term debt resulting from debt maturities and new debt issued at lower rates.

**Income Tax Benefit.** The variance was primarily due to a state tax benefit recognized in 2013. The effective tax rate for the years ended December 31, 2014 and 2013 was 41.9 percent and 58.6 percent, respectively.

### Year Ended December 31, 2013 as Compared to 2012

Other's results were positively impacted by lower charges related to the Progress Energy merger, the sale of DukeNet, and increased current year activity from mitigation sales related to the Progress Energy merger. These impacts were partially offset by increased interest expense, lower income tax benefit and the Crescent litigation reserve in 2013. The following is a detailed discussion of the variance drivers by line item.

**Operating Revenues.** The variance was driven primarily by increased activity from mitigation sales related to the Progress Energy merger and higher premiums earned at Bison as a result of the addition of Progress Energy.

**Operating Expenses.** The variance was driven primarily by lower charges related to the Progress Energy merger, and prior year donations, partially offset by the Crescent litigation reserve in 2013 and unfavorable loss experience at Bison as a result of the addition of Progress Energy.

**Other Income and Expense, net.** The variance was driven primarily by a gain on the sale of Duke Energy's 50 percent ownership in DukeNet in 2013.

**Interest Expense.** The variance was due primarily to the inclusion of Progress Energy for the first six months of 2013 and additional debt issuances.

**Income Tax Benefit.** The variance was primarily due to a decrease in pretax loss. The effective tax rates for the years ended December 31, 2013 and 2012 were 58.6 percent and 42.5 percent, respectively.

### Matters Impacting Future Other Results

Duke Energy previously held an effective 50 percent interest in Crescent Resources, LLC (Crescent). Crescent was a real estate joint venture formed by Duke Energy in 2006 that filed for Chapter 11 bankruptcy protection in June 2009. On June 9, 2010, Crescent restructured and emerged from bankruptcy and Duke Energy forfeited its entire 50 percent ownership interest to Crescent debt holders. This forfeiture caused Duke Energy to recognize a loss, for tax purposes, on its interest in the second quarter of 2010. Although Crescent has reorganized and emerged from bankruptcy with creditors owning all Crescent interest, there remains uncertainty as to the tax treatment associated with the restructuring. Based on this uncertainty, it is possible that Duke Energy could incur a future tax liability related to the tax losses associated with its partnership interest in Crescent and the resolution of issues associated with Crescent's emergence from bankruptcy.

In 2013, a FERC Administrative Law Judge issued an initial decision holding that Duke Energy is responsible for costs associated with Multi Value Projects (MVP), a type of Transmission Expansion Planning (MTEP) cost, approved by MISO prior to the date of Duke Energy's withdrawal. The initial decision will be reviewed by FERC. If FERC upholds the initial decision, Duke Energy intends to file an appeal in federal court. If Duke Energy is deemed responsible for these costs, and if a portion of these costs are not eligible for recovery, there may be an adverse impact to its financial position, results of operations and cash flows. See Note 4 to the Consolidated Financial Statements, "Regulatory Matters," for additional information.

### INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX

Discontinued Operations decreased \$662 million for the year ended December 31, 2014, compared to the same period in the prior year, primarily due to a \$929 million pretax write-down of the carrying amount of the assets to the estimated fair value of the Disposal Group, based on the transaction price included in the PSA, less estimated costs to sell and a \$134 million pretax mark-to-market loss on economic hedges for the Disposal Group. Included in the variance is the \$117 million impact of ceasing depreciation on the assets of the Disposal Group beginning in the second quarter of 2014.

Discontinued Operations decreased \$85 million for the year ended December 31, 2013 compared to the same period in the prior year, primarily due to a reduction in PJM capacity revenues related to lower average cleared capacity auction pricing for the Disposal Group.

## PART II

### DUKE ENERGY CAROLINAS

#### Introduction

Management's Discussion and Analysis should be read in conjunction with the accompanying Consolidated Financial Statements and Notes for the years ended December 31, 2014, 2013 and 2012.

#### Basis of Presentation

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

#### Results of Operations

(in millions)	Years Ended December 31,		
	2014	2013	Variance
Operating Revenues	\$7,351	\$6,954	\$ 397
Operating Expenses	5,456	5,145	311
Operating Income	1,895	1,809	86
Other Income and Expense, net	172	120	52
Interest Expense	407	359	48
Income Before Income Taxes	1,660	1,570	90
Income Tax Expense	588	594	(6)
Net Income	\$1,072	\$ 976	\$ 96

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

Increase (decrease) over prior year	2014	2013
Residential sales	4.0%	2.3%
General service sales	2.4%	1.0%
Industrial sales	2.4%	0.4%
Wholesale and other	(4.7)%	62.1%
Total sales	2.2%	5.4%
Average number of customers	1.0%	0.7%

#### Year Ended December 31, 2014 as Compared to 2013

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

- A \$180 million increase in retail pricing and updated rate riders, which primarily reflects the impact of the 2013 North Carolina and South Carolina retail rate cases;
- A \$151 million increase in fuel revenues driven primarily by increased demand from retail customers, mainly due to favorable weather conditions. Fuel revenues represent sales to retail and wholesale customers;
- A \$99 million increase in electric sales (net of fuel revenues) to retail customers due to favorable weather conditions. Heating degree days in 2014 were 11 percent above normal compared to 5 percent above normal during the same period in 2013 and cooling degree days were 6 percent below normal as compared to 17 percent below normal in 2013;
- A \$19 million increase in wholesale power revenues, net of sharing, primarily due to new customers; and
- An \$18 million increase in weather-normal sales volumes to retail customers reflecting increased demand.

Partially offset by:

- A \$79 million decrease in gross receipts tax revenue due to the North Carolina Tax Simplification and Rate Reduction Act which terminated the collection of the North Carolina gross receipts tax effective July 1, 2014.

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

- A \$151 million increase in fuel expense (including purchased power) primarily due to increased retail demand resulting from favorable weather conditions;
- A \$127 million increase in operating and maintenance expenses primarily due to a litigation reserve related to the criminal investigation of the Dan River coal ash spill (See Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies," for additional information), repairs and remediation expenses associated with the Dan River coal ash discharge and other ash basin related assessment costs, higher non-outage costs at generation plants, higher storm costs, higher distribution costs, higher nuclear outage expense including the impacts of nuclear levelization, and higher energy efficiency program costs, partially offset by decreased corporate costs and lower costs associated with the Progress Energy merger; and
- An \$88 million increase in depreciation and amortization primarily due to higher depreciation as a result of additional plant in service and amortization of certain regulatory assets, partially offset by lower depreciation expense due to reductions for costs of removal in accordance with the 2013 North Carolina and South Carolina rate case orders.

Partially offset by:

- A \$58 million decrease in property and other tax expenses primarily due to lower revenue related taxes driven by the elimination of North Carolina gross receipts tax effective July 1, 2014, partially offset by higher property tax expense.

## PART II

**Other Income and Expenses, net.** The variance was primarily due to the recognition of post in-service equity returns for projects that had been completed prior to being reflected in customer rates.

**Interest Expense.** The variance was primarily due to no longer recording post in-service debt returns on projects now reflected in customer rates, partially offset by lower interest on bonds.

**Income Tax Expense.** The effective tax rate for the years ended December 31, 2014 and 2013 was 35.4 percent and 37.8 percent, respectively. The decrease in the effective tax rate is primarily due to favorable audit settlements, changes in apportionment related to state income tax and the tax benefit related to the manufacturing deduction in 2014 as the prior year deduction was limited by taxable income, partially offset by the non-deductible litigation reserve related to the criminal investigation of the Dan River coal ash spill.

### Matters Impacting Future Results

On February 2, 2014, a break in a stormwater pipe beneath an ash basin at the retired Dan River steam station caused a release of ash basin water and ash into the Dan River. On February 8, 2014, a permanent plug was installed in the stormwater pipe, stopping the release of materials into the river. Duke Energy is a party to multiple lawsuits filed in regards to the Dan River coal ash release and operations at other North Carolina facilities with ash basins. The outcome of these lawsuits could have an adverse impact to Duke Energy Carolinas' financial position, results of operations and cash flows. See Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

An order from regulatory authorities disallowing recovery of costs related to closure of ash basins could have an adverse impact to Duke Energy Carolinas' financial position, results of operations and cash flows. See Notes 5 and 9 to the Consolidated Financial Statements, "Commitments and Contingencies" and "Asset Retirement Obligations," respectively, for additional information.

## PROGRESS ENERGY

### Introduction

Management's Discussion and Analysis should be read in conjunction with the accompanying Consolidated Financial Statements and Notes for the years ended December 31, 2014, 2013 and 2012.

### Basis of Presentation

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

### Results of Operations

(in millions)	Years Ended December 31.		
	2014	2013	Variance
Operating Revenues	\$ 10,166	\$ 9,533	\$ 633
Operating Expenses	8,159	7,918	241
Gains (Losses) on Sales of Other Assets and Other, net	11	3	8
Operating Income	2,018	1,618	400
Other Income and Expense, net	77	94	(17)
Interest Expense	675	680	(5)
Income Before Income Taxes	1,420	1,032	388
Income Tax Expense	540	373	167
Income from Continuing Operations	880	659	221
Discontinued Operations, net of tax	(6)	16	(22)
Net Income	874	675	199
Less: Net Income Attributable to Noncontrolling Interests	5	3	2
Net Income Attributable to Parent	\$ 869	\$ 672	\$ 197

### Year Ended December 31, 2014 as Compared to 2013

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

- A \$341 million increase in fuel revenues (including emission allowances) driven primarily by increased demand from wholesale and retail customers, partially resulting from favorable weather conditions, and higher fuel rates for wholesale customers reflective of higher fuel costs for Duke Energy Progress; and to a higher fuel rate in the current year related to lower NEIL insurance reimbursements and accelerated Crystal River Unit 3 regulatory asset cost recovery in 2014 as allowed by the 2013 Settlement for Duke Energy Florida. Fuel revenues represent sales to retail and wholesale customers;
- A \$149 million increase in retail pricing, which primarily reflects the impact of the 2013 North Carolina retail rate case in North Carolina and the 2014 base rate increase in Florida; and

- A \$114 million increase (net of fuel revenue) in GWh sales to retail customers due to favorable weather conditions. For Duke Energy Progress, heating degree days in 2014 were 11 percent above normal compared to 2 percent above normal in 2013 and cooling degree days were 2 percent below normal compared to 13 percent below normal in 2013. For Duke Energy Florida, heating degree days in 2014 were 51 percent higher and cooling degree days were 4 percent lower compared to the same period in 2013.

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

- A \$344 million increase in fuel expenses (including purchased power). For Duke Energy Florida the increase is due to the application of the NEIL settlement proceeds in 2013 and higher sales volumes driven by increased demand and higher fuel prices in the current year. For Duke Energy Progress the increase is primarily due to increased sales volumes;

## PART II

- A \$245 million increase in depreciation and amortization. For Duke Energy Florida the increase is primarily due to a reduction of the cost of removal component of amortization expense in 2013 as allowed under the 2012 Settlement, increased environmental cost recovery clause amortization related to prior year under-recovery and nuclear cost recovery clause amortization due to an increase in recoverable nuclear assets in the current year. For Duke Energy Progress the increase is primarily due to higher depreciation as a result of additional plant in service and amortization of certain regulatory assets and a prior year reversal of a portion of cost of removal reserves in accordance with the 2013 NCUC rate case order; and
- An \$88 million increase in operations, maintenance and other expense primarily due to a litigation reserve related to the criminal investigation of the management of North Carolina coal ash basins (See Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies," for additional information).

Partially offset by:

- A \$346 million decrease due to 2013 impairment and other charges at Duke Energy Florida primarily related to Crystal River Unit 3 and Levy; and
- A \$49 million decrease at Duke Energy Progress due to a current year \$18 million reduction to a 2012 impairment charge related to the disallowance of transmission project costs, which are a portion of the Long-Term FERC Mitigation and a \$22 million prior-year impairment charge resulting from the decision to suspend the application for two proposed nuclear units at the Harris nuclear station.

**Other Income and Expense, net.** The variance was primarily due to lower AFUDC – equity as a result of assets placed into service, partially offset by post in-service equity returns for projects that had been completed prior to being reflected in customer rates.

**Income Tax Expense.** The variance was primarily due to an increase in pretax income. The effective tax rate for the 12 months ended December 31, 2014 and 2013 was 38.0 percent and 36.2 percent, respectively. The increase in the effective tax rate is primarily due to a decrease in AFUDC – equity and the non-deductible litigation reserve related to the criminal investigation of the management of North Carolina coal ash basins.

### Matters Impacting Future Results

On February 2, 2014, a break in a stormwater pipe beneath an ash basin at Duke Energy Carolinas' retired Dan River steam station caused a release of ash basin water and ash into the Dan River. On February 8, 2014, a permanent plug was installed in the stormwater pipe, stopping the release of materials into the river. Duke Energy is a party to multiple lawsuits filed in regards to the Dan River coal ash release and operations at other North Carolina facilities with ash basins. The outcome of these lawsuits could have an adverse impact to Progress Energy's financial position, results of operations and cash flows. See Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

An order from regulatory authorities disallowing recovery of costs related to closure of ash basins could have an adverse impact to Progress Energy's financial position, results of operations and cash flows. See Notes 5 and 9 to the Consolidated Financial Statements, "Commitments and Contingencies" and "Asset Retirement Obligations," respectively, for additional information.

## DUKE ENERGY PROGRESS

### Introduction

Management's Discussion and Analysis should be read in conjunction with the accompanying Consolidated Financial Statements and Notes for the years ended December 31, 2014, 2013 and 2012.

### Basis of Presentation

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

### Results of Operations

(in millions)	Years Ended December 31,		
	2014	2013	Variance
Operating Revenues	\$5,176	\$4,992	\$ 184
Operating Expenses	4,244	4,061	183
Gains on Sales of Other Asset and Other, net	3	1	2
Operating Income	935	932	3
Other Income and Expense, net	51	57	(6)
Interest Expense	234	201	33
Income Before Income Taxes	752	788	(36)
Income Tax Expense	285	288	(3)
Net Income	\$ 467	\$ 500	\$ (33)

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

Increase (decrease) over prior year	2014	2013
Residential sales	5.1%	4.0%
General service sales	2.1%	—%
Industrial sales	(2.9)%	1.1%
Wholesale and other	10.1%	7.6%
Total sales	4.4%	3.1%
Average number of customers	1.1%	0.9%

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### Year Ended December 31, 2014 as Compared to 2013

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

- A \$104 million increase in fuel revenues (including emission allowances) driven primarily by increased demand from wholesale and retail customers, partially resulting from favorable weather conditions, and higher fuel rates for wholesale customers reflective of higher fuel costs. Fuel revenues represent sales to retail and wholesale customers;
- An \$82 million increase (net of fuel revenue) in electric sales to retail customers due to favorable weather conditions. Heating degree days in 2014 were 11 percent above normal compared to 2 percent above normal in 2013 and cooling degree days were 2 percent below normal compared to 13 percent below normal in 2013; and
- An \$80 million increase in retail pricing, which primarily reflects the impact of the 2013 North Carolina retail rate case.

Partially offset by:

- A \$60 million decrease in gross receipts tax revenue due to the North Carolina Tax Simplification and Rate Reduction Act which terminated the collection of the North Carolina gross receipts tax effective July 1, 2014; and
- A \$19 million decrease in weather-normal sales volumes to retail customers reflecting decreased demand.

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

- A \$111 million increase in fuel expenses (including purchased power) primarily due to increased sales volumes;
- A \$113 million increase in operations and maintenance expenses primarily due to a litigation reserve related to the criminal investigation of the management of North Carolina coal ash basins (See Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies," for additional information), the impacts of amortization on nuclear levelization outage deferrals and higher storm costs, partially offset by prior year donations for low-income customers and job training in accordance with the 2013 NCUC rate case order and lower costs to achieve the merger with Duke Energy including severance and employee relocation expenses; and
- A \$48 million increase in depreciation and amortization expenses primarily due to higher depreciation as a result of additional plant in service and amortization of certain regulatory assets and a prior year

reversal of a portion of cost of removal reserves in accordance with the 2013 NCUC rate case order.

Partially offset by:

- A \$49 million decrease in property and other tax expenses primarily due to lower revenue related taxes driven by the elimination of North Carolina gross receipts tax effective July 1, 2014, partially offset by higher property tax expense; and
- A \$40 million decrease due to a current year \$18 million reduction to a 2012 impairment charge related to the disallowance of transmission project costs, which are a portion of the Long-Term FERC Mitigation and a \$22 million prior-year impairment charge resulting from the decision to suspend the application for two proposed nuclear units at the Harris nuclear station.

**Interest Expense.** The variance was primarily due to a new debt issuance, no longer recording post in-service debt returns on projects now reflected in customer rates and lower AFUDC – debt due to projects placed in service.

**Income Tax Expense.** The variance was primarily due to a decrease in pretax income. The effective tax rate for the years ended December 31, 2014 and 2013 was 37.9 percent and 36.5 percent, respectively. The increase in the effective tax rate is primarily due to the non-deductible litigation reserve related to the criminal investigation of the management of North Carolina coal ash basins.

### Matters Impacting Future Results

On February 2, 2014, a break in a stormwater pipe beneath an ash basin at Duke Energy Carolinas' retired Dan River steam station caused a release of ash basin water and ash into the Dan River. On February 8, 2014, a permanent plug was installed in the stormwater pipe, stopping the release of materials into the river. Duke Energy is a party to multiple lawsuits filed in regards to the Dan River coal ash release and operations at other North Carolina facilities with ash basins. The outcome of these lawsuits could have an adverse impact to Duke Energy Progress' financial position, results of operations and cash flows. See Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

An order from regulatory authorities disallowing recovery of costs related to closure of ash basins could have an adverse impact to Duke Energy Progress' financial position, results of operations and cash flows. See Notes 5 and 9 to the Consolidated Financial Statements, "Commitments and Contingencies" and "Asset Retirement Obligations," respectively, for additional information.

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### DUKE ENERGY FLORIDA

#### Introduction

Management's Discussion and Analysis should be read in conjunction with the accompanying Consolidated Financial Statements and Notes for the years ended December 31, 2014, 2013 and 2012.

#### Basis of Presentation

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

#### Results of Operations

(in millions)	Years Ended December 31,		
	2014	2013	Variance
Operating Revenues	\$4,975	\$ 4,527	\$ 448
Operating Expenses	3,898	3,840	58
Gains on Sales of Other Asset and Other, net	1	1	—
Operating Income	1,078	688	390
Other Income and Expense, net	20	30	(10)
Interest Expense	201	180	21
Income Before Income Taxes	897	538	359
Income Tax Expense	349	213	136
Net Income	\$ 548	\$ 325	\$ 223

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

Increase (decrease) over prior year	2014	2013
Residential sales	2.7%	1.4%
General service sales	0.5%	(0.5)%
Industrial sales	1.9%	1.5%
Wholesale and other	(5.9)%	(13.8)%
Total sales	1.9%	(1.2)%
Average number of customers	1.5%	1.1%

#### Year Ended December 31, 2014 as Compared to 2013

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

- A \$237 million increase in fuel and capacity revenues primarily due to a higher fuel rate in the current year related to lower NEIL insurance reimbursements and accelerated Crystal River Unit 3 regulatory asset cost recovery in 2014 as allowed by the 2013 Settlement. Fuel revenues represent sales to retail and wholesale customers;
- A \$69 million net increase in base revenues due primarily to the 2014 base rate increase;
- A \$63 million increase in nuclear cost recovery clause and energy conservation cost recovery clause revenues due to higher recovery rates in the current year;
- A \$32 million increase in electric sales (net of fuel revenue) to retail customers due to favorable weather conditions. Heating degree days in 2014 were 51 percent higher and cooling degree days were 4 percent lower compared to the same period in 2013; and

- A \$29 million increase in wholesale power revenues primarily driven by increased capacity rates partially offset by the impact of contracts that expired in 2013.

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

- A \$231 million increase in fuel used in electric generation and purchased power due to the application of the NEIL settlement proceeds in 2013 and higher sales volumes driven by increased demand and higher fuel prices in the current year;
- A \$215 million increase in depreciation and amortization primarily due to a reduction of the cost of removal component of amortization expense in 2013 as allowed under the 2012 Settlement, increased environmental cost recovery clause amortization related to prior year under-recovery and nuclear cost recovery clause amortization due to an increase in recoverable nuclear assets in the current year; and
- A \$16 million increase in property and other taxes primarily driven by higher revenue-related taxes in 2014 due to the higher revenues.

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Partially offset by:

- A \$346 million decrease due to 2013 impairment and other charges primarily related to Crystal River Unit 3 and Levy; and
- A \$48 million decrease in operations and maintenance costs primarily due to prior year Crystal River Unit 3 related settlement matters and lower costs associated with Progress Energy's merger with Duke Energy. These costs were partially offset by increased expenses that are recoverable under the energy conservation and environmental cost recovery clauses.

**Other Income and Expense, net.** The variance is driven by lower AFUDC return on the Levy projects in the current year.

**Interest Expense.** The increase is due to a lower debt return in 2014 driven by the Crystal River Unit 3 regulatory asset impairment in 2013 and accelerated Crystal River Unit 3 regulatory asset cost recovery in 2014 as allowed by the 2013 Settlement.

**Income Tax Expense.** The variance was primarily due to an increase in pretax income. The effective tax rate for the years ended December 31, 2014 and 2013 was 38.9 percent and 39.6 percent, respectively.

## DUKE ENERGY OHIO

### Introduction

Management's Discussion and Analysis should be read in conjunction with the accompanying Consolidated Financial Statements and Notes for the years ended December 31, 2014, 2013 and 2012.

### Basis of Presentation

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

### Results of Operations

(in millions)	Years Ended December 31,		
	2014	2013	Variance
Operating Revenues	\$1,913	\$1,805	\$108
Operating Expenses	1,727	1,627	100
Gains on Sales of Other Assets and Other, net	1	4	(3)
Operating Income	187	182	5
Other Income and Expense, net	10	2	8
Interest Expense	86	74	12
Income from Continuing Operations Before Income Taxes	111	110	1
Income Tax Expense from Continuing Operations	43	43	—
Income from Continuing Operations	68	67	1
(Loss) Income from Discontinued Operations, net of tax	(563)	35	(598)
Net (Loss) Income	\$ (495)	\$ 102	\$ (597)

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

Increase (decrease) over prior year	2014	2013
Residential sales	1.3%	1.5%
General service sales	0.8%	0.8%
Industrial sales	3.3%	0.2%
Wholesale power sales	(24.9)%	20.9%
Total sales	0.7%	0.9%
Average number of customers	0.6%	0.4%

### Year Ended December 31, 2014 as Compared to 2013

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

- A \$56 million increase in regulated fuel revenues primarily driven by higher fuel costs and increased sales volumes;
- A \$51 million increase in retail pricing and rate riders primarily due to 2013 rate increases; and
- A \$9 million increase in volumes to retail customers.

Partially offset by:

- An \$8 million decrease in electric revenues for the Beckjord station driven from lower production as units have been retired; and
- A \$7 million decrease in net mark-to-market revenue on non-qualifying power hedge contracts.

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

- A \$94 million impairment taken related to QVEC. See Note 11 to the Consolidated Financial Statements, "Goodwill and Intangible Assets" for additional information; and



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- A \$64 million increase in regulated fuel expense driven primarily by higher fuel costs and increased volumes.

Partially offset by:

- A \$30 million decrease in operating and maintenance expenses primarily due to lower corporate governance costs;
- A \$16 million decrease in nonregulated fuel expense for the Beckjord station driven by lower cost of coal from decreased production as units have been retired; and
- An \$8 million decrease in property and other taxes driven primarily by an Ohio gas excise tax settlement in 2014.

**Interest Expense.** The increase was primarily due to higher regulated average debt balances in 2014 compared to 2013 and higher intercompany interest expense related to the funds loaned from Cinergy to Duke Energy Commercial Asset Management, Inc. (DECAM).

**Income Tax Expense.** The effective tax rate for the years ended December 31, 2014 and 2013 was 38.9 percent and 39.1 percent, respectively.

**Discontinued Operations, Net of Tax.** The variance was primarily due to the impairment recognized for the nonregulated Midwest generation business.

### Matters Impacting Future Results

On February 17, 2014, Duke Energy Ohio announced it had initiated a process to exit its nonregulated Midwest generation business. Duke Energy Ohio expects to dispose of the nonregulated Midwest generation business in the second quarter of 2015. Duke Energy Ohio recognized a pretax impairment charge of \$886 million for the year ended December 31, 2014, which represents the excess of the carrying value over the estimated fair value of the business based on the transaction price included in the PSA, less estimated costs to sell. The transaction is expected to close by the end of the second quarter of 2015 and the impairment will be updated, if necessary, based on the final sales price, after any adjustments at closing for working capital and capital expenditures.

In 2013, a FERC Administrative Law Judge issued an initial decision that Duke Energy Ohio is responsible for costs associated with certain MVP costs, a type of MTEP cost, approved by MISO prior to the date of Duke Energy Ohio's withdrawal. The initial decision will be reviewed by FERC. If FERC upholds the initial decision, Duke Energy Ohio intends to file an appeal in federal court. If Duke Energy Ohio is deemed responsible for these costs, and if a portion of these costs are not eligible for recovery, there may be an adverse impact to its financial position, results of operations and cash flows. See Note 4 to the Consolidated Financial Statements, "Regulatory Matters," for additional information.

## DUKE ENERGY INDIANA

### Introduction

Management's Discussion and Analysis should be read in conjunction with the accompanying Consolidated Financial Statements and Notes for the years ended December 31, 2014, 2013 and 2012.

### Basis of Presentation

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

### Results of Operations

(in millions)	Years Ended December 31,		
	2014	2013	Variance
Operating Revenues	\$3,175	\$2,926	\$ 249
Operating Expenses	2,470	2,193	277
Operating Income (Loss)	705	733	(28)
Other Income and Expense, net	22	18	4
Interest Expense	171	170	1
Income (Loss) Before Income Taxes	556	581	(25)
Income Tax Expense (Benefit)	197	223	(26)
Net Income (Loss)	\$ 359	\$ 358	\$ 1

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

Increase (decrease) over prior year	2014	2013
Residential sales	2.1%	3.2%
General service sales	—%	0.5%
Industrial sales	2.5%	(0.3)%
Wholesale power sales	(8.8)%	(1.4)%
Total sales	(0.8)%	0.4%
Average number of customers	0.6%	0.7%

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### Year Ended December 31, 2014 as Compared to 2013

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

- A \$138 million increase in fuel revenues (including emission allowances) due to an increase in fuel rates as a result of higher fuel and purchased power costs;
- An \$86 million net increase in rate riders primarily due to updates to the IGCC rider; and
- A \$17 million increase in wholesale power revenues primarily due to higher customer rates.

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

- A \$128 million increase in fuel costs primarily driven by higher fuel and purchased power costs;
- A \$71 million increase in depreciation and amortization primarily as a result of the Edwardsport IGCC plant being placed into service in the second quarter of 2013;
- A \$57 million increase in property and other taxes, primarily as a result of amounts recorded related to an Indiana sales tax audit; and
- A \$21 million increase in operation and maintenance primarily due to higher operation and maintenance costs, higher outage costs at generation plants, partially offset by decreased corporate costs.

**Income Tax Expense.** The effective tax rate for the years ended December 31, 2014 and 2013 was 35.5 percent and 38.4 percent, respectively. The decrease in the effective tax rate was primarily due to a reduction in the Indiana statutory corporate state income tax rate, a more favorable state tax credit, and a prior period adjustment.

#### Matters Impacting Future Results

Duke Energy Indiana is evaluating converting Wabash River Unit 6 to a natural gas-fired unit or retiring the unit earlier than its current estimated useful life. If Duke Energy Indiana elects early retirement of the unit, recovery of remaining book values and associated carrying costs totaling approximately \$40 million could be subject to future regulatory approvals and therefore cannot be assured.

In 2015, the IURC is examining intervenors' allegations that the Edwardsport IGCC was not properly placed in commercial operation in June 2013 and intervenors' allegations regarding plant performance. In addition, the Indiana Court of Appeals remanded the IURC order in the ninth IGCC rider proceeding back to the IURC for further findings concerning approximately \$61 million of financing charges Joint Intervenors claimed were caused by construction delay and a ratemaking issue concerning the in-service date determination for tax purposes. The outcome of these proceedings could have an adverse impact to Duke Energy Indiana's financial position, results of operations and cash flows. Duke Energy cannot predict on the outcome of these proceedings. See Note 4 to the Consolidated Financial Statements, "Regulatory Matters," for additional information.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

#### Regulatory Accounting

A substantial majority of Regulated Utilities, Duke Energy's regulated operations, meet the criteria for application of regulatory accounting treatment. As a result, Duke Energy records assets and liabilities that would not be recorded for nonregulated entities. Regulatory assets generally represent incurred costs that have been deferred because such costs are probable of future recovery in customer rates. Regulatory liabilities generally represent obligations to make refunds or reduce rates to customers for previous collections or for costs that have yet to be incurred.

Management continually assesses whether recorded regulatory assets are probable of future recovery by considering factors such as applicable regulatory environment changes, historical regulatory treatment for similar costs in Duke Energy's jurisdictions, litigation of rate orders, recent rate orders to other regulated entities, and the status of any pending or potential deregulation legislation. If future recovery of costs ceases to be probable, asset write-offs would be recognized in operating income. Additionally, regulatory agencies can provide flexibility in the manner and timing of the depreciation of property, plant and equipment, recognition of nuclear decommissioning costs and amortization of regulatory assets or may disallow recovery of all or a portion of certain assets. For further information on regulatory assets and liabilities, see Note 4 to the Consolidated Financial Statements, "Regulatory Matters."

As required by regulated operations accounting, significant judgment can be required to determine if an otherwise recognizable cost is considered to be an entity specific cost recoverable in future rates and therefore a regulatory asset. Significant judgment can also be required to determine if revenues previously recognized are for entity specific costs that are no longer expected to be incurred and are therefore a regulatory liability.

Regulatory accounting rules also require recognition of a loss if it becomes probable that part of the cost of a plant under construction (or a recently completed plant or an abandoned plant) will be disallowed for ratemaking purposes and a reasonable estimate of the amount of the disallowance can be made. For example, if a cost cap is set for a plant still under construction, the amount of the disallowance is a result of a judgment as to the ultimate cost of the plant. Other disallowances can require judgments on allowed future rate recovery. See Note 4 to the Consolidated Financial Statements, "Regulatory Matters," for a discussion of disallowances recorded related to the Edwardsport IGCC plant and the retired Crystal River Unit 3 Nuclear Station.

When it becomes probable that regulated generation, transmission or distribution assets will be abandoned, the cost of the asset is removed from plant in service. The value that may be retained as an asset on the balance sheet for the abandoned property is dependent upon amounts that may be recovered through regulated rates, including any return. As such, an impairment charge could be offset by the establishment of a regulatory asset if rate recovery is probable. The impairment for a disallowance of costs for regulated plants under construction, recently completed or abandoned is based on discounted cash flows.

As discussed in Note 2 to the Consolidated Financial Statements, "Acquisitions, Dispositions and Sales of Other Assets," Duke Energy Carolinas and Duke Energy Progress recorded disallowance charges in 2012 in order to gain FERC approval of the merger between Duke Energy and Progress Energy. In addition to the disallowances, Duke Energy Carolinas and Duke Energy Progress guaranteed total fuel savings to customers in North Carolina and South Carolina of \$687 million over the five years in order to gain NCUC and PSCSC approval of the merger between Duke Energy and Progress Energy. Based on current estimates of future fuel costs, Duke Energy anticipates that it will meet the

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guaranteed fuel savings. However, if actual fuel costs are higher than expected, Duke Energy could record a charge for the unmet guaranteed savings.

### Goodwill Impairment Assessments

Duke Energy allocates goodwill to reporting units, which are determined to be an operating segment or one level below based on how the segment is managed. Duke Energy is required to test goodwill for impairment at the reporting unit level at least annually and more frequently if it is more likely than not that the fair value of a reporting unit is less than its carrying value. Duke Energy performs its annual impairment test as of August 31.

Application of the goodwill impairment test requires management judgment, including determining the fair value of the reporting unit, which management estimates using a weighted combination of the income approach, which estimates fair value based on discounted cash flows, and the market approach, which estimates fair value based on market comparables within the utility and energy industries. Significant assumptions used in these fair value analyses include discount and growth rates, future rates of return expected to result from ongoing rate regulation, utility sector market performance and transactions, projected operating and capital cash flows for Duke Energy's business and the fair value of debt.

Estimated future cash flows under the income approach are based to a large extent on Duke Energy's internal business plan, and adjusted as appropriate for Duke Energy's views of market participant assumptions. Duke Energy's internal business plan reflects management's assumptions related to customer usage and attrition based on internal data and economic data obtained from third-party sources, projected commodity pricing data and potential changes in environmental regulations. The business plan assumes the occurrence of certain events in the future, such as the outcome of future rate filings, future approved rates of returns on equity, anticipated earnings/returns related to significant future capital investments, continued recovery of cost of service, the renewal of certain contracts and the future of renewable tax credits. Management also makes assumptions regarding operation, maintenance and general and administrative costs based on the expected outcome of the aforementioned events. In estimating cash flows, Duke Energy incorporates expected growth rates, regulatory and economic stability, the ability to renew contracts and other factors, into its revenue and expense forecasts.

One of the most significant assumptions that Duke Energy utilizes in determining the fair value of its reporting units under the income approach is the discount rate applied to the estimated future cash flows. Management determines the appropriate discount rate for each of its reporting units based on the weighted average cost of capital (WACC) for each individual reporting unit. The WACC takes into account both the after-tax cost of debt and cost of equity. A major component of the cost of equity is the current risk-free rate on 20-year U.S. Treasury bonds. In the 2014 impairment tests, Duke Energy considered implied WACCs for certain peer companies in determining the appropriate WACC rates to use in its analysis. As each reporting unit has a different risk profile based on the nature of its operations, including factors such as regulation, the WACC for each reporting unit may differ. Accordingly, the WACCs were adjusted, as appropriate, to account for company specific risk premiums. The discount rates used for calculating the fair values as of August 31, 2014, for each of Duke Energy's domestic reporting units ranged from 5.3 to 6.9 percent.

For Duke Energy's international operations, a country-specific risk adder based on the average risk premium for each separate country in which International Energy operates was added to the base discount rate to reflect the differing risk profiles. This resulted in a discount rate for the August 31, 2014 goodwill impairment test for the international operations of 10.5 percent.

The underlying assumptions and estimates are made as of a point in time. Subsequent changes, particularly changes in the discount rates, authorized regulated rates of return or growth rates inherent in management's estimates of future cash flows, could result in future impairment charges.

The majority of Duke Energy's business is in environments that are either fully or partially rate-regulated. In such environments, revenue requirements are

adjusted periodically by regulators based on factors including levels of costs, sales volumes and costs of capital. Accordingly, Duke Energy's regulated utilities operate to some degree with a buffer from the direct effects, positive or negative, of significant swings in market or economic conditions. However, changes in discount rates may have a significant impact on the fair value of equity.

As of August 31, 2014, all of the reporting units' estimated fair value of equity exceeded the carrying value of equity by more than 10 percent.

### Long-Lived Asset Impairment Assessments, Excluding Regulated Operations

Property, plant and equipment, excluding plant held for sale, is stated at the lower of carrying value (historical cost less accumulated depreciation and previously recorded impairments) or fair value, if impaired. Duke Energy evaluates property, plant and equipment for impairment when events or changes in circumstances (such as a significant change in cash flow projections, the determination that it is more likely than not an asset or asset group will be sold) indicate the carrying value of such assets may not be recoverable. The determination of whether an impairment has occurred is based on an estimate of undiscounted future cash flows attributable to the assets, as compared with their carrying value.

Performing an impairment evaluation involves a significant degree of estimation and judgment in areas such as identifying circumstances that indicate an impairment may exist, identifying and grouping affected assets, and developing the undiscounted future cash flows associated with the asset. If an impairment has occurred, the amount of the impairment recognized is determined by estimating the fair value of the asset and recording a loss if the carrying value is greater than the fair value. Additionally, determining fair value of the asset requires probability weighting future cash flows to reflect expectations about possible variations in their amounts or timing and the selection of an appropriate discount rate. Although cash flow estimates are based on relevant information available at the time the estimates are made, estimates of future cash flows are, by nature, highly uncertain and may vary significantly from actual results. For assets identified as held for sale, the carrying value is compared to the estimated fair value less cost to sell to determine if an impairment loss is required. Until the assets are disposed of, their estimated fair value is re-evaluated when circumstances or events change.

When determining whether an asset or asset group has been impaired, management groups assets at the lowest level that has discrete cash flows.

For further information related to the impairment recorded in conjunction with planned sale of Duke Energy's Disposal Group to Dynegy, see Note 2 to the Consolidated Financial Statements, "Acquisition, Disposals and Sales of Other Assets."

### Accounting for Loss Contingencies

Preparation of financial statements and related disclosures require judgments regarding the future outcome of contingent events. Duke Energy is involved in certain legal and environmental matters arising in the normal course of business. Estimating probable losses requires analysis of multiple forecasts and scenarios that often depend on judgments about potential actions by third parties, such as federal, state and local courts and other regulators. Contingent liabilities are often resolved over long periods of time. Amounts recorded in the consolidated financial statements may differ from the actual outcome once the contingency is resolved, which could have a material impact on future results of operations, financial position and cash flows of Duke Energy.

For further information, see Notes 4 and 5 to the Consolidated Financial Statements, "Regulatory Matters" and "Commitments and Contingencies."

### Revenue Recognition

Revenues on sales of electricity and gas are recognized when either the service is provided or the product is delivered. Operating revenues include unbilled electric and gas revenues earned when service has been delivered but not billed by the end of the accounting period. Unbilled retail revenues

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are estimated by applying an average revenue per kilowatt-hour (kWh) or per thousand cubic feet (Mcf) for all customer classes to the number of estimated kWh or Mcf delivered but not billed. Unbilled wholesale energy revenues are calculated by applying the contractual rate per megawatt-hour (MWh) to the number of estimated MWh delivered but not yet billed. Unbilled wholesale demand revenues are calculated by applying the contractual rate per megawatt (MW) to the MW volume delivered but not yet billed. The amount of unbilled revenues can vary significantly from period to period as a result of numerous factors, including seasonality, weather, customer usage patterns, customer mix and the average price in effect for customer classes.

### Pension and Other Post-Retirement Benefits

The calculation of pension expense, other post-retirement benefit expense and net pension and other post-retirement assets or liabilities require the use of assumptions and election of permissible accounting alternatives. Changes in assumptions can result in different expense and reported asset or liability amounts, and future actual experience can differ from the assumptions. Duke Energy believes the most critical assumptions for pension and other post-retirement benefits are the expected long-term rate of return on plan assets and the assumed discount rate. Additionally, the health care cost trend rate assumption is critical to Duke Energy's estimate of other post-retirement benefits.

Duke Energy has historically utilized the Society of Actuaries' (SOA) published mortality data in developing a best estimate of mortality as part of the calculation of the pension obligation (qualified and non-qualified) and other post-retirement benefit obligation. On October 27, 2014, the SOA published updated mortality tables for U.S. plans (RP-2014) and an updated improvement scale, which both reflect improved longevity. Based on an evaluation of the mortality experience of Duke Energy's pension plan participants, the updated SOA study of mortality tables and recent additional studies of mortality improvement, Duke Energy adopted an adjusted version of the SOA's new RP-2014 mortality tables with an updated generational improvement scale (BB-2D) previously published by the SOA for purposes of measuring its U.S. pension (qualified and non-qualified) and other post-retirement benefit obligations as of December 31, 2014. The change to the mortality assumption increased Duke Energy's pension obligation (qualified and non-qualified) and other post-retirement benefit obligation by \$201 million and \$7 million, respectively, as of December 31, 2014.

Duke Energy elects to amortize net actuarial gains or losses in excess of the corridor of 10 percent of the greater of the market-related value of plan assets or plan projected benefit obligation, into net pension or other post-retirement benefit expense over the average remaining service period of active covered employees. Prior service cost or credit, which represents the effect on plan liabilities due to plan amendments, is amortized over the average remaining service period of active covered employees.

Duke Energy maintains non-contributory defined benefit retirement plans. The plans cover most U.S. employees using a cash balance formula. Under a cash balance formula, a plan participant accumulates a retirement benefit consisting of pay credits based upon a percentage of current eligible earnings based on age and years of service and current interest credits. Certain employees are covered under plans that use a final average earnings formula.

Duke Energy provides some health care and life insurance benefits for retired employees on a contributory and non-contributory basis. Certain employees are eligible for these benefits if they have met age and service requirements at retirement, as defined in the plans.

As of December 31, 2014, Duke Energy assumes pension and other post-retirement plan assets will generate a long-term rate of return of 6.50 percent. The expected long-term rate of return was developed using a weighted average calculation of expected returns based primarily on future expected returns across asset classes considering the use of active asset managers, where applicable. Equity securities are held for their higher expected returns. Debt securities are primarily held to hedge the pension liability. Hedge funds, real estate and other global securities are held for diversification. Investments within asset classes are to be diversified to achieve broad market participation and reduce the impact of individual managers on investments. In 2013, Duke Energy adopted a de-risking investment strategy for its pension assets. As the funded status of the plans increase, over time the targeted allocation to return seeking assets will be reduced and the targeted allocation to fixed-income assets will be increased to better manage Duke Energy's pension liability and reduced funded status volatility. Based on the current funded status of the plans, the asset allocation for the Duke Energy pension plans has been adjusted to 65 percent fixed-income assets and 35 percent return-seeking assets and the asset allocation for the Progress Energy pension plans has been adjusted to 60 percent fixed-income assets and 40 percent return-seeking assets. Duke Energy regularly reviews its actual asset allocation and periodically rebalances its investments to the targeted allocations when considered appropriate.

The assets for Duke Energy's pension and other post-retirement plans are maintained in a master trust. Duke Energy also invests other post-retirement assets in the Duke Energy Corporation Employee Benefits Trust (VEBA I). The investment objective of VEBA I is to achieve sufficient returns, subject to a prudent level of portfolio risk, for the purpose of promoting the security of plan benefits for participants. VEBA I is passively managed.

Duke Energy discounted its future U.S. pension and other post-retirement obligations using a rate of 4.1 percent as of December 31, 2014. Discount rates used to measure benefit plan obligations for financial reporting purposes reflect rates at which pension benefits could be effectively settled. As of December 31, 2014, Duke Energy determined its discount rate for U.S. pension and other post-retirement obligations using a bond selection-settlement portfolio approach. This approach develops a discount rate by selecting a portfolio of high quality corporate bonds that generate sufficient cash flow to match the timing of projected benefit payments. The selected bond portfolio is derived from a universe of non-callable corporate bonds rated Aa quality or higher. After the bond portfolio is selected, a single interest rate is determined that equates the present value of the plan's projected benefit payments discounted at this rate with the market value of the bonds selected.

Future changes in plan asset returns, assumed discount rates and various other factors related to the participants in Duke Energy's pension and post-retirement plans will impact future pension expense and liabilities. Duke Energy cannot predict with certainty what these factors will be in the future. The following table presents the approximate effect on Duke Energy's 2014 pretax pension expense, pretax other post-retirement expense, pension obligation and other post-retirement benefit obligation if a 0.25 percent change in rates were to occur.

(in millions)	Qualified and Non-Qualified Pension Plans				Other Post-Retirement Plans			
	+0.25%		-0.25%		+0.25%		-0.25%	
Effect on 2014 pretax pension and other post-retirement expense								
Expected long-term rate of return	\$	(19)	\$	19	\$	(1)	\$	1
Discount rate		(17)		16		(2)		2
Effect on pension and other post-retirement benefit obligation at December 31, 2014								
Discount rate	\$	(198)	\$	203	\$	(20)	\$	21

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Duke Energy's U.S. other post-retirement plan uses a health care trend rate covering both pre- and post-age 65 retired plan participants, which is comprised of a medical care trend rate, which reflects the near- and long-term expectation of increases in medical costs, and a prescription drug trend rate, which reflects the near- and long-term expectation of increases in prescription drug costs. As of December 31, 2014, the health care trend rate was 6.75 percent, trending down to 4.75 percent by 2023. The following table presents the approximate effect on Duke Energy's 2014 pretax other post-retirement expense and other post-retirement benefit obligation if a 1 percentage point change in the health care trend rate were to occur.

(in millions)	Other Post-Retirement Plans	
	+ 1.0%	-1.0%
Effect on 2014 other post-retirement expense	\$ 7	\$ (6)
Effect on other post-retirement benefit obligation at December 31, 2014	36	(31)

For further information, see Note 21 to the Consolidated Financial Statements, "Employee Benefit Plans."

## LIQUIDITY AND CAPITAL RESOURCES

### Sources and Uses of Cash

Duke Energy relies primarily upon cash flows from operations, debt issuances and its existing cash and cash equivalents to fund its domestic liquidity and capital requirements. Duke Energy's capital requirements arise primarily from capital and investment expenditures, repaying long-term debt and paying dividends to shareholders. Duke Energy's projected primary sources and uses for the next three fiscal years are included in the table below.

(in millions)	2015	2016	2017
<b>Uses:</b>			
Capital expenditures	\$ 7,025-7,425	\$ 8,600-9,375	\$ 7,050-7,825
Debt maturities and reduction in short-term debt <sup>(a)</sup>	3,300	1,850	2,150
Dividend payments	2,250	2,300	2,350
Share repurchases	1,400	—	—
<b>Sources:</b>			
Cash flows from operations <sup>(b)</sup>	\$ 7,115	\$ 7,525	\$ 8,100
Debt issuances	3,100	6,000	4,000
Proceeds from the sale of the Disposal Group	2,800	—	—

- (a) Excludes capital leases and securitized receivables maturities in 2016 and 2017 expected to be renewed. Amounts represent Duke Energy's financing plan, which accelerates certain contractual maturities.
- (b) Cash flows from operations includes expenditures related to ash basin closures.

Duke Energy expects the sale of the Disposal group to Dynegy to be completed by the end of the second quarter of 2015. The sale price is \$2.8 billion in cash subject to adjustments at closing for changes in working capital and capital expenditures. Upon closing of the transaction, Duke Energy intends to execute a balanced recapitalization strategy with the proceeds. The recapitalization is expected to include a combination of an accelerated share repurchase and debt reduction through avoidance of holding company debt issuances in 2015. The ultimate use of proceeds will depend on facts and circumstances at the time of the closing. For further information on the Midwest Generation Exit, refer to Note 2 to the Consolidated Financial Statements, "Acquisitions, Dispositions and Sales of Other Assets."

In December 2014, Duke Energy declared a taxable dividend of historical foreign earnings in the form of notes payable that will result in the repatriation of approximately \$2.7 billion of cash held and expected to be generated by

International Energy over a period of up to eight years. Between \$1.2 billion and \$1.4 billion will be remitted in 2015, with the remaining amount remitted by 2022. The proceeds of the dividend will principally be used to support Duke Energy's dividend and growth in the domestic business.

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

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

### CREDIT FACILITIES AND REGISTRATION STATEMENTS

#### Master Credit Facility Summary

At December 31, 2014, Duke Energy had a Master Credit Facility with a capacity of \$6 billion. In January 2015, Duke Energy amended the Master Credit Facility to increase its capacity to \$7.5 billion through January 2020. The Duke Energy Registrants, excluding Progress Energy, each have borrowing capacity under the Master Credit Facility up to specified sublimits for each borrower. Duke Energy has the unilateral ability at any time to increase or decrease the borrowing sublimits of each borrower, subject to a maximum sublimit for each borrower. The amount available under the Master Credit Facility has been reduced to backstop the issuances of commercial paper, certain letters of credit and variable-rate demand tax-exempt bonds that may be put to the Duke Energy Registrants at the option of the holder. The table below includes the current borrowing sublimits and available capacity under the Master Credit Facility.

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	December 31, 2014						
(in millions)	Duke Energy	Duke Energy (Parent)	Duke Energy Carolinas	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Facility Size <sup>(a)</sup>	\$ 6,000	\$ 2,250	\$ 1,000	\$ 750	\$ 650	\$ 650	\$ 700
Reduction to backstop issuances							
Commercial paper <sup>(b)</sup>	(2,021)	(1,479)	(300)	—	(29)	(38)	(175)
Outstanding letters of credit	(70)	(62)	(4)	(2)	(1)	—	(1)
Tax-exempt bonds	(116)	—	(35)	—	—	—	(81)
Available capacity	\$ 3,793	\$ 709	\$ 661	\$ 748	\$ 620	\$ 612	\$ 443

(a) Represents the sublimit of each borrower at December 31, 2014. The Duke Energy Ohio sublimit includes \$100 million for Duke Energy Kentucky.

(b) Duke Energy issued \$475 million of commercial paper and loaned the proceeds through the money pool to Duke Energy Carolinas, Duke Energy Ohio and Duke Energy Indiana. The balances are included within Long-Term Debt Payable to Affiliated Companies in the Consolidated Balance Sheets.

On February 20, 2015, Duke Energy Carolinas, Duke Energy Progress and Duke Energy Business Services LLC (DEBS), a wholly owned subsidiary of Duke Energy, each entered into a Memorandum of Plea Agreement (Plea Agreements) in connection with the investigation initiated by the United States Department of Justice Environmental Crimes Section and the United States Attorneys for the Eastern District of North Carolina, the Middle District of North Carolina and the Western District of North Carolina (collectively, the USDOL). Under the terms of the Plea Agreements, Duke Energy Carolinas and Duke Energy Progress are required to each maintain \$250 million of available capacity under the Master Credit Facility as security to meet their obligations under the Plea Agreements, in addition to certain other conditions set out in the Plea Agreements. The Plea Agreements are subject to court approval. See Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies," for additional information.

### PremierNotes

Duke Energy has an effective registration statement (Form S-3) with the Securities and Exchange Commission (SEC) to sell up to \$3 billion of variable denomination floating rate demand notes, called PremierNotes. The Form S-3 states that no more than \$1.5 billion of the notes will be outstanding at any particular time. The notes are offered on a continuous basis and bear interest at a floating rate per annum determined by the Duke Energy PremierNotes Committee, or its designee, on a weekly basis. The interest rate payable on notes held by an investor may vary based on the principal amount of the investment. The notes have no stated maturity date, are non-transferable and may be redeemed in whole or in part by Duke Energy or at the investor's option at any time. The balance as of December 31, 2014 and December 31, 2013, was \$968 million and \$836 million, respectively. The notes are short-term debt obligations and are reflected as Notes payable and commercial paper on Duke Energy's Consolidated Balance Sheets.

### Shelf Registration

In September 2013, Duke Energy filed a Form S-3 with the SEC. Under this Form S-3, which is uncapped, the Duke Energy Registrants, excluding Progress Energy may issue debt and other securities in the future at amounts, prices and with terms to be determined at the time of future offerings. The registration statement also allows for the issuance of common stock by Duke Energy.

### CAPITAL EXPENDITURES

Duke Energy continues to focus on reducing risk and positioning its business for future success and will invest principally in its strongest business sectors. Based on this goal, the majority of Duke Energy's total projected capital expenditures are allocated to the Regulated Utilities segment. Duke Energy's

projected capital and investment expenditures for the next three fiscal years are included in the table below.

(in millions)	2015	2016	2017
New generation	\$ 825	\$ 2,200	\$ 850
Environmental	275	300	450
Nuclear fuel	450	475	425
Major nuclear	300	175	150
Customer additions	500	525	550
Grid modernization and other transmission and distribution projects	1,050	1,375	1,525
Maintenance	2,550	2,775	2,300
Total Regulated Utilities	5,950	7,825	6,250
Commercial Power, International Energy and Other	1,075	775	800
Total committed expenditures	7,025	8,600	7,050
Discretionary expenditures	400	775	775
Total projected capital and investment expenditures	\$ 7,425	\$ 9,375	\$ 7,825

### DEBT MATURITIES

The following table shows the significant components of Current maturities of long-term debt on the Consolidated Balance Sheets. The Duke Energy Registrants currently anticipate satisfying these obligations with cash on hand and proceeds from additional borrowings.

(in millions)	Maturity Date	Interest Rate	December 31, 2014
<b>Unsecured Debt</b>			
Duke Energy (Parent)	April 2015	3.350%	\$ 450
<b>First Mortgage Bonds</b>			
Duke Energy Ohio	March 2015	0.375%	150
Duke Energy Progress	April 2015	5.150%	300
Duke Energy Carolinas	October 2015	5.300%	500
Duke Energy Florida	November 2015	0.650%	250
Duke Energy Florida	December 2015	5.100%	300
Duke Energy Progress	December 2015	5.250%	400
<b>Tax-exempt Bonds</b>			
Duke Energy Progress	January 2015	0.108%	243
<b>Other</b>			
			214
Current maturities of long-term debt			\$ 2,807

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### DIVIDEND PAYMENTS

In 2014, Duke Energy paid quarterly cash dividends for the 88th consecutive year and expects to continue its policy of paying regular cash dividends in the future. There is no assurance as to the amount of future dividends because they depend on future earnings, capital requirements, financial condition and are subject to the discretion of the Board of Directors.

The Board of Directors continues to target a payout ratio of 65 to 70 percent, based upon adjusted diluted EPS. Over the past several years, Duke Energy's dividend has grown at approximately 2 percent annually, slower than overall adjusted earnings growth. Duke Energy has now achieved the targeted payout range and believes it has the flexibility to grow the dividend at a pace more consistent with adjusted earnings growth.

### Dividend and Other Funding Restrictions of Duke Energy Subsidiaries

As discussed in Note 4 to the Consolidated Financial Statements "Regulatory Matters," Duke Energy's wholly owned public utility operating companies have restrictions on the amount of funds that can be transferred to Duke Energy via dividend, advance or loan as a result of conditions imposed by various regulators in conjunction with merger transactions. Duke Energy Progress and Duke Energy Florida also have restrictions imposed by their first mortgage bond indentures and Articles of Incorporation which, in certain circumstances, limit their ability to make cash dividends or distributions on common stock. Additionally, certain other Duke Energy subsidiaries have other restrictions, such as minimum working capital and tangible net worth requirements pursuant to debt and other agreements that limit the amount of funds that can be transferred to Duke Energy. At December 31, 2014, the amount of restricted net assets of wholly owned subsidiaries of Duke Energy that may not be distributed to Duke Energy in the form of a loan or dividend is less than 25 percent of Duke Energy's net assets. Duke Energy does not have any legal or other restrictions on paying common stock dividends to shareholders out of its consolidated equity accounts. Although these restrictions cap the amount of funding the various operating subsidiaries can provide to Duke Energy, management does not believe these restrictions will have a significant impact on Duke Energy's ability to access cash to meet its payment of dividends on common stock and other future funding obligations.

### CASH FLOWS FROM OPERATING ACTIVITIES

The relatively stable operating cash flows of Regulated Utilities compose a substantial portion of Duke Energy's cash flows from operations. Regulated Utilities' cash flows from operations are primarily driven by sales of electricity and natural gas and costs of operations. Weather conditions, working capital and commodity price fluctuations, and unanticipated expenses, including unplanned plant outages and storms can affect the timing and level of cash flows from operations.

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

At December 31, 2014, Duke Energy had cash and cash equivalents and short-term investments of \$2.0 billion, of which approximately \$1.7 billion is held by entities domiciled in foreign jurisdictions. During 2014, Duke Energy declared a taxable dividend of historical foreign earnings in the form of notes payable that will result in the repatriation of approximately \$2.7 billion of cash held and expected to be generated by International Energy over a period of up to eight years. As a result of the decision to repatriate all cumulative historic undistributed foreign earnings, during the fourth quarter of 2014, Duke Energy recorded U.S. income tax expense of approximately \$373 million. Duke Energy's intention is to indefinitely reinvest prospective undistributed earnings generated by Duke Energy's foreign subsidiaries. See Note 22 to the Consolidated Financial Statements, "Income Taxes," for additional information.

### DEBT ISSUANCES

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

Duke Energy's capitalization is balanced between debt and equity as shown in the table below. The 2015 projected capitalization percentages exclude purchase accounting adjustments of approximately \$2.9 billion related to the merger with Progress Energy, while the 2014 and 2013 percentages include all debt-related purchase accounting amounts.

	Projected 2015	Actual 2014	Actual 2013
Equity	50%	49%	50%
Debt	50%	51%	50%

Duke Energy's fixed charges coverage ratio, calculated using SEC guidelines, was 3.2 times for 2014, 3.0 times for 2013 and 2.4 times for 2012.

### Restrictive Debt Covenants

Duke Energy's debt and credit agreements contain various financial and other covenants. The Master Credit Facility contains a covenant requiring the debt-to-total capitalization ratio to not exceed 65 percent for each borrower. Failure to meet those covenants beyond applicable grace periods could result in accelerated due dates and/or termination of the agreements or sublimits thereto. As of December 31, 2014, Duke Energy was in compliance with all covenants related to its significant debt agreements. In addition, some credit agreements may allow for acceleration of payments or termination of the agreements due to nonpayment, or to the acceleration of other significant indebtedness of the borrower or some of its subsidiaries. None of the debt or credit agreements contain material adverse change clauses.

### Credit Ratings

The Duke Energy Registrants each hold credit ratings by Fitch Ratings, Inc. (Fitch), Moody's Investors Service, Inc. (Moody's) and Standard & Poor's Rating Services (S&P). The following table includes Duke Energy and certain subsidiaries' credit ratings and ratings outlook as of February 2015.

	Fitch	Moody's	S&P
<b>Duke Energy Corporation</b>	Stable	Stable	Positive
Issuer Credit Rating	BBB+	A3	BBB+
Senior Unsecured Debt	BBB+	A3	BBB
Commercial Paper	F-2	P-2	A-2
<b>Duke Energy Carolinas</b>	Positive	Stable	Positive
Senior Secured Debt	A+	Aa2	A
Senior Unsecured Debt	A	A1	BBB+
<b>Progress Energy</b>	Stable	Stable	Positive
Senior Unsecured Debt	BBB	Baa1	BBB
<b>Duke Energy Progress</b>	Stable	Stable	Positive
Senior Secured Debt	A+	Aa2	A
Senior Unsecured Debt	A	A1	BBB+
<b>Duke Energy Florida</b>	Stable	Stable	Positive
Senior Secured Debt	A	A1	A
Senior Unsecured Debt	A-	A3	BBB+
<b>Duke Energy Ohio</b>	Stable	Stable	Positive
Senior Secured Debt	A	A2	A
Senior Unsecured Debt	A-	Baa1	BBB+
<b>Duke Energy Indiana</b>	Stable	Stable	Positive
Senior Secured Debt	A	Aa3	A
Senior Unsecured Debt	A-	A2	BBB+

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

### Cash Flow Information

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

(in millions)	Years Ended December 31,		
	2014	2013	2012
Cash flows provided by (used in):			
Operating activities	\$ 6,586	\$ 6,382	\$ 5,244
Investing activities	(5,373)	(4,978)	(6,197)
Financing activities	(678)	(1,327)	267
Net increase (decrease) in cash and cash equivalents	535	77	(686)
Cash and cash equivalents at beginning of period	1,501	1,424	2,110
Cash and cash equivalents at end of period	\$ 2,036	\$ 1,501	\$ 1,424

### OPERATING CASH FLOWS

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

(in millions)	Years Ended December 31,		
	2014	2013	2012
Net income	\$ 1,889	\$ 2,676	\$ 1,782
Non-cash adjustments to net income	5,366	4,876	3,769
Contributions to qualified pension plans	—	(250)	(304)
Working capital	(669)	(920)	(3)
Net cash provided by operating activities	\$ 6,586	\$ 6,382	\$ 5,244

For the year ended December 31, 2014 compared to 2013, the variance was driven primarily by:

- A \$204 million increase due to prior year contributions to qualified pension plans, favorable retail pricing and rate riders and favorable weather, partially offset by current year under collection of fuel and purchased power costs and timing of cash payments for operations and maintenance expenses.

For the year ended December 31, 2013 compared to 2012, the variance was driven primarily by:

- A \$2,001 million increase in net income after non-cash adjustments, mainly due to the inclusion of Progress Energy's results for first six months of 2013 and the impact of revised rates and lower operation and maintenance expenses, partially offset by;
- A \$917 million decrease in operating cash flows from increased investments in traditional working capital, mainly due to the timing of

receivables and accruals, lower incentive accruals, net of current year payments and reserve reductions and the prior year overallocation of the Carolinas' fuels costs. These decreases were partially offset by the NEIL proceeds.

### INVESTING CASH FLOWS

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

(in millions)	Years Ended December 31,		
	2014	2013	2012
Capital, investment and acquisition expenditures	\$ (5,528)	\$ (5,607)	\$ (5,958)
Available-for-sale securities, net	23	173	(182)
Proceeds from sales of equity investments and other assets, and sales of and collections on notes receivable	179	277	212
Other investing items	(47)	179	(269)
Net cash used in investing activities	\$ (5,373)	\$ (4,978)	\$ (6,197)

The primary use of cash related to investing activities is capital, investment and acquisition expenditures, detailed by reportable business segment in the following table.

(in millions)	Years Ended December 31,		
	2014	2013	2012
Regulated Utilities	\$ 4,744	\$ 5,049	\$ 4,220
Commercial Power	67	268	1,038
International Energy	555	67	551
Other	162	223	149
Total capital, investment and acquisition expenditures	\$ 5,528	\$ 5,607	\$ 5,958

For the year ended December 31, 2014 compared to 2013, the variance was driven primarily by:

- A \$192 million return of collateral related to the Chilean hydro acquisition in 2013 and
- A \$150 million decrease in net proceeds from sales and maturities of available-for-sale securities, net of purchases.

For the year ended December 31, 2013 compared to 2012, the variance was driven primarily by:

- A \$581 million variance in restricted cash due to posting collateral on a secured debt issuance related to the Chilean hydro acquisition in 2012 and the return of a portion of this collateral in 2013,
- A \$355 million increase in proceeds from the sales of available-for-sale securities, net of purchases due to the investment of excess cash held in foreign jurisdictions and
- A \$351 million decrease in capital, investment and acquisition expenditures primarily due to lower spending on Duke Energy's renewable energy projects and ongoing infrastructure modernization program as these projects were completed, net of expenditures on Progress Energy's maintenance projects.



## PART II

### FINANCING CASH FLOWS

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

(in millions)	Years Ended December 31,		
	2014	2013	2012
Issuance of common stock related to employee benefit plans	\$ 25	\$ 9	\$ 23
Issuance of long-term debt, net	(123)	840	1,672
Notes payable and commercial paper	1,688	93	278
Dividends paid	(2,234)	(2,188)	(1,752)
Other financing items	(34)	(81)	46
Net cash (used in) provided by financing activities	\$ (678)	\$ (1,327)	\$ 267

For the year ended December 31, 2014 compared to 2013, the variance was driven primarily by:

- A \$1,595 million increase in proceeds from net issuances of notes payable and commercial paper, primarily due to funding a larger proportion of total financing needs with short-term debt in anticipation

### Summary of Significant Debt Issuances

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

			Year Ended December 31, 2014			
Issuance Date	Maturity Date	Interest Rate	Duke Energy (Parent)	Duke Energy Progress	Duke Energy Florida	Duke Energy
Unsecured Debt						
April 2014 <sup>(a)</sup>	April 2024	3.750%	\$ 600	\$ —	\$ —	\$ 600
April 2014 <sup>(a)(b)</sup>	April 2017	0.613%	400	—	—	400
June 2014 <sup>(c)</sup>	May 2019	11.970%	—	—	—	108
June 2014 <sup>(c)</sup>	May 2021	13.680%	—	—	—	110
Secured Debt						
March 2014 <sup>(d)</sup>	March 2017	0.863%	—	—	225	225
July 2014 <sup>(e)</sup>	July 2036	5.340%	—	—	—	129
First Mortgage Bonds						
March 2014 <sup>(f)</sup>	March 2044	4.375%	—	400	—	400
March 2014 <sup>(f)(g)</sup>	March 2017	0.435%	—	250	—	250
November 2014 <sup>(h)</sup>	December 2044	4.150%	—	500	—	500
November 2014 <sup>(h)(i)</sup>	November 2017	0.432%	—	200	—	200
Total issuances			\$1,000	\$1,350	\$ 225	\$ 2,922

- (a) Proceeds were used to redeem \$402 million of tax-exempt bonds at Duke Energy Ohio, the repayment of outstanding commercial paper and for general corporate purposes. See Note 13 to the Consolidated Financial Statements "Related Party Transactions" for additional information related to the redemption of Duke Energy Ohio's tax-exempt bonds.
- (b) The debt is floating rate based on three-month London Interbank Offered Rate (LIBOR) plus a fixed credit spread of 38 basis points.
- (c) Proceeds were used to repay \$196 million of debt for International Energy and for general corporate purposes.
- (d) Relates to the securitization of accounts receivable at a subsidiary of Duke Energy Florida. Proceeds were used to repay short-term borrowings under the intercompany money pool borrowing arrangement and for general corporate purposes. See Note 17 to the Consolidated Financial Statements "Variable Interest Entities" for further details.
- (e) Proceeds were used to fund a portion of Duke Energy's prior investment in the existing Wind Star renewables portfolio.
- (f) Proceeds were used to repay short-term borrowings under the intercompany money pool borrowing arrangement and for general corporate purposes.
- (g) The debt is floating rate based on three-month LIBOR plus a fixed credit spread of 20 basis points.
- (h) Proceeds will be used to repay to redeem \$450 million of tax-exempt bonds, repay short-term borrowings under the intercompany money pool borrowing arrangement and for general corporate purposes.

of the receipt in 2015 of proceeds from the sale of the Midwest Generation business, the proceeds from which will partially be used for debt reduction, partially offset by:

- A \$963 million decrease in net issuances of long-term debt, primarily due to funding a larger proportion of total financing needs with short-term debt in 2014 than in 2013.

For the year ended December 31, 2013 compared to 2012, the variance was driven primarily by:

- An \$832 million decrease in net issuances of long-term debt, primarily due to the timing of issuances and redemptions between years, resulting from the completion of major construction projects.
- A \$436 million increase in quarterly dividends primarily due to an increase in common shares outstanding, resulting from the merger with Progress Energy and an increase in dividends per share from \$0.765 to \$0.78 in the third quarter of 2013. The total annual dividend per share was \$3.09 in 2013 compared to \$3.03 in 2012 and
- A \$185 million decrease in proceeds from net issuances of notes payable and commercial paper, primarily due to changes in short-term working capital needs.

## PART II

			Year Ended December 31, 2013				
Issuance Date	Maturity Date	Interest Rate	Duke Energy (Parent)	Duke Energy Progress	Duke Energy Ohio	Duke Energy Indiana	Duke Energy
Unsecured Debt							
January 2013 <sup>(a)</sup>	January 2073	5.125%	\$ 500	\$ —	\$ —	\$ —	\$ 500
June 2013 <sup>(b)</sup>	June 2018	2.100%	500	—	—	—	500
August 2013 <sup>(c)(d)</sup>	August 2023	11.000%	—	—	—	—	220
October 2013 <sup>(e)</sup>	October 2023	3.950%	400	—	—	—	400
Secured Debt							
February 2013 <sup>(f)(g)</sup>	December 2030	2.043%	—	—	—	—	203
February 2013 <sup>(f)</sup>	June 2037	4.740%	—	—	—	—	220
April 2013 <sup>(h)</sup>	April 2026	5.456%	—	—	—	—	230
December 2013 <sup>(i)</sup>	December 2016	0.852%	—	300	—	—	300
First Mortgage Bonds							
March 2013 <sup>(j)</sup>	March 2043	4.100%	—	500	—	—	500
July 2013 <sup>(k)</sup>	July 2043	4.900%	—	—	—	350	350
July 2013 <sup>(k)(l)</sup>	July 2016	0.619%	—	—	—	150	150
September 2013 <sup>(m)</sup>	September 2023	3.800%	—	—	300	—	300
September 2013 <sup>(n)(l)</sup>	March 2015	0.400%	—	—	150	—	150
Total Issuances			\$ 1,400	\$ 800	\$ 450	\$ 500	\$ 4,023

- (a) Callable after January 2018 at par. Proceeds were used to redeem the \$300 million 7.10 percent Cumulative Quarterly Income Preferred Securities (QUIPS) and to repay a portion of outstanding commercial paper and for general corporate purposes.
- (b) Proceeds were used to repay \$250 million of current maturities and for general corporate purposes, including the repayment of outstanding commercial paper.
- (c) Proceeds were used to repay \$200 million of current maturities. The maturity date included above applies to half of the instrument. The remaining half matures in August 2018.
- (d) The debt is floating rate based on a consumer price index and an overnight funds rate in Brazil. The debt is denominated in Brazilian Real.
- (e) Proceeds were used to repay commercial paper as well as for general corporate purposes.
- (f) Represents the conversion of construction loans related to a renewable energy project issued in December 2012 to term loans. No cash proceeds were received in conjunction with the conversion. The term loans have varying maturity dates. The maturity date presented represents the latest date for all components of the respective loans.
- (g) The debt is floating rate. Duke Energy has entered into a pay fixed-receive floating interest rate swap for 95 percent of the loans.
- (h) Represents the conversion of a \$190 million bridge loan issued in conjunction with the acquisition of Ibener in December 2012. Duke Energy received incremental proceeds of \$40 million upon conversion of the bridge loan. The debt is floating rate and is denominated in U.S. dollars. Duke Energy has entered into a pay fixed-receive floating interest rate swap for 75 percent of the loan.
- (i) Relates to the securitization of accounts receivable at a subsidiary of Duke Energy Progress. The proceeds were used to repay short-term debt. See Note 17 to the Consolidated Financial Statements "Variable Interest Entities" for further details.
- (j) Proceeds were used to repay notes payable to affiliated companies as well as for general corporate purposes.
- (k) Proceeds were used to repay \$400 million of current maturities.
- (l) The debt is floating rate based on three month LIBOR and a fixed credit spread of 35 basis points.
- (m) Proceeds were used for general corporate purposes including the repayment of short-term notes payable, a portion of which was incurred to fund the retirement of \$250 million of first mortgage bonds that matured in the first half of 2013.
- (n) The debt is floating rate based on three month LIBOR plus a fixed credit spread of 14 basis points.

### Off-Balance Sheet Arrangements

Duke Energy and certain of its subsidiaries enter into guarantee arrangements in the normal course of business to facilitate commercial transactions with third parties. These arrangements include performance guarantees, stand-by letters of credit, debt guarantees, surety bonds and indemnifications.

Most of the guarantee arrangements entered into by Duke Energy enhance the credit standing of certain subsidiaries, non-consolidated entities or less than wholly owned entities, enabling them to conduct business. As such, these guarantee arrangements involve elements of performance and credit risk, which are not always included on the Consolidated Balance Sheets. The possibility of Duke Energy, either on its own or on behalf of Spectra Energy Capital, LLC (Spectra Capital) through indemnification agreements entered into as part of the January 2, 2007 spin-off of Spectra Energy Corp (Spectra Energy), having to honor its contingencies is largely dependent upon the future operations of the subsidiaries, investees and other third parties, or the occurrence of certain future events.

Duke Energy performs ongoing assessments of their respective guarantee obligations to determine whether any liabilities have been incurred as a result of potential increased non-performance risk by third parties for which Duke Energy has issued guarantees.

See Note 7 to the Consolidated Financial Statements, "Guarantees and Indemnifications," for further details of the guarantee arrangements.

Issuance of these guarantee arrangements is not required for the majority of Duke Energy's operations. Thus, if Duke Energy discontinued issuing these guarantees, there would not be a material impact to the consolidated results of operations, cash flows or financial position.

Other than the guarantee arrangements discussed above and normal operating lease arrangements, Duke Energy does not have any material off-balance sheet financing entities or structures. For additional information on these commitments, see Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies."

## PART II

### Contractual Obligations

Duke Energy enters into contracts that require payment of cash at certain specified periods, based on certain specified minimum quantities and prices. The following table summarizes Duke Energy's contractual cash obligations as of December 31, 2014.

(in millions)	Payments Due By Period				
	Total	Less than 1 year (2015)	2-3 years (2016 & 2017)	4-5 years (2018 & 2019)	More than 5 years (2020 & beyond)
Long-term debt <sup>(a)</sup>	\$ 36,617	\$ 2,691	\$ 5,204	\$ 5,761	\$22,961
Interest payments on long-term debt <sup>(b)</sup>	24,064	1,603	2,926	2,614	16,921
Capital leases <sup>(c)</sup>	2,733	178	378	406	1,771
Operating leases <sup>(c)</sup>	1,818	205	370	305	938
Purchase obligations <sup>(d)</sup>					
Fuel and purchased power <sup>(e)</sup>	21,128	4,778	5,838	3,171	7,341
Other purchase obligations <sup>(f)</sup>	7,418	4,074	1,269	519	1,556
Nuclear decommissioning trust annual funding <sup>(g)</sup>	345	33	67	29	216
<b>Total contractual cash obligations<sup>(h)(i)</sup></b>	<b>\$ 94,123</b>	<b>\$13,562</b>	<b>\$16,052</b>	<b>\$12,805</b>	<b>\$51,704</b>

(a) See Note 6 to the Consolidated Financial Statements, "Debt and Credit Facilities."

(b) Interest payments on variable rate debt instruments were calculated using December 31, 2014 interest rates and holding them constant for the life of the instruments.

(c) See Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies." Amounts in the table above include the interest component of capital leases based on the interest rates stated in the lease agreements and exclude certain related executory costs.

(d) Current liabilities, except for current maturities of long-term debt and purchase obligations reflected in the Consolidated Balance Sheets, have been excluded from the above table.

(e) Includes firm capacity payments that provide Duke Energy with uninterrupted firm access to electricity transmission capacity and natural gas transportation contracts, as well as undesignated contracts and contracts that qualify as normal purchase/normal sale (NPNS). For contracts where the price paid is based on an index, the amount is based on market prices at December 31, 2014, or the best projections of the index. For certain of these amounts, Duke Energy may settle on a net cash basis since Duke Energy has entered into payment netting arrangements with counterparties that permit Duke Energy to offset receivables and payables with such counterparties.

(f) Includes contracts for software, telephone data and consulting or advisory services. Amount also includes contractual obligations for engineering, procurement and construction costs for new generation plants and nuclear plant refurbishments, environmental projects on fossil facilities, major maintenance of certain nonregulated plants, maintenance and day-to-day contract work at certain wind facilities and commitments to buy wind and combustion turbines. Amount excludes certain open purchase orders for services that are provided on demand, for which the timing of the purchase cannot be determined.

(g) Related to future annual funding obligations to nuclear decommissioning trust fund (NDTF) through nuclear power stations' re-licensing dates. Amounts through 2017 include North Carolina jurisdictional amounts that Duke Energy Progress retained internally and is transitioning to its external decommissioning funds per a 2008 NRC order. The transition of the original \$131 million must be complete by December 31, 2017 and at least 10 percent must be transitioned each year. See Note 9 to the Consolidated Financial Statements, "Asset Retirement Obligations."

(h) Uncertain tax positions of \$213 million are not reflected in this table as Duke Energy cannot predict when open income tax years will close with completed examinations. See Note 22 to the Consolidated Financial Statements, "Income Taxes."

(i) The table above excludes reserves for litigation, environmental remediation, asbestos-related injuries and damages claims and self-insurance claims (see Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies") because Duke Energy is uncertain as to the timing and amount of cash payments that will be required. Additionally, the table above excludes annual insurance premiums that are necessary to operate the business, including nuclear insurance (see Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies"); funding of pension and other post-retirement benefit plans (see Note 21 to the Consolidated Financial Statements, "Employee Benefit Plans"); asset retirement obligations, including ash management expenditures (see Note 9 to the Consolidated Financial Statements, "Asset Retirement Obligations") and regulatory liabilities (see Note 4 to the Consolidated Financial Statements, "Regulatory Matters") because the amount and timing of the cash payments are uncertain. Also excluded are Deferred Income Taxes and Investment Tax Credits recorded on the Consolidated Balance Sheets since cash payments for income taxes are determined based primarily on taxable income for each discrete fiscal year.

### QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

#### Risk Management Policies

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

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

#### Commodity Price Risk

Duke Energy is exposed to the impact of market fluctuations in the prices of electricity, coal, natural gas and other energy-related products marketed and purchased as a result of its ownership of energy related assets. Duke Energy's exposure to these fluctuations is limited by the cost-based regulation of its operations in its Regulated Utilities segment as these operations are typically allowed to recover substantially all of these costs through various cost-recovery clauses, including fuel clauses. While there may be a delay in timing between when these costs are incurred and when these costs are recovered through rates, changes from year to year generally do not have a material impact on operating results of these regulated operations.

Price risk represents the potential risk of loss from adverse changes in the market price of electricity or other energy commodities. Duke Energy's exposure to commodity price risk is influenced by a number of factors, including contract size, length, market liquidity, location and unique or specific contract terms. Duke Energy employs established policies and procedures to manage risks associated with these market fluctuations, which may include using various commodity derivatives, such as swaps, futures, forwards and options. For additional information, see Note 14 to the Consolidated Financial Statements, "Derivatives and Hedging."

## PART II

Validation of a contract's fair value is performed by an internal group separate from Duke Energy's deal origination function. While Duke Energy uses common industry practices to develop its valuation techniques, changes in its pricing methodologies or the underlying assumptions could result in significantly different fair values and income recognition.

### Hedging Strategies

Duke Energy closely monitors risks associated with commodity price changes on its future operations and, where appropriate, uses various commodity instruments such as electricity, coal and natural gas forward contracts to mitigate the effect of such fluctuations on operations. These instruments are also used to optimize the value of the nonregulated generation portfolio. Duke Energy's primary use of energy commodity derivatives is to hedge the generation portfolio against exposure to the prices of power and fuel.

The majority of instruments used to manage Duke Energy's commodity price exposure are either not designated as hedges or do not qualify for hedge accounting. These instruments are referred to as undesignated contracts. Mark-to-market changes for undesignated contracts entered into by regulated businesses are reflected as regulatory assets or liabilities on the Consolidated Balance Sheets. Undesignated contracts entered into by unregulated businesses are marked-to-market each period, with changes in the fair value of the derivative instruments reflected in earnings.

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

### Generation Portfolio Risks

Duke Energy is primarily exposed to market price fluctuations of wholesale power, natural gas, and coal prices in the Regulated Utilities segment. The Duke Energy Registrants optimize the value of their wholesale and nonregulated

generation portfolios. The portfolios include generation assets, fuel, and emission allowances. Modeled forecasts of future generation output and fuel requirements are based on forward power and fuel markets. The component pieces of the portfolio are bought and sold based on models and forecasts of generation in order to manage the economic value of the portfolio in accordance with the strategies of the business units.

For the Regulated Utilities segment, the generation portfolio not utilized to serve retail operations or committed load is subject to commodity price fluctuations. However, the impact on the Consolidated Statements of Operations is partially offset by mechanisms in these regulated jurisdictions that result in the sharing of net profits from these activities with retail customers.

International Energy and Commercial Power generally hedge their expected generation using long-term bilateral power sales contracts when favorable market conditions exist and are subject to wholesale commodity price risks for electricity not sold under such contracts. International Energy dispatches electricity not sold under long-term bilateral contracts into unregulated markets and receives wholesale energy margins and capacity revenues from national system operators. Derivative contracts executed to manage generation portfolio risks for delivery periods beyond 2015 are also exposed to changes in fair value due to market price fluctuations of wholesale power, fuel oil and coal.

See "Sensitivity Analysis for Generation Portfolio and Derivative Price Risks" below, for more information regarding the effect of changes in commodity prices on Duke Energy's net income.

### SENSITIVITY ANALYSIS FOR GENERATION PORTFOLIO AND DERIVATIVE PRICE RISKS

The table below summarizes the estimated effect of commodity price changes on Duke Energy's pretax net income, based on a sensitivity analysis performed for the nonregulated generation portfolio. Forecasted exposure to commodity price risk for the Regulated Utilities segment is not anticipated to have a material adverse effect on Duke Energy's results of operations in 2015. The following commodity price sensitivity calculations consider existing hedge positions and estimated production levels, as indicated in the table below, but do not consider other potential effects that might result from such changes in commodity prices.

### Summary of Sensitivity Analysis for Generation Portfolio and Derivative Price Risks (in millions)

	Generation Portfolio Risks for 2015 As of December 31, <sup>(a)</sup>		Sensitivities for Derivatives Beyond 2015 As of December 31, <sup>(b)</sup>	
	2014	2013	2014	2013
Potential effect on pretax net income assuming a 10 percent price change in				
Forward wholesale power prices (based on price per MWh)	\$ 4	\$ 1	\$ —	\$ —

(a) Amounts related to forward wholesale prices represent the potential impact of commodity price changes on forecasted economic generation which has not been contracted or hedged. Amounts related to forward coal prices and forward gas prices represent the potential impact of commodity price changes on fuel needed to achieve such economic generation. Amounts exclude the impact of mark-to-market changes on undesignated contracts relating to periods in excess of one year from the respective date.

(b) Amounts represent sensitivities related to derivative contracts executed to manage generation portfolio risks for periods beyond 2014. Amounts exclude the potential impact of commodity price changes on forecasted economic generation and fuel needed to achieve such forecasted generation.

### Interest Rate Risk

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

At December 31, 2014, Duke Energy had \$250 million notional amount of fixed-to-floating swaps outstanding and no pre-issuance hedges outstanding. In the first quarter of 2015, Duke Energy entered into an additional \$250 million notional amount of fixed-to-floating swaps. Duke Energy had \$6.9 billion of unhedged long- and short-term floating interest rate exposure at December 31, 2014. The impact of a 100 basis point change in interest rates on pretax income is approximately \$72 million at December 31, 2014.

This amount was estimated by considering the impact of the hypothetical interest rates on variable-rate securities outstanding, adjusted for interest rate hedges as of December 31, 2014.

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### Credit Risk

Credit risk represents the loss that the Duke Energy Registrants would incur if a counterparty fails to perform under its contractual obligations. To reduce credit exposure, the Duke Energy Registrants seek to enter into netting agreements with counterparties that permit them to offset receivables and payables with such counterparties. The Duke Energy Registrants attempt to further reduce credit risk with certain counterparties by entering into agreements that enable obtaining collateral or terminating or resetting the terms of transactions after specified time periods or upon the occurrence of credit-related events. The Duke Energy Registrants may, at times, use credit derivatives or other structures and techniques to provide for third-party credit enhancement of their counterparties' obligations. The Duke Energy Registrants also obtain cash or letters of credit from customers to provide credit support outside of collateral agreements, where appropriate, based on a financial analysis of the customer and the regulatory or contractual terms and conditions applicable to each transaction. See Note 14 to the Consolidated Financial Statements, "Derivatives and Hedging," for additional information regarding credit risk related to derivative instruments.

The Duke Energy Registrants' industry has historically operated under negotiated credit lines for physical delivery contracts. The Duke Energy Registrants frequently use master collateral agreements to mitigate certain credit exposures. The collateral agreements provide for a counterparty to post cash or letters of credit to the exposed party for exposure in excess of an established threshold. The threshold amount represents a negotiated unsecured credit limit for each party to the agreement, determined in accordance with the Duke Energy Registrants' internal corporate credit practices and standards. Collateral agreements generally also provide that the inability to post collateral is sufficient cause to terminate contracts and liquidate all positions.

The Duke Energy Registrants' principal customers for its electric and gas businesses are commodity clearinghouses, regional transmission organizations, industrial, commercial and residential end-users, marketers, distribution companies, municipalities, electric cooperatives and utilities located throughout the U.S. and Latin America. The Duke Energy Registrants have concentrations of receivables from such entities throughout these regions. These concentrations of customers may affect the Duke Energy Registrants' overall credit risk in that risk factors can negatively impact the credit quality of the entire sector. Where exposed to credit risk, the Duke Energy Registrants analyze the counterparties' financial condition prior to entering into an agreement, establish credit limits and monitor the appropriateness of those limits on an ongoing basis.

Duke Energy Carolinas has a third-party insurance policy to cover certain losses related to its asbestos-related injuries and damages above an aggregate self-insured retention of \$476 million. Duke Energy Carolinas' cumulative payments began to exceed the self-insurance retention on its insurance policy during the second quarter of 2008. Future payments up to the policy limit will be reimbursed by the third-party insurance carrier. The insurance policy limit for potential future insurance recoveries for indemnification and medical cost claim payments is \$864 million in excess of the self-insured retention. Insurance recoveries of \$616 million and \$649 million related to this policy are classified in the Consolidated Balance Sheets in Other within Investments and Other Assets and Receivables as of December 31, 2014 and 2013, respectively. Duke Energy Carolinas is not aware of any uncertainties regarding the legal sufficiency of insurance claims. Management believes the insurance recovery asset is probable of recovery as the insurance carrier continues to have a strong financial strength rating.

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

The Duke Energy Registrants are also subject to credit risk of their vendors and suppliers in the form of performance risk on contracts including, but not limited to, outsourcing arrangements, major construction projects and commodity purchases. The Duke Energy Registrants' credit exposure to such vendors and suppliers may take the form of increased costs or project delays in the event of non-performance.

Credit risk associated with the Duke Energy Registrants' service to residential, commercial and industrial customers is generally limited to outstanding accounts receivable. The Duke Energy Registrants mitigate this credit risk by requiring customers to provide a cash deposit or letter of credit until a satisfactory payment history is established, subject to the rules and regulations in effect in each retail jurisdiction, at which time the deposit is typically refunded. Charge-offs for retail customers have historically been insignificant to the operations of the Duke Energy Registrants and are typically recovered through the retail rates. Management continually monitors customer charge-offs and payment patterns to ensure the adequacy of bad debt reserves. Duke Energy Ohio and Duke Energy Indiana sell certain of their accounts receivable and related collections through CRC, a Duke Energy consolidated variable interest entity. Losses on collection are first absorbed by the equity of CRC and next by the subordinated retained interests held by Duke Energy Ohio, Duke Energy Kentucky and Duke Energy Indiana. See Note 17 to the Consolidated Financial Statements, "Variable Interest Entities."

Based on the Duke Energy Registrants' policies for managing credit risk, their exposures and their credit and other reserves, the Duke Energy Registrants do not currently anticipate a materially adverse effect on their consolidated financial position or results of operations as a result of non-performance by any counterparty.

### Marketable Securities Price Risk

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

### Pension Plan Assets

Duke Energy maintains investments to help fund the costs of providing non-contributory defined benefit retirement and other post-retirement benefit plans. These investments are exposed to price fluctuations in equity markets and changes in interest rates. The equity securities held in these pension plans are diversified to achieve broad market participation and reduce the impact of any single investment, sector or geographic region. Duke Energy has established asset allocation targets for its pension plan holdings, which take into consideration the investment objectives and the risk profile with respect to the trust in which the assets are held.

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

### Nuclear Decommissioning Trust Funds

As required by the Nuclear Regulatory Commission (NRC), NCUC, PSCSC and FPSC, subsidiaries of Duke Energy maintain trust funds to fund the costs of nuclear decommissioning. As of December 31, 2014, these funds were invested primarily in domestic and international equity securities, debt securities, cash and cash equivalents and short-term investments. Per the NRC, Internal Revenue Code, NCUC, PSCSC and FPSC requirements, these funds may be used only for activities related to nuclear decommissioning. The investments in equity securities are exposed to price fluctuations in equity markets. Duke Energy actively monitors its portfolios by benchmarking the performance of

## PART II

its investments against certain indices and by maintaining, and periodically reviewing, target allocation percentages for various asset classes. Accounting for nuclear decommissioning recognizes that costs are recovered through retail rates; therefore, fluctuations in equity prices do not affect their Consolidated Statements of Operations as changes in the fair value of these investments are deferred as regulatory assets or regulatory liabilities pursuant to an Order by the NCUC, PSCSC and FPSC. Earnings or losses of the fund will ultimately impact the amount of costs recovered through retail rates. See Note 9 to the Consolidated Financial Statements, "Asset Retirement Obligations" for additional information regarding nuclear decommissioning costs. See Note 15 to the Consolidated Financial Statements, "Investments in Debt and Equity Securities" for additional information regarding NDTF assets.

### Foreign Currency Risk

Duke Energy is exposed to foreign currency risk from investments in international businesses owned and operated in foreign countries and from certain commodity-related transactions within domestic operations that are denominated in foreign currencies. To mitigate risks associated with foreign currency fluctuations, contracts may be denominated in or indexed to the U.S. dollar and/or local inflation rates, or investments may be naturally hedged through debt denominated or issued in the foreign currency. Duke Energy may also use foreign currency derivatives, where possible, to manage its risk related to foreign currency fluctuations. To monitor its currency exchange rate risks, Duke Energy uses sensitivity analysis, which measures the impact of devaluation of the foreign currencies to which it has exposure.

Duke Energy's primary foreign currency rate exposure is to the Brazilian Real. The table below summarizes the potential effect of foreign currency devaluations on Duke Energy's Consolidated Statement of Operations and Consolidated Balance Sheets, based on a sensitivity analysis performed as of December 31, 2014 and December 31, 2013.

#### Summary of Sensitivity Analysis for Foreign Currency Risks

(in millions)	Assuming 10 percent devaluation in the currency exchange rates in all exposure currencies	
	As of December 31,	
	2014	2013
Income Statement impact <sup>(a)</sup>	\$ (20)	\$ (20)
Balance Sheet impact <sup>(b)</sup>	\$ (98)	\$ (140)

(a) Amounts represent the potential annual net pretax loss on the translation of local currency earnings to the U.S. dollar in 2014 and 2013, respectively.

(b) Amounts represent the potential impact to the currency translation through Accumulated Other Comprehensive Income (AOCI) on the Consolidated Balance Sheets.

## OTHER MATTERS

### Ratios of Earnings to Fixed Charges

The Duke Energy Registrants' ratios of earnings to fixed charges, as calculated using SEC guidelines, are included in the table below.

	Years Ended December 31,		
	2014	2013	2012
Duke Energy <sup>(a)</sup>	3.2	3.0	2.4
Duke Energy Carolinas	4.6	4.4	3.8
Progress Energy	2.7	2.2	1.6
Duke Energy Progress	3.5	3.7	2.3
Duke Energy Florida	4.1	2.9	2.3
Duke Energy Ohio	2.1	2.2	1.7
Duke Energy Indiana	4.1	4.1	0.3

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

### Midwest Generation Exit

Merchant power plants have, in the recent past, delivered volatile returns in the competitive energy markets in the Midwest. In Ohio, the Public Utilities Commission of Ohio (PUCO) had granted revenue support from regulated retail markets to help stabilize returns during the transition to competitive markets. However, in early 2014, a request for continued revenue support was denied by the PUCO. This decision made it clear the energy markets in Ohio were to be fully unregulated. Although the undiscounted cash flows recover the carrying value of the Midwest Generation assets, the recovery period is over a long period of time, with risks inherent in operating these assets in competitive energy markets and in an ever changing landscape of environmental regulations related to fossil fuel based generation sources. Management concluded in early 2014 that the projected risk and earnings profile of these assets was no longer consistent with Duke Energy's strategy and initiated a plan to sell these assets and realize the fair value over a shorter period while reducing the risk and volatility associated with these assets.

On August 21, 2014, Duke Energy Commercial Enterprises, Inc., an indirect wholly owned subsidiary of Duke Energy Corporation, and Duke Energy SAM, LLC, a wholly owned subsidiary of Duke Energy Ohio, entered into a PSA with a subsidiary of Dynegy whereby Dynegy will acquire Duke Energy's Disposal Group for approximately \$2.8 billion in cash subject to adjustments at closing for changes in working capital and capital expenditures. The completion of the transaction is conditioned on approval by FERC and the release of certain credit support obligations. The transaction is expected to close by the end of the second quarter of 2015. For additional information on the Midwest generation business disposition see Note 2 to the Consolidated Financial Statements, "Acquisitions, Dispositions and Sales of Other Assets."

### North Carolina Ash Basins

On February 2, 2014, a break in a stormwater pipe beneath an ash basin at Duke Energy Carolinas' retired Dan River steam station caused a release of ash basin water and ash into the Dan River. On February 8, 2014, a permanent plug was installed in the stormwater pipe, stopping the release of materials into the river. Duke Energy Carolinas estimates 30,000 to 39,000 tons of ash and 24 million to 27 million gallons of basin water were released into the river during the incident. For additional information see Note 5 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies."

### Environmental Regulations

Duke Energy is subject to international, federal, state, and local regulations regarding air and water quality, hazardous and solid waste disposal, and other environmental matters. The Subsidiary Registrants are subject to federal, state, and local regulations regarding air and water quality, hazardous and solid waste disposal and other environmental matters. These regulations can be changed from time to time and result in new obligations of the Duke Energy Registrants.

The following sections outline various proposed and recently enacted regulations that may impact the Duke Energy Registrants. The Duke Energy Registrants also expect to incur increased fuel, purchased power, operation and maintenance, and other costs for replacement generation for potential coal-fired power plant retirements as a result of these proposed and final regulations. The actual compliance costs may be materially different from these estimates based on the timing and requirements of the final EPA regulations. Refer to Note 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for further information regarding potential plant retirements and regulatory filings related to the Duke Energy Registrants.

#### Coal Ash Management Act of 2014

On September 20, 2014, the Coal Ash Act became law. The Coal Ash Act (i) establishes a Coal Ash Management Commission (Coal Ash Commission)

## PART II

to oversee handling of coal ash within the state; (ii) prohibits construction of new and expansion of existing ash impoundments and use of existing impoundments at retired facilities, effective October 1, 2014; (iii) requires closure of ash impoundments at Duke Energy Progress' Asheville and Sifton stations and Duke Energy Carolinas' Riverbend and Dan River stations no later than August 1, 2019; (iv) requires dry disposal of fly ash at active plants not retired by December 31, 2018; (v) requires dry disposal of bottom ash at active plants by December 31, 2019, or retirement of active plants; (vi) requires all remaining ash impoundments in North Carolina to be categorized as high-risk, intermediate-risk, or low-risk no later than December 31, 2015 by The North Carolina Department of Environment and Natural Resources (DENR) with the method of closure and timing to be based upon the assigned risk, with closure no later than December 31, 2029; (vii) establishes requirements to deal with groundwater and surface water impacts from impoundments and (viii) enhances the level of regulation for structural fills utilizing coal ash. The Coal Ash Act includes a variance procedure for compliance deadlines and modification of requirements regarding structural fills and compliance boundaries. Provisions of the Coal Ash Act prohibit cost recovery for unlawful discharge of ash basin waters occurring after January 1, 2014. The Coal Ash Act included a moratorium for any NCUC ordered rate changes to effectuate the legislation, which ended January 15, 2015. The Coal Ash Act leaves the decision on cost recovery determinations related to closure of CCR surface impoundments (ash basins or impoundments) to the normal ratemaking processes before utility regulatory commissions. In November 2014, Duke Energy submitted to DENR site specific coal ash excavation plans for the four high priority stations required to be closed no later than August 1, 2019. These plans and all associated permits must be approved by DENR before any excavation work can begin.

In September 2014, Duke Energy Carolinas executed a consent agreement with the South Carolina Department of Health and Environmental Control (SCDHEC) requiring the excavation of an inactive ash basin and ash fill area at the W.S. Lee Steam Station. As part of this agreement, in December 2014, Duke Energy Carolinas filed an ash removal plan and schedule with SCDHEC.

For further information, refer to Note 5 of the Condensed Consolidated Financial Statements, "Commitments and Contingencies."

### Mercury and Air Toxics Standards

The final Mercury and Air Toxics Standards (MATS) rule, previously referred to as the Utility MACT Rule, was issued on February 16, 2012. The final rule establishes emission limits for hazardous air pollutants from new and existing coal-fired and oil-fired steam electric generating units. The rule requires sources to comply with emission limits by April 16, 2015. Under the Clean Air Act (CAA), permitting authorities have the discretion to grant up to a one-year compliance extension, on a case-by-case basis, to sources that are unable to complete the installation of emission controls before the compliance deadline. The Duke Energy Registrants have requested and received a number of compliance extensions. Strategies to achieve compliance with the final rule will include installation of new air emission control equipment, development of monitoring processes, fuel switching, and acceleration of retirement for some coal-fired electric-generation units. For additional information, refer to Note 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters," regarding potential plant retirements.

In April 2014, several petitions for review of the final rule were denied by the U.S. Court of Appeals for the District of Columbia (D.C. Circuit Court). On November 25, 2014, the Supreme Court granted a petition for review based on the issue of whether the EPA unreasonably refused to consider costs in determining whether it is appropriate to regulate hazardous air pollutants from coal-fired and oil-fired steam electric generating units. Oral arguments are scheduled for March 25, 2015. The Duke Energy Registrants cannot predict the outcome of the Supreme Court review of the D.C. Circuit Court decision and are planning for the rule to be implemented as promulgated given the imminent compliance deadline.

### Clean Water Act 316(b)

The EPA published the final 316(b) cooling water intake structure rule on August 15, 2014, with an effective date of October 14, 2014. The rule applies to 27 of the electric generating facilities the Duke Energy Registrants own and operate depending on unit retirement dates, excluding stations included in the Disposal Group. The rule allows several options for demonstrating compliance and provides flexibility to the state environmental permitting agencies to make determinations on controls, if any, that will be required for cooling water intake structures. Any required intake structure modifications and/or retrofits are expected to be installed in the 2019 to 2022 time frame. Petitions challenging the rule have been filed by several groups. It is unknown at this time when the courts will rule on the petitions.

### Steam Electric Effluent Limitation Guidelines

On June 7, 2013, the EPA proposed Steam Electric Effluent Limitations Guidelines. The EPA is under a revised court order to finalize the rule by September 30, 2015. The EPA has proposed eight options for the rule, which vary in stringency and cost. The proposed regulation applies to seven waste streams, including wastewater from air pollution control equipment and ash transport water. Most, if not all, of the steam electric generating facilities the Duke Energy Registrants own are likely affected sources. Requirements to comply with the final rule may begin as early as late 2018 for some facilities.

### Estimated Cost and Impacts of Rulemakings

The ultimate compliance requirements for currently proposed environmental regulations will not be known until all the rules have been finalized. The Duke Energy Registrants also expect to incur increased fuel, purchased power, operation and maintenance, and other expenses, in addition to costs for replacement generation for potential coal-fired power plant retirements as a result of these regulations. The actual compliance costs incurred may be materially different from these estimates based on the timing and requirements of the final regulations. The Duke Energy Registrants intend to seek rate recovery of appropriate amounts incurred associated with regulated operations in complying with these regulations. Refer to Note 4 to the Condensed Consolidated Financial Statements, "Regulatory Matters," for further information regarding potential plant retirements and regulatory filings related to the Duke Energy Registrants.

The following table provides estimated costs, excluding AFUDC, of new control equipment that may need to be installed on existing power plants, including conversion of plants to dry disposal of bottom ash and fly ash, to comply with the above regulations over the five years ended December 31, 2019. The table excludes amounts related to the Disposal Group and ash basin closure costs recorded as asset retirement obligations, for additional information refer to Note 9 of the Condensed Consolidated Financial Statements, "Asset Retirement Obligations." The table also does not include estimated ash basin closure costs to comply with the recently issued EPA regulations for the disposal of CCR from power plants.

(in millions)	Estimated 5 Year Cost
<b>Duke Energy</b>	<b>\$ 1,850</b>
Duke Energy Carolinas	675
Progress Energy	525
Duke Energy Progress	475
Duke Energy Florida	50
Duke Energy Ohio	75
Duke Energy Indiana	575

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### **Coal Combustion Residuals**

On December 19, 2014, the EPA signed the first federal regulation for the disposal of CCR from power plants. The federal regulation classifies CCR as nonhazardous waste under the Resource Conservation and Recovery Act. The regulation applies to all new and existing landfills, new and existing surface impoundments, structural fills and CCR piles. The rule establishes requirements regarding landfill design, structural integrity design and assessment criteria for surface impoundments, groundwater monitoring and protection procedures and other operational and reporting procedures to ensure the safe disposal and management of CCR. In addition to the requirements of the federal CCR regulation, CCR landfills and surface impoundments will continue to be independently regulated by most states. Duke Energy records an asset retirement obligation when it has a legal obligation to incur retirement costs associated with the retirement of a long-lived asset and the obligation can be reasonably estimated. Once the rule is effective in 2015, additional asset retirement obligation amounts will be recorded at all Duke registrants. Cost recovery for future expenditures will be pursued through the normal ratemaking process with state utility commissions, which permit recovery of necessary and prudently incurred costs associated with Duke Energy's regulated operations. At this time, Duke Energy is evaluating the CCR regulation and developing cost estimates that will largely be dependent upon compliance alternatives selected to meet requirements of the regulations. For more information, see Note 5 to the Condensed Consolidated Financial Statements, "Commitments and Contingencies."

### **Cross-State Air Pollution Rule**

On August 8, 2011, the final Cross-State Air Pollution Rule (CSAPR) was published in the Federal Register. The CSAPR established state-level annual sulfur dioxide (SO<sub>2</sub>) budgets and annual and seasonal nitrogen oxide (NO<sub>x</sub>) budgets that were to take effect on January 1, 2012.

On August 21, 2012, the D.C. Circuit Court vacated the CSAPR. The court also directed the EPA to continue administering the Clean Air Interstate Rule (CAIR), which required additional reductions in SO<sub>2</sub> and NO<sub>x</sub> emissions beginning in 2015. On April 29, 2014, the U.S. Supreme Court (Supreme Court) reversed the D.C. Circuit Court's decision, finding that with CSAPR the EPA reasonably interpreted the good neighbor provision of the CAA. The case was remanded to the D.C. Circuit Court for further proceedings consistent with the Supreme Court's opinion. On October 23, 2014, the D.C. Circuit Court lifted the CSAPR stay, which allowed Phase 1 of the rule to take effect on January 1, 2015, terminating the CAIR. Where the CSAPR requirements are constraining, actions to meet the requirements could include purchasing emission allowances, power purchases, curtailing generation and utilizing low sulfur fuel. The CSAPR will not result in Duke Energy Registrants adding new emission controls.

Additional challenges to the CSAPR filed in 2012, not addressed by the D.C. Circuit Court decision to vacate the CSAPR, are still ongoing. Oral arguments were held February 25, 2015. The Duke Energy Registrants cannot predict the outcome of these proceedings or how the requirements of the CSAPR may be impacted going forward.

### **Carbon Dioxide New Source Performance Standards**

On January 8, 2014, the EPA proposed a rule to establish carbon dioxide (CO<sub>2</sub>) emissions standards for new pulverized coal, IGCC, natural gas combined cycle, and simple cycle electric generating units commencing construction on or after that date. Based on the proposal, future coal and IGCC units will be required to employ carbon capture and storage technology to meet the proposed standard.

In January 2015, the EPA announced that it would finalize the rule for new power plants in the summer of 2015. The Duke Energy Registrants do not expect a material impact on their future results of operations or cash flows based on the EPA's proposal. The final rule, however, could be significantly different from the proposal.

### **CO<sub>2</sub> Existing Source Performance Standards and Standards for Reconstructed and Modified Units**

On June 18, 2014, the EPA's proposed Clean Power Plan (CPP) for regulating CO<sub>2</sub> emissions from existing fossil fuel-fired electric generating units (EGUs) was published in the Federal Register. On the same date the EPA proposed carbon pollution standards for reconstructed and modified EGUs. The comment period ended October 16, 2014 for the reconstructed and modified proposal and December 1, 2014 for the CPP. Duke Energy submitted comments on both proposals. In January 2015 the EPA announced that it would finalize both proposals in the summer of 2015.

Once the CPP is finalized, states will be required to develop plans to implement its requirements. The CPP will not directly impose any regulatory requirements on Duke Energy Registrants. State implementation plans will include the regulatory requirements that will apply to Duke Energy Registrants. Based on the EPA's June 18, 2014 proposal, states will have from one to three years after the CPP is finalized to submit a plan for EPA's review. In January 2015 the EPA announced that it would also propose a federal implementation plan for public comment in the summer of 2015. A federal plan would be EPA's plan for meeting the requirements of the CPP and could take the place of a state plan if a state either fails to submit a plan or submits a plan that is not approved by the EPA.

The EPA has proposed to phase CO<sub>2</sub> emission reductions in over the period 2020 to 2030. The final requirements of the CPP, however, including the implementation schedule are uncertain and could be significantly different from the proposal. In addition, it will be several years before the requirements of the subsequent state plans are known. Also unknown at this time are the requirements of any federal plan that might be imposed on states in which the Duke Energy Registrants operate should a state fail to submit a plan or have their plan disapproved by the EPA. The Duke Energy Registrants are therefore unable to predict the outcome of this rulemaking, or how it might impact them, but the impact could be significant.

### **Global Climate Change**

The Duke Energy Registrants' greenhouse gas (GHG) emissions consist primarily of CO<sub>2</sub>, with most coming from their fleet of coal-fired power plants in the U.S. In 2014, the Duke Energy Registrants' U.S. power plants emitted approximately 135 million tons of CO<sub>2</sub>. CO<sub>2</sub> emissions from Duke Energy's international operations were approximately 2 million tons. The Duke Energy Registrants' future CO<sub>2</sub> emissions will be influenced by variables including new regulations, economic conditions that affect electricity demand, and the Duke Energy Registrants' decisions regarding generation technologies deployed to meet customer electricity needs.

The Duke Energy Registrants are taking actions that will result in reduced GHG emissions over time. These actions will lower the Duke Energy Registrants' exposure to any future mandatory GHG emission reduction requirements or carbon tax, whether a result of federal legislation or EPA regulation. Under any future scenario involving mandatory GHG limitations, the Duke Energy Registrants would plan to seek recovery of compliance costs associated with their regulated operations through appropriate regulatory mechanisms.

The Duke Energy Registrants recognize certain groups associate severe weather events with climate change, and forecast the possibility these weather events could have a material impact on future results of operations should they occur more frequently and with greater severity. However, the uncertain nature of potential changes of extreme weather events (such as increased frequency, duration, and severity), the long period of time over which any potential changes might take place, and the inability to predict these with any degree of accuracy, make estimating any potential future financial risk to the Duke Energy Registrants' impossible. Currently, the Duke Energy Registrants plan and prepare for extreme weather events they experience from time to time, such as ice storms, tornadoes, hurricanes, severe thunderstorms, high winds and droughts.



## PART II

The Duke Energy Registrants routinely take steps to reduce the potential impact of severe weather events on their electric distribution systems. The Duke Energy Registrants' electric generating facilities are designed to withstand extreme weather events without significant damage. The Duke Energy Registrants maintain an inventory of coal and oil on site to mitigate the effects of any potential short-term disruption in fuel supply so they can continue to provide customers with an uninterrupted supply of electricity. The Duke Energy Registrants have a program in place to effectively manage the impact of future droughts on their operations.

### Nuclear Matters

Following the events at the Fukushima Daiichi nuclear power station in Japan, Duke Energy conducted thorough inspections at each of its seven nuclear sites during 2011. The initial inspections did not identify any significant vulnerabilities, however, Duke Energy is reviewing designs to evaluate safety margins to external events. Emergency-response capabilities, written procedures and engineering specifications were reviewed to verify each site's ability to respond in the unlikely event of station blackout. Duke Energy is working within the nuclear industry to improve safety standards and margin using the three layers of safety approach used in the U.S.: protection, mitigation and emergency response. Emergency equipment is currently being added at each station to perform key safety functions in the event that backup power sources are lost permanently. These improvements are in addition to the numerous layers of safety measures and systems previously in place.

In March 2011, the NRC formed a task force to conduct a comprehensive review of processes and regulations to determine whether the agency should make additional improvements to the nuclear regulatory system. On July 13, 2011, the task force proposed a set of improvements designed to ensure protection, enhance accident mitigation, strengthen emergency preparedness and improve efficiency of NRC programs. The recommendations were further prioritized into three tiers based on the safety enhancement level. On March 12,

2012, the NRC issued three regulatory orders requiring safety enhancements related to mitigation strategies to respond to extreme natural events resulting in the loss of power at a plant, ensuring reliable hardened containment vents and enhancing spent fuel pool instrumentation.

On August 30, 2012, the NRC issued implementation guidance to enable power plants to achieve compliance with the orders issued in March 2012. Plants were required to submit implementation plans to the NRC by February 28, 2013, and complete implementation of the safety enhancements within two refueling outages or by December 31, 2016, whichever comes first. Each plant is also required to reassess their seismic and flooding hazards using present-day methods and information, conduct inspections to ensure protection against hazards in the current design basis, and re-evaluate emergency communications systems and staffing levels.

Duke Energy is committed to compliance with all safety enhancements ordered by the NRC in connection with the March 12, 2012, regulatory orders noted above, the cost of which could be material. Until such time as the NRC-mandated reassessment of flooding and seismic hazards is complete the exact scope and cost of compliance modifications to Duke Energy's sites will not be known. With the NRC's continuing review of the remaining recommendations, Duke Energy cannot predict to what extent the NRC will impose additional licensing and safety-related requirements, or the costs of complying with such requirements. Upon receipt of additional guidance from the NRC and a collaborative industry review, Duke Energy will be able to determine an implementation plan and associated costs. See Item 1A, "Risk Factors," for further discussion of applicable risk factors.

### New Accounting Standards

See Note 1 to the Consolidated Financial Statements, "Summary of Significant Accounting Policies" for a discussion of the impact of new accounting standards.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See "Management's Discussion and Analysis of Results of Operations and Financial Condition – Quantitative and Qualitative Disclosures About Market Risk."

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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### REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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To the Board of Directors and Stockholders of  
Duke Energy Corporation  
Charlotte, North Carolina

We have audited the accompanying consolidated balance sheets of Duke Energy Corporation and subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2014. We also have audited the Company's internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Annual Report On Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Duke Energy Corporation and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ Deloitte & Touche LLP

Charlotte, North Carolina  
February 27, 2015

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DUKE ENERGY CORPORATION

**CONSOLIDATED STATEMENTS OF OPERATIONS**

(in millions, except per share amounts)	Years Ended December 31,		
	2014	2013	2012
<b>Operating Revenues</b>			
Regulated electric	\$21,550	\$20,329	\$15,515
Nonregulated electric, natural gas, and other	1,802	1,916	1,928
Regulated natural gas	573	511	469
Total operating revenues	23,925	22,756	17,912
<b>Operating Expenses</b>			
Fuel used in electric generation and purchased power – regulated	7,686	7,108	5,582
Fuel used in electric generation and purchased power – nonregulated	533	540	651
Cost of natural gas and other	248	224	215
Operation, maintenance and other	5,856	5,673	4,787
Depreciation and amortization	3,066	2,668	2,145
Property and other taxes	1,213	1,274	965
Impairment charges	81	399	666
Total operating expenses	18,683	17,886	15,011
<b>Gains (Losses) on Sales of Other Assets and Other, net</b>	16	(16)	10
<b>Operating Income</b>	5,258	4,854	2,911
<b>Other Income and Expenses</b>			
Equity in earnings of unconsolidated affiliates	130	122	148
Gains on sales of unconsolidated affiliates	17	100	22
Other income and expenses, net	351	262	397
Total other income and expenses	498	484	567
<b>Interest Expense</b>	1,622	1,543	1,244
<b>Income From Continuing Operations Before Income Taxes</b>	4,134	3,795	2,234
<b>Income Tax Expense from Continuing Operations</b>	1,669	1,205	623
<b>Income From Continuing Operations</b>	2,465	2,590	1,611
<b>(Loss) Income From Discontinued Operations, net of tax</b>	(576)	86	171
<b>Net Income</b>	1,889	2,676	1,782
<b>Less: Net Income Attributable to Noncontrolling Interests</b>	6	11	14
<b>Net Income Attributable to Duke Energy Corporation</b>	\$ 1,883	\$ 2,665	\$ 1,768
<b>Earnings Per Share – Basic and Diluted</b>			
Income from continuing operations attributable to Duke Energy Corporation common shareholders			
Basic	\$ 3.46	\$ 3.64	\$ 2.77
Diluted	\$ 3.46	\$ 3.63	\$ 2.77
(Loss) Income from discontinued operations attributable to Duke Energy Corporation common shareholders			
Basic	\$ (0.80)	\$ 0.13	\$ 0.30
Diluted	\$ (0.80)	\$ 0.13	\$ 0.30
Net Income attributable to Duke Energy Corporation common shareholders			
Basic	\$ 2.66	\$ 3.77	\$ 3.07
Diluted	\$ 2.66	\$ 3.76	\$ 3.07
Weighted-average shares outstanding			
Basic	707	706	574
Diluted	707	706	575

See Notes to Consolidated Financial Statements

## PART II

## DUKE ENERGY CORPORATION

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions)	Years Ended December 31,		
	2014	2013	2012
<b>Net Income</b>	<b>\$ 1,889</b>	<b>\$ 2,676</b>	<b>\$ 1,782</b>
<b>Other Comprehensive Loss, net of tax</b>			
Foreign currency translation adjustments	(124)	(197)	(75)
Pension and OPEB adjustments <sup>(a)</sup>	4	38	19
Net unrealized (losses) gains on cash flow hedges <sup>(a)</sup>	(26)	59	(28)
Reclassification into earnings from cash flow hedges	7	1	(1)
Unrealized gains (losses) on investments in available-for-sale securities	3	(4)	14
Reclassification into earnings from available-for-sale securities	—	4	(5)
<b>Other Comprehensive Loss, net of tax</b>	<b>(136)</b>	<b>(99)</b>	<b>(76)</b>
<b>Comprehensive Income</b>	<b>1,753</b>	<b>2,577</b>	<b>1,706</b>
<b>Less: Comprehensive Income Attributable to Noncontrolling Interests</b>	<b>14</b>	<b>5</b>	<b>10</b>
<b>Comprehensive Income Attributable to Duke Energy Corporation</b>	<b>\$ 1,739</b>	<b>\$ 2,572</b>	<b>\$ 1,696</b>

(a) Net of insignificant tax expense in 2014, \$17 million tax expense in 2013 and \$9 million tax expense in 2012. See Note 21 for additional information.

(b) Net of \$13 million tax benefit in 2014, \$20 million tax expense in 2013 and \$6 million tax expense in 2012.

See Notes to Consolidated Financial Statements

## PART II

## DUKE ENERGY CORPORATION

**CONSOLIDATED BALANCE SHEETS**

(in millions)	December 31,	
	2014	2013
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,036	\$ 1,501
Short-term investments	—	44
Receivables (net of allowance for doubtful accounts of \$17 at December 31, 2014 and \$30 at December 31, 2013)	791	1,286
Restricted receivables of variable interest entities (net of allowance for doubtful accounts of \$51 at December 31, 2014 and \$43 at December 31, 2013)	1,973	1,719
Inventory	3,459	3,250
Assets held for sale	364	—
Regulatory assets	1,115	895
Other	1,837	1,821
Total current assets	11,575	10,516
<b>Investments and Other Assets</b>		
Investments in equity method unconsolidated affiliates	358	390
Nuclear decommissioning trust funds	5,546	5,132
Goodwill	16,321	16,340
Assets held for sale	2,642	107
Other	3,008	3,432
Total investments and other assets	27,875	25,401
<b>Property, Plant and Equipment</b>		
Cost	104,861	103,115
Accumulated depreciation and amortization	(34,824)	(33,625)
Generation facilities to be retired, net	9	—
Net property, plant and equipment	70,046	69,490
<b>Regulatory Assets and Deferred Debits</b>		
Regulatory assets	11,042	9,191
Other	171	181
Total regulatory assets and deferred debits	11,213	9,372
<b>Total Assets</b>	<b>\$120,709</b>	<b>\$114,779</b>

See Notes to Consolidated Financial Statements

## PART II

## DUKE ENERGY CORPORATION

**CONSOLIDATED BALANCE SHEETS – (Continued)**

(in millions)	December 31,	
	2014	2013
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 2,271	\$ 2,391
Notes payable and commercial paper	2,514	839
Taxes accrued	569	551
Interest accrued	418	440
Current maturities of long-term debt	2,807	2,104
Liabilities associated with assets held for sale	262	7
Regulatory liabilities	204	316
Other	2,188	1,996
Total current liabilities	11,233	8,644
<b>Long-Term Debt</b>	37,213	38,152
<b>Deferred Credits and Other Liabilities</b>		
Deferred income taxes	13,423	12,097
Investment tax credits	427	442
Accrued pension and other post-retirement benefit costs	1,145	1,322
Liabilities associated with assets held for sale	35	66
Asset retirement obligations	8,466	4,950
Regulatory liabilities	6,193	5,949
Other	1,675	1,749
Total deferred credits and other liabilities	31,364	26,575
<b>Commitments and Contingencies</b>		
<b>Equity</b>		
Common stock, \$0.001 par value, 2 billion shares authorized; 707 million and 706 million shares outstanding at December 31, 2014 and 2013, respectively	1	1
Additional paid-in capital	39,405	39,365
Retained earnings	2,012	2,363
Accumulated other comprehensive loss	(543)	(399)
Total Duke Energy Corporation shareholders' equity	40,875	41,330
Noncontrolling interests	24	78
Total equity	40,899	41,408
<b>Total Liabilities and Equity</b>	<b>\$120,709</b>	<b>\$114,779</b>

See Notes to Consolidated Financial Statements

## PART II

## DUKE ENERGY CORPORATION

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in millions)	Years Ended December 31,		
	2014	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	\$ 1,889	\$ 2,676	\$ 1,782
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and accretion (including amortization of nuclear fuel)	3,507	3,229	2,652
Equity component of AFUDC	(135)	(157)	(300)
Severance expense	—	—	92
FERC mitigation costs	(15)	—	117
Community support and charitable contributions expense	—	34	92
Gains on sales of other assets	(33)	(79)	(44)
Impairment charges	915	400	586
Deferred income taxes	1,149	1,264	584
Equity in earnings of unconsolidated affiliates	(130)	(122)	(148)
Voluntary opportunity cost deferral	—	—	(101)
Accrued pension and other post-retirement benefit costs	108	307	239
Contributions to qualified pension plans	—	(250)	(304)
(Increase) decrease in:			
Net realized and unrealized mark-to-market and hedging transactions	44	1	60
Receivables	58	(281)	39
Inventory	(269)	(31)	(258)
Other current assets	(414)	(35)	140
Increase (decrease) in:			
Accounts payable	(30)	73	131
Taxes accrued	(14)	77	(142)
Other current liabilities	(201)	24	295
Other assets	16	(384)	(129)
Other liabilities	141	(364)	(139)
Net cash provided by operating activities	6,586	6,382	5,244
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditures	(5,384)	(5,526)	(5,501)
Investment expenditures	(90)	(81)	(6)
Acquisitions	(54)	—	(451)
Cash acquired from the merger with Progress Energy	—	—	71
Purchases of available-for-sale securities	(4,110)	(6,142)	(4,719)
Proceeds from sales and maturities of available-for-sale securities	4,133	6,315	4,537
Net proceeds from the sales of equity investments and other assets, and sales of and collections on notes receivable	179	277	212
Change in restricted cash	9	167	(414)
Other	(56)	12	74
Net cash used in investing activities	(5,373)	(4,978)	(6,197)

See Notes to Consolidated Financial Statements



## PART II

## DUKE ENERGY CORPORATION

**CONSOLIDATED STATEMENTS OF CASH FLOWS – (Continued)**

(in millions)	Years Ended December 31,		
	2014	2013	2012
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from the:			
Issuance of long-term debt	\$ 2,914	\$ 3,601	\$ 4,170
Issuance of common stock related to employee benefit plans	25	9	23
Payments for the:			
Redemption of long-term debt	(3,037)	(2,761)	(2,498)
Redemption of preferred stock of a subsidiary	—	(96)	—
Proceeds from the issuance of short-term debt with original maturities greater than 90 days	1,066	—	—
Payments for the redemption of short-term debt with original maturities greater than 90 days	(564)	—	—
Notes payable and commercial paper	1,186	93	278
Distributions to noncontrolling interests	(65)	(15)	(25)
Contributions from noncontrolling interests	—	9	76
Dividends paid	(2,234)	(2,188)	(1,752)
Other	31	21	(5)
Net cash (used in) provided by financing activities	(678)	(1,327)	267
Net increase (decrease) in cash and cash equivalents	535	77	(686)
Cash and cash equivalents at beginning of period	1,501	1,424	2,110
Cash and cash equivalents at end of period	\$ 2,036	\$ 1,501	\$ 1,424
<b>Supplemental Disclosures:</b>			
Cash paid for interest, net of amount capitalized	\$ 1,659	\$ 1,665	\$ 1,032
Cash paid for (received from) income taxes	158	(202)	72
Merger with Progress Energy			
Fair value of assets acquired	—	—	48,944
Fair value of liabilities assumed	—	—	30,873
Issuance of common stock	—	—	18,071
Significant non-cash transactions:			
Accrued capital expenditures	664	594	684

See Notes to Consolidated Financial Statements

## PART II

## DUKE ENERGY CORPORATION

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in millions)	Duke Energy Corporation Shareholders Accumulated Other Comprehensive Loss										
	Common Stock Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Foreign Currency Adjustments	Net Losses on Cash Flow Hedges	Unrealized (Losses) Gains on Available- for-Sale Securities	Pension and OPEB Related Adjustments	Common Stockholders' Equity	Noncontrolling Interests	Total Equity
<b>Balance at December 31, 2011</b>	<b>445</b>	<b>\$ 1</b>	<b>\$21,132</b>	<b>\$ 1,873</b>	<b>\$ (45)</b>	<b>\$ (71)</b>	<b>\$ (9)</b>	<b>\$ (109)</b>	<b>\$22,772</b>	<b>\$ 93</b>	<b>\$22,865</b>
Net income <sup>(a)</sup>	—	—	—	1,768	—	—	—	—	1,768	12	1,780
Other comprehensive (loss) income	—	—	—	—	(71)	(29)	9	19	(72)	(4)	(76)
Common stock issued in connection with the Progress Energy Merger	258	—	18,071	—	—	—	—	—	18,071	—	18,071
Common stock issuances, including dividend reinvestment and employee benefits	1	—	76	—	—	—	—	—	76	—	76
Common stock dividends	—	—	—	(1,752)	—	—	—	—	(1,752)	—	(1,752)
Contribution from noncontrolling interest in DS Cornerstone, LLC	—	—	—	—	—	—	—	—	—	76	76
Deconsolidation of DS Cornerstone, LLC	—	—	—	—	—	—	—	—	—	(82)	(82)
Changes in noncontrolling interest in subsidiaries <sup>(b)</sup>	—	—	—	—	—	—	—	—	—	(17)	(17)
<b>Balance at December 31, 2012</b>	<b>704</b>	<b>\$ 1</b>	<b>\$39,279</b>	<b>\$ 1,889</b>	<b>\$ (116)</b>	<b>\$ (100)</b>	<b>\$ —</b>	<b>\$ (90)</b>	<b>\$40,863</b>	<b>\$ 78</b>	<b>\$40,941</b>
Net income	—	—	—	2,665	—	—	—	—	2,665	11	2,676
Other comprehensive (loss) income	—	—	—	—	(191)	60	—	38	(93)	(6)	(99)
Common stock issuances, including dividend reinvestment and employee benefits	2	—	86	—	—	—	—	—	86	—	86
Common stock dividends	—	—	—	(2,188)	—	—	—	—	(2,188)	—	(2,188)
Premium on the redemption of preferred stock of subsidiaries	—	—	—	(3)	—	—	—	—	(3)	—	(3)
Contribution from noncontrolling interest	—	—	—	—	—	—	—	—	—	9	9
Changes in noncontrolling interest in subsidiaries <sup>(b)</sup>	—	—	—	—	—	—	—	—	—	(14)	(14)
<b>Balance at December 31, 2013</b>	<b>706</b>	<b>\$ 1</b>	<b>\$39,365</b>	<b>\$ 2,363</b>	<b>\$ (307)</b>	<b>\$ (40)</b>	<b>\$ —</b>	<b>\$ (52)</b>	<b>\$41,330</b>	<b>\$ 78</b>	<b>\$41,408</b>
Net income	—	—	—	1,883	—	—	—	—	1,883	6	1,889
Other comprehensive (loss) income	—	—	—	—	(132)	(19)	3	4	(144)	8	(136)
Common stock issuances, including dividend reinvestment and employee benefits	1	—	40	—	—	—	—	—	40	—	40
Common stock dividends	—	—	—	(2,234)	—	—	—	—	(2,234)	—	(2,234)
Changes in noncontrolling interest in subsidiaries <sup>(b)</sup>	—	—	—	—	—	—	—	—	—	(65)	(65)
Other	—	—	—	—	—	—	—	—	—	(3)	(3)
<b>Balance at December 31, 2014</b>	<b>707</b>	<b>\$ 1</b>	<b>\$39,405</b>	<b>\$ 2,012</b>	<b>\$ (439)</b>	<b>\$ (59)</b>	<b>\$ 3</b>	<b>\$ (48)</b>	<b>\$40,875</b>	<b>\$ 24</b>	<b>\$40,899</b>

(a) For the year ended December 31, 2012, consolidated net income of \$1,782 million includes \$2 million attributable to preferred shareholders of subsidiaries. Income attributable to preferred shareholders of subsidiaries is not a component of total equity and is excluded from the table above.

(b) This decrease primarily relates to cash distributions to noncontrolling interests.

See Notes to Consolidated Financial Statements

PART II

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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To the Board of Directors of  
Duke Energy Carolinas, LLC  
Charlotte, North Carolina

*We have audited the accompanying consolidated balance sheets of Duke Energy Carolinas, LLC and subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of operations and comprehensive income, changes in member's equity, and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.*

*We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.*

*In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Duke Energy Carolinas, LLC and subsidiaries at December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.*

/s/ Deloitte & Touche LLP

Charlotte, North Carolina  
February 27, 2015

## PART II

## DUKE ENERGY CAROLINAS, LLC

**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**

(in millions)	Years Ended December 31,		
	2014	2013	2012
<b>Operating Revenues</b>	<b>\$7,351</b>	<b>\$6,954</b>	<b>\$6,665</b>
<b>Operating Expenses</b>			
Fuel used in electric generation and purchased power	2,133	1,982	1,864
Operation, maintenance and other	1,995	1,868	1,979
Depreciation and amortization	1,009	921	921
Property and other taxes	316	374	365
Impairment charges	3	—	31
Total operating expenses	5,456	5,145	5,160
<b>Gains on Sales of Other Assets and Other, net</b>	<b>—</b>	<b>—</b>	<b>12</b>
<b>Operating Income</b>	<b>1,895</b>	<b>1,809</b>	<b>1,517</b>
<b>Other Income and Expenses, net</b>	<b>172</b>	<b>120</b>	<b>185</b>
<b>Interest Expense</b>	<b>407</b>	<b>359</b>	<b>384</b>
<b>Income Before Income Taxes</b>	<b>1,660</b>	<b>1,570</b>	<b>1,318</b>
<b>Income Tax Expense</b>	<b>588</b>	<b>594</b>	<b>453</b>
<b>Net Income</b>	<b>1,072</b>	<b>976</b>	<b>865</b>
<b>Other Comprehensive Income, net of tax</b>			
Reclassification into earnings from cash flow hedges	2	1	2
Unrealized gain on investments in available-for-sale securities	—	—	1
<b>Comprehensive Income</b>	<b>\$1,074</b>	<b>\$ 977</b>	<b>\$ 868</b>

See Notes to Consolidated Financial Statements

## PART II

DUKE ENERGY CAROLINAS, LLC

**CONSOLIDATED BALANCE SHEETS**

(in millions)	December 31,	
	2014	2013
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 13	\$ 23
Receivables (net of allowance for doubtful accounts of \$3 at December 31, 2014 and December 31, 2013)	129	186
Restricted receivables of variable interest entities (net of allowance for doubtful accounts of \$6 at December 31, 2014 and December 31, 2013)	647	673
Receivables from affiliated companies	75	75
Notes receivable from affiliated companies	150	222
Inventory	1,124	1,065
Regulatory assets	399	295
Other	77	309
Total current assets	2,614	2,848
<b>Investments and Other Assets</b>		
Nuclear decommissioning trust funds	3,042	2,840
Other	959	1,000
Total investments and other assets	4,001	3,840
<b>Property, Plant and Equipment</b>		
Cost	37,372	34,906
Accumulated depreciation and amortization	(12,700)	(11,894)
Net property, plant and equipment	24,672	23,012
<b>Regulatory Assets and Deferred Debits</b>		
Regulatory assets	2,465	1,527
Other	42	46
Total regulatory assets and deferred debits	2,507	1,573
<b>Total Assets</b>	<b>\$ 33,794</b>	<b>\$ 31,273</b>
<b>LIABILITIES AND MEMBER'S EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 709	\$ 701
Accounts payable to affiliated companies	154	161
Taxes accrued	146	147
Interest accrued	95	97
Current maturities of long-term debt	507	47
Regulatory liabilities	34	65
Other	434	393
Total current liabilities	2,079	1,611
<b>Long-Term Debt</b>	<b>7,584</b>	<b>8,089</b>
<b>Long-Term Debt Payable to Affiliated Companies</b>	<b>300</b>	<b>300</b>
<b>Deferred Credits and Other Liabilities</b>		
Deferred income taxes	5,812	5,706
Investment tax credits	204	210
Accrued pension and other post-retirement benefit costs	111	161
Asset retirement obligations	3,428	1,594
Regulatory liabilities	2,710	2,576
Other	642	676
Total deferred credits and other liabilities	12,907	10,923
<b>Commitments and Contingencies</b>		
<b>Member's Equity</b>		
Member's Equity	10,937	10,365
Accumulated other comprehensive loss	(13)	(15)
Total member's equity	10,924	10,350
<b>Total Liabilities and Member's Equity</b>	<b>\$ 33,794</b>	<b>\$ 31,273</b>

See Notes to Consolidated Financial Statements

## PART II

## DUKE ENERGY CAROLINAS, LLC

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in millions)	Years Ended December 31,		
	2014	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	\$ 1,072	\$ 976	\$ 865
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization (including amortization of nuclear fuel)	1,273	1,167	1,143
Equity component of AFUDC	(91)	(91)	(154)
FERC mitigation costs	3	—	46
Community support and charitable contributions expense	—	14	56
Gains on sales of other assets and other, net	—	—	(12)
Deferred income taxes	376	534	479
Voluntary opportunity cost deferral	—	—	(101)
Accrued pension and other post-retirement benefit costs	22	38	41
(Increase) decrease in			
Net realized and unrealized mark-to-market and hedging transactions	—	(9)	—
Receivables	48	(12)	22
Receivables from affiliated companies	—	(72)	(1)
Inventory	(60)	(9)	(128)
Other current assets	(236)	(1)	46
Increase (decrease) in			
Accounts payable	10	58	(51)
Accounts payable to affiliated companies	(7)	33	(28)
Taxes accrued	(15)	4	(12)
Other current liabilities	(10)	(40)	165
Other assets	17	(102)	(117)
Other liabilities	(22)	(77)	(126)
Net cash provided by operating activities	2,380	2,411	2,133
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditures	(1,879)	(1,695)	(1,908)
Purchases of available-for-sale securities	(2,064)	(2,405)	(2,481)
Proceeds from sales and maturities of available-for-sale securities	2,044	2,363	2,445
Notes receivable from affiliated companies	72	160	541
Other	(18)	(24)	(12)
Net cash used in investing activities	(1,845)	(1,601)	(1,415)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from the issuance of long-term debt	—	100	645
Payments for the redemption of long-term debt	(45)	(405)	(1,177)
Distributions to parent	(500)	(499)	(450)
Other	—	(2)	(6)
Net cash used in financing activities	(545)	(806)	(988)
Net (decrease) increase in cash and cash equivalents	(10)	4	(270)
<b>Cash and cash equivalents at beginning of period</b>	<b>23</b>	<b>19</b>	<b>289</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 13</b>	<b>\$ 23</b>	<b>\$ 19</b>
<b>Supplemental Disclosures:</b>			
Cash paid for interest, net of amount capitalized	\$ 388	\$ 336	\$ 385
Cash paid for (received from) income taxes	305	(7)	(38)
Significant non-cash transactions:			
Accrued capital expenditures	194	199	194

See Notes to Consolidated Financial Statements

PART II

DUKE ENERGY CAROLINAS, LLC

**CONSOLIDATED STATEMENTS OF CHANGES IN MEMBER'S EQUITY**

(in millions)	Member's Equity	Accumulated Other Comprehensive Loss		Total Equity
		Net Losses on Cash Flow Hedges	Unrealized Losses on Available- for-Sale Securities	
<b>Balance at December 31, 2011</b>	<b>\$ 9,473</b>	<b>\$ (17)</b>	<b>\$ (2)</b>	<b>\$ 9,454</b>
Net income	865	—	—	865
Other comprehensive income		2	1	3
Distributions to parent	(450)	—	—	(450)
<b>Balance at December 31, 2012</b>	<b>\$ 9,888</b>	<b>\$ (15)</b>	<b>\$ (1)</b>	<b>\$ 9,872</b>
Net income	976	—	—	976
Other comprehensive income		1	—	1
Distributions to parent	(499)	—	—	(499)
<b>Balance at December 31, 2013</b>	<b>\$10,365</b>	<b>\$ (14)</b>	<b>\$ (1)</b>	<b>\$10,350</b>
Net income	1,072	—	—	1,072
Other comprehensive income		2	—	2
Distributions to parent	(500)	—	—	(500)
<b>Balance at December 31, 2014</b>	<b>\$10,937</b>	<b>\$ (12)</b>	<b>\$ (1)</b>	<b>\$10,924</b>

See Notes to Consolidated Financial Statements

PART II

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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To the Board of Directors of  
Progress Energy, Inc.  
Charlotte, North Carolina

We have audited the accompanying consolidated balance sheets of Progress Energy, Inc. and subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of operations and comprehensive income, changes in common stockholder's equity, and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

*We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Progress Energy, Inc. and subsidiaries at December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Charlotte, North Carolina  
February 27, 2015



## PART II

PROGRESS ENERGY, INC.

**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**

(in millions)	Years Ended December 31,		
	2014	2013	2012
<b>Operating Revenues</b>	<b>\$ 10,166</b>	<b>\$ 9,533</b>	<b>\$ 9,405</b>
<b>Operating Expenses</b>			
Fuel used in electric generation and purchased power	4,195	3,851	4,304
Operation, maintenance and other	2,335	2,247	2,445
Depreciation and amortization	1,128	883	747
Property and other taxes	517	557	570
Impairment charges	(16)	380	200
Total operating expenses	8,159	7,918	8,266
<b>Gains (Losses) on Sales of Other Assets and Other, net</b>	<b>11</b>	<b>3</b>	<b>(2)</b>
<b>Operating Income</b>	<b>2,018</b>	<b>1,618</b>	<b>1,137</b>
<b>Other Income and Expenses, net</b>	<b>77</b>	<b>94</b>	<b>130</b>
<b>Interest Expense</b>	<b>675</b>	<b>680</b>	<b>740</b>
<b>Income From Continuing Operations Before Income Taxes</b>	<b>1,420</b>	<b>1,032</b>	<b>527</b>
<b>Income Tax Expense From Continuing Operations</b>	<b>540</b>	<b>373</b>	<b>172</b>
<b>Income From Continuing Operations</b>	<b>880</b>	<b>659</b>	<b>355</b>
<b>(Loss) Income From Discontinued Operations, net of tax</b>	<b>(6)</b>	<b>16</b>	<b>52</b>
<b>Net Income</b>	<b>874</b>	<b>675</b>	<b>407</b>
<b>Less: Net Income Attributable to Noncontrolling Interests</b>	<b>5</b>	<b>3</b>	<b>7</b>
<b>Net Income Attributable to Parent</b>	<b>\$ 869</b>	<b>\$ 672</b>	<b>\$ 400</b>
<b>Net Income</b>	<b>\$ 874</b>	<b>\$ 675</b>	<b>\$ 407</b>
<b>Other Comprehensive Income, net of tax</b>			
Pension and OPEB adjustments	9	9	(2)
Net unrealized loss on cash flow hedges	—	—	(5)
Reclassification into earnings from cash flow hedges	8	(1)	8
Reclassification of cash flow hedges to regulatory assets <sup>(a)</sup>	—	—	97
Unrealized gains on investments in available-for-sale securities	1	—	—
<b>Other Comprehensive Income, net of tax</b>	<b>18</b>	<b>8</b>	<b>98</b>
<b>Comprehensive Income</b>	<b>892</b>	<b>683</b>	<b>505</b>
<b>Less: Comprehensive Income Attributable to Noncontrolling Interests</b>	<b>5</b>	<b>3</b>	<b>7</b>
<b>Comprehensive Income Attributable to Parent</b>	<b>\$ 887</b>	<b>\$ 680</b>	<b>\$ 498</b>

(a) Net of \$62 million tax expense in 2012

See Notes to Consolidated Financial Statements

## PART II

PROGRESS ENERGY, INC.

**CONSOLIDATED BALANCE SHEETS**

(in millions)	December 31,	
	2014	2013
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 42	\$ 58
Receivables (net of allowance for doubtful accounts of \$8 at December 31, 2014 and \$14 at December 31, 2013)	129	528
Restricted receivables of variable interest entities (net of allowance for doubtful accounts of \$8 at December 31, 2014)	741	417
Receivables from affiliated companies	59	4
Notes receivable from affiliated companies	220	75
Inventory	1,590	1,424
Regulatory assets	491	353
Other	1,285	726
Total current assets	4,557	3,585
<b>Investments and Other Assets</b>		
Nuclear decommissioning trust funds	2,503	2,292
Goodwill	3,655	3,655
Other	670	804
Total investments and other assets	6,828	6,751
<b>Property, Plant and Equipment</b>		
Cost	38,650	36,480
Accumulated depreciation and amortization	(13,506)	(13,098)
Net property, plant and equipment	25,144	23,382
<b>Regulatory Assets and Deferred Debits</b>		
Regulatory assets	5,408	4,155
Other	91	96
Total regulatory assets and deferred debits	5,499	4,251
<b>Total Assets</b>	<b>\$ 42,028</b>	<b>\$ 37,969</b>

See Notes to Consolidated Financial Statements

## PART II

PROGRESS ENERGY, INC.

**CONSOLIDATED BALANCE SHEETS – (Continued)**

(in millions)	December 31,	
	2014	2013
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 847	\$ 836
Accounts payable to affiliated companies	203	123
Notes payable to affiliated companies	835	1,213
Taxes accrued	114	105
Interest accrued	184	181
Current maturities of long-term debt	1,507	485
Regulatory liabilities	106	207
Other	1,021	896
Total current liabilities	4,817	4,046
<b>Long-Term Debt</b>	<b>13,247</b>	<b>13,630</b>
<b>Deferred Credits and Other Liabilities</b>		
Deferred income taxes	4,759	3,283
Accrued pension and other post-retirement benefit costs	533	765
Asset retirement obligations	4,711	2,562
Regulatory liabilities	2,379	2,292
Other	406	527
Total deferred credits and other liabilities	12,788	9,429
<b>Commitments and Contingencies</b>		
<b>Common Stockholder's Equity</b>		
Common stock, \$0.01 par value, 100 shares authorized and outstanding at December 31, 2014 and 2013	—	—
Additional paid-in capital	7,467	7,467
Retained earnings	3,782	3,452
Accumulated other comprehensive loss	(41)	(59)
Total common stockholder's equity	11,208	10,860
Noncontrolling interests	(32)	4
Total equity	11,176	10,864
<b>Total Liabilities and Equity</b>	<b>\$ 42,028</b>	<b>\$ 37,969</b>

See Notes to Consolidated Financial Statements

## PART II

PROGRESS ENERGY, INC.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in millions)	Years Ended December 31,		
	2014	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	\$ 874	\$ 675	\$ 407
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and accretion (including amortization of nuclear fuel)	1,313	1,041	897
Equity component of AFUDC	(26)	(50)	(106)
Severance expense	—	—	38
FERC mitigation costs	(18)	—	71
Community support and charitable contributions expense	—	20	36
(Gains) losses on sales of other assets	(6)	2	(16)
Impairment charges	2	380	146
Deferred income taxes	1,014	616	263
Amount to be refunded to customers	—	—	100
Accrued pension and other post-retirement benefit costs	27	172	179
Contributions to qualified pension plans	—	(250)	(346)
(Increase) decrease in:			
Net realized and unrealized mark-to-market and hedging transactions	12	55	7
Receivables	(31)	(148)	49
Receivables from affiliated companies	(56)	11	(15)
Inventory	(101)	17	(71)
Other current assets	(934)	(156)	2
Increase (decrease) in:			
Accounts payable	6	(81)	175
Accounts payable to affiliated companies	80	93	30
Taxes accrued	(20)	22	25
Other current liabilities	(144)	61	81
Other assets	(14)	(243)	(25)
Other liabilities	(12)	(115)	(87)
Net cash provided by operating activities	1,966	2,122	1,840
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditures	(1,940)	(2,490)	(2,366)
Purchases of available-for-sale securities	(1,689)	(2,558)	(1,374)
Proceeds from sales and maturities of available-for-sale securities	1,652	2,513	1,325
Change in restricted cash	—	—	24
Notes receivable from affiliated companies	(145)	(75)	—
Other	(44)	13	109
Net cash used in investing activities	(2,166)	(2,597)	(2,282)

See Notes to Consolidated Financial Statements

## PART II

PROGRESS ENERGY, INC.

**CONSOLIDATED STATEMENTS OF CASH FLOWS – (Continued)**

<i>(in millions)</i>	Years Ended December 31,		
	2014	2013	2012
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from the:			
Issuance of long-term debt	\$ 1,572	\$ 845	\$ 2,074
Issuance of common stock related to employee benefit plans	—	—	6
Payments for the:			
Redemption of long-term debt	(931)	(1,196)	(962)
Redemption of preferred stock of subsidiaries	—	(96)	—
Proceeds from the issuance of short-term debt with original maturities greater than 90 days	—	—	65
Payments for the redemption of short-term debt with original maturities greater than 90 days	—	—	(65)
Notes payable and commercial paper	—	—	(671)
Notes payable to affiliated companies	(378)	758	455
Distributions to noncontrolling interests	(37)	(3)	(7)
Dividends paid	—	—	(445)
Other	(42)	(6)	(7)
Net cash provided by financing activities	184	302	443
Net (decrease) increase in cash and cash equivalents	(16)	(173)	1
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>58</b>	<b>231</b>	<b>230</b>
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$ 42</b>	<b>\$ 58</b>	<b>\$ 231</b>
<b>Supplemental Disclosures:</b>			
Cash paid for interest, net of amount capitalized	\$ 664	\$ 678	\$ 784
Cash paid for (received from) income taxes	141	(167)	(4)
Significant non-cash transactions:			
Accrued capital expenditures	294	255	375
Asset retirement obligation additions for spent nuclear fuel disposal related to the Progress Energy merger	—	—	837
Capital expenditures financed through capital leases	—	—	140

See Notes to Consolidated Financial Statements

PART II

PROGRESS ENERGY, INC.

**CONSOLIDATED STATEMENTS OF CHANGES IN COMMON STOCKHOLDER'S EQUITY**

(in millions)	Accumulated Other Comprehensive Income Loss							Noncontrolling Interests	Total Equity
	Common Stock	Additional Paid-in Capital	Retained Earnings	Net Losses on Cash Flow Hedges	Net Gains on Available-for-Sale Securities	Pension and OPEB Related Adjustments	Common Stockholders' Equity		
<b>Balance at December 31, 2011</b>	\$ 7,418	\$ 16	\$ 2,752	\$ (142)	\$ —	\$ (23)	\$ 10,021	\$ 4	\$ 10,025
Net income <sup>(a)</sup>	—	—	400	—	—	—	400	3	403
Other comprehensive income (loss)	—	—	—	100	—	(2)	98	—	98
Common stock issuances, including dividend reinvestment and employee benefits	18	13	—	—	—	—	31	—	31
Common stock dividends	—	—	(369)	—	—	—	(369)	—	(369)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(2)	(2)
Recapitalization for merger with Duke Energy	(7,436)	7,436	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	(1)	(1)
<b>Balance at December 31, 2012</b>	\$ —	\$ 7,465	\$ 2,783	\$ (42)	\$ —	\$ (25)	\$ 10,181	\$ 4	\$ 10,185
Net income	—	—	672	—	—	—	672	3	675
Other comprehensive (loss) income	—	—	—	(1)	—	9	8	—	8
Premium on the redemption of preferred stock of subsidiaries	—	—	(3)	—	—	—	(3)	—	(3)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(3)	(3)
Other	—	2	—	—	—	—	2	—	2
<b>Balance at December 31, 2013</b>	\$ —	\$ 7,467	\$ 3,452	\$ (43)	\$ —	\$ (16)	\$ 10,860	\$ 4	\$ 10,864
Net income	—	—	869	—	—	—	869	5	874
Other comprehensive income	—	—	—	8	1	9	18	—	18
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(37)	(37)
Transfer of service company net assets to Duke Energy	—	—	(539)	—	—	—	(539)	—	(539)
Other	—	—	—	—	—	—	—	(4)	(4)
<b>Balance at December 31, 2014</b>	\$ —	\$ 7,467	\$ 3,782	\$ (35)	\$ 1	\$ (7)	\$ 11,208	\$ (32)	\$ 11,176

(a) For the year ended December 31, 2012, consolidated net income of \$407 million included \$4 million attributable to preferred shareholders of subsidiaries. Income attributable to preferred shareholders of subsidiaries is not a component of total equity and is excluded from the table above.

See Notes to Consolidated Financial Statements.

PART II

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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To the Board of Directors of  
Duke Energy Progress, Inc.  
Charlotte, North Carolina

We have audited the accompanying consolidated balance sheets of Duke Energy Progress, Inc. and subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of operations and comprehensive income, changes in common stockholder's equity, and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

*In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Duke Energy Progress, Inc. and subsidiaries at December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.*

/s/ Deloitte & Touche LLP  
Charlotte, North Carolina  
February 27, 2015

## PART II

DUKE ENERGY PROGRESS, INC.

**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**

(in millions)	Years Ended December 31,		
	2014	2013	2012
<b>Operating Revenues</b>	<b>\$5,176</b>	<b>\$4,992</b>	<b>\$4,706</b>
<b>Operating Expenses</b>			
Fuel used in electric generation and purchased power	2,036	1,925	1,895
Operation, maintenance and other	1,470	1,357	1,494
Depreciation and amortization	582	534	535
Property and other taxes	174	223	219
Impairment charges	(18)	22	54
Total operating expenses	4,244	4,061	4,197
<b>Gains on Sales of Other Assets and Other, net</b>	<b>3</b>	<b>1</b>	<b>1</b>
<b>Operating Income</b>	<b>935</b>	<b>932</b>	<b>510</b>
<b>Other Income and Expenses, net</b>	<b>51</b>	<b>57</b>	<b>79</b>
<b>Interest Expense</b>	<b>234</b>	<b>201</b>	<b>207</b>
<b>Income Before Income Taxes</b>	<b>752</b>	<b>788</b>	<b>382</b>
<b>Income Tax Expense</b>	<b>285</b>	<b>288</b>	<b>110</b>
<b>Net Income</b>	<b>467</b>	<b>500</b>	<b>272</b>
<b>Less: Preferred Stock Dividend Requirement</b>	<b>—</b>	<b>—</b>	<b>3</b>
<b>Net Income Available to Parent</b>	<b>\$ 467</b>	<b>\$ 500</b>	<b>\$ 269</b>
<b>Net Income</b>	<b>\$ 467</b>	<b>\$ 500</b>	<b>\$ 272</b>
<b>Other Comprehensive (Loss) Income, net of tax</b>			
Net unrealized loss on cash flow hedges	—	—	(4)
Reclassification into earnings from cash flow hedges	—	—	4
Reclassification of cash flow hedges to regulatory assets(a)	—	—	71
<b>Other Comprehensive Income, net of tax</b>	<b>—</b>	<b>—</b>	<b>71</b>
<b>Comprehensive Income</b>	<b>\$ 467</b>	<b>\$ 500</b>	<b>\$ 343</b>

(a) Net of \$46 million tax expense in 2012

See Notes to Consolidated Financial Statements



## PART II

DUKE ENERGY PROGRESS, INC.

**CONSOLIDATED BALANCE SHEETS**

(in millions)	December 31,	
	2014	2013
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 9	\$ 21
Receivables (net of allowance for doubtful accounts of \$7 at December 31, 2014 and \$10 at December 31, 2013)	43	145
Restricted receivables of variable interest entities (net of allowance for doubtful accounts of \$5 at December 31, 2014)	436	417
Receivables from affiliated companies	10	2
Notes receivable from affiliated companies	237	—
Inventory	966	853
Regulatory assets	287	127
Other	384	296
Total current assets	2,372	1,861
<b>Investments and Other Assets</b>		
Nuclear decommissioning trust funds	1,701	1,539
Other	412	443
Total investments and other assets	2,113	1,982
<b>Property, Plant and Equipment</b>		
Cost	24,207	22,273
Accumulated depreciation and amortization	(9,021)	(8,623)
Net property, plant and equipment	15,186	13,650
<b>Regulatory Assets and Deferred Debits</b>		
Regulatory assets	2,675	1,384
Other	34	32
Total regulatory assets and deferred debits	2,709	1,416
<b>Total Assets</b>	<b>\$22,380</b>	<b>\$18,909</b>
<b>LIABILITIES AND COMMON STOCKHOLDER'S EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 481	\$ 420
Accounts payable to affiliated companies	120	103
Notes payable to affiliated companies	—	462
Taxes accrued	47	37
Interest accrued	81	70
Current maturities of long-term debt	945	174
Regulatory liabilities	71	63
Other	409	392
Total current liabilities	2,154	1,721
<b>Long-Term Debt</b>	<b>5,256</b>	<b>5,061</b>
<b>Deferred Credits and Other Liabilities</b>		
Deferred income taxes	2,908	2,557
Accrued pension and other post-retirement benefit costs	290	321
Asset retirement obligations	3,905	1,729
Regulatory liabilities	1,832	1,673
Other	168	222
Total deferred credits and other liabilities	9,103	6,502
<b>Commitments and Contingencies</b>		
<b>Common Stockholder's Equity</b>		
Common stock, no par value, 200 million shares authorized; 160 million shares outstanding at December 31, 2014 and 2013	2,159	2,159
Retained earnings	3,708	3,466
Total common stockholder's equity	5,867	5,625
<b>Total Liabilities and Common Stockholder's Equity</b>	<b>\$22,380</b>	<b>\$18,909</b>

See Notes to Consolidated Financial Statements

## PART II

DUKE ENERGY PROGRESS, INC.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in millions)	Years Ended December 31,		
	2014	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	\$ 467	\$ 500	\$ 272
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and accretion (including amortization of nuclear fuel)	761	685	676
Equity component of AFUDC	(25)	(42)	(69)
Severance expense	—	—	18
FERC mitigation costs	(18)	—	71
Community support and charitable contributions expense	—	20	36
Gains on sales of other assets and other, net	(3)	(1)	(1)
Impairment charges	—	22	—
Deferred income taxes	455	368	164
Accrued pension and other post-retirement benefit costs	(7)	72	70
Contributions to qualified pension plans	—	(63)	(141)
(Increase) decrease in:			
Net realized and unrealized mark-to-market and hedging transactions	13	(9)	(25)
Receivables	78	(88)	2
Receivables from affiliated companies	(8)	3	(4)
Inventory	(65)	(26)	(58)
Other current assets	(416)	(39)	(24)
Increase (decrease) in:			
Accounts payable	27	(18)	149
Accounts payable to affiliated companies	17	27	47
Taxes accrued	10	15	(5)
Other current liabilities	(68)	(86)	23
Other assets	48	(74)	(28)
Other liabilities	(21)	(78)	(6)
Net cash provided by operating activities	1,245	1,188	1,167
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditures	(1,241)	(1,567)	(1,525)
Purchases of available-for-sale securities	(499)	(901)	(582)
Proceeds from sales and maturities of available-for-sale securities	458	856	532
Notes receivable from affiliated companies	(237)	—	—
Other	(12)	4	91
Net cash used in investing activities	(1,531)	(1,608)	(1,484)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from the issuance of long-term debt	1,347	845	988
Payments for the:			
Redemption of long-term debt	(379)	(451)	(502)
Redemption of preferred stock	—	(62)	—
Notes payable and commercial paper	—	—	(188)
Notes payable to affiliated companies	(462)	98	333
Dividends to parent	(225)	—	(310)
Dividends paid on preferred stock	—	—	(3)
Other	(7)	(7)	(3)
Net cash provided by financing activities	274	423	315
Net (decrease) increase in cash and cash equivalents	(12)	3	(2)
<b>Cash and Cash Equivalents at Beginning of Period</b>	21	18	20
<b>Cash and Cash Equivalents at End of Period</b>	\$ 9	\$ 21	\$ 18
<b>Supplemental Disclosures:</b>			
Cash paid for interest, net of amount capitalized	\$ 220	\$ 217	\$ 249
Cash paid for (received from) income taxes	81	(94)	19
Significant non-cash transactions:			
Accrued capital expenditures	194	166	232
Asset retirement obligation additions for spent nuclear fuel disposal related to the Progress Energy merger	—	—	698
Capital expenditures financed through capital leases	—	—	140

See Notes to Consolidated Financial Statements

## PART II

DUKE ENERGY PROGRESS, INC.

**CONSOLIDATED STATEMENTS OF CHANGES IN COMMON STOCKHOLDERS' EQUITY**

(in millions)	Accumulated Other Comprehensive Loss			Total Equity
	Common Stock	Retained Earnings	Net Loss on Cash Flow Hedges	
<b>Balance at December 31, 2011</b>	<b>\$ 2,148</b>	<b>\$ 3,011</b>	<b>\$ (71)</b>	<b>\$ 5,088</b>
Net income	—	272	—	272
Other comprehensive income	—	—	71	71
Stock-based compensation expense	11	—	—	11
Dividends to parent	—	(310)	—	(310)
Preferred stock dividends at stated rate	—	(3)	—	(3)
Tax dividend	—	(2)	—	(2)
<b>Balance at December 31, 2012</b>	<b>\$ 2,159</b>	<b>\$ 2,968</b>	<b>\$ —</b>	<b>\$ 5,127</b>
Net income	—	500	—	500
Premium on the redemption of preferred stock	—	(2)	—	(2)
<b>Balance at December 31, 2013</b>	<b>\$ 2,159</b>	<b>\$ 3,466</b>	<b>\$ —</b>	<b>\$ 5,625</b>
Net income	—	467	—	467
Dividends to parent	—	(225)	—	(225)
<b>Balance at December 31, 2014</b>	<b>\$ 2,159</b>	<b>\$ 3,708</b>	<b>\$ —</b>	<b>\$ 5,867</b>

See Notes to Consolidated Financial Statements

PART II

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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To the Board of Directors of  
Duke Energy Florida, Inc.  
Charlotte, North Carolina

We have audited the accompanying consolidated balance sheets of Duke Energy Florida, Inc. and subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of operations and comprehensive income, changes in common stockholder's equity, and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Duke Energy Florida, Inc. and subsidiaries at December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP  
Charlotte, North Carolina  
February 27, 2015

## PART II

DUKE ENERGY FLORIDA, INC.

**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**

(in millions)	Years Ended December 31,		
	2014	2013	2012
<b>Operating Revenues</b>	<b>\$ 4,975</b>	<b>\$ 4,527</b>	<b>\$ 4,689</b>
<b>Operating Expenses</b>			
Fuel used in electric generation and purchased power	2,158	1,927	2,409
Operation, maintenance and other	850	898	969
Depreciation and amortization	545	330	192
Property and other taxes	343	327	346
Impairment charges	2	358	146
Total operating expenses	3,898	3,840	4,062
<b>Gains on Sales of Other Assets and Other, net</b>	<b>1</b>	<b>1</b>	<b>2</b>
<b>Operating Income</b>	<b>1,078</b>	<b>688</b>	<b>629</b>
<b>Other Income and Expenses, net</b>	<b>20</b>	<b>30</b>	<b>39</b>
<b>Interest Expense</b>	<b>201</b>	<b>180</b>	<b>255</b>
<b>Income Before Income Taxes</b>	<b>897</b>	<b>538</b>	<b>413</b>
<b>Income Tax Expense</b>	<b>349</b>	<b>213</b>	<b>147</b>
<b>Net Income</b>	<b>548</b>	<b>325</b>	<b>266</b>
<b>Less: Preferred Stock Dividend Requirement</b>	<b>—</b>	<b>—</b>	<b>2</b>
<b>Net Income Available to Parent</b>	<b>\$ 548</b>	<b>\$ 325</b>	<b>\$ 264</b>
<b>Net Income</b>	<b>\$ 548</b>	<b>\$ 325</b>	<b>\$ 266</b>
<b>Other Comprehensive Income (Loss), net of tax</b>			
Net unrealized loss on cash flow hedges	—	(1)	—
Reclassification into earnings from cash flow hedges	1	—	1
Reclassification of cash flow hedges to regulatory assets <sup>(a)</sup>	—	—	26
<b>Other Comprehensive Income (Loss), net of tax</b>	<b>1</b>	<b>(1)</b>	<b>27</b>
<b>Comprehensive Income</b>	<b>\$ 549</b>	<b>\$ 324</b>	<b>\$ 293</b>

(a) Net of \$16 million tax expense in 2012

See Notes to Consolidated Financial Statements

## PART II

DUKE ENERGY FLORIDA, INC.

**CONSOLIDATED BALANCE SHEETS**

	December 31,	
(in millions)	2014	2013
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 8	\$ 16
Receivables (net of allowance for doubtful accounts of \$2 at December 31, 2014 and \$4 at December 31, 2013)	84	375
Restricted receivables of variable interest entities (net of allowance for doubtful accounts of \$3 at December 31, 2014)	305	—
Receivables from affiliated companies	40	3
Inventory	623	571
Regulatory assets	203	221
Other	521	182
Total current assets	1,784	1,368
<b>Investments and Other Assets</b>		
Nuclear decommissioning trust funds	803	753
Other	204	252
Total investments and other assets	1,007	1,005
<b>Property, Plant and Equipment</b>		
Cost	14,433	13,863
Accumulated depreciation and amortization	(4,478)	(4,252)
Net property, plant and equipment	9,955	9,611
<b>Regulatory Assets and Deferred Debits</b>		
Regulatory assets	2,733	2,729
Other	39	44
Total regulatory assets and deferred debits	2,772	2,773
<b>Total Assets</b>	<b>\$ 15,518</b>	<b>\$ 14,757</b>
<b>LIABILITIES AND COMMON STOCKHOLDER'S EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 365	\$ 333
Accounts payable to affiliated companies	70	38
Notes payable to affiliated companies	84	181
Taxes accrued	65	66
Interest accrued	47	46
Current maturities of long-term debt	562	11
Regulatory liabilities	35	144
Other	586	445
Total current liabilities	1,814	1,264
<b>Long-Term Debt</b>	<b>4,298</b>	<b>4,875</b>
<b>Deferred Credits and Other Liabilities</b>		
Deferred income taxes	2,452	1,829
Accrued pension and other post-retirement benefit costs	221	286
Asset retirement obligations	806	833
Regulatory liabilities	547	618
Other	158	255
Total deferred credits and other liabilities	4,184	3,821
<b>Commitments and Contingencies</b>		
<b>Common Stockholder's Equity</b>		
Common Stock, no par; 60 million shares authorized; 100 shares outstanding at December 31, 2014 and 2013	1,762	1,762
Retained earnings	3,460	3,036
Accumulated other comprehensive loss	—	(1)
Total common stockholder's equity	5,222	4,797
<b>Total Liabilities and Common Stockholder's Equity</b>	<b>\$ 15,518</b>	<b>\$ 14,757</b>

See Notes to Consolidated Financial Statements

## PART II

DUKE ENERGY FLORIDA, INC.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in millions)	Years Ended December 31,		
	2014	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	\$ 548	\$ 325	\$ 266
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and accretion	550	335	197
Equity component of AFUDC	—	(8)	(37)
Severance expense	—	—	6
Gains on sales of other assets and other, net	(1)	(1)	(2)
Impairment charges	2	358	146
Deferred income taxes	400	368	142
Amount to be refunded to customers	—	—	100
Accrued pension and other post-retirement benefit costs	29	79	71
Contributions to qualified pension plans	—	(133)	(128)
(Increase) decrease in:			
Net realized and unrealized mark-to-market and hedging transactions	(9)	55	73
Receivables	(33)	(44)	37
Receivables from affiliated companies	(37)	17	(13)
Inventory	(36)	42	(13)
Other current assets	(269)	(109)	22
Increase (decrease) in:			
Accounts payable	18	(22)	21
Accounts payable to affiliated companies	32	(6)	30
Taxes accrued	(31)	18	15
Other current liabilities	(80)	159	51
Other assets	(59)	(154)	8
Other liabilities	(58)	(74)	(94)
Net cash provided by operating activities	966	1,205	898
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditures	(699)	(915)	(809)
Purchases of available-for-sale securities	(1,189)	(1,656)	(791)
Proceeds from sales and maturities of available-for-sale securities	1,195	1,658	791
Notes receivable from affiliated companies	—	207	(207)
Other	(31)	—	16
Net cash used in investing activities	(724)	(706)	(1,000)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from the issuance of long-term debt	225	—	642
Payments for the:			
Redemption of long-term debt	(252)	(435)	(10)
Redemption of preferred stock	—	(34)	—
Proceeds from issuance of short-term debt with original maturities greater than 90 days	—	—	65
Payments for the redemption of short-term debt with original maturities greater than 90 days	—	—	(65)
Notes payable and commercial paper	—	—	(233)
Notes payable to affiliated companies	(97)	181	(8)
Dividends to parent	(124)	(325)	(170)
Dividends paid on preferred stock	—	—	(2)
Other	(2)	(1)	(2)
Net cash (used in) provided by financing activities	(250)	(614)	217
Net (decrease) increase in cash and cash equivalents	(8)	(115)	115
Cash and Cash Equivalents at Beginning of Period	16	131	16
Cash and Cash Equivalents at End of Period	\$ 8	\$ 16	\$ 131
<b>Supplemental Disclosures:</b>			
Cash paid for interest, net of amount capitalized	\$ 203	\$ 201	\$ 266
Cash paid for (received from) income taxes	59	(84)	24
Significant non-cash transactions:			
Accrued capital expenditures	100	88	139
Asset retirement obligation additions for spent nuclear fuel disposal related to the Progress Energy merger	—	—	139

See Notes to Consolidated Financial Statements

## PART II

DUKE ENERGY FLORIDA, INC.

**CONSOLIDATED STATEMENTS OF CHANGES IN COMMON STOCKHOLDER'S EQUITY**

(in millions)	Common Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total Equity
			Net Losses on Cash Flow Hedges	
<b>Balance at December 31, 2011</b>	<b>\$1.757</b>	<b>\$ 2.945</b>	<b>\$ (27)</b>	<b>\$ 4.675</b>
Net income	—	266	—	266
Other comprehensive income	—	—	27	27
Stock-based compensation expense	5	—	—	5
Dividend to parent	—	(170)	—	(170)
Preferred stock dividends at stated rate	—	(2)	—	(2)
Tax dividend	—	(2)	—	(2)
<b>Balance at December 31, 2012</b>	<b>\$1.762</b>	<b>\$ 3.037</b>	<b>\$ —</b>	<b>\$ 4.799</b>
Net income	—	325	—	325
Other comprehensive loss	—	—	(1)	(1)
Dividend to parent	—	(325)	—	(325)
Premium on the redemption of preferred stock	—	(1)	—	(1)
<b>Balance at December 31, 2013</b>	<b>\$1.762</b>	<b>\$ 3.036</b>	<b>\$ (1)</b>	<b>\$ 4.797</b>
Net income	—	548	—	548
Other comprehensive income	—	—	1	1
Dividend to parent	—	(124)	—	(124)
<b>Balance at December 31, 2014</b>	<b>\$1.762</b>	<b>\$ 3.460</b>	<b>\$ —</b>	<b>\$ 5.222</b>

See Notes to Consolidated Financial Statements



PART II

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

---

To the Board of Directors of  
Duke Energy Ohio, Inc.  
Charlotte, North Carolina

We have audited the accompanying consolidated balance sheets of Duke Energy Ohio, Inc. and subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of operations and comprehensive income, changes in common stockholder's equity, and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Duke Energy Ohio, Inc. and subsidiaries at December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Charlotte, North Carolina  
February 27, 2015

## PART II

DUKE ENERGY OHIO, INC.

**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**

(in millions)	Years Ended December 31,		
	2014	2013	2012
<b>Operating Revenues</b>			
Regulated electric	\$1,316	\$1,258	\$1,281
Nonregulated electric and other	19	34	68
Regulated natural gas	578	513	471
Total operating revenues	1,913	1,805	1,820
<b>Operating Expenses</b>			
Fuel used in electric generation and purchased power – regulated	459	428	475
Fuel used in electric generation and purchased power – nonregulated	25	41	57
Cost of natural gas	185	152	142
Operation, maintenance and other	516	546	586
Depreciation and amortization	214	213	195
Property and other taxes	234	242	205
Impairment charges	94	5	2
Total operating expenses	1,727	1,627	1,662
<b>Gains on Sales of Other Assets and Other, net</b>	1	4	1
<b>Operating Income</b>	187	182	159
<b>Other Income and Expenses, net</b>	10	2	8
<b>Interest Expense</b>	86	74	89
<b>Income From Continuing Operations Before Income Taxes</b>	111	110	78
<b>Income Tax Expense From Continuing Operations</b>	43	43	33
<b>Income From Continuing Operations</b>	68	67	45
<b>(Loss) Income From Discontinued Operations, net of tax</b>	(563)	35	130
<b>Net (Loss) Income</b>	\$ (495)	\$ 102	\$ 175
<b>Other Comprehensive Income, net of tax</b>			
Pension and OPEB adjustments	—	1	27
<b>Comprehensive (Loss) Income</b>	\$ (495)	\$ 103	\$ 202

See Notes to Consolidated Financial Statements

## PART II

DUKE ENERGY OHIO, INC.

**CONSOLIDATED BALANCE SHEETS**

(in millions)	December 31,	
	2014	2013
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 20	\$ 36
Receivables (net of allowance for doubtful accounts of \$2 at December 31, 2014 and December 31, 2013)	93	121
Receivables from affiliated companies	107	121
Notes receivable from affiliated companies	145	57
Inventory	97	229
Assets held for sale	316	—
Regulatory assets	49	57
Other	167	270
Total current assets	994	891
<b>Investments and Other Assets</b>		
Goodwill	920	920
Assets held for sale	2,605	—
Other	23	232
Total investments and other assets	3,548	1,152
<b>Property, Plant and Equipment</b>		
Cost	7,141	11,143
Accumulated depreciation and amortization	(2,213)	(2,908)
Generation facilities to be retired, net	9	—
Net property, plant and equipment	4,937	8,235
<b>Regulatory Assets and Deferred Debits</b>		
Regulatory assets	512	471
Other	8	14
Total regulatory assets and deferred debits	520	485
<b>Total Assets</b>	<b>\$ 9,999</b>	<b>\$ 10,763</b>
<b>LIABILITIES AND COMMON STOCKHOLDER'S EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 209	\$ 319
Accounts payable to affiliated companies	74	77
Notes payable to affiliated companies	491	43
Taxes accrued	163	167
Interest accrued	19	17
Current maturities of long-term debt	157	47
Liabilities associated with assets held for sale	246	—
Regulatory liabilities	10	27
Other	66	110
Total current liabilities	1,435	807
<b>Long-Term Debt</b>		
Long-Term Debt Payable to Affiliated Companies	25	—
<b>Deferred Credits and Other Liabilities</b>		
Deferred income taxes	1,765	2,012
Accrued pension and other post-retirement benefit costs	48	58
Liabilities associated with assets held for sale	34	—
Asset retirement obligations	27	28
Regulatory liabilities	241	262
Other	166	186
Total deferred credits and other liabilities	2,281	2,546
<b>Commitments and Contingencies</b>		
<b>Common Stockholder's Equity</b>		
Common stock, \$8.50 par value, 120,000,000 shares authorized, 89,663,086 shares outstanding at December 31, 2014 and 2013	762	762
Additional paid-in capital	4,782	4,882
Accumulated deficit	(870)	(375)
Total common stockholder's equity	4,674	5,269
<b>Total Liabilities and Common Stockholder's Equity</b>	<b>\$ 9,999</b>	<b>\$ 10,763</b>

See Notes to Consolidated Financial Statements

## PART II

DUKE ENERGY OHIO, INC.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in millions)	Years Ended December 31,		
	2014	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net (loss) income	\$ (495)	\$ 102	\$ 175
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	258	357	342
Equity component of AFUDC	(4)	(1)	(6)
Gains on sales of other assets and other, net	(1)	(5)	(7)
Impairment charges	941	5	2
Deferred income taxes	(219)	98	61
Accrued pension and other post-retirement benefit costs	8	17	11
(Increase) decrease in:			
Net realized and unrealized mark-to-market and hedging transactions	27	17	(5)
Receivables	(56)	(15)	29
Receivables from affiliated companies	14	(39)	61
Inventory	8	(3)	15
Other current assets	(5)	(1)	(62)
Increase (decrease) in:			
Accounts payable	27	13	5
Accounts payable to affiliated companies	(3)	15	(22)
Taxes accrued	(9)	1	(24)
Other current liabilities	27	14	(21)
Other assets	(4)	(6)	6
Other liabilities	(33)	(73)	(116)
Net cash provided by operating activities	481	496	444
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditures	(322)	(434)	(514)
Net proceeds from the sales of other assets	—	11	82
Notes receivable from affiliated companies	(88)	(56)	400
Other	(12)	1	6
Net cash used in investing activities	(422)	(478)	(26)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from the issuance of long-term debt	—	450	—
Payments for the redemption of long-term debt	(449)	(258)	(556)
Notes payable to affiliated companies	473	(202)	245
Dividends to parent	(100)	—	(175)
Other	1	(3)	—
Net cash used in financing activities	(75)	(13)	(486)
Net (decrease) increase in cash and cash equivalents	(16)	5	(68)
Cash and cash equivalents at beginning of period	36	31	99
Cash and cash equivalents at end of period	\$ 20	\$ 36	\$ 31
<b>Supplemental Disclosures:</b>			
Cash paid for interest, net of amount capitalized	\$ 76	\$ 71	\$ 93
Cash (received from) paid for income taxes	(5)	9	18
Significant non-cash transactions:			
Accrued capital expenditures	24	27	31
Transfer of Vermilion Generating Station to Duke Energy Indiana	—	—	28

See Notes to Consolidated Financial Statements

## PART II

DUKE ENERGY OHIO, INC.

**CONSOLIDATED STATEMENTS OF CHANGES IN COMMON STOCKHOLDER'S EQUITY**

(in millions)	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Equity
				Pension and OPEB Related Adjustments	
<b>Balance at December 31, 2011</b>	\$762	\$5,085	\$ (652)	\$(28)	\$5,167
Net income	—	—	175	—	175
Other comprehensive income	—	—	—	27	27
Transfer of Vermillion Generating Station to Duke Energy Indiana	—	(28)	—	—	(28)
Dividends to parent	—	(175)	—	—	(175)
<b>Balance at December 31, 2012</b>	\$762	\$4,882	\$ (477)	\$ (1)	\$5,166
Net income	—	—	102	—	102
Other comprehensive income	—	—	—	1	1
<b>Balance at December 31, 2013</b>	\$762	\$4,882	\$ (375)	\$ —	\$5,269
Net loss	—	—	(495)	—	(495)
Dividends to parent	—	(100)	—	—	(100)
<b>Balance at December 31, 2014</b>	\$762	\$4,782	\$ (870)	—	\$4,674

See Notes to Consolidated Financial Statements

PART II

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

---

To the Board of Directors of  
Duke Energy Indiana, Inc.  
Charlotte, North Carolina

We have audited the accompanying consolidated balance sheets of Duke Energy Indiana, Inc. and subsidiary (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of operations and comprehensive income, changes in common stockholder's equity, and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Duke Energy Indiana, Inc. and subsidiary at December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP  
Charlotte, North Carolina  
February 27, 2015

## PART II

DUKE ENERGY INDIANA, INC.

**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**

(in millions)	Years Ended December 31,		
	2014	2013	2012
<b>Operating Revenues</b>	<b>\$ 3,175</b>	<b>\$ 2,926</b>	<b>\$ 2,717</b>
<b>Operating Expenses</b>			
Fuel used in electric generation and purchased power	1,259	1,131	1,088
Operation, maintenance and other	670	649	655
Depreciation and amortization	413	342	389
Property and other taxes	128	71	81
Impairment charges	—	—	579
Total operating expenses	2,470	2,193	2,792
<b>Operating Income (Loss)</b>	<b>705</b>	<b>733</b>	<b>(75)</b>
<b>Other Income and Expenses, net</b>	<b>22</b>	<b>18</b>	<b>90</b>
<b>Interest Expense</b>	<b>171</b>	<b>170</b>	<b>138</b>
<b>Income (Loss) Before Income Taxes</b>	<b>556</b>	<b>581</b>	<b>(123)</b>
<b>Income Tax Expense (Benefit)</b>	<b>197</b>	<b>223</b>	<b>(73)</b>
<b>Net Income (Loss)</b>	<b>359</b>	<b>358</b>	<b>(50)</b>
<b>Other Comprehensive Loss, net of tax</b>			
Reclassification into earnings from cash flow hedges	—	(2)	(2)
<b>Comprehensive Income (Loss)</b>	<b>\$ 359</b>	<b>\$ 356</b>	<b>\$ (52)</b>

See Notes to Consolidated Financial Statements

## PART II

DUKE ENERGY INDIANA, INC.

**CONSOLIDATED BALANCE SHEETS**

(in millions)	December 31,	
	2014	2013
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 6	\$ 15
Receivables (net of allowance for doubtful accounts of \$1 at December 31, 2014 and December 31, 2013)	87	22
Receivables from affiliated companies	115	151
Notes receivable from affiliated companies	—	96
Inventory	537	434
Regulatory assets	93	118
Other	326	125
Total current assets	1,164	961
<b>Investments and Other Assets</b>		
Other	251	269
Total investments and other assets	251	269
<b>Property, Plant and Equipment</b>		
Cost	13,034	12,489
Accumulated depreciation and amortization	(4,219)	(3,913)
Net property, plant and equipment	8,815	8,576
<b>Regulatory Assets and Deferred Debits</b>		
Regulatory assets	685	717
Other	24	25
Total regulatory assets and deferred debits	709	742
<b>Total Assets</b>	<b>\$ 10,939</b>	<b>\$ 10,548</b>
<b>LIABILITIES AND COMMON STOCKHOLDER'S EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 179	\$ 206
Accounts payable to affiliated companies	58	56
Notes payable to affiliated companies	71	—
Taxes accrued	54	57
Interest accrued	56	56
Current maturities of long-term debt	5	5
Regulatory liabilities	54	16
Other	98	88
Total current liabilities	575	484
<b>Long-Term Debt</b>	<b>3,636</b>	<b>3,641</b>
<b>Long-Term Debt Payable to Affiliated Companies</b>	<b>150</b>	<b>150</b>
<b>Deferred Credits and Other Liabilities</b>		
Deferred income taxes	1,591	1,171
Investment tax credits	139	140
Accrued pension and other post-retirement benefit costs	82	163
Asset retirement obligations	32	30
Regulatory liabilities	796	782
Other	90	48
Total deferred credits and other liabilities	2,730	2,334
<b>Commitments and Contingencies</b>		
<b>Common Stockholder's Equity</b>		
Common Stock, no par; \$0.01 stated value, 60,000,000 shares authorized; 53,913,701 shares outstanding at December 31, 2014 and 2013	1	1
Additional paid-in capital	1,384	1,384
Retained earnings	2,460	2,551
Accumulated other comprehensive income	3	3
Total common stockholder's equity	3,848	3,939
<b>Total Liabilities and Common Stockholder's Equity</b>	<b>\$ 10,939</b>	<b>\$ 10,548</b>

See Notes to Consolidated Financial Statements



## PART II

DUKE ENERGY INDIANA, INC.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in millions)	Years Ended December 31,		
	2014	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income (loss)	\$ 359	\$ 358	\$ (50)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	416	346	393
Equity component of AFUDC	(14)	(15)	(84)
Impairment charges	—	—	579
Deferred income taxes	308	304	(74)
Accrued pension and other post-retirement benefit costs	16	25	15
(Increase) decrease in			
Net realized and unrealized mark-to-market and hedging transactions	—	(30)	—
Receivables	(35)	3	6
Receivables from affiliated companies	36	(47)	52
Inventory	(103)	(53)	(50)
Other current assets	(8)	(40)	(25)
Increase (decrease) in			
Accounts payable	(41)	32	18
Accounts payable to affiliated companies	2	(4)	(12)
Taxes accrued	(32)	(30)	(27)
Other current liabilities	5	(5)	6
Other assets	(21)	(16)	6
Other liabilities	17	(84)	(37)
Net cash provided by operating activities	905	744	716
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditures	(625)	(545)	(718)
Purchases of available-for-sale securities	(20)	(11)	(17)
Proceeds from sales and maturities of available-for-sale securities	16	7	18
Notes receivable from affiliated companies	96	(96)	—
Other	4	(3)	(1)
Net cash used in investing activities	(529)	(648)	(718)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from the issuance of long-term debt	—	498	250
Payments for the redemption of long-term debt	(5)	(405)	(7)
Notes payable to affiliated companies	71	(81)	(219)
Dividend to parent	(450)	(125)	—
Other	(1)	(4)	(2)
Net cash (used in) provided by financing activities	(385)	(117)	22
Net (decrease) increase in cash and cash equivalents	(9)	(21)	20
<b>Cash and cash equivalents at beginning of period</b>	15	36	16
<b>Cash and cash equivalents at end of period</b>	\$ 6	\$ 15	\$ 36
<b>Supplemental Disclosures:</b>			
Cash paid for interest, net of amount capitalized	\$ 169	\$ 194	\$ 130
Cash (received from) paid for income taxes	(61)	46	57
Significant non-cash transactions:			
Accrued capital expenditures	87	73	67
Transfer of Vermillion Generating Station from Duke Energy Ohio	—	—	26

See Notes to Consolidated Financial Statements

PART II

DUKE ENERGY INDIANA, INC.

**CONSOLIDATED STATEMENTS OF CHANGES IN COMMON STOCKHOLDER'S EQUITY**

(in millions)	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Equity
				Net Gains on Cash Flow Hedges	
<b>Balance at December 31, 2011</b>	<b>\$ 1</b>	<b>\$ 1,358</b>	<b>\$ 2,368</b>	<b>\$ 7</b>	<b>\$ 3,734</b>
Net loss	—	—	(50)	—	(50)
Other comprehensive loss	—	—	—	(2)	(2)
Transfer of Vermilion Generating Station from Duke Energy Ohio	—	26	—	—	26
<b>Balance at December 31, 2012</b>	<b>\$ 1</b>	<b>\$ 1,384</b>	<b>\$ 2,318</b>	<b>\$ 5</b>	<b>\$ 3,708</b>
Net income	—	—	358	—	358
Other comprehensive loss	—	—	—	(2)	(2)
Dividend to parent	—	—	(125)	—	(125)
<b>Balance at December 31, 2013</b>	<b>\$ 1</b>	<b>\$ 1,384</b>	<b>\$ 2,551</b>	<b>\$ 3</b>	<b>\$ 3,939</b>
Net income	—	—	359	—	359
Dividend to parent	—	—	(450)	—	(450)
<b>Balance at December 31, 2014</b>	<b>\$ 1</b>	<b>\$ 1,384</b>	<b>\$ 2,460</b>	<b>\$ 3</b>	<b>\$ 3,848</b>

See Notes to Consolidated Financial Statements

**Combined Notes To Consolidated Financial Statements**

For the Years Ended December 31, 2014, 2013 and 2012

**Index to Combined Notes To Consolidated Financial Statements**

The notes to the consolidated financial statements are a combined presentation. The following list indicates the registrants to which the notes apply.

Registrant	Applicable Notes
Duke Energy Corporation	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25
Duke Energy Carolinas, LLC	1, 2, 3, 4, 5, 6, 8, 9, 10, 11, 13, 14, 15, 16, 17, 19, 20, 21, 22, 23, 24, 25
Progress Energy, Inc.	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 13, 14, 15, 16, 17, 19, 20, 21, 22, 23, 24, 25
Duke Energy Progress, Inc.	1, 2, 3, 4, 5, 6, 8, 9, 10, 11, 13, 14, 15, 16, 17, 19, 20, 21, 22, 23, 24, 25
Duke Energy Florida, Inc.	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 13, 14, 15, 16, 17, 19, 20, 21, 22, 23, 24, 25
Duke Energy Ohio, Inc.	1, 2, 3, 4, 5, 6, 8, 9, 10, 11, 13, 14, 16, 17, 19, 20, 21, 22, 23, 24, 25
Duke Energy Indiana, Inc.	1, 2, 3, 4, 5, 6, 8, 9, 10, 11, 13, 14, 15, 16, 17, 19, 20, 21, 22, 23, 24, 25

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****NATURE OF OPERATIONS AND BASIS OF CONSOLIDATION**

Duke Energy Corporation (collectively with its subsidiaries, Duke Energy) is an energy company headquartered in Charlotte, North Carolina, subject to regulation by the Federal Energy Regulatory Commission (FERC). Duke Energy operates in the United States (U.S.) and Latin America primarily through its direct and indirect subsidiaries. Duke Energy's subsidiaries include its subsidiary registrants, Duke Energy Carolinas, LLC (Duke Energy Carolinas); Progress Energy, Inc. (Progress Energy); Duke Energy Progress, Inc. (Duke Energy Progress); Duke Energy Florida, Inc. (Duke Energy Florida); Duke Energy Ohio, Inc. (Duke Energy Ohio) and Duke Energy Indiana, Inc. (Duke Energy Indiana). When discussing Duke Energy's consolidated financial information, it necessarily includes the results of its six separate subsidiary registrants (collectively referred to as the Subsidiary Registrants), which, along with Duke Energy, are collectively referred to as the Duke Energy Registrants (Duke Energy Registrants).

On July 2, 2012, Duke Energy merged with Progress Energy, with Duke Energy continuing as the surviving corporation. Progress Energy became a subsidiary of Duke Energy and Progress Energy's regulated utility subsidiaries, Duke Energy Progress (formerly Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc.) and Duke Energy Florida (formerly Florida Power Corporation d/b/a Progress Energy Florida, Inc.), became indirect subsidiaries of Duke Energy. Duke Energy's consolidated financial statements include Progress Energy, Duke Energy Progress and Duke Energy Florida activity beginning July 2, 2012. The impacts of acquisition accounting from Progress Energy's merger with Duke Energy were recorded by Duke Energy and were not reflected on the financial statements of Progress Energy, Duke Energy Progress and Duke Energy Florida. See Note 2 for additional information regarding the merger. On July 2, 2012, just prior to the close of the merger, Duke Energy executed a one-for-three reverse stock split with respect to the issued and outstanding shares of Duke Energy common stock. All per share amounts included in this Form 10-K are presented as if the stock split had been effective from the beginning of the earliest period presented.

On August 21, 2014, Duke Energy Commercial Enterprises, Inc., an indirect wholly owned subsidiary of Duke Energy Corporation, and Duke Energy SAM, LLC, a wholly owned subsidiary of Duke Energy Ohio, entered into a

purchase and sale agreement (PSA) with a subsidiary of Dynegy Inc. (Dynegy) whereby Dynegy will acquire Duke Energy Ohio's nonregulated Midwest generation business and Duke Energy Retail Sales LLC (Disposal Group). The results of operations of the nonregulated Midwest generation business have been classified as Discontinued Operations on the Consolidated Statements of Operations for the current and prior periods presented. Duke Energy has elected to present cash flows of discontinued operations combined with cash flows of continuing operations. Unless otherwise noted, the notes to these consolidated financial statements exclude amounts related to discontinued operations for all periods presented, assets held for sale and liabilities associated with assets held for sale as of December 31, 2014. See Note 2 for additional information.

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

These Consolidated Financial Statements include, after eliminating intercompany transactions and balances, the accounts of the Duke Energy Registrants and subsidiaries where the respective Duke Energy Registrants have control. These Consolidated Financial Statements also reflect the Duke Energy Registrants' proportionate share of certain jointly owned generation and transmission facilities.

Duke Energy Carolinas is a regulated public utility primarily engaged in the generation, transmission, distribution and sale of electricity in portions of North Carolina and South Carolina. Duke Energy Carolinas is subject to the regulatory provisions of the North Carolina Utilities Commission (NCUC), Public Service Commission of South Carolina (PSCSC), U.S. Nuclear Regulatory Commission (NRC) and FERC. Substantially all of Duke Energy Carolinas' operations qualify for regulatory accounting.

Progress Energy is a public utility holding company headquartered in Raleigh, North Carolina, subject to regulation by the FERC. Progress Energy conducts operations through its wholly owned subsidiaries, Duke Energy Progress and Duke Energy Florida. Substantially all of Progress Energy's operations qualify for regulatory accounting.

Duke Energy Progress is a regulated public utility primarily engaged in the generation, transmission, distribution and sale of electricity in portions of North Carolina and South Carolina. Duke Energy Progress is subject to the regulatory provisions of the NCUC, PSCSC, NRC and FERC. Substantially all of Duke Energy Progress' operations qualify for regulatory accounting.

Duke Energy Florida is a regulated public utility primarily engaged in the generation, transmission, distribution and sale of electricity in portions of Florida. Duke Energy Florida is subject to the regulatory provisions of the Florida Public Service Commission (FPSC), NRC and FERC. Substantially all of Duke Energy Florida's operations qualify for regulatory accounting.

Duke Energy Ohio is a regulated public utility primarily engaged in the transmission and distribution of electricity in Ohio and Kentucky, in the generation business in Kentucky, and the transportation and sale of natural gas in portions of Ohio and Kentucky. Operations in Kentucky are conducted through its wholly owned subsidiary, Duke Energy Kentucky, Inc. (Duke Energy Kentucky). Duke Energy Ohio conducts competitive auctions for retail electricity supply in Ohio whereby the energy price is recovered from retail customers. References herein to Duke Energy Ohio include Duke Energy Ohio and its subsidiaries, unless otherwise noted. Duke Energy Ohio is subject to the regulatory provisions of the Public Utilities Commission of Ohio (PUCO), Kentucky Public Service Commission (KPSC) and FERC. Duke Energy Ohio applies regulatory accounting to a portion of its operations. Duke Energy has agreed to sell Duke Energy Ohio's nonregulated Midwest generation business, which sells power into wholesale energy markets, to Dynegy. See Note 2 for additional information.

PART II

DUKE ENERGY CORPORATION • DUKE ENERGY CAROLINAS, LLC • PROGRESS ENERGY, INC. •  
DUKE ENERGY PROGRESS, INC. • DUKE ENERGY FLORIDA, INC. • DUKE ENERGY OHIO, INC. • DUKE ENERGY INDIANA, INC.

Combined Notes to Consolidated Financial Statements – (Continued)

Duke Energy Indiana is a regulated public utility primarily engaged in the generation, transmission, distribution and sale of electricity in portions of Indiana. Duke Energy Indiana is subject to the regulatory provisions of the Indiana Utility Regulatory Commission (IURC) and FERC. Substantially all of Duke Energy Indiana's operations qualify for regulatory accounting.

Certain prior year amounts have been reclassified to conform to the current year presentation.

Other Current and Non-Current Assets and Liabilities

Other within Current Assets includes the current portion of deferred tax assets, which are disclosed in Note 22. Additionally, the following are included in Other within Current Assets or Current Liabilities in the Consolidated Balance Sheets of the Duke Energy Registrants at December 31, 2014 and 2013. The amounts presented exceeded 5 percent of current assets or 5 percent of current liabilities unless otherwise noted.

(in millions)	Location	December 31,	
		2014	2013
<b>Duke Energy</b>			
Accrued compensation	Current Liabilities	\$ 638	\$ 621
<b>Duke Energy Carolinas</b>			
Accrued compensation	Current Liabilities	\$ 216	\$ 198
Collateral liabilities	Current Liabilities	128	120
<b>Progress Energy</b>			
Income taxes receivable <sup>(a)</sup>	Current Assets	\$ 718	\$ 119
Customer deposits	Current Liabilities	360	349
Accrued compensation <sup>(a)</sup>	Current Liabilities	174	214
Derivative liabilities <sup>(b)</sup>	Current Liabilities	271	—
<b>Duke Energy Progress</b>			
Income taxes receivable <sup>(b)</sup>	Current Assets	\$ 272	\$ 15
Customer deposits	Current Liabilities	135	129
Accrued compensation	Current Liabilities	116	121
Derivative liabilities <sup>(b)</sup>	Current Liabilities	108	38
<b>Duke Energy Florida</b>			
Income taxes receivable <sup>(b)</sup>	Current Assets	\$ 177	\$ 65
Customer deposits	Current Liabilities	225	220
Accrued compensation <sup>(a)</sup>	Current Liabilities	57	65
Derivative liabilities <sup>(b)</sup>	Current Liabilities	163	—

(in millions)	Location	December 31,	
		2014	2013
<b>Duke Energy Ohio</b>			
Collateral assets <sup>(a)</sup>	Current Assets	\$ 13	\$ 122
<b>Duke Energy Indiana</b>			
Income taxes receivable	Current Assets	\$ 98	\$ 56
Accrued compensation <sup>(a)</sup>	Current Liabilities	25	25
Collateral liabilities	Current Liabilities	43	40

(a) Does not exceed 5 percent of total current assets or liabilities, as appropriate, on the Consolidated Balance Sheets at December 31, 2014.

(b) Does not exceed 5 percent of total current assets or liabilities, as appropriate, on the Consolidated Balance Sheets at December 31, 2013.

Preferred Stock

In March 2013, Duke Energy Progress and Duke Energy Florida redeemed all series of their outstanding preferred stock at prices ranging from \$101.00 to \$110.00 per share for Duke Energy Progress and \$101.00 to \$104.25 per share for Duke Energy Florida plus accrued dividends for all series. Duke Energy Progress and Duke Energy Florida redeemed the shares for \$62 million and \$34 million, respectively.

Discontinued Operations

For the year ended December 31, 2014, Duke Energy's Loss from Discontinued Operations, net of tax was primarily related to a write-down of the carrying amount of the assets to the estimated fair value of the Disposal Group, based on the transaction price included in the PSA, and the operations of the Disposal Group. For the years ended December 31, 2013 and 2012, Duke Energy's Income From Discontinued Operations, net of tax was primarily related to the operations of the Disposal Group. See Note 2 for additional information.

For the years ended December 31, 2014, 2013 and 2012, Progress Energy's (Loss) Income From Discontinued Operations, net of tax was primarily due to tax impacts related to prior sales of diversified businesses.

Amounts Attributable to Controlling Interests

The following table presents Net Income Attributable to Duke Energy Corporation for continuing operations and discontinued operations.

(in millions)	Years ended December 31,					
	2014		2013		2012	
	Duke Energy	Progress Energy	Duke Energy	Progress Energy	Duke Energy	Progress Energy
Income from Continuing Operations	\$ 2,465	\$ 880	\$ 2,590	\$ 659	\$ 1,611	\$ 355
Income of Continuing Operations Attributable to Noncontrolling Interests	14	5	16	3	18	7
Income from Continuing Operations Attributable to Duke Energy Corporation	\$ 2,451	\$ 875	\$ 2,574	\$ 656	\$ 1,593	\$ 348
(Loss) Income From Discontinued Operations, net of tax	\$ (576)	\$ (6)	\$ 86	\$ 16	\$ 171	\$ 52
Loss of Discontinued Operations attributable to Noncontrolling Interests, net of tax	(8)	—	(5)	—	(4)	—
(Loss) Income From Discontinued Operations Attributable to Duke Energy Corporation, net of tax	\$ (568)	\$ (6)	\$ 91	\$ 16	\$ 175	\$ 52
Net Income	\$ 1,889	\$ 874	\$ 2,676	\$ 675	\$ 1,782	\$ 407
Net Income Attributable to Noncontrolling Interest	6	5	11	3	14	7
Net Income Attributable to Duke Energy Corporation	\$ 1,883	\$ 869	\$ 2,665	\$ 672	\$ 1,768	\$ 400

## Combined Notes to Consolidated Financial Statements – (Continued)

### SIGNIFICANT ACCOUNTING POLICIES

#### Use of Estimates

In preparing financial statements that conform to generally accepted accounting principles (GAAP) in the U.S., the Duke Energy Registrants must make estimates and assumptions that affect the reported amounts of assets and liabilities, the reported amounts of revenues and expenses, and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

#### Regulatory Accounting

The majority of the Duke Energy Registrants' operations are subject to price regulation for the sale of electricity and gas by state utility commissions or FERC. When prices are set on the basis of specific costs of the regulated operations and an effective franchise is in place such that sufficient gas or electric services can be sold to recover those costs, the Duke Energy Registrants apply regulatory accounting. Regulatory accounting changes the timing of the recognition of costs or revenues relative to a company that does not apply regulatory accounting. As a result, Regulatory assets and Regulatory liabilities are recognized on the Consolidated Balance Sheets. Regulatory assets and liabilities are amortized consistent with the treatment of the related cost in the ratemaking process. See Note 4 for further information.

#### Regulated Fuel Costs and Purchased Power

The Duke Energy Registrants utilize cost-tracking mechanisms, commonly referred to as fuel adjustment clauses. These clauses allow for the recovery of fuel and fuel-related costs and portions of purchased power costs through surcharges on customer rates. The difference between the costs incurred and the surcharge revenues is recorded as an adjustment to Fuel Operating

Revenues – Regulated electric on the Consolidated Statements of Operations with an offsetting impact on regulatory assets or liabilities.

#### Cash and Cash Equivalents

All highly liquid investments with maturities of three months or less at the date of acquisition are considered cash equivalents. At December 31, 2014, \$1,680 million of Duke Energy's total cash and cash equivalents is held by entities domiciled in foreign jurisdictions. During the fourth quarter of 2014, Duke Energy declared a taxable dividend of historical foreign earnings in the form of notes payable that will result in the repatriation of approximately \$2.7 billion in cash held and expected to be generated by International Energy over a period of up to 8 years. See Note 22 to the Consolidated Financial Statements, "Income Taxes," for additional information.

#### Restricted Cash

The Duke Energy Registrants have restricted cash related primarily to collateral assets, escrow deposits and variable interest entities (VIEs). Restricted cash balances are reflected in Other within Current Assets and in Other within Investments and Other Assets on the Consolidated Balance Sheets. At December 31, 2014 and 2013, Duke Energy had restricted cash totaling \$298 million and \$307 million, respectively.

#### Inventory

Inventory is used for operations and is recorded primarily using the average cost method. Inventory related to regulated operations is valued at historical cost. Inventory related to nonregulated operations is valued at the lower of cost or market. Materials and supplies are recorded as inventory when purchased and subsequently charged to expense or capitalized to property, plant and equipment when installed. Reserves are established for excess and obsolete inventory. The components of inventory are presented in the tables below.

(in millions)	December 31, 2014						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Materials and supplies	\$ 2,102	\$ 719	\$ 981	\$ 676	\$ 305	\$ 67	\$ 258
Coal held for electric generation	997	362	329	150	178	21	275
Oil, gas and other fuel held for electric generation	360	43	280	140	140	9	4
Total inventory	\$ 3,459	\$ 1,124	\$ 1,590	\$ 966	\$ 623	\$ 97	\$ 537

(in millions)	December 31, 2013						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
Materials and supplies	\$ 1,901	\$ 654	\$ 854	\$ 567	\$ 287	\$ 117	\$ 193
Coal held for electric generation	1,018	374	334	187	147	65	238
Oil, gas and other fuel held for electric generation	331	37	236	99	137	47	3
Total inventory	\$ 3,250	\$ 1,065	\$ 1,424	\$ 853	\$ 571	\$ 229	\$ 434

## Combined Notes to Consolidated Financial Statements – (Continued)

### Investments in Debt and Equity Securities

The Duke Energy Registrants classify investments into two categories – trading and available-for-sale. Both categories are recorded at fair value on the Consolidated Balance Sheets. Realized and unrealized gains and losses on trading securities are included in earnings. For certain investments of regulated operations such as the Nuclear Decommissioning Trust Fund (NDTF), realized and unrealized gains and losses (including any other-than-temporary impairments) on available-for-sale securities are recorded as a regulatory asset or liability. Otherwise, unrealized gains and losses are included in Accumulated Other Comprehensive Income (AOCI), unless other-than-temporarily impaired. Other-than-temporary impairments for equity securities and the credit loss portion of debt securities of nonregulated operations are included in earnings. Investments in debt and equity securities are classified as either current or noncurrent based on management's intent and ability to sell these securities, taking into consideration current market liquidity. See Note 15 for further information.

### Goodwill and Intangible Assets

#### Goodwill

Duke Energy, Progress Energy and Duke Energy Ohio perform annual goodwill impairment tests as of August 31 each year at the reporting unit level, which is determined to be an operating segment or one level below. Duke Energy, Progress Energy and Duke Energy Ohio update these tests between annual tests if events or circumstances occur that would more likely than not reduce the fair value of a reporting unit below its carrying value.

In 2012, Progress Energy changed its goodwill impairment testing date from October 31 to August 31 to better align its annual goodwill impairment testing procedure with those of Duke Energy. The change had no impact on goodwill. Neither the change in the goodwill impairment testing date nor the merger resulted in any changes to the Progress Energy reporting units.

#### Intangible Assets

Intangible assets are included in Other in Investments and Other Assets on the Consolidated Balance Sheets. Generally, intangible assets are amortized using an amortization method that reflects the pattern in which the economic benefits of the intangible asset are consumed, or on a straight-line basis if that pattern is not readily determinable. Amortization of intangibles is reflected in Depreciation and amortization in the Consolidated Statements of Operations. Intangible assets are subject to impairment testing and if impaired, the carrying value is accordingly reduced.

Emission allowances permit the holder of the allowance to emit certain gaseous byproducts of fossil fuel combustion, including sulfur dioxide (SO<sub>2</sub>) and nitrogen oxide (NO<sub>x</sub>). Allowances are issued by the U.S. Environmental Protection Agency (EPA) at zero cost and may also be bought and sold via third-party transactions. Allowances allocated to or acquired by the Duke Energy Registrants are held primarily for consumption. Carrying amounts for emission allowances are based on the cost to acquire the allowances or, in the case of a business combination, on the fair value assigned in the allocation of the purchase price of the acquired business.

Renewable energy certificates are used to measure compliance with renewable energy standards and are held primarily for consumption.

See Note 11 for further information.

### Long-Lived Asset Impairments

The Duke Energy Registrants evaluate long-lived assets, excluding goodwill, for impairment when circumstances indicate the carrying value of those assets may not be recoverable. An impairment exists when a long-lived asset's carrying value exceeds the estimated undiscounted cash flows expected to result from the use and eventual disposition of the asset. The estimated cash flows may be based on alternative expected outcomes that are probability weighted. If the carrying value of the long-lived asset is not recoverable based on these estimated future undiscounted cash flows, the carrying value of the asset is written-down to its then-current estimated fair value and an impairment charge is recognized.

The Duke Energy Registrants assess fair value of long-lived assets using various methods, including recent comparable third-party sales, internally developed discounted cash flow analysis and analysis from outside advisors. Significant changes in commodity prices, the condition of an asset or management's interest in selling the asset are generally viewed as triggering events to re-assess cash flows. See Note 11 for further information.

### Property, Plant and Equipment

Property, plant and equipment are stated at the lower of depreciated historical cost net of any disallowances or fair value, if impaired. The Duke Energy Registrants capitalize all construction-related direct labor and material costs, as well as indirect construction costs such as general engineering, taxes and financing costs. See "Allowance for Funds Used During Construction (AFUDC) and Interest Capitalized" for information on capitalized financing costs. Costs of renewals and betterments that extend the useful life of property, plant and equipment are also capitalized. The cost of repairs, replacements and major maintenance projects, which do not extend the useful life or increase the expected output of the asset, are expensed as incurred. Depreciation is generally computed over the estimated useful life of the asset using the composite straight-line method. Depreciation studies are conducted periodically to update composite rates and are approved by state utility commissions and/or the FERC when required. The composite weighted-average depreciation rates, excluding nuclear fuel, are included in the table that follows.

	Years Ended December 31,		
	2014	2013	2012
Duke Energy	2.8%	2.8%	2.9%
Duke Energy Carolinas	2.7%	2.8%	2.8%
Progress Energy	2.5%	2.5%	2.6%
Duke Energy Progress	2.5%	2.5%	2.7%
Duke Energy Florida	2.7%	2.4%	2.5%
Duke Energy Ohio	2.3%	3.3%	3.2%
Duke Energy Indiana	3.0%	2.8%	3.3%

In general, when the Duke Energy Registrants retire regulated property, plant and equipment, original cost plus the cost of retirement, less salvage value, is charged to accumulated depreciation. However, when it becomes probable a regulated asset will be retired substantially in advance of its original expected useful life or is abandoned, the cost of the asset and the corresponding accumulated depreciation is recognized as a separate asset. If the asset is still in operation, the net amount is classified as Generation facilities to be retired, net on the Consolidated Balance Sheets. If the asset is no longer operating,

## Combined Notes to Consolidated Financial Statements – (Continued)

the net amount is classified in Regulatory Assets on the Consolidated Balance Sheets. The carrying value of the asset is based on historical cost if the Duke Energy Registrants are allowed to recover the remaining net book value and a return equal to at least the incremental borrowing rate. If not, an impairment is recognized to the extent the net book value of the asset exceeds the present value of future revenues discounted at the incremental borrowing rate.

When the Duke Energy Registrants sell entire regulated operating units, or retire or sell nonregulated properties, the original cost and accumulated depreciation and amortization balances are removed from Property, Plant and Equipment on the Consolidated Balance Sheets. Any gain or loss is recorded in earnings, unless otherwise required by the applicable regulatory body.

See Note 10 for further information.

### Nuclear Fuel

Nuclear fuel is classified as Property, Plant and Equipment on the Consolidated Balance Sheets, except for Duke Energy Florida. Duke Energy Florida has reclassified all Crystal River Unit 3 Nuclear Station (Crystal River Unit 3) investments, including nuclear fuel, to a regulatory asset. Refer to Note 4, "Regulatory Matters," for additional information on Crystal River Unit 3.

Nuclear fuel in the front-end fuel processing phase is considered work in progress and not amortized until placed in service. Amortization of nuclear fuel is included within Fuel used in electric generation and purchased power – regulated in the Consolidated Statements of Operations. Amortization is recorded using the units-of-production method.

### Allowance for Funds Used During Construction and Interest Capitalized

For regulated operations, the debt and equity costs of financing the construction of property, plant and equipment are reflected as AFUDC and capitalized as a component of the cost of property, plant and equipment. AFUDC equity is reported on the Consolidated Statements of Operations as non-cash income in Other income and expenses, net. AFUDC debt is reported as a non-cash offset to Interest Expense. After construction is completed, the Duke Energy Registrants are permitted to recover these costs through their inclusion in rate base and the corresponding subsequent depreciation or amortization of those regulated assets.

AFUDC equity, a permanent difference for income taxes, reduces the effective tax rate when capitalized and increases the effective tax rate when depreciated or amortized. See Note 22 for additional information.

For nonregulated operations, interest is capitalized during the construction phase with an offsetting non-cash credit to Interest Expense on the Consolidated Statements of Operations.

### Asset Retirement Obligations

Asset retirement obligations are recognized for legal obligations associated with the retirement of property, plant and equipment. Substantially all asset retirement obligations are related to regulated operations. When recording an asset retirement obligation, the present value of the projected liability is recognized in the period in which it is incurred, if a reasonable estimate of fair value can be made. The liability is accreted over time. For operating plants, the present value of the liability is added to the cost of the associated asset and depreciated over the remaining life of the asset. For retired plants, the present value of the liability is recorded as a regulatory asset and expensed over the recovery period in rates.

The present value of the initial obligation and subsequent updates are based on discounted cash flows, which include estimates regarding timing of future cash flows, selection of discount rates and cost escalation rates, among other factors. These estimates are subject to change. Depreciation expense is adjusted prospectively for any changes to the carrying amount of the associated asset. The Duke Energy Registrants receive amounts to fund the cost of the asset retirement obligation for regulated operations through a combination of regulated revenues and NDTF. As a result, the net of amounts recovered in regulated revenues, earnings on the NDTF, accretion expense and depreciation of the associated asset is deferred as a regulatory asset or liability.

Obligations for nuclear decommissioning are based on site-specific cost studies. Duke Energy Carolinas and Duke Energy Progress assume prompt dismantlement of the nuclear facilities after operations are ceased. Duke Energy Florida assumes Crystal River Unit 3 will be placed into a safe storage configuration until eventual dismantlement begins in approximately 60 years. Duke Energy Carolinas, Duke Energy Progress and Duke Energy Florida also assume that spent fuel will be stored on site until such time that it can be transferred to a U.S. Department of Energy (DOE) facility.

Obligations for closure of ash basins are based upon discounted cash flows of estimated costs based upon probability weightings of the potential closure methods as evaluated on a site-by-site basis. Duke Energy Registrants with ash basins in North Carolina and certain basins in South Carolina and Indiana have a legal obligation that results in recognition of an asset retirement obligation at December 31, 2014.

See Notes 5 and 9 for further information.

### Revenue Recognition and Unbilled Revenue

Revenues on sales of electricity and gas are recognized when service is provided or the product is delivered. Unbilled revenues are recognized by applying customer billing rates to the estimated volumes of energy delivered but not yet billed. Unbilled revenues can vary significantly from period to period as a result of seasonality, weather, customer usage patterns, customer mix, average price in effect for customer classes and meter reading schedules.

Unbilled revenues are included within Receivables and Restricted receivables of variable interest entities on the Consolidated Balance Sheets as shown in the following table. This table excludes amounts included in assets held for sale (AHFS).

(in millions)	December 31,	
	2014	2013
Duke Energy	\$ 827	\$ 937
Duke Energy Carolinas	295	323
Progress Energy	217	189
Duke Energy Progress	135	120
Duke Energy Florida	82	69
Duke Energy Ohio	—	55
Duke Energy Indiana	27	5

Additionally, Duke Energy Ohio and Duke Energy Indiana sell, on a revolving basis, nearly all of their retail accounts receivable, including receivables for unbilled revenues, to an affiliate, Cinergy Receivables Company, LLC (CRC) and account for the transfers of receivables as sales. Accordingly, the receivables sold are not reflected on the Consolidated Balance Sheets of Duke Energy Ohio and Duke Energy Indiana. See Note 17 for further information. These receivables for unbilled revenues are shown in the table below.

## Combined Notes to Consolidated Financial Statements – (Continued)

	December 31,	
(in millions)	2014	2013
Duke Energy Ohio	79	89
Duke Energy Indiana	112	144

### Allowance for Doubtful Accounts

Allowances for doubtful accounts are presented in the following table.

	December 31,		
(in millions)	2014	2013	2012
<b>Allowance for Doubtful Accounts</b>			
Duke Energy	\$ 17	30	34
Duke Energy Carolinas	3	3	3
Progress Energy	8	14	16
Duke Energy Progress	7	10	9
Duke Energy Florida	2	4	7
Duke Energy Ohio	2	2	2
Duke Energy Indiana	1	1	1
<b>Allowance for Doubtful Accounts – VIEs</b>			
Duke Energy	\$ 51	43	44
Duke Energy Carolinas	6	6	6
Progress Energy	8	—	—
Duke Energy Progress	5	—	—
Duke Energy Florida	3	—	—

### Derivatives and Hedging

Derivative and non-derivative instruments may be used in connection with commodity price, interest rate and foreign currency risk management activities, including swaps, futures, forwards and options. All derivative instruments except those that qualify for the normal purchase/normal sale (NPNS) exception are recorded on the Consolidated Balance Sheets at their fair value. Qualifying derivative instruments may be designated as either cash flow hedges or fair value hedges. Other derivative instruments (undesignated contracts) either have not been designated or do not qualify as hedges. The effective portion of the change in the fair value of cash flow hedges is recorded in AOCI. The effective portion of the change in the fair value of a fair value hedge is offset in net income by changes in the hedged item. For activity subject to regulatory accounting, gains and losses on derivative contracts are reflected as regulatory assets or liabilities and not as other comprehensive income or current period income. As a result, changes in fair value of these derivatives have no immediate earnings impact.

Formal documentation, including transaction type and risk management strategy, is maintained for all contracts accounted for as a hedge. At inception and at least every three months thereafter, the hedge contract is assessed to see if it is highly effective in offsetting changes in cash flows or fair values of hedged items.

See Note 14 for further information.

### Captive Insurance Reserves

Duke Energy has captive insurance subsidiaries that provide coverage, on an indemnity basis, to the Subsidiary Registrants as well as certain third parties, on a limited basis, for various business risks and losses, such as property, workers' compensation and general liability. Liabilities include

provisions for estimated losses incurred but not yet reported (IBNR), as well as estimated provisions for known claims. IBNR reserve estimates are primarily based upon historical loss experience, industry data and other actuarial assumptions. Reserve estimates are adjusted in future periods as actual losses differ from experience.

Duke Energy, through its captive insurance entities, also has reinsurance coverage with third parties for certain losses above a per occurrence and/or aggregate retention. Receivables for reinsurance coverage are recognized when realization is deemed probable.

### Unamortized Debt Premium, Discount and Expense

Premiums, discounts and expenses incurred with the issuance of outstanding long-term debt are amortized over the term of the debt issue. Call premiums and unamortized expenses associated with refinancing higher-cost debt obligations in the regulated operations are amortized. Amortization expense is recorded as Interest Expense in the Consolidated Statements of Operations and is reflected as Depreciation, amortization and accretion within Net cash provided by operating activities on the Consolidated Statements of Cash Flows.

### Loss Contingencies and Environmental Liabilities

Contingent losses are recorded when it is probable a loss has occurred and can be reasonably estimated. When a range of the probable loss exists and no amount within the range is a better estimate than any other amount, the minimum amount in the range is recorded. Unless otherwise required by GAAP, legal fees are expensed as incurred.

Environmental liabilities are recorded on an undiscounted basis when environmental remediation or other liabilities becomes probable and can be reasonably estimated. Environmental expenditures related to past operations that do not generate current or future revenues are expensed. Environmental expenditures related to operations that generate current or future revenues are expensed or capitalized, as appropriate. Certain environmental expenditures receive regulatory accounting treatment and are recorded as regulatory assets. See Notes 4 and 5 for further information.

### Pension and Other Post-Retirement Benefit Plans

Duke Energy maintains qualified, non-qualified and other post-retirement benefit plans. Eligible employees of the Subsidiary Registrants participate in the respective qualified, non-qualified and other post-retirement benefit plans and the Subsidiary Registrants are allocated their proportionate share of benefit costs. See Note 21 for further information, including significant accounting policies associated with these plans.

### Severance and Special Termination Benefits

Duke Energy has an ongoing severance plan under which, in general, the longer a terminated employee worked prior to termination the greater the amount of severance benefits. A liability for involuntary severance is recorded once an involuntary severance plan is committed to by management, or sooner, if involuntary severances are probable and can be reasonably estimated. For involuntary severance benefits incremental to its ongoing severance plan benefits, the fair value of the obligation is expensed at the communication date if there are no future service requirements, or over the required future service period. From time to time, Duke Energy offers special termination benefits under voluntary severance programs. Special termination benefits are recorded immediately upon employee acceptance absent a significant retention period. Otherwise, the cost is recorded over the remaining service period. Employee



## Combined Notes to Consolidated Financial Statements – (Continued)

acceptance of voluntary severance benefits is determined by management based on the facts and circumstances of the benefits being offered. See Note 19 for further information.

### Guarantees

Liabilities are recognized at the time of issuance or material modification of a guarantee for the estimated fair value of the obligation it assumes. Fair value is estimated using a probability-weighted approach. The obligation is reduced over the term of the guarantee or related contract in a systematic and rational method as risk is reduced. Any additional contingent loss for guarantee contracts subsequent to the initial recognition of a liability is accounted for and recognized at the time a loss is probable and can be reasonably estimated. See Note 7 for further information.

### Stock-Based Compensation

Stock-based compensation represents costs related to stock-based awards granted to employees and Duke Energy Board of Directors (Board of Directors) members. Duke Energy recognizes stock-based compensation based upon the estimated fair value of awards, net of estimated forfeitures at the date of issuance. The recognition period for these costs begin at either the applicable service inception date or grant date and continues throughout the requisite service period, or for certain share-based awards until the employee becomes retirement eligible, if earlier. Compensation cost is recognized as expense or capitalized as a component of property, plant and equipment. See Note 20 for further information.

### Income Taxes

Duke Energy and its subsidiaries file a consolidated federal income tax return and other state and foreign jurisdictional returns. The Subsidiary Registrants entered into a tax-sharing agreement with Duke Energy. Income taxes recorded represent amounts the Subsidiary Registrants would incur as separate C-Corporations. Deferred income taxes have been provided for temporary differences between GAAP and tax bases of assets and liabilities because the differences create taxable or tax-deductible amounts for future periods. Deferred taxes are not provided on translation gains and losses when *earnings of a foreign operation are expected to be indefinitely reinvested*. Investment tax credits (ITC) associated with regulated operations are deferred and amortized as a reduction of income tax expense over the estimated useful lives of the related properties.

Positions taken or expected to be taken on tax returns, including the decision to exclude certain income or transactions from a return, are recognized in the financial statements when it is more likely than not the tax position can be sustained based solely on the technical merits of the position. The largest amount of tax benefit that is greater than 50 percent likely of being effectively settled is recorded. Management considers a tax position effectively settled when: (i) the taxing authority has completed its examination procedures, including all appeals and administrative reviews; (ii) the Duke Energy Registrants do not intend to appeal or litigate the tax position included in the completed examination; and (iii) it is remote the taxing authority would examine or re-examine the tax position. The amount of a tax return position that is not recognized in the financial statements is disclosed as an unrecognized tax benefit. If these unrecognized tax benefits are later recognized, then there will be a decrease in income taxes payable, an income tax refund or a swap between deferred and current taxes payable. If the portion of tax benefits that has been recognized changes and those tax benefits are subsequently unrecognized, then the previously recognized tax benefits may impact the financial statements

through increasing income taxes payable, reducing income tax refunds receivable changing deferred taxes. Changes in assumptions on tax benefits may also impact interest expense or interest income and may result in the recognition of tax penalties.

Tax-related interest and penalties are recorded in Interest Expense and Other Income and Expenses, net, in the Consolidated Statements of Operations. See Note 22 for further information.

### Accounting for Renewable Energy Tax Credits and Cash Grants

When Duke Energy receives ITC or cash grants on wind or solar facilities, it reduces the basis of the property recorded on the Consolidated Balance Sheets by the amount of the ITC or cash grant and, therefore, the ITC or grant benefit is recognized through reduced depreciation expense. Additionally, certain tax credits and government grants received provide for initial tax depreciable base in excess of the book carrying value equal to one half of the ITC or government grant. Deferred tax benefits are recorded as a reduction to income tax expense in the period that the basis difference is created.

### Excise Taxes

Certain excise taxes levied by state or local governments are required to be paid even if not collected from the customer. These taxes are recognized on a gross basis. Otherwise, the taxes are accounted for net. Excise taxes accounted for on a gross basis as both operating revenues and property and other taxes in the Consolidated Statements of Operations were as follows.

(in millions)	Years Ended December 31,		
	2014	2013	2012
Duke Energy	\$ 498	\$ 602	\$ 466
Duke Energy Carolinas	94	164	161
Progress Energy	263	304	317
Duke Energy Progress	56	115	113
Duke Energy Florida	207	189	205
Duke Energy Ohio	103	105	102
Duke Energy Indiana	38	29	33

During the third quarter of 2014, the North Carolina gross receipts tax was terminated due to the North Carolina Tax Simplification and Rate Reduction Act. The North Carolina gross receipts tax is no longer imposed effective July 1, 2014.

On July 23, 2013, North Carolina House Bill 998 (HB 998) was signed into law. HB 998 repealed the utility franchise tax effective July 1, 2014. The utility franchise tax was 3.22 percent gross receipts tax on sales of electricity. The result of this change in law will be an annual reduction in excise taxes of approximately \$160 million for Duke Energy Carolinas and approximately \$110 million for Duke Energy Progress. HB 998 also increases sales tax on electricity from 3 to 7 percent effective July 1, 2014. HB 998 requires the NCUC to adjust retail electric rates for the elimination of the utility franchise tax, changes due to the increase in sales tax on electricity, and the resulting change in liability of utility companies under the general franchise tax.

### Foreign Currency Translation

The local currencies of most of Duke Energy's foreign operations have been determined to be their functional currencies. However, certain foreign operations' functional currency has been determined to be the U.S. dollar, based on an assessment of the economic circumstances of the foreign operation. Assets and liabilities of foreign operations whose functional currency is not

## Combined Notes to Consolidated Financial Statements – (Continued)

the U.S. dollar are translated into U.S. dollars at the exchange rates in effect at period end. Translation adjustments resulting from changes in exchange rates are included in AOQI. Revenue and expense accounts are translated at average exchange rates during the year. Remeasurement gains and losses arising from balances and transactions denominated in currencies other than the local currency are included in the results of operations when they occur.

### Dividend Restrictions and Unappropriated Retained Earnings

Duke Energy does not have any legal, regulatory or other restrictions on paying common stock dividends to shareholders. However, as further described in Note 4, due to conditions established by regulators in conjunction with merger transaction approvals, Duke Energy Carolinas, Duke Energy Progress, Duke Energy Ohio and Duke Energy Indiana have restrictions on paying dividends or otherwise advancing funds to Duke Energy. At December 31, 2014 and 2013, an insignificant amount of Duke Energy's consolidated Retained earnings balance represents undistributed earnings of equity method investments.

### NEW ACCOUNTING STANDARDS

The new accounting standards that were adopted for 2014, 2013 and 2012 had no significant impact on the presentation or results of operations, cash flows or financial position of the Duke Energy Registrants. Disclosures have been enhanced to provide a discussion and tables on derivative contracts subject to enforceable master netting agreements and a table of quantitative disclosures about unobservable inputs. See Notes 14 and 16 for further information.

The following new Accounting Standards Updates (ASUs) have been issued, but have not yet been adopted by the Duke Energy Registrants, as of December 31, 2014.

**ASC 205 – Reporting Discontinued Operations.** In April 2014, the Financial Accounting Standards Board (FASB) issued revised accounting guidance for reporting discontinued operations. A discontinued operation would be either (i) a component of an entity or a group of components of an entity that represents a separate major line of business or major geographical area of operations that either has been disposed of or is part of a single coordinated plan to be classified as held for sale or (ii) a business that, on acquisition, meets the criteria to be classified as held for sale.

For the Duke Energy Registrants, this guidance is effective on a prospective basis for interim and annual periods beginning January 1, 2015. This guidance will also result in increased disclosures for discontinued operations or disposals of individually significant components that are not classified as discontinued operations. In general, this guidance is likely to result in fewer disposals of assets qualifying as discontinued operations.

**ASC 606 – Revenue from Contracts with Customers.** In May 2014, the FASB issued revised accounting guidance for revenue recognition from contracts with customers. The core principle of this guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this update also require disclosure of sufficient information to allow users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

For the Duke Energy Registrants, this guidance is effective for interim and annual periods beginning January 1, 2017. Duke Energy is currently evaluating

the requirements. The ultimate impact of the new standard has not yet been determined.

## 2. ACQUISITIONS, DISPOSITIONS AND SALES OF OTHER ASSETS

### ACQUISITIONS

The Duke Energy Registrants consolidate assets and liabilities from acquisitions as of the purchase date, and include earnings from acquisitions in consolidated earnings after the purchase date.

#### Purchase of NCEMPA's Generation

On September 5, 2014, Duke Energy Progress executed an agreement to purchase North Carolina Eastern Municipal Power Agency's (NCEMPA) ownership interests in certain generating assets jointly owned with and operated by Duke Energy Progress. The agreement provides for the acquisition of a total of approximately 700 megawatts (MW) at Brunswick Nuclear Station (Brunswick), Shearon Harris Nuclear Station (Harris), Mayo Steam Station and Roxboro Steam Station. The purchase price for the ownership interest and fuel and spare parts inventory is approximately \$1.2 billion. Under the agreement, Duke Energy Progress and NCEMPA will enter into a 30-year wholesale power supply agreement to continue meeting the needs of NCEMPA's customers. Closing of the transaction is subject to certain conditions, including state and federal regulatory approvals and legislative action required prior to completing the transaction. On December 9, 2014, the FERC approved Duke Energy Progress' request to purchase NCEMPA's interests in the generation assets, approved Duke Energy Progress' 30-year wholesale power supply agreement with NCEMPA, and approved Duke Energy Progress' inclusion of the acquisition adjustment resulting from the asset purchase in wholesale power formula rates. The transaction is expected to close by the end of 2015 or early 2016.

#### Merger with Progress Energy

On July 2, 2012, Duke Energy completed its merger with Progress Energy, a North Carolina corporation engaged in the regulated utility business of generation, transmission and distribution and sale of electricity in portions of North Carolina, South Carolina and Florida. As a result of the merger, Progress Energy became a wholly owned subsidiary of Duke Energy.

The merger between Duke Energy and Progress Energy provides increased scale and diversity with potentially enhanced access to capital over the long term and a greater ability to undertake the significant construction programs necessary to respond to increasing environmental regulation, plant retirements and customer demand growth. Duke Energy's business risk profile is expected to improve over time due to the increased proportion of the business that is regulated. Additionally, cost savings, efficiencies and other benefits are expected from the combined operations.

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### Combined Notes to Consolidated Financial Statements – (Continued)

#### Purchase Price

Total consideration transferred was based on the closing price of Duke Energy common shares on July 2, 2012, and was calculated as shown in the following table.

(dollars in millions, except per share amounts; shares in thousands)	
Progress Energy common shares outstanding at July 2, 2012	296,116
Exchange ratio	0.87083
Duke Energy common shares issued for Progress Energy common shares outstanding	257,867
Closing price of Duke Energy common shares on July 2, 2012	\$ 69.84
Purchase price for common stock	\$ 18,009
Fair value of outstanding earned stock compensation awards	62
<b>Total purchase price</b>	<b>\$ 18,071</b>

Progress Energy's stock-based compensation awards, including performance shares and restricted stock, were replaced with Duke Energy awards upon consummation of the merger. In accordance with accounting guidance for business combinations, a portion of the fair value of these awards is included in the purchase price as it represents consideration transferred in the merger.

#### Purchase Price Allocation

Fair value of assets acquired and liabilities assumed was determined based on significant estimates and assumptions, including Level 3 inputs, which are judgmental in nature. Estimates and assumptions include the projected timing and amount of future cash flows, discount rates reflecting risk inherent in future cash flows, and future market prices.

Additionally, the February 5, 2013 announcement of the decision to retire Crystal River Unit 3 reflected additional information related to facts and circumstances existing as of the acquisition date. See Note 4 for additional information related to Crystal River Unit 3. As such, Duke Energy presents assets acquired and liabilities assumed as if the retirement of Crystal River Unit 3 occurred on the acquisition date.

The majority of Progress Energy's operations are subject to the rate-setting authority of the FERC, NCUC, PSCSC, and FPSC and are accounted for pursuant to U.S. GAAP, including the accounting guidance for regulated operations. Rate-setting and cost recovery provisions currently in place for Progress Energy's regulated operations provide revenues derived from costs, including a return on investment of assets and liabilities included in rate base. Except for long-term debt, asset retirement obligations, capital leases, pension and other post-retirement benefit obligations (OPEB), and the wholesale portion of Crystal River Unit 3, fair values of tangible and intangible assets and liabilities subject to these rate-setting provisions approximate their carrying values. Accordingly, assets acquired and liabilities assumed and pro forma financial information do not reflect any net adjustments related to these amounts. The difference between fair value and pre-merger carrying amounts for long-term debt, asset retirement obligations, capital leases and pension and OPEB plans for regulated operations were recorded as Regulatory assets.

The excess of purchase price over estimated fair values of assets acquired and liabilities assumed was recognized as goodwill at the acquisition date. The goodwill reflects the value paid primarily for long-term potential for enhanced access to capital as a result of increased scale and diversity, opportunities for synergies, and an improved risk profile. Goodwill resulting from the merger was allocated entirely to the Regulated Utilities segment. None of

the goodwill recognized is deductible for income tax purposes, and as such, no deferred taxes have been recorded related to goodwill.

The completed purchase price allocation is presented in the following table.

(in millions)	
Current assets	\$ 3,204
Property, plant and equipment	23,141
Goodwill	12,469
Other long-term assets	9,990
<b>Total assets</b>	<b>48,804</b>
Current liabilities, including current maturities of long-term debt	3,593
Long-term liabilities, preferred stock and noncontrolling interests	10,394
Long-term debt	16,746
<b>Total liabilities and preferred stock</b>	<b>30,733</b>
<b>Total purchase price</b>	<b>\$ 18,071</b>

The purchase price allocation in the table above reflects refinements made to preliminary fair values of assets acquired and liabilities assumed as of December 31, 2012. These refinements include adjustments associated with the retirement of Crystal River Unit 3. The changes resulted in an increase to Goodwill of \$2 million, an increase to the fair value of Current liabilities, including current maturities of long-term debt of \$12 million, a decrease to Property, plant and equipment of \$138 million, a decrease to Other long-term assets of \$4 million and a decrease to long-term liabilities, preferred stock and noncontrolling interests of \$152 million. These refinements had no impact on the amortization of purchase accounting adjustments recorded to earnings during the year ended December 31, 2013, or for the six months ended December 31, 2012.

#### Pro Forma Financial Information

The following unaudited pro forma financial information reflects the consolidated results of operations of Duke Energy and the amortization of purchase price adjustments assuming the merger had taken place on January 1, 2012. The unaudited pro forma financial information has been presented for illustrative purposes only and is not necessarily indicative of the consolidated results of operations that would have been achieved or future consolidated results of operations of Duke Energy.

Non-recurring merger consummation, integration and other costs incurred by Duke Energy and Progress Energy during the period have been excluded from pro forma earnings presented below. After-tax non-recurring merger consummation, integration and other costs incurred by both Duke Energy and Progress Energy were \$413 million for the year ended 2012. The pro forma financial information also excludes potential future cost savings or non-recurring charges related to the merger.

(in millions, except per share amounts)		Year Ended December 31, 2012
Revenues	\$	23,976
Net Income Attributable to Duke Energy Corporation		2,417
Basic and Diluted Earnings Per Share		3.43

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**Combined Notes to Consolidated Financial Statements – (Continued)**

**Accounting Charges Related to the Merger Consummation**

The following pretax consummation charges were recognized upon closing of the merger and are included in the Duke Energy Registrants' Consolidated Statements of Operations and Comprehensive Income for the year ended December 31, 2012.

(in millions)	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
FERC Mitigation	\$ 117	\$ 46	\$ 71	\$ 71	\$ —	\$ —	\$ —
Severance costs	196	63	82	55	27	21	18
Community support, charitable contributions and other	169	79	74	63	11	7	6
<b>Total</b>	<b>\$ 482</b>	<b>\$ 188</b>	<b>\$ 227</b>	<b>\$ 189</b>	<b>\$ 38</b>	<b>\$ 28</b>	<b>\$ 24</b>

FERC Mitigation charges reflect the portion of transmission project costs probable of disallowance, impairment of the carrying value of the generation assets serving Interim FERC Mitigation, and mark-to-market losses recognized on power sale agreements upon closing of the merger. Charges related to transmission projects and impairment of the carrying value of generation assets were recorded within impairment charges in the Consolidated Statements of Operations. Mark-to-market losses on interim power sale agreements was recorded in Regulated electric operating revenues in the Consolidated Statements of Operations. Subsequent changes in fair value of interim power sale agreements over the life of the contracts and realized gains or losses on interim contract sales are also recorded within Regulated electric operating revenues. The ability to successfully defend future recovery of a portion of transmission projects in rates and any future changes to estimated transmission project costs could impact the amount not expected to be recovered.

In conjunction with the merger, in November 2011, Duke Energy and Progress Energy each offered a voluntary severance plan (VSP) to certain eligible employees. VSP and other severance costs incurred were recorded primarily within Operation, maintenance and other in the Consolidated Statements of Operations. See Note 19 for further information related to employee severance expenses.

Community support, charitable contributions and other reflect (i) the unconditional obligation to provide funding at a level comparable to historic practices over the next four years, and (ii) financial and legal advisory costs incurred upon the closing of the merger, retention and relocation costs paid to certain employees. These charges were recorded within Operation, maintenance and other in the Consolidated Statements of Operations.

**Impact of Merger**

The impact of Progress Energy on Duke Energy's revenues and net income attributable to Duke Energy in the Consolidated Statements of Operations for the year ended December 31, 2012 was an increase of \$4,943 million and \$368 million, respectively.

**Chilean Operations**

In December 2012, Duke Energy acquired Iberoamericana de Energía Ibener, S.A. (Ibener) of Santiago, Chile, for cash consideration of \$415 million.

This acquisition included the 140 MW Duquenco hydroelectric generation complex consisting of two run-of-the-river plants located in southern Chile. Purchase price allocation consisted primarily of \$383 million of property, plant and equipment, \$30 million of intangible assets, \$57 million of deferred income tax liabilities, \$54 million of goodwill and \$8 million of working capital.

**DISPOSITIONS**

**Midwest Generation Exit**

On August 21, 2014, Duke Energy Commercial Enterprises, Inc., an indirect wholly owned subsidiary of Duke Energy Corporation, and Duke Energy SAM, LLC, a wholly owned subsidiary of Duke Energy Ohio, entered into a PSA with a subsidiary of Dynegy whereby Dynegy will acquire Duke Energy's Disposal Group for approximately \$2.8 billion in cash subject to adjustments at closing for changes in working capital and capital expenditures. The completion of the transaction is conditioned on approval by FERC. On January 16, 2015, FERC issued a letter requesting additional information in connection with the transaction application. The request was for further economic analysis relating to the combined market power impacts of the proposed transaction and Dynegy's simultaneous acquisition of other assets in the PJM Interconnection, LLC (PJM) market, and information relating to rate protections for Dynegy's customers. On February 6, 2015, Duke Energy and Dynegy made two filings with FERC. The first filing provided additional information requested by FERC. The second filing provided information related to Dynegy's settlement agreement with the Independent Market Monitor for PJM, which no longer opposes the proposed transaction. The transaction is expected to close by the end of the second quarter of 2015.

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Combined Notes to Consolidated Financial Statements – (Continued)

The Disposal Group is included in the Commercial Power segment. The following table presents information related to the Duke Energy Ohio generation plants included in the Disposal Group.

Facility	Plant Type	Primary Fuel	Location	Total MW Capacity <sup>(c)</sup>	Owned MW Capacity <sup>(c)</sup>	Ownership Interest
Stuart <sup>(a)(b)</sup>	Fossil Steam	Coal	OH	2,308	900	39%
Zimmer <sup>(a)</sup>	Fossil Steam	Coal	OH	1,300	605	46.5%
Hanging Rock	Combined Cycle	Gas	OH	1,226	1,226	100%
Miami Fort (Units 7 and 8) <sup>(a)</sup>	Fossil Steam	Coal	OH	1,020	652	64%
Conesville <sup>(a)(b)</sup>	Fossil Steam	Coal	OH	780	312	40%
Washington	Combined Cycle	Gas	OH	617	617	100%
Fayette	Combined Cycle	Gas	PA	614	614	100%
Killen <sup>(a)(b)</sup>	Fossil Steam	Coal	OH	600	198	33%
Lee	Combustion Turbine	Gas	IL	568	568	100%
Dick's Creek	Combustion Turbine	Gas	OH	136	136	100%
Miami Fort	Combustion Turbine	Oil	OH	56	56	100%
<b>Total Midwest Generation</b>				<b>9,225</b>	<b>5,884</b>	

(a) Jointly owned with American Electric Power Generation Resources and/or The Dayton Power & Light Company

(b) Station is not operated by Duke Energy Ohio

(c) Total MW capacity is based on summer capacity

The Disposal Group also includes a retail sales business owned by Duke Energy. In the second quarter of 2014, Duke Energy Ohio removed Ohio Valley Electric Corporation's (OVEC) purchase power agreement from the Disposal Group as it no longer intended to sell it with the Disposal Group. Duke Energy Ohio has requested cost-based recovery of its contractual entitlement in OVEC in its 2014 Electric Security Plan (ESP) application filed on May 29, 2014. See Note 4 for information related to the 2014 ESP.

The assets and associated liabilities of the Disposal Group are classified as held for sale in Duke Energy's and Duke Energy Ohio's Consolidated Balance Sheets at December 31, 2014.

The results of operations of the Disposal Group are classified as discontinued operations for current and prior periods in the accompanying Consolidated Statements of Operations and Comprehensive Income. Certain immaterial costs that may be eliminated as a result of the sale have remained in continuing operations. The following table presents the results of discontinued operations.

Duke Energy

(in millions)	Years Ended December 31,		
	2014	2013	2012
Operating Revenues	\$ 1,748	\$ 1,885	\$ 1,771
Estimated loss on disposition	(929)	—	—
(Loss) Income before income taxes	\$ (818)	\$ 141	\$ 227
Income tax (benefit) expense	(294)	56	82
(Loss) Income from discontinued operations of the Disposal Group	(524)	85	145
Other, net of tax <sup>(a)</sup>	(52)	1	26
(Loss) Income from Discontinued Operations, net of tax	\$ (576)	\$ 86	\$ 171

(a) Other discontinued operations relate to prior sales of businesses and includes indemnifications provided for certain legal, tax and environmental matters, and foreign currency translation adjustments

Duke Energy Ohio

(in millions)	Years Ended December 31,		
	2014	2013	2012
Operating Revenues	\$ 1,299	\$ 1,503	\$ 1,435
Estimated loss on disposition	(959)	—	—
(Loss) Income before income taxes	\$ (863)	\$ 67	\$ 195
Income tax (benefit) expense	(300)	32	65
(Loss) Income from Discontinued Operations, net of tax	\$ (563)	\$ 35	\$ 130

The Duke Energy and Duke Energy Ohio held for sale assets include net pretax impairments of approximately \$929 million and \$959 million, respectively, for the year ended December 31, 2014. The impairment was recorded to write-down the carrying amount of the assets to the estimated fair value of the business, based on the expected selling price to Dynegy less cost to sell. These losses were included in (Loss) Income from Discontinued Operations, net of tax in the Consolidated Statements of Operations and Comprehensive Income. The impairment will be updated, if necessary, based on the final sales price, after any adjustments at closing for working capital and capital expenditures.

Commercial Power has a revolving credit agreement (RCA) to support the operations of the nonregulated Midwest generation business. Interest expense associated with the RCA has been allocated to discontinued operations. No other interest expense related to corporate level debt has been allocated to discontinued operations.

## Combined Notes to Consolidated Financial Statements – (Continued)

The following table presents the Disposal Group's carrying values in the Consolidated Balance Sheets' major classes of Assets held for sale.

(in millions)	December 31, 2014	
	Duke Energy	Duke Energy Ohio
Current assets	\$ 364	\$ 316
Investments and other assets	52	46
Property, plant and equipment	2,590	2,559
<b>Total assets held for sale</b>	<b>\$ 3,006</b>	<b>\$ 2,921</b>
Current liabilities	\$ 262	\$ 246
Deferred credits and other liabilities	35	34
<b>Total liabilities associated with assets held for sale</b>	<b>\$ 297</b>	<b>\$ 280</b>

Duke Energy Ohio may continue to have transactions with the Disposal Group after the divestiture is complete depending on when the transaction closes. Duke Energy Ohio has a power purchase agreement with the Disposal Group, which extends through May 2015, for a portion of its standard service offer (SSO) supply requirement. In addition, for a period of up to 12 months, Duke Energy may provide transition services to Dynegy. Duke Energy will be reimbursed for transition services provided. The continuing cash flows are not expected to be material and are not considered direct cash flows. These arrangements do not allow Duke Energy or Duke Energy Ohio to significantly influence the operations of the Disposal Group once the sale is complete.

See Notes 4 and 5 for a discussion of contingencies related to the Disposal Group that will be retained by Duke Energy Ohio subsequent to the sale.

### Vermillion Generating Station

On January 12, 2012, after receiving approvals from the FERC and IURC on August 12, 2011 and December 28, 2011, respectively, Duke Energy Vermillion II, LLC (Duke Energy Vermillion), an indirect wholly owned subsidiary of Duke Energy Ohio, completed the sale of its ownership interest in Vermillion Generating Station (Vermillion) to Duke Energy Indiana and Wabash Valley Power Association, Inc. (WVPA). Upon closing of the sale, Duke Energy Indiana held a 62.5 percent interest in Vermillion. Duke Energy Ohio received net proceeds of \$82 million, of which \$68 million was paid by Duke Energy Indiana. Following the transaction, Duke Energy Indiana retired Gallagher Units 1 and 3 effective February 1, 2012.

As Duke Energy Indiana is an affiliate of Duke Energy Vermillion, the transaction was accounted for as a transfer between entities under common control with no gain or loss recorded and did not have a significant impact to Duke Energy Ohio's or Duke Energy Indiana's results of operations. Proceeds received from Duke Energy Indiana are included in Net proceeds from the sales of other assets on Duke Energy Ohio's Consolidated Statements of Cash Flows. Cash paid to Duke Energy Ohio is included in Capital expenditures on Duke Energy Indiana's Consolidated Statements of Cash Flows. Duke Energy Ohio and Duke Energy Indiana recognized non-cash equity transfers of \$28 million and \$26 million, respectively, in their Consolidated Statements of Common Stockholder's Equity on the transaction representing the difference between cash exchanged and the net book value of Vermillion. These amounts are not reflected in Duke Energy's Consolidated Statements of Cash Flows or Consolidated Statements of Equity as the transaction is eliminated in consolidation.

Proceeds from WVPA are included in Net proceeds from the sales of other assets on Duke Energy Ohio's Consolidated Statements of Cash Flows and Net proceeds from the sales of equity investments and other assets, and sales of and collections on notes receivable on Duke Energy's Consolidated Statements of Cash Flows. The sale of the proportionate share of Vermillion to WVPA did not result in a significant gain or loss upon close of the transaction.

### SALES OF OTHER ASSETS

During 2012, Duke Energy received proceeds of \$187 million from the sale of non-core business assets within the Commercial Power segment for which no material gain or loss was recognized.

## 3. BUSINESS SEGMENTS

Duke Energy evaluates segment performance based on segment income. Segment income is defined as income from continuing operations net of income attributable to noncontrolling interests. Segment income, as discussed below, includes intercompany revenues and expenses that are eliminated in the Consolidated Financial Statements. Certain governance costs are allocated to each segment. In addition, direct interest expense and income taxes are included in segment income.

Operating segments are determined based on information used by the chief operating decision maker in deciding how to allocate resources and evaluate the performance.

Products and services are sold between affiliate companies and reportable segments of Duke Energy at cost. Segment assets as presented in the tables that follow exclude all intercompany assets.

### DUKE ENERGY

Duke Energy has the following reportable operating segments: Regulated Utilities, International Energy and Commercial Power.

Regulated Utilities conducts operations primarily through Duke Energy Carolinas, Duke Energy Progress, Duke Energy Florida, Duke Energy Indiana, and the regulated transmission and distribution operations of Duke Energy Ohio. These electric and natural gas operations are subject to the rules and regulations of the FERC, NCUC, PSCSC, FPSC, PUCO, IURC and KPSC. Substantially all of Regulated Utilities' operations are regulated and, accordingly, these operations qualify for regulatory accounting treatment.

International Energy principally operates and manages power generation facilities and engages in sales and marketing of electric power, natural gas and natural gas liquids outside the U.S. 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 (MTBE) located in Saudi Arabia. The investment in NMC is accounted for under the equity method of accounting.

Commercial Power builds, develops and operates renewable generation and energy transmission projects throughout the continental U.S. As discussed in Note 2, Duke Energy entered into an agreement to sell Commercial Power's nonregulated Midwest generation business to Dynegy in a transaction that is expected to close during the second quarter of 2015. As a result of this divestiture, the results of operations of the nonregulated Midwest generation business have been reclassified to Discontinued Operations on the Consolidated Statements of Operations. Certain costs such as interest and general and administrative expenses previously allocated to the Disposal Group were not reclassified to discontinued operations.

The remainder of Duke Energy's operations is presented as Other. While it is not an operating segment, Other primarily includes unallocated corporate interest expense, certain unallocated corporate costs, Bison Insurance Company Limited (Bison), Duke Energy's wholly owned, captive insurance subsidiary, and contributions to the Duke Energy Foundation. On December 31, 2013, Duke Energy sold its interest in DukeNet Communications Holdings, LLC (DukeNet) to Time Warner Cable, Inc.

## PART II

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## Combined Notes to Consolidated Financial Statements – (Continued)

Year Ended December 31, 2014							
(in millions)	Regulated Utilities	International Energy	Commercial Power	Total Reportable Segments	Other	Eliminations	Total
Unaffiliated Revenues	\$ 22,228	\$ 1,417	\$ 255	\$ 23,900	\$ 25	\$ —	\$ 23,925
Intersegment Revenues	43	—	—	43	80	(123)	—
Total Revenues	\$ 22,271	\$ 1,417	\$ 255	\$ 23,943	\$ 105	\$ (123)	\$ 23,925
Interest Expense	\$ 1,093	\$ 93	\$ 58	\$ 1,244	\$ 400	\$ (22)	\$ 1,622
Depreciation and amortization	2,759	97	92	2,948	118	—	3,066
Equity in earnings of unconsolidated affiliates	(3)	120	10	127	3	—	130
Income tax expense (benefit) <sup>(a)</sup>	1,628	449	(171)	1,906	(237)	—	1,669
Segment income <sup>(a)(b)(c)(d)</sup>	2,795	55	(55)	2,795	(334)	(10)	2,451
Add back noncontrolling interest component							14
Loss from discontinued operations, net of tax							(576)
Net income							\$ 1,889
Capital investments expenditures and acquisitions	\$ 4,744	\$ 67	\$ 555	\$ 5,366	\$ 162	\$ —	\$ 5,528
Segment Assets	106,657	5,132	6,278	118,067	2,453	189	120,709

(a) International Energy includes a tax adjustment of \$373 million related to deferred tax impact resulting from the decision to repatriate all cumulative historical undistributed foreign earnings. See Note 22 for additional information.

(b) Commercial Power recorded a pretax impairment charge of \$94 million related to OVEC. See Note 11 for additional information.

(c) Other includes costs to achieve the Progress Energy merger. See Notes 2 and 25 for additional information about the merger and related costs.

(d) Regulated Utilities includes an increase in the litigation reserve related to the criminal investigation of the Dan River coal ash spill. See Note 5 for additional information.

Year Ended December 31, 2013							
(in millions)	Regulated Utilities	International Energy	Commercial Power	Total Reportable Segments	Other	Eliminations	Total
Unaffiliated Revenues <sup>(a)(b)(c)</sup>	\$ 20,871	\$ 1,546	\$ 254	\$ 22,671	\$ 85	\$ —	\$ 22,756
Intersegment Revenues	39	—	6	45	90	(135)	—
Total Revenues	\$ 20,910	\$ 1,546	\$ 260	\$ 22,716	\$ 175	\$ (135)	\$ 22,756
Interest Expense	\$ 986	\$ 86	\$ 61	\$ 1,133	\$ 416	\$ (6)	\$ 1,543
Depreciation and amortization	2,323	100	110	2,533	135	—	2,668
Equity in earnings of unconsolidated affiliates	(1)	110	7	116	6	—	122
Income tax expense (benefit)	1,522	166	(148)	1,540	(335)	—	1,205
Segment income <sup>(a)(b)(c)(d)(e)</sup>	2,504	408	(88)	2,824	(238)	(12)	2,574
Add back noncontrolling interest component							16
Income from discontinued operations, net of tax							86
Net income							\$ 2,676
Capital investments expenditures and acquisitions	\$ 5,049	\$ 67	\$ 268	\$ 5,384	\$ 223	\$ —	\$ 5,607
Segment Assets	99,884	4,998	6,955	111,837	2,754	188	114,779

(a) In May 2013, the PUCO approved a Duke Energy Ohio settlement agreement that provides for a net annual increase in electric distribution revenues beginning in May 2013. This rate increase impacts Regulated Utilities. See Note 4 for additional information.

(b) In June 2013, NCUC approved a Duke Energy Progress settlement agreement that included an increase in rates in the first year beginning in June 2013. This rate increase impacts Regulated Utilities. See Note 4 for additional information.

(c) In September 2013, Duke Energy Carolinas implemented revised customer rates approved by the NCUC and the PSCSC. These rate increases impact Regulated Utilities. See Note 4 for additional information.

(d) Regulated Utilities recorded an impairment charge related to Duke Energy Florida's Crystal River Unit 3. See Note 4 for additional information.

(e) Regulated Utilities recorded an impairment charge related to the letter Duke Energy Progress filed with the NRC requesting the NRC to suspend its review activities associated with the combined construction and operating license (COL) at the Harris site. Regulated Utilities also recorded an impairment charge related to the write-off of the wholesale portion of the Levy investments at Duke Energy Florida in accordance with the 2013 Settlement. See Note 4 for additional information.

(f) Other includes costs to achieve the Progress Energy merger. See Notes 2 and 25 for additional information about the merger and related costs.

(g) Other includes gain from the sale of Duke Energy's ownership interest in DukeNet. See Note 12 for additional information on the sale of DukeNet.

## PART II

DUKE ENERGY CORPORATION • DUKE ENERGY CAROLINAS, LLC • PROGRESS ENERGY, INC. •  
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## Combined Notes to Consolidated Financial Statements – (Continued)

(in millions)	Year Ended December 31, 2012						Total
	Regulated Utilities	International Energy	Commercial Power	Reportable Segments	Other	Eliminations	
Unaffiliated Revenues	\$ 16,042	\$ 1,549	\$ 299	\$ 17,890	\$ 22	\$ —	\$ 17,912
Intersegment Revenues	38	—	8	46	62	(108)	—
Total Revenues	\$ 16,080	\$ 1,549	\$ 307	\$ 17,936	\$ 84	\$ (108)	\$ 17,912
Interest Expense	\$ 806	\$ 77	\$ 63	\$ 946	\$ 298	\$ —	\$ 1,244
Depreciation and amortization	1,827	99	85	2,011	134	—	2,145
Equity in earnings of unconsolidated affiliates	(5)	134	14	143	5	—	148
Income tax expense (benefit)	942	149	(82)	1,009	(386)	—	623
Segment income <sup>(a)(b)</sup>	1,744	439	(59)	2,124	(523)	(8)	1,593
Add back noncontrolling interest component							18
Income from discontinued operations, net of tax							171
Net income							\$ 1,782
Capital investments expenditures and acquisitions	\$ 4,220	\$ 551	\$ 1,038	\$ 5,809	\$ 149	\$ —	\$ 5,958
Segment Assets	98,162	5,406	6,992	110,560	3,126	170	113,856

(a) Regulated Utilities recorded charges related to Duke Energy Indiana's Integrated Gasification Combined Cycle (IGCC) project. See Note 4 for additional information about these charges. Regulated Utilities also recorded the reversal of expenses of \$60 million, net of tax, related to a prior year Voluntary Opportunity Plan in accordance with Duke Energy Carolinas' 2011 rate case. See Note 19 for additional information about these expenses.

(b) Other includes costs to achieve the Progress Energy merger. See Notes 2 and 25 for additional information about the merger and related costs.

## GEOGRAPHICAL INFORMATION

(in millions)	U.S.	Latin America <sup>(a)</sup>	Consolidated
<b>2014</b>			
Consolidated revenues	\$ 22,508	\$ 1,417	\$ 23,925
Consolidated long-lived assets	80,709	2,458	83,167
<b>2013</b>			
Consolidated revenues	\$ 21,211	\$ 1,545	\$ 22,756
Consolidated long-lived assets	78,581	2,781	81,362
<b>2012</b>			
Consolidated revenues	\$ 16,366	\$ 1,546	\$ 17,912
Consolidated long-lived assets	79,144	2,467	81,611

(a) Change in amounts of long-lived assets in Latin America includes foreign currency translation adjustments on property, plant and equipment and other long-lived asset balances.

## PRODUCTS AND SERVICES

(in millions)	Retail Electric	Wholesale Electric	Retail Natural Gas	Wholesale Natural Gas	Other	Total Revenues
<b>2014</b>						
Regulated Utilities	\$ 19,007	\$ 1,879	\$ 571	\$ —	\$ 814	\$ 22,271
International Energy	—	1,326	—	91	—	1,417
Commercial Power	—	255	—	—	—	255
Total Reportable Segments	\$ 19,007	\$ 3,460	\$ 571	\$ 91	\$ 814	\$ 23,943
<b>2013</b>						
Regulated Utilities	\$ 17,837	\$ 1,720	\$ 506	\$ —	\$ 847	\$ 20,910
International Energy	—	1,447	—	99	—	1,546
Commercial Power	—	260	—	—	—	260
Total Reportable Segments	\$ 17,837	\$ 3,427	\$ 506	\$ 99	\$ 847	\$ 22,716
<b>2012</b>						
Regulated Utilities	\$ 13,773	\$ 1,120	\$ 470	\$ —	\$ 717	\$ 16,080
International Energy	—	1,444	—	105	—	1,549
Commercial Power	—	307	—	—	—	307
Total Reportable Segments	\$ 13,773	\$ 2,871	\$ 470	\$ 105	\$ 717	\$ 17,936



## PART II

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### Combined Notes to Consolidated Financial Statements – (Continued)

#### DUKE ENERGY OHIO

Duke Energy Ohio has two reportable operating segments, Regulated Utilities and Commercial Power.

Regulated Utilities transmits and distributes electricity in portions of Ohio and generates, distributes and sells electricity in portions of Kentucky. Regulated Utilities also transports and sells natural gas in portions of Ohio and northern Kentucky. It conducts operations primarily through Duke Energy Ohio and its wholly owned subsidiary, Duke Energy Kentucky.

As discussed in Note 2, Duke Energy entered into an agreement to sell Commercial Power's nonregulated Midwest generation business to Dynegy in a transaction that is expected to close in the second quarter of 2015. As a

result of this divestiture, the results of operations of the nonregulated Midwest generation business have been reclassified to Discontinued Operations on the Consolidated Statements of Operations and Comprehensive Income. Amounts remaining in Commercial Power relate to assets not included in the Disposal Group. Certain costs such as interest and general and administrative expenses previously allocated to the Disposal Group were not reclassified to discontinued operations.

The remainder of Duke Energy Ohio's operations is presented as Other. While it is not considered an operating segment, Other primarily includes certain governance costs allocated by its parent, Duke Energy. See Note 13 for additional information. All of Duke Energy Ohio's revenues are generated domestically and its long-lived assets are all in the U.S.

(in millions)	Year Ended December 31, 2014					
	Regulated Utilities	Commercial Power	Total Reportable Segments	Other	Eliminations	Total
Unaffiliated revenues	\$ 1,894	\$ 19	\$ 1,913	\$ —	\$ —	\$ 1,913
Intersegment revenues	1	—	1	—	(1)	—
Total revenues	\$ 1,895	\$ 19	\$ 1,914	\$ —	\$ (1)	\$ 1,913
Interest expense	\$ 81	\$ 5	\$ 86	\$ —	\$ —	\$ 86
Depreciation and amortization	211	2	213	1	—	214
Income tax expense (benefit)	117	(67)	50	(7)	—	43
Segment income (loss) <sup>(a)</sup>	202	(121)	81	(13)	—	68
Income from discontinued operations, net of tax						(563)
Net loss						\$ (495)
Capital expenditures	\$ 300	\$ 22	\$ 322	\$ —	\$ —	\$ 322
Segment assets	6,908	3,187	10,095	134	(230)	9,999

(a) Commercial Power recorded a pretax impairment charge of \$94 million related to OVEC. See Note 11 for additional information.

(in millions)	Year Ended December 31, 2013					
	Regulated Utilities	Commercial Power	Total Reportable Segments	Other	Eliminations	Total
Unaffiliated revenues	\$ 1,765	\$ 40	\$ 1,805	\$ —	\$ —	\$ 1,805
Total revenues	\$ 1,765	\$ 40	\$ 1,805	\$ —	\$ —	\$ 1,805
Interest expense	\$ 74	\$ —	\$ 74	\$ —	\$ —	\$ 74
Depreciation and amortization	200	13	213	—	—	213
Income tax expense (benefit)	91	(36)	55	(12)	—	43
Segment income (loss)	151	(65)	86	(19)	—	67
Income from discontinued operations, net of tax						35
Net income						\$ 102
Capital expenditures	\$ 375	\$ 58	\$ 433	\$ —	\$ —	\$ 433
Segment assets	6,649	4,170	10,819	99	(155)	10,763

PART II

DUKE ENERGY CORPORATION • DUKE ENERGY CAROLINAS, LLC • PROGRESS ENERGY, INC. •  
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**Combined Notes to Consolidated Financial Statements – (Continued)**

(in millions)	Year Ended December 31, 2012					
	Regulated Utilities	Commercial Power	Total Reportable Segments	Other	Eliminations	Total
Unaffiliated revenues	\$ 1,745	\$ 75	\$ 1,820	\$ —	\$ —	\$ 1,820
Intersegment revenues	1	1	2	—	(2)	—
Total revenues	\$ 1,746	\$ 76	\$ 1,822	\$ —	\$ (2)	\$ 1,820
Interest expense	\$ 61	\$ 28	\$ 89	\$ —	\$ —	\$ 89
Depreciation and amortization	179	16	195	—	—	195
Income tax expense (benefit)	91	(40)	51	(18)	—	33
Segment income (loss)	159	(80)	79	(34)	—	45
Income from discontinued operations, net of tax						130
Net income						\$ 175
Capital expenditures	\$ 427	\$ 87	\$ 514	\$ —	\$ —	\$ 514
Segment assets	6,434	4,175	10,609	117	(166)	10,560

**DUKE ENERGY CAROLINAS, PROGRESS ENERGY, DUKE ENERGY PROGRESS,  
DUKE ENERGY FLORIDA AND DUKE ENERGY INDIANA**

Duke Energy Carolinas, Progress Energy, Duke Energy Progress, Duke Energy Florida and Duke Energy Indiana each have one reportable operating segment, Regulated Utility, which generates, transmits, distributes and sells electricity. The remainder of each company's operations is classified as Other. While not considered a reportable segment for any of these companies, Other consists of certain unallocated corporate costs. Other for Progress Energy also includes interest expense on corporate debt instruments of \$241 million, \$300 million and \$304 million for the years ended December 31, 2014, 2013 and 2012. The following table summarizes the net loss for Other for each of these entities.

(in millions)	Years Ended December 31,		
	2014	2013	2012
Duke Energy Carolinas	\$ (79)	\$ (97)	\$ (169)
Progress Energy	(190)	(241)	(379)
Duke Energy Progress	(31)	(46)	(139)
Duke Energy Florida	(19)	(24)	(58)
Duke Energy Indiana	(11)	(16)	(27)

Duke Energy Progress earned approximately 11 percent of its consolidated operating revenues from North Carolina Electric Membership Corporation (NCEMC) in 2014. These revenues relate to wholesale contracts and transmission revenues. The respective Regulated Utility and Regulated Utilities operating segments own substantially all of Duke Energy Carolinas', Progress Energy's, Duke Energy Progress', Duke Energy Florida's and Duke Energy Indiana's assets at December 31, 2014, 2013 and 2012.

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DUKE ENERGY PROGRESS, INC. • DUKE ENERGY FLORIDA, INC. • DUKE ENERGY OHIO, INC. • DUKE ENERGY INDIANA, INC.

## Combined Notes to Consolidated Financial Statements – (Continued)

### 4. REGULATORY MATTERS

#### REGULATORY ASSETS AND LIABILITIES

The Duke Energy Registrants record regulatory assets and liabilities that result from the ratemaking process. See Note 1 for further information. The following tables present the regulatory assets and liabilities recorded on the Consolidated Balance Sheets.

(in millions)	December 31, 2014						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
<b>Regulatory Assets</b>							
Asset retirement obligations	\$ 3,017	\$ 907	\$ 1,882	\$ 1,584	\$ 298	\$ —	\$ —
Accrued pension and OPEB	2,015	412	812	354	458	132	217
Retired generation facilities	1,659	58	1,545	152	1,393	—	56
Debt fair value adjustment	1,305	—	—	—	—	—	—
Net regulatory asset related to income taxes	1,144	614	354	141	213	64	111
Hedge costs and other deferrals	628	103	490	217	273	7	28
Demand side management (DSM)/Energy efficiency (EE)	330	106	203	193	10	21	—
Grid Modernization	76	—	—	—	—	76	—
Vacation accrual	213	86	46	46	—	6	12
Deferred fuel	246	50	182	138	44	9	5
Nuclear deferral	296	141	155	43	112	—	—
Post in-service carrying costs and deferred operating expenses	494	124	121	28	93	21	228
Gasification services agreement buyout	55	—	—	—	—	—	55
Transmission expansion obligation	70	—	—	—	—	74	—
Manufactured gas plant (MGP)	115	—	—	—	—	115	—
Other	494	263	109	66	42	36	66
<b>Total regulatory assets</b>	<b>12,157</b>	<b>2,864</b>	<b>5,899</b>	<b>2,962</b>	<b>2,936</b>	<b>561</b>	<b>778</b>
Less: current portion	1,115	399	491	287	203	49	93
<b>Total non-current regulatory assets</b>	<b>\$11,042</b>	<b>\$2,465</b>	<b>\$5,408</b>	<b>\$2,675</b>	<b>\$2,733</b>	<b>\$512</b>	<b>\$685</b>

(in millions)	December 31, 2014						
	Duke Energy	Duke Energy Carolinas	Progress Energy	Duke Energy Progress	Duke Energy Florida	Duke Energy Ohio	Duke Energy Indiana
<b>Regulatory Liabilities</b>							
Costs of removal	\$ 5,221	\$ 2,420	\$ 1,975	\$ 1,692	\$ 283	\$ 222	\$ 613
Amounts to be refunded to customers	166	—	70	—	70	—	96
Storm reserve	150	25	125	—	125	—	—
Accrued pension and OPEB	379	76	121	61	60	19	91
Deferred fuel	37	6	23	23	—	—	8
Other	444	217	171	127	44	10	42
<b>Total regulatory liabilities</b>	<b>6,397</b>	<b>2,744</b>	<b>2,485</b>	<b>1,903</b>	<b>582</b>	<b>251</b>	<b>850</b>
Less: current portion	204	34	106	71	35	10	54
<b>Total non-current regulatory liabilities</b>	<b>\$ 6,193</b>	<b>\$2,710</b>	<b>\$2,379</b>	<b>\$1,832</b>	<b>\$547</b>	<b>\$241</b>	<b>\$796</b>