

# LARGE FILING SEPARATOR SHEET

CASE NUMBER: 12-1682-EL-AIR,  
12-1683-EL-ATA, 12-1684-EL-AAM

FILE DATE:

07/09/12

SECTION: Vol 5 part 2 of 5

NUMBER OF PAGES: 154

DESCRIPTION OF DOCUMENT:

APPLICATION

This is to certify that the images appearing are an  
accurate and complete reproduction of a case file  
document delivered in the regular course of business.  
Technician R Date Processed 7/9/2012

## PART II

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

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

	Derivatives (net)
Pre-tax amounts included in the Consolidated Statements of Operations related to Level 3 measurements outstanding at December 31, 2010:	
Revenue, non-regulated electric and other	\$ 17
Total	\$ 17
<b>Year Ended December 31, 2009</b>	
Balance at January 1, 2009	\$ 8
Total pre-tax realized and unrealized (losses) gains included in earnings:	
Revenue, non-regulated electric and other	(6)
Fuel used in electric generation and purchased power-non-regulated	16
Total pre-tax gains included in other comprehensive income:	
Gains on commodity cash flow hedges	1
Net purchases, sales, issuances and settlements	6
Total losses included on the Consolidated Balance Sheet as regulatory asset or liability or as non-current liability	(18)
Balance at December 31, 2009	\$ 7
Pre-tax amounts included in the Consolidated Statements of Operations related to Level 3 measurements outstanding at December 31, 2009:	
Fuel used in electric generation and purchased power-non-regulated	(12)
Total	\$(12)

**Duke Energy Indiana**

The following tables provide the fair value measurement amounts for assets and liabilities recorded on Duke Energy Indiana's Consolidated Balance Sheets at fair value at December 31, 2011 and December 31, 2010. Amounts presented in the tables below exclude cash collateral amounts.

(in millions)	Total Fair Value Amounts at December 31,			
	2011	Level 1	Level 2	Level 3
<b>Description</b>				
Available-for-sale equity securities <sup>(a)</sup>	\$ 46	\$46	\$ —	\$ —
Available-for-sale debt securities <sup>(a)</sup>	28	—	28	—
Derivative assets <sup>(b)</sup>	4	—	—	4
Total Assets	78	46	28	4
Derivative liabilities <sup>(c)</sup>	(69)	(1)	(68)	—
Net Assets	\$ 9	\$45	\$(40)	\$ 4

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

(b) Included in Other within Current Assets on the Consolidated Balance Sheets.

(c) Included in Other within Current Liabilities and Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheets.

(in millions)	Total Fair Value Amounts at December 31,			
	2010	Level 1	Level 2	Level 3
<b>Description</b>				
Available-for-sale equity securities <sup>(a)</sup>	\$47	\$47	\$ —	\$ —
Available-for-sale debt securities <sup>(a)</sup>	26	—	26	—
Derivative assets <sup>(b)</sup>	4	—	—	4
Total Assets	77	47	26	4
Derivative liabilities <sup>(c)</sup>	(2)	—	(2)	—
Net Assets	\$75	\$47	\$24	\$ 4

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

(b) Included in Other within Current Assets on the Consolidated Balance Sheets.

(c) Included in Other within Current Liabilities and Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheets.

## PART II

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

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

#### Rollforward of Level 3 measurements

(in millions)	Derivatives (net)
<b>Year Ended December 31, 2011</b>	
Balance at January 1, 2011	\$ 4
Total pre-tax realized or unrealized gains included in earnings:	
Revenue, regulated electric <sup>(a)</sup>	14
Net purchases, sales, issuances and settlements:	
Purchases <sup>(a)</sup>	8
Settlements	(21)
Total losses included on the Consolidated Balance Sheet as regulatory asset or liability or as current or non-current liability	(1)
Balance at December 31, 2011	\$ 4

(a) Amounts relate to financial transmission rights.

<b>Year Ended December 31, 2010</b>	
Balance at January 1, 2010	\$ 4
Net purchases, sales, issuances and settlements	(15)
Total gains included on the Consolidated Balance Sheet as regulatory asset or liability or as current or non-current liability	15
Balance at December 31, 2010	\$ 4

<b>Year Ended December 31, 2009</b>	
Balance at January 1, 2009	\$ 10
Net purchases, sales, issuances and settlements	(9)
Total gains included on the Consolidated Balance Sheet as regulatory asset or liability or as current or non-current liability	3
Balance at December 31, 2009	\$ 4

#### Additional Fair Value Disclosures — Long-term debt:

The fair value of financial instruments, excluding financial assets and certain financial liabilities included in the scope of the accounting guidance for fair value measurements disclosed in the tables above, is summarized in the following table. Judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates determined as of December 31, 2011 and 2010 are not necessarily indicative of the amounts the Duke Energy Registrants could have settled in current markets.

(in millions)	As of December 31, 2011							
	Duke Energy		Duke Energy Carolinas		Duke Energy Ohio		Duke Energy Indiana	
	Book Value <sup>(a)</sup>	Approximate Fair Value	Book Value <sup>(a)</sup>	Approximate Fair Value	Book Value	Approximate Fair Value	Book Value	Approximate Fair Value
Long-term debt, including current maturities	\$20,573	\$23,053	\$9,274	\$10,629	\$2,555	\$2,688	\$3,459	\$4,048

(a) Includes Non-recourse long-term debt of variable interest entities of \$949 million for Duke Energy and \$300 million for Duke Energy Carolinas.

(in millions)	As of December 31, 2010							
	Duke Energy		Duke Energy Carolinas		Duke Energy Ohio		Duke Energy Indiana	
	Book Value	Approximate Fair Value	Book Value	Approximate Fair Value	Book Value	Approximate Fair Value	Book Value	Approximate Fair Value
Long-term debt, including current maturities <sup>(a)</sup>	\$18,210	\$19,484	\$7,770	\$8,376	\$2,564	\$2,614	\$3,472	\$3,746

a) Includes Non-recourse long-term debt of variable interest entities of \$976 million for Duke Energy and \$300 million for Duke Energy Carolinas.

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

At both December 31, 2011 and December 31, 2010, the fair value of cash and cash equivalents, accounts and notes receivable, accounts and notes payable and commercial paper, as well as restricted funds held in trust at Duke Energy Ohio, are not materially different from their carrying amounts because of the short-term nature of these instruments and/or because the stated rates approximate market rates.

See Note 21 for disclosure of fair value measurements for investments that support Duke Energy's qualified, non-qualified and other post-retirement benefit plans.

**16. INVESTMENTS IN DEBT AND EQUITY SECURITIES**

The Duke Energy Registrants classify their investments in debt and equity securities into two categories — trading and available-for-sale. Investments in debt and equity securities held in grantor trusts associated with certain deferred compensation plans and certain other investments are classified as trading securities and are reported at fair value in the Consolidated Balance Sheets with net realized and unrealized gains and losses included in earnings each period. All other investments in debt and equity securities are classified as available-for-sale securities, which are also reported at fair value on the Consolidated Balance Sheets with unrealized gains and losses excluded from earnings and reported either as a regulatory asset or liability, as discussed further below, or as a component of other comprehensive income until realized.

**Trading Securities.** Duke Energy holds investments in debt and equity securities in grantor trusts that are associated with certain deferred compensation plans. At December 31, 2011 and 2010, the fair value of these investments was \$32 million and \$29 million, respectively. Additionally, at December 31, 2010 Duke Energy held Windstream Corp. equity securities, which were received as proceeds from the sale of Duke Energy's equity investment in Q-Comm during the fourth quarter of 2010 (see Note 2). The fair value of these securities at December 31, 2010 was \$87 million. Duke Energy subsequently sold these securities in the first quarter of 2011. Proceeds received from the sale of Windstream equity securities are reflected in Net proceeds from the sale of equity investments and other assets, and sales of and collections on notes receivable in the Duke Energy Consolidated Statement of Cash Flows.

**Available for Sale Securities.** Duke Energy's available-for-sale securities are primarily comprised of investments held in the NDTF at Duke Energy Carolinas, investments in a grantor trust at Duke Energy Indiana related to other post-retirement benefit plans as required by the IURC, Duke Energy captive insurance investment portfolio, Duke Energy foreign operations investment portfolio, and investments of Duke Energy and Duke Energy Carolinas in auction rate debt securities.

The investments within the Duke Energy Carolinas NDTF and the Duke Energy Indiana grantor trust are managed by independent investment managers with discretion to buy, sell and invest pursuant to the objectives set forth by the trust agreements. Therefore, Duke

Energy Carolinas and Duke Energy Indiana have limited oversight of the day-to-day management of these investments. Since day-to-day investment decisions, including buy and sell decisions, are made by the investment manager, the ability to hold investments in unrealized loss positions is outside the control of Duke Energy Carolinas and Duke Energy Indiana. Accordingly, all unrealized losses associated with equity securities within the Duke Energy Carolinas NDTF and the Duke Energy Indiana grantor trust are considered other-than-temporary and are recognized immediately when the fair value of individual investments is less than the cost basis of the investment. Pursuant to regulatory accounting, substantially all unrealized losses associated with investments in debt and equity securities within the Duke Energy Carolinas NDTF or the Duke Energy Indiana grantor trust are deferred as a regulatory asset, thus there is no immediate impact on the earnings of Duke Energy Carolinas and Duke Energy Indiana as a result of any other-than-temporary impairments that would otherwise be required to be recognized in earnings.

For investments in debt and equity securities held in the captive insurance investment portfolio and investments in auction rate debt securities, unrealized gains and losses are included in other comprehensive income until realized, unless it is determined that the carrying value of an investment is other-than-temporarily impaired, at which time the write-down to fair value may be included in earnings based on the criteria discussed below.

For available-for-sale securities outside of the Duke Energy Carolinas NDTF and the Duke Energy Indiana grantor trust, which are discussed separately above, Duke Energy analyzes all investment holdings each reporting period to determine whether a decline in fair value should be considered other-than-temporary. Criteria used to evaluate whether an impairment associated with equity securities is other-than-temporary includes, but is not limited to, the length of time over which the market value has been lower than the cost basis of the investment, the percentage decline compared to the cost of the investment and management's intent and ability to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in market value. If a decline in fair value is determined to be other-than-temporary, the investment is written down to its fair value through a charge to earnings.

With respect to investments in debt securities, under the accounting guidance for other-than-temporary impairment, if the entity does not have an intent to sell the security and it is not more likely than not that management will be required to sell the debt security before the recovery of its cost basis, the impairment write-down to fair value would be recorded as a component of other comprehensive income, except for when it is determined that a credit loss exists. In determining whether a credit loss exists, management considers, among other things, the length of time and the extent to which the fair value has been less than the amortized cost basis, changes in the financial condition of the issuer of the security, or in the case of an asset backed security, the financial condition of the underlying loan obligors, consideration of underlying collateral and guarantees of amounts by government entities, ability of the issuer of



## PART II

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

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

the security to make scheduled interest or principal payments and any changes to the rating of the security by rating agencies. If it is determined that a credit loss exists, the amount of impairment write-down to fair value would be split between the credit loss, which would be recognized in earnings, and the amount attributable to all other factors, which would be recognized in other comprehensive income. Since management believes, based on consideration of the criteria above, that no credit loss exists as of December 31, 2011 and 2010, and management does not have the intent to sell such investments in auction rate debt securities and the investments in debt securities within its captive insurance investment portfolio, and foreign operations investment portfolio, and it is not more likely than not that management will be required to sell these securities before the anticipated recovery of their cost basis, management concluded that there were no other-than-temporary impairments necessary as of December 31, 2011 and 2010. Accordingly, all changes in the market value of investments in auction rate debt securities, captive insurance investments, and foreign operation investments were reflected as a component of other comprehensive income in 2011 and 2010. See Note 15 for additional information related to fair value measurements for investments in auction rate debt securities.

Management will continue to monitor the carrying value of its entire portfolio of investments in the future to determine if any additional other-than-temporary impairment losses should be recorded.

Investments in debt and equity securities are classified as either short-term investments or long-term investments based on management's intent and ability to sell these securities, taking into consideration liquidity factors in the current markets with respect to certain short-term investments that have historically provided for a high degree of liquidity, such as investments in auction rate debt securities.

#### Short-term investments.

During the year ended December 31, 2011, Duke Energy purchased \$190 million of corporate debt securities using excess cash from its foreign operations. These investments are classified as Short-Term Investments on the balance sheet and are available for current operations of Duke Energy's foreign business. During the year ended December 31, 2011, Duke Energy received proceeds on sales of auction rate securities of approximately \$59 million (par value). During the year ended December 31, 2010, there were no purchases or sales of short-term investments.

#### Long-term investments.

Duke Energy classifies its investments in debt and equity securities held in the Duke Energy Carolinas NDTF (see Note 15 for further information), the Duke Energy Indiana grantor trust and the captive insurance investment portfolio as long term. Additionally, Duke Energy has classified \$71 million carrying value (\$89 million par value) and \$118 million carrying value (\$149 million par value) of investments in auction rate debt securities as long-term at December 31, 2011 and 2010, respectively, due to market illiquidity factors as a result of continued failed auctions. All of these investments are classified as available-for-sale and, therefore, are reflected on the Consolidated Balance Sheets at estimated fair value based on either quoted market prices or management's best estimate of fair value based on expected future cash flow using appropriate risk-adjusted discount rates. Since management does not intend to use these investments in current operations, these investments are classified as long term.

The cost of securities is determined using the specific identification method.

The estimated fair values of investments classified as available-for-sale are as follows (in millions):

#### Duke Energy

	December 31, 2011			December 31, 2010		
	Gross Unrealized Holding Gains <sup>(a)</sup>	Gross Unrealized Holding Losses <sup>(a)</sup>	Estimated Fair Value	Gross Unrealized Holding Gains <sup>(a)</sup>	Gross Unrealized Holding Losses <sup>(a)</sup>	Estimated Fair Value
Short-term Investments	\$ —	\$ —	\$ 190	\$ —	\$ —	\$ —
Total short-term investments	\$ —	\$ —	\$ 190	\$ —	\$ —	\$ —
Equity Securities	\$448	\$(18)	\$1,397	\$481	\$(16)	\$1,435
Corporate Debt Securities	9	(3)	256	12	(3)	270
Municipal Bonds	3	—	79	1	(9)	69
U.S. Government Bonds	17	—	327	10	(1)	235
Auction Rate Debt Securities	—	(17)	71	—	(31)	118
Other	6	(4)	229	11	(5)	274
Total long-term investments	\$483	\$(42)	\$2,359	\$515	\$(65)	\$2,401

(a) The table above includes unrealized gains and losses of \$473 million and \$22 million, respectively, at December 31, 2011 and unrealized gains and losses of \$505 million and \$32 million, respectively, at December 31, 2010 associated with investments held in the Duke Energy Carolinas NDTF. Additionally, the table above includes unrealized gains of \$6 million and \$1 million of unrealized losses at December 31, 2011, and unrealized gains of \$6 million and an insignificant amount of unrealized losses, at December 31, 2010 associated with investments held in the Duke Energy Indiana grantor trust. As discussed above, unrealized losses on investments within the NDTF and Duke Energy Indiana grantor trust are deferred as a regulatory asset pursuant to regulatory accounting treatment.

## PART II

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

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

For the years ended December 31, 2011 and 2009, a pre-tax gain of \$6 million and \$7 million, respectively were reclassified out of AOCI into earnings. There were no reclassifications out of AOCI into earnings for the year ended December 31, 2010.

Debt securities held at December 31, 2011, which excludes auction rate securities based on the stated maturity date, mature as follows: \$141 million in less than one year, \$318 million in one to five years, \$240 million in six to 10 years and \$381 million thereafter.

The fair values and gross unrealized losses of available-for-sale debt and equity securities which are in an unrealized loss position for which other-than-temporary impairment losses have not been recorded in the Consolidated Statement of Operations, summarized by investment type and length of time that the securities have been in a continuous loss position, are presented in the table below as of December 31, 2011 and 2010.

	As of December 31, 2011			As of December 31, 2010		
	Estimated Fair Value <sup>(a)</sup>	Unrealized Loss Position > 12 months	Unrealized Loss Position < 12 months	Estimated Fair Value <sup>(a)</sup>	Unrealized Loss Position > 12 months	Unrealized Loss Position < 12 months
Equity Securities	\$123	(6)	\$(12)	\$ 85	(11)	\$ (5)
Corporate Debt Securities	258	(2)	(1)	73	(2)	(2)
Municipal Bonds	3	—	—	42	(8)	(1)
U.S. Government Bonds	8	—	—	38	—	(1)
Auction Rate Debt Securities <sup>(b)</sup>	71	(17)	—	118	(31)	—
Other	121	—	(4)	84	(1)	(3)
Total long-term investments	\$584	\$(25)	\$(17)	\$440	\$(53)	\$(12)

(a) The table above includes fair values of \$289 million and \$226 million at December 31, 2011 and December 31, 2010, respectively, associated with investments held in the Duke Energy Carolinas NDTF. Additionally, the table above includes fair values of \$11 million and \$5 million at December 31, 2011 and December 31, 2010, respectively, associated with investments held in the Duke Energy Indiana grantor trust.

(b) See Note 15 for information about fair value measurements related to investments in auction rate debt securities.

#### Duke Energy Carolinas

	December 31, 2011			December 31, 2010		
	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
Equity Securities	\$443	\$(16)	\$1,337	\$475	\$(16)	\$1,365
Corporate Debt Securities	8	(2)	205	10	(3)	227
Municipal Bonds	2	—	51	1	(9)	43
U.S. Government Bonds	16	—	306	10	—	224
Auction Rate Debt Securities	—	(3)	12	—	(3)	12
Other	4	(4)	161	9	(4)	155
Total long-term investments	\$473	\$(25)	\$2,072	\$505	\$(35)	\$2,026

Debt securities held at December 31, 2011, which excludes auction rate securities based on the stated maturity date, mature as follows: \$65 million in less than one year, \$144 million in one to five years, \$205 million in six to 10 years and \$309 million thereafter.

The fair values and gross unrealized losses of available-for-sale debt and equity securities which are in an unrealized loss position for which other-than-temporary impairment losses have not been recorded in the Consolidated Statement of Operations, summarized by investment type and length of time that the securities have been in a continuous loss position, are presented in the table below as of December 31, 2011 and December 31, 2010.

## PART II

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

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

	As of December 31, 2011			As of December 31, 2010		
	Estimated Fair Value	Unrealized Loss Position > 12 months	Unrealized Loss Position < 12 months	Estimated Fair Value	Unrealized Loss Position > 12 months	Unrealized Loss Position < 12 months
Equity Securities	\$111	(4)	\$(12)	\$ 79	(11)	\$ (5)
Corporate Debt Securities	57	(1)	(1)	59	(2)	(1)
Municipal Bonds	—	—	—	28	(8)	(1)
U.S. Government Bonds	8	—	—	33	—	—
Auction Rate Debt Securities <sup>(a)</sup>	12	(3)	—	12	(3)	—
Other	113	(1)	(3)	27	(1)	(3)
Total long-term investments	\$301	\$(9)	\$(16)	\$238	\$(25)	\$(10)

(a) See Note 15 for information about fair value measurements related to investments in auction rate debt securities.

#### Duke Energy Indiana

	December 31, 2011			December 31, 2010		
	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
Equity Securities	\$5	\$(1)	\$46	\$ 6	\$—	\$47
Municipal Bonds	1	—	28	—	—	26
Total long-term investments	\$6	\$(1)	\$74	\$ 6	\$—	\$73

Debt securities held at December 31, 2011 mature as follows: \$1 million in less than one year, \$20 million in one to five years, \$6 million in six to 10 years and \$1 million thereafter.

The fair values and gross unrealized losses of available-for-sale debt and equity securities which are in an unrealized loss position for which other-than-temporary impairment losses have not been recorded in the Consolidated Statement of Operations, summarized by investment type and length of time that the securities have been in a continuous loss position, are presented in the table below as of December 31, 2011 and December 31, 2010.

	As of December 31, 2011			As of December 31, 2010		
	Fair Value	Unrealized Loss Position > 12 months	Unrealized Loss Position < 12 months	Fair Value	Unrealized Loss Position > 12 months	Unrealized Loss Position < 12 months
Equity Securities	\$ 8	\$—	\$(1)	\$—	\$—	\$—
Municipal Bonds	3	—	—	14	—	—
Total long-term investments	\$11	\$—	\$(1)	\$14	\$—	\$—

## 17. VARIABLE INTEREST ENTITIES

A VIE is an entity that is evaluated for consolidation using more than a simple analysis of voting control. The analysis to determine whether an entity is a VIE considers contracts with an entity, credit support for an entity, the adequacy of the equity investment of an entity and the relationship of voting power to the amount of equity invested in an entity. This analysis is performed either upon the creation of a legal entity or upon the occurrence of an event requiring reevaluation, such as a significant change in an entity's assets or activities. If an entity is determined to be a VIE, a qualitative analysis of control determines the party that consolidates a VIE based on what party has the power to direct the most significant activities of the VIE that impact its economic performance as well as what party has rights to receive benefits or is obligated to absorb losses that are significant to the VIE. The analysis of the party that consolidates a VIE is a continual reassessment.

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

The table below shows the VIEs that Duke Energy and Duke Energy Carolinas consolidate and how these entities impact Duke Energy's and Duke Energy Carolinas' respective Consolidated Balance Sheets. None of these entities is consolidated by Duke Energy Ohio or Duke Energy Indiana.

Other than the discussion below related to CRC, no financial support was provided to any of the consolidated VIEs during the years ended December 31, 2011 and 2010, respectively, or is expected to be provided in the future, that was not previously contractually required.

	Duke Energy					
	Duke Energy Carolinas					
	Duke Energy Receivables Financing LLC (DERF)	CRC	CinCap V	Renewables	Other	Total
(in millions)						
<b>At December 31, 2011</b>						
<b>VIE Balance Sheets</b>						
Restricted Receivables of VIEs	\$581	\$547	\$13	\$ 13	\$ 3	\$1,157
Other Current Assets	—	—	2	124	8	134
Intangibles, net	—	—	—	12	—	12
Restricted Other Assets of VIEs	—	—	65	10	60	135
Other Assets	—	—	14	36	—	50
Property, Plant and Equipment Cost, VIEs	—	—	—	913	—	913
Less Accumulated Depreciation and Amortization	—	—	—	(62)	—	(62)
Other Deferred Debits	—	—	—	24	2	26
Total Assets	581	547	94	1,070	73	2,365
Accounts Payable	—	—	—	1	1	2
Non-Recourse Notes Payable	—	273	—	—	—	273
Taxes Accrued	—	—	—	3	—	3
Current Maturities of Long-Term Debt	—	—	11	49	5	65
Other Current Liabilities	—	—	3	59	—	62
Non-Recourse Long-Term Debt	300	—	60	528	61	949
Deferred Income Taxes	—	—	—	160	—	160
Asset Retirement Obligation	—	—	—	13	—	13
Other Liabilities	—	—	13	37	—	50
Total Liabilities	300	273	87	850	67	1,577
Noncontrolling interests	—	—	—	—	1	1
Net Duke Energy Corporation Shareholders' Equity	\$281	\$274	\$ 7	\$ 220	\$ 5	\$ 787

## PART II

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

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

	Duke Energy					Total
	Duke Energy Carolinas					
	Duke Energy Receivables Financing LLC (DERF)	CRC	CinCap V	Renewables	Other	
(in millions)						
<b>At December 31, 2010</b>						
<b>VIE Balance Sheets</b>						
Restricted Receivables of VIEs	\$637	\$629	\$ 12	\$ 20	\$ 4	\$1,302
Other Current Assets	—	—	4	282	8	294
Intangibles, net	—	—	—	13	—	13
Restricted Other Assets of VIEs	—	—	76	(2)	65	139
Other Assets	—	—	23	—	—	23
Property, Plant and Equipment Cost, VIEs	—	—	—	892	50	942
Less Accumulated Depreciation and Amortization	—	—	—	(26)	(29)	(55)
Other Deferred Debits	—	—	—	24	(3)	21
<b>Total Assets</b>	<b>637</b>	<b>629</b>	<b>115</b>	<b>1,203</b>	<b>95</b>	<b>2,679</b>
Accounts Payable	—	—	—	2	2	4
Non-Recourse Notes Payable	—	216	—	—	—	216
Taxes Accrued	—	—	—	1	—	1
Current Maturities of Long-Term Debt	—	—	9	45	7	61
Other Current Liabilities	—	—	5	16	—	21
Non-Recourse Long-Term Debt	300	—	71	518	87	976
Deferred Income Taxes	—	—	—	191	—	191
Asset Retirement Obligation	—	—	—	12	—	12
Other Liabilities	—	—	22	4	—	26
<b>Total Liabilities</b>	<b>300</b>	<b>216</b>	<b>107</b>	<b>789</b>	<b>96</b>	<b>1,508</b>
Noncontrolling interests	—	—	—	—	1	1
<b>Net Duke Energy Corporation Shareholders' Equity</b>	<b>\$337</b>	<b>\$413</b>	<b>\$ 8</b>	<b>\$ 414</b>	<b>\$ (2)</b>	<b>\$1,170</b>

**DERF.**

Duke Energy Carolinas securitizes certain accounts receivable through DERF, a bankruptcy remote, special purpose subsidiary. DERF is a wholly-owned limited liability company of Duke Energy Carolinas with a separate legal existence from its parent, and its assets are not intended to be generally available to creditors of Duke Energy Carolinas. As a result of the securitization, on a daily basis Duke Energy Carolinas sells certain accounts receivable, arising from the sale of electricity and/or related services as part of Duke Energy Carolinas' franchised electric business, to DERF. In order to fund its purchases of accounts receivable, DERF has a \$300 million secured credit facility with a commercial paper conduit, which expires in August 2013. Duke Energy Carolinas provides the servicing for the receivables (collecting and applying the cash to the appropriate receivables). Duke Energy Carolinas' borrowing under the credit facility is limited to the amount of qualified receivables sold, which has been and is expected to be in excess of the amount borrowed, which is maintained at \$300 million. The debt is classified as long-term since the facility has an expiration date of greater than one year from the balance sheet date.

The obligations of DERF under the facility are non-recourse to Duke Energy Carolinas. Duke Energy and its subsidiaries have no requirement to provide liquidity, purchase assets of DERF or

guarantee performance. DERF is considered a VIE because the equity capitalization is insufficient to support its operations. If deficiencies in the net worth of DERF were to occur, those deficiencies would be cured through funding from Duke Energy Carolinas. In addition, the most significant activity of DERF relates to the decisions made with respect to the management of delinquent receivables. Since those decisions are made by Duke Energy Carolinas and any net worth deficiencies of DERF would be cured through funding from Duke Energy Carolinas, Duke Energy Carolinas consolidates DERF.

**CRC.**

CRC was formed in order to secure low cost financing for Duke Energy Ohio, including Duke Energy Kentucky, and Duke Energy Indiana. Duke Energy Ohio and Duke Energy Indiana sell on a revolving basis at a discount, nearly all of their customer accounts receivable and related collections to CRC. The receivables which are sold are selected in order to avoid any significant concentration of credit risk and exclude delinquent receivables. The receivables sold are securitized by CRC through a facility managed by two unrelated third parties and the receivables are used as collateral for commercial paper issued by the unrelated third parties. These loans provide the cash portion of the proceeds paid by CRC to Duke Energy Ohio and Duke Energy Indiana. The proceeds obtained by Duke Energy Ohio

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

and Duke Energy Indiana from the sales of receivables are cash and a subordinated note from CRC (subordinated retained interest in the sold receivables) for a portion of the purchase price (typically approximates 25% of the total proceeds). The amount borrowed by CRC against these receivables is non-recourse to the general credit of Duke Energy, and the associated cash collections from the accounts receivable sold is the sole source of funds to satisfy the related debt obligation. Borrowing is limited to approximately 75% of the transferred receivables. Losses on collection in excess of the discount are first absorbed by the equity of CRC and next by the subordinated retained interests held by Duke Energy Ohio and Duke Energy Indiana. The discount on the receivables reflects interest expense plus an allowance for bad debts net of a servicing fee charged by Duke Energy Ohio and Duke Energy Indiana. Duke Energy Ohio and Duke Energy Indiana are responsible for the servicing of the receivables (collecting and applying the cash to the appropriate receivables). Depending on the experience with collections, additional equity infusions to CRC may be required to be made by Duke Energy in order to maintain a minimum equity balance of \$3 million. For the years ended December 31, 2011, 2010 and 2009, respectively, Duke Energy infused \$6 million, \$10 million and \$11 million of equity to CRC to remedy net worth deficiencies. The amount borrowed fluctuates based on the amount of receivables sold. The debt is short term because the facility has an expiration date of less than one year from the balance sheet date. The current expiration date is October 2012. CRC is considered a VIE because the equity capitalization is insufficient to support its operations, the power to direct the most significant activities of the entity are not performed by the equity holder, Cinergy, and deficiencies in the net worth of CRC are not funded by Cinergy, but by Duke Energy. The most significant activity of CRC relates to the decisions made with respect to the management of delinquent receivables. These decisions, as well as the requirement to make up deficiencies in net worth, are made by Duke Energy and not by Duke Energy Ohio, Duke Energy Kentucky or Duke Energy Indiana. Thus, Duke Energy consolidates CRC. Duke Energy Ohio and Duke Energy Indiana do not consolidate CRC.

**CinCap V.**

CinCap V was created to finance and execute a power sale agreement with Central Maine Power Company for approximately 35 MW of capacity and energy. This agreement expires in 2016. CinCap V is considered a VIE because the equity capitalization is insufficient to support its operations. As Duke Energy has the power to direct the

most significant activities of the entity, which are the decisions to hedge and finance the power sales agreement, CinCap V is consolidated by Duke Energy.

**Renewables.**

Duke Energy's renewable energy facilities include Green Frontier Windpower, LLC, Top of The World Wind Energy LLC and various solar projects, all subsidiaries of DEGS, an indirect wholly-owned subsidiary of Duke Energy.

These renewable energy facilities are VIEs due to power purchase agreements with terms that approximate the expected life of the projects. These fixed price agreements effectively transfer the commodity price risk to the buyer of the power. Duke Energy has consolidated these entities since inception because the most significant activities that impact the economic performance of these renewable energy facilities were the decisions associated with the siting, negotiation of the purchase power agreement, engineering, procurement and construction, and decisions associated with ongoing operations and maintenance related activities, all of which were made solely by Duke Energy.

The debt held by these renewable energy facilities is non-recourse to the general credit of Duke Energy. Duke Energy and its subsidiaries have no requirement to provide liquidity or purchase the assets of these renewable energy facilities. Duke Energy does not guarantee performance except for an immaterial multi-purpose letter of credit and various immaterial debt service reserve and operations and maintenance reserve guarantees. The assets are restricted and they cannot be pledged as collateral or sold to third parties without the prior approval of the debt holders.

**Other.**

Duke Energy has other VIEs with restricted assets and non-recourse debt. These VIEs include certain on-site power generation facilities. Duke Energy consolidates these particular on-site power generation entities because Duke Energy has the power to direct the majority of the most significant activities, which, most notably involve the oversight of operation and maintenance related activities that impact the economic performance of these entities.

During the second quarter of 2011, the customer for one of these on-site generation facilities canceled its contract. As a result, the entity providing the on-site generation services no longer has any activity or assets, other than a receivable with payments to be collected through 2017. As of December 31, 2011, Duke Energy no longer consolidates this entity.

## PART II

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

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

#### NON-CONSOLIDATED VIEs

The table below shows the VIEs that the Duke Energy Registrants do not consolidate and how these entities impact Duke Energy's, Duke Energy Ohio's and Duke Energy Indiana's respective Consolidated Balance Sheets. As discussed above, while Duke Energy consolidates CRC, Duke Energy Ohio and Duke Energy Indiana do not consolidate CRC as they are not the primary beneficiary.

(in millions)	Duke Energy				Duke Energy Ohio	Duke Energy Indiana
	DukeNet	Renewables	Other	Total		
<b>At December 31, 2011</b>						
<b>Consolidated Balance Sheets</b>						
Receivables	\$ —	\$ —	\$ —	\$ —	\$129	\$139
Investments in equity method unconsolidated affiliates	129	81	25	235	—	—
Intangibles	—	—	111	111	111	—
Total Assets	129	81	136	346	240	139
Other Current Liabilities	—	—	3	3	—	—
Deferred Credits and Other Liabilities	—	—	18	18	—	—
Total Liabilities	—	—	21	21	—	—
Net Duke Energy Corporation Shareholders' Equity	\$129	\$81	\$115	\$325	\$240	\$139

(in millions)	Duke Energy				Duke Energy Ohio	Duke Energy Indiana
	DukeNet	Renewables	Other	Total		
<b>At December 31, 2010</b>						
<b>Consolidated Balance Sheets</b>						
Receivables	\$ —	\$ —	\$ —	\$ —	\$216	\$192
Investments in equity method unconsolidated affiliates	137	95	23	255	—	—
Intangibles	—	—	119	119	119	—
Total Assets	137	95	142	374	335	192
Other Current Liabilities	—	—	3	3	—	—
Deferred Credits and Other Liabilities	—	—	28	28	—	—
Total Liabilities	—	—	31	31	—	—
Net Duke Energy Corporation Shareholders' Equity	\$137	\$95	\$111	\$343	\$335	\$192

No financial support that was not previously contractually required was provided to any of the unconsolidated VIEs during the years ended December 31, 2011 and 2010, respectively, or is expected to be provided in the future.

With the exception of the power purchase agreement with the Ohio Valley Electric Corporation (OVEC), which is discussed below, and various guarantees, reflected in the table above as "Deferred Credits and Other Liabilities", the Duke Energy Registrants are not aware of any situations where the maximum exposure to loss significantly exceeds the carrying values shown above.

#### CRC

As discussed above, CRC is consolidated only by Duke Energy. Accordingly, the retained interest in the sold receivables recorded on the Consolidated Balance Sheets of Duke Energy Ohio and Duke Energy Indiana are eliminated in consolidation at Duke Energy.

The proceeds obtained from the sales of receivables are largely cash but do include a subordinated note from CRC for a portion of the purchase price (typically approximates 25% of the total proceeds). The subordinated note is a retained interest (right to receive a specified portion of cash flows from the sold assets) and is classified within Receivables in Duke Energy Ohio's and Duke Energy Indiana's Consolidated Balance Sheets at December 31, 2011 and 2010, respectively. The retained interests reflected on the Consolidated Balance Sheets of Duke Energy Ohio and Duke Energy Indiana approximate fair value.

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

The carrying values of the retained interests are determined by allocating the carrying value of the receivables between the assets sold and the interests retained based on relative fair value. Because the receivables generally turnover in less than two months, credit losses are reasonably predictable due to the broad customer base and lack of significant concentration, and the purchased beneficial interest (equity in CRC) is subordinate to all retained interests and thus would absorb losses first, the allocated basis of the subordinated notes are not materially different than their face value. The hypothetical effect on the fair value of the retained interests assuming both a 10% and a 20% unfavorable variation in credit losses or discount rates is not material due to the short turnover of receivables and historically low credit loss history. Interest accrues to Duke Energy Ohio, Duke Energy Indiana and Duke Energy Kentucky on the retained interests using the accretable yield method, which generally approximates the stated rate on the notes since the allocated basis and the face value are nearly equivalent. An impairment charge is recorded against the carrying value of both the retained interests and purchased beneficial interest whenever it is determined that an other-than-temporary impairment has occurred. The key assumptions used in estimating the fair value in 2011 and 2010 is detailed in the following table:

	2011	2010
<b>Duke Energy Ohio</b>		
Anticipated credit loss ratio	0.8%	0.8%
Discount rate	2.6%	2.7%
Receivable turnover rate	12.7%	12.6%
<b>Duke Energy Indiana</b>		
Anticipated credit loss ratio	0.4%	0.5%
Discount rate	2.6%	2.7%
Receivable turnover rate	10.2%	10.2%

The following table shows the gross and net receivables sold as of December 31, 2011 and December 31, 2010, respectively:

	Duke Energy Ohio	Duke Energy Indiana
Receivables sold as of		
December 31, 2011	\$302	\$279
Less: Retained interests	129	139
Net receivables sold as of		
December 31, 2011	\$173	\$140
	Duke Energy Ohio	Duke Energy Indiana
Receivables sold as of		
December 31, 2010	\$373	\$284
Less: Retained interests	216	192
Net receivables sold as of		
December 31, 2010	\$157	\$ 92

The following table shows the retained interests, sales, and cash flows during the years ended December 31, 2011, 2010 and 2009 respectively:

	Duke Energy Ohio	Duke Energy Indiana
<b>Year Ended December 31, 2011</b>		
<b>Sales</b>		
Receivables sold	\$2,390	\$2,658
Loss recognized on sale	21	16
<b>Cash flows</b>		
Cash proceeds from		
receivables sold	\$2,474	\$2,674
Collection fees received	1	1
Return received on retained		
interests	12	13
	Duke Energy Ohio	Duke Energy Indiana
<b>Year Ended December 31, 2010</b>		
<b>Sales</b>		
Receivables sold	\$2,858	\$2,537
Loss recognized on sale	26	17
<b>Cash flows</b>		
Cash proceeds from		
receivables sold	\$2,809	\$2,474
Collection fees received	1	1
Return received on retained		
interests	15	13
	Duke Energy Ohio	Duke Energy Indiana
<b>Year Ended December 31, 2009</b>		
<b>Sales</b>		
Receivables sold	\$3,108	\$2,398
Loss recognized on sale	26	16
<b>Cash flows</b>		
Cash proceeds from		
receivables sold	\$3,063	\$2,353
Collection fees received	2	1
Return received on retained		
interests	15	12

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

Collection fees received in connection with the servicing of transferred accounts receivable are included in Operation, Maintenance and Other on Duke Energy Ohio's and Duke Energy Indiana's Consolidated Statements of Operations. The loss recognized on the sale of receivables is calculated monthly by multiplying the receivables sold during the month by the required discount which is derived monthly utilizing a three year weighted average formula that considers charge-off history, late charge history, and turnover history on the sold receivables, as well as a component for the time value of money. The discount rate, or component for the time value of money, is calculated monthly by summing the prior month-end LIBOR plus a fixed rate of 2.39%.



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

In 2010, Duke Energy sold a 50% ownership interest in DukeNet to Alinda. The sale resulted in DukeNet becoming a joint venture with Duke Energy and Alinda each owning a 50% interest. In connection with the formation of the new DukeNet joint venture, a five-year, \$150 million senior secured credit facility was executed with a syndicate of ten external financial institutions. This credit facility is non-recourse to Duke Energy. DukeNet is considered a VIE because it has entered into certain contractual arrangements that provide DukeNet with additional forms of subordinated financial support. The most significant activities that impact DukeNet's economic performance relate to its business development and fiber optic capacity marketing and management activities. The power to direct these activities is jointly and equally shared by Duke Energy and Alinda. As a result, Duke Energy does not consolidate the DukeNet joint venture. Accordingly, DukeNet is a non-consolidated VIE that is reported as an equity method investment.

Unless consent by Duke Energy is given otherwise, Duke Energy and its subsidiaries have no requirement to provide liquidity, purchase the assets of DukeNet, or guarantee performance.

**Renewables.**

Duke Energy has investments in various entities that generate electricity through the use of renewable energy technology. Some of these entities, which were part of the Catamount acquisition, are VIEs which are not consolidated due to the joint ownership of the entities when they were created and the power to direct and control key activities is shared jointly. Instead, Duke Energy's investment is recorded under the equity method of accounting. These entities are VIEs due to power purchase agreements with terms that approximate the expected life of the project. These fixed price agreements effectively transfer the commodity price risk to the buyer of the power.

**Other.**

Duke Energy has investments in various other entities that are VIEs which are not consolidated. The most significant of these

investments is Duke Energy Ohio's 9% ownership interest in OVEC. Through its ownership interest in OVEC, Duke Energy Ohio has a contractual arrangement through June 2040 to buy power from OVEC's power plants. The proceeds from the sale of power by OVEC to its power purchase agreement counterparties, including Duke Energy Ohio, are designed to be sufficient for OVEC to meet its operating expenses, fixed costs, debt amortization and interest expense, as well as earn a return on equity. Accordingly, the value of this contract is subject to variability due to fluctuations in power prices and changes in OVEC's costs of business, including costs associated with its 2,256 megawatts of coal-fired generation capacity. As discussed in Note 5, the proposed rulemaking on cooling water intake structures, utility boiler MACT, CSAPR and CCP's could increase the costs of OVEC which would be passed through to Duke Energy Ohio. The initial carrying value of this contract was recorded as an intangible asset when Duke Energy acquired Cinergy in April 2006.

In addition, the company has guaranteed the performance of certain entities in which the company no longer has an equity interest. As a result, the company has a variable interest in certain other VIEs that are non-consolidated.

**18. EARNINGS PER SHARE**

Basic Earnings Per Share (EPS) is computed by dividing net income attributable to Duke Energy common shareholders, adjusted for distributed and undistributed earnings allocated to participating securities, by the weighted-average number of common shares outstanding during the period. Diluted EPS is computed by dividing net income attributable to Duke Energy common shareholders, as adjusted for distributed and undistributed earnings allocated to participating securities, by the diluted weighted-average number of common shares outstanding during the period. Diluted EPS reflects the potential dilution that could occur if securities or other agreements to issue common stock, such as stock options, phantom shares and stock-based performance unit awards were exercised or settled.

## PART II

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

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

The following table illustrates Duke Energy's basic and diluted EPS calculations and reconciles the weighted-average number of common shares outstanding to the diluted weighted-average number of common shares outstanding for the years ended December 31, 2011, 2010, and 2009.

(in millions, except per share amounts)	Income	Average Shares	EPS
<b>2011</b>			
Income from continuing operations attributable to Duke Energy common shareholders, as adjusted for participating securities — basic	\$1,702	1,332	<u>\$1.28</u>
Effect of dilutive securities:			
Stock options, performance and restricted stock		1	
Income from continuing operations attributable to Duke Energy common shareholders, as adjusted for participating securities — diluted	\$1,702	1,333	<u>\$1.28</u>
<b>2010</b>			
Income from continuing operations attributable to Duke Energy common shareholders, as adjusted for participating securities — basic	\$1,315	1,318	<u>\$1.00</u>
Effect of dilutive securities:			
Stock options, performance and restricted stock		1	
Income from continuing operations attributable to Duke Energy common shareholders, as adjusted for participating securities — diluted	\$1,315	1,319	<u>\$1.00</u>
<b>2009</b>			
Income from continuing operations attributable to Duke Energy common shareholders, as adjusted for participating securities — basic	\$1,061	1,293	<u>\$0.82</u>
Effect of dilutive securities:			
Stock options, performance and restricted stock		1	
Income from continuing operations attributable to Duke Energy common shareholders, as adjusted for participating securities — diluted	\$1,061	1,294	<u>\$0.82</u>

As of December 31, 2011, 2010 and 2009, 7 million, 13 million and 20 million, respectively, of stock options, unvested stock and performance awards were not included in the "effect of dilutive securities" in the above table because either the option exercise prices were greater than the average market price of the common shares during those periods; or performance measures related to the awards had not yet been met.

Beginning in the fourth quarter of 2008, Duke Energy began issuing authorized but previously unissued shares of common stock to fulfill obligations under its Dividend Reinvestment Plan (DRIP) and other internal plans, including 401(k) plans. During the years ended December 31, 2010 and 2009, Duke Energy received proceeds of \$288 million and \$494 million, respectively, from the sale of common stock associated with these plans. Proceeds from the sale of common stock associated with these plans were not significant in 2011. Duke Energy has discontinued issuing new shares of common stock under the DRIP.

## 19. SEVERANCE

### 2011 Severance Plans.

In conjunction with the proposed merger with Progress Energy, in August 2011, Duke Energy announced plans to offer a voluntary severance plan to approximately 4,850 eligible employees. As this is a voluntary plan, all severance benefits offered under this plan are considered special termination benefits under GAAP. Special

termination benefits are measured upon employee acceptance and recorded immediately absent a significant retention period. If a significant retention period exists, the cost of the special termination benefits are recorded ratably over the remaining service periods of the affected employees. Approximately 500 employees accepted the termination benefits during the voluntary window period, which closed on November 30, 2011. Duke Energy reserves the right to reject any request to volunteer based on business needs and/or excessive participation. The estimated amount of severance payments associated with this voluntary plan, contingent upon a successful close of the proposed merger with Progress Energy, are expected to be approximately \$80 million.

### 2010 Severance Plans.

During 2010, the majority of severance charges were related to a voluntary severance plan whereby eligible employees were provided a window during which to accept termination benefits. As this was a voluntary plan, all severance benefits offered under this plan were considered special termination benefits under GAAP. Special termination benefits are measured upon employee acceptance and recorded immediately absent a significant retention period. If a significant retention period exists, the cost of the special termination benefits are recorded ratably over the remaining service periods of the affected employees. Approximately 900 employees accepted the termination benefits during the voluntary window period, which closed March 31, 2010. Future severance costs under Duke Energy's ongoing severance plan, if any, are currently not estimable.

## PART II

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

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

Amounts included in the table below represent severance expense recorded by the Duke Energy Registrants during 2010. The Duke Energy Registrants recorded insignificant amounts for severance expense during 2011.

	Year Ended December 31, 2010 <sup>(a)</sup>
Duke Energy	\$172
Duke Energy Carolinas	99
Duke Energy Ohio	24
Duke Energy Indiana	33

(a) These amounts are recorded in Operation, Maintenance and Other within Operating Expenses on the Consolidated Statements of Operations.

The severance costs discussed above for the Subsidiary Registrants include an allocation of their proportionate share of severance costs for employees of Duke Energy's shared services affiliate that provides support to the Subsidiary Registrants. Amounts included in the table below represent the severance liability recorded by Duke Energy Carolinas and Duke Energy Indiana for employees of those registrants, and excludes costs allocated from and paid by Duke Energy's shared services affiliate.

	Balance at December 31, 2010	Provision/ Adjustments	Cash Reductions	Balance at December 31, 2011
(in millions)				
Duke Energy	\$87	\$(2)	\$(53)	\$32
Duke Energy Carolinas	21	(2)	(18)	1
Duke Energy Indiana	1	—	(1)	—

## 20. STOCK-BASED COMPENSATION

For employee awards, equity classified stock-based compensation cost is measured at the service inception date or the grant date, based on the estimated achievement of certain performance metrics or the fair value of the award, and is recognized as expense or capitalized as a component of property, plant and equipment over the requisite service period.

Duke Energy's 2010 Long-Term Incentive Plan (the 2010 Plan) reserved 75 million shares of common stock for awards to employees and outside directors. The 2010 Plan superseded the 2006 Long-Term Incentive Plan, as amended (the 2006 Plan), and no additional grants will be made from the 2006 Plan. Under the 2010 Plan, the exercise price of each option granted cannot be less than the market price of Duke Energy's common stock on the date of grant and the maximum option term is 10 years. The vesting periods range from immediate to three years. Duke Energy has historically issued new shares upon exercising or vesting of share-based awards. In 2012, Duke Energy may use a combination of new share issuances and open market repurchases for share-based awards which are exercised or become vested; however Duke Energy has not determined with certainty the amount of such new share issuances or open market repurchases.

The 2010 Plan allows for a maximum of 18.75 million shares of common stock to be issued under various stock-based awards other than options and stock appreciation rights.

### Stock-Based Compensation Expense

Pre-tax stock-based compensation expense recorded in the Consolidated Statements of Operations is as follows:

	For the Years Ended December 31,		
(in millions)	2011 <sup>(a)</sup>	2010 <sup>(a)</sup>	2009 <sup>(a)</sup>
Stock Options	\$ 2	\$ 2	\$ 2
Phantom Awards	27	26	17
Performance Awards	23	39	20
Other Stock Awards	—	—	1
Total	\$52	\$67	\$40

(a) Excludes stock-based compensation cost capitalized as a component of property, plant and equipment of \$2 million, \$4 million and \$4 million for the years ended December 31, 2011, 2010 and 2009, respectively.

The tax benefit associated with the stock-based compensation expense for the years ended December 31, 2011, 2010 and 2009 was \$20 million, \$26 million and \$16 million, respectively.

**Combined Notes to Consolidated Financial Statements – (Continued)****Stock Option Activity**

	Options (in thousands)	Weighted- Average Exercise Price	Weighted- Average Remaining Life (in years)	Aggregate Intrinsic Value (in millions)
Outstanding at December 31, 2010	13,881	\$17		
Granted	1,074	18		
Exercised	(4,734)	15		
Forfeited or expired	(3,954)	22		
Outstanding at December 31, 2011	6,267	\$15	4.6	\$41
Exercisable at December 31, 2011	4,256	\$15	2.7	\$31
Options Expected to Vest	2,011	\$17	8.6	\$10

On December 31, 2010 and 2009, Duke Energy had 12 million and 17 million exercisable options, respectively with a weighted-average exercise price of \$17 and \$18, respectively. The options granted in 2011 were expensed immediately, therefore, there is no future compensation cost associated with these options. The following table includes information related to Duke Energy's stock options.

	For the Years Ended December 31,		
(in millions)	2011	2010	2009
Intrinsic value of options exercised	\$ 26	\$ 8	\$ 6
Tax benefit related to options exercised	10	3	2
Cash received from options exercised	74	14	24
	(in thousands of shares)		
Stock options granted <sup>(a)</sup>	1,074	1,103	603

(a) The options granted in 2011 were expensed immediately, therefore, there is no future compensation cost associated with these options.

These assumptions were used to determine the grant date fair value of the stock options granted during 2011:

**Weighted-Average Assumptions for Option Pricing**

Risk-free interest rate <sup>(a)</sup>	2.5%
Expected dividend yield <sup>(b)</sup>	5.7%
Expected life <sup>(c)</sup>	6.0 years
Expected volatility <sup>(d)</sup>	18.8%

- (a) The risk free rate is based upon the U.S. Treasury Constant Maturity rates as of the grant date.  
(b) The expected dividend yield is based upon annualized dividends and the 1-year average closing stock price.  
(c) The expected life of options is derived from the simplified method approach.  
(d) Volatility is based upon 50% historical and 50% implied volatility. Historic volatility is based on Duke Energy's historical volatility over the expected life using daily stock prices. Implied volatility is the average for all option contracts with a term greater than six months using the strike price closest to the stock price on the valuation date.

**Phantom Stock Awards**

Phantom stock awards issued and outstanding under the 2010 Plan and the 2006 Plan generally vest over periods from immediate to three years. The following table includes information related to Duke Energy's phantom stock awards.

	Shares awarded (in thousands)	Fair value <sup>(a)</sup> (in millions)
Years ended December 31,		
2011	1,907	\$34
2010	1,047	17
2009	1,096	16

(a) Based on the market price of Duke Energy's common stock at the grant date.

The following table summarizes information about phantom stock awards outstanding at December 31, 2011:

	Shares (in thousands)	Weighted Average Per Share Grant Date Fair Value
Number of Phantom Stock Awards:		
Outstanding at December 31, 2010	1,763	\$17
Granted	1,907	18
Vested	(1,057)	18
Forfeited	(46)	18
Outstanding at December 31, 2011	2,567	\$17
Phantom Stock Awards Expected to Vest	2,503	\$17

The total grant date fair value of the shares vested during the years ended December 31, 2011, 2010 and 2009 was \$19 million, \$29 million and \$23 million, respectively. At December 31, 2011, Duke Energy had \$19 million of unrecognized compensation cost which is expected to be recognized over a weighted-average period of 2.6 years.

**Performance Awards**

Stock-based awards issued and outstanding under the 2010 Plan and the 2006 Plan generally vest over three years if performance targets are met. Vesting for certain stock-based performance awards can occur in three years, at the earliest, if performance is met. Certain performance awards granted in 2011, 2010 and 2009 contain market conditions based on the total shareholder return (TSR) of Duke Energy stock relative to a pre-defined peer group (relative TSR). These awards are valued using a path-dependent model that incorporates expected relative TSR into the fair value determination of Duke Energy's performance-based share awards. The model uses three year historical volatilities and correlations for all companies in the pre-defined peer group, including

## PART II

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

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

Duke Energy, to simulate Duke Energy's relative TSR as of the end of the performance period. For each simulation, Duke Energy's relative TSR associated with the simulated stock price at the end of the performance period plus expected dividends within the period results in a value per share for the award portfolio. The average of these simulations is the expected portfolio value per share. Actual life to date results of Duke Energy's relative TSR for each grant is incorporated within the model. Other performance awards not containing market conditions were awarded in 2011, 2010 and 2009. The performance goal for the 2011 and 2010 award is Duke Energy's Return on Equity (ROE) over a three year period. The performance goal for the 2009 award is Duke Energy's compounded annual growth rate of annual diluted EPS, adjusted for certain items, over a three year period. All of these awards are measured at grant date price. The following table includes information related to Duke Energy's performance awards.

	Shares awarded (in thousands)	Fair value <sup>(a)</sup> (in millions)
Years ended December 31,		
2011	1,294	\$20
2010	2,734	38
2009	3,426	44

(a) Based on the market price of Duke Energy's common stock at the grant date.

The following table summarizes information about stock-based performance awards outstanding at the maximum level at December 31, 2011:

	Shares (in thousands)	Weighted Average Per Share Grant Date Fair Value
Number of Stock-based Performance Awards:		
Outstanding at December 31,		
2010	7,550	\$14
Granted	1,294	16
Vested	(2,111)	16
Forfeited	(363)	13
Outstanding at December 31, 2011	6,370	\$14
Stock-based Performance Awards Expected to Vest	6,212	\$14

The total grant date fair value of the shares vested during the years ended December 31, 2011, 2010 and 2009 was \$33 million, \$15 million and \$20 million, respectively. At December 31, 2011, Duke Energy had \$17 million of unrecognized compensation cost which is expected to be recognized over a weighted-average period of 1.5 years.

#### Other Stock Awards

Other stock awards issued and outstanding under the 1998 Plan vest over periods from three to five years. There were no other stock awards issued during the years ended December 31, 2011, 2010 or 2009.

The following table summarizes information about other stock awards outstanding at December 31, 2011:

	Shares (in thousands)	Weighted Average Per Share Grant Date Fair Value
Number of Other Stock Awards:		
Outstanding at December 31, 2010	131	\$28
Vested	(131)	28
Forfeited	—	—
Outstanding at December 31, 2011	—	\$ —

The total fair value of the shares vested during the years ended December 31, 2011, 2010 and 2009 was \$4 million, \$1 million, and \$1 million, respectively.

### 21. EMPLOYEE BENEFIT PLANS

#### Duke Energy

##### Defined Benefit Retirement Plans

Duke Energy and its subsidiaries (including legacy Cinergy businesses) maintain qualified, 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 that are based upon a percentage (which varies with age and years of service) of current eligible earnings and current interest credits. Certain legacy Cinergy U.S. employees are covered under plans that use a final average earnings formula. Under a final average earnings formula, a plan participant accumulates a retirement benefit equal to a percentage of their highest 3-year average earnings, plus a percentage of their highest 3-year average earnings in excess of covered compensation per year of participation (maximum of 35 years), plus a percentage of their highest 3-year average earnings times years of participation in excess of 35 years. Duke Energy also maintains non-qualified, non-contributory defined benefit retirement plans which cover certain executives.

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

Duke Energy's policy is to fund amounts on an actuarial basis to provide assets sufficient to meet benefit payments to be paid to plan participants. The following table includes information related to Duke Energy's contributions to its U.S. qualified defined benefit pension plans.

(in millions)	For the Years Ended December 31,			
	2012	2011	2010	2009
Contributions made	—	\$200	\$400	\$800
Anticipated contributions	\$200	—	—	—

Actuarial gains and losses subject to amortization are amortized over the average remaining service period of the active employees. The average remaining service period of active employees covered by the qualified retirement plans is ten years. The average remaining service period of active employees covered by the non-qualified retirement plans is nine years. Duke Energy determines the market-related value of plan assets using a calculated value that recognizes changes in fair value of the plan assets in a particular year on a straight line basis over the next five years.

Net periodic benefit costs disclosed in the tables below for the qualified, non-qualified and other post-retirement benefit plans represent the cost of the respective benefit plan for the periods presented. However, portions of the net periodic benefit costs disclosed in the tables below have been capitalized as a component of property, plant and equipment.

Duke Energy uses a December 31 measurement date for its defined benefit retirement plan assets and obligations.

**Qualified Pension Plans****Components of Net Periodic Pension Costs: Qualified Pension Plans**

(in millions)	For the Years Ended December 31,		
	2011 <sup>(a)</sup>	2010 <sup>(a)</sup>	2009 <sup>(a)</sup>
Service cost	\$ 96	\$ 96	\$ 85
Interest cost on projected benefit obligation	232	248	257
Expected return on plan assets	(384)	(378)	(362)
Amortization of prior service cost	6	5	7
Amortization of actuarial loss	77	50	2
Settlement and contractual termination benefit cost	—	13	—
Other	18	18	17
Net periodic pension costs	\$ 45	\$ 52	\$ 6

(a) These amounts exclude \$14 million, \$16 million and \$10 million for the years ended December 31, 2011, 2010 and 2009, respectively, of regulatory asset amortization resulting from purchase accounting adjustments associated with Duke Energy's merger with Cinergy in April 2006.

**Other Changes in Plan Assets and Projected Benefit Obligations****Recognized in Accumulated Other Comprehensive Income and Regulatory Assets: Qualified Pension Plans**

(in millions)	For the Years Ended December 31,	
	2011	2010
Regulatory assets, net increase	\$152	\$ 350
Accumulated other comprehensive (income) loss <sup>(a)</sup>		
Deferred income tax asset	(10)	143
Actuarial losses (gains) arising during the year	60	(5)
Amortization of prior year actuarial losses	(8)	(16)
Reclassification of actuarial gains (losses) to regulatory assets	8	(365)
Amortization of prior year prior service cost	(1)	(3)
Reclassification of prior service cost to regulatory assets	—	(19)
Net amount recognized in accumulated other comprehensive (income) loss	\$ 49	\$(265)

(a) Excludes actuarial losses of \$2 million in 2011 and \$3 million in 2010 recognized in other accumulated comprehensive income, net of tax, associated with a Brazilian retirement plan.

**Reconciliation of Funded Status to Net Amount Recognized: Qualified Pension Plans**

(in millions)	As of and for the Years Ended December 31,	
	2011	2010
<b>Change in Projected Benefit Obligation</b>		
Obligation at prior measurement date	\$4,861	\$4,695
Service cost	96	96
Interest cost	232	248
Actuarial (gains) losses	(7)	190
Plan amendments	18	2
Settlement and contractual termination benefit cost	—	13
Benefits paid	(320)	(383)
Obligation at measurement date	\$4,880	\$4,861

The accumulated benefit obligation was \$4,661 million and \$4,611 million at December 31, 2011 and 2010, respectively.

(in millions)	As of and for the Years Ended December 31,	
	2011	2010
<b>Change in Fair Value of Plan Assets</b>		
Plan assets at prior measurement date	\$4,797	\$4,224
Actual return on plan assets	64	556
Benefits paid	(320)	(383)
Employer contributions	200	400
Plan assets at measurement date	\$4,741	\$4,797

## PART II

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

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

#### Amounts Recognized in the Consolidated Balance Sheets: Qualified Pension Plans

The following table provides the amounts related to Duke Energy's qualified pension plans that are reflected in Other within Investments and Other Assets and Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheets at December 31, 2011 and 2010:

(in millions)	As of December 31,	
	2011	2010
Prefunded pension cost	\$ —	\$ 101
Accrued pension liability	(139)	(165)
Net amount recognized	<b>\$(139)</b>	<b>\$ (64)</b>

The following table provides the amounts related to Duke Energy's qualified pension plans that are reflected in Other within Regulatory Assets and Deferred Debits and AOCI on the Consolidated Balance Sheets at December 31, 2011 and 2010:

(in millions)	As of December 31,	
	2011	2010
Regulatory assets	<b>\$1,411</b>	<b>\$1,259</b>
Accumulated other comprehensive (income) loss		
Deferred income tax asset	(73)	(63)
Prior service cost	4	5
Net actuarial loss	201	141
Net amount recognized in accumulated other comprehensive (income) loss <sup>(a)</sup>	<b>\$ 132</b>	<b>\$ 83</b>

(a) Excludes accumulated other comprehensive income of \$19 million and \$17 million as of December 31, 2011 and 2010, respectively, net of tax, associated with a Brazilian retirement plan.

Of the amounts above, \$98 million of unrecognized net actuarial loss and \$5 million of unrecognized prior service cost will be recognized in net periodic pension costs in 2012.

#### Additional Information: Qualified Pension Plans

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

(in millions)	As of December 31,	
	2011	2010
Projected benefit obligation	\$—	\$1,052
Accumulated benefit obligation	—	956
Fair value of plan assets	—	951

#### Assumptions Used for Pension Benefits Accounting

(percentages)	As of December 31,		
	2011	2010	2009
<b>Benefit Obligations</b>			
Discount rate	<b>5.10</b>	5.00	5.50
Salary increase (graded by age)	<b>4.40</b>	4.10	4.50
	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Net Periodic Benefit Cost</b>			
Discount rate	<b>5.00</b>	5.50	6.50
Salary increase	<b>4.10</b>	4.50	4.50
Expected long-term rate of return on plan assets	<b>8.25</b>	8.50	8.50

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 the 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.

#### Non-Qualified Pension Plans

##### Components of Net Periodic Pension Costs: Non-Qualified Pension Plans

(in millions)	For the Years Ended December 31,		
	2011	2010	2009
Service cost	<b>\$ 1</b>	\$ 1	\$ 2
Interest cost on projected benefit obligation	<b>8</b>	9	10
Amortization of prior service cost	<b>2</b>	2	2
Settlement credit	—	—	(1)
Net periodic pension costs	<b>\$11</b>	<b>\$12</b>	<b>\$13</b>

**Combined Notes to Consolidated Financial Statements – (Continued)****Other Changes in Plan Assets and Projected Benefit Obligations****Recognized in Regulatory Assets, Regulatory Liabilities and Accumulated Other Comprehensive Income: Non-Qualified Pension Plans**

(in millions)	For the Years Ended December 31,	
	2011	2010
Regulatory assets, net increase	\$ 2	\$ 23
Regulatory liabilities, net increase	7	3
Accumulated other comprehensive (income) loss		
Deferred income tax asset	(1)	8
Actuarial losses (gains) arising during the year	1	(8)
Reclassification of actuarial losses to regulatory assets	—	(1)
Amortization of prior year prior service cost	—	(2)
Reclassification of prior services cost to regulatory assets	—	(1)
Reclassification of prior services cost to regulatory liabilities	—	(8)
Net amount recognized in accumulated other comprehensive (income) loss	\$—	\$(12)

**Reconciliation of Funded Status to Net Amount Recognized: Non-Qualified Pension Plans**

(in millions)	As of and for the Years Ended December 31,	
	2011	2010
<b>Change in Projected Benefit Obligation</b>		
Obligation at prior measurement date	\$167	\$173
Service cost	1	1
Interest cost	8	9
Actuarial losses (gains)	(2)	2
Benefits paid	(14)	(18)
Obligation at measurement date	\$160	\$167
<b>Change in Fair Value of Plan Assets</b>		
Benefits paid	\$ (14)	\$ (18)
Employer contributions	14	18
Plan assets at measurement date	\$ —	\$ —

The accumulated benefit obligation was \$151 million and \$160 million at December 31, 2011 and 2010, respectively.

**Amounts Recognized in the Consolidated Balance Sheets: Non-Qualified Pension Plans**

The following table provides the amounts related to Duke Energy's non-qualified pension plans that are reflected in Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheets at December 31, 2011 and 2010:

(in millions)	As of December 31,	
	2011	2010
Accrued pension liability <sup>(a)</sup>	\$(160)	\$(167)

(a) Includes \$17 million and \$19 million recognized in Other within Current Liabilities on the Consolidated Balance Sheets as of December 31, 2011 and 2010, respectively.

The following table provides the amounts related to Duke Energy's non-qualified pension plans that are reflected in Other within Regulatory Assets and Deferred Debits, Other within Deferred Credits and Other Liabilities and AOCI on the Consolidated Balance Sheets at December 31, 2011 and 2010:

(in millions)	As of December 31,	
	2011	2010
Regulatory assets	\$25	\$23
Regulatory liabilities	10	3
Accumulated other comprehensive (income) loss		
Deferred income tax (asset) liability	—	1
Prior service cost	—	1
Net actuarial loss (gain)	1	(1)
Net amount recognized in accumulated other comprehensive (income) loss	\$ 1	\$ 1

Of the amounts above, \$1 million of unrecognized prior service cost and \$1 million of unrecognized net actuarial loss will be recognized in net periodic pension costs in 2012.

**Additional Information: Non-Qualified Pension Plans****Information for Plans with Accumulated Benefit Obligation in Excess of Plan Assets**

(in millions)	As of December 31,	
	2011	2010
Projected benefit obligation	\$160	\$167
Accumulated benefit obligation	151	160
Fair value of plan assets	—	—

**Assumptions Used for Pension Benefits Accounting**

(percentages)	As of December 31,		
	2011	2010	2009
<b>Benefit Obligations</b>			
Discount rate	5.10	5.00	5.50
Salary increase (graded by age)	4.40	4.10	4.50
	2011	2010	2009
<b>Net Periodic Benefit Cost</b>			
Discount rate	5.00	5.50	6.50
Salary increase	4.10	4.50	4.50



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

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 the 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.

**Other Post-Retirement Benefit Plans**

Duke Energy and most of its subsidiaries provide 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.

Duke Energy did not make any pre-funding contributions to its other post-retirement benefit plans during the years ended December 31, 2011, 2010 or 2009.

These benefit costs are accrued over an employee's active service period to the date of full benefits eligibility. The net unrecognized transition obligation is amortized over 20 years. Actuarial gains and losses are amortized over the average remaining service period of the active employees. The average remaining service period of the active employees covered by the plan is 11 years.

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

(in millions)	For the Years Ended December 31,		
	2011 <sup>(a)</sup>	2010 <sup>(a)</sup>	2009 <sup>(a)</sup>
Service cost	\$ 7	\$ 7	\$ 7
Interest cost on accumulated post-retirement benefit obligation	35	38	46
Expected return on plan assets	(15)	(15)	(16)
Amortization of prior service credit	(8)	(8)	(8)
Amortization of net transition liability	10	11	10
Amortization of actuarial gain	(3)	(5)	(5)
Net periodic other post-retirement benefit costs	\$ 26	\$ 28	\$ 34

(a) These amounts exclude \$8 million, \$9 million and \$9 million for the years ended December 31, 2011, 2010 and 2009, respectively, of regulatory asset amortization resulting from purchase accounting adjustments associated with Duke Energy's merger with Cinergy in April 2006.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (Modernization Act) introduced a prescription drug benefit under Medicare (Medicare Part D) as well as a federal subsidy to sponsors of retiree health care benefit plans. Accounting guidance issued and adopted by Duke Energy in 2004 prescribes the appropriate accounting for the federal subsidy. The after-tax effect on net periodic post-retirement benefit cost was a

decrease of \$3 million in 2011, \$4 million in 2010 and \$3 million in 2009. Duke Energy recognized a \$1 million subsidy receivable as of December 31, 2011 and 2010, which is included in Receivables on the Consolidated Balance Sheets.

**Other Changes in Plan Assets and Projected Benefit Obligations Recognized in Accumulated Other Comprehensive Income, Regulatory Assets and Regulatory Liabilities: Other Post-Retirement Benefit Plans**

(in millions)	For the Years Ended December 31,	
	2011	2010
Regulatory assets, net decrease	\$(22)	\$(14)
Regulatory liabilities, net increase (decrease)	21	(5)
Accumulated other comprehensive (income) loss		
Deferred income tax liability	1	1
Actuarial (gain) loss arising during the year	—	(3)
Amortization of prior year actuarial gains	1	1
Reclassification of actuarial losses to regulatory liabilities	—	(8)
Amortization of prior year prior service credit	—	2
Reclassification of prior service credit to regulatory liabilities	—	9
Amortization of prior year net transition liability	—	(2)
Reclassification of net transition liability to regulatory liabilities	—	(2)
Net amount recognized in accumulated other comprehensive (income) loss	\$ 2	\$ (2)

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

(in millions)	As of and for the Years Ended December 31,	
	2011	2010
<b>Change in Benefit Obligation</b>		
Accumulated post-retirement benefit obligation at prior measurement date	\$723	\$728
Service cost	7	7
Interest cost	35	38
Plan participants' contributions	32	35
Actuarial gain	(55)	(12)
Benefits paid	(83)	(79)
Early retiree reinsurance program subsidy	3	—
Accrued retiree drug subsidy	5	6
Accumulated post-retirement benefit obligation at measurement date	\$667	\$723
<b>Change in Fair Value of Plan Assets</b>		
Plan assets at prior measurement date	\$186	\$169
Actual return on plan assets	4	19
Benefits paid	(83)	(79)
Employer contributions	42	42
Plan participants' contributions	32	35
Plan assets at measurement date	\$181	\$186

**Combined Notes to Consolidated Financial Statements – (Continued)****Amounts Recognized in the Consolidated Balance Sheets: Other Post-Retirement Benefit Plans**

The following table provides the amounts related to Duke Energy's other post-retirement benefit plans that are reflected in Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheets at December 31, 2011 and 2010:

(in millions)	As of December 31,	
	2011	2010
Accrued other post-retirement liability <sup>(a)</sup>	<b>\$(486)</b>	<b>\$(537)</b>

(a) Includes \$3 million and \$2 million recognized in Other within Current Liabilities on the Consolidated Balance Sheets as of December 31, 2011 and 2010, respectively.

The following table provides the amounts related to Duke Energy's other post-retirement benefit plans that are reflected in Other within Regulatory Assets and Deferred Debits, Other within Deferred Credits and Other Liabilities and AOCI on the Consolidated Balance Sheets at December 31, 2011 and 2010:

(in millions)	As of December 31,	
	2011	2010
Regulatory assets	<b>\$ 37</b>	<b>\$59</b>
Regulatory liabilities	<b>107</b>	<b>86</b>
Accumulated other comprehensive (income)/loss:		
Deferred income tax liability	<b>4</b>	<b>3</b>
Prior service credit	<b>(3)</b>	<b>(3)</b>
Net actuarial loss (gain)	<b>(6)</b>	<b>(7)</b>
Net amount recognized in accumulated other comprehensive (income)/loss	<b>\$ (5)</b>	<b>\$ (7)</b>

Of the amounts above, \$8 million of unrecognized net transition obligation, \$6 million of unrecognized actuarial gains and \$8 million of unrecognized prior service credit (which will reduce pension expense) will be recognized in net periodic pension costs in 2012.

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

(percentages)	As of December 31,		
	2011	2010	2009
<b>Determined Benefit Obligations</b>			
Discount rate	<b>5.10</b>	5.00	5.50
	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Net Periodic Benefit Cost</b>			
Discount rate	<b>5.00</b>	5.50	6.50
Expected long-term rate of return on plan assets	<b>5.36-8.25</b>	5.53-8.50	5.53-8.50
Assumed tax rate <sup>(a)</sup>	<b>35.0</b>	35.0	35.0

(a) Applicable to the health care portion of funded post-retirement benefits.

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 the 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.

**Assumed Health Care Cost Trend Rate**

	2011	2010
Health care cost trend rate assumed for next year	<b>8.75%</b>	8.50%
Rate to which the cost trend is assumed to decline (the ultimate trend rate)	<b>5.00%</b>	5.00%
Year that the rate reaches the ultimate trend rate	<b>2020</b>	2020

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

(in millions)	1-Percentage-Point Increase	1-Percentage-Point Decrease
Effect on total service and interest costs	<b>\$ 2</b>	<b>\$ (2)</b>
Effect on post-retirement benefit obligation	<b>31</b>	<b>(28)</b>

**Expected Benefit Payments: Defined Benefit Retirement Plans**

The following table presents Duke Energy's expected benefit payments to participants in its qualified, non-qualified and other post-retirement benefit plans over the next 10 years, which are primarily paid out of the assets of the various trusts. These benefit payments reflect expected future service, as appropriate.

(in millions)	Qualified Plans	Non-Qualified Plans	Other Post-Retirement Plans <sup>(a)</sup>	Total
<b>Years Ended December 31,</b>				
2012	<b>\$ 463</b>	<b>\$17</b>	<b>\$ 49</b>	<b>\$ 529</b>
2013	451	15	52	518
2014	440	17	53	510
2015	434	14	54	502
2016	428	13	55	496
2017 – 2021	2,050	64	270	2,384

(a) Duke Energy expects to receive future subsidies under Medicare Part D of \$4 million in 2012 and \$3 million in each of the years 2013-2016, and a total of \$15 million during the years 2017-2021.

## PART II

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

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

#### Plan Assets

**Master Retirement Trust.** Assets for both the qualified pension and other post-retirement benefits are maintained in a Master Retirement Trust (Master Trust). Approximately 97% of Master Trust assets were allocated to qualified pension plans and approximately 3% were allocated to other post-retirement plans, as of December 31, 2011 and 2010. The investment objective of the Master 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 long-term rate of return of 8.00% as of December 31, 2011, for the Master Trust 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. The following table includes the weighted-average returns expected by asset classes:

Asset Class	Weighted-average returns expected
U.S. Equities	2.61%
Non-U.S. Equities	1.50%
Global Equities	0.99%
Debt Securities	1.69%
Global Private Equity	0.37%
Hedge Funds	0.24%
Real Estate	0.30%
Other Global Securities	0.30%

The asset allocation targets were set after considering the investment objective and the risk profile. U.S. equities are held for their high expected return. Non-U.S. equities, debt securities, and real estate 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.

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

The following table presents target and actual asset allocations for the Master Trust at December 31, 2011 and 2010:

Asset Category	Target Allocation	Percentage at December 31,	
		2011	2010
U.S. equity securities	28%	28%	30%
Non-U.S. equity securities	15	15	19
Global equity securities	10	9	10
Debt securities	32	32	27
Global private equity securities	3	1	—
Hedge funds	4	3	3
Real estate and cash	4	9	7
Other global securities	4	3	4
Total	100%	100%	100%

**VEBA I/II.** Duke Energy also invests other post-retirement assets in the Duke Energy Corporation Employee Benefits Trust (VEBA I). As of December 31, 2010, Duke Energy invested in the Duke Energy Corporation Post-Retirement Medical Benefits Trust (VEBA II). 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 tables present target and actual asset allocations for the VEBA I and VEBA II at December 31, 2011 and 2010:

Asset Category	Target Allocation	Percentage at December 31,	
		2011	2010
U.S. equity securities	30%	20%	22%
Debt securities	45	31	34
Cash	25	49	44
Total	100%	100%	100%

Asset Category	Target Allocation	Percentage at December 31,	
		2011	2010
U.S. equity securities	—%	—%	1%
Debt securities	—	—	69
Cash	—	—	30
Total	—%	—%	100%

**Combined Notes to Consolidated Financial Statements – (Continued)****Fair Value Measurements.**

The accounting guidance for fair value defines fair value, establishes a framework for measuring fair value in GAAP in the U.S. and expands disclosure requirements about fair value measurements. Under the accounting guidance for fair value, fair value is considered to be the exchange price in an orderly transaction between market participants to sell an asset or transfer a liability at the measurement date. The fair value definition focuses on an exit price, which is the price that would be received by Duke Energy to sell an asset or paid to transfer a liability versus an entry price, which would be the price paid to acquire an asset or received to assume a liability. Although the accounting guidance for fair value does not require additional fair value measurements, it applies to other accounting pronouncements that require or permit fair value measurements.

Duke Energy classifies recurring and non-recurring fair value measurements based on the following fair value hierarchy, as prescribed by the accounting guidance for fair value, which prioritizes the inputs to valuation techniques used to measure fair value into three levels:

**Level 1** — unadjusted quoted prices in active markets for identical assets or liabilities that Duke Energy has the ability to access. An active market for the asset or liability is one in which transactions for the asset or liability occurs with sufficient frequency and volume to provide ongoing pricing information. Duke Energy does not adjust quoted market prices on Level 1 for any blockage factor.

**Level 2** — a fair value measurement utilizing inputs other than a quoted market price that are observable, either directly or indirectly, for the asset or liability. Level 2 inputs include, but are not limited to, quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs other than quoted market prices that are observable for the asset or liability, such as interest rate curves and yield curves observable at commonly quoted intervals, volatilities, credit risk and default rates. A Level 2 measurement cannot have more than an insignificant portion of the valuation based on unobservable inputs.

**Level 3** — any fair value measurements which include unobservable inputs for the asset or liability for more than an insignificant portion of the valuation. A Level 3 measurement may be based primarily on Level 2 inputs.

The following table provides the fair value measurement amounts for Master Trust qualified pension and other post-retirement assets at December 31, 2011:

(in millions)	Total Fair Value Amounts at December 31,			
	2011 <sup>(a)</sup>	Level 1	Level 2	Level 3
<b>Master Trust</b>				
Equity securities	\$2,568	\$1,745	\$ 823	\$ —
Corporate bonds	1,237	—	1,236	1
Short-term investment funds	328	276	52	—
Partnership interests	127	—	—	127
Hedge funds	89	—	89	—
Real estate investment trust	152	—	—	152
U.S. Government securities	211	—	211	—
Other investments <sup>(b)</sup>	33	30	2	1
Guaranteed investment contracts	39	—	—	39
Government bonds —				
Foreign	39	—	38	1
Cash	7	7	—	—
Asset backed securities	4	—	3	1
Government and commercial mortgage backed securities	8	—	8	—
<b>Total Assets</b>	<b>\$4,842</b>	<b>\$2,058</b>	<b>\$2,462</b>	<b>\$322</b>

(a) Excludes \$27 million in net receivables and payables associated with security purchases and sales.

(b) Includes pending investment sales (net of investment purchases) of \$3 million.

The following table provides the fair value measurement amounts for Master Trust qualified pension and other post-retirement assets at December 31, 2010:

(in millions)	Total Fair Value Amounts at December 31,			
	2010 <sup>(a)</sup>	Level 1	Level 2	Level 3
<b>Master Trust</b>				
Equity securities	\$2,978	\$2,019	\$ 959	\$ —
Corporate bonds	1,062	11	1,040	11
Short-term investment funds	484	469	15	—
Partnership interests	108	—	—	108
Hedge funds	94	—	94	—
Real estate investment trust	66	—	—	66
U.S. Government securities	138	—	138	—
Other investments <sup>(b)</sup>	(121)	(84)	3	(40)
Guaranteed investment contracts	38	—	—	38
Government bonds —				
Foreign	35	—	34	1
Cash	2	2	—	—
Asset backed securities	9	—	8	1
Government and commercial mortgage backed securities	8	—	8	—
<b>Total Assets</b>	<b>\$4,901</b>	<b>\$2,417</b>	<b>\$2,299</b>	<b>\$185</b>

(a) Excludes \$23 million in net receivables and payables associated with security purchases and sales.

(b) Includes pending investment sales (net of investment purchases) of \$(139) million.

## PART II

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

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

The following table provides the fair value measurement amounts for VEBA I other post-retirement assets at December 31, 2011:

(in millions)	Total Fair Value Amounts at December 31,			
	2011	Level 1	Level 2	Level 3
<b>VEBA I</b>				
Cash and cash equivalents	\$26	\$—	\$26	\$—
Equity securities	11	—	11	—
Debt securities	16	—	16	—
<b>Total Assets</b>	<b>\$53</b>	<b>\$—</b>	<b>\$53</b>	<b>\$—</b>

The following table provides the fair value measurement amounts for VEBA I and VEBA II other post-retirement assets at December 31, 2010:

(in millions)	Total Fair Value Amounts at December 31,			
	2010	Level 1	Level 2	Level 3
<b>VEBA I/II</b>				
Cash and cash equivalents	\$30	\$—	\$30	\$—
Equity securities	12	—	12	—
Debt securities	17	—	17	—
<b>Total Assets</b>	<b>\$59</b>	<b>\$—</b>	<b>\$59</b>	<b>\$—</b>

The following table provides a reconciliation of beginning and ending balances of Master Trust assets measured at fair value on a recurring basis where the determination of fair value includes significant unobservable inputs (Level 3) for the year ended December 31, 2011:

#### Year Ended December 31, 2011 (in millions)

<b>Master Trust</b>	
Balance at January 1, 2011	\$185
<b>Purchases, sales, issuances and settlements:</b>	
Purchases	156
Sales	(29)
Total gains (losses), (realized and unrealized) and other	10
<b>Balance at December 31, 2011</b>	<b>\$322</b>

The following table provides a reconciliation of beginning and ending balances of Master Trust assets measured at fair value on a recurring basis where the determination of fair value includes significant unobservable inputs (Level 3) for the year ended December 31, 2010:

#### Year Ended December 31, 2010 (in millions)

<b>Master Trust</b>	
Balance at January 1, 2010	\$256
Purchases, sales, issuances and settlements (net)	(71)
Total gains (losses), realized and unrealized and other	—
<b>Balance at December 31, 2010</b>	<b>\$185</b>

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

#### Investments in equity securities:

Investments in equity securities are typically valued at the closing price in the principal active market as of the last business day of the quarter. Principal active markets for equity prices include published exchanges such as 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. Duke Energy has not adjusted prices to reflect for after-hours market activity. Most equity security valuations are Level 1 measures. Investments in equity securities with unpublished prices are valued as Level 2 if they are redeemable at the measurement date. Investments in equity securities with redemption restrictions are valued as Level 3.

#### Investments in corporate bonds and U.S. government 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 measures. If the market for a particular fixed income security is relatively inactive or illiquid, the measurement is a Level 3 measurement.

#### Investments in short-term investment funds:

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 trust:

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.

#### Employee Savings Plans

Duke Energy sponsors 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% of employee before-tax and Roth 401(k) contributions, of up to 6% of eligible pay per pay period. Duke Energy made pre-tax employer matching contributions of \$86 million in 2011, \$85 million in 2010 and \$80 million in 2009. 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.

**Combined Notes to Consolidated Financial Statements – (Continued)****DUKE ENERGY CAROLINAS****Duke Energy Retirement Plans.**

Duke Energy Carolinas participates in Duke Energy sponsored qualified 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 that are based upon a percentage (which may vary with age and years of service) of current eligible earnings and current interest credits. Duke Energy Carolinas also participates in Duke Energy sponsored non-qualified, non-contributory defined benefit pension plans which cover certain executives.

Duke Energy's policy is to fund amounts on an actuarial basis to provide assets sufficient to meet benefits to be paid to plan participants. The following table includes information related to Duke Energy Carolinas' contributions to Duke Energy's qualified defined benefit pension plans.

(in millions)	Years Ended December 31,			
	2012	2011	2010	2009
Contributions made	—	\$33	\$158	\$158
Anticipated contributions	\$66	—	—	—

Actuarial gains and losses subject to amortization are amortized over the average remaining service period of the active employees. The average remaining service period of the active employees covered by the qualified retirement plans is nine years. The average remaining service period of active employees covered by the non-qualified retirement plans is also nine years. Duke Energy determines the market-related value of plan assets using a calculated value that recognizes changes in fair value of the plan assets in a particular year on a straight-line basis over the next five years.

Net periodic pension costs disclosed in the tables below for the qualified, non-qualified and other post-retirement benefit plans represent the cost of the respective plan for the periods presented. However, portions of the net periodic pension costs (benefits) disclosed in the tables have been capitalized as a component of property, plant and equipment.

Duke Energy uses a December 31 measurement date for its defined benefit retirement plan assets and obligations.

Amounts presented in the tables below represent the amounts of pension and other post-retirement benefit cost allocated by Duke Energy for employees of Duke Energy Carolinas. Additionally, Duke Energy Carolinas is allocated its proportionate share of pension and other post-retirement benefit cost for employees of Duke Energy's shared services affiliate that provides support to Duke Energy Carolinas. These allocated amounts are included in the governance and shared services costs discussed in Note 13.

**Qualified Pension Plans****Components of Net Periodic Pension (Benefit) Costs as allocated by Duke Energy: Qualified Pension Plans**

(in millions)	For the Years Ended December 31,		
	2011	2010	2009
Service cost	\$ 37	\$ 36	\$ 31
Interest cost on projected benefit obligation	85	91	95
Expected return on plan assets	(150)	(147)	(142)
Amortization of prior service cost	1	1	1
Amortization of actuarial loss	37	27	2
Other	7	8	7
Net periodic pension costs (benefit)	\$ 17	\$ 16	\$ (6)

**Other Changes in Plan Assets and Projected Benefit Obligations Recognized in Regulatory Assets: Qualified Pension Plans**

(in millions)	For the Years Ended December 31,	
	2011	2010
Regulatory assets, net increase	\$65	\$628

**Reconciliation of Funded Status to Net Amount Recognized: Qualified Pension Plans**

(in millions)	As of and for the Years Ended December 31,	
	2011	2010
<b>Change in Projected Benefit Obligation</b>		
Obligation at prior measurement date	\$1,786	\$1,737
Service cost	37	36
Interest cost	85	91
Actuarial losses	20	57
Transfers	(5)	(5)
Plan amendments	13	—
Benefits paid	(105)	(130)
Obligation at measurement date	\$1,831	\$1,786

The accumulated benefit obligation was \$1,787 million and \$1,743 million at December 31, 2011 and 2010, respectively.

(in millions)	As of and for the Years Ended December 31,	
	2011	2010
<b>Change in Fair Value of Plan Assets</b>		
Plan assets at prior measurement date	\$1,837	\$1,602
Actual return on plan assets	60	212
Benefits paid	(105)	(130)
Transfers	(5)	(5)
Employer contributions	33	158
Plan assets at measurement date	\$1,820	\$1,837

**Combined Notes to Consolidated Financial Statements – (Continued)****Amounts Recognized in the Consolidated Balance Sheets:  
Qualified Pension Plans**

The following table provides the amounts related to Duke Energy's Carolinas' qualified pension plans that are reflected in Other within Investments and Other Assets on the Consolidated Balance Sheets at December 31, 2011 and 2010:

(in millions)	As of and for the Years Ended December 31,	
	2011	2010
Prefunded pension cost	\$ —	\$51
Accrued pension liability	(11)	—

The following table provides the amounts related to Duke Energy Carolinas' qualified pension plans that are reflected in Other within Regulatory Assets and Deferred Debits on the Consolidated Balance Sheets at December 31, 2011 and 2010:

(in millions)	As of December 31,	
	2011	2010
Regulatory assets	\$693	\$628

Of the amounts above, \$46 million of unrecognized net actuarial loss and \$1 million of unrecognized prior service cost will be recognized in net periodic pension costs in 2012.

**Additional Information: Qualified Pension Plans****Information for Plans with Accumulated Benefit Obligation in  
Excess of Plan Assets as allocated by Duke Energy**

(in millions)	As of December 31,	
	2011	2010
Projected benefit obligation	\$—	\$—
Accumulated benefit obligation	—	—
Fair value of plan assets	—	—

**Assumptions Used for Pension Benefits Accounting**

(percentages)	As of December 31,		
	2011	2010	2009
<b>Benefit Obligations</b>			
Discount rate	5.10	5.00	5.50
Salary increase (graded by age)	4.40	4.10	4.50
	2011	2010	2009
<b>Net Periodic Benefit Cost</b>			
Discount rate	5.00	5.50	6.50
Salary increase	4.10	4.50	4.50
Expected long-term rate of return on plan assets	8.25	8.50	8.50

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 the 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.

**Non-Qualified Pension Plans****Components of Net Periodic Pension Costs as allocated by Duke  
Energy: Non-Qualified Pension Plans**

(in millions)	For the Years Ended December 31,		
	2011	2010	2009
Amortization of prior service cost	\$—	\$1	\$1
Interest cost on projected benefit obligation	1	1	1
Net periodic pension costs	\$ 1	\$2	\$2

**Other Changes in Plan Assets and Projected Benefit Obligations  
Recognized in Regulatory Assets: Non-Qualified Pension Plans**

	For the Years Ended December 31,	
	2011	2010
	(in millions)	
Regulatory assets, net increase	\$—	\$3

**Reconciliation of Funded Status to Net Amount Recognized:  
Non-Qualified Pension Plans**

(in millions)	As of and for the Years Ended December 31,	
	2011	2010
<b>Change in Projected Benefit Obligation</b>		
Obligation at prior measurement date	\$21	\$22
Transfers	(1)	—
Interest cost	1	1
Actuarial losses	—	1
Benefits paid	(3)	(3)
Obligation at measurement date	\$18	\$21
<b>Change in Fair Value of Plan Assets</b>		
Benefits paid	\$ (3)	\$ (3)
Employer contributions	3	3
Plan assets at measurement date	\$—	\$—

The accumulated benefit obligation was \$17 million and \$20 million at December 31, 2011 and 2010, respectively.

## PART II

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

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

#### Amounts Recognized in the Consolidated Balance Sheets:

##### Non-Qualified Pension Plans

The following table provides the amounts related to Duke Energy Carolinas' non-qualified pension plans that are reflected in Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheets at December 31, 2011 and 2010:

(in millions)	As of December 31,	
	2011	2010
Accrued pension liability <sup>(a)</sup>	<b>\$(18)</b>	<b>\$(21)</b>

(a) Includes \$3 million and \$5 million recognized in Other within Current Liabilities on the Consolidated Balance Sheets as of December 31, 2011 and 2010, respectively.

The following table provides the amounts related to Duke Energy's non-qualified pension plans that are reflected in Other within Regulatory Assets and Deferred Debits on the Consolidated Balance Sheets at December 31, 2011 and 2010:

(in millions)	As of December 31,	
	2011	2010
Regulatory assets	<b>\$3</b>	<b>\$3</b>

Of the amounts above, an insignificant amount will be recognized in net periodic pension costs in 2012.

#### Additional Information: Non-Qualified Pension Plans

##### Information for Plans with Accumulated Benefit Obligation in Excess of Plan Assets as allocated by Duke Energy

	As of December 31,	
	2011	2010
	(in millions)	
Projected benefit obligation	<b>\$18</b>	<b>\$21</b>
Accumulated benefit obligation	<b>17</b>	<b>20</b>
Fair value of plan assets	<b>—</b>	<b>—</b>

##### Assumptions Used for Pension Benefits Accounting

(percentages)	As of December 31,		
	2011	2010	2009
<b>Benefit Obligations</b>			
Discount rate	<b>5.10</b>	5.00	5.50
Salary increase	<b>4.40</b>	4.10	4.50
	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Determined Expense</b>			
Discount rate	<b>5.00</b>	5.50	6.50
Salary increase	<b>4.10</b>	4.50	4.50

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 the 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.

#### Other Post-Retirement Benefit Plans

In conjunction with Duke Energy, Duke Energy Carolinas provides 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.

These benefit costs are accrued over an employee's active service period to the date of full benefits eligibility. The net unrecognized transition obligation is amortized over 20 years. Actuarial gains and losses are amortized over the average remaining service period of the active employees. The average remaining service period of the active employees covered by the plan is ten years.

#### Components of Net Periodic Other Post-Retirement Benefit Costs as allocated by Duke Energy

	For the Years Ended December 31,		
	2011	2010	2009
	(in millions)		
Service cost benefit earned during the year	<b>\$ 2</b>	<b>\$ 2</b>	<b>\$ 2</b>
Interest cost on accumulated post-retirement benefit obligation	<b>16</b>	<b>17</b>	<b>21</b>
Expected return on plan assets	<b>(10)</b>	<b>(10)</b>	<b>(11)</b>
Amortization of prior service credit	<b>(5)</b>	<b>(5)</b>	<b>(5)</b>
Amortization of net transition liability	<b>9</b>	<b>9</b>	<b>9</b>
Amortization of actuarial loss	<b>2</b>	<b>3</b>	<b>1</b>
Net periodic other post-retirement benefit costs	<b>\$ 14</b>	<b>\$ 16</b>	<b>\$ 17</b>

#### Other Changes in Plan Assets and Projected Benefit Obligations Recognized in Regulatory Assets: Other Post-Retirement Benefit Plans

	For the Years Ended December 31,	
	2011	2010
	(in millions)	
Regulatory assets, net (decrease) increase	<b>\$(12)</b>	<b>\$49</b>



**Combined Notes to Consolidated Financial Statements – (Continued)****Reconciliation of Funded Status to Accrued Other Post-Retirement Benefit Costs**

	As of and for the Years Ended December 31,	
(in millions)	2011	2010
<b>Change in Benefit Obligation</b>		
Accumulated post-retirement benefit obligation at prior measurement date	\$326	\$338
Service cost	2	2
Interest cost	16	17
Plan participants' contributions	21	24
Actuarial gain	(12)	(14)
Transfer	(1)	(1)
Plan transfer	(1)	—
Benefits paid	(44)	(44)
Early retiree reinsurance program subsidy	2	—
Accrued retiree drug subsidy	3	4
Accumulated post-retirement benefit obligation at measurement date	\$312	\$326
<b>Change in Fair Value of Plan Assets</b>		
Plan assets at prior measurement date	\$125	\$114
Actual return on plan assets	2	13
Benefits paid	(44)	(44)
Employer contributions	16	18
Plan participants' contributions	21	24
Plan assets at measurement date	\$120	\$125

**Amounts Recognized in the Consolidated Balance Sheets: Other Post-Retirement Benefit Plans**

The following table provides the amounts related to Duke Energy Carolinas' other post-retirement benefit plans that are reflected in Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheets at December 31, 2011 and 2010:

	As of December 31,	
(in millions)	2011	2010
Accrued other post-retirement liability	\$(192)	\$(201)

The following table provides the amounts related to Duke Energy Carolinas' other post-retirement benefit plans that are reflected in Other within Regulatory Assets and Deferred Debits on the Consolidated Balance Sheets at December 31, 2011 and 2010:

	As of December 31,	
(in millions)	2011	2010
Regulatory assets	\$37	\$49

Of the amounts above, \$6 million of unrecognized net transition obligation, \$3 million of unrecognized losses and \$5 million of unrecognized prior service credit (which will reduce pension expense) will be recognized in net periodic pension costs in 2012.

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

(percentages)	2011	2010	2009
<b>Determined Benefit Obligations</b>			
Discount rate	5.10	5.00	5.50
	2011	2010	2009
<b>Determined Expense</b>			
Discount rate	5.00	5.50	6.50
Expected long-term rate of return on plan assets	5.36-8.25	5.53-8.50	5.53-8.50
Assumed tax rate <sup>(a)</sup>	35.0	35.0	35.0

(a) Applicable to the health care portion of funded post-retirement benefits.

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 the 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.

**Assumed Health Care Cost Trend Rate**

	2011	2010
Health care cost trend rate assumed for next year	8.75%	8.50%
Rate to which the cost trend is assumed to decline (the ultimate trend rate)	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	2020	2020

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

(in millions)	1-Percentage-Point Increase	1-Percentage-Point Decrease
Effect on total service and interest costs	\$ 1	\$ (1)
Effect on post-retirement benefit obligation	13	(12)

**Combined Notes to Consolidated Financial Statements – (Continued)****Expected Benefit Payments: Defined Benefit Retirement Plans**

The following table presents Duke Energy's expected benefit payments made on behalf of Duke Energy Carolinas to participants in its qualified, non-qualified and other post-retirement benefit plans over the next 10 years, which are primarily paid out of the assets of the various trusts. These benefit payments reflect expected future service, as appropriate.

(in millions)	Qualified Plans	Non-Qualified Plans	Other Post-Retirement Plans <sup>(a)</sup>	Total
Years Ended December 31,				
2012	\$186	\$ 3	\$ 22	\$211
2013	186	3	23	212
2014	185	3	24	212
2015	183	3	25	211
2016	179	2	26	207
2017 – 2021	806	10	129	945

(a) Duke Energy expects to receive on behalf of Duke Energy Carolinas, future subsidies under Medicare Part D of \$2 million in each of the years 2012-2016 and a total of \$9 million during the years 2017-2021.

**Employee Savings Plans**

Duke Energy sponsors, and Duke Energy Carolinas participates in, an employee savings plan that covers substantially all U.S. employees. Duke Energy contributes a matching contribution equal to 100% of employee before-tax and Roth 401(k) contributions, of up to 6% of eligible pay per pay period. Duke Energy Carolinas expensed pre-tax plan contributions, as allocated by Duke Energy, of \$37 million in 2011, \$36 million in 2010 and \$36 million in 2009.

**DUKE ENERGY OHIO****Duke Energy Retirement Plans.**

Duke Energy Ohio participates in qualified and non-qualified defined benefit pension plans and other post-retirement benefit plans sponsored by Duke Energy. Duke Energy allocates pension and other post-retirement obligations and costs related to these plans to Duke Energy Ohio.

Net periodic benefit cost disclosed in the tables below for the qualified, non-qualified and other post-retirement benefit plans represent the cost of the respective plan for the periods presented. However, portions of the net periodic benefit cost disclosed in the tables have been capitalized as a component of property, plant and equipment.

Duke Energy uses a December 31 measurement date for its defined benefit retirement plan assets and obligations.

Amounts presented in the tables below represent the amounts of pension and other post-retirement benefit cost allocated to Duke Energy Ohio. Additionally, Duke Energy Ohio is allocated its proportionate share of pension and other post-retirement benefit cost for employees of Duke Energy's shared services affiliate that provides support to Duke Energy Ohio. These allocated amounts are included in the governance and shared services costs discussed in Note 13.

**Qualified Pension Plans**

Duke Energy's qualified defined benefit pension plans cover substantially all employees meeting certain minimum age and service requirements. The plans cover most employees using a cash balance formula. Under a cash balance formula, a plan participant accumulates a retirement benefit consisting of pay credits that are based upon a percentage (which varies with age and years of service) of current eligible earnings and current interest credits. Certain legacy Cinergy employees are covered under plans that use a final average earnings formula. Under a final average earnings formula, a plan participant accumulates a retirement benefit equal to a percentage of their highest 3-year average earnings, plus a percentage of their highest 3-year average earnings in excess of covered compensation per year of participation (maximum of 35 years), plus a percentage of their highest 3-year average earnings times years of participation in excess of 35 years. Duke Energy Ohio also participates in Duke Energy sponsored non-qualified, non-contributory defined benefit pension plans which cover certain executives.

Duke Energy's policy is to fund amounts on an actuarial basis to provide assets sufficient to meet benefits to be paid to plan participants. The following table includes information related to Duke Energy Ohio's contributions to Duke Energy's qualified defined benefit pension plans.

(in millions)	Years ended December 31,			
	2012	2011	2010	2009
Contributions made	—	\$48	\$45	\$210
Anticipated contributions	\$29	—	—	—

Actuarial gains and losses are amortized over the average remaining service period of active employees. The average remaining service period of active employees covered by the qualified retirement plans is ten years. The average remaining service period of active employees covered by the non-qualified retirement plans is also ten years. Duke Energy determines the market-related value of plan assets using a calculated value that recognizes changes in fair value of the plan assets over five years.

## PART II

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

**Combined Notes to Consolidated Financial Statements – (Continued)****Components of Net Periodic Pension Costs as allocated by Duke Energy: Qualified Pension Plans**

(in millions)	For the Years Ended December 31,		
	2011 <sup>(a)</sup>	2010 <sup>(a)</sup>	2009 <sup>(a)</sup>
Service cost	\$ 7	\$ 7	\$ 8
Interest cost on projected benefit obligation	32	33	38
Expected return on plan assets	(44)	(44)	(43)
Amortization of prior service cost	1	1	1
Amortization of actuarial loss	7	4	—
Other	2	2	2
Net periodic pension costs	\$ 5	\$ 3	\$ 6

(a) These amounts exclude \$7 million, \$7 million and \$4 million for the years ended December 31, 2011, 2010 and 2009, respectively, of regulatory asset amortization resulting from purchase accounting adjustments associated with Duke Energy's merger with Cinergy in April 2006.

**Other Changes in Plan Assets and Projected Benefit Obligations Recognized in Regulatory Assets and AOCI: Qualified Pension Plans**

(in millions)	For the Years Ended December 31,	
	2011	2010
Regulatory assets, net increase	\$11	\$ 6
Accumulated other comprehensive (income) loss		
Deferred income tax asset	1	4
Actuarial loss (gain) arising during the year	10	(9)
Amortization of prior year actuarial losses	(3)	(1)
Amortization of prior year prior service cost	—	(1)
Net amount recognized in accumulated other comprehensive (income) loss	\$ 8	\$(7)

**Reconciliation of Funded Status to Net Amount Recognized: Qualified Pension Plans**

(in millions)	As of and for the Years Ended December 31,	
	2011	2010
<b>Change in Projected Benefit Obligation</b>		
Obligation at prior measurement date	\$651	\$689
Service cost	7	7
Interest cost	32	33
Actuarial (gains) losses	(9)	24
Plan amendments	—	—
Transfers	(17)	(54)
Benefits paid	(37)	(48)
Obligation at measurement date	\$627	\$651

The accumulated benefit obligation was \$602 million and \$616 million at December 31, 2011 and 2010, respectively.

(in millions)	As of and for the Years Ended December 31,	
	2011	2010
<b>Change in Fair Value of Plan Assets</b>		
Plan assets at prior measurement date	\$565	\$557
Actual return on plan assets	6	65
Transfers	(17)	(54)
Benefits paid	(37)	(48)
Employer contributions	48	45
Plan assets at measurement date	\$565	\$565

**Amounts Recognized in the Consolidated Balance Sheets: Qualified Pension Plans**

The following table provides the amounts related to Duke Energy Ohio's qualified pension plans that are reflected in Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheets at December 31, 2011 and 2010:

(in millions)	As of and for the Years Ended December 31,	
	2011	2010
Accrued pension liability	\$(62)	\$(86)

The following table provides the amounts related to Duke Energy Ohio's qualified pension plans that are reflected in Other within Regulatory Assets and Deferred Debits and AOCI on the Consolidated Balance Sheets at December 31, 2011 and 2010:

(in millions)	As of December 31,	
	2011	2010
Regulatory assets	\$122	\$111
Accumulated Other Comprehensive (Income) Loss		
Deferred income tax asset	\$(15)	\$(16)
Prior service cost	1	1
Net actuarial loss	52	45
Net amount recognized accumulated other comprehensive loss (income)	\$ 38	\$ 30

Of the amounts above, approximately \$9 million of unrecognized net actuarial loss and approximately \$1 million of unrecognized prior service cost will be recognized in net periodic pension costs in 2012.

**Combined Notes to Consolidated Financial Statements – (Continued)****Additional Information: Qualified Pension Plans****Information for Plans with Accumulated Benefit Obligation in Excess of Plan Assets as allocated by Duke Energy**

(in millions)	As of December 31,	
	2011	2010
Projected benefit obligation	\$—	\$651
Accumulated benefit obligation	—	616
Fair value of plan assets	—	565

**Assumptions Used for Pension Benefits Accounting**

(percentages)	As of December 31,		
	2011	2010	2009
<b>Benefit Obligations</b>			
Discount rate	5.10	5.00	5.50
Salary increase (graded by age)	4.40	4.10	4.50
	2011	2010	2009
<b>Determined Expense</b>			
Discount rate	5.00	5.50	6.50
Salary increase	4.10	4.50	4.50
Expected long-term rate of return on plan assets	8.25	8.50	8.50

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 the 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.

**Non-Qualified Pension Plans****Components of Net Periodic Pension Costs as allocated by Duke Energy: Non-Qualified Pension Plans**

Duke Energy Ohio's non-qualified pension plan pre-tax net periodic pension benefit costs as allocated by Duke Energy was insignificant for the years ended December 31, 2011, 2010 and 2009.

**Other Changes in Plan Assets and Projected Benefit Obligations****Recognized in Regulatory Assets and Accumulated Other Comprehensive Income: Non-Qualified Pension Plans**

Duke Energy Ohio's non-qualified pension plan Other Changes in Plan Assets and Projected Benefit Obligations Recognized in Regulatory Assets and Accumulated Other Comprehensive Income as allocated by Duke Energy was insignificant for the years ended December 31, 2011 and 2010.

**Reconciliation of Funded Status to Net Amount Recognized: Non-Qualified Pension Plans**

(in millions)	As of and for the Years Ended December 31,	
	2011	2010
<b>Change in Projected Benefit Obligation</b>		
Obligation at prior measurement date	\$ 6	\$ 4
Service cost	—	—
Interest cost	—	—
Actuarial losses	(1)	3
Benefits paid	(1)	(1)
Obligation at measurement date	\$ 4	\$ 6
<b>Change in Fair Value of Plan Assets</b>		
Benefits paid	\$(1)	\$(1)
Employer contributions	1	1
Plan assets at measurement date	\$—	\$—

The accumulated benefit obligation was \$4 million and \$6 million at December 31, 2011 and 2010, respectively.

**Amounts Recognized in the Consolidated Balance Sheets: Non-Qualified Pension Plans**

The following table provides the amounts related to Duke Energy Ohio's non-qualified pension plans that are reflected in Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheets at December 31, 2011 and 2010:

(in millions)	As of December 31,	
	2011	2010
Accrued pension liability <sup>(a)</sup>	\$(4)	\$(6)

(a) Includes \$1 million recognized in Other within Current Liabilities on the Consolidated Balance Sheets as of both December 31, 2011 and 2010.

Amounts related to Duke Energy Ohio's non-qualified pension plans that are reflected in Other within Regulatory Assets and Deferred Debits and AOCI on the Consolidated Balance Sheets were insignificant at December 31, 2011 and 2010.

**Additional Information: Non-Qualified Pension Plans****Information for Plans with Accumulated Benefit Obligation in Excess of Plan Assets as allocated by Duke Energy**

(in millions)	As of December 31,	
	2011	2010
Projected benefit obligation	\$ 4	\$ 6
Accumulated benefit obligation	4	6
Fair value of plan assets	—	—

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

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

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 the 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.

**Assumptions Used for Pension Benefits Accounting**

(percentages)	As of December 31,		
	2011	2010	2009
<b>Benefit Obligations</b>			
Discount rate	5.10	5.00	5.50
Salary increase	4.40	4.10	4.50
<b>Net Periodic Benefit Cost</b>			
Discount rate	5.00	5.50	6.50
Salary increase	4.10	4.50	4.50

**Other Post-Retirement Benefit Plans**

Duke Energy Ohio participates in other post-retirement benefit plans sponsored by Duke Energy. Duke Energy provides certain health care and life insurance benefits to retired employees and their eligible dependents on a contributory and non-contributory basis. These benefits are subject to minimum age and service requirements. The health care benefits include medical coverage, dental coverage, and prescription drug coverage and are subject to certain limitations, such as deductibles and co-payments. These benefit costs are accrued over an employee's active service period to the date of full benefits eligibility. The net unrecognized transition obligation is amortized over 20 years.

Actuarial gains and losses are amortized over the average remaining service period of the active employees. The average remaining service period of the active employees covered by the plan is 10 years. Duke Energy did not make any contributions to its other post-retirement plans in 2011, 2010 or 2009.

**Components of Net Periodic Other Post-Retirement Benefit Costs as allocated by Duke Energy**

(in millions)	For the Years Ended December 31,		
	2011 <sup>(a)</sup>	2010 <sup>(a)</sup>	2009 <sup>(a)</sup>
Service cost	\$ 1	\$ 1	\$ 1
Interest cost on accumulated post-retirement benefit obligation	3	3	4
Expected return on plan assets	(1)	(1)	(1)
Amortization of prior service credit	(1)	(1)	(1)
Amortization of actuarial gain	(2)	(2)	(2)
Net periodic other post-retirement benefit costs	\$—	\$—	\$ 1

(a) These amounts exclude \$2 million for each of the years ended December 31, 2011, 2010 and 2009 of regulatory asset amortization resulting from purchase accounting adjustments associated with Duke Energy's merger with Cinergy in April 2006.

**Other Changes in Plan Assets and Projected Benefit Obligations Recognized in Accumulated Other Comprehensive Income, Regulatory Assets and Regulatory Liabilities: Other Post-Retirement Benefit Plans**

(in millions)	For the Years Ended December 31,	
	2011	2010
Regulatory liabilities, net decrease	\$(1)	(4)
Accumulated other comprehensive (income)/loss		
Deferred income tax liability	(1)	3
Actuarial loss (gain) arising during the year	2	(3)
Amortization of prior year actuarial gains	1	1
Net amount recognized in accumulated other comprehensive (income)/loss	\$ 2	\$ 1

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

(in millions)	As of and for the Years Ended December 31,	
	2011	2010
<b>Change in Benefit Obligation</b>		
Accumulated post-retirement benefit obligation at prior measurement date	\$66	\$70
Service cost	1	1
Interest cost	3	3
Plan participants' contributions	1	1
Actuarial loss	—	2
Transfers	(2)	(6)
Benefits paid	(8)	(5)
Accumulated post-retirement benefit obligation at measurement date	\$61	\$66
<b>Change in Fair Value of Plan Assets</b>		
Plan assets at prior measurement date	\$ 8	\$ 7
Actual return on plan assets	—	2
Benefits paid	(8)	(5)
Employer contributions	8	3
Plan participants' contributions	1	1
Plan assets at measurement date	\$ 9	\$ 8

## PART II

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

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

#### Amounts Recognized in the Consolidated Balance Sheets: Other Post-Retirement Benefit Plans

The following table provides the amounts related to Duke Energy Ohio's other post-retirement benefit plans that are reflected in Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheets at December 31, 2011 and 2010:

	As of December 31,	
(in millions)	2011	2010
Accrued other post-retirement liability <sup>(a)</sup>	<b>\$(52)</b>	\$(58)

(a) Includes \$2 million recognized in Other within Current Liabilities on the Consolidated Balance Sheets as of both December 31, 2011 and 2010.

The following table provides the amounts related to Duke Energy Ohio's other post-retirement benefit plans that are reflected in Other within Deferred Credits and Other Liabilities and AOCI on the Consolidated Balance Sheets at December 31, 2011 and 2010:

	As of December 31,	
(in millions)	2011	2010
Regulatory liabilities	<b>\$19</b>	\$ 20
Accumulated other comprehensive income		
Deferred income tax liability	<b>\$ 4</b>	\$ 5
Prior service credit	<b>(1)</b>	(1)
Net actuarial loss gain	<b>(9)</b>	(12)
Net amount recognized in accumulated other comprehensive (income)/loss	<b>\$ (6)</b>	\$ (8)

Of the amounts above, \$2 million of unrecognized gains and \$1 million of unrecognized prior service credit (which will reduce pension expense) will be recognized in net periodic pension costs in 2012.

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

(percentages)	2011	2010	2009
<b>Benefit Obligations</b>			
Discount rate	<b>5.10</b>	5.00	5.50
<b>Net Periodic Benefit Cost</b>			
Discount rate	<b>5.00</b>	5.50	6.50
Expected long-term rate of return on plan assets	<b>8.25</b>	8.50	8.50

#### Assumed Health Care Cost Trend Rate

	2011	2010
Health care cost trend rate assumed for next year	<b>8.75%</b>	8.50%
Rate to which the cost trend is assumed to decline (the ultimate trend rate)	<b>5.00%</b>	5.00%
Year that the rate reaches the ultimate trend rate	<b>2020</b>	2020

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

(in millions)	1-Percentage-Point Increase	1-Percentage-Point Decrease
Effect on total service and interest costs	<b>\$ 1</b>	\$(1)
Effect on post-retirement benefit obligation	<b>18</b>	(16)

#### Expected Benefit Payments

The following table presents Duke Energy's expected benefit payments made on behalf of Duke Energy Ohio to participants in its qualified, non-qualified and other post-retirement benefit plans over the next 10 years, which are primarily paid out of the assets of the various trusts. These benefit payments reflect expected future service, as appropriate.

	Qualified Plans	Non-Qualified Plans	Other Post-Retirement Plans	Total
(in millions)				
Years Ended December 31,				
2012	\$ 46	\$1	\$ 5	\$ 52
2013	45	1	5	51
2014	44	1	6	51
2015	43	1	6	50
2016	44	1	6	51
2017 – 2021	241	3	27	271

#### Employee Savings Plans

Duke Energy sponsors, and Duke Energy Ohio participates in, an employee savings plan that covers substantially all U.S. employees. Duke Energy contributes a matching contribution equal to 100% of employee before-tax and Roth 401(k) employee contributions, of up to 6% of eligible pay per period. Duke Energy Ohio expensed pre-tax plan contributions, as allocated by Duke Energy, of \$4 million in 2011, \$4 million in 2010 and \$4 million in 2009.

#### DUKE ENERGY INDIANA

##### Duke Energy Retirement Plans.

Duke Energy Indiana participates in qualified and non-qualified defined benefit pension plans and other post-retirement benefit plans sponsored by Duke Energy. Duke Energy allocates pension and other post-retirement obligations and costs related to these plans to Duke Energy Indiana.

Net periodic benefit cost disclosed below for the qualified, non-qualified and other post-retirement benefit plans represent the cost of the respective plan for the periods presented. However, portions of the net periodic costs disclosed have been capitalized as a component of property, plant and equipment.

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

Duke Energy uses a December 31 measurement date for its defined benefit retirement plan assets and obligations.

Amounts presented below represent the amounts of pension and other post-retirement benefit cost allocated to Duke Energy Indiana. Additionally, Duke Energy Indiana is allocated its proportionate share of pension and other post-retirement benefit cost for employees of Duke Energy's shared services affiliate that provides support to Duke Energy Indiana. These allocated amounts are included in the governance and shared services costs discussed in Note 13.

**Qualified Pension Plans**

Duke Energy's qualified defined benefit pension plans cover substantially all employees meeting certain minimum age and service requirements. The plans cover most employees using a cash balance formula. Under a cash balance formula, a plan participant accumulates a retirement benefit consisting of pay credits that are based upon a percentage (which varies with age and years of service) of current eligible earnings and current interest credits. Certain legacy Cinergy employees are covered under plans that use a final average earnings formula. Under a final average earnings formula, a plan participant accumulates a retirement benefit equal to a percentage of their highest 3-year average earnings, plus a percentage of their highest 3-year average earnings in excess of covered compensation per year of participation (maximum of 35 years), plus a percentage of their highest 3-year average earnings times years of participation in excess of 35 years. Duke Energy Indiana also participates in Duke Energy sponsored non-qualified, non-contributory defined benefit pension plans which cover certain executives.

Duke Energy's policy is to fund amounts on an actuarial basis to provide assets sufficient to meet benefits to be paid to plan participants. The following table includes information related to Duke Energy Indiana's contributions to Duke Energy's qualified defined benefit pension plans.

(in millions)	Years ended December 31,			
	2012	2011	2010	2009
Contributions made	—	\$52	\$46	\$140
Anticipated contributions	\$24	—	—	—

Actuarial gains and losses are amortized over the average remaining service period of the active employees. The average remaining service period of the active employees covered by the qualified retirement plans is 10 years. The average remaining service period of the active employees covered by the qualified retirement plans is also 10 years. Duke Energy determines the market-related value of plan assets using a calculated value that recognizes changes in fair value of the plan assets over five years.

**Components of Net Periodic Pension Costs as allocated by Duke Energy: Qualified Pension Plans**

(in millions)	For the Years Ended December 31,		
	2011	2010	2009
Service cost	\$ 11	\$ 11	\$ 9
Interest cost on projected benefit obligation	30	32	33
Expected return on plan assets	(45)	(45)	(42)
Amortization of prior service cost	2	2	2
Amortization of actuarial loss	14	12	5
Other	2	2	2
Net periodic pension costs	\$ 14	\$ 14	\$ 9

**Other Changes in Plan Assets and Projected Benefit Obligations Recognized in Regulatory Assets**

(in millions)	For the Years Ended December 31,	
	2011	2010
Regulatory assets, net increase (decrease)	\$5	\$(4)

**Reconciliation of Funded Status to Net Amount Recognized: Qualified Pension Plans**

(in millions)	As of and for the Years Ended December 31,	
	2011	2010
<b>Change in Projected Benefit Obligation</b>		
Obligation at prior measurement date	\$628	\$602
Service cost	11	11
Interest cost	30	32
Actuarial (gains) losses	(11)	32
Plan amendments	(1)	2
Transfers	1	(7)
Benefits paid	(45)	(44)
Obligation at measurement date	\$613	\$628

The accumulated benefit obligation was \$582 million and \$578 million at December 31, 2011 and 2010, respectively.

(in millions)	As of and for the Years Ended December 31,	
	2011	2010
<b>Change in Fair Value of Plan Assets</b>		
Plan assets at prior measurement date	\$565	\$505
Actual return on plan assets	9	65
Benefits paid	(45)	(44)
Transfers	1	(7)
Employer contributions	52	46
Plan assets at measurement date	\$582	\$565

## PART II

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

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

#### Amounts Recognized in the Consolidated Balance Sheets: Qualified Pension Plans

The following table provides the amounts related to Duke Energy Indiana's qualified pension plans that are reflected in Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheets at December 31, 2011 and 2010:

	As of and for the Years Ended December 31,	
(in millions)	2011	2010
Accrued pension liability	<b>\$(31)</b>	\$(63)

The following table provides the amounts related to Duke Energy Indiana's qualified pension plans that are reflected in Other within Regulatory Assets and Deferred Debits on the Consolidated Balance Sheets at December 31, 2011 and 2010:

	As of December 31,	
(in millions)	2011	2010
Regulatory assets	<b>\$229</b>	\$224

#### Additional Information: Qualified Pension Plans

##### Information for Plans with Accumulated Benefit Obligation in Excess of Plan Assets as allocated by Duke Energy

	As of December 31,	
(in millions)	2011	2010
Projected benefit obligation	<b>\$—</b>	\$628
Accumulated benefit obligation	—	578
Fair value of plan assets	—	565

#### Assumptions Used for Pension Benefits Accounting

	As of December 31,		
	2011	2010	2009
	(percentages)		
<b>Benefit Obligations</b>			
Discount rate	<b>5.10</b>	5.00	5.50
Salary increase	<b>4.40</b>	4.10	4.50
<b>Net Periodic Benefit Cost</b>			
Discount rate	<b>5.00</b>	5.50	6.50
Salary increase	<b>4.10</b>	4.50	4.50
Expected long-term rate of return on plan assets	<b>8.25</b>	8.50	8.50

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 the 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.

#### Non-Qualified Pension Plans

##### Components of Net Periodic Pension Costs as allocated by Duke Energy: Non-Qualified Pension Plans

Duke Energy Indiana's non-qualified pension plan pre-tax net periodic pension benefit costs, as allocated by Cinergy, were insignificant for the years ended December 31, 2011, 2010 and 2009.

##### Other Changes in Plan Assets and Projected Benefit Obligations Recognized in Regulatory Assets: Non-Qualified Pension Plans

	For the year ended December 31,	
(in millions)	2011	2010
Regulatory assets, net (decrease) increase	<b>\$(1)</b>	\$1

##### Reconciliation of Funded Status to Net Amount Recognized: Non-Qualified Pension Plans

	As of and for the Years Ended December 31,	
(in millions)	2011	2010
<b>Change in Projected Benefit Obligation</b>		
Obligation at prior measurement date	<b>\$ 6</b>	\$ 6
Actuarial losses	<b>(1)</b>	—
Obligation at measurement date	<b>\$ 5</b>	\$ 6
<b>Change in Fair Value of Plan Assets</b>		
Benefits paid	<b>\$—</b>	\$—
Employer contributions	—	—
Plan assets at measurement date	<b>\$—</b>	\$—

The accumulated benefit obligation was \$5 million and \$6 million at December 31, 2011 and 2010, respectively.

#### Amounts Recognized in the Consolidated Balance Sheets: Non-Qualified Pension Plans

The following table provides the amounts related to Duke Energy Indiana's non-qualified pension plans that are reflected in Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheets at December 31, 2011 and 2010:

	As of December 31,	
(in millions)	2011	2010
Accrued pension liability <sup>(a)</sup>	<b>\$(5)</b>	\$(6)

(a) Includes \$1 million recognized in Other within Current Liabilities on the Consolidated Balance Sheets as of both December 31, 2011 and 2010.



## PART II

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

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

The following table provides the amounts related to Duke Energy Indiana's non-qualified pension plans that are reflected in Regulatory Assets on the Consolidated Balance Sheets at December 31, 2011 and 2010:

(in millions)	As of December 31,	
	2011	2010
Regulatory assets	\$2	\$3

Of the amounts above, an insignificant amount will be recognized in net periodic pension costs in 2012.

#### Additional Information: Non-Qualified Pension Plans

##### Information for Plans with Accumulated Benefit Obligation in Excess of Plan Assets as allocated by Duke Energy

(in millions)	As of December 31,	
	2011	2010
Projected benefit obligation	\$ 5	\$ 6
Accumulated benefit obligation	5	6
Fair value of plan assets	—	—

##### Assumptions Used for Pension Benefits Accounting: Non-Qualified Plans

(percentages)	As of December 31,		
	2011	2010	2009
<b>Benefit Obligations</b>			
Discount rate	5.10	5.00	5.50
Salary increase	4.40	4.10	4.50
<b>Net Periodic Benefit Cost</b>			
Discount rate	5.00	5.50	6.50
Salary increase	4.10	4.50	4.50

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 the 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.

#### Other Post-Retirement Benefit Plans

Duke Energy Indiana participates in other post-retirement benefit plans sponsored by Duke Energy. Duke Energy provides certain health care and life insurance benefits to retired employees and their eligible dependents on a contributory and non-contributory basis. These benefits are subject to minimum age and service requirements. The health care benefits include medical coverage, dental coverage, and prescription drug coverage and are subject to certain limitations, such as deductibles and co-payments. These benefit costs are accrued over an employee's active service period to the date of full benefits eligibility. The net unrecognized transition obligation is amortized over 20 years. Actuarial gains and losses are amortized over the average remaining service period of the active employees. The average remaining service period of the active employees covered by the plan is 11 years.

##### Components of Net Periodic Other Post-Retirement Benefit Costs as allocated by Duke Energy

(in millions)	For the Years Ended December 31,		
	2011	2010	2009
Service cost	\$ 1	\$ 1	\$ 1
Interest cost on accumulated post-retirement benefit obligation	7	8	11
Expected return on plan assets	(1)	(1)	(1)
Amortization of actuarial loss (gain)	2	1	2
Net periodic other post-retirement benefit costs	\$ 9	\$ 9	\$ 13

##### Other Changes in Plan Assets and Projected Benefit Obligations Recognized in Regulatory Assets and Regulatory Liabilities: Other Post-Retirement Benefit Plans

(in millions)	For the year ended December 31,	
	2011	2010
Regulatory assets, net decrease	\$ (7)	\$(12)
Regulatory liabilities, net increase (decrease)	12	(6)

**Combined Notes to Consolidated Financial Statements – (Continued)****Reconciliation of Funded Status to Accrued Other Post-Retirement Benefit Costs**

(in millions)	As of and for the Years Ended December 31,	
	2011	2010
<b>Change in Benefit Obligation</b>		
Accumulated post-retirement benefit obligation at prior measurement date	\$152	\$154
Service cost	1	1
Interest cost	7	8
Plan participants' contributions	4	3
Actuarial (gain) loss	(17)	1
Benefits paid	(14)	(15)
Transfers	—	(1)
Early retiree reinsurance program subsidy	1	—
Accrued retiree drug subsidy	1	1
Accumulated post-retirement benefit obligation at measurement date	\$135	\$152
<b>Change in Fair Value of Plan Assets</b>		
Plan assets at prior measurement date	\$ 14	\$ 13
Actual return on plan assets	—	2
Benefits paid	(14)	(15)
Employer contributions	10	11
Plan participants' contributions	4	3
Plan assets at measurement date	\$ 14	\$ 14

**Amounts Recognized in the Consolidated Balance Sheets: Other Post-Retirement Benefit Plans**

The following table provides the amounts related to Duke Energy Indiana's other post-retirement benefit plans that are reflected in Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheets at December 31, 2011 and 2010:

(in millions)	As of December 31,	
	2011	2010
Accrued other post-retirement liability <sup>(a)</sup>	\$(121)	\$(138)

(a) Includes an insignificant amount recognized in Other within Current Liabilities on the Consolidated Balance Sheets as of both December 31, 2011 and 2010.

The following table provides the amounts related to Duke Energy Indiana's other post-retirement benefit plans that are reflected in Other within Regulatory Assets and Deferred Debits and within Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheets at December 31, 2011 and 2010:

	As of December 31,	
	2011	2010
	(in millions)	
Regulatory assets	\$83	\$90
Regulatory liabilities	70	58

**Assumptions Used for Other Post-retirement Benefits Accounting**

(percentages)	As of December 31,		
	2011	2010	2009
<b>Benefit Obligations</b>			
Discount rate	5.10	5.00	5.50
<b>Net Periodic Benefit Cost</b>			
Discount rate	5.00	5.50	6.50
Expected long-term rate of return on plan assets	8.25	8.50	8.50

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 the 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.

**Assumed Health Care Cost Trend Rate**

	2011	2010
Health care cost trend rate assumed for next year	8.75%	8.50%
Rate to which the cost trend is assumed to decline (the ultimate trend rate)	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	2020	2020

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

(in millions)	1-Percentage-Point Increase	1-Percentage-Point Decrease
Effect on total service and interest costs	\$ 1	\$ (1)
Effect on post-retirement benefit obligation	18	(16)

**Combined Notes to Consolidated Financial Statements – (Continued)****Expected Benefit Payments**

The following table presents Duke Energy's expected benefit payments to participants on behalf of Duke Energy Indiana in its qualified, non-qualified and other post-retirement benefit plans over the next 10 years, which are primarily paid out of the assets of the various trusts. These benefit payments reflect expected future service, as appropriate.

(in millions)	Qualified Plans	Non-Qualified Plans	Other Post-Retirement Plans <sup>(a)</sup>	Total
Years Ended December 31,				
2012	\$ 46	\$1	\$12	\$ 59
2013	43	1	13	57
2014	42	1	13	56
2015	42	1	13	56
2016	43	1	13	57
2017 – 2021	223	3	61	287

(a) Duke Energy expects to receive future subsidies under Medicare Part D on behalf of Duke Energy Indiana of \$1 million in each of the years 2012-2016 and a total of \$5 million during the years 2017-2021.

**Employee Savings Plans**

Duke Energy sponsors, and Duke Energy Indiana participates in, an employee savings plan that covers substantially all U.S. employees. Duke Energy contributes a matching contribution equal to 100% of employee before-tax and Roth 401(k) employee contributions, of up to 6% of eligible pay per period. Duke Energy Indiana expensed pre-tax plan contributions, as allocated by Duke Energy, of \$8 million in 2011, \$6 million in 2010 and \$5 million in 2009.

**22. INCOME TAXES**

Duke Energy and its subsidiaries file income tax returns in the U.S. with federal and various state governmental authorities, and in certain foreign jurisdictions. The taxable income of Duke Energy and its subsidiaries is reflected in Duke Energy's U.S. federal and state income tax returns. These subsidiaries have a tax sharing agreement with Duke Energy where the separate return method is used to allocate tax expenses and benefits to the subsidiaries whose investments or results of operations provide these tax expenses and benefits. The accounting for income taxes essentially represents the income taxes that each of these subsidiaries would incur if it were a separate company filing its own tax return as a C-Corporation.

The following details the components of income tax expense:

**INCOME TAX EXPENSE**

(in millions)	For the Year Ended December 31, 2011			
	Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
Current income taxes				
Federal	\$ (37)	\$(122)	\$(95)	\$ 95
State	21	30	1	42
Foreign	164	—	—	—
Total current income taxes	148	(92)	(94)	137
Deferred income taxes				
Federal	526	531	194	(38)
State	56	40	(2)	(23)
Foreign	32	—	—	—
Total deferred income taxes	614	571	192	(61)
Investment tax credit amortization	(10)	(7)	(2)	(2)
Total income tax expense included in Consolidated Statements of Operations <sup>(a)</sup>	\$752	\$ 472	\$ 96	\$ 74

(a) Included in the "Total current income taxes" line above are uncertain tax benefits relating primarily to certain temporary differences of \$43 million at Duke Energy, \$43 million at Duke Energy Carolinas, \$3 million at Duke Energy Ohio and \$3 million at Duke Energy Indiana. The offset to these temporary differences are included in the "Total deferred income taxes" line above.

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

(in millions)	For the Year Ended December 31, 2010			
	Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
Current income taxes				
Federal	\$ (5)	\$ 3	\$107	\$ (3)
State	39	(2)	8	16
Foreign	125	—	—	—
Total current income taxes	159	1	115	13
Deferred income taxes				
Federal	639	388	6	123
State	83	75	12	22
Foreign	20	—	—	—
Total deferred income taxes	742	463	18	145
Investment tax credit amortization	(11)	(7)	(1)	(2)
Total income tax expense from continuing operations	890	457	132	156
Total income tax benefit from discontinued operations	(1)	—	—	—
Total income tax expense included in Consolidated Statements of Operations <sup>(a)</sup>	\$889	\$457	\$132	\$156

(a) Included in the "Total current income taxes" line above are uncertain tax benefits relating primarily to certain temporary differences of \$392 million at Duke Energy, \$300 million at Duke Energy Carolinas, \$3 million at Duke Energy Ohio and \$7 million at Duke Energy Indiana. The offset to these temporary differences are included in the "Total deferred income taxes" line above.

(in millions)	For the Year Ended December 31, 2009			
	Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
Current income taxes				
Federal	\$(271)	\$(196)	\$ 77	\$ 2
State	3	(27)	7	5
Foreign	96	—	—	—
Total current income taxes	(172)	(223)	84	7
Deferred income taxes				
Federal	767	518	97	89
State	148	89	7	22
Foreign	27	—	—	—
Total deferred income taxes	942	607	104	111
Investment tax credit amortization	(12)	(7)	(2)	(2)
Total income tax expense from continuing operations	758	377	186	116
Total income tax benefit from discontinued operations	(2)	—	—	—
Total income tax expense included in Consolidated Statements of Operations <sup>(a)</sup>	\$ 756	\$ 377	\$186	\$116

(a) Included in the "Total current income taxes" line above are uncertain tax benefits relating primarily to certain temporary differences of \$91 million at Duke Energy, uncertain tax expenses of \$42 million, \$22 million and \$20 million at Duke Energy Carolinas, Duke Energy Ohio, and Duke Energy Indiana, respectively. The offset to these temporary differences are included in the "Total deferred income taxes" line above.

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

(in millions)	For the Years Ended December 31,		
	2011	2010	2009
Domestic	\$1,780	\$1,731	\$1,433
Foreign	685	479	398
Total income from continuing operations before income taxes	\$2,465	\$2,210	\$1,831

**Combined Notes to Consolidated Financial Statements – (Continued)****Reconciliation of Income Tax Expense at the U.S. Federal Statutory Tax Rate to the Actual Tax Expense from Continuing Operations (Statutory Rate Reconciliation)**

(in millions)	For the Year Ended December 31, 2011			
	Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
Income tax expense, computed at the statutory rate of 35%	\$ 863	\$ 457	\$ 102	\$ 85
State income tax, net of federal income tax effect	50	46	(1)	13
Tax differential on foreign earnings	(44)	—	—	—
AFUDC equity income	(91)	(59)	(2)	(31)
Other items, net	(26)	28	(3)	7
Total income tax expense from continuing operations	\$ 752	\$ 472	\$ 96	\$ 74
Effective tax rate	30.5%	36.1%	33.1%	30.6%

(in millions)	For the Year Ended December 31, 2010			
	Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
Income tax expense, computed at the statutory rate of 35%	\$ 774	\$ 454	\$ (108)	\$ 155
State income tax, net of federal income tax effect	82	48	14	26
Tax differential on foreign earnings	(22)	—	—	—
Goodwill impairment charges	175	—	237	—
AFUDC equity income	(82)	(61)	(2)	(20)
Other items, net	(37)	16	(9)	(5)
Total income tax expense from continuing operations	\$ 890	\$ 457	\$ 132	\$ 156
Effective tax rate	40.3%	35.3%	(43.0)%	35.5%

(in millions)	For the Year Ended December 31, 2009			
	Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
Income tax expense, computed at the statutory rate of 35%	\$ 641	\$ 378	\$ (84)	\$ 111
State income tax, net of federal income tax effect	98	40	9	18
Tax differential on foreign earnings	(16)	—	—	—
Goodwill impairment charges	130	—	254	—
AFUDC equity income	(53)	(44)	1	(10)
Other items, net	(42)	3	6	(3)
Total income tax expense from continuing operations	\$ 758	\$ 377	\$ 186	\$ 116
Effective tax rate	41.4%	34.9%	(77.5)%	36.7%

Valuation allowances have been established for certain foreign and state net operating loss carryforwards 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 table.

**Net Deferred Income Tax Liability Components**

(in millions)	For the Year Ended December 31, 2011			
	Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
2Deferred credits and other liabilities	\$ 790	\$ 228	\$ 68	\$ 92
Tax Credits and NOL Carryforwards <sup>(a)</sup>	930	199	—	95
Investments and other assets	—	—	3	—
Other	137	18	31	5
Total deferred income tax assets	1,857	445	102	192
Valuation allowance	(144)	—	—	—
Net deferred income tax assets	1,713	445	102	192
Investments and other assets	(809)	(720)	—	(2)
Accelerated depreciation rates	(6,989)	(3,576)	(1,706)	(968)
Regulatory assets and deferred debits	(1,219)	(658)	(216)	(136)
Total deferred income tax liabilities	(9,017)	(4,954)	(1,922)	(1,106)
Net deferred income tax liabilities	\$ (7,304)	\$ (4,509)	\$ (1,820)	\$ (914)

(a) See Tax Credits and NOL Carryforwards table below.

## PART II

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

**Combined Notes to Consolidated Financial Statements – (Continued)****Tax Credits and NOL Carryforwards**

(in millions)	For the Year Ended December 31, 2011	
	Amount	Expiration year
Investment Tax Credits	\$362	2029 – 2031
Alternative Minimum Tax Credits	145	Indefinite
Federal NOL	274	2031
State NOL <sup>(a)</sup>	47	2016 – 2031
Foreign NOL <sup>(b)</sup>	102	2015 – 2029; Indefinite

(a) A valuation allowance of \$41 million has been recorded on the State NOL Carryforwards, as presented in the Net Deferred Income Tax Liability Components table.

(b) A valuation allowance of \$102 million has been recorded on the Foreign NOL Carryforwards, as presented in the Net Deferred Income Tax Liability Components table.

(in millions)	For the Year Ended December 31, 2010			
	Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
Deferred credits and other liabilities	\$ 679	\$ 204	\$ 61	\$ 70
Tax Credits and NOL Carryforwards	554	52	—	100
Other	100	15	19	5
Total deferred income tax assets	1,333	271	80	175
Valuation allowance	(145)	—	—	—
Net deferred income tax assets	1,188	271	80	175
Investments and other assets	(781)	(675)	(11)	(41)
Accelerated depreciation rates	(6,052)	(2,990)	(1,529)	(973)
Regulatory assets and deferred debits	(996)	(513)	(171)	(93)
Total deferred income tax liabilities	(7,829)	(4,178)	(1,711)	(1,107)
Net deferred income tax liabilities	\$(6,641)	\$(3,907)	\$(1,631)	\$(932)

The above amounts have been classified in the Consolidated Balance Sheets as follows:

**Deferred Tax Assets (Liabilities)**

(in millions)	For the Year Ended December 31, 2011			
	Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
Current deferred tax assets, included in other current assets	\$ 210	\$ 46	\$ 33	\$ 13
Non-current deferred tax assets, included in other investments and other assets	67	—	—	—
Non-current deferred tax liabilities	(7,581)	(4,555)	(1,853)	(927)
Total net deferred income tax liabilities	\$(7,304)	\$(4,509)	\$(1,820)	\$(914)

(in millions)	For the Year Ended December 31, 2010			
	Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
Current deferred tax assets, included in other current assets	\$ 236	\$ 81	\$ 9	\$ 41
Non-current deferred tax assets, included in other investments and other assets	101	—	—	—
Non-current deferred tax liabilities	(6,978)	(3,988)	(1,640)	(973)
Total net deferred income tax liabilities	\$(6,641)	\$(3,907)	\$(1,631)	\$(932)

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, 2011 on which Duke Energy has not provided deferred income taxes and foreign withholding taxes is \$1.7 billion. The amount of unrecognized deferred tax liability related to these undistributed earnings is estimated at between \$250 million and \$325 million.

## PART II

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

**Combined Notes to Consolidated Financial Statements – (Continued)****Changes to Unrecognized Tax Benefits**

(in millions)	For the Year Ended December 31, 2011			
	Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
<b>Increase/(Decrease)</b>				
Unrecognized Tax Benefits — January 1,	\$342	\$217	\$29	\$21
Unrecognized Tax Benefits Changes				
Gross increases — tax positions in prior periods	49	42	4	3
Gross decreases — tax positions in prior periods	(18)	(8)	(5)	(3)
Gross increases — current period tax positions	16	9	4	3
Settlements	(4)	—	—	—
<b>Total Changes</b>	<b>43</b>	<b>43</b>	<b>3</b>	<b>3</b>
Unrecognized Tax Benefits — December 31,	\$385	\$260	\$32	\$24

(in millions)	For the Year Ended December 31, 2010			
	Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
<b>Increase/(Decrease)</b>				
Unrecognized Tax Benefits — January 1,	\$ 664	\$ 517	\$ 32	\$ 28
Unrecognized Tax Benefits Changes				
Gross increases — tax positions in prior periods	36	14	15	7
Gross decreases — tax positions in prior periods	(43)	(7)	(21)	(13)
Gross increases — current period tax positions	5	3	1	1
Settlements	(320)	(310)	2	(2)
<b>Total Changes</b>	<b>(322)</b>	<b>(300)</b>	<b>(3)</b>	<b>(7)</b>
Unrecognized Tax Benefits — December 31,	\$ 342	\$ 217	\$ 29	\$ 21

(in millions)	For the Year Ended December 31, 2009			
	Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
<b>Increase/(Decrease)</b>				
Unrecognized Tax Benefits — January 1,	\$572	\$462	\$15	\$ 9
Unrecognized Tax Benefits Changes				
Gross increases — tax positions in prior periods	132	58	30	22
Gross decreases — tax positions in prior periods	(38)	(11)	(9)	(1)
Gross increases — current period tax positions	11	8	1	2
Settlements	(13)	—	(5)	(4)
<b>Total Changes</b>	<b>92</b>	<b>55</b>	<b>17</b>	<b>19</b>
Unrecognized Tax Benefits — December 31,	\$664	\$517	\$32	\$28

The following table includes information regarding the Duke Energy Registrants unrecognized tax benefits<sup>(a)</sup>.

(in millions)	Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
<b>December 31, 2011</b>				
Amount that if recognized, would affect the effective tax rate or regulatory liability <sup>(b)</sup>	121	115	—	—
Amount that if recognized, would be recorded as a component of discontinued operations	11	—	—	—

(a) The Duke Registrants do not anticipate a material increase or decrease in unrecognized tax benefits in the next 12 months.

(b) Duke Energy and Duke Energy Carolinas are unable to estimate the specific amounts that would affect the effective tax rate or regulatory liability.

# PART II

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

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

The following tables include interest and penalties recognized in the consolidated statements of operations and the consolidated balance sheets:

(in millions)	Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
<b>December 31, 2011</b>				
Net interest income recognized related to income taxes	\$12	\$ 5	\$—	\$—
Net interest expense recognized related to income taxes	—	—	1	1
Interest receivable related to income taxes included in the consolidated balance sheets	8	5	—	—
Interest payable related to income taxes included in the consolidated balance sheets	—	—	3	3
Accruals for the payment of penalties included in the consolidated balance sheets	—	—	—	—

(in millions)	Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
<b>December 31, 2010</b>				
Net interest income recognized related to income taxes	\$26	\$18	\$ 4	\$ 5
Interest receivable related to income taxes included in the consolidated balance sheets	33	34	—	—
Interest payable related to income taxes included in the consolidated balance sheets	—	—	1	2
Accruals for the payment of penalties included in the consolidated balance sheets	3	—	—	—

(in millions)	Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
<b>December 31, 2009</b>				
Net interest expense recognized related to income taxes	\$7	\$—	\$8	\$5

Duke Energy and its subsidiaries are no longer subject to U.S. federal examination for years before 2004. The years 2004 and 2005 are in Appeals. The Internal Revenue Service (IRS) is currently auditing the federal income tax returns for years 2006 and 2007. 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 1999.

## 23. SUBSEQUENT EVENTS

For information on subsequent events related to acquisitions, regulatory matters, commitments and contingencies, debt and credit facilities and joint ownership of generating and transmission facilities, see Notes 2, 4, 5, 6 and 8 respectively.

## 24. QUARTERLY FINANCIAL DATA (UNAUDITED)

### Duke Energy

(In millions, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
<b>2011</b>					
Operating revenues	\$3,663	\$3,534	\$3,964	\$3,368	\$14,529
Operating income	814	679	767	517	2,777
Net income attributable to Duke Energy Corporation	511	435	472	288	1,706
Earnings per share:					
Basic <sup>(a)</sup>	\$ 0.38	\$ 0.33	\$ 0.35	\$ 0.22	\$ 1.28
Diluted <sup>(a)</sup>	\$ 0.38	\$ 0.33	\$ 0.35	\$ 0.22	\$ 1.28
<b>2010</b>					
Operating revenues	\$3,594	\$3,287	\$3,946	\$3,445	\$14,272
Operating income (loss)	761	(14)	1,033	681	2,461
Net income (loss) attributable to Duke Energy Corporation	445	(222)	670	427	1,320
Earnings (loss) per share:					
Basic <sup>(a)</sup>	\$ 0.34	\$ (0.17)	\$ 0.51	\$ 0.32	\$ 1.00
Diluted <sup>(a)</sup>	\$ 0.34	\$ (0.17)	\$ 0.51	\$ 0.32	\$ 1.00

(a) Quarterly EPS amounts are meant to be stand-alone calculations and are not always additive to full-year amount due to rounding.



## PART II

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

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

The following table includes unusual or infrequently occurring items recorded by Duke Energy in each quarter during the two most recently completed fiscal years. All amounts discussed below are pre-tax unless otherwise noted.

(In millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>2011</b>				
Edwardsport IGCC impairment (see Note 4)	\$ —	\$ —	\$(222)	\$ —
Emission Allowance impairment (see Note 12)	—	—	(79)	—
Energy efficiency revenue adjustment <sup>(a)</sup>	—	—	—	59
<b>Total</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$(301)</b>	<b>\$ 59</b>
<b>2010</b>				
Voluntary severance program expenses (see Note 19)	\$(68)	\$(76)	\$(20)	\$(8)
Commercial Power non-regulated Midwest generation goodwill impairment (see Note 12)	—	(500)	—	—
Midwest generation asset and emission allowance impairment (see Note 12)	—	(160)	—	—
Edwardsport IGCC impairment (see Note 4)	—	—	(44)	—
Gain on sale of investment in Q-Comm (see Note 13)	—	—	—	109
Gain on sale of DukeNet (see Note 3)	—	—	—	139
<b>Total</b>	<b>\$(68)</b>	<b>\$(736)</b>	<b>\$(64)</b>	<b>\$240</b>

(a) In the fourth quarter of 2011, Duke Energy recorded \$59 million of previously deferred revenue resulting from the receipt of an order from the NCUC which allowed the recognition of revenue in excess of amounts billed to customers.

**Duke Energy Carolinas**

(In millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
<b>2011</b>					
Operating revenues	\$1,552	\$1,607	\$1,868	\$1,466	\$6,493
Operating income	363	331	541	245	1,480
Net income	205	193	311	125	834
<b>2010</b>					
Operating revenues	\$1,545	\$1,513	\$1,877	\$1,489	\$6,424
Operating income	347	313	521	264	1,445
Net income	192	202	315	129	838

The following table includes unusual or infrequently occurring items recorded by Duke Energy Carolinas in each quarter during 2011 and 2010. All amounts discussed below are pre-tax unless otherwise noted.

(In millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>2011</b>				
Energy efficiency revenue adjustment <sup>(a)</sup>				\$59
<b>2010</b>				
Voluntary severance program expenses (see Note 19)	\$(42)	\$(43)	\$(13)	\$(1)

(a) In the fourth quarter of 2011, Duke Energy Carolinas recorded \$59 million of previously deferred revenue resulting from the receipt of an order from the NCUC which allowed the recognition of revenue in excess of amounts billed to customers.

## PART II

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

**Combined Notes to Consolidated Financial Statements – (Continued)****Duke Energy Ohio**

(In millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
<b>2011</b>					
Operating revenues	\$879	\$ 694	\$838	\$770	\$3,181
Operating income	135	59	116	65	375
Net income	73	33	51	37	194
<b>2010</b>					
Operating revenues	\$977	\$ 649	\$923	\$780	\$3,329
Operating income (loss)	222	(781)	279	55	(225)
Net income (loss)	130	(759)	176	12	(441)

The following table includes unusual or infrequently occurring items recorded by Duke Energy Ohio in each quarter during the two most recently completed fiscal years. All amounts discussed below are pre-tax unless otherwise noted.

(In millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>2011</b>				
Emission Allowance impairment (see Note 12)	\$ —	\$ —	\$(79)	\$ —
<b>2010</b>				
Voluntary severance program expenses (see Note 19)	\$(11)	\$(10)	\$(2)	\$(1)
Commercial Power non-regulated Midwest generation goodwill impairment (see Note 12)	—	(461)	—	—
FE&G Ohio T&D goodwill impairment (see Note 12)	—	(216)	—	—
Midwest generation asset and emission allowance impairment (see Note 12)	—	(160)	—	—
Disallowance of previously deferred storm costs	—	—	—	(17)
<b>Total</b>	<b>\$(11)</b>	<b>\$(847)</b>	<b>\$(2)</b>	<b>\$(18)</b>

**Duke Energy Indiana**

(In millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
<b>2011</b>					
Operating revenues	\$659	\$620	\$718	\$625	\$2,622
Operating income (loss)	130	109	(42)	85	282
Net income (loss)	76	68	(31)	55	168
<b>2010</b>					
Operating revenues	\$610	\$579	\$694	\$637	\$2,520
Operating income	121	109	149	127	506
Net income	70	57	92	66	285

The following table includes unusual or infrequently occurring items recorded by Duke Energy Indiana in each quarter during the two most recently completed fiscal years. All amounts discussed below are pre-tax unless otherwise noted.

(In millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>2011</b>				
Edwardsport IGCC impairment (see Note 4)	\$ —	\$ —	\$(222)	\$ —
<b>2010</b>				
Voluntary severance program expenses (see Note 19)	\$(10)	\$(16)	\$(3)	\$(4)
Edwardsport IGCC impairment (see Note 4)	—	—	(44)	—
<b>Total</b>	<b>\$(10)</b>	<b>\$(16)</b>	<b>\$(47)</b>	<b>\$(4)</b>

## PART II

## DUKE ENERGY CORPORATION

**Schedule I – Condensed Parent Company Financial Statements**  
**Condensed Statements of Operations**

(In millions, except per-share amounts)	Years Ended December 31,		
	2011	2010	2009
Operating Revenues	\$ —	\$ —	\$ —
Operating Expenses	6	52	1
Operating Loss	(6)	(52)	(1)
Equity in Earnings of Subsidiaries	1,782	1,384	1,095
Other Income and Expenses, net	21	6	9
Interest Expense	156	139	99
Income Before Income Taxes	1,641	1,199	1,004
Income Tax Benefit	(64)	(118)	(59)
Income From Continuing Operations	1,705	1,317	1,063
Income From Discontinued Operations, net of tax	1	3	12
Net Income	\$1,706	\$1,320	\$1,075

**Common Stock Data**

Earnings per share (from continuing operations)			
Basic	\$ 1.28	\$ 1.00	\$ 0.82
Diluted	\$ 1.28	\$ 1.00	\$ 0.82
Earnings (loss) per share (from discontinued operations)			
Basic	\$ —	\$ —	\$ 0.01
Diluted	\$ —	\$ —	\$ 0.01
Earnings per share			
Basic	\$ 1.28	\$ 1.00	\$ 0.83
Diluted	\$ 1.28	\$ 1.00	\$ 0.83
Dividends declared per share	\$ 0.99	\$ 0.97	\$ 0.94
Weighted-average shares outstanding			
Basic	1,332	1,318	1,293
Diluted	1,333	1,319	1,294

## PART II

## DUKE ENERGY CORPORATION

**Schedule I – Condensed Parent Company Financial Statements****Balance Sheets**

	December 31,	
(In millions, except per-share amounts)	2011	2010
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 845	\$ 488
Receivables	653	913
Other	100	34
Total current assets	1,598	1,435
<b>Investments and Other Assets</b>		
Notes receivable	450	450
Investment in consolidated subsidiaries	25,670	24,410
Other	571	525
Total investments and other assets	26,691	25,385
<b>Total Assets</b>	<b>\$ 28,289</b>	<b>\$ 26,820</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ —	\$ 138
Notes payable and commercial paper	154	—
Taxes accrued	35	39
Other	65	58
Total current liabilities	254	235
<b>Long-term Debt</b>	<b>4,328</b>	<b>3,222</b>
<b>Other Long-Term Liabilities</b>		
Deferred income taxes	16	—
Other	919	841
Total other long-term liabilities	935	841
<b>Commitments and Contingencies</b>		
<b>Common Stockholders' Equity</b>		
Common Stock, \$0.001 par value, 2 billion shares authorized; 1,336 million and 1,329 million shares outstanding at December 31, 2011 and December 31, 2010, respectively	1	1
Additional paid-in capital	21,132	21,023
Retained earnings	1,873	1,496
Accumulated other comprehensive loss	(234)	2
Total common stockholders' equity	22,772	22,522
<b>Total Liabilities and Common Stockholders' Equity</b>	<b>\$ 28,289</b>	<b>\$ 26,820</b>

## PART II

## DUKE ENERGY CORPORATION

**Schedule I – Condensed Parent Company Financial Statements**  
**Condensed Statements of Cash Flows**

(In millions)	Years Ended December 31,		
	2011	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	\$ 1,706	\$ 1,320	\$ 1,075
Adjustments to reconcile net income to net cash provided by operating activities	(1,993)	(1,142)	(1,002)
Net cash (used in) provided by operating activities	(287)	178	73
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of available-for-sale securities	(45)	—	—
Proceeds from sales and maturities of available-for-sale securities	105	36	17
Distributions from wholly-owned subsidiaries	299	350	—
Investment in wholly-owned subsidiary	—	—	(250)
Notes receivable from affiliate, net	264	263	(272)
Other	14	6	9
Net cash provided by (used in) investing activities	637	655	(496)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from the:			
Issuance of long-term debt	996	522	1,740
Issuance of common stock related to employee benefit plans	67	302	519
Payments for the redemption of long-term debt	—	(274)	—
Notes payable and commercial paper	151	(2)	(269)
Notes Payable due to affiliate	105	—	—
Dividends paid	(1,329)	(1,284)	(1,222)
Other	17	26	15
Net cash provided by (used in) financing activities	7	(710)	783
Net increase in cash and cash equivalents	357	123	360
Cash and cash equivalents at beginning of period	488	365	5
Cash and cash equivalents at end of period	\$ 845	\$ 488	\$ 365

## DUKE ENERGY CORPORATION

## Combined Notes to Consolidated Financial Statements

## 1. BASIS OF PRESENTATION

Duke Energy Corporation (Duke Energy) is a holding company that conducts substantially all of its business operations through its subsidiaries. As specified in the merger conditions issued by various state commissions in connection with Duke Energy's merger with Cinergy Corp. (Cinergy) in April 2006, there are restrictions on Duke Energy's ability to obtain funds from certain of its subsidiaries through dividends, loans or advances. For further information, see Note 4 to the Consolidated Financial Statements, "Regulatory Matters." Accordingly, these condensed financial statements have been prepared on a parent-only basis. Under this parent-only presentation, Duke Energy's investments in its consolidated subsidiaries are presented under the equity method of accounting. In accordance with Rule 12-04 of Regulation S-X, these parent-only financial statements do not include all of the information and footnotes required by Generally Accepted Accounting Principles (GAAP) in the United States (U.S.) for annual financial statements. Because these parent-only financial statements and notes do not include all of the information and footnotes required by GAAP in the U.S. for annual financial statements, these parent-only financial statements and other information included should be read in conjunction with Duke Energy's audited Consolidated Financial Statements contained within Part II, Item 8 of this Form 10-K for the year ended December 31, 2011.

Duke Energy and its subsidiaries file a consolidated federal income tax return and other state and foreign jurisdictional returns as required. The taxable income of Duke Energy's wholly-owned operating subsidiaries is reflected in Duke Energy's U.S. federal and state income tax returns. Duke Energy has a tax sharing agreement with its wholly-owned operating subsidiaries, where the separate return method is used to allocate tax expenses and benefits to the wholly-owned operating subsidiaries whose investments or results of operations provide these tax expenses and benefits. The accounting for income taxes essentially represents the income taxes that Duke Energy's wholly-owned operating subsidiaries would incur if each were a separate company filing its own tax return as a C-Corporation.

## 2. DEBT

## Summary of Debt and Related Terms

(in millions)	Weighted-Average Rate	Year Due	December 31,	
			2011	2010
Unsecured debt <sup>(a)</sup>	4.3% 2013 -2021		\$3,878	\$2,772
Notes Payable and commercial paper <sup>(b)</sup>	0.5%		604	450
Total debt			4,482	3,222
Short-term notes payable and commercial paper			(154)	—
Total long-term debt			\$4,328	\$3,222

(a) As of December 31, 2011, this amount includes an intercompany loan of \$105 million with Duke Energy's affiliate, Bison Insurance Company Limited.

(b) Includes \$450 million at December 31, 2011 and 2010 that was classified as Long-term Debt on the Consolidated Balance Sheets due to the existence of long-term credit facilities which back-stop these commercial paper balances, along with Duke Energy's ability and intent to refinance these balances on a long-term basis. The weighted-average days to maturity was 17 days and 14 days as of December 31, 2011 and 2010, respectively.

At December 31, 2011, Duke Energy has guaranteed approximately \$2.0 billion of debt issued by Duke Energy Carolinas, LLC, one of Duke Energy's wholly-owned operating subsidiaries.

In November 2011, Duke Energy issued \$500 million of senior notes, which carry a fixed interest rate of 2.15% and mature November 15, 2016. Proceeds from the issuance will be used to fund capital expenditures in Duke Energy's unregulated businesses in the U.S. and for general corporate purposes.

In August 2011, Duke Energy issued \$500 million principal amount of senior notes, which carry a fixed interest rate of 3.55% and mature September 15, 2021. Proceeds from the issuance will be used to repay a portion of Duke Energy's commercial paper as it matures, to fund capital expenditures in Duke Energy's unregulated businesses in the U.S. and for general corporate purposes.

In April 2011, Duke Energy filed a registration statement (Form S-3) with the SEC to sell up to \$1 billion of variable denomination floating rate demand notes, called PremierNotes. The Form S-3 states that no more than \$500 million 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, but may be redeemed in whole or in part by Duke Energy at any time. The notes are non-transferable and may be redeemed in whole or in part at the investor's option. Proceeds from the sale of the notes will be used for general corporate purposes. The balance as of December 31, 2011 is \$79 million. The notes reflect a short-term debt obligation of Duke

## DUKE ENERGY CORPORATION

# Schedule I – Condensed Parent Company Financial Statements

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

Energy and are reflected as Notes payable on Duke Energy's Condensed Consolidated Balance Sheets.

Duke Energy also issued an additional \$75 million in Commercial Paper in the third quarter of 2011, for general corporate purposes, which is classified as Notes payable and commercial paper on Duke Energy's Condensed Consolidated Balance Sheets.

In November 2011, Duke Energy entered into a new \$6 billion, five-year master credit facility, with \$4 billion available at closing and the remaining \$2 billion available following successful completion of the proposed merger with Progress Energy. The Duke Energy Registrants each have borrowing capacity under the master credit facility up to specified sublimits for each borrower. However, 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. As of December 31, 2011, Duke Energy has a borrowing sublimit of \$1,250 million. The amount available under the master credit facility has been reduced, by the use of the master credit facility to backstop the issuances of commercial paper, letters of credit and certain tax-exempt bonds.

In March 2010, Duke Energy issued \$450 million principal amount of 3.35% senior notes due April 1, 2015. Proceeds from the issuance were used to repay \$274 million of borrowings under the master credit facility and for general corporate purposes.

### Annual Maturities as of December 31, 2011

	(in millions)
2012	\$ —
2013	249
2014	1,325
2015	450
2016	950
Thereafter	1,354
Total long-term debt, including current maturities	\$4,328

### 3. COMMITMENTS AND CONTINGENCIES

Duke Energy and its subsidiaries are a party to litigation, environmental and other matters. For further information, see Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies."

Duke Energy has various financial and performance guarantees and indemnifications which are issued in the normal course of business. These contracts include performance guarantees, stand-by letters of credit, debt guarantees, surety bonds and indemnifications. Duke Energy enters into these arrangements to facilitate commercial transactions with third parties by enhancing the value of the transaction to the third party. The maximum potential amount of future payments Duke Energy could have been required to make under these guarantees as of December 31, 2011 was

approximately \$4.7 billion. Of this amount, substantially all relates to guarantees of wholly-owned consolidated entities, including debt issued by Duke Energy Carolinas discussed above, and less than wholly-owned consolidated entities. The majority of these guarantees expire at various times between 2012 and 2036, with the remaining performance guarantees having no contractual expiration. See Note 7 to the Consolidated Financial Statements, "Guarantees and Indemnifications," for further discussion of guarantees issued on behalf of unconsolidated affiliates and third parties.

### 4. RELATED PARTY TRANSACTIONS

Balances due to or due from related parties included in the Balance Sheets as of December 31, 2011 and 2010 are as follows:

	December 31,	
(in millions)	2011	2010
<b>Assets (Liabilities)</b>		
Current assets due from affiliated companies <sup>(a)(b)</sup>	\$ 38	\$ 39
Current liabilities due to affiliated companies <sup>(c)</sup>	\$ —	\$(135)
Non-current liabilities due to affiliated companies <sup>(d)</sup>	\$(871)	\$(766)

(a) Balance excludes assets or liabilities associated with money pool arrangements, which are discussed below.

(b) The balances at December 31, 2011 and 2010 are classified as Receivables on the Balance Sheets.

(c) The balance at December 31, 2010 is classified as Accounts Payable on the Balance Sheets.

(d) Of the balance at December 31, 2011, \$766 million is classified as Other within Other Long-Term Liabilities and \$105 million is classified as Long-term Debt on the Balance Sheets. The balance at December 31, 2010 is classified as Other within Other Long-Term Liabilities on the Balance Sheets.

Duke Energy provides support to certain subsidiaries for their short-term borrowing needs through participation in a money pool arrangement. Under this arrangement, certain subsidiaries with short-term funds may provide short-term loans to affiliates participating under this arrangement. Additionally, Duke Energy provides loans to subsidiaries through the money pool, but is not permitted to borrow funds through the money pool arrangement. Duke Energy had money pool-related receivables of \$450 million classified as Notes Receivable on the Balance Sheets as of both December 31, 2011 and 2010.

As of December 31, 2011 and 2010, Duke Energy had an intercompany loan outstanding with Cinergy of \$608 million and \$872 million, respectively, which is classified within Receivables on the Balance Sheets. The \$264 million decrease in the intercompany loan during 2011 and the \$263 million decrease during 2010 are reflected as Notes Receivable from Affiliates, net within Net Cash Provided by (Used in) Investing Activities on the Condensed Statements of Cash Flows.

In conjunction with the money pool arrangement and the intercompany loan noted above, Duke Energy recorded interest

## DUKE ENERGY CORPORATION

**Schedule I – Condensed Parent Company Financial Statements**  
**Combined Notes to Consolidated Financial Statements – (Continued)**

income of approximately \$4 million, \$7 million and \$12 million in 2011, 2010 and 2009, respectively, which is included in Other Income and Expenses, net on the Condensed Statements of Operations.

Duke Energy also provides funding to and sweeps cash from subsidiaries that do not participate in the money pool. For these subsidiaries, the cash is used in or generated from their operations, capital expenditures, debt payments and other activities. Amounts funded or received are carried as open accounts as either, Investments and Advances to Consolidated Subsidiaries or as Other Non-Current Liabilities and do not bear interest. These amounts are included within Net Cash (Used in) Provided by Operating Activities on the Condensed Statements of Cash Flows.

During the year ended December 31, 2011, Duke Energy received an equity distribution of \$299 million from Duke Energy

Carolinas, which is reflected within Net Cash (Used in) Provided by Operating Activities on the Condensed Statements of Cash Flows. Additionally, Duke Energy received an equity distribution from Duke Energy Carolinas of \$350 million in 2010, which is reflected within Net Cash (Used in) Provided by Operating Activities on the Condensed Statements of Cash Flows.

During the year ended December 31, 2011, Duke Energy paid a \$15 million advance to Cinergy Corp. for Green Frontier Windpower LLC PTC funding contributions. During the year ended December 31, 2010, Duke Energy forgave a \$29 million advance to Cinergy Corp.

During the year ended December 31, 2009, Duke Energy contributed approximately \$250 million of capital to its subsidiary, Duke Energy Carolinas.



PART II

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

**Schedule II – Valuation and Qualifying Accounts and Reserves**  
**Combined Notes to Consolidated Financial Statements – (Continued)**

**Duke Energy**

(In millions)	Balance at Beginning of Period	Additions:		Deductions <sup>(a)</sup>	Balance at End of Period
		Charged to Expense	Charged to Other Accounts		
<b>December 31, 2011:</b>					
Injuries and damages <sup>(b)</sup>	\$ 858	\$ —	\$ —	\$ 52	\$ 806
Allowance for doubtful accounts	34	27	—	26	35
Allowance for doubtful accounts – restricted receivables of VIEs <sup>(c)</sup>	34	6	—	—	40
Other <sup>(d)</sup>	380	74	7	134	327
	<b>\$1,306</b>	<b>\$107</b>	<b>\$ 7</b>	<b>212</b>	<b>\$1,208</b>
<b>December 31, 2010:</b>					
Injuries and damages <sup>(b)</sup>	\$ 984	\$ 1	\$ —	\$127	\$ 858
Allowance for doubtful accounts	42	26	—	34	34
Allowance for doubtful accounts – restricted receivables of VIEs <sup>(c)</sup>	6	7	22	1	34
Other <sup>(d)</sup>	396	120	44	180	380
	<b>\$1,428</b>	<b>\$154</b>	<b>\$66</b>	<b>342</b>	<b>\$1,306</b>
<b>December 31, 2009:</b>					
Injuries and damages <sup>(b)</sup>	\$1,035	\$ —	\$ —	\$ 51	\$ 984
Allowance for doubtful accounts	42	23	9	26	48
Other <sup>(d)</sup>	555	52	24	235	396
	<b>\$1,632</b>	<b>\$ 75</b>	<b>\$33</b>	<b>\$312</b>	<b>\$1,428</b>

(a) Principally cash payments and reserve reversals.

(b) Principally asbestos reserves at Duke Energy Carolinas.

(c) Principally allowance for CRC which was consolidated on January 1, 2010.

(d) Principally nuclear property insurance reserves at Duke Energy Carolinas, insurance reserves at Bison and other reserves, included in Other within Current Liabilities or Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheets.

The valuation and reserve amounts above do not include unrecognized tax benefits amounts or deferred tax asset valuation allowance amounts.

PART II

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

**Schedule II – Valuation and Qualifying Accounts and Reserves**  
**Combined Notes to Consolidated Financial Statements – (Continued)**

**Duke Energy Carolinas**

(In millions)	Balance at Beginning of Period	Additions:			Balance at End of Period
		Charged to Expense	Charged to Other Accounts	Deductions <sup>(a)</sup>	
<b>December 31, 2011:</b>					
Injuries and damages <sup>(b)</sup>	\$ 853	\$—	\$—	\$ 52	\$801
Allowance for doubtful accounts	3	15	—	15	3
Allowance for doubtful accounts – restricted receivables of VIEs	6	—	—	—	6
Other <sup>(c)</sup>	133	1	—	33	101
	995	\$16	\$—	\$100	911
<b>December 31, 2010:</b>					
Injuries and damages <sup>(b)</sup>	\$ 980	\$—	\$—	\$127	\$ 853
Allowance for doubtful accounts	2	17	—	16	3
Allowance for doubtful accounts – restricted receivables of VIEs	6	1	—	1	6
Other <sup>(c)</sup>	124	31	3	25	133
	\$1,112	\$49	\$ 3	\$169	995
<b>December 31, 2009:</b>					
Injuries and damages <sup>(b)</sup>	\$1,031	\$—	\$—	\$ 51	\$ 980
Allowance for doubtful accounts	7	17	—	16	8
Other <sup>(c)</sup>	200	4	—	80	124
	\$1,238	\$21	\$—	\$147	\$1,112

(a) Principally cash payments and reserve reversals.

(b) Principally asbestos reserves.

(c) Principally nuclear property insurance and other reserves, included in Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheets.

The valuation and reserve amounts above do not include unrecognized tax benefits amounts or deferred tax asset valuation allowance amounts.

## PART II

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

**Schedule II – Valuation and Qualifying Accounts and Reserves****Combined Notes to Consolidated Financial Statements – (Continued)****Duke Energy Ohio**

(In millions)	Balance at Beginning of Period	Additions:		Deductions <sup>(a)</sup>	Balance at End of Period
		Charged to Expense	Charged to Other Accounts		
<b>Year Ended December 31, 2011:</b>					
Allowance for doubtful accounts	\$18	\$ —	\$ —	\$ 2	\$16
Environmental <sup>(b)</sup>	49	—	5	26	28
Uncertain Tax Provisions <sup>(d)</sup>	10	11	—	—	21
Other <sup>(c)</sup>	1	6	—	2	5
	<b>\$78</b>	<b>\$ 17</b>	<b>\$ 5</b>	<b>\$30</b>	<b>\$70</b>
<b>Year Ended December 31, 2010:</b>					
Allowance for doubtful accounts	\$17	\$ 1	\$ —	\$ —	\$18
Environmental <sup>(b)</sup>	20	—	39	10	49
Uncertain Tax Provisions <sup>(d)</sup>	—	20	—	10	10
Other <sup>(c)</sup>	11	—	—	10	1
	<b>\$48</b>	<b>\$ 21</b>	<b>\$39</b>	<b>\$30</b>	<b>\$78</b>
<b>Year Ended December 31, 2009:</b>					
Allowance for doubtful accounts	\$18	\$ 1	\$ —	\$ 2	\$17
Environmental <sup>(b)</sup>	11	(10)	21	2	20
Other <sup>(c)</sup>	11	2	—	2	11
	<b>\$40</b>	<b>\$ (7)</b>	<b>\$21</b>	<b>\$ 6</b>	<b>\$48</b>

(a) Principally cash payments and reserve reversals.

(b) Included in Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheets. In 2009, PUCO issued an order allowing the deferral of costs related to Manufactured Gas Plant sites into a regulatory asset, which resulted in a net credit to expense during 2009.

(c) Principally mark-to-market and other reserves, included in Unrealized gains on mark-to-market and hedging transactions within Current Assets and Other within Investments and Other Assets, Unrealized losses on mark-to-market and hedging transactions within Current Liabilities and Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheets.

(d) Included in Taxes accrued and Interest accrued within Current Liabilities on the Consolidated Balance Sheets.

## PART II

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

**Schedule II – Valuation and Qualifying Accounts and Reserves**  
**Combined Notes to Consolidated Financial Statements – (Continued)**
**Duke Energy Indiana**

(In millions)	Balance at Beginning of Period	Additions:		Deductions <sup>(a)</sup>	Balance at End of Period
		Charged to Expense	Charged to Other Accounts		
<b>December 31, 2011:</b>					
Injuries and damages	\$ 4	\$ —	\$ —	\$ —	\$ 4
Allowance for doubtful accounts	1	—	—	—	1
Other <sup>(b)</sup>	12	5	—	5	12
	<b>\$17</b>	<b>\$ 5</b>	<b>\$ —</b>	<b>\$ 5</b>	<b>\$17</b>
<b>December 31, 2010:</b>					
Injuries and damages	\$ 4	\$ —	\$ —	\$ —	\$ 4
Allowance for doubtful accounts	1	—	—	—	1
Other <sup>(b)</sup>	18	1	—	7	12
	<b>\$23</b>	<b>\$ 1</b>	<b>\$ —</b>	<b>\$ 7</b>	<b>\$17</b>
<b>December 31, 2009:</b>					
Injuries and damages	\$ 4	\$ —	\$ —	\$ —	\$ 4
Allowance for doubtful accounts	1	1	—	1	1
Other <sup>(b)</sup>	15	5	—	2	18
	<b>\$20</b>	<b>\$ 6</b>	<b>\$ —</b>	<b>\$ 3</b>	<b>\$23</b>

(a) Principally cash payments and reserve reversals.

(b) Principally environmental reserves included in Other within Deferred Credits and Other Liabilities on the Consolidated Balance Sheets.

The valuation and reserve amounts above do not include unrecognized tax benefits amounts or deferred tax asset valuation allowance amounts.

---

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

---

None.

---

**ITEM 9A. CONTROLS AND PROCEDURES – DUKE ENERGY, DUKE ENERGY CAROLINAS, DUKE ENERGY OHIO AND DUKE ENERGY INDIANA.**

---

**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 the effectiveness of their disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2011, 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, 2011 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, 2011 based on the framework in *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, 2011.

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.

PART III

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

---

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.**

---

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 Duke Energy Corporation (Duke Energy) and its consolidated subsidiaries for 2011 and 2010. A portion of these costs have been allocated to Duke Energy Carolinas, LLC (Duke Energy Carolinas), Duke Energy Ohio, Inc. (Duke Energy Ohio) and Duke Energy Indiana, Inc. (Duke Energy Indiana), collectively referred to as the Subsidiary Registrants. The following tables present the Deloitte fees for services rendered to Duke Energy and the Subsidiary Registrants during 2011 and 2010:

**Duke Energy**  
**(In millions)**

Types of Fees	2011	2010
Audit Fees <sup>(a)</sup>	\$ 8.5	\$ 8.5
Audit-Related Fees <sup>(b)</sup>	2.8	2.1
Tax Fees <sup>(c)</sup>	0.2	0.8
<b>Total Fees:</b>	<b>\$11.5</b>	<b>\$11.4</b>

**Subsidiary Registrants**  
**(In millions)**

Types of Fees	Duke Energy Carolinas		Duke Energy Ohio		Duke Energy Indiana	
	2011	2010	2011	2010	2011	2010
Audit Fees <sup>(a)</sup>	\$3.9	\$4.2	\$2.1	\$1.8	\$1.1	\$1.3
Audit-Related Fees <sup>(b)</sup>	1.2	1.1	0.7	0.4	0.4	0.3
Tax Fees <sup>(c)</sup>	0.1	0.4	—	0.2	—	0.1
<b>Total Fees:</b>	<b>\$5.2</b>	<b>\$5.7</b>	<b>\$2.8</b>	<b>\$2.4</b>	<b>\$1.5</b>	<b>\$1.7</b>

(a) Audit Fees are fees billed or expected to be billed for professional services for the audit of Duke Energy and the Subsidiary 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.

(b) 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.

(c) 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 that 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 that 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 2011 and 2010 by the independent public accountant were approved by the Duke Energy Audit Committee pursuant to its pre-approval policy.

## 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, 2011, 2010 and 2009

Consolidated Balance Sheets as of December 31, 2011 and 2010

Consolidated Statements of Cash Flows for the Years Ended December 31, 2011, 2010 and 2009

Consolidated Statements of Equity and Comprehensive Income for the Years ended December 31, 2011, 2010 and 2009

Notes to the Consolidated Financial Statements

Quarterly Financial Data, (unaudited, included in Note 24 to the Consolidated Financial Statements)

Consolidated Financial Statement Schedule I — Condensed Parent Company Financial Information for the Years Ended December 31, 2011, 2010 and 2009

Consolidated Financial Statement Schedule II — Valuation and Qualifying Accounts and Reserves for the Years Ended December 31, 2011, 2010 and 2009

Report of Independent Registered Public Accounting Firm

**Duke Energy Carolinas, LLC:**

Consolidated Financial Statements

Consolidated Statements of Operations for the Years Ended December 31, 2011, 2010 and 2009

Consolidated Balance Sheets as of December 31, 2011 and 2010

Consolidated Statements of Cash Flows for the Years Ended December 31, 2011, 2010 and 2009

Consolidated Statements of Member's Equity and Comprehensive Income for the Years ended December 31, 2011, 2010 and 2009

Notes to the Consolidated Financial Statements

Quarterly Financial Data, (unaudited, included in Note 24 to the Consolidated Financial Statements)

Consolidated Financial Statement Schedule II — Valuation and Qualifying Accounts and Reserves for the Years Ended December 31, 2011, 2010 and 2009

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 Ohio, Inc:**

Consolidated Financial Statements

Consolidated Statements of Operations for the Years Ended December 31, 2011, 2010 and 2009

Consolidated Balance Sheets as of December 31, 2011 and 2010

Consolidated Statements of Cash Flows for the Years Ended December 31, 2011, 2010 and 2009

Consolidated Statements of Common Stockholder's Equity and Comprehensive Income for the Years Ended December 31, 2011, 2010 and 2009

Notes to the Consolidated Financial Statements

Quarterly Financial Data (unaudited, included in Note 24 to the Consolidated Financial Statements)

Consolidated Financial Statement Schedule II — Valuation and Qualifying Accounts and Reserves for the Years Ended December 31, 2011, 2010 and 2009

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 for the Years Ended December 31, 2011, 2010 and 2009

Consolidated Balance Sheets as of December 31, 2011 and 2010

Consolidated Statements of Cash Flows for the Years Ended December 31, 2011, 2010 and 2009

Consolidated Statements of Common Stockholder's Equity and Comprehensive Income for the Years Ended December 31, 2011, 2010 and 2009

Notes to the Consolidated Financial Statements

Quarterly Financial Data (unaudited, included in Note 24 to the Consolidated Financial Statements)

Consolidated Financial Statement Schedule II — Valuation and Qualifying Accounts and Reserves for the Years Ended December 31, 2011, 2010 and 2009

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.

(b) Exhibits—See Exhibit Index immediately following the signature page.



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, 2012

DUKE ENERGY CORPORATION  
(Registrants)

By: /s/ JAMES E. ROGERS

James E. Rogers  
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/ James E. Rogers  
James E. Rogers  
Chairman, President and Chief Executive Officer (Principal Executive Officer and Director)
- (ii) /s/ Lynn J. Good  
Lynn J. Good  
Group Executive and Chief Financial Officer (Principal Financial Officer)
- (iii) /s/ Steven K. Young  
Steven K. Young  
Senior Vice President and Controller (Principal Accounting Officer)
- (iv) Directors:
  - William Barnet, III\*
  - Ann M. Gray\*
  - G. Alex Bernhardt, Sr.\*
  - James H. Hance, Jr.\*
  - Michael G. Browning\*
  - E. James Reinsch\*
  - Daniel R. DiMicco\*
  - James T. Rhodes\*
  - John H. Forsgren\*
  - Philip R. Sharp\*

Date: February 28, 2012

Lynn J. Good, by signing her 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/ LYNN J. GOOD  
Attorney-In-Fact

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, 2012

DUKE ENERGY CAROLINAS, LLC  
(Registrant)

By: /s/ JAMES E. ROGERS  
James E. Rogers  
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/ James E. Rogers  
James E. Rogers  
Chief Executive Officer (Principal Executive Officer)
- (ii) /s/ Lynn J. Good  
Lynn J. Good  
Chief Financial Officer (Principal Financial Officer)
- (iii) /s/ Steven K. Young  
Steven K. Young  
Senior Vice President and Controller (Principal Accounting Officer)
- (iv) Directors:
  - /s/ James E. Rogers  
James E. Rogers
  - /s/ Lynn J. Good  
Lynn J. Good
  - /s/ Marc E. Manly  
Marc E. Manly

Date: February 28, 2012

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, 2012

DUKE ENERGY OHIO, INC.  
(Registrant)

By: /s/ JAMES E. ROGERS

James E. Rogers  
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/ James E. Rogers  
James E. Rogers  
Chief Executive Officer (Principal Executive Officer)
- (ii) /s/ Lynn J. Good  
Lynn J. Good  
Chief Financial Officer (Principal Financial Officer)
- (iii) /s/ Steven K. Young  
Steven K. Young  
Senior Vice President and Controller (Principal Accounting Officer)
- (iv) Directors:
  - /s/ James E. Rogers  
James E. Rogers
  - /s/ Lynn J. Good  
Lynn J. Good
  - /s/ Marc E. Manly  
Marc E. Manly

Date: February 28, 2012

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, 2012

DUKE ENERGY INDIANA, INC.  
(Registrant)

By: /s/ JAMES E. ROGERS  
James E. Rogers  
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/ James E. Rogers  
James E. Rogers  
Chief Executive Officer (Principal Executive Officer)
- (ii) /s/ Lynn J. Good  
Lynn J. Good  
Chief Financial Officer (Principal Financial Officer)
- (iii) /s/ Steven K. Young  
Steven K. Young  
Senior Vice President and Controller (Principal Accounting Officer)
- (iv) Directors:
  - /s/ Kelley A. Karn  
Kelley A. Karn
  - /s/ Douglas F. Esamann  
Douglas F. Esamann
  - /s/ Marc E. Manly  
Marc E. Manly

Date: February 28, 2012

## PART IV

### EXHIBIT INDEX

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

Exhibit Number		Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
2.1	Agreement and Plan of Merger, dated as of May 8, 2005, as amended as of July 11, 2005, as of October 3, 2005 and as of March 30, 2006, by and among the registrant, Duke Energy Corporation, Cinergy Corp., Deer Acquisition Corp., and Cougar Acquisition Corp. (filed with Form 8-K of Duke Energy Corporation, File No. 1-32853, April 4, 2006, as Exhibit 2-1).	X	X		
2.2	Separation and Distribution Agreement, dated as of December 13, 2006, by and between Duke Energy Corporation and Spectra Energy Corp (filed with the Form 8-K of Duke Energy Corporation, File No. 1-32853, December 15, 2006, as Exhibit 2.1).	X			
2.3	Agreement and Plan of Merger by and among Duke Energy Corporation, Diamond Acquisition Corporation and Progress Energy, Inc. dated as of January 8, 2011 (filed with the Form 8-K of Duke Energy Corporation, File No. 1-32583, January 11, 2011).	X			
3.1	Amended and restated Certificate of Incorporation (filed with the Form 8-K of Duke Energy Corporation, File No. 1-32853, April 4, 2006, as Exhibit 3-1).	X			
3.2	Articles of Organization Including Articles of Conversion (filed with Form 8-K of registrant, File No. 1-4928, April 7, 2006, as exhibit 3.1).		X		
3.2.1	Amended Certificate of Incorporation, effective October 1, 2006 (filed with the Form 10-Q of the registrant for the quarter ended September 30, 2006, File No. 1-4928, as exhibit 3.1).		X		
3.3	Amended Articles of Incorporation of Duke Energy Ohio, Inc. effective October 23, 1996 (filed with Form 10-Q of Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company) for the quarter ended September 30, 1996, File No. 1-1232).			X	
3.3.1	Amended Articles of Consolidation, effective October 1, 2006 (filed with Form 10-Q of Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company) for the quarter ended September 30, 2006, File No. 1-1232).			X	
3.4	Amended Articles of Consolidation of PSI, as amended April 20, 1995 (filed with Form 10-Q of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the quarter ended June 30, 1995, File No. 1-3543).				X
3.4.1	Amendment to Article D of the Amended Articles of Consolidation of PSI, effective July 10, 1997 (filed with Form 10-K of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the year ended December 31, 1997, File No. 1-3543).				X
3.4.2	Amended Articles of Consolidation, effective October 1, 2006 (filed with Form 10-Q of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the quarter ended September 30, 2006, File No. 1-3543).				X
3.5	Amended and Restated By-Laws of registrant (filed with the Form 8-K of Duke Energy Corporation, File No. 1-32853, March 3, 2008, as Exhibit 3.1).	X			
3.6	Limited Liability Company Operating Agreement (filed with Form 8-K of registrant, File No. 1-4928, April 7, 2006, as exhibit 3.1).		X		

# PART IV

Exhibit Number		Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
3.7	Regulations of Duke Energy Ohio, Inc., as amended on July 23, 2003 (filed with Form 10-Q of Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company) for the quarter ended June 30, 2003, File No. 1-1232).			X	
3.8	By-Laws of PSI, as amended on July 23, 2003 (filed with Form 10-Q of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the quarter ended June 30, 2003, File No. 1-3543).				X
4.1	Original Indenture (First Mortgage Bonds) between Duke Energy Ohio, Inc. and The Bank of New York (as Trustee) dated as of August 1, 1936 (filed with Registration Statement of Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company) File No. 2-2374).			X	
4.1.1	Fourteenth Supplemental Indenture between Duke Energy Ohio, Inc. and The Bank of New York dated as of November 2, 1972 (filed with Registration Statement of Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company) File No. 2-60961).			X	
4.1.2	Thirty-third Supplemental Indenture between Duke Energy Ohio, Inc. and The Bank of New York dated as of September 1, 1992 (filed with Registration Statement of Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company) File No. 2-53578).			X	
4.1.3	Thirty-fourth Supplemental Indenture between Duke Energy Ohio, Inc. and The Bank of New York dated as of October 1, 1993 (filed with Form 10-Q of Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company) for the quarter ended September 30, 1993, File No. 1-1232).			X	
4.1.4	Thirty-fifth Supplemental Indenture between Duke Energy Ohio, Inc. and The Bank of New York dated as of January 1, 1994 (filed with Registration Statement of Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company) File No. 2-52335).			X	
4.1.5	Thirty-sixth Supplemental Indenture between Duke Energy Ohio, Inc. and The Bank of New York dated as of February 15, 1994 (filed with Registration Statement of Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company) File No. 2-52335).			X	
4.1.6	Thirty-seventh Supplemental Indenture between Duke Energy Ohio, Inc. and The Bank of New York dated as of October 14, 1996 (filed with Form 10-K of Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company) for the year ended December 31, 1996, File No. 1-1232).			X	
4.1.7	Thirty-eighth Supplemental Indenture between Duke Energy Ohio, Inc. and The Bank of New York dated as of February 1, 2001 (filed with Form 10-Q of Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company) for the quarter ended March 31, 2001, File No. 1-1232).			X	
4.1.8	Thirty-ninth Supplemental Indenture dated as of September 1, 2002, between Duke Energy Ohio, Inc. and The Bank of New York, as Trustee (filed with Form 10-Q of Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company) for the quarter ended September 30, 2002, File No. 1-1232).			X	
4.2	Original Indenture (First Mortgage Bonds) dated September 1, 1939, between PSI and The First National Bank of Chicago, as Trustee, and LaSalle National Bank, as Successor Trustee (filed as Exhibit A-Part 5 in File No. 70-258 Supplemental Indenture dated March 30, 1984).				X
4.2.1	Forty-second Supplemental Indenture between PSI and LaSalle National Bank dated August 1, 1988 (filed with Form 10-K of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the year ended December 31, 1988, File No. 1-3543).				X

# PART IV

Exhibit Number		Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
4.2.2	Forty-fourth Supplemental Indenture between PSI and LaSalle National Bank dated March 15, 1990 (filed with Form 10-K of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the year ended December 31, 1990, File No. 1-3543).				X
4.2.3	Forty-fifth Supplemental Indenture between PSI and LaSalle National Bank dated March 15, 1990 (filed with Form 10-K of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the year ended December 31, 1990, File No. 1-3543).				X
4.2.4	Forty-sixth Supplemental Indenture between PSI and LaSalle National Bank dated June 1, 1990 (filed with Form 10-K of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the year ended December 31, 1991, File No. 1-3543).				X
4.2.5	Forty-seventh Supplemental Indenture between PSI and LaSalle National Bank dated July 15, 1991 (filed with Form 10-K of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the year ended December 31, 1991, File No. 1-3543).				X
4.2.6	Forty-eighth Supplemental Indenture between PSI and LaSalle National Bank dated July 15, 1992 (filed with Form 10-K of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the year ended December 31, 1992, File No. 1-3543).				X
4.2.7	Forty-ninth Supplemental Indenture between PSI and LaSalle National Bank dated February 15, 1993 (filed with Form 10-K of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the year ended December 31, 1992, File No. 1-3543).				X
4.2.8	Fiftieth Supplemental Indenture between PSI and LaSalle National Bank dated February 15, 1993 (filed with Form 10-K of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the year ended December 31, 1992, File No. 1-3543).				X
4.2.9	Fifty-first Supplemental Indenture between PSI and LaSalle National Bank dated February 1, 1994 (filed with Form 10-K of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the year ended December 31, 1993, File No. 1-3543).				X
4.2.10	Fifty-second Supplemental Indenture between PSI and LaSalle National Bank, as Trustee, dated as of April 30, 1999 (filed with Form 10-Q of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the quarter ended March 31, 1999, File No. 1-3543).				X
4.2.11	Fifty-third Supplemental Indenture between PSI and LaSalle National Bank dated June 15, 2001 (filed with Form 10-Q of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the quarter ended June 30, 2001, File No. 1-3543).				X
4.2.12	Fifty-fourth Supplemental Indenture dated as of September 1, 2002, between PSI and LaSalle Bank National Association, as Trustee (filed with Form 10-Q of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the quarter ended September 30, 2002, File No. 1-3543).				X
4.2.13	Fifty-fifth Supplemental Indenture between PSI and LaSalle National Bank dated February 15, 2003 (filed with Form 10-Q of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the quarter ended September 30, 2003, File No. 1-3543).				X
4.2.14	Fifty-Sixth Supplemental Indenture dated as of December 1, 2004, between PSI and LaSalle Bank National Association, as Trustee (filed with Form 10-K of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the year ended December 31, 2004, File No. 1-3543).				X

# PART IV

Exhibit Number		Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
4.3	Repayment Agreement between Duke Energy Ohio, Inc. and The Dayton Power and Light Company dated as of December 23, 1992 (filed with Form 10-K of Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company) for the year ended December 31, 1992, File No. 1-1232).			X	
4.4	Indenture dated November 15, 1996, between PSI and The Fifth Third Bank, as Trustee (filed with Form 10-K of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the year ended December 31, 1996, File No. 1-3543).				X
4.4.1	First Supplemental Indenture dated November 15, 1996, between PSI and The Fifth Third Bank, as Trustee (filed with Form 10-K of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the year ended December 31, 1996, File No. 1-3543).				X
4.4.2	Third Supplemental Indenture dated as of March 15, 1998, between PSI and The Fifth Third Bank, as Trustee (filed with Form 10-K of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the year ended December 31, 1997, File No. 1-3543).				X
4.4.3	Fourth Supplemental Indenture dated as of August 5, 1998, between PSI and The Fifth Third Bank, as Trustee (filed with Form 10-Q of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the quarter ended June 30, 1998, File No. 1-3543).				X
4.4.4	Fifth Supplemental Indenture dated as of December 15, 1998, between PSI and The Fifth Third Bank, as Trustee (filed with Form 10-K of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the year ended December 31, 1998, File No. 1-3543).				X
4.4.5	Sixth Supplemental Indenture dated as of April 30, 1999, between PSI and The Fifth Third Bank, as Trustee (filed with Form 10-Q of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the quarter ended March 31, 1999, File No. 1-3543).				X
4.4.6	Seventh Supplemental Indenture dated as of October 20, 1999, between PSI and The Fifth Third Bank, as Trustee (filed with Form 10-Q of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the quarter ended September 30, 1999, File No. 1-3543).				X
4.4.7	Eighth Supplemental Indenture dated as of September 23, 2003, between PSI and The Fifth Third Bank, as Trustee (filed with Form 10-Q of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the quarter ended September 30, 2003, File No. 1-3543).				X
4.4.8	Tenth Supplemental Indenture dated as of June 9, 2006, between PSI Energy, Inc. and The Bank of New York Trust Company, N.A. (successor trustee to Fifth Third Bank), as Trustee (filed with Form 8-K of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.), filed on June 15, 2006, File No. 1-3543).				X
4.5	Loan Agreement between Duke Energy Ohio, Inc. and the State of Ohio Air Quality Development Authority dated as of September 13, 1995 (filed with Form 10-Q of Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company) for the quarter ended September 30, 1995, File No. 1-1232).			X	
4.6	Twenty-fifth Supplemental Indenture between PSI and The First National Bank of Chicago dated September 1, 1978 (filed with the registration statement of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.), File No. 2-62543).				X
4.6.1	Thirty-fifth Supplemental Indenture between PSI and The First National Bank of Chicago dated March 30, 1984 (filed with Form 10-K of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the year ended December 31, 1984, File No. 1-3543).				X



## PART IV

Exhibit Number		Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
4.7	Loan Agreement between Duke Energy Ohio, Inc. and the State of Ohio Air Quality Development Authority dated August 1, 2001 (filed with the Form 10-Q of Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company) for the quarter ended September 30, 2001, File No. 1-1232).			X	
4.8	Indenture (Secured Medium-term Notes, Series A), dated July 15, 1991, between PSI and LaSalle National Bank, as Trustee (filed with Form 10-K/A No. 2 of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the year ended December 31, 1992, filed on July 15, 1993, File No. 1-3543).				X
4.9	Original Indenture (Unsecured Debt Securities) between Duke Energy Ohio, Inc. and The Fifth Third Bank dated as of May 15, 1995 (filed with the registration statement on Form 8-A, filed on July 24, 1995, File No. 1-1232).			X	
4.9.1	First Supplemental Indenture between Duke Energy Ohio, Inc. and The Fifth Third Bank dated as of June 1, 1995 (filed with the Form 10-Q of Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company) for the quarter ended June 30, 1995, File No. 1-1232).			X	
4.9.2	Second Supplemental Indenture between Duke Energy Ohio, Inc. and The Fifth Third Bank dated as of June 30, 1995 (filed with the registration statement on Form 8-A, filed on July 24, 1995, File No. 1-1232).			X	
4.9.3	Third Supplemental Indenture between Duke Energy Ohio, Inc. and The Fifth Third Bank dated as of October 9, 1997 (filed with the Form 10-Q of Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company) for the quarter ended September 30, 1997, File No. 1-1232).			X	
4.9.4	Fourth Supplemental Indenture between Duke Energy Ohio, Inc. and The Fifth Third Bank dated as of April 1, 1998 (filed with the Form 10-Q of Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company) for the quarter ended March 31, 1998, File No. 1-1232).			X	
4.9.5	Fifth Supplemental Indenture between Duke Energy Ohio, Inc. and The Fifth Third Bank dated as of June 9, 1998 (filed with the Form 10-Q of Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company) for the quarter ended June 30, 1998, File No. 1-1232).			X	
4.9.6	Sixth Supplemental Indenture between Duke Energy Ohio, Inc. and The Fifth Third Bank dated as of September 15, 2002 (filed with the Form 10-Q of Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company) for the quarter ended September 30, 2002, File No. 1-1232).			X	
4.9.7	Seventh Supplemental Indenture between Duke Energy Ohio, Inc. and The Fifth Third Bank dated as of June 15, 2003 (filed with the Form 10-Q of Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company) for the quarter ended June 30, 2003, File No. 1-1232).			X	
4.10	Indenture (Secured Medium-term Notes, Series B), dated July 15, 1992, between PSI and LaSalle National Bank, as Trustee (filed with Form 10-K/A No. 2 of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the year ended December 31, 1992, filed on July 15, 1993, File No. 1-3543).				X
4.11	Loan Agreement between Duke Energy Ohio, Inc. and the Ohio Air Quality Development Authority dated as of September 1, 2002 (filed with the Form 10-Q of Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company) for the quarter ended September 30, 2002, File No. 1-1232).			X	
4.12	Loan Agreement between PSI and the City of Princeton, Indiana dated as of November 7, 1996 (filed with Form 10-Q of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the quarter ended September 30, 1996, File No. 1-3543).				X

PART IV

Exhibit Number	Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
4.13	Loan Agreement between Duke Energy Ohio, Inc. and the Ohio Air Quality Development Authority dated as of November 1, 2004, relating to Series A (filed with the Form 8-K of Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company), filed on November 19, 2004, File No. 1-1232).		X	
4.14	Loan Agreement between PSI and the City of Princeton, Indiana dated as of February 1, 1997 (filed with Form 10-K of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the year ended December 31, 1996, File No. 1-3543).			X
4.15	Loan Agreement between Duke Energy Ohio, Inc. and the Ohio Air Quality Development Authority dated as of November 1, 2004, relating to Series B (filed with the Form 8-K of Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company), filed on November 19, 2004, File No. 1-1232).		X	
4.16	Unsecured Promissory Note dated October 14, 1998, between PSI and the Rural Utilities Service (filed with Form 10-K of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the year ended December 31, 1998, File No. 1-3543).			X
4.17	Loan Agreement between PSI and the Indiana Development Finance Authority dated as of July 15, 1998 (filed with Form 10-Q of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the quarter ended June 30, 1998, File No. 1-3543).			X
4.18	Loan Agreement between PSI and the Indiana Development Finance Authority dated as of May 1, 2000 (filed with Form 10-Q of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the quarter ended June 30, 2000, File No. 1-3543).			X
4.19	Loan Agreement between PSI and the Indiana Development Finance Authority dated as of September 1, 2002 (filed with Form 10-Q of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the quarter ended September 30, 2002 File No. 1-3543).			X
4.20	Loan Agreement between PSI and the Indiana Development Finance Authority dated as of September 1, 2002 (filed with Form 10-Q of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the quarter ended September 30, 2002, File No. 1-3543).			X
4.21	Loan Agreement between PSI and the Indiana Development Finance Authority dated as of February 15, 2003 (filed with Form 10-Q of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the quarter ended March 31, 2003, File No. 1-3543).			X
4.22	6.302% Subordinated Note between PSI and Cinergy Corp., dated February 5, 2003 (filed with Form 10-Q of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the quarter ended March 31, 2003, File No. 1-3543).			X
4.23	6.403% Subordinated Note between PSI and Cinergy Corp., dated February 5, 2003 (filed with Form 10-Q of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the quarter ended March 31, 2003, File No. 1-3543).			X
4.24	Loan Agreement between PSI and the Indiana Development Finance Authority dated as of December 1, 2004, relating to Series 2004B (filed with Form 8-K of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.), filed on December 9, 2004, File No. 1-3543).			X
4.25	Loan Agreement between PSI and the Indiana Development Finance Authority dated as of December 1, 2004, relating to Series 2004C (filed with Form 8-K of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.), filed on December 9, 2004, File No. 1-3543).			X

## PART IV

Exhibit Number		Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
4.26	Form of Sixth Supplemental Indenture, dated as of November 17, 2011, to the Indenture, dated as of June 3, 2008, between Duke Energy Corporation and The Bank of New York Mellon Trust Company, N.A., as Trustee (filed with Form 8-K of Duke Energy Corporation, November 17, 2011, File No. 1-32853, as Exhibit 4.1).		X		
4.27	Form of Fifth Supplemental Indenture, dated as of August 25, 2011, to the Indenture, dated as of June 3, 2008, between Duke Energy Corporation and The Bank of New York Mellon Trust Company, N.A., as Trustee (filed with Form 8-K of Duke Energy Corporation, August 25, 2011, File No. 1-32583, Exhibit 4.1).		X		
4.28	Ninety-third Supplemental Indenture dated as of May 19, 2011 between the Company and The Bank of New York Mellon Trust Company, N.A., as Trustee (filed with Form 8-K of Duke Energy Carolinas, May 19, 2011, File No. 1-04928, as Exhibit 4.1).		X		
4.29	Ninety-fourth Supplemental Indenture dated as of December 8, 2011 between Duke Energy Carolinas, LLC and The Bank of New York Mellon Trust Company, N.A., as Trustee (filed with Form 8-K of Duke Energy Carolinas, December 8, 2011, File No. 1-04928, as Exhibit 4.1).		X		
10.1	Purchase and Sale Agreement dated as of January 8, 2006, by and among Duke Energy Americas, LLC, and LSP Bay II Harbor Holding, LLC (filed with the Form 10-Q of the registrant for the quarter ended March 31, 2006, File No. 1-32853, as Exhibit 10.2).	X			
10.1.1	Amendment to Purchase and Sale Agreement, dated as of May 4, 2006, by and among Duke Energy Americas, LLC, LS Power Generation, LLC (formerly known as 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 (filed with the Form 10-Q of the registrant for the quarter ended March 31, 2006, File No. 1-32853, as Exhibit 10.2.1).	X			
10.2	Purchase and Sale Agreement dated as of January 8, 2006, by and among Duke Energy Americas, LLC, and LSP Bay II Harbor Holding, LLC (filed with Form 10-Q of Duke Energy Corporation (formerly known as Duke Energy Holding Corp.) for the quarter ended March 31, 2006, File No. 1-32853, as exhibit 10.2).		X		
10.2.1	Amendment to Purchase and Sale Agreement, dated as of May 4, 2006, by and among Duke Energy Americas, LLC, LS Power Generation, LLC (formerly known as 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 (filed with Form 10-Q of Duke Energy Corporation (formerly known as Duke Energy Holding Corp.) for the quarter ended March 31, 2006, File No. 1-32853, as exhibit 10.2.1		X		
10.3	Employment Agreement dated February 4, 2004, among Cinergy Corp., Duke Energy Ohio, Inc., and Duke Energy, Indiana, Inc., and James E. Rogers (filed with Form 10-K of Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company) for the year ended December 31, 2003, File No. 1-1232).			X	
10.4	Employment Agreement dated February 4, 2004, among Cinergy Corp., The Cincinnati Gas & Electric Company (CG&E), and PSI, and James E. Rogers (filed with Form 10-Q of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the quarter ended September 30, 1996, File No. 1-3543).				X
10.5**	Directors' Charitable Giving Program (filed with Form 10-K of Duke Energy Carolinas, LLC for the year ended December 31, 1992, File No. 1-4928, as Exhibit 10-P).	X			
10.5.1**	Amendment to Directors' Charitable Giving Program dated June 18, 1997 (filed with Form 10-K of Duke Energy Carolinas, LLC for the year ended December 31, 2003, File No. 1-4928, as Exhibit 10-1.1).	X			

## PART IV

Exhibit Number		Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
10.5.2**	Amendment to Directors' Charitable Giving Program dated July 28, 1997 (filed with Form 10-K of Duke Energy Carolinas, LLC for the year ended December 31, 2003, File No. 1-4928, as Exhibit 10-1.2).	X			
10.5.3**	Amendment to Directors' Charitable Giving Program dated February 18, 1998 (filed with Form 10-K of Duke Energy Carolinas, LLC for the year ended December 31, 2003, File No. 1-4928, as Exhibit 10-1.3).	X			
10.6	Fifteenth Supplemental Indenture, dated as of April 3, 2006, among the registrant, Duke Energy and JPMorgan Chase Bank, N.A. (as successor to Guaranty Trust Company of New York), as trustee (the "Trustee"), supplementing the Senior Indenture, dated as of September 1, 1998, between Duke Power Company LLC (formerly Duke Energy Corporation) and the Trustee (filed with Form 10-Q of Duke Energy Corporation, File No. 1-32853, August 9, 2006, as exhibit 10.1).		X		
10.7	Amended and Restated Employment Agreement dated October 11, 2002, among Cinergy Corp., Services, Duke Energy Ohio, Inc., and Duke Energy Indiana, Inc., and William J. Grealis (filed with Form 10-K of Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company) for the year ended December 31, 2002, File No. 1-1232).			X	
10.7.1	Amended Employment Agreement effective December 17, 2003 to Employment Agreement dated October 11, 2002, among Cinergy Corp., Services, Duke Energy Ohio, Inc., and Duke Energy Indiana, Inc., and William J. Grealis (filed with Form 10-K of Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company) for the year ended December 31, 2002, File No. 1-1232).			X	
10.8	Amended and Restated Employment Agreement dated October 11, 2002, among Cinergy Corp., Services, CG&E, and PSI, and William J. Grealis (filed with Form 10-Q of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the quarter ended September 30, 1996, File No. 1-3543).				X
10.8.1	Amended Employment Agreement effective December 17, 2003 to Employment Agreement dated October 11, 2002, among Cinergy Corp., Services, CG&E, and PSI, and William J. Grealis (filed with Form 10-Q of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the quarter ended September 30, 1996, File No. 1-3543).			X	
10.9**	Duke Energy Corporation 1998 Long-Term Incentive Plan, as amended (filed as Exhibit 1 to Schedule 14A of Duke Energy Carolinas, LLC, March 28, 2003, File No. 1-4928).	X			
10.10	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 (filed with Form 10-Q of Duke Energy Corporation, File No. 1-32853, August 9, 2006, as exhibit 10.15).		X		
10.11	Amended and Restated Employment Agreement dated October 1, 2002, among Cinergy Corp., Services, Duke Energy Ohio, Inc., and Duke Energy Indiana, Inc., and Donald B. Ingle, Jr. (filed with Form 10-K of Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company) for the year ended December 31, 2002, File No. 1-1232).			X	
10.12	Amended and Restated Employment Agreement dated October 1, 2002, among Cinergy Corp., Services, CG&E, and PSI, and Donald B. Ingle, Jr. (filed with Form 10-Q of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the quarter ended September 30, 1996, File No. 1-3543).				X
10.13**	Duke Energy Corporation Executive Short-Term Incentive Plan (filed as Exhibit 2 to Schedule 14A of Duke Energy Carolinas, LLC, March 28, 2003, File No. 1-4928).	X			

# PART IV

Exhibit Number	Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
10.14	\$2,650,000,000 Amended and Restated Credit Agreement, dated as of June 28, 2007, among Duke Energy Corporation, Duke Energy Carolinas, LLC, Duke Energy Ohio, Inc., Duke Energy Indiana, Inc. and Duke Energy Kentucky, Inc., as Borrowers, the banks listed therein, Wachovia Bank, National Association, as Administrative Agent, JPMorgan Chase Bank, National Association, Barclays Bank PLC, Bank of America, N.A. and Citibank, N.A., as Co-Syndication Agents and The Bank of Tokyo-Mitsubishi, Ltd., New York Branch and Credit Suisse, as Co-Documentation Agents (filed with the Form 8-K of the registrant, July 5, 2007, File No. 1-4928, as Exhibit 10.1).		X	
10.15	Amended and Restated Employment Agreement dated September 12, 2002, among Cinergy Corp., Services, Duke Energy Ohio, Inc., and Duke Energy Indiana, Inc., and Michael J. Cyrus (filed with Form 10-K of Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company) for the year ended December 31, 2002, File No. 1-1232).		X	
10.15.1	Amended Employment Agreement effective December 17, 2003 to Employment Agreement dated September 12, 2002, among Cinergy Corp., Services, Duke Energy Ohio, Inc., and Duke Energy Indiana, Inc., and Michael J. Cyrus (filed with Form 10-K of Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company) for the year ended December 31, 2003, File No. 1-1232).		X	
10.15.2	Form of amendment to employment agreement, adopted and effective December 14, 2005, between Services and each of Michael J. Cyrus and James L. Turner (filed with Form 10-K of Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company) for the year ended December 31, 2002, File No. 1-1232).		X	
10.16	Amended and Restated Employment Agreement dated September 12, 2002, among Cinergy Corp., Services, CG&E, and PSI, and Michael J. Cyrus (filed with Form 10-Q of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the quarter ended September 30, 1996, File No. 1-3543).			X
10.16.1	Amended Employment Agreement effective December 17, 2003 to Employment Agreement dated September 12, 2002, among Cinergy Corp., Services, CG&E, and PSI, and Michael J. Cyrus (filed with Form 10-Q of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the quarter ended September 30, 1996, File No. 1-3543).			X
10.16.2	Form of amendment to employment agreement, adopted and effective December 14, 2005, between Services and each of Michael J. Cyrus and James L. Turner (filed with Form 10-Q of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the quarter ended September 30, 1996, File No. 1-3543).			X
10.17**	Duke Energy Corporation Executive Savings Plan, as amended and restated (filed with Form 8-K of Duke Energy Corporation, October 31, 2007, File No. 1-32853, as Exhibit 10.1	X		
10.18	Asset Purchase Agreement by and Between Saluda River Electric Cooperative, Inc., as Seller, and Duke Energy Carolinas, LLC, as Purchaser, dated December 20, 2006 (filed with the Form 8-K of the registrant, File No. 1-4928, December 27, 2006, as exhibit 10.1).		X	
10.19	Amended and Restated Employment Agreement dated September 24, 2002, among Cinergy Corp., Services, Duke Energy Ohio, Inc., and Duke Energy Indiana, Inc., and James L. Turner (filed with Form 10-K of Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company) for the year ended December 31, 2003, File No. 1-1232).		X	

## PART IV

Exhibit Number		Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
10.19.1	Amended Employment Agreement effective December 17, 2003 to Employment Agreement dated September 24, 2002, among Cinergy Corp., Services, Duke Energy Ohio, Inc., and Duke Energy Indiana, Inc., and James L. Turner (filed with Form 10-K of Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company) for the year ended December 31, 2003, File No. 1-1232).			X	
10.20	Amended and Restated Employment Agreement dated September 24, 2002, among Cinergy Corp., Services, CG&E, and PSI, and James L. Turner (filed with Form 10-Q of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the quarter ended September 30, 1996, File No. 1-3543).				X
10.20.1	Amended Employment Agreement effective December 17, 2003 to Employment Agreement dated September 24, 2002, among Cinergy Corp., Services, CG&E, and PSI, and James L. Turner (filed with Form 10-Q of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the quarter ended September 30, 1996, File No. 1-3543).				X
10.21**	Non-Qualified Option Agreement dated as of November 17, 2003 pursuant to Duke Energy Corporation 1998 Long-Term Incentive Plan, by and between Duke Energy Corporation and Paul M. Anderson (filed with Form 10-K of Duke Energy Carolinas, LLC for the year ended December 31, 2004, File No. 1-4928, as Exhibit 10-18.4).	X			
10.22	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 (filed with the Form 8-K of the registrant, File No. 1-4928, March 12, 2007, as item 8.01).		X		
10.23	Employment Agreement dated November 15, 2002, among Cinergy Corp., Duke Energy Ohio, Inc., and Duke Energy Indiana, Inc. and Marc E. Manly (filed with Form 10-K of Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company) for the year ended December 31, 2003, File No. 1-1232).			X	
10.23.1	Amended Employment Agreement effective December 17, 2003 to Employment Agreement dated November 15, 2002, among Cinergy Corp., Duke Energy Ohio, Inc., and Duke Energy Indiana, Inc., and Marc E. Manly (filed with Form 10-K of Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company) for the year ended 12/31/03, File No. 1-1232).			X	
10.24	Employment Agreement dated November 15, 2002, among Cinergy Corp., CG&E, and PSI and Marc E. Manly (filed with Form 10-Q of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the quarter ended September 30, 1996, File No. 1-3543).				X
10.24.1	Amended Employment Agreement effective December 17, 2003 to Employment Agreement dated November 15, 2002, among Cinergy Corp., CG&E, and PSI, and Marc E. Manly (filed with Form 10-Q of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the quarter ended September 30, 1996, File No. 1-3543).				X
10.25**	Form of Phantom Stock Award Agreement dated February 28, 2005, pursuant to Duke Energy Corporation 1998 Long-Term Incentive Plan by and between Duke Energy Corporation and each of Fred J. Fowler, David L. Hauser, Jimmy W. Mogg and Ruth G. Shaw (filed with the Form 8-K of Duke Energy Carolinas, LLC, File No. 1-4928, February 28, 2005, as Exhibit 10-2).	X			

# PART IV

Exhibit Number		Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
10.26	Engineering, Procurement and Construction Agreement, dated July 11, 2007, by and between Duke Energy Carolinas, LLC and Stone & Webster National Engineering P.C. (filed with the Form 10-Q of the registrant, November 13, 2007, File No. 1-4928, as Exhibit 10.1). (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	Deferred Compensation Agreement between Duke Energy Ohio, Inc. and Jackson H. Randolph dated January 1, 1992 (filed with Form 10-K of Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company) for the year ended December 31, 1992, File No. 1-1232).			X	
10.28	Deferred Compensation Agreement, effective as of January 1, 1992, between PSI and James E. Rogers (filed with Form 10-Q of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the quarter ended September 30, 1996, File No. 1-3543).				X
10.29**	Form of Phantom Stock Award Agreement dated as of May 11, 2005, pursuant to Duke Energy Corporation 1998 Long-Term Incentive Plan by and between Duke Energy Corporation and Jimmy W. Mogg. (filed with Form 10-Q of Duke Energy Carolinas, LLC for the quarter ended June 30, 2005, File No. 1-4928, as Exhibit 10-6).	X			
10.30	Amended and Restated Engineering, Procurement and Construction Agreement, dated February 20, 2008, by and between Duke Energy Carolinas, LLC and Stone & Webster National Engineering P.C. (filed with the Form 10-Q of the registrant, May 14, 2008, File No. 1-4928, as Exhibit 10.1). (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		
10.31	Split Dollar Insurance Agreement, effective as of May 1, 1993, between Duke Energy Ohio, Inc. and Jackson H. Randolph (filed with Form 10-K of Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company) for the year ended December 31, 1994, File No. 1-1232).			X	
10.32	Split Dollar Life Insurance Agreement, effective as of January 1, 1992, between PSI and James E. Rogers (filed with Form 10-Q of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the quarter ended September 30, 1996, File No. 1-3543).				X
10.32.1	First Amendment to Split Dollar Life Insurance Agreement between PSI and James E. Rogers dated December 11, 1992 (filed with Form 10-Q of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the quarter ended September 30, 1996, File No. 1-3543).				X
10.33**	Form of Phantom Stock Award Agreement dated as of May 12, 2005, pursuant to Duke Energy Corporation 1998 Long-Term Incentive Plan by and between Duke Energy Corporation and nonemployee directors (filed in Form 8-K of Duke Energy Carolinas, LLC, May 17, 2005, File No. 1-4928, as Exhibit 10-1).	X			
10.34	Amended No. 1 to the Amended and Restated Credit Agreement (filed on Form 8-K of the registrant, March 12, 2008, File No. 1-4928, as Exhibit 10.1).		X		
10.35	Amended and Restated Supplemental Retirement Income Agreement between Duke Energy Ohio, Inc. and Jackson H. Randolph dated January 1, 1995 (filed with Form 10-K of Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company) for the year ended December 31, 1995, File No. 1-1232).			X	

PART IV

Exhibit Number		Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
10.36	Asset Purchase Agreement by and among Cinergy Capital & Trading, Inc. (Capital & Trading), CinCap Madison, LLC and PSI dated as of February 5, 2003 (filed with Form 10-Q of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the quarter ended September 30, 1996, File No. 1-3543).				X
10.37	Form of Phantom Stock Award Agreement (filed with Form 8-K of Duke Energy Corporation, File No. 1-32853, April 4, 2006, as Exhibit 10.1).	X			
10.38	Amended and Restated Engineering and Construction Agreement, dated as of December 21, 2009, by and between Duke Energy Carolinas, LLC and Shaw North Carolina, Inc.		X		
10.39	Amended and Restated Supplemental Executive Retirement Income Agreement between Duke Energy Ohio, Inc. and certain executive officers (filed with Form 10-K of Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company) for the year ended December 31, 1997, File No. 1-1232).			X	
10.40	Asset Purchase Agreement by and among Capital & Trading, CinCap VII, LLC and PSI dated as of February 5, 2003 (filed with Form 10-Q of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the quarter ended September 30, 1996, File No. 1-3543).				X
10.41	Form of Performance Share Award Agreement (filed with Form 8-K of Duke Energy Corporation, File No. 1-32853, April 4, 2006, as Exhibit 10.2).	X			
10.42	Eighty-Eighth Supplemental Indenture dated as of November 17, 2008, between Duke Energy Carolinas, LLC and The Bank of New York Mellon Trust Company, N.A., as Trustee (filed with the Form 8-K of the registrant, File No. 1-4928, November 17, 2008, as item 4.1).		X		
10.43	Asset Purchase Agreement by and among Duke Energy Indiana, Inc. and Duke Energy Ohio, Inc. 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 (filed with Form 10-Q of Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company) for the quarter ended June 30, 2005, File No. 1-1232).			X	
10.44	Asset Purchase Agreement by and among PSI 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 (filed with Form 10-Q of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the quarter ended September 30, 1996, File No. 1-3543).				X
10.45**	Employment Agreement between Duke Energy Corporation and James E. Rogers, dated April 4, 2006 (filed with Form 8-K of Duke Energy Corporation, File No. 1-32853, April 6, 2006, as Exhibit 10.1).	X			
10.45.1**	Performance Award Agreement between Duke Energy Corporation and James E. Rogers, dated April 4, 2006 (filed with Form 8-K of Duke Energy Corporation, File No. 1-32853, April 6, 2006, as Exhibit 10.2).	X			
10.45.2**	Phantom Stock Grant Agreement between Duke Energy Corporation and James E. Rogers, dated April 4, 2006 (filed with Form 8-K of Duke Energy Corporation, File No. 1-32853, April 6, 2006, as Exhibit 10.3).	X			
10.46	Underwriting Agreement, dated as of November 12, 2008, with Barclays Capital Inc., Citigroup Global Markets Inc. and Credit Suisse Securities (USA) LLC, as representatives of the several underwriters named therein, in connection with Duke Energy Carolinas, LLC's issuance and sale of \$400,000,000 aggregate principal amount of its First and Refunding Mortgage Bonds, 5.75% Series C due 2013 and \$500,000,000 aggregate principal amount of its First and Refunding Mortgage Bonds, 7.00% Series C due 2018 (filed with the Form 8-K of the registrant, File No. 1-4928, November 17, 2008, as item 99.1).		X		



## PART IV

Exhibit Number	Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
10.47	\$2,650,000,000 Amended and Restated Credit Agreement, dated as of June 28, 2007, among Duke Energy Corporation, Duke Energy Carolinas, LLC, Duke Energy Ohio, Inc., Duke Energy Indiana, Inc. and Duke Energy Kentucky, Inc., as Borrowers, the banks listed therein, Wachovia Bank, National Association, as Administrative Agent, JPMorgan Chase Bank, National Association, Barclays Bank PLC, Bank of America, N.A. and Citibank, N.A., as Co-Syndication Agents and The Bank of Tokyo-Mitsubishi, Ltd., New York Branch and Credit Suisse, as Co-Documentation Agents (filed in Form 8-K of Duke Energy Ohio, Inc., July 5, 2007, File No. 1-1232, as Exhibit 10.1).			X
10.47.1	Amendment No. 1 to the Amended and Restated Credit Agreement (filed on Form 8-K of Duke Energy Ohio, Inc., March 12, 2008, File No. 1-1232, as Exhibit 10.1).			X
10.48	Underwriting Agreement in connection with PSI issuance and sale of \$350,000,000 aggregate principal amount of its 6.12% Debentures due 2035 (filed with Form 10-Q of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the quarter ended September 30, 1996, File No. 1-3543).			X
10.49**	Form Phantom Stock Award Agreement and Election to Defer (filed with Form 8-K of Duke Energy Corporation, File No. 1-32853, May 16, 2006, as Exhibit 10.1).	X		
10.50	Keepwell Agreement, dated April 10, 2006, between Duke Capital LLC and Duke Energy Ohio, Inc. (filed with Form 10-K of Duke Energy Ohio, Inc. (formerly The Cincinnati Gas & Electric Company), filed on April 14, 2006, File No. 1-1232).			X
10.51	\$2,000,000,000 Amended and Restated Credit Agreement among the registrant, such subsidiaries, the banks listed therein, Barclays Bank PLC, as Administrative Agent, and JPMorgan Chase Bank, N.A., as Syndication Agent (filed with Form 10-Q of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the quarter ended September 30, 1996, File No. 1-3543).			X
10.51.1	\$2,650,000,000 Amended and Restated Credit Agreement, dated as of June 28, 2007, among Duke Energy Corporation, Duke Energy Carolinas, LLC, Duke Energy Ohio, Inc., Duke Energy Indiana, Inc. and Duke Energy Kentucky, Inc., as Borrowers, the banks listed therein, Wachovia Bank, National Association, as Administrative Agent, JPMorgan Chase Bank, National Association, Barclays Bank PLC, Bank of America, N.A. and Citibank, N.A., as Co-Syndication Agents and The Bank of Tokyo-Mitsubishi, Ltd., New York Branch and Credit Suisse, as Co-Documentation Agents (filed in Form 8-K of Duke Energy Indiana, Inc., July 5, 2007, File No. 1-3543, as Exhibit 10.1).			X
10.51.2	Amendment No. 1 to the Amended and Restated Credit Agreement (filed in Form 8-K of Duke Energy Indiana, Inc., March 12, 2008, File No. 1-3543, as Exhibit 10.1).			X
10.52	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 (filed with the Form 10-Q of Duke Energy Corporation for the quarter ended June 30, 2006, File No. 1-32853, as Exhibit 10.15).	X		
10.53	Asset Purchase Agreement by and between Duke Energy Indiana, Inc., as Seller, and Wabash Valley Power Association, Inc., as Buyer, Dated as of December 1, 2006 (filed with Form 10-Q of Duke Energy Indiana, Inc. (formerly PSI Energy, Inc.) for the quarter ended September 30, 1996, File No. 1-3543).			X

# PART IV

Exhibit Number		Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
10.54	Purchase and Sale Agreement by and among Cinergy Capital & Trading, Inc., as Seller, and Fortis Bank, S.A./N.V., as Buyer, dated as of June 26, 2006 (filed with Form 8-K of Duke Energy Corporation, File No. 1-32853, June 30, 2006, as Exhibit 10.1).	X			
10.55	\$330,000,000 Letter of Credit Agreement dated as of September 19, 2008, among Duke Energy Indiana, Inc., Duke Energy Kentucky, Inc., the banks listed therein, Bank of America, N.A., as Administrative Agent, Banco Bilbao Vizcaya Argentaria, S.A.-New York Branch, as Syndication Agent, and the Bank of Tokyo-Mitsubishi UFJ, Ltd., Intesa Sanpaolo S.p.A., New York Branch, Mizuho Corporate Bank (USA), and Wells Fargo Bank, National Association, as Co-Documentation Agents (filed with Form 10-Q of Duke Energy Indiana, Inc. for the quarter ended September 30, 2008, File No. 1-3543, as Exhibit 10.1).				X
10.56**	Form of Amendment to Performance Award Agreement and Phantom Stock Award Agreement (filed with Form 8-K of Duke Energy Corporation, File No. 1-32853, August 24, 2006, as Exhibit 10.1).	X			
10.57	Engineering, Procurement and Construction Management Agreement dated December 15, 2008 between Duke Energy Indiana, Inc. and Bechtel Power Corporation (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
10.58**	Form of Amendment to Phantom Stock Award Agreement (filed with Form 8-K of Duke Energy Corporation, File No. 1-32853, August 24, 2006, as Exhibit 10.2).	X			
10.59	Formation and Sale Agreement by and among 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 (filed with the Form 10-Q of Duke Energy Corporation for the quarter ended September 30, 2006, File No. 1-32853, as Exhibit 10.3).	X			
10.60	Fifteenth Supplemental Indenture, dated as of April 3, 2006, among the registrant, Duke Energy and JPMorgan Chase Bank, N.A. (as successor to Guaranty Trust Company of New York), as trustee (the "Trustee"), supplementing the Senior Indenture, dated as of September 1, 1998, between Duke Energy Carolinas, LLC (formerly Duke Energy Corporation) and the Trustee (filed with the Form 10-Q of Duke Energy Corporation for the quarter ended June 30, 2006, File No. 1-32853, as Exhibit 10.1).	X			
10.60.1	Stock Option Grant Agreement between Duke Energy Corporation and James E. Rogers, dated April 4, 2006 (filed with Form 8-K of Duke Energy Corporation, File No. 1-32853, April 6, 2006, as Exhibit 10.4).	X			
10.61**	Duke Energy Corporation 2006 Long-Term Incentive Plan (filed with Form 8-K of Duke Energy Corporation, File No. 1-32853, October 27, 2006, as Exhibit 10.1).	X			
10.62	Tax Matters Agreement, dated as of December 13, 2006, by and between Duke Energy Corporation and Spectra Energy Corp (filed with Form 8-K of Duke Energy Corporation, File No. 1-32853, December 15, 2006, as Exhibit 10.1).	X			
10.63	Transition Services Agreement, dated as of December 13, 2006, by and between Duke Energy Corporation and Spectra Energy Corp (filed with Form 8-K of Duke Energy Corporation, File No. 1-32853, December 15, 2006, as Exhibit 10.2).	X			
10.63.1	Amendment No. 1 to the Transition Services Agreement, dated as of December 13, 2006, by and between Duke Energy Corporation and Spectra Energy Corp. (filed in Form 10-Q of Duke Energy Corporation for the quarter ended March 31, 2007, File No. 1-32853, as Exhibit 10.4).	X			

# PART IV

Exhibit Number		Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
10.63.2	Amendment No. 2 to the Transition Services Agreement, dated as of December 13, 2006, by and between Duke Energy Corporation and Spectra Energy Corp. (filed in Form 10-Q of Duke Energy Corporation for the quarter ended March 31, 2007, File No. 1-32853, as Exhibit 10.5)	X			
10.63.3	Amendment No. 3 to the Transition Services Agreement, dated as of December 13, 2006, by and between Duke Energy Corporation and Spectra Energy Corp. (filed in Form 10-Q of Duke Energy Corporation for the quarter ended June 30, 2007, File No. 1-32853, as Exhibit 10.3).	X			
10.63.4	Amendment No. 4 to the Transition Services Agreement, dated as of June 30, 2007, by and between Duke Energy Corporation and Spectra Energy Corp. (filed in Form 10-Q of Duke Energy Corporation for the quarter ended September 30, 2007, File No. 1-32853, as Exhibit 10.1).	X			
10.64	Employee Matters Agreement, dated as of December 13, 2006, by and between Duke Energy Corporation and Spectra Energy Corp. (filed with Form 8-K of Duke Energy Corporation, File No. 1-32853, December 15, 2006, as Exhibit 10.3)	X			
10.65	First Amendment to Employee Matters Agreement, dated as of September 28, 2007 (filed in Form 10-Q of Duke Energy Corporation for the quarter ended September 30, 2007, File No. 1-32853, as Exhibit 10.3).	X			
10.66**	Duke Energy Corporation Directors' Savings Plan I & II, as amended and restated (filed with Form 8-K of Duke Energy Corporation, dated October 31, 2007, File No. 1-4298, as Exhibit 10.2).	X			
10.67**	Form of Phantom Stock Award Agreement (filed in Form 8-K of Duke Energy Corporation, March 8, 2007, File No. 1-32853, as item 10.01).	X			
10.68**	Form of Performance Share Award Agreement (filed in Form 8-K of Duke Energy Corporation, March 8, 2007, File No. 1-32853, as item 10.02).	X			
10.69	Separation and Distribution Agreement, dated as of December 13, 2006, by and between Duke Energy Corporation and Spectra Energy Corp. (filed in Form 8-K of Duke Energy Corporation, File No. 1-32853, December 15, 2006, as item 2.1).	X			
10.69.1	Amendment No. 1 to the Separation and Distribution Agreement, dated as of December 13, 2006, by and between Duke Energy Corporation and Spectra Energy Corp. (filed in Form 10-Q of Duke Energy Corporation for the quarter ended March 31, 2007, File No. 1-32853, as Exhibit 10.3).	X			
10.70**	Amendment to the Duke Energy Corporation 1998 Long-Term Incentive Plan, effective as of February 27, 2007, by and between Duke Energy Corporation and Spectra Energy Corp. (filed in Form 10-Q of Duke Energy Corporation for the quarter ended March 31, 2007, File No. 1-32853, as Exhibit 10.6).	X			
10.71**	Amendment to the Duke Energy Corporation 2006 Long-Term Incentive Plan, effective as of February 27, 2007, by and between Duke Energy Corporation and Spectra Energy Corp. (filed in Form 10-Q of Duke Energy Corporation for the quarter ended March 31, 2007, File No. 1-32853, as Exhibit 10.7).	X			
10.72	\$2,650,000,000 Amended and Restated Credit Agreement, dated as of June 28, 2007, among Duke Energy Corporation, Duke Energy Carolinas, LLC, Duke Energy Ohio, Inc., Duke Energy Indiana, Inc. and Duke Energy Kentucky, Inc., as Borrowers, the banks listed therein, Wachovia Bank, National Association, as Administrative Agent, JPMorgan Chase Bank, National Association, Barclays Bank PLC, Bank of America, N.A. and Citibank, N.A., as Co-Syndication Agents and The Bank of Tokyo-Mitsubishi, Ltd., New York Branch and Credit Suisse, as Co-Documentation Agents (filed in Form 8-K of Duke Energy Corporation, July 5, 2007, File No. 1-32853, as Exhibit 10.1; the agreement was executed June 28).	X			

## PART IV

Exhibit Number		Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
10.72.1	Amendment No. 1 to Amended and Restated Credit Agreement (filed in Form 8-K of Duke Energy Corporation, March 12, 2008, File No. 1-32853, as Exhibit 10.1).	X			
10.73	Engineering, Procurement and Construction Agreement, dated July 11, 2007, by and between Duke Energy Carolinas, LLC and Stone & Webster National Engineering P.C. (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) (filed in Form 10-Q of Duke Energy Corporation for the quarter ended September 30, 2007, File No. 1-32853, as Exhibit 10.2).	X			
10.74**	Change in Control Agreement by and between Duke Energy Corporation and James L. Turner, dated April 4, 2006 (filed with Form 10-K of Duke Energy Corporation for the year ended December 31, 2007, File No. 1-32853, as Exhibit 10.64.1).	X			
10.75**	Change in Control Agreement by and between Duke Energy Corporation and Marc E. Manly, dated April 4, 2006 (filed with Form 10-K of Duke Energy Corporation for the year ended December 31, 2007, File No. 1-32853, as Exhibit 10.66.1).	X			
10.76	Amended and Restated Engineering, Procurement and Construction Agreement, dated February 20, 2008, by and between Duke Energy Carolinas, LLC and Stone & Webster National Engineering P.C. (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) (filed in Form 10-Q of Duke Energy Corporation for the quarter ended March 31, 2008, File No. 1-32853, as Exhibit 10.1).	X			
10.77**	Form of Phantom Stock Agreement (filed on Form 8-K of Duke Energy Corporation, February 22, 2008, File No. 1-32853, as Exhibit 10.1).	X			
10.78**	Form of Performance Share Agreement (filed on Form 8-K of Duke Energy Corporation, February 22, 2008, File No. 1-32853, as Exhibit 10.2).	X			
10.79	Amendment No. 1 to the Amended and Restated Credit Agreement (filed on Form 8-K of Duke Energy Corporation, March 12, 2008, File No. 1-32853, as Exhibit 10.1).	X			
10.80**	Summary of Director Compensation Program (filed in Form 10-Q of Duke Energy Corporation for the quarter ended June 30, 2008, File No. 1-32853, as Exhibit 10.1).	X			
10.81	Agreement and Plan of Merger by and among DEGS Wind I, LLC, DEGS Wind Vermont, Inc., Catamount Energy Corporation (filed in Form 10-Q of Duke Energy Corporation for the quarter ended June 30, 2008, File No. 1-32853, as Exhibit 10.2).	X			
10.82	Amended and Restated Engineering and Construction Agreement, dated as of December 21, 2009, by and between Duke Energy Carolinas, LLC and Shaw North Carolina, Inc.	X			
10.83	Operating Agreement of Pioneer Transmission, LLC (filed in Form 10-Q of Duke Energy Corporation for the quarter ended September 30, 2008, File No. 1-32583, as Exhibit 10.1).	X			
10.84**	Amendment to Duke Energy Corporation Executive Savings Plan, effective as of August 26, 2008 (filed on Form 8-K of Duke Energy Corporation, September 2, 2008, File No. 1-32583, as Exhibit 10.1).	X			
10.85**	Duke Energy Corporation Executive Cash Balance Plan, as Amended and Restated Effective August 26, 2008 (filed on Form 8-K of Duke Energy Corporation, September 2, 2008, File No. 1-32583, as Exhibit 10.2).	X			

# PART IV

EXHIBIT 10.1-10.100

Exhibit Number		Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
10.86**	Amendment to Employment Agreement with James E. Rogers, effective as of August 26, 2008 (filed on Form 8-K of Duke Energy Corporation, September 2, 2008, File No. 1-32583 as Exhibit 10.3).	X			
10.87**	Form of Amended and Restated Change in Control Agreement, effective as of August 26, 2008 (filed on Form 8-K of Duke Energy Corporation, September 2, 2008, File No. 1-32583 as Exhibit 10.4).	X			
10.88**	Amendment to Phantom Stock and Performance Awards with James E. Rogers, effective as of August 26, 2008 (filed on Form 8-K of Duke Energy Corporation September 2, 2008, File No. 1-32853, as Exhibit 10.5).	X			
10.89**	Amendment to Deferred Compensation Agreement with James E. Rogers, effective as of August 26, 2008 (filed on Form 8-K of Duke Energy Corporation, September 2, 2008, File No. 1-32583, as Exhibit 10.6).	X			
10.90**	Amendment to Award Agreements pursuant to the Long-Term Incentive Plans (Employees), effective as of August 26, 2008 (filed on Form 8-K of Duke Energy Corporation, September 2, 2008, File No. 1-32583, as Exhibit 10.7).	X			
10.91**	Amendment to Award Agreements pursuant to the Long-Term Incentive Plans (Directors), effective as of August 26, 2008 (filed on Form 8-K of Duke Energy Corporation, September 2, 2008, File No. 1-32583, as Exhibit 99.1).	X			
10.92**	Amendment to Duke Energy Corporation Directors' Savings Plan, effective as of August 26, 2008 (filed on Form 8-K of Duke Energy Corporation, September 2, 2008, File No. 1-32583, as Exhibit 99.2).	X			
10.93**	Deferred Compensation Agreement dated December 16, 1992, between PSI Energy, Inc. and James E. Rogers, Jr.	X			
10.94	Engineering, Procurement and Construction Management Agreement dated December 15, 2008 between Duke Energy Indiana, Inc. and Bechtel Power Corporation. (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			
10.95	Retirement Agreement by and between Duke Energy Business Services LLC and David L. Hauser, effective as of June 22, 2009 (filed on Form 8-K of Duke Energy Corporation, June 26, 2009, File No. 1-32853, as Exhibit 99.1).	X			
10.96	Amended and Restated Engineering and Construction Agreement, dated as of March 8, 2010, by and between Duke Energy Carolinas, LLC and Shaw North Carolina, Inc. (filed in Form 10-Q of Duke Energy Corporation for the quarter ended March 31, 2010, File No. 1-32853, as Exhibit 10.1).	X	X		
*10.97**	Retirement Agreement dated December 9, 2010 between James L. Turner and Duke Energy Business Services LLC (filed on Form 8-K of Duke Energy Corporation, December 9, 2010, File No. 1-32583 as Exhibit 10.1).	X			
10.98**	Form of Performance Award Agreement of Duke Energy Corporation (filed on Form 8-K of Duke Energy Corporation, February 22, 2011, File No. 1-32583 as Exhibit 10.1).	X			
10.99**	Form of Phantom Stock Award of Duke Energy Corporation (filed on Form 8-K of Duke Energy Corporation, February 22, 2011, File No. 1-32583 as Exhibit 10.2).	X			
10.100**	Form of Performance Award Agreement by and between Duke Energy Corporation and James E. Rogers (filed on Form 8-K of Duke Energy Corporation, February 22, 2011, File No. 1-32583 as Exhibit 10.3).	X			

# PART IV

Exhibit Number		Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
10.101	Duke Energy Corporation Executive Severance Plan (filed on Form 8-K of Duke Energy Corporation, January 10, 2011, File No. 1-32583 as Exhibit 10.1).	X			
10.102	Form of Amendment to Change in Control Agreement by Duke Energy Corporation.	X			
10.103	\$200,000,000 Credit Agreement dated as of April 7, 2010 among Duke Energy Corporation and Duke Energy Carolinas, LLC, as Borrowers, the banks listed therein, Branch Banking and Trust Company, as Administrative Agent, Regions Bank, as Syndication Agent and First Tennessee Bank N.A. and RBC Bank (USA) as Co-Documentation Agents (filed on Form 8-K of Duke Energy Corporation, April 12, 2010, File No. 1-32583 as Exhibit 10.1).	X	X		
10.104	Ninety-First Supplemental Indenture dated as of June 7, 2010 of Duke Energy Carolinas, LLC to The Bank of New York Mellon Trust Company, N.A., as Trustee (filed on Form 8-K of Duke Energy Carolinas, LLC, June 7, 2010, File No. 1-04928 as Exhibit 4.1).		X		
10.105	Sixty-Second Supplemental Indenture, dated as of July 9, 2010, between the Company and Deutsche Bank National Trust Company, as trustee, providing for the issuance of the Bonds. (filed on Form 8-K of Duke Energy Indiana, July 9, 2010, File No. 1-03543 as Exhibit 4.1).			X	
10.106	\$6,000,000,000 Five-Year Credit Agreement, dated as of November 18, 2011, among the Corporation, Duke Energy Carolinas, LLC, Duke Energy Ohio, Inc., Duke Energy Indiana, Inc. and Duke Energy Kentucky, 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. (filed on Form 8-K of Duke Energy Corporation, Duke Energy Carolinas, LLC, Duke Energy Indiana, Inc. and Duke Energy Ohio, Inc., November 25, 2011, File No. 1-01232, as Exhibit 10.1).	X	X	X	X
10.107**	Form of Performance Award Agreement of Duke Energy Corporation under the Duke Energy Corporation 2010 Long-Term Incentive Plan (filed on Form 8-K of Duke Energy Corporation, February 22, 2011, File No. 1-32853, as Exhibit 10.1).	X			
10.108**	Form of Phantom Stock Award Agreement of Duke Energy Corporation under the Duke Energy Corporation 2010 Long-Term Incentive Plan (filed on Form 8-K of Duke Energy Corporation, February 22, 2011, File No. 1-32853, as Exhibit 10.2).	X			
10.109**	Form of Performance Award Agreement by and between Duke Energy Corporation and James E. Rogers under the Duke Energy Corporation 2010 Long-Term Incentive Plan (filed on Form 8-K of Duke Energy Corporation, February 22, 2011, File No. 1-32853, as Exhibit 10.3).	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		X		
*12.3	Computation of Ratio of Earnings to Fixed Charges — DUKE ENERGY OHIO			X	
*12.4	Computation of Ratio of Earnings to Fixed Charges — DUKE ENERGY INDIANA				X

# PART IV

EXHIBIT NUMBER

Exhibit Number		Duke Energy	Duke Energy Carolinas	Duke Energy Ohio	Duke Energy Indiana
*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
*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
*31.2.1	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
*32.1.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X			
*32.1.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.		X		
*32.1.3	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			X	
*32.1.4	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				X
*32.2.1	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
*101	Financials in XBRL Format	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% 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, to furnish copies of any or all of such instruments to it.

## INVESTOR INFORMATION

### Annual Meeting

The 2012 Annual Meeting of Duke Energy Shareholders will be:

Date: Thursday, May 3, 2012

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 [www.duke-energy.com](http://www.duke-energy.com). Send written requests to:

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

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

Investor Relations: [www.duke-energy.com/investors](http://www.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 [www.duke-energy.com/investors](http://www.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 85 consecutive years. For the remainder of 2012, dividends on common stock are expected to be paid, subject to declaration by the Board of Directors, on March 16, June 18, Sept. 17 and Dec. 17.

### 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 [www.duke-energy.com/investors](http://www.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, company-controlled sources and/or recycled material. This annual report is printed on paper manufactured with energy generated from renewable sources.







## OUR MISSION

At Duke Energy, we make people's lives better by providing gas and electric services in a sustainable way — affordable, reliable and clean. This requires us to constantly look for ways to improve, to grow and to reduce our impact on the environment.

## OUR VALUES

**Safety:** We put safety first in all we do.

**Caring:** We look out for each other. We strive to make the environment and communities around us better places to live.

**Integrity:** We do the right thing. We honor our commitments. We admit when we're wrong.

**Openness:** We're open to change and to new ideas from our co-workers, customers and other stakeholders. We explore ways to grow our business and make it better.

**Passion:** We're passionate about what we do. We strive for excellence. We take personal accountability for our actions.

**Respect:** We value diverse talents, perspectives and experiences. We treat others the way we want to be treated.

**DELIVERING  
TODAY.**



**INVESTING  
FOR OUR FUTURE.**

# FINANCIAL HIGHLIGHTS<sup>(a)</sup>

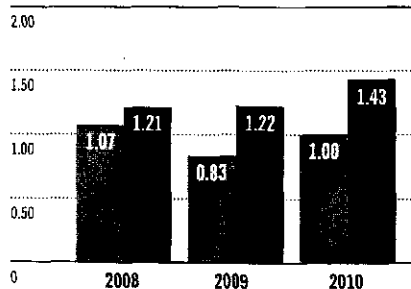
(In millions, except per-share amounts and ratios)

	2010	2009	2008
<b>Operating Results</b>			
Total operating revenues	\$14,272	\$12,731	\$13,207
Net income	\$ 1,323	\$ 1,085	\$ 1,358
Net income attributable to Duke Energy Corporation	\$ 1,320	\$ 1,075	\$ 1,362
<b>Ratio of Earnings to Fixed Charges</b>	3.0	3.0	3.4
<b>Common Stock Data</b>			
Shares of common stock outstanding			
Year-end	1,329	1,309	1,272
Weighted average — basic	1,318	1,293	1,265
Weighted average — diluted	1,319	1,294	1,267
Reported diluted earnings per share	\$ 1.00	\$ 0.83	\$ 1.07
Adjusted diluted earnings per share	\$ 1.43	\$ 1.22	\$ 1.21
Dividends per share	\$ 0.97	\$ 0.94	\$ 0.90
<b>Balance Sheet Data</b>			
Total assets	\$59,090	\$57,040	\$53,077
Long-term debt including capital leases and variable interest entities, less current maturities	\$17,935	\$16,113	\$13,250
Total Duke Energy Corporation shareholders' equity	\$22,522	\$21,750	\$20,988

(a) Significant transactions reflected in the results above include the 2010 and 2009 impairments of goodwill and other assets (see Note 12 to the Consolidated Financial Statements, "Goodwill, Intangible Assets and Impairments").

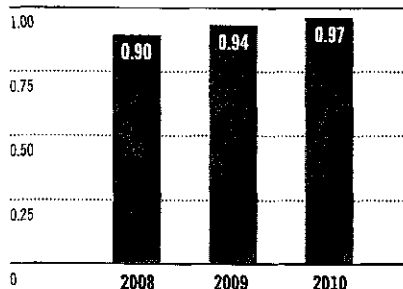
See Notes to Consolidated Financial Statements in Duke Energy's 2010 Form 10-K.

## EARNINGS PER SHARE (in dollars)

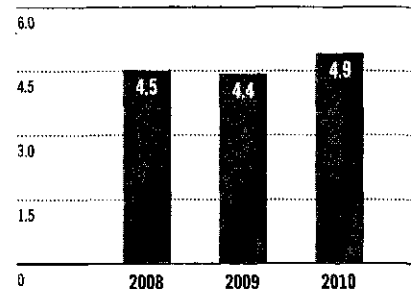


- Reported Diluted
- Adjusted Diluted

## DIVIDENDS PER SHARE (in dollars)



## CAPITAL AND INVESTMENT EXPENDITURES (dollars in billions)



## CONTENTS

Chairman's Letter to Stakeholders **1**  
 Our Priorities, Progress, and Outlook **13**  
 Board of Directors **14**  
 Executive Management **15**  
 Duke Energy at a Glance **16**  
 Safe Harbor Statement **17**  
 Non-GAAP Financial Measures **18**  
 Investor Information **Inside back cover**

## PROFILE

Headquartered in Charlotte, N.C., Duke Energy Corporation is one of the largest electric power holding companies in the United States. A Fortune 500 company, Duke Energy is listed on the New York Stock Exchange under the symbol DUK. More information about Duke Energy can be found at: [www.duke-energy.com](http://www.duke-energy.com).

## CHAIRMAN'S LETTER TO STAKEHOLDERS



James E. Rogers,  
Chairman, President and Chief Executive Officer

Dear fellow customers, investors, employees and all others who have a vested interest in our success — including our partners, suppliers, policymakers, regulators and communities:

In a changing world, our mission is constant: Produce and deliver affordable, reliable and clean energy that benefits our customers, investors, employees and communities. To succeed in this mission, we relentlessly pursue productivity gains in all areas of our business — especially in the production, delivery and use of electricity. We must deliver results today, while investing for our future.

Duke Energy demonstrated this drive with our 2010 results. Just as importantly, we are creating a future that strengthens our ability to be more productive, more efficient and more opportunistic.

## CREATING THE LEADING U.S. UTILITY

On January 10, 2011, Duke Energy and Progress Energy announced an agreement to combine their companies. Subject to shareholder and regulatory approval, this merger will create the nation's largest utility, with more than 7 million customers in six service territories. It is targeted to close by the end of 2011.

### EXPECTED CUSTOMER BENEFITS:

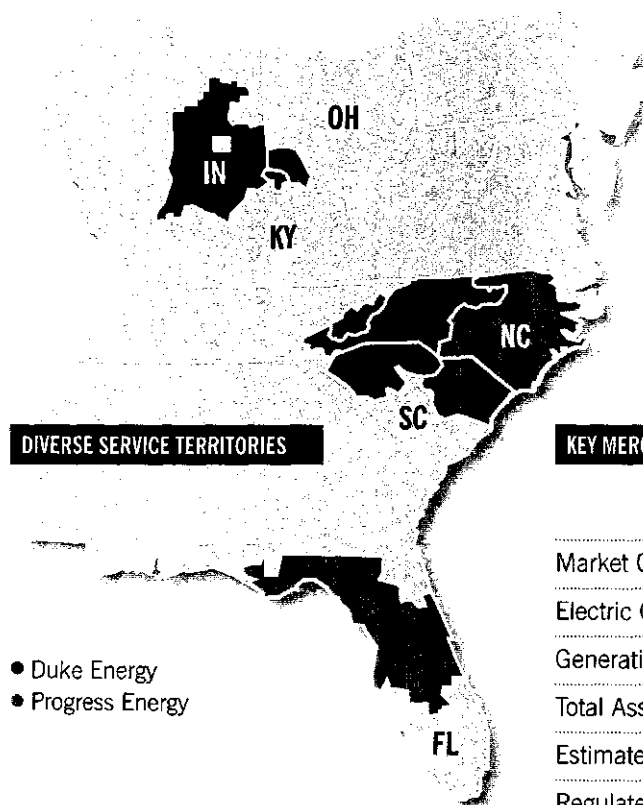
- Fuel savings and joint dispatch efficiencies for customers in the Carolinas
- Improved operating efficiencies, over time, for all regulated customers

### EXPECTED INVESTOR BENEFITS:

- Earnings accretion in the first year of the merger<sup>1</sup>
- Strong credit ratings, balance sheet, cash flow, and dividend
- Long-term earnings growth target of 4 to 6 percent<sup>1</sup>

### EXPECTED EMPLOYEE BENEFITS:

- Expanded career growth opportunities



DIVERSE SERVICE TERRITORIES



KEY MERGER STATISTICS

	Duke Energy	Progress Energy	Combined	Rank
Market Cap. (billions)	\$23.7	\$12.8	\$36.5	#1
Electric Customers (millions)	4.0	3.1	7.1	#1
Generation Capacity (gigawatts)	35.4 <sup>2</sup>	21.8 <sup>2</sup>	57.2 <sup>2</sup>	#1
Total Assets (billions)	\$59	\$33	\$92 <sup>3</sup>	#1
Estimated Rate Base (billions)	\$22	\$17	\$39	#1
Regulated Adjusted EBIT Mix <sup>4</sup>	77%	100%	85%	N/A

For more, visit [www.duke-energy.com/progress-energy-merger](http://www.duke-energy.com/progress-energy-merger).

Notes: All data as of 12/31/2010.

<sup>1</sup> Based on adjusted diluted earnings per share.

<sup>2</sup> Excludes purchased power. Duke Energy and combined amounts exclude approximately 4 gigawatts (GW) of Duke Energy International assets.

<sup>3</sup> Total assets are a summation of the two stand-alone companies and do not include any pro-forma purchase accounting adjustments from this transaction.

<sup>4</sup> Earnings before interest and taxes (EBIT); excludes Duke Energy operations labeled as "Other," and Progress Energy operations labeled as "Corporate and Other Businesses."

## DELIVERING RESULTS TODAY: A FINANCIAL REPORT CARD

Duke Energy delivered exceptional 2010 results, both financially and operationally.

During 2010, we met our financial commitments as we grew earnings, increased the quarterly dividend, and maintained the strength of our balance sheet. Extreme weather boosted sales and earnings during 2010. We ended the year with adjusted diluted earnings per share of \$1.43, above our original adjusted diluted earnings guidance range of \$1.25 to \$1.30.

The exceptional performance of our fleet and our employees' dedication to delivering high-quality customer service allowed us to capture the value of increased weather-related sales. The company is positioned to achieve a long-term adjusted diluted earnings growth rate of 4 to 6 percent.<sup>1</sup>

In 2010, we increased our quarterly cash dividend to shareholders from \$0.24 per share to \$0.245 per share. We are committed to growing the dividend and have targeted a long-term dividend payout ratio of 65 to 70 percent, based on adjusted diluted earnings per share.

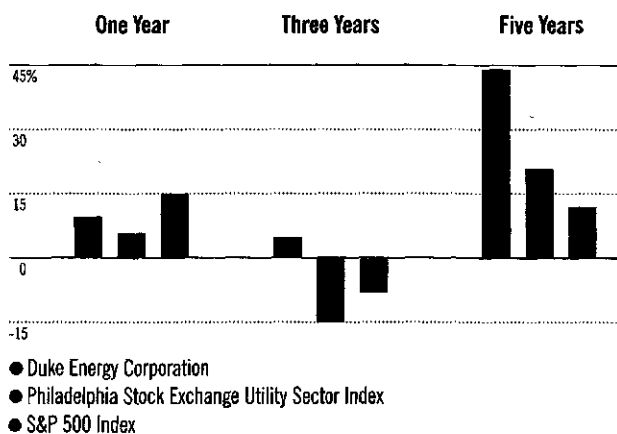
In 2010, we continued to focus on maintaining the strength of our balance sheet. We are taking advantage of historically low interest rates to issue debt to finance our modernization programs. Over the past two years, we have issued just over \$5 billion of fixed-rate debt at an average interest rate of 4.8 percent. These low interest rates will help us mitigate customer rate impacts.

Our strong investment-grade credit ratings have stable outlooks with both S&P and Moody's. We had total available liquidity of approximately \$3.4 billion at year-end.

Our shareholders enjoyed a total return (including dividends and the change in stock price) of 9.5 percent in 2010, outperforming the Philadelphia Utility Index, which returned 5.7 percent. Longer term, too, Duke Energy has outperformed the utility index, with cumulative three-year returns of 4.7 percent and five-year returns of 44.2 percent, compared to -15.4 percent and 20.9 percent, respectively, for the utility index.

### TOTAL SHAREHOLDER RETURN

(for periods ending Dec. 31, 2010)



## INTENDED MERGER WITH PROGRESS ENERGY

In January 2011, we announced our intended merger with Progress Energy. (See *Creating the Leading U.S. Utility*, Page 2.) Headquartered in Raleigh, N.C., Progress Energy has regulated utility operations in the Carolinas and Florida, with more than 3 million customers. Our combined company will be unsurpassed in size and scale, serving more than 7 million customers with around 57,000 megawatts (MW) of domestic nuclear, coal, hydro and alternative energy generation. We are targeting closing the transaction by the end of 2011, subject to shareholder and regulatory approval.

This strategic transaction involves more than just becoming the largest utility. The size and scale of the combined company gives us the ability to achieve efficiencies and effectively manage the transformation occurring in our industry. Additionally, we add an outstanding group of teammates to help navigate the combined company into the future.

Over time, we believe that our customers will benefit from productivity gains and that our employees will benefit from increased opportunities. We expect shareholders to realize earnings accretion, based on adjusted diluted earnings per share, in the first year after closing.

We are very excited about this transaction. Our combined strength will exceed the strength we have as separate companies. It will allow us to provide benefits to all our

<sup>1</sup> From a base of 2009 adjusted diluted earnings per share of \$1.22.

# OPERATIONAL PERFORMANCE SUPPORTS OUR AFFORDABLE, RELIABLE, CLEAN MISSION

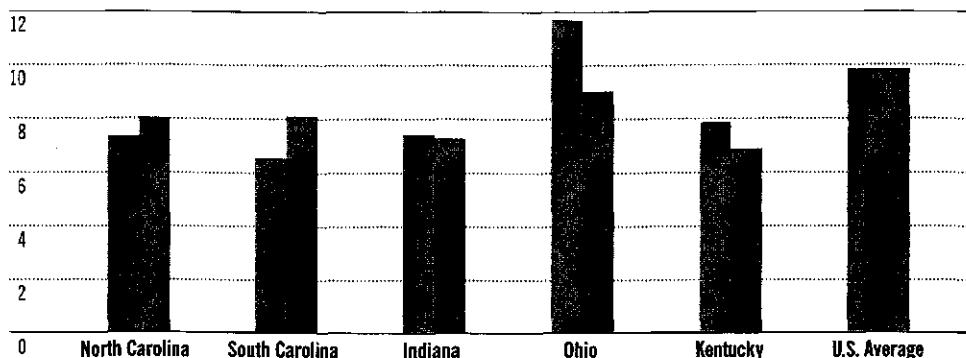
## Affordable

Our customers expect us to provide them with affordable energy both today and in the future. Given the long lead times needed to build new generation, we carefully make investments to satisfy future demand. Our diverse fuel portfolio reduces commodity price volatility. Currently, Duke Energy offers some of the most competitive electric rates in the United States.

## COMPARISON OF AVERAGE ELECTRIC RATES

(cents per kilowatt-hour, 12 months ended June 30, 2010)

● Duke Energy ● State Average ● U.S. Average



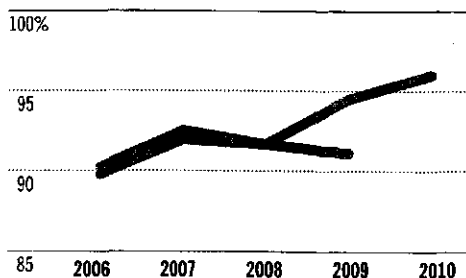
Source: Edison Electric Institute Typical Bills and Average Rates Report, June 30, 2010.

## Reliable

Our customers expect us to deliver reliable energy. Today's investments to modernize our grid will increase the reliable delivery of energy in the future. The new power plants we are building today will replace older, less efficient ones. Our high operational performance helps ensure that our services are available when needed. In 2010, our nuclear fleet set an all-time company capacity record of approximately 95.9 percent.

## NUCLEAR GENERATION CAPACITY FACTOR

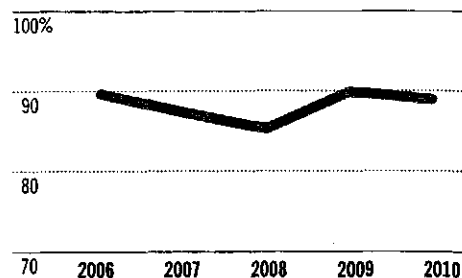
● Duke Energy ● Industry Average



Source: Industry average obtained from Nuclear Energy Institute (NEI)

## FOSSIL GENERATION COMMERCIAL AVAILABILITY

● Duke Energy



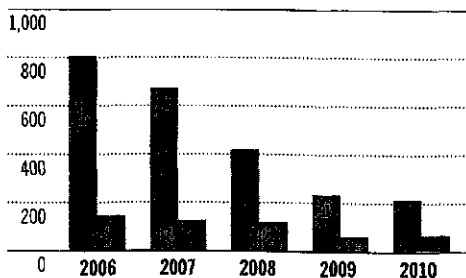
## Clean

Our customers want cleaner energy. Over the last decade, we have spent over \$5 billion to significantly reduce sulfur dioxide (SO<sub>2</sub>) and nitrogen oxide (NO<sub>x</sub>) emissions from our coal fleet. The modern generating plants we are currently building will generate cleaner energy and further reduce emissions. In addition, our investments in wind and solar will help us to promote cleaner energy.

## SO<sub>2</sub> AND NO<sub>x</sub> EMISSIONS

(in thousand tons)

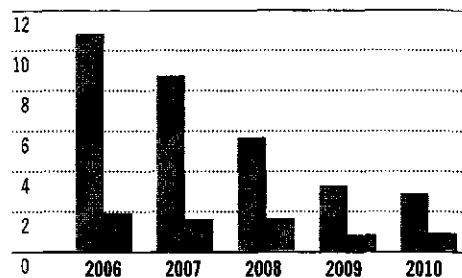
● SO<sub>2</sub> Emissions ● NO<sub>x</sub> Emissions



## SO<sub>2</sub> AND NO<sub>x</sub> INTENSITY

(pounds emitted per net MWh of generation)

● SO<sub>2</sub> Intensity ● NO<sub>x</sub> Intensity



Note: SO<sub>2</sub> and NO<sub>x</sub> reported from U.S. electric generation based on ownership share of generating assets.

stakeholders — our customers, investors, employees, and the communities in which we work and live. Integration planning has begun so that we can ensure a smooth transition and increase productivity gains in all aspects of our business.

At the same time, we will continue to focus on execution of our 2011 financial and operational objectives as a stand-alone company.

## RELIABLE PERFORMANCE

Our fleet and grid performed admirably in 2010. Confronted with record-breaking temperatures — both winter and summer — Duke's operating teams met the challenge of high load requirements. For example, the regulated fossil generation fleet had commercial availability of approximately 88.7 percent. The company's nonregulated Midwest generation fleet also met customers' needs while establishing record highs for total generation.

Industry data show that our nuclear fleet is among the most reliable in the nation at delivering low-cost baseload power. During 2010, our nuclear capacity factor was approximately 95.9 percent, which eclipsed the company's previous annual record of approximately 95.2 percent in 2002.

Additionally, in 2010 Duke Energy's Oconee Nuclear Station became the nation's first nuclear plant to receive Nuclear Regulatory Commission approval to transition from an analog to a digital plant safety system. Upgrading these systems will help prevent unnecessary shutdowns and result in more reliable and simplified operations. The digital upgrade for all three Oconee units will be complete by 2013.

Strong productivity, operational performance and efficiency are good for our customers and communities. Investors also benefit when we reduce costs and increase profitability.

Duke Energy does business in a way that is good for people, the planet and profits. Our strategy was affirmed in 2010, as Duke Energy earned a place on the Dow Jones Sustainability World Index. We were one of only 15 electric utilities around the globe to be named to this elite index. Duke Energy also earned a place on the Dow Jones Sustainability North America Index for the fifth year in a row. You can read about our sustainability plan on Page 6 of this report. Our 2010|2011 Sustainability Report, available at [www.duke-energy.com](http://www.duke-energy.com), has more details.

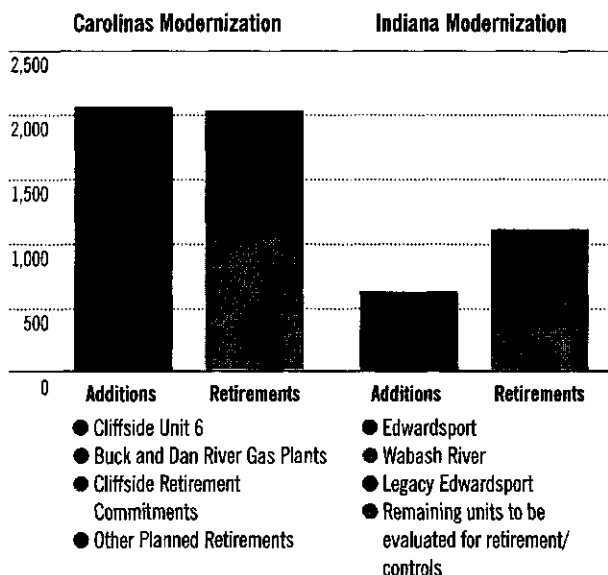
## INVESTING FOR OUR FUTURE: MODERNIZATION STRATEGY

Duke Energy is making decisions today for future energy investments. These decisions are critical to our mission to deliver affordable, reliable and clean energy. Power plants take years to permit and construct and require enormous amounts of capital to be invested over several years. We recover these investments through customer rates over the 30- to 40-year operating lives of our baseload power plants.

Our customers enjoy reliable power today because of investment decisions made many decades ago. In the Carolinas, for example, Duke Energy has not built any new baseload generating plants since 1986. Over the past decade, we have invested roughly \$5 billion to significantly reduce sulfur dioxide and nitrogen oxide emissions. And, we anticipate more stringent environmental regulations to come. As a

### FLEET MODERNIZATION THROUGH 2020

(capacity in megawatts)





## DUKE ENERGY SUSTAINABILITY PLAN AT A GLANCE

This sustainability plan reflects Duke Energy's commitment to operate in a way that is good for people, the planet and profits. It expands on the company's business strategy and values.

FOCUS AREA	WHY IT MATTERS	GOALS
<b>INNOVATIVE PRODUCTS AND SERVICES</b> Provide innovative products and services in a carbon-constrained, competitive world	Our customers want products and services that are affordable yet responsive to environmental concerns	<ul style="list-style-type: none"> <li>■ <b>ENERGY EFFICIENCY:</b> Reduce customer energy consumption by 2,500 gigawatt-hours (GWh) and peak demand by 2,100 MW by 2013</li> <li>■ <b>RENEWABLES:</b> Scale up to 3,000 MW of wind, solar and biomass by 2020</li> <li>■ <b>AFFORDABLE AND RELIABLE ENERGY:</b> Maintain rates lower than the national average and the high reliability of our generation and distribution systems</li> </ul>
<b>ENVIRONMENTAL FOOTPRINT</b> Reduce our environmental footprint	As an energy company, we have a large impact on the environment and depend on natural resources for our fuel	<ul style="list-style-type: none"> <li>■ <b>CARBON EMISSIONS:</b> Reduce or offset the carbon dioxide (CO<sub>2</sub>) emissions from our U.S. generation fleet 17 percent from 2005 by 2020 (i.e., go from 105 million tons in 2005 to 87 million tons in 2020)</li> <li>■ <b>CARBON INTENSITY:</b> Reduce the carbon intensity of our total generation fleet from 0.63 tons of CO<sub>2</sub> per megawatt-hour (MWh) in 2005 to 0.50 tons of CO<sub>2</sub> per MWh by 2020</li> <li>■ <b>WASTE:</b> Increase the percentage of solid waste that is recycled from 52 percent in 2008 to 62 percent by 2012</li> </ul>
<b>QUALITY WORKFORCE</b> Attract, develop and retain a diverse, high-quality workforce	Energy companies will be differentiated by the quality, creativity and customer focus of their employees	<ul style="list-style-type: none"> <li>■ <b>SAFETY:</b> Achieve zero work-related fatalities and top-decile safety performance in employee total incident case rate (TICR) by 2012</li> <li>■ <b>EMPLOYEE ENGAGEMENT:</b> Maintain management and employee engagement at 75 percent and 64 percent, respectively, or higher, as measured by favorable scores on survey questions</li> </ul>
<b>STRONG COMMUNITIES</b> Help build strong communities	Our success is linked to the health and prosperity of the communities we serve	<ul style="list-style-type: none"> <li>■ <b>PHILANTHROPY:</b> Develop the baseline number of individuals positively impacted by our support of key community partners during 2010</li> </ul>
<b>GOVERNANCE AND TRANSPARENCY</b> Be profitable and demonstrate strong governance and transparency	Creating shareholder value and earning the trust and confidence of our many stakeholders keeps us in business	<ul style="list-style-type: none"> <li>■ <b>SHAREHOLDER RETURN:</b> Outperform our peers in total shareholder return, annually and over a three-year period, as measured by the Philadelphia Utility Index</li> </ul>

To learn more, see our 2010|2011 Sustainability Report available on [www.duke-energy.com](http://www.duke-energy.com).

result, we expect to retire and replace our entire fleet, excluding hydro units, by 2050. Modernization isn't a "nice to have" strategy; it's a "must have."

In 2010, we made significant progress in constructing four advanced, highly productive, cleaner energy generation plants, the centerpiece of our modernization strategy:

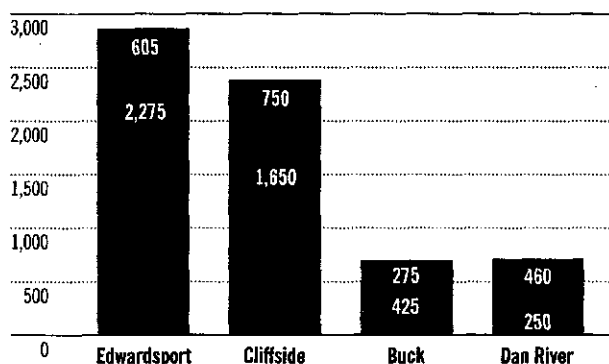
- **EDWARDSPORT POWER PLANT IN INDIANA.** When operational in 2012, this 618-megawatt, state-of-the-art Integrated Gasification Combined Cycle (IGCC) facility will replace the site's existing coal units, in service since 1944 and 1951. It will be the largest power plant in the world to use advanced technology to gasify coal, strip out pollutants, and then use this gas to produce power. Indiana coal will help power homes, businesses, schools and factories and reduce emissions to the environment. Duke Energy has received approval for local, state and federal tax incentives totaling more than \$460 million for the project, which will help mitigate customer rate increases over time. Construction remained on schedule in 2010, but the scale and complexity of the project have pushed costs higher than the previous estimate of \$2.35 billion. We have a pending request before the Indiana Utility Regulatory Commission to approve the estimated cost increase from \$2.35 billion to \$2.88 billion. A decision is expected in 2011.
- **CLIFFSIDE POWER PLANT IN NORTH CAROLINA.** This advanced coal-fired 825-megawatt facility is expected to go on line in 2012 at an estimated cost of \$2.4 billion. Once it is operational, we will start to retire 1,000 megawatts of generation at older, less efficient plants — some built in the 1920s. At year-end, the project was on schedule and on budget and had been awarded \$125 million in federal clean-coal tax credits.
- **BUCK POWER PLANT IN NORTH CAROLINA.** Construction of our 620-megawatt combined cycle gas-fired Buck plant is estimated to cost \$700 million, with an expected in-service date in late 2011. It ended the year on schedule and on budget. By 2015, we plan to retire the construction site's four existing coal units, all built between 1941 and 1953.
- **DAN RIVER POWER PLANT IN NORTH CAROLINA.** In October 2010, we broke ground on our second 620-megawatt combined cycle natural gas-fired plant — the Dan River facility. The \$710 million plant is expected to go on line in late 2012, and we plan to retire the site's three existing coal units that were built between 1949 and 1955.

Additionally, we are investing up to \$1 billion in the long-term build-out of a digital two-way communications network along the power grid. Once complete, customers will be able to better manage their energy usage and save money. All these modernization projects are creating jobs in our communities.

#### USFE&G MAJOR CONSTRUCTION PROJECTS OVERVIEW<sup>1</sup>

(dollars in millions)

● Spent as of 12/31/2010 ● Estimated expenditures to complete project



**Edwardsport  
IGCC Plant**  
Indiana

- 618 MW IGCC facility
- Expected in service in 2012
- Project is 80% complete<sup>2</sup>

**Cliffside Advanced  
Clean Coal Plant**  
North Carolina

- 825 MW advanced clean-coal unit
- Expected in service in 2012
- Project is 80% complete<sup>2</sup>

**Buck Combined  
Cycle Plant**  
North Carolina

- 620 MW combined-cycle gas-fired plant
- Expected in service in 2011
- Project is 75% complete<sup>2</sup>

**Dan River Combined  
Cycle Plant**  
North Carolina

- 620 MW combined-cycle gas-fired plant
- Expected in service in 2012
- Project is in early stages of construction<sup>2</sup>

<sup>1</sup> Project costs include direct capital and Allowance for Funds Used During Construction (AFUDC)

<sup>2</sup> Approximate as of December 31, 2010

## RECOVERING FLEET MODERNIZATION COSTS

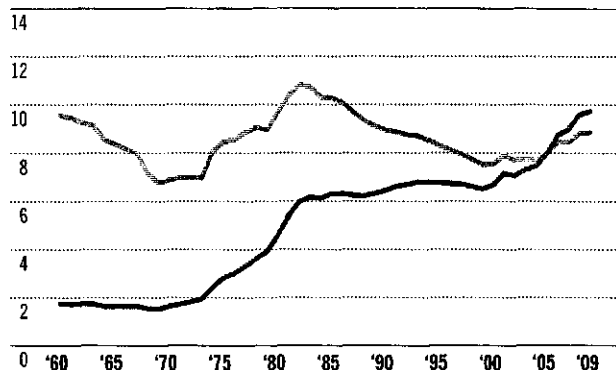
In 2011, we expect to ask regulators in up to three of our five jurisdictions to approve customer rate increases so we can recover investments associated with environmental compliance and new plant construction. You might ask, "How does a rate increase support the affordable part of our mission, especially in these tough economic times?"

Here's some perspective: Consider the graph on this page. It shows that the real cost of electricity, averaged and adjusted for inflation, has declined over the past 50 years. In fact, Duke Energy currently offers some of the most competitive electric rates in the United States. Our rates in the Carolinas, in particular, benefit from the low-cost, baseload nuclear power that serves our North Carolina and South Carolina customers.

### AVERAGE ANNUAL ELECTRICITY PRICES (ALL SECTORS), 1960 — 2009

(cents per kWh)

● Real 2005 Dollars ● Nominal



Data Source: Energy Information Administration

In all our jurisdictions, we want to achieve pricing structures that balance customer and shareholder needs. To maintain that balance and keep rates low for customers, we must obtain timely recovery of our investments and earn a fair return.

We will continue to control costs and focus on productivity. To that end, we have held nonrecoverable operation and maintenance costs essentially flat for the past four years.

## A NEW PATH IN OHIO

Achieving a balance between our customers' need for affordable, reliable and clean power and our investors' need for competitive and fair returns has grown difficult in Ohio. By law, Ohio customers can switch generation providers, allowing them to capture the benefit of lower market prices. However, our generation must stand ready to serve all customers in our service territory, including those who have switched. Therefore, we have not been able to adequately

recover our costs and earn a competitive and fair return on our investments.

This imbalance was highlighted in 2009, when market prices for energy plummeted, along with the economy and industrial demand. As a result, our electric generation rates have exceeded the prevailing market prices. By the end of 2010, approximately 65 percent of customers receiving Duke Energy Ohio's negotiated electric rates had switched to other retail suppliers who offered generation at lower prices.

In the current Ohio regulatory framework, provisions in place do not allow utilities to adequately recover their investments, whether in existing assets, new power plants to meet future customer demand, or in improvements to comply with more stringent environmental rules. This high-risk and low-reward environment makes it difficult to maintain a healthy utility and justify future power plant investments in the state. Energy providers need assurance that they can earn fair returns on existing and future investments to maintain the current system and ensure the reliable delivery of power. A different regulatory approach could help create much-needed jobs and begin to reposition the state for future economic growth.

In the meantime, at the end of 2010, we filed a new electric standard service offer, or Market Rate Offer, with the Public Utilities Commission of Ohio, requesting a plan to set market-based rates for customers of Duke Energy Ohio. This filing was a significant departure for Duke Energy Ohio, however, we believed it was the best option available to us under the current rules. In late February, the Public Utilities Commission of Ohio failed to approve our filing. In light of this ruling, we are currently exploring our options.

## DUKE ENERGY'S COMMERCIAL BUSINESSES

Our Commercial Power and International business segments contributed around \$900 million or approximately 23 percent of our total adjusted segment EBIT (earnings before interest and taxes) in 2010. We executed on our strategies in each of our Commercial Businesses:

- **INTERNATIONAL:** Our international business, consisting mostly of hydroelectric generation plants in Brazil and a combination of hydro and fossil generation in Peru and other Latin American countries, has provided consistent earnings growth. Favorable pricing and exchange rates helped drive an approximate 20 percent increase in adjusted segment earnings in 2010.
- **MIDWEST GENERATION:** Our Ohio generation teams achieved record safety and production results in 2010. Financial results were boosted by Duke Energy Retail, our competitive retail business in Ohio, which grew from a cold start in spring 2009 to a company with 17 employees and more than 100,000 customers. Duke Energy Retail serves approximately 60 percent of the switched load from Duke Energy Ohio as well as customers from outside our Ohio franchise territory. This is an outstanding achievement and demonstrates our team's hard work and diligent execution to retain margin in the competitive Ohio environment.
- **RENEWABLE ENERGY:** Duke Energy now has more than 1,000 MW of commercial renewable energy on line, with two major projects — the Top of the World Windpower Project in Wyoming and the Kit Carson Windpower Project in Colorado — completed and in service at the end of 2010. Long-term power purchase agreements support both projects. Our commercial solar business also grew in 2010. We added the Blue Wing Solar Project in Texas, a 14-MW installation, complete with a 30-year power purchase agreement.

## A CULTURE OF SAFETY

A culture of "safety first" is foremost in everything we do as a company. A safe company helps drive productivity and efficiency.

In 2010, Duke Energy achieved its best ever employee safety performance, measured by our total incident case rate, which improved 10 percent from 2009. Specifically, our regulated fossil/hydro fleet reduced its safety incidents in 2010 by approximately 25 percent; our Midwest generation fleet and our International operations reduced their safety incidents, by half and by 75 percent, respectively. Each of these fleets set all-time historic safety records for employees.

The 3R program in our U.S. fossil/hydro generation plants is one example of how we continually strengthen our safety culture. The Rs stand for *Reduce* risk, *Remove* exposures to hazards and *Reinforce* safe behavior. Introduced in 2010, the program encourages and rewards employees and contractors for reporting potential hazards. Anyone at a plant can record problems they observe and recommend corrective action or initiate a work order to address the issue. This simple checklist has improved safety across our plants.

Another example is the "Fresh Eyes" concept at our Ohio plants. Two workers started the program with a common sense premise: It's easier to see safety violations at other plants than it is to see problems in the plants where we work. Simple and cost-effective, this program gives employees the option of visiting plants that are not their own to inspect for potential safety issues. They offer a "fresh eyes" perspective. This program drove more than 200 safety improvements in 2010, and inspired many of our partners at jointly-owned facilities to embrace the program as well.



Duke Energy's Gina Whittle, Ron Gill and Donald Dickinson (from left to right) taking a "fresh eyes" look at practices in our W.M. Zimmer coal station in Ohio.

## LEARNING FROM CHALLENGES

While we are proud of our employees' stellar safety performance, we must improve contractor safety. Several contractors working for Duke Energy lost their lives during 2010, and this is unacceptable to us. We've formed a leadership task force that is implementing new procedures to safeguard our contractors on the job. To underscore the importance of a fatality-free workplace for both employees and contractors, rigorous safety measures are a part of our annual employee incentive compensation program.

Just as we are committed to ensuring the safety of employees and contractors, we are also committed to earning the trust of our communities. In 2010, that trust was tested in Indiana with controversy over the hiring of a regulatory attorney. When the issue first emerged, we immediately launched an internal investigation and have cooperated fully with external investigations. As we learned more, we took swift, decisive and appropriate policy and personnel actions. While the Indiana Utility Regulatory Commission's investigation found no improprieties in rulings related to our Edwardsport project under construction in that state, we recognize the need to rebuild our stakeholders' trust.

## INVESTING IN TECHNOLOGY

We face a different kind of challenge when we lay the groundwork for a future focused on energy efficiency and environmental stewardship. The past 100 years was about building the infrastructure to make electricity accessible to everyone. Today, our mission is to deliver affordable, reliable energy in a way that's increasingly clean. In response, we are investing in digital energy technologies that have the potential to transform our industry — the way we generate energy, the way we deliver it and the way our customers use it.

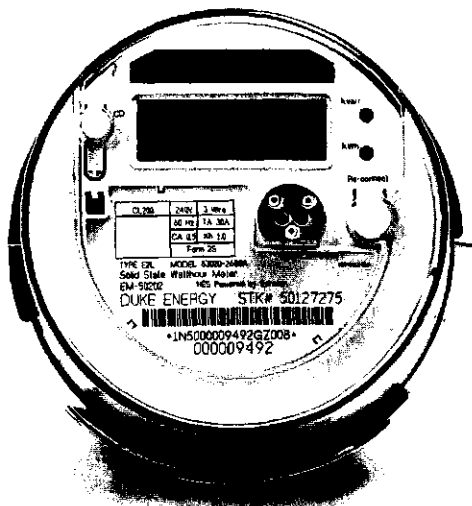
I've often said that Duke Energy is a technology company disguised as a utility. New nuclear, advanced coal, and renewable energy resources, all seamlessly integrated into a digital grid, will create the foundation for a future that continues to bring reliable, affordable and cleaner energy to all our customers.

### Grid Modernization

Our power grid delivers electricity over more than 170,000 miles of lines and scores of substations and related equipment. It uses technology that has changed little since the days of Thomas Edison. In 2009, we began a \$1 billion upgrade to move from an analog system to an advanced digital grid. Sometimes called "smart grid," today's modernization efforts bring 21st century technology to the 20th century power grid.

We began by installing two-way communication devices on parts of our distribution system. These devices can help identify outages, enabling us to respond more quickly to resolve problems. They can also help us monitor potential irregularities and prevent future outages, improving the grid's reliability. Digital meters at our customers' homes and businesses permit remote meter reading and decreased on-site visits, resulting in greater efficiencies.

A digital meter is just one part of a smart-grid system. With digital meters and energy management programs, customers benefit from more efficient operations as well as more information to help them manage their energy use and costs.



The technology also makes possible the integration of appliances and other in-home devices, so customers can — if they choose — use the tools and information we provide to reduce their energy usage and control costs.

As part of the upgrade, we have installed state-of-the-art digital meters at some customer locations. The Public Utilities Commission of Ohio approved our digital upgrade plans in 2008. Since then, we have installed approximately 140,000 electric meters, 100,000 gas meters and 22,000 communication nodes in Ohio.

With this technology in place, we have begun residential energy management pilot programs in Ohio and in a small area of Charlotte, N.C. Participating customers have realized savings in their monthly energy bills.

### Customer Service Improvements

In addition to improvements in our power delivery system, the digital grid will help customers become more involved in managing their energy use. We'll be able to give them the information, choices and control to make wiser energy decisions, conserve energy and save money, in a way that works best for them.

The digital grid technology investments we are making in Ohio, and eventually in the other states we serve, will create a customer experience similar to other technological revolutions, like the Internet and the smartphone. Of course, taking action is optional — and we feel strongly that customers should be the ones to make that choice.

We are not waiting to build out the smart grid, however, to create new opportunities for customers to connect with us. Today, in addition to person-to-person services, customers can communicate with us via social media and online tools, so that we can respond more quickly to their suggestions and concerns. Our storm feeds on Twitter — @DukeEnergyStorm, and Facebook <http://www.facebook.com/DukeEnergyStorm>, are great examples of how we are reaching customers with information they want and need.

The efforts of our employees to offer prompt and effective customer service were recognized in 2010. In a customer satisfaction survey for electric utilities, Duke Energy was ranked third in the nation by the Key Accounts National Benchmark Survey. Additionally, in the J.D. Power and Associates 2010 Electric Utility Residential Customer Satisfaction Study,<sup>SM</sup> Duke Energy Carolinas ranked highest among large utility companies in the South region, and our Midwest operations moved up three spots to sixth place among 17 providers. We are proud of our employees whose actions embody our long-standing culture of safety and service.

### Electric Vehicles

We are working with the manufacturers of vehicles, batteries, and charging stations to expand the adoption of plug-in electric vehicles. In 2010, the Electric Drive Transportation Association, of which Duke Energy is a board member, launched GoElectricDrive.com — an online resource providing a wealth of plug-in electric vehicle information. The site includes information about environmental benefits, charging infrastructure, purchase incentives,

#### DID YOU KNOW:

#### ELECTRIC VEHICLES



- 1 Filling up a plug-in electric vehicle costs 2 to 3 cents per mile, versus an average of 15 cents per mile for gasoline per gallon.
- 2 The United States now imports more than half of its oil, at a cost of billions of dollars per year. The use of plug-in electric vehicles can dramatically improve our energy independence.
- 3 Even in regions where most electricity is produced by coal, electric vehicles still reduce greenhouse gases by 25 to 30 percent over conventional vehicles.

SOURCE: GoElectricDrive.com

and a virtual showroom. A "Plug-in and Save" calculator shows you the financial and carbon footprint savings from driving a plug-in electric vehicle.

We're also helping to shape state and federal policies and standards. This technology is good for the planet and good for our profits, helping drive electricity sales.

## OUTLOOK FOR 2011 AND BEYOND

Throughout 2011, we will be planning for the integration of Duke Energy and Progress Energy and filing for merger approvals with various federal and state regulators and shareholders of both companies. We will leverage our existing systems and evaluate best practices to ensure an efficient integration of the two merged companies. We have named the top-tier management team for the combined company and have integration planning teams in place. These early decisions were designed to accelerate the integration planning process. We are targeting to close the transaction by the end of 2011.

Our 2011 outlook assumes a slow economic recovery, continued progress on our modernization efforts, and stabilization of the competitive environment in Ohio. We expect adjusted diluted earnings per share between \$1.35 to \$1.40. In addition, you can expect:

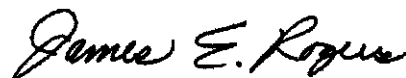
- An increase in the quarterly dividend of approximately 2 percent during 2011, subject to board of directors' approval
- Requests for increases in customer rates to recover expenses incurred in constructing and upgrading power plants
- Continued efforts across our jurisdictions to gain approval of mechanisms that narrow the gap between allowed and earned returns
- Increased safety performance and improved reliability due to plant and equipment investments and the continued rollout of digital technology, and
- Continued support for communities through leadership, investment, economic development and service projects.

## OUR CONSTANT DRIVE FOR PRODUCTIVITY GAINS

The roughly 12 million people who live in our service territories and those who will follow depend on the decisions we make today to build the right infrastructure to power our world for the future.

Our persistent push for productivity improvements in every aspect of our business enables us to better meet the needs of all our stakeholders. This allows us to achieve our mission of delivering affordable, reliable and clean energy today and in the years to come. Our pursuit of productivity gains is at the core of all that we do. It is making a better Duke Energy for our customers, investors, employees, and communities.

We will remain sharply focused on these objectives and continue to deliver results today, while investing for our future.



James E. Rogers  
Chairman, President and Chief Executive Officer  
March 4, 2011

# OUR PRIORITIES, PROGRESS, AND OUTLOOK

OUR PRIORITIES	OUR PROGRESS	OUR OUTLOOK
<b>OVERALL</b>		
<b>Finalize merger with Progress Energy</b>	<ul style="list-style-type: none"> <li>■ Announced top-tier management team for combined company</li> <li>■ Merger teams have begun initial integration planning</li> </ul>	<ul style="list-style-type: none"> <li>■ Plan to begin making state and federal regulatory filings in first quarter 2011</li> <li>■ Targeting close of merger transaction by end of 2011</li> </ul>
<b>Continue operational performance of fleet and grid</b>	<ul style="list-style-type: none"> <li>■ Achieved record capacity factor for nuclear fleet in 2010</li> <li>■ Achieved record generation levels for nonregulated Midwest generation in 2010</li> </ul>	<ul style="list-style-type: none"> <li>■ Continue focus on operational excellence</li> </ul>
<b>Aggressively manage capital and operating and maintenance costs</b>	<ul style="list-style-type: none"> <li>■ Maintained relatively flat adjusted net operating and maintenance costs<sup>1</sup> from 2007-2010</li> </ul>	<ul style="list-style-type: none"> <li>■ Modest increases to costs anticipated as major construction projects come on line in 2011 and 2012</li> </ul>
<b>Grow adjusted diluted EPS and the dividend</b>	<ul style="list-style-type: none"> <li>■ Realized adjusted diluted EPS growth of approximately 17 percent in 2010</li> <li>■ Increased quarterly dividend from \$0.24 per share to \$0.245 per share during 2010</li> <li>■ Delivered Total Shareholder Return of 9.5 percent during 2010</li> </ul>	<ul style="list-style-type: none"> <li>■ Targeting 2011 adjusted diluted EPS range of \$1.35-\$1.40</li> <li>■ Targeting a long-term dividend payout range of 65 to 70 percent of adjusted diluted EPS</li> <li>■ Project a dividend increase in 2011 (subject to Board of Directors discretion and approval)</li> </ul>
<b>Maintain balance sheet strength</b>	<ul style="list-style-type: none"> <li>■ Credit ratings affirmed in January 2011</li> <li>■ Issued over \$285 million of equity through internal plans during 2010</li> </ul>	<ul style="list-style-type: none"> <li>■ Maintain current credit ratings</li> <li>■ Project no equity issuances through 2013 based on current business plan</li> </ul>
<b>REGULATED OPERATIONS</b>		
<b>Obtain constructive regulatory outcomes</b>	<ul style="list-style-type: none"> <li>■ No significant regulatory outcomes were reached during 2010</li> </ul>	<ul style="list-style-type: none"> <li>■ Plan to file rate cases in up to three of our regulated jurisdictions in 2011</li> </ul>
<b>Complete major construction projects on budget and on time</b>	<ul style="list-style-type: none"> <li>■ Major construction projects are on time and on budget, except for Edwardsport</li> </ul>	<ul style="list-style-type: none"> <li>■ Expect to bring Buck combined-cycle plant on line in 2011</li> <li>■ Work toward a constructive outcome with the Edwardsport cost increase proceedings</li> </ul>
<b>Advance legislative agenda to reduce regulatory lag</b>	<ul style="list-style-type: none"> <li>■ Planning for legislative agendas</li> </ul>	<ul style="list-style-type: none"> <li>■ Propose legislation to address regulatory lag and the timely recovery of investments, such as new nuclear</li> </ul>
<b>COMMERCIAL BUSINESSES</b>		
<b>Position Midwest generation business for the long term</b>	<ul style="list-style-type: none"> <li>■ Filed a Market Rate Offer (MRO) in November 2010, proposing generation rates for Ohio customers in 2012 and beyond; in February 2011, PUCO failed to approve our MRO filing; we are currently exploring options</li> </ul>	<ul style="list-style-type: none"> <li>■ Achieve a constructive outcome for generation pricing in Ohio</li> </ul>
<b>Strategically respond to customer switching pressures in Ohio</b>	<ul style="list-style-type: none"> <li>■ Duke Energy Retail has retained approximately 60 percent of Duke Energy Ohio's switched customers</li> </ul>	<ul style="list-style-type: none"> <li>■ Respond to additional customer switching pressures in Ohio through Duke Energy Retail</li> </ul>
<b>Strategically invest in the renewable energy and International businesses</b>	<ul style="list-style-type: none"> <li>■ Grew the renewable generation portfolio by over 250 megawatts during 2010</li> </ul>	<ul style="list-style-type: none"> <li>■ Continue to evaluate investment opportunities</li> </ul>

<sup>1</sup> Net of deferrals, cost recovery riders and special items



# BOARD OF DIRECTORS

## William (Bill) Barnet III

Chairman, President and Chief Executive Officer  
The Barnet Company Inc. and Barnet Development Corp.

*Chair, Finance and Risk Management Committee*

*Member, Nuclear Oversight Committee*

*Director of Duke Energy or its predecessor companies since 2005*

## G. Alex Bernhardt Sr.

Chairman and Chief Executive Officer  
Bernhardt Furniture Company

*Member, Audit Committee, Nuclear Oversight Committee*

*Director of Duke Energy or its predecessor companies since 1991*

## Michael G. Browning

Chairman and President  
Browning Investments Inc.

*Chair, Audit Committee*

*Member, Corporate Governance Committee, Finance and Risk Management Committee*

*Director of Duke Energy or its predecessor companies since 1990*

## Daniel R. (Dan) DiMicco

Chairman, President and Chief Executive Officer  
Nucor Corp.

*Member, Compensation Committee, Corporate Governance Committee*

*Director of Duke Energy or its predecessor companies since 2007*

## John H. Forsgren

Retired Vice Chairman, Executive Vice President and Chief Financial Officer  
Northeast Utilities

*Member, Audit Committee, Compensation Committee*

*Director of Duke Energy or its predecessor companies since 2009*

## Ann Maynard Gray

Former Vice President, ABC Inc. and former President, Diversified Publishing Group of ABC Inc.

*Lead Director*

*Chair, Corporate Governance Committee*

*Member, Compensation Committee, Finance and Risk Management Committee*

*Director of Duke Energy or its predecessor companies since 1994*

## James H. (Jim) Hance Jr.

Retired Vice Chairman and Chief Financial Officer  
Bank of America Corp.

*Chair, Compensation Committee*

*Member, Finance and Risk Management Committee*

*Director of Duke Energy or its predecessor companies since 2005*

## E. James (Jim) Reinsch

Retired Senior Vice President and Partner  
Bechtel Group

*Member, Finance and Risk Management Committee, Nuclear Oversight Committee*

*Director of Duke Energy or its predecessor companies since 2009*

## James T. (Jim) Rhodes

Retired Chairman, President and Chief Executive Officer  
Institute of Nuclear Power Operations

*Chair, Nuclear Oversight Committee*

*Member, Audit Committee*

*Director of Duke Energy or its predecessor companies since 2001*

## James E. (Jim) Rogers

Chairman, President and Chief Executive Officer  
Duke Energy Corp.

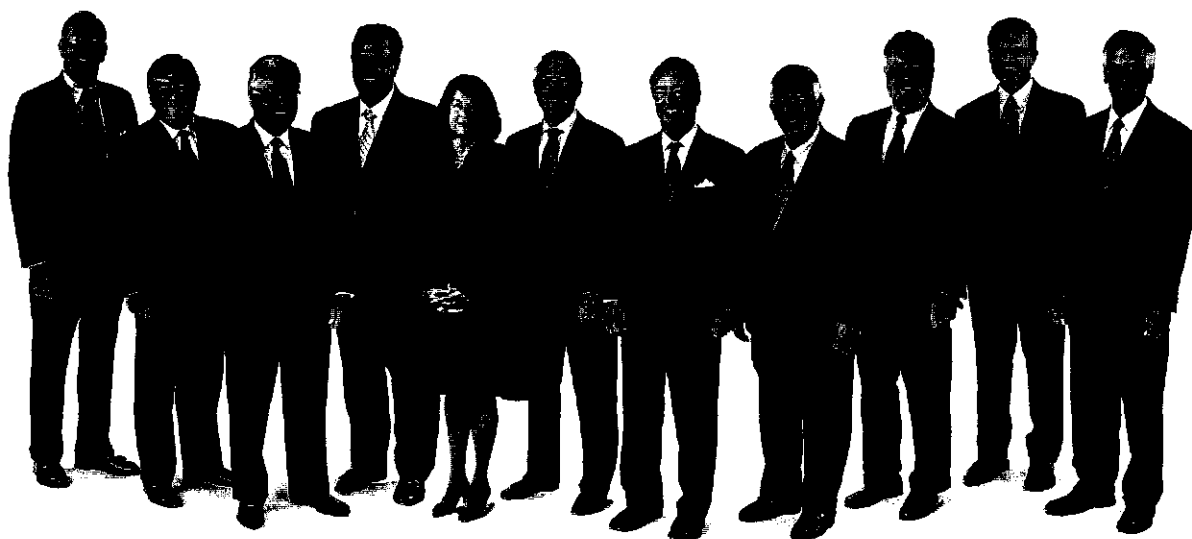
*Director of Duke Energy or its predecessor companies since 1988*

## Philip R. (Phil) Sharp

President  
Resources for the Future

*Member, Audit Committee, Nuclear Oversight Committee*

*Director of Duke Energy since 2007 and its predecessor companies from 1995-2006*



From left to right: Jim Hance Jr., Michael Browning, John Forsgren, Dan DiMicco, Ann Maynard Gray, Jim Reinsch, Jim Rogers, Bill Barnet III, Jim Rhodes, Phil Sharp and Alex Bernhardt Sr.

## EXECUTIVE MANAGEMENT

**James E. (Jim) Rogers**

Chairman, President and  
Chief Executive Officer

**Roberta B. Bowman**

Senior Vice President and  
Chief Sustainability Officer

**Brett C. Carter**

President — Duke Energy  
North Carolina

**Douglas F. (Doug) Esamann**

President — Duke Energy  
Indiana

**Lynn J. Good**

Group Executive and  
Chief Financial Officer

**Richard W. (Rick) Haviland**

Senior Vice President —  
Construction and Major Projects

**Catherine E. Heigel**

President — Duke Energy  
South Carolina

**Dhiaa M. Jamil**

Group Executive,  
Chief Generation Officer and  
Chief Nuclear Officer

**Julie S. Janson**

President — Duke Energy Ohio  
and Duke Energy Kentucky

**Gianna M. Manes**

Senior Vice President and  
Chief Customer Officer

**Marc E. Manly**

Group Executive, Chief Legal  
Officer and Corporate Secretary

**David W. Mohler**

Senior Vice President and  
Chief Technology Officer

**B. Keith Trent**

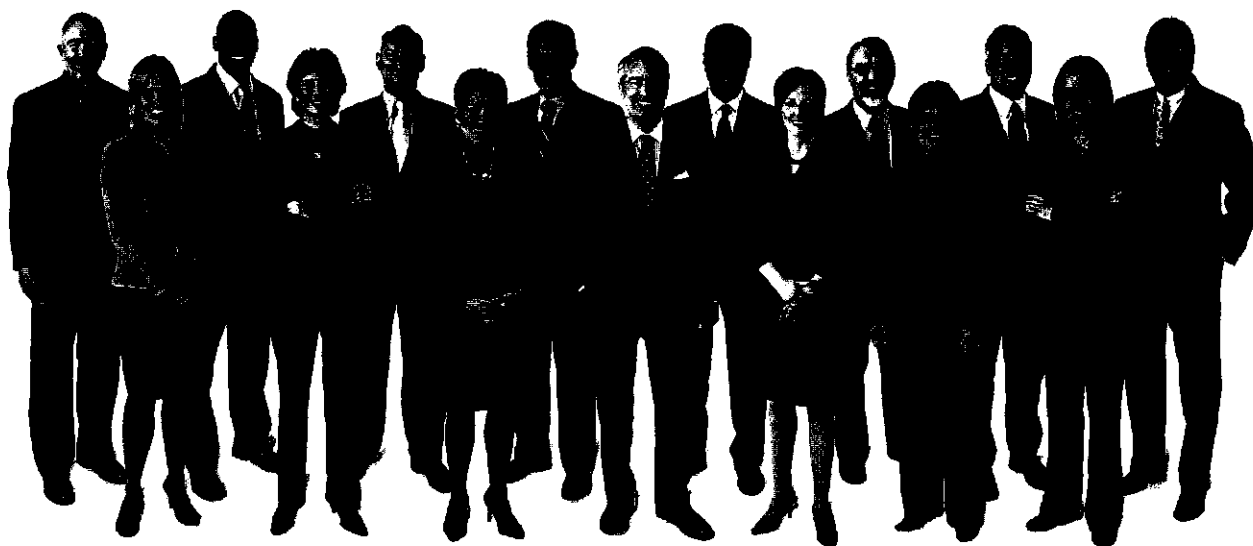
Group Executive and  
President — Commercial  
Businesses

**William F. (Bill) Tyndall**

Senior Vice President —  
Federal Government and  
Regulatory Affairs

**Jennifer L. Weber**

Group Executive,  
Human Resources and  
Corporate Relations



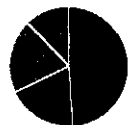
From left to right: Rick Haviland, Jennifer Weber, Brett Carter, Roberta Bowman, Marc Manly, Lynn Good, Keith Trent, Jim Rogers, Dhiaa Jamil, Catherine Heigel, David Mohler, Gianna Manes, Bill Tyndall, Julie Janson and Doug Esamann

# DUKE ENERGY AT A GLANCE

## BUSINESS SEGMENT

### U.S. FRANCHISED ELECTRIC AND GAS

#### GENERATION DIVERSITY (percent owned capacity)



■ Coal	49%
■ Nuclear	19%
■ Natural Gas/Fuel Oil	20%
■ Hydro	12%

#### CUSTOMER DIVERSITY (in billed GWh sales)



■ Residential	34%
■ Commercial	32%
■ Industrial	25%
▲ Wholesale/Other	9%

## OVERVIEW

U.S. Franchised Electric and Gas (USFE&G) consists of Duke Energy's regulated generation, electric and gas transmission and distribution systems. USFE&G's generation portfolio is a balanced mix of energy resources having different operating characteristics and fuel sources designed to provide energy at the lowest possible cost.

### Electric Operations

- Owns approximately 27,000 megawatts (MW) of generating capacity
- Service area covers about 50,000 square miles with an estimated population of 12 million
- Service to approximately 4 million residential, commercial and industrial customers
- Over 152,200 miles of distribution lines and a 20,900-mile transmission system

### 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)



■ Coal	41%
■ Natural Gas	44%
■ Renewable	12%
■ Other	3%

Commercial Power owns, operates and manages power plants, primarily located in the Midwest, and a renewable energy portfolio. Commercial Power's subsidiary, Duke Energy Retail, serves retail electric customers in Ohio with generation and other energy services at competitive rates. Commercial Power also includes Duke Energy Generation Services (DEGS), an on-site energy solutions and utility services provider.

- Owns and operates a balanced generation portfolio of approximately 7,550 net MW of power generation (excluding wind and solar generation assets)
- Duke Energy Renewables currently has approximately 986 MW of wind energy in operation and over 5,000 MW of wind energy projects in development, and owns 16 MW of commercial solar capacity

### DUKE ENERGY INTERNATIONAL

#### GENERATION DIVERSITY (percent owned capacity)



■ Hydro	69%
■ Fuel Oil	20%
■ Natural Gas	11%

Duke Energy International (DEI) operates and manages power generation facilities and engages in sales and marketing of electric power and natural gas outside the U.S. DEI's activities target power generation in Latin America. DEI 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 4,200 net MW of generation facilities
- About 70 percent of DEI's generating capacity is hydroelectric

## SAFE HARBOR STATEMENT

This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are typically identified by words or phrases such as "may," "will," "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "target," "forecast," and other words and terms of similar meaning. Forward-looking statements involve estimates, expectations, projections, goals, forecasts, assumptions, risks and uncertainties. Duke Energy and Progress Energy caution readers that any forward-looking statement is not a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking statement. Such forward-looking statements include, but are not limited to, statements about the benefits of the proposed merger involving Duke Energy and Progress Energy, including future financial and operating results, Duke Energy's or Progress Energy's plans, objectives, expectations and intentions, the expected timing of completion of the transaction, and other statements that are not historical facts. Important factors that could cause actual results to differ materially from those indicated by such forward-looking statements include risks and uncertainties relating to: the ability to obtain the requisite Duke Energy and Progress Energy shareholder approvals; the risk that Duke Energy or Progress Energy may be unable to obtain governmental and regulatory approvals required for the merger, or required governmental and regulatory approvals may delay the merger or result in the imposition of conditions that could cause the parties to abandon the merger; the risk that a condition to closing of the merger may not be satisfied; the timing to consummate the proposed merger; the risk that the businesses will not be integrated successfully; the risk that the cost savings and any other synergies from the transaction may not be fully realized or may take longer to realize than expected; disruption from the transaction making it more difficult to maintain relationships with customers, employees or suppliers; the diversion of management time on merger-related issues; general worldwide economic conditions and related uncertainties; the effect of changes in governmental regulations; and other factors discussed or referred to in the "Risk Factors" section of each of Duke Energy's and Progress Energy's most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission. These risks, as well as other risks associated with the merger, will be more fully discussed in the joint proxy statement/prospectus that will be included in the Registration Statement on Form S-4 that will be filed with the SEC in connection with the merger. Additional risks and uncertainties are identified and discussed in Duke Energy's and Progress Energy's reports filed with the SEC and available at the SEC's website at [www.sec.gov](http://www.sec.gov). Each forward-looking statement speaks only as of the date of the particular statement and neither Duke Energy nor Progress Energy undertakes any obligation to update or revise its forward-looking statements, whether as a result of new information, future events or otherwise.

### Additional information on the merger and where to find it

This document does not constitute an offer to sell or the solicitation of an offer to buy any securities, or a solicitation of any vote or approval, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. In connection with the proposed merger between Duke Energy and Progress Energy, Duke Energy will file with the SEC a Registration Statement on Form S-4 that will include a joint proxy statement of Duke Energy and Progress Energy that also constitutes a prospectus of Duke Energy. Duke Energy and Progress Energy will deliver the joint proxy statement/prospectus to their respective shareholders. **Duke Energy and Progress Energy urge investors and shareholders to read the joint proxy statement/prospectus regarding the proposed merger when it becomes available, as well as other documents filed with the SEC, because they will contain important information.** You may obtain copies of all documents filed with the SEC regarding this transaction, free of charge, at the SEC's website ([www.sec.gov](http://www.sec.gov)). You may also obtain these documents, free of charge, from Duke Energy's website ([www.duke-energy.com](http://www.duke-energy.com)) under the heading "Investors" and then under the heading "Financials/SEC Filings."

### Participants in the merger solicitation

Duke Energy, Progress Energy, and their respective directors, executive officers and certain other members of management and employees may be soliciting proxies from Duke Energy and Progress Energy shareholders in favor of the merger and related matters. Information regarding the persons who may, under the rules of the SEC, be deemed participants in the solicitation of Duke Energy and Progress Energy shareholders in connection with the proposed merger will be set forth in the joint proxy statement/prospectus when it is filed with the SEC. You can find information about Duke Energy's and Progress Energy's executive officers and directors in each of their most recent definitive proxy statement. Additional information about Duke Energy's and Progress Energy's executive officers and directors can be found in the above-referenced Registration Statement on Form S-4 when it becomes available. You can obtain free copies of these documents from Duke Energy and Progress Energy using the contact information above.

## NON-GAAP FINANCIAL MEASURES

### Adjusted Diluted Earnings per Share ("EPS")

Duke Energy's 2010 Annual Report references 2010 adjusted diluted EPS of \$1.43. Adjusted diluted EPS is a non-GAAP (generally accepted accounting principles) financial measure as it represents diluted EPS from continuing operations attributable to Duke Energy Corporation common shareholders, adjusted for the per share impact of special items and the mark-to-market impacts of economic hedges in the Commercial Power segment. 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. Mark-to-market adjustments reflect the mark-to-market impact of derivative contracts, which is recognized in GAAP earnings immediately as such derivative contracts do not qualify for hedge accounting or regulatory accounting, used in Duke Energy's hedging of a portion of the economic value of certain of its generation assets in the Commercial Power segment. The economic value of the generation assets is subject to fluctuations in fair value due to market price volatility of the input and output commodities (e.g., coal, power) and, as such, the economic hedging involves both purchases and sales of those input and output commodities related to the generation assets. Because the operations of the generation assets are accounted for under the accrual method, management believes that excluding the impact of mark-to-market changes of the economic hedge contracts from adjusted earnings until settlement better matches the financial impacts of the hedge contract with the portion of the economic value of the underlying hedged asset. Management believes that the presentation of adjusted diluted EPS provides useful information to investors, as it provides them an additional relevant comparison of the company's performance across periods. Adjusted diluted EPS is also used as a basis for employee incentive bonuses.

The most directly comparable GAAP measure for adjusted diluted EPS is reported diluted EPS 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. The following is a reconciliation of reported diluted EPS from continuing operations to adjusted diluted EPS for 2010, 2009, and 2008:

	2010	2009	2008
Diluted EPS from continuing operations, as reported	\$1.00	\$0.82	\$1.01
Diluted EPS from discontinued operations, as reported	—	0.01	0.01
Diluted EPS from extraordinary items, as reported	—	—	0.05
Diluted EPS, as reported	\$1.00	\$0.83	\$1.07
Adjustments to reported EPS:			
Diluted EPS from discontinued operations	—	(0.01)	(0.01)
Diluted EPS from extraordinary items	—	—	(0.05)
Diluted EPS impact of special items and mark-to-market in Commercial Power (see below)	0.43	0.40	0.20
Diluted EPS, adjusted	\$1.43	\$1.22	\$1.21

The following is the detail of the \$(0.43) per share in special items and mark-to-market in Commercial Power impacting adjusted diluted EPS for 2010:

	Pre-Tax Amount	Tax Effect	2010 Diluted EPS Impact
(In millions, except per-share amounts)			
Goodwill and other impairments	\$(660)	\$ 58	\$(0.46)
Voluntary retirement plan & office consolidation costs	(172)	67	(0.08)
Costs to achieve the Cinergy merger	(27)	10	(0.01)
Litigation reserve	(26)	10	(0.01)
Asset sales	248	(94)	0.12
Mark-to-market impact of economic hedges	33	(12)	0.01
Total adjusted EPS impact			\$(0.43)

The following is the detail of the \$(0.40) per share in special items and mark-to-market in Commercial Power impacting adjusted diluted EPS for 2009:

(In millions, except per-share amounts)	Pre-Tax Amount	Tax Effect	2009 Diluted EPS Impact
Goodwill and other impairments	\$(431)	\$ 21	\$(0.32)
Mark-to-market impact of economic hedges	(60)	22	(0.03)
International transmission adjustment	(32)	10	(0.02)
Crescent related guarantees and tax adjustments	(26)	(3)	(0.02)
Costs to achieve the Cinergy merger	(25)	10	(0.01)
Total adjusted EPS impact			\$(0.40)

The following is the detail of the \$(0.20) per share in special items and mark-to-market in Commercial Power impacting adjusted diluted EPS for 2008:

(In millions, except per-share amounts)	Pre-Tax Amount	Tax Effect	2008 Diluted EPS Impact
Crescent project impairments	\$(214)	\$83	\$(0.10)
Emission allowances impairment	(82)	30	(0.04)
Mark-to-market impact of economic hedges	(75)	27	(0.04)
Costs to achieve the Cinergy merger	(44)	17	(0.02)
Total adjusted EPS impact			\$(0.20)

### 2011 Adjusted Diluted EPS Outlook

Duke Energy's 2010 Annual Report references Duke Energy's forecasted 2011 adjusted diluted EPS outlook range of \$1.35-\$1.40 per share, which is consistent with the 2011 employee incentive earnings target. The materials also reference the forecasted range of growth of 4%-6% in adjusted diluted EPS (on a compound annual growth rate ("CAGR") basis) from a base of adjusted diluted EPS for 2009 of \$1.22. Adjusted diluted EPS is a non-GAAP financial measure as it represents diluted EPS from continuing operations attributable to Duke Energy Corporation shareholders, adjusted for the per-share impact of special items and the mark-to-market impacts of economic hedges in the Commercial Power segment. 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. Mark-to-market adjustments reflect the mark-to-market impact of derivative contracts, which is recognized in GAAP earnings immediately as such derivative contracts do not qualify for hedge accounting or regulatory accounting treatment, used in Duke Energy's hedging of a portion of the economic value of its generation assets in the Commercial Power segment (as discussed separately under "Adjusted Diluted Earnings per Share ('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.

### Adjusted Segment EBIT for 2009 and 2010

Duke Energy's 2010 Annual Report includes a discussion of adjusted segment EBIT for the years ended December 31, 2010 and 2009. The primary performance measure used by management to evaluate segment performance is segment EBIT from continuing operations, which at the segment level represents all profits from continuing operations (both operating and non-operating), including any equity in earnings of unconsolidated affiliates, before deducting interest and taxes, and is net of the income attributable to non-controlling interests. Management believes segment EBIT from continuing operations, which is the GAAP measure used to report segment results, is a good indicator of each segment's operating performance as it represents the results of Duke Energy's ownership interests in continuing operations without regard to financing methods or capital structures. Duke Energy also uses adjusted segment EBIT as a measure of historical and anticipated future segment performance. When used for future periods, adjusted segment EBIT may also include any amounts that may be reported as discontinued operations or extraordinary items.

Adjusted segment EBIT is a non-GAAP financial measure as it represents reported segment EBIT adjusted for the impact of special items and the mark-to-market impacts of economic hedges in the Commercial Power segment. 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. Mark-to-market adjustments reflect the mark-to-market impact of derivative contracts, which is recognized in GAAP earnings immediately as such derivative contracts do not qualify for hedge accounting or regulatory accounting, used in Duke Energy's hedging of a portion of the economic value of certain of its generation assets in the Commercial Power segment (as discussed above under "Adjusted Diluted Earnings per Share ('EPS')"). Management believes that the presentation of adjusted segment EBIT provides useful information to investors, as it provides them an additional relevant comparison of a segment's performance across periods. The most directly comparable GAAP measure for adjusted segment EBIT is reported segment EBIT, which represents segment results from continuing operations, including any special items and the mark-to-market impacts of economic hedges in the Commercial Power segment.

The following is a reconciliation of adjusted segment EBIT for the years ended December 31, 2010 and 2009, to the most directly comparable GAAP measure:

**For the Year Ended December 31, 2010**

(In millions)	Adjusted Segment EBIT	Goodwill & Other Asset Impairments	Economic Hedges (Mark-to-Market)	Reported Segment EBIT
U.S. Franchised Electric & Gas	\$2,966	\$ —	\$ —	\$2,966
Commercial Power	398	(660)	33	(229)
International Energy	486	—	—	486
Total 2010 reportable segment EBIT	\$3,850	\$(660)	\$33	\$3,223

**For the Year Ended December 31, 2009**

(In millions)	Adjusted Segment EBIT	International Transmission Adjustment	Goodwill & Other Asset Impairments	Economic Hedges (Mark-to-Market)	Reported Segment EBIT
U.S. Franchised Electric & Gas	\$2,321	\$ —	\$ —	\$ —	\$2,321
Commercial Power	500	—	(413)	(60)	27
International Energy	409	(26)	(18)	—	365
Total 2009 reportable segment EBIT	\$3,230	\$(26)	\$(431)	\$(60)	\$2,713

**Adjusted Earnings per Share Accretion in Year One of Merger with Progress Energy**

Duke Energy's 2010 Annual Report includes a reference to Duke Energy's assumption that the merger transaction is anticipated to be accretive in the first year after closing, based upon adjusted diluted EPS.

This accretion assumption is a non-GAAP financial measure as it is based upon 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 Earnings per Share ('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 (including costs-to-achieve the merger) and the mark-to-market impacts of economic hedges in the Commercial Power segment. On a reported diluted EPS basis, this transaction is not anticipated to be accretive due to the level of costs-to-achieve the merger. 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.

**Dividend Payout Ratio**

Duke Energy's 2010 Annual Report includes a discussion of Duke Energy's anticipated long-term dividend payout ratio of 65-70% 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 Earnings Per Share ('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 2010 Annual Report includes a discussion of total available liquidity. Total available liquidity is a non-GAAP financial measure as it represents cash and cash equivalents (excluding amounts held in foreign jurisdictions) and remaining availability under the master credit and regional bank credit facilities. 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, 2010, to the most directly comparable GAAP measure:

(In millions)	As of December 31, 2010
Cash and cash equivalents	\$1,670
Less: Amounts held in foreign jurisdictions	(724)
	946
Plus: Remaining availability under master credit and regional bank credit facilities	2,482
Total available liquidity	\$3,428

### Adjusted Operation, Maintenance and Other Expenses

Duke Energy's 2010 Annual Report includes a discussion of adjusted operation, maintenance and other costs ("O&M expenses"). Adjusted O&M expenses is a non-GAAP financial measure as it represents reported O&M expenses adjusted for the impact of special items and deferrals and cost recovery riders. 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. The most directly comparable GAAP measure for adjusted O&M expenses is reported O&M expenses, which includes the impact of special items. The following is a reconciliation of adjusted O&M expenses for the years ended December 31, 2010 and 2009, to the most directly comparable GAAP measure:

(In millions)	2010	2009
Operation, maintenance and other (a)	\$3,825	\$3,313
Transfers to capital (b)	108	149
Less:		
Voluntary retirement plan & office consolidation costs (c)	(164)	—
International transmission adjustment (c)	—	(30)
Costs to achieve the Cinergy merger (c)	(4)	(5)
Deferrals, recoverables, and other (d)	(343)	(85)
Adjusted operations and maintenance cost	\$3,422	\$3,342

- (a) As reported in the Consolidated Statements of Operations for the years ended December 31, 2010 and December 31, 2009. 2008 and 2007 operation, maintenance and other expenses were \$3,351 million and \$3,324 million, respectively.
- (b) Represents capitalized costs that were included for purposes of calculating the employee operations and maintenance costs target.
- (c) Presented as a special item for purposes of calculating adjusted diluted earnings per share.
- (d) Primarily represents expenses to be deferred or recovered through rate riders (e.g., impact of regulatory deferrals, reagents, etc.).



**This page intentionally left blank.**

DUKE ENERGY  
CORPORATION

**2010**  
**FORM 10-K**

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

**FORM 10-K**

FOR ANNUAL AND TRANSITION REPORTS  
PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

(Mark One)

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

For the fiscal year ended December 31, 2010 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

**Exact name of registrants as specified in their charters, addresses of principal executive offices,  
telephone numbers and states of incorporation**

IRS Employer  
Identification No.

**1-32853**

**DUKE ENERGY CORPORATION**

**20-2777218**

526 South Church Street, Charlotte, NC 28202-1803 704-594-6200  
State of Incorporation: Delaware

**1-4928**

**DUKE ENERGY CAROLINAS, LLC**

**56-0205520**

526 South Church Street, Charlotte, NC 28202-1803 704-594-6200  
State of Incorporation: North Carolina

**1-1232**

**DUKE ENERGY OHIO, INC.**

**31-0240030**

139 East Fourth Street, Cincinnati, OH 45202 704-594-6200  
State of Incorporation: Ohio

**1-3543**

**DUKE ENERGY INDIANA, INC.**

**35-0594457**

1000 East Main Street, Plainfield, IN 46168 704-594-6200  
State of Incorporation: Indiana

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

<u>Registrant</u>	<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Duke Energy Corporation (Duke Energy)	Common Stock, \$0.001 par value	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.	
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.	

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 ☒ No ☐ Duke Energy Carolinas Yes ☐ No ☒ Duke Energy Ohio Yes ☐ No ☒ Duke Energy Indiana Yes ☐ No ☒

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.

Duke Energy Yes ☐ No ☒ Duke Energy Carolinas Yes ☐ No ☒ Duke Energy Ohio Yes ☐ No ☒ Duke Energy Indiana Yes ☐ No ☒

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

Duke Energy Yes ☒ No ☐ Duke Energy Carolinas Yes ☒ No ☐ Duke Energy Ohio Yes ☒ No ☐ Duke Energy Indiana Yes ☒ No ☐

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

Duke Energy Yes ☒ No ☐ Duke Energy Carolinas Yes ☐ No ☐ Duke Energy Ohio Yes ☐ No ☐ Duke Energy Indiana 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 the 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 ☐ Duke Energy Carolinas ☐ Duke Energy Ohio ☐ Duke Energy Indiana ☐

Indicate by check mark whether the registrant 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):

Duke Energy	Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
Duke Energy Carolinas	Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
Duke Energy Ohio	Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
Duke Energy Indiana	Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934).

Duke Energy Yes ☐ No ☒ Duke Energy Carolinas Yes ☐ No ☒ Duke Energy Ohio Yes ☐ No ☒ Duke Energy Indiana Yes ☐ No ☒

Estimated aggregate market value of the common equity held by nonaffiliates of Duke Energy Corporation at June 30, 2010 21,037,000,000

Number of shares of Common Stock, \$0.001 par value, outstanding at February 18, 2011. 1,329,144,291

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Duke Energy definite proxy statements for the 2011 Annual Meeting of 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 four registrants: Duke Energy, Duke Energy Carolinas, 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, Duke Energy Ohio and Duke Energy Indiana meet the conditions set forth in General Instructions I(1)(a) and (b) of Form 10-K and are therefore filing this Form 10-K with the reduced disclosure format permitted by General Instruction I (2) to such Form 10-K.

**FORM 10-K FOR THE YEAR ENDED  
DECEMBER 31, 2010**

Item	Page
<b>PART I.</b>	
<b>DUKE ENERGY CORPORATION (DUKE ENERGY)</b>	
1. BUSINESS .....	5
GENERAL .....	5
U.S. FRANCHISED ELECTRIC AND GAS .....	7
COMMERCIAL POWER .....	18
INTERNATIONAL ENERGY .....	21
OTHER .....	22
GEOGRAPHIC REGIONS .....	22
EMPLOYEES .....	22
EXECUTIVE OFFICERS OF DUKE ENERGY .....	23
<b>DUKE ENERGY CAROLINAS, LLC (DUKE ENERGY CAROLINAS)</b>	
<b>DUKE ENERGY OHIO, INC. (DUKE ENERGY OHIO)</b>	
<b>DUKE ENERGY INDIANA, INC. (DUKE ENERGY INDIANA)</b>	
BUSINESS .....	24
GENERAL .....	24
<b>DUKE ENERGY, DUKE ENERGY CAROLINAS, DUKE ENERGY OHIO, DUKE ENERGY INDIANA</b>	
ENVIRONMENTAL MATTERS .....	25
1A. RISK FACTORS .....	26
1B. UNRESOLVED STAFF COMMENTS .....	32
2. PROPERTIES .....	33
3. LEGAL PROCEEDINGS .....	36
4. REMOVED AND RESERVED .....	36
<b>PART II.</b>	
5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES .....	37
6. SELECTED FINANCIAL DATA .....	39
7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS ..	40
7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK .....	82
8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA ..	83
9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE .....	236
9A. CONTROLS AND PROCEDURES .....	236
<b>PART III.</b>	
10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE .....	237
11. EXECUTIVE COMPENSATION .....	237
12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS .....	237
13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE .....	237
14. PRINCIPAL ACCOUNTING FEES AND SERVICES .....	238
<b>PART IV.</b>	
15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES .....	239
SIGNATURES .....	241
EXHIBIT INDEX .....	E-1

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, which are intended to cover Duke Energy and the applicable Duke Energy Registrants, are identified by terms and phrases such as "anticipate," "believe," "intend," "estimate," "expect," "continue," "should," "could," "may," "plan," "project," "predict," "will," "potential," "forecast," "target," 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, as well as rulings that affect cost and investment recovery or have an impact on rate structures;
- Costs and effects of legal and administrative proceedings, settlements, investigations and claims;
- Industrial, commercial and residential growth or decline in the respective Duke Energy Registrants' service territories, customer base or customer usage patterns;
- 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 each of the Duke Energy Registrants' operations, including the economic, operational and other effects of storms, hurricanes, droughts and tornadoes;
- The timing and extent of changes in commodity prices, interest rates and foreign currency exchange rates;
- Unscheduled generation outages, unusual maintenance or repairs and electric transmission system constraints;
- The performance of electric generation facilities and of projects undertaken by Duke Energy's non-regulated businesses;
- The results of financing efforts, including the Duke Energy Registrants' ability to obtain financing on favorable terms, which can be affected by various factors, including the respective Duke Energy Registrants' credit ratings and general economic conditions;
- Declines in the market prices of equity securities and resultant cash funding requirements for Duke Energy's defined benefit pension plans;
- The level of creditworthiness of counterparties to Duke Energy Registrants' transactions;
- Employee workforce factors, including the potential inability to attract and retain key personnel;
- Growth in opportunities for the respective Duke Energy Registrants' business units, including the timing and success of efforts to develop domestic and international power and other projects;
- 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 ratepayers in a timely manner or at all;
- The effect of accounting pronouncements issued periodically by accounting standard-setting bodies; and
- The expected timing and likelihood of completion of the proposed merger with Progress Energy, Inc., including the timing, receipt and terms and conditions of any required governmental and regulatory approvals of the proposed merger that could reduce anticipated benefits or cause the parties to abandon the merger, the diversion of management's time and attention from Duke Energy's ongoing business during this time period, the ability to maintain relationships with customers, employees or suppliers as well as the ability to successfully integrate the businesses and realize cost savings and any other synergies and the risk that the credit ratings of the combined company or its subsidiaries may be different from what the companies expect.
- The ability to successfully complete 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 Duke Energy has described. 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.

## 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
AAC	Annually Adjusted Component	DEGS	Duke Energy Generation Services, Inc.
ACES	American Clean Energy and Security Act of 2009	DEI	Duke Energy International, LLC
ADEA	Age Discrimination in Employment	DEIGP	Duke Energy International Geracao Paranapenema S.A.
AEP	American Electric Power Company, Inc.	DENA	Duke Energy North America
AFUDC	Allowance for Funds Used During Construction	DENR	Department of Environment and Natural Resources
Aguaytia	Aguaytia Energy del Perú S.R.L. Ltda.	DERF	Duke Energy Receivables Finance Company, LLC
ANEEL	Brazilian Electricity Regulatory Agency	Duke Energy Retail	Duke Energy Retail Sales, LLC
AOCI	Accumulated Other Comprehensive Income	DETM	Duke Energy Trading and Marketing, LLC
ASC	Accounting Standards Codification	DOE	Department of Energy
ASU	Accounting Standards Update	DOJ	Department of Justice
Attiki	Attiki Gas Supply S.A.	DRIP	Dividend Reinvestment Plan
Bison	Bison Insurance Company Limited	DSM	Demand Side Management
BPM	Bulk Power Marketing	Duke Energy	Duke Energy Corporation (collectively with its subsidiaries)
CAA	Clean Air Act	Duke Energy Carolinas	Duke Energy Carolinas, LLC
CAC	Citizens Action Coalition of Indiana, Inc.	Duke Energy Indiana	Duke Energy Indiana, Inc.
CAGR	Compounded Annual Growth Rate	Duke Energy Kentucky	Duke Energy Kentucky, Inc.
CAIR	Clean Air Interstate Rule	Duke Energy Ohio	Duke Energy Ohio, Inc.
Catamount	Catamount Energy Corporation	Duke Energy Registrants	Duke Energy, Duke Energy Carolinas, Duke Energy Ohio, and Duke Energy Indiana
CC	Combined Cycle	DukeNet	DukeNet Communications, LLC
CCP	Coal Combustion Product	DukeSolutions	DukeSolutions, Inc.
Celanese	Celanese Acetate, LLC	EPA	Environmental Protection Agency
CG&E	The Cincinnati Gas & Electric Company	EPS	Earnings Per Share
Cinergy Receivables	Cinergy Receivables Company, LLC	ERISA	Employee Retirement Income Security Act
Cliffside Unit 6	Cliffside Facility in North Carolina	ESP	Electric Security Plan
CT	Combustion Turbine	ETR	Effective tax rate
Cinergy	Cinergy Corp. (collectively with its subsidiaries)	EWG	Exempt Wholesale Generator
CO <sub>2</sub>	Carbon Dioxide	FASB	Financial Accounting Standards Board
COL	Combined Construction and Operating License	FCC	Federal Communications Commission
CPCN	Certificate of Public Convenience and Necessity	FERC	Federal Energy Regulatory Commission
CRES	Competitive Retail Electric Supplier	FIP	Federal Implementation Plan
Crescent	Crescent Joint Venture	FPP	Fuel and Purchased Power
DAQ	Division of Air Quality	FPSC	Florida Public Service Commission
DB	Defined Benefit Pension Plan	GAAP	Generally Accepted Accounting Principles in the United States
DCP Midstream	DCP Midstream, LLC (formerly Duke Energy Field Services, LLC)		

Term or Acronym	Definition
GHG .....	Greenhouse Gas
GWh .....	Gigawatt-hours
HAP .....	Hazardous Air Pollutant
IGCC .....	Integrated Gasification Combined Cycle
IMPA .....	Indiana Municipal Power Agency
IAP .....	State Environmental Agency of Parana
IBAMA .....	Brazil Institute of Environment and Renewable Natural Resources
ITC .....	Investment Tax Credit
IURC .....	Indiana Utility Regulatory Commission
KPSC .....	Kentucky Public Service Commission
KV .....	Kilovolt
kWh .....	Kilowatt-hour
LIBOR .....	London Interbank Offered Rate
MACT .....	Maximum achievable control technology
Mcf .....	Thousand cubic feet
Merger Agreement .....	Agreement and Plan of Merger
Merger Sub .....	Diamond Acquisition Corporation
MGP .....	Manufactured gas plant
Midwest ISO .....	Midwest Independent Transmission System Operator, Inc.
MMBtu .....	Million British Thermal Unit
Moody's .....	Moody's Investor Services
MRO .....	Market Rate Offer
MTBE .....	Methyl tertiary butyl ether
MW .....	Megawatt
MVP .....	Multi Value Projects
MWh .....	Megawatt-hour
NCUC .....	North Carolina Utilities Commission
NDTF .....	Nuclear Decommissioning Trust Funds
NEIL .....	Nuclear Electric Insurance Limited
NMC .....	National Methanol Company
NOx .....	Nitrogen oxide
NPNS .....	Normal purchase/normal sale
NRC .....	Nuclear Regulatory Commission
NSR .....	New Source Review
Ohio T&D .....	Ohio Transmission and Distribution
ORS .....	South Carolina Office of Regulatory Staff
OUC .....	Indiana Office of Utility Consumer Counselor

Term or Acronym	Definition
OVEC .....	Ohio Valley Electric Corporation
Pioneer Transmission .....	Pioneer Transmission, LLC
PJM .....	PJM Interconnection, LLC
Progress Energy .....	Progress Energy, Inc.
Prosperity .....	Prosperity Mine, LLC
PSCSC .....	Public Service Commission of South Carolina
PSD .....	Prevention of Significant Deterioration
PUCO .....	Public Utilities Commission of Ohio
PUHCA .....	Public Utility Holding Company Act of 1935, as amended
QSPE .....	Qualifying Special Purpose Entity
REPS .....	Renewable Energy and Energy Efficiency Portfolio Standard
RICO .....	Racketeer Influenced and Corrupt Organizations
RSP .....	Rate Stabilization Plan
RTO .....	Regional Transmission Organization
Saluda .....	Saluda River Electric Cooperative, Inc.'s
S 431 .....	South Carolina General Assembly Senate Bill 431
SB 3 .....	North Carolina General Assembly Senate Bill 3
SB 221 .....	Ohio Senate Bill 221
SCEUC .....	South Carolina Energy Users Committee
SEC .....	Securities and Exchange Commission
SHGP .....	South Houston Green Power, L.P.
SO <sub>2</sub> .....	Sulfur dioxide
Spectra Energy .....	Spectra Energy Corp.
Spectra Capital .....	Spectra Energy Capital, LLC (formerly Duke Capital LLC)
S&P .....	Standard & Poor's
Stimulus Bill .....	The American Recovery and Reinvestment Act of 2009
Subsidiary Registrants .....	Duke Energy Carolinas, Duke Energy Ohio, and Duke Energy Indiana
TSA .....	Transition Services Agreement
TSR .....	Total shareholder return
USFE&G .....	U.S. Franchised Electric and Gas
Vectren .....	Vectren Energy Delivery of Indiana
VIE .....	Variable Interest Entity
WACC .....	Weighted Average Cost of Capital
Windstream .....	Windstream Corp.
WVPA .....	Wabash Valley Power Association, Inc.

**ITEM 1. BUSINESS.****GENERAL****Proposed Merger with Progress Energy, Inc.**

On January 8, 2011, Duke Energy Corporation (Duke Energy) entered into an Agreement and Plan of Merger (Merger Agreement) between and among Diamond Acquisition Corporation, a North Carolina corporation and Duke Energy's wholly-owned subsidiary (Merger Sub) and Progress Energy, Inc. (Progress Energy), a North Carolina corporation. Upon the terms and subject to the conditions set forth in the Merger Agreement, Merger Sub will merge with and into Progress Energy with Progress Energy continuing as the surviving corporation and a wholly-owned subsidiary of Duke Energy. Pursuant to the Merger Agreement, upon the closing of the merger, each issued and outstanding share of Progress Energy common stock will automatically be cancelled and converted into the right to receive 2.6125 shares of common stock of Duke Energy, subject to appropriate adjustment for a reverse stock split of the Duke Energy common stock as contemplated in the Merger Agreement (and except that any shares of Progress Energy common stock that are owned by Progress Energy or Duke Energy, other than in a fiduciary capacity, will be cancelled without any consideration therefor). Each outstanding option to acquire, and each outstanding equity award relating to, one share of Progress Energy common stock will be converted into an option to acquire, or an equity award relating to 2.6125 shares of Duke Energy common stock, as applicable, subject to appropriate adjustment for the reverse stock split. Completion of the merger is conditioned upon, among other things, approval by the shareholders of both companies as well as expiration or termination of any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and approval, to the extent required, by the Federal Energy Regulatory Commission (FERC), the Federal Communication Commission (FCC), 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 Kentucky Public Service Commission (KPSC), the Public Utilities Commission of Ohio (PUCO) and the Nuclear Regulatory Commission (NRC). Duke Energy is targeting completion of the merger by the end of 2011, but cannot assure completion by any particular date. The Merger Agreement contains certain termination rights for both Duke Energy and Progress Energy, and further provides for the payment of fees and expenses upon termination under specified circumstances. Further information concerning the proposed merger will be included in a joint proxy statement/prospectus contained in the registration statement on Form S-4 to be filed by Duke Energy with the Securities and Exchange Commission (SEC) in connection with the merger. On February 22, 2011, the board of directors of Duke Energy approved a reverse share split, at a ratio of 1-for-3 which will be subject to the merger being completed and receipt of the requisite approval of the shareholders of Duke Energy. For additional information on the details of this proposed transaction, see Note 3 to the Consolidated Financial Statements, "Acquisitions and Dispositions of Businesses and Sales of Other Assets."

**Overview.****Duke Energy Corporation.**

Duke Energy Corporation (collectively with its subsidiaries, Duke Energy) is an energy company primarily located in the Americas. Duke Energy operates in the United States (U.S.) primarily through its direct and indirect wholly-owned subsidiaries, Duke Energy Carolinas, LLC (Duke Energy Carolinas), Duke Energy Ohio, Inc. (Duke Energy Ohio), which includes Duke Energy Kentucky, Inc. (Duke Energy Kentucky), and Duke Energy Indiana, Inc. (Duke Energy Indiana), as well as in South America and Central America primarily through Duke Energy International, LLC. When discussing Duke Energy's consolidated financial information, it necessarily includes the results of its three separate subsidiary registrants, Duke Energy Carolinas, Duke Energy Ohio and Duke Energy Indiana (collectively referred to as the Subsidiary Registrants), which, along with Duke Energy, are collectively referred to as the Duke Energy Registrants.

Duke Energy Holding Corp. (Duke Energy HC) was incorporated in Delaware on May 3, 2005 as Deer Holding Corp., a wholly-owned subsidiary of Duke Energy Corporation (Old Duke Energy, for purposes of this discussion regarding the Cinergy merger). In the second quarter of 2006, Duke Energy and Cinergy Corp. (Cinergy) consummated a merger which combined the Duke Energy and Cinergy-regulated franchises, as well as deregulated generation in the Midwestern United States. On April 3, 2006, in accordance with the merger agreement, Old Duke Energy and Cinergy merged into wholly-owned subsidiaries of Duke Energy HC, resulting in Duke Energy HC becoming the parent entity. In connection with the closing of the merger transactions, Duke Energy HC changed its name to Duke Energy Corporation (New Duke Energy or Duke Energy) and Old Duke Energy converted into a limited liability company named Duke Power Company, LLC (subsequently renamed Duke Energy Carolinas effective October 1, 2006). As a result of the merger transaction, each outstanding share of Cinergy common stock was converted into 1.56 shares of common stock of Duke Energy, which resulted in the issuance of approximately 313 million shares of Duke Energy common stock. Additionally, each share of common stock of Old Duke Energy was converted into one share of Duke Energy common stock. Old Duke Energy is the predecessor of Duke Energy for purposes of U.S. securities regulations governing financial statement filing.

During the third quarter of 2005, Duke Energy's Board of Directors authorized and directed management to execute the sale or disposition of substantially all of former Duke Energy North America's (DENA) remaining assets and contracts outside the Midwestern United States and certain contractual positions related to the Midwestern assets. The exit plan was completed in the second quarter of 2006. Certain assets of the former DENA business were transferred to the Commercial Power business segment and certain operations that Duke Energy continues to wind-down are in Other.

On January 2, 2007, Duke Energy completed the spin-off of its natural gas businesses, named Spectra Energy Corp. (Spectra Energy), including its wholly-owned subsidiary Spectra Energy Capital, LLC (Spectra Energy Capital, formerly Duke Capital LLC). The natural gas businesses spun off primarily consisted of Duke Energy's Natural Gas Transmission business segment and Duke Energy's 50%

ownership interest in DCP Midstream, LLC (DCP Midstream, formerly Duke Energy Field Services, LLC), which was part of the Field Services business segment.

#### ***Duke Energy Business Segments.***

At December 31, 2010, Duke Energy operated the following business segments, all of which are considered reportable segments under the applicable accounting rules: U.S. Franchised Electric and Gas (USFE&G), Commercial Power and International Energy. 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 about each reportable business segment, see Note 2 to the Consolidated Financial Statements, "Business Segments."

The following is a brief description of the nature of operations of each of Duke Energy's reportable business segments, as well as Other.

#### ***U.S. Franchised Electric and Gas.***

USFE&G generates, transmits, distributes and sells electricity in central and western North Carolina, western South Carolina, southwestern Ohio, central, north central and southern Indiana, and northern Kentucky. USFE&G also transports and sells natural gas in southwestern Ohio and northern Kentucky. It conducts operations primarily through Duke Energy Carolinas, the regulated transmission and distribution operations of Duke Energy Ohio, Duke Energy Indiana and Duke Energy Kentucky. These electric and gas operations are subject to the rules and regulations of the FERC, the NCUC, the PSCSC, the PUCO, the IURC and the KPSC. The substantial majority of USFE&G's operations are regulated and, accordingly, these operations qualify for regulatory accounting treatment.

#### ***Commercial Power.***

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. Commercial Power's generation operations, excluding renewable energy generation assets, consists of primarily coal-fired generation assets located in Ohio which are dedicated under the Duke Energy Ohio Electric Security Plan (ESP) and gas-fired non-regulated generation assets which are dispatched into wholesale markets. These assets comprise 7,550 net megawatts (MW) of power generation primarily located in the Midwestern U.S. The asset portfolio has a diversified fuel mix with baseload and mid-merit coal-fired units as well as combined cycle (CC) and peaking natural gas-fired units. Commercial Power's operations which are subject to the ESP qualify for regulatory accounting treatment. For more information on the ESP, as well as the reapplication of regulatory accounting to certain of its operations, see the "Commercial Power" section below.

Commercial Power also has a retail sales subsidiary, Duke Energy Retail Sales, LLC (Duke Energy Retail), which is certified by the PUCO as a Competitive Retail Electric Supplier (CRES) provider in

Ohio. Duke Energy Retail serves retail electric customers in southwest, west central and northern Ohio with energy and other energy services at competitive rates. During 2010 and 2009, due to increased levels of customer switching as a result of the competitive markets in Ohio, Duke Energy Retail has focused on acquiring customers that had previously been served by Duke Energy Ohio under the ESP, as well as those previously served by other Ohio franchised utilities.

Commercial Power owns a 9% interest in Ohio Valley Electric Corporation (OVEC). Through its ownership interest in OVEC, Commercial Power has a contractual arrangement through March 2026 to buy power from OVEC's power plants. All power purchased from OVEC is sold into wholesale markets.

Through Duke Energy Generation Services, Inc. and its affiliates (DEGS), Commercial Power develops, owns and operates electric generation for large energy consumers, municipalities, utilities and industrial facilities. DEGS currently manages 4,440 MW of power generation at 28 facilities throughout the U.S. In addition, DEGS engages in the development, construction and operation of renewable energy projects. Currently, DEGS has over 5,000 MW of renewable energy projects in the development pipeline with 1,002 net MW of renewable generating capacity in operation as of December 31, 2010. DEGS is also developing transmission and biomass projects.

#### ***International Energy.***

International Energy principally owns, operates and manages power generation facilities, and engages in sales and marketing of electric power and natural gas outside the U.S. It conducts operations primarily through Duke Energy International, LLC (DEI) and its affiliates and its activities target power generation in Latin America. Through its wholly-owned subsidiary Aguaytia Energy del Perú S.R.L. Ltda. (Aguaytia) and its equity method investment in National Methanol Company (NMC), which is located in Saudi Arabia, International Energy also engages in the production of natural gas liquids, methanol and methyl tertiary butyl ether (MTBE).

#### ***Other.***

The remainder of Duke Energy's operations is presented as Other. While it is not considered a business segment, Other primarily includes certain unallocated corporate costs, Bison Insurance Company Limited (Bison), Duke Energy's wholly-owned captive insurance subsidiary, contributions to the Duke Energy Foundation, Duke Energy's effective 50% interest in DukeNet Communications, LLC (DukeNet) and related telecom businesses. Additionally, Other includes the remaining portion of Duke Energy's business formerly known as Duke Energy North America that was not exited or transferred to Commercial Power, primarily Duke Energy Trading and Marketing, LLC (DETM), which is 60% owned by Duke Energy and 40% owned by Exxon Mobil Corporation and management is currently in the process of winding down.

Unallocated corporate costs include certain costs not reflected in Duke Energy's reportable business segments, primarily governance costs, costs to achieve mergers and divestitures and costs associated with certain corporate severance programs. Bison's principal activities as a captive insurance entity include the indemnification and reinsurance of various business risks and losses, such as property,



business interruption and general liability of subsidiaries and affiliates of Duke Energy. DukeNet develops, owns and operates a fiber optic communications network, primarily in the southeast U.S., serving wireless, local and long-distance communications companies, internet service providers and other businesses and organizations.

### General.

Duke Energy is a Delaware corporation. Its principal executive offices are located at 526 South Church Street, Charlotte, North Carolina 28202-1803. Duke Energy Carolinas is a North Carolina limited liability company. Its principal executive offices are located at 526 South Church Street, Charlotte, North Carolina 28202-1803. Duke Energy Ohio is an Ohio corporation. Its principal executive offices are located at 139 East Fourth Street, Cincinnati, Ohio 45202. Duke Energy Indiana is an Indiana corporation. Its principal executive offices are located at 1000 East Main Street, Plainfield, Indiana 46168.

The telephone number for the Duke Energy Registrants is 704-594-6200. The Duke Energy Registrants electronically file reports with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxies and amendments to such reports.

The public may read and copy any materials that the Duke Energy Registrants file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 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 its reports filed with the SEC, is available through Duke Energy's Web site at <http://www.duke-energy.com>. Such reports are accessible at no charge through Duke Energy's Web site and are made available as soon as reasonably practicable after such material is filed with or furnished to the SEC.

The following sections describe the business and operations of each of Duke Energy's reportable business segments, as well as Other. (For more information on the operating outlook of Duke Energy and its reportable segments, see "Management's Discussion and Analysis of Financial Condition and Results of Operations, Introduction—Executive Overview and Economic Factors for Duke Energy's Business". For financial information on Duke Energy's reportable business segments, see Note 2 to the Consolidated Financial Statements, "Business Segments.")

## U.S. FRANCHISED ELECTRIC AND GAS

### Service Area and Customers

USFE&G generates, transmits, distributes and sells electricity and transports and sells natural gas. It conducts operations primarily through Duke Energy Carolinas, the regulated transmission and distribution operations of Duke Energy Ohio, Duke Energy Indiana and Duke Energy Kentucky (Duke Energy Ohio, Duke Energy Indiana and Duke Energy Kentucky collectively referred to as Duke Energy Midwest). Its service area covers 50,000 square miles with an

estimated population of 12 million in central and western North Carolina, western South Carolina, southwestern Ohio, central, north central and southern Indiana, and northern Kentucky. USFE&G supplies electric service to 4 million residential, commercial and industrial customers over 152,200 miles of distribution lines and a 20,900 mile transmission system. USFE&G provides regulated transmission and distribution services for natural gas to 500,000 customers in southwestern Ohio and northern Kentucky via 7,200 miles of gas mains (gas distribution lines that serve as a common source of supply for more than one service line) and 6,000 miles of service lines. Electricity is also sold wholesale to incorporated municipalities, electric cooperative utilities and other load serving entities.

Duke Energy Carolinas' service area has a diversified commercial and industrial presence. Manufacturing continues to be one of the largest contributors to the economy in the region. Other sectors such as health care, finance, insurance, real estate services, local government and education also constitute key components of the states' gross domestic product. Chemicals, food products, rubber and plastics, textile and motor vehicle manufacturing industries were among the most significant contributors to the Duke Energy Carolinas' industrial sales revenue for 2010.

Duke Energy Ohio's and Duke Energy Kentucky's service area both have a diversified commercial and industrial presence. Major components of the economy include manufacturing, aerospace, real estate and rental leasing, wholesale trade, financial and insurance services, retail trade, education, healthcare and professional/business services.

The primary metals industry, transportation equipment, chemicals, and paper and plastics were the most significant contributors to the area's manufacturing output and Duke Energy Ohio's and Duke Energy Kentucky's industrial sales revenue for 2010. Food and beverage manufacturing, fabricated metals, and electronics also have a strong impact on the area's economic growth and the region's industrial sales.

Industries of major economic significance in Duke Energy Indiana's service territory include fabricated metals, rubber and plastics, food products, stone, clay and glass, primary metals, and transportation. Other significant industries operating in the area include chemicals and other manufacturing. Key sectors among general service customers include health care, education and retail trade.

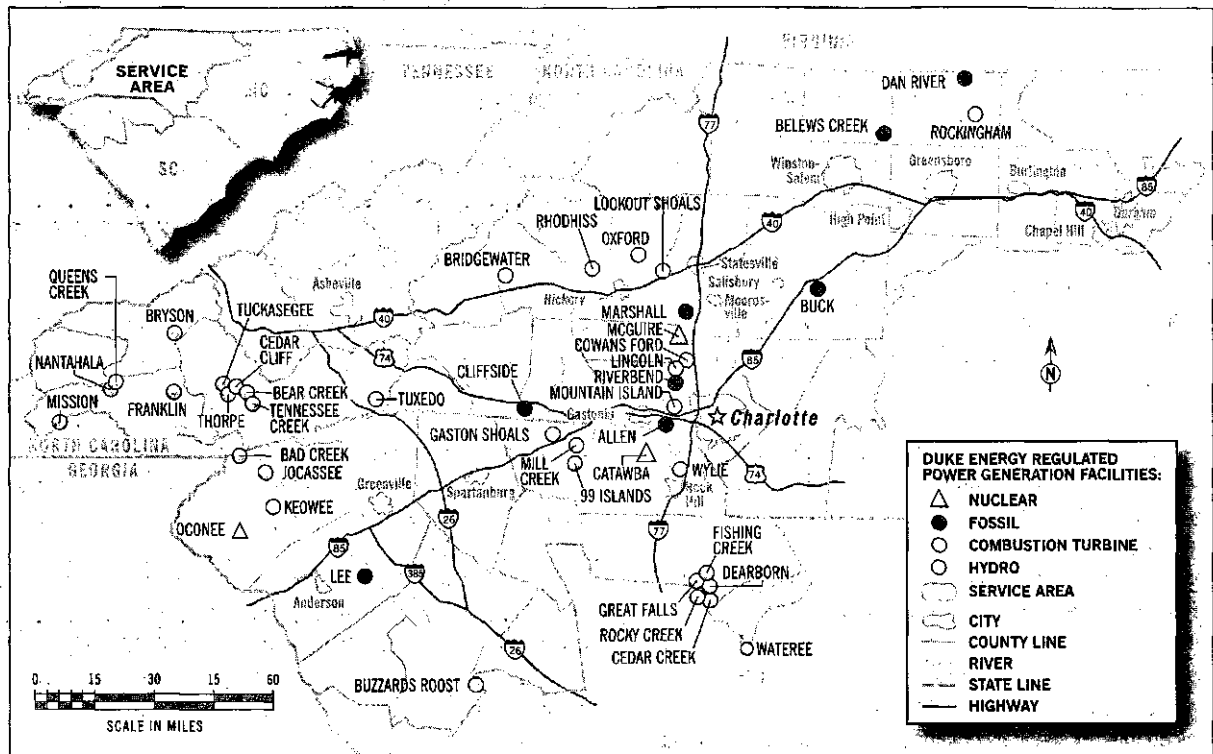
The number of residential and general service customers within the USFE&G's service territory, as well as sales to these customers, is expected to increase over time. However, growth in the near-term is being hampered by the current economic conditions. Industrial sales increased in 2010 when compared to 2009. The recovery in sales volumes was driven by higher levels of industrial production in response to higher expected demand for manufactured goods. Industrial sales will remain strong as the economy recovers, but with a lower expected growth rates.

USFE&G's 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 during those periods. By contrast, fewer sales of electricity occur during the spring and fall, allowing for scheduled plant maintenance during those periods. Peak gas sales occur during the winter months.

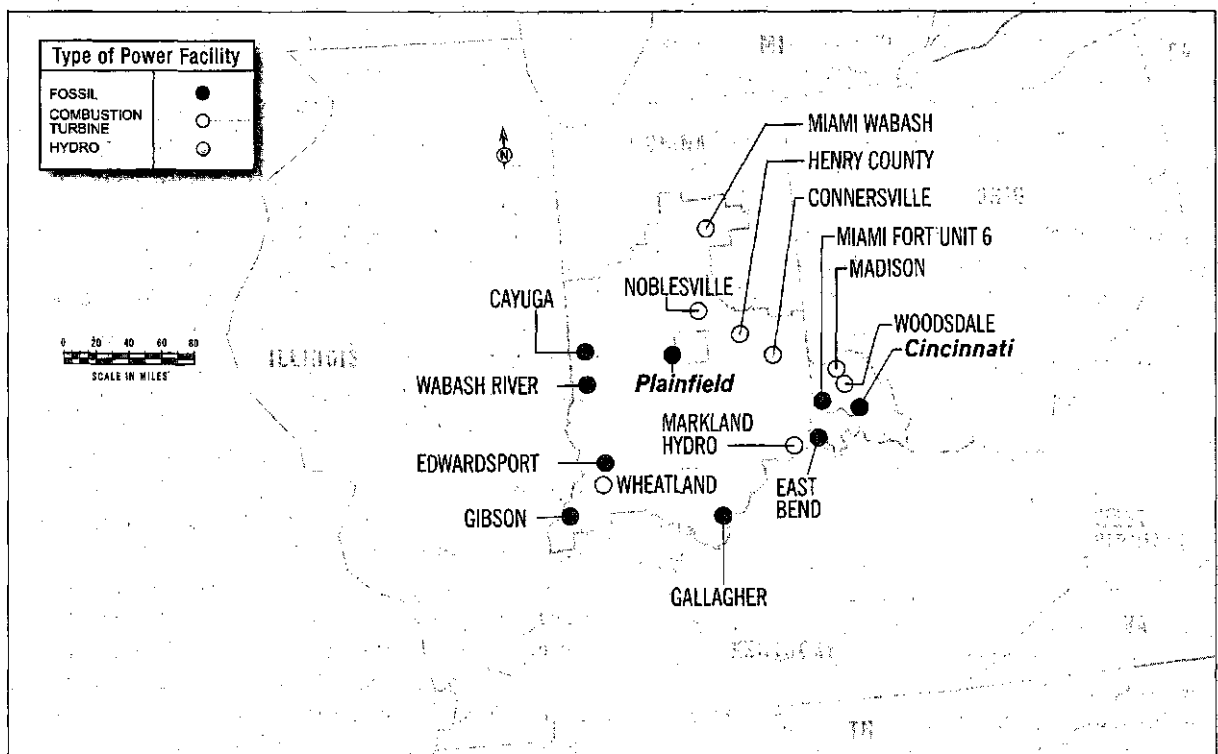
## PART I

The following maps show the USFE&G's service territories and operating facilities.

### U.S. Franchised Electric and Gas Carolinas Power General Facilities



### U.S. Franchised Electric and Gas Midwest Power Generation Regulated Facilities



## Energy Capacity and Resources

Electric energy for USFE&G's customers is generated by three nuclear generating stations with a combined owned capacity of 5,173 MW (including Duke Energy's 19.25% ownership in the Catawba Nuclear Station), fifteen coal-fired stations with an overall combined owned capacity of 13,454 MW (including Duke Energy's 69% ownership in the East Bend Steam Station and 50.05% ownership in Unit 5 of the Gibson Steam Station), thirty-one hydroelectric stations (including two pumped-storage facilities) with a combined owned capacity of 3,201 MW, fifteen combustion turbine (CT) stations burning natural gas, oil or other fuels with an overall combined owned capacity of 5,028 MW, and one CC station burning natural gas with an owned capacity of 285 MW. In addition, USFE&G operates a solar Distributed Generation program with 9 MW of capacity. Energy and capacity are also supplied through contracts with other generators and purchased on the open market. Factors that could cause USFE&G to purchase power for its customers include generating plant outages, extreme weather conditions, generation reliability during the summer, growth, and price. USFE&G 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.

USFE&G's generation portfolio is a balanced mix of energy resources having different operating characteristics and fuel sources designed to provide energy at the lowest possible cost to meet its obligation to serve native-load 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. The vast majority of customer energy needs are met by large, low-energy-production-cost nuclear and coal-fired generating units that operate almost continuously (or at baseload levels). In 2010, 97.8 % of the total generated energy came from USFE&G's low-cost, efficient nuclear and coal units (61.5% coal and 36.3% nuclear). The remaining energy needs were supplied by hydroelectric, CT and CC generation, renewable energy facilities, or economic purchases from the wholesale market.

Hydroelectric (both conventional and pumped storage) in the Carolinas and gas/oil CT and CC stations in both the Carolinas and Midwest operate primarily during the peak-hour load periods when customer loads are rapidly changing. CT's and CC's produce energy at higher production costs than either nuclear or coal, but are less expensive to build and maintain, and can be rapidly started or stopped as needed to meet changing customer loads. Hydroelectric units produce low-cost energy, but their operations are limited by the availability of water flow.

USFE&G's pumped-storage hydroelectric facilities offer the added flexibility of using low-cost off-peak energy to pump water that will be stored for later generation use during times of higher-cost on-peak periods. These facilities allow USFE&G to maximize the value spreads between different high- and low-cost generation periods.

USFE&G is engaged in planning efforts to meet projected load growth in its service territories. Long-term projections indicate a need for capacity additions, which may include new nuclear, integrated

gasification combined cycle (IGCC), coal facilities, gas-fired generation units or renewable energy facilities. Because of the long lead times required to develop such assets, USFE&G is taking steps now to ensure those options are available. Significant current or potential future capital projects are discussed below.

South Carolina passed energy legislation, (S 431), which became effective May 3, 2007. This legislation includes provisions to provide assurance of cost recovery related to a utility's incurrence of project development costs associated with nuclear baseload generation, cost recovery assurance for construction costs associated with nuclear or coal baseload generation, and the ability to recover financing costs for new nuclear baseload generation in rates during construction through a rider. The North Carolina General Assembly also passed comprehensive energy legislation, (SB 3), which was signed into law by the Governor on August 20, 2007. Like the South Carolina legislation, the North Carolina legislation provides cost recovery assurance, subject to prudence review, for nuclear project development costs as well as baseload generation construction costs. A utility may include financing costs related to construction work in progress for baseload plants in a rate case.

### William States Lee III Nuclear Station.

In December 2007, Duke Energy Carolinas filed an application with the NRC, which has been docketed for review, for a combined Construction and Operating License (COL) for two Westinghouse AP1000 (advanced passive) reactors for the proposed William States Lee III Nuclear Station at a site in Cherokee County, South Carolina. Each reactor is capable of producing 1,117 MW. Submitting the COL application does not commit Duke Energy Carolinas to build nuclear units. Duke Energy Carolinas had previously received approval to incur project development costs associated with William States Lee III Nuclear Station from both the NCUC and the PSCSC. Through several separate orders, the NCUC and PSCSC have deemed Duke Energy's decision to incur project development and pre-construction costs for the project as reasonable and prudent through December 31, 2009 and up to an aggregate maximum amount of \$230 million. On November 15, 2010 and January 7, 2011, Duke Energy Carolinas filed amended project development applications with the NCUC and PSCSC, respectively. These applications request approval of Duke Energy Carolinas' decision to continue to incur project development and pre-construction costs for the project through December 31, 2013 and up to \$459 million.

The NRC review of the COL application continues and the estimated receipt of the COL is in mid 2013. Duke Energy Carolinas filed with the Department of Energy (DOE) for a federal loan guarantee, which has the potential to significantly lower financing costs associated with the proposed William States Lee III Nuclear Station; however, it was not among the four projects selected by the DOE for the final phase of due diligence for the federal loan guarantee program. The project could be selected in the future if the program funding is expanded or if any of the current finalists drop out of the program.

Duke Energy Carolinas is seeking partners for the William States Lee III Nuclear Station by issuing options to purchase an ownership interest in the plant.

### Cliffside Unit 6.

In June 2006, Duke Energy Carolinas filed an application with the NCUC for a Certificate of Public Convenience and Necessity (CPCN) to construct two 800 MW state of the art coal generation units at its existing Cliffside Steam Station in North Carolina. On March 21, 2007, the NCUC issued an order allowing Duke Energy Carolinas to build one 800 MW unit. Following final equipment selection and the completion of detailed engineering, Cliffside Unit 6 is expected to have a net output of 825 MW. On February 27, 2009, Duke Energy Carolinas filed an updated cost estimate of \$1.8 billion (excluding up to \$0.6 billion of allowance for funds used during construction (AFUDC)) for the approved new Cliffside Unit 6. In March 2010, Duke Energy Carolinas filed an updated cost estimate with the NCUC where it reduced the estimated AFUDC financing costs from \$600 million to \$400 million as a result of the December 2009 rate case settlement with the NCUC that allowed the inclusion of construction work in progress in rate base prospectively. Duke Energy Carolinas believes that the overall cost of Cliffside Unit 6 will be reduced by \$125 million in federal advanced clean coal tax credits. The Cliffside Unit 6 project is 80% complete as of December 31, 2010 and is currently anticipated to be completed and in-service in 2012.

### Dan River and Buck Combined Cycle Facilities.

In June 2008, the NCUC issued its order approving the CPCN applications to construct a 620 MW combined cycle natural gas fired generating facility at each of Duke Energy Carolinas' existing Dan River Steam Station and Buck Steam Station. The Division of Air Quality (DAQ) issued final air permits authorizing construction of the Buck and Dan River combined cycle natural gas-fired generating units in October 2008 and August 2009, respectively.

On November 5, 2008, Duke Energy Carolinas notified the NCUC that since the issuance of the CPCN order, recent economic factors have caused increased uncertainty with regard to forecasted load and near-term capital expenditures, resulting in a modification of the construction schedule. On September 1, 2009, Duke Energy Carolinas filed with the NCUC further information clarifying the construction schedule for the two projects. Under the revised schedule, the Buck project is expected to begin operation in combined cycle mode by the end of 2011, but without a phased-in simple cycle commercial operation. The Dan River project is expected to begin operation in combined cycle mode by the end of 2012, also without a phased-in simple cycle commercial operation. On December 21, 2009, Duke Energy Carolinas entered into a First Amended and Restated engineering, construction and commissioning services agreement with Shaw North Carolina, Inc. for \$322 million for the Buck project which reflects the revised schedule. On December 1, 2010, Duke Energy Carolinas entered into a First Amended and Restated engineering, construction and commissioning services agreement with Shaw North Carolina, Inc. for \$307 million for the Dan River project which reflects the revised schedule. Based on the most updated cost estimates, total costs (including AFUDC) for the Buck and Dan River projects are \$700 million and \$710 million, respectively. The Buck project is approximately 74% and is scheduled to be placed in service in 2011. The Dan River project is

in the early stages of construction and is scheduled to be placed in service in 2012.

### Edwardsport IGCC.

In September 2006, Duke Energy Indiana and Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana (Vectren) filed a joint petition with the IURC seeking a CPCN for the construction of a 618 MW IGCC power plant at Duke Energy Indiana's Edwardsport Generating Station in Knox County, Indiana. The facility was initially estimated to cost \$2 billion (including \$120 million of AFUDC). In August 2007, Vectren formally withdrew its participation in the IGCC plant and a hearing was conducted on the CPCN petition based on Duke Energy Indiana owning 100% of the project. On November 20, 2007, the IURC issued an order granting Duke Energy Indiana a CPCN for the proposed IGCC project, approved the cost estimate of \$1.985 billion and approved the timely recovery of costs related to the project. On January 25, 2008, Duke Energy Indiana received the final air permit from the Indiana Department of Environmental Management.

On May 1, 2008, Duke Energy Indiana filed its first semi-annual IGCC Rider and ongoing review proceeding with the IURC as required under the CPCN order issued by the IURC. In its filing, Duke Energy Indiana requested approval of a new cost estimate for the IGCC Project of \$2.35 billion (including \$125 million of AFUDC) and for approval of plans to study carbon capture as required by the IURC's CPCN order. On January 7, 2009, the IURC approved Duke Energy Indiana's request, including the new cost estimate of \$2.35 billion, and cost recovery associated with a study on carbon capture. Duke Energy Indiana was required to file its plans for studying carbon storage related to the project within 60 days of the order. On November 3, 2008 and May 1, 2009, Duke Energy Indiana filed its second and third semi-annual IGCC riders, respectively, both of which were approved by the IURC in full.

On November 24, 2009, Duke Energy Indiana filed a petition for its fourth semi-annual IGCC rider and ongoing review proceeding with the IURC. As Duke Energy Indiana has experienced design modifications and scope growth above what was anticipated from the preliminary engineering design, capital costs to the IGCC project increased. Duke Energy Indiana forecasted that the additional capital cost items would use the remaining contingency and escalation amounts in the current \$2.35 billion cost estimate and add \$150 million, or approximately 6.4% to the total IGCC Project cost estimate, excluding the impact associated with the need to add more contingency. Duke Energy Indiana did not request approval of an increased cost estimate in the fourth semi-annual update proceeding; rather, Duke Energy Indiana requested, and the IURC approved, a subdocket proceeding in which Duke Energy Indiana would present additional evidence regarding an updated estimated cost for the IGCC project and in which a more comprehensive review of the IGCC project could occur. An interim order was received on July 28, 2010 and approves implementation of an updated IGCC rider to recover costs incurred through September 30, 2009. The approvals are on an interim basis pending the outcome of the subdocket proceeding involving the revised cost estimate as discussed further below.

Duke Energy Indiana filed a new cost estimate for the IGCC project reflecting an estimated cost increase of \$530 million on

April 16, 2010, with its case-in-chief testimony in the subdocket proceeding. Duke Energy Indiana requested approval of the new cost estimate of \$2.88 billion, including AFUDC, and for continuation of the existing cost recovery treatment. A major driver of the cost increase includes design changes reflected in the final engineering leading to increased scope and complexity. On September 17, 2010 an agreement was reached with the Indiana Office of Utility Consumer Counselor (OUCC), Duke Energy Indiana Industrial Group and Nucor Steel – Indiana to increase the authorized cost estimate of \$2.35 billion to \$2.76 billion, and to cap the project's costs that could be passed on to customers at \$2.975 billion. Any construction cost amounts above \$2.76 billion will be subject to a prudence review similar to most other rate base investments in Duke Energy Indiana's next general rate increase request before the IURC. Duke Energy Indiana agreed to accept a 150 basis point reduction in the equity return for any project construction costs greater than \$2.35 billion. Additionally, Duke Energy Indiana agreed not to file for a general rate case increase before March 2012. Duke Energy Indiana also agreed to reduce depreciation rates earlier than would otherwise be required and to forego a deferred tax incentive related to the IGCC project. As a result of the settlement, Duke Energy Indiana recorded a pre-tax charge to earnings of \$44 million in the third quarter of 2010 to reflect the impact of the reduction in the return on equity. On December 9, 2010, the parties to the settlement withdrew the settlement agreement to provide an opportunity for the parties to the settlement to assess whether and to what extent the settlement agreement remained a reasonable allocation of risks and rewards and whether modifications to the settlement agreement were appropriate. The IURC granted the motion and scheduled a new evidentiary hearing to begin March 17, 2011. Management determined that the \$44 million charge discussed above was not impacted by the withdrawal of the settlement agreement.

Additionally, the Citizens Action Coalition of Indiana, Inc. (CAC), Sierra Club, Inc., Save the Valley, Inc., and Valley Watch, Inc. filed motions for two subdocket proceedings alleging improper circumstances, undue influence, fraud, concealment and gross mismanagement, and a request for field hearing in this proceeding. Duke Energy Indiana opposed the requests. The IURC has not yet ruled on the request to open additional subdockets. The IURC has set two field hearings for February 28, 2011 and March 2, 2011, which will provide an opportunity for the public to comment on the proceeding. The final cost for the project could be greater than the current estimate of \$2.88 billion based on current run rates involving labor productivity at the site and higher AFUDC resulting from delays in the effective date of CWIP rider updates. Pending a full review of

these factors and Duke Energy's ability to mitigate the upward cost pressures, Duke Energy has not revised the \$2.88 billion cost estimate. Duke Energy is unable to predict the ultimate outcome of these proceedings. In the event the IURC disallows a portion of the plant costs, additional charges to expense could occur.

During 2010, Duke Energy Indiana filed petitions for its fifth and sixth semi-annual IGCC riders. In February 2011, Duke Energy Indiana filed a motion with the IURC proposing an updated procedural schedule to address the issues described above. The proposed schedule would allow for evidentiary hearings to take place in June 2011.

The Edwardsport IGCC facility is 80% complete as of December 31, 2010 and is expected to be completed and placed in service in 2012.

#### **Duke Energy Indiana Carbon Sequestration.**

Duke Energy Indiana filed a petition with the IURC requesting approval of its plans for studying carbon storage, sequestration and/or enhanced oil recovery for the carbon dioxide (CO<sub>2</sub>) from the Edwardsport IGCC facility on March 6, 2009. On July 7, 2009, Duke Energy Indiana filed its case-in-chief testimony requesting approval for cost recovery of a \$121 million site assessment and characterization plan for CO<sub>2</sub> sequestration options including deep saline sequestration, depleted oil and gas sequestration and enhanced oil recovery for the CO<sub>2</sub> from the Edwardsport IGCC facility. The OUCC filed testimony supportive of the continuing study of carbon storage, but recommended that Duke Energy Indiana break its plan into phases, recommending approval of only \$33 million in expenditures at this time and deferral of expenditures rather than cost recovery through a tracking mechanism as proposed by Duke Energy Indiana. The CAC, an intervenor, recommended against approval of the carbon storage plan stating customers should not be required to pay for research and development costs. Duke Energy Indiana's rebuttal testimony was filed October 30, 2009, wherein it amended its request to seek deferral of \$42 million to cover the carbon storage site assessment and characterization activities scheduled to occur through the end of 2010, with further required study expenditures subject to future IURC proceedings. An evidentiary hearing was held on November 9, 2009, and an order is expected by the end of the second quarter of 2011.

See Note 4 to the Consolidated Financial Statements, "Regulatory Matters," for further discussion on the above in-process or potential construction projects.

## PART I

### Fuel Supply

USFE&G relies principally on coal and nuclear fuel for its generation of electric energy. The following table lists USFE&G's sources of power and fuel costs for the three years ended December 31, 2010.

	Generation by Source (Percent)			Cost of Delivered Fuel per Net Kilowatt-hour Generated (Cents)		
	2010 <sup>(a)</sup>	2009	2008	2010 <sup>(a)</sup>	2009	2008
Coal <sup>(a)</sup>	<b>61.5</b>	59.6	66.9	<b>3.04</b>	2.88	2.59
Nuclear <sup>(b)</sup>	<b>36.3</b>	38.5	32.1	<b>0.52</b>	0.48	0.44
Oil and gas <sup>(c)</sup>	<b>0.9</b>	0.4	0.7	<b>6.77</b>	7.71	13.47
All fuels (cost-based on weighted average) <sup>(a)(b)</sup>	<b>98.7</b>	98.5	99.7	<b>2.15</b>	1.96	1.97
Hydroelectric <sup>(d)</sup>	<b>1.3</b>	1.5	0.3			
	<b>100.0</b>	100.0	100.0			

(a) Statistics related to coal generation and all fuels reflect USFE&G's 69% ownership interest in the East Bend Steam Station and 50.05% ownership interest in Unit 5 of the Gibson Steam Station.

(b) Statistics related to nuclear generation and all fuels reflect USFE&G's 12.5% interest in the Catawba Nuclear Station through September 30, 2008 and a 19.25% ownership interest in the Catawba Nuclear Station thereafter.

(c) Cost statistics include amounts for light-off fuel at USFE&G's coal-fired stations.

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

(e) In addition, Duke Energy Carolinas produced approximately 6,000 megawatt-hours (MWh) in solar generation for 2010; no fuel costs are attributed to this generation.

#### Coal.

USFE&G meets its coal demand in the Carolinas and Midwest 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. USFE&G 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 2011 to 2014 for the Carolinas and 2011 to 2016 for the Midwest. USFE&G expects to renew these contracts or enter into similar contracts with other suppliers for the quantities and quality of coal required as existing contracts expire, though prices will fluctuate over time as coal markets change. The coal purchased for the Carolinas is primarily produced from mines in eastern Kentucky, West Virginia and southwestern Virginia. The coal purchased for the regulated Midwest entities is primarily produced in Indiana, Illinois, and Kentucky. USFE&G has an adequate supply of coal under contract to fuel its projected 2011 operations and a significant portion of supply to fuel its projected 2012 operations.

The current average sulfur content of coal purchased by USFE&G for the Carolinas is between 1% and 2%; while the Midwest is 2%. USFE&G's scrubbers, in combination with the use of sulfur dioxide (SO<sub>2</sub>) emission allowances, enable USFE&G to satisfy current SO<sub>2</sub> emission limitations for existing facilities in the Carolinas and Midwest.

#### Gas.

USFE&G is responsible for the purchase and the subsequent delivery of natural gas to native load customers in its Ohio and Kentucky service territories. USFE&G's natural gas procurement strategy is to buy firm natural gas supplies (natural gas intended to be available at all times) and firm interstate pipeline transportation capacity during the winter season (November through March) and during the non-heating season (April through October) through a

combination of firm supply and transportation capacity along with spot supply and interruptible transportation capacity. This strategy allows USFE&G to assure reliable natural gas supply for its high priority (non-curtailable) firm customers during peak winter conditions and provides USFE&G the flexibility to reduce its contract commitments if firm customers choose alternate gas suppliers under USFE&G customer choice/gas transportation programs. In 2010, firm supply purchase commitment agreements provided approximately 100% of the natural gas supply. These firm supply agreements feature two levels of gas supply, specifically i. base load, which is a continuous supply to meet normal demand requirements, and ii. swing load, which is gas available on a daily basis to accommodate changes in demand due primarily to changing weather conditions.

USFE&G also owns two underground caverns with a total storage capacity of 16 million gallons of liquid propane. In addition, USFE&G has access to 5.5 million gallons of liquid propane storage and product loan through a commercial services agreement with a third party. This liquid propane is used in the three propane/air peak shaving plants located in Ohio and Kentucky. Propane/air peak shaving plants vaporize the propane and mix it with natural gas to supplement the natural gas supply during peak demand periods.

USFE&G maintains natural gas procurement-price volatility mitigation programs for Duke Energy Ohio and Duke Energy Kentucky. These programs pre-arrange percentages of seasonal gas requirements for Duke Energy Ohio and Duke Energy Kentucky. Duke Energy Ohio and Duke Energy Kentucky use primarily fixed-price forward contracts and contracts with a ceiling and floor on the price. As of December 31, 2010, Duke Energy Ohio and Duke Energy Kentucky, combined, had locked in pricing for a portion of their winter 2011/2012 system load requirements.

USFE&G is also responsible for the purchase and the subsequent delivery of natural gas to the gas turbine generators to serve native electric load customers in the Duke Energy Carolinas, Duke Energy Indiana and Duke Energy Kentucky service territories. The natural gas procurement strategy is to contract with one or several suppliers who buy spot market natural gas supplies along

with firm or interruptible interstate pipeline transportation capacity for deliveries to the sites. This strategy allows for competitive pricing, flexibility of delivery, and reliable natural gas supplies to each of the natural gas plants. Many of the natural gas plants can be served by several supply zones and multiple pipelines.

### **Nuclear.**

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

Duke Energy Carolinas has contracted for uranium materials and services to fuel the Oconee, McGuire and Catawba Nuclear Stations in the Carolinas. 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. Duke Energy Carolinas staggers its contracting so that its portfolio of long-term contracts covers the majority of its fuel requirements at Oconee, McGuire and Catawba in the near-term and decreasing portions of its fuel requirements over time thereafter. Due to the technical complexities of changing suppliers of fuel fabrication services, Duke Energy Carolinas generally sources these services to a single domestic supplier on a plant-by-plant basis using multi-year contracts.

Duke Energy Carolinas has entered into fuel contracts that, based on its current need projections, cover 100% of the uranium concentrates, conversion services, and enrichment services requirements of the Oconee, McGuire and Catawba Nuclear Stations through at least 2012 and cover fabrication services requirements for these plants through at least 2018. For subsequent years, a portion of the fuel requirements at Oconee, McGuire and Catawba are covered by long-term contracts. For future requirements not already covered under long-term contracts, Duke Energy Carolinas 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. Near-term requirements not met by long-term supply contracts have been and are expected to be fulfilled with spot market purchases.

### **Energy Efficiency.**

Several factors have led to increased focus on energy efficiency, including environmental constraints, increasing costs of generating plants and legislative mandates regarding building codes and appliance efficiencies. As a result of these factors, Duke Energy has developed various programs designed to promote the efficient use of electricity by its customers. These programs and associated compensation mechanisms have been filed with various state commissions over the past several years.

On February 26, 2009, the NCUC approved Duke Energy Carolinas' energy efficiency programs and authorized Duke Energy Carolinas to implement its rate rider pending approval of a final compensation mechanism by the NCUC. Duke Energy Carolinas began offering energy conservation programs to North Carolina retail

customers and billing a conservation-program only rider on June 1, 2009. In October 2009, Duke Energy Carolinas also began offering demand response programs in North Carolina. On December 14, 2009, the NCUC approved the save-a-watt compensation model and, effective January 1, 2010, Duke Energy Carolinas began billing a rate rider reflecting both conservation and demand response programs. The save-a-watt programs and compensation approach in North Carolina are approved through December 31, 2013.

Duke Energy Carolinas began offering demand response and conservation programs to South Carolina retail customers effective June 1, 2009. On January 20, 2010, the PSCSC approved a save-a-watt rider for Duke Energy Carolinas' energy efficiency programs. Duke Energy Carolinas began billing this rider to retail customers February 1, 2010. The save-a-watt programs and compensation approach in South Carolina are approved through December 31, 2013.

Save-a-watt was approved by the PUCO on December 17, 2008, in conjunction with the ESP, and Duke Energy Ohio began offering programs and billing a rate rider effective January 1, 2009. Save-a-watt is approved to continue in Ohio through December 31, 2011.

On June 17, 2010, Duke Energy Indiana withdrew its request to implement the save-a-watt energy efficiency model approved by the IURC on February 10, 2010. On September 28, 2010, Duke Energy Indiana filed a petition for new energy efficiency programs to enable meeting the IURC's energy efficiency mandates. Testimony in support of the petition was filed in early November 2010, and an evidentiary hearing is scheduled to begin March 9, 2011.

On January 27, 2010, Duke Energy Kentucky withdrew the application to implement save-a-watt. Energy efficiency programs continue under Duke Energy Kentucky's existing demand-side management program.

### **SmartGrid and Distributed Renewable Generation Demonstration Project.**

Duke Energy Indiana filed a petition and case-in-chief testimony, supporting its request to build an intelligent distribution grid in Indiana. The proposal requested approval of distribution formula rates or, in the alternative, a SmartGrid rider to recover the return on and of the capital costs of the build-out and the recovery of incremental operating and maintenance expenses and lost revenues. Duke Energy Indiana filed supplemental testimony in January 2009 to reflect the impacts of new favorable tax treatment on the cost/benefit analysis for SmartGrid. In response to issues raised by intervenors, Duke Energy Indiana filed rebuttal testimony agreeing to slow its deployment, and agreeing to work with the parties collaboratively to design time differentiated rate and energy management system pilots. During 2009, filings by intervenors and Duke Energy Indiana have been made that address various issues related to SmartGrid. On April 16, 2010, Duke Energy Indiana filed supplemental testimony in support of a revised SmartGrid proposal. An evidentiary hearing was held in July 2010, and an IURC order is anticipated in the first half of 2011.

Duke Energy Ohio received approval to recover expenditures incurred to deploy the SmartGrid infrastructure in December 2008 in conjunction with the approval of Duke Energy Ohio's ESP filing. On

June, 30, 2009, Duke Energy Ohio filed an application to establish rates for return of its SmartGrid net costs incurred for gas and electric distribution service through the end of 2008. The rider for recovering electric SmartGrid costs was approved by the PUCO in its order approving the ESP. Duke Energy Ohio proposed its gas SmartGrid rider as part of its most recent gas distribution rate case. A Stipulation and Recommendation was entered into by Duke Energy Ohio, Staff of the PUCO, Kroger Company, and Ohio Partners for Affordable Energy, which provides for a revenue increase of \$4.2 million under the electric rider and \$590,000 under the natural gas rider. Approval of the Stipulation and Recommendation occurred in May 2010. Duke Energy Ohio filed its application for 2009 cost recovery in July 2010 and a Stipulation and Recommendation was filed on February 14, 2011, which provides for a revenue requirement increase of \$8.7 million under the electric rider and \$5 million under the gas rider. Duke Energy Ohio is awaiting a PUCO order. As part of the Stipulation and Recommendation, Duke Energy Ohio agreed to include a mid-deployment summary and review with its second quarter 2011 filing outlining its expenditures, deployment milestones, system performance levels and customer benefits in comparison to those outlined in the original plan. The PUCO has also begun an audit of the program, the results of which will be addressed in the same case.

Duke Energy Business Services was awarded a \$200 million SmartGrid investment grant from the DOE in October 2009. The original grant application was based on a scaled SmartGrid deployment in Ohio and Indiana and a distribution automation pilot in Kentucky. However, due to the regulatory activities in Indiana described above, the project was re-scoped to include a phased-in approach in Indiana and additional deployments in Kentucky, North Carolina and South Carolina. The re-scoped grant was finalized with the DOE in May 2010.

See Note 4 to the Consolidated Financial Statements, "Regulatory Matters," for additional information.

#### **Renewable Energy.**

Concerns of climate change and energy security, have sparked rising government support of renewable energy legislation at both the federal and state level. For example, the North Carolina legislation (SB 3) established a renewable energy and energy efficiency portfolio standard (REPS) for electric utilities, and in 2008, the state of Ohio also passed legislation that included renewable energy and advanced energy targets. With the passage of Senate Bill 221 (SB 221) in Ohio in 2008, Duke Energy Ohio is required to secure renewable energy and include an increasing percentage of renewables as part of its resource portfolio. The compliance percentages are based on a three-year historical average of its Standard Service Offer load. The requirements begin at 0.25% of the baseline load from all renewable resources, including 0.004% to be specifically from solar beginning in 2009, increasing to 12.5% total renewable, with 0.5% from solar by 2024. Of these percentages, at least 50% of each resource type must come from resources located within the state of Ohio. To address this legislation, Duke Energy Ohio initiated several acquisition activities focused on meeting the specific near-term 2009, 2010 and 2011 requirements. Effective December 10, 2009, the PUCO adopted a set of reporting standards known as "Green Rules" which

will regulate energy efficiency, alternative energy generation requirements and emission reporting for activities mandated by SB 221.

The North Carolina REPS was enacted in 2007 as part of SB 3 and became effective January 1, 2008. SB 3 requires that renewable energy must equal 0.02% of retail sales beginning in 2010 and increases to 12.5% by 2021. A portion of the requirement may be met through energy efficiency programs (less than 25% until 2020 and less than 40% thereafter). A portion may also be met through purchases of unbundled out-of-state renewable energy credits (less than 25%). Duke Energy Carolinas recovers the majority of costs associated with renewable compliance through rate rider regulatory recovery; these costs apply only to North Carolina customers. REPS rider charges are statutorily capped in order to limit the impact of renewable compliance costs on customers and spending beyond the cost cap is not required.

Duke Energy Carolinas is in full compliance with these requirements.

#### **Inventory**

Generation of electricity is capital-intensive. USFE&G must maintain an adequate stock of fuel, materials and supplies in order to ensure continuous operation of generating facilities and reliable delivery to customers. As of December 31, 2010, the inventory balance for USFE&G was \$1,106 million. See Note 1 to the Consolidated Financial Statements, "Summary of Significant Accounting Policies," for additional information.

#### **Nuclear Insurance and Decommissioning**

Duke Energy Carolinas owns and operates the McGuire and Oconee Nuclear Stations and operates and has a partial ownership interest in the Catawba Nuclear Station. The McGuire and the Catawba Nuclear Stations each have two nuclear reactors and the Oconee Nuclear Station has three. Nuclear insurance includes: nuclear liability coverage; property, decontamination and premature decommissioning coverage; and business interruption and/or extra expense coverage. The other joint owners of the Catawba Nuclear Station reimburse Duke Energy Carolinas for certain expenses associated with nuclear insurance premiums per the Catawba Nuclear Station joint owner agreements. The Price-Anderson Act requires Duke Energy Carolinas to provide for public nuclear liability claims resulting from nuclear incidents to the maximum total financial protection liability, which currently is \$12.6 billion. See Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies—Nuclear Insurance," for more information.

In 2005, and again in 2009 and 2010, the NCUC and PSCSC, respectively approved a \$48 million annual amount for contributions and expense levels for decommissioning. In each of the years ended December 31, 2010, 2009 and 2008, Duke Energy Carolinas expensed \$48 million and contributed cash of \$48 million to the Nuclear Decommissioning Trust Funds (NDTF) for decommissioning costs. The entire amount of these contributions were to the funds reserved for contaminated costs as contributions to the funds reserved for non-contaminated costs have been discontinued since the current estimates indicate existing funds to be sufficient to cover projected



future costs. The balance of the external NDTF was \$2,014 million as of December 31, 2010 and \$1,765 million as of December 31, 2009.

As the NCUC and the PSCSC require that Duke Energy Carolinas update its cost estimate for decommissioning its nuclear plants every five years, new site-specific nuclear decommissioning cost studies were completed in January 2009 that showed total estimated nuclear decommissioning costs, including the cost to decommission plant components not subject to radioactive contamination, of \$3 billion in 2008 dollars. This estimate includes Duke Energy Carolinas' 19.25% ownership interest in the Catawba Nuclear Station. The other joint owners of the Catawba Nuclear Station are responsible for decommissioning costs related to their ownership interests in the station. Both the NCUC and the PSCSC have allowed Duke Energy Carolinas to recover estimated decommissioning costs through retail rates over the expected remaining service periods of Duke Energy Carolinas' nuclear stations. Duke Energy Carolinas believes that 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.

Duke Energy Carolinas filed these site-specific nuclear decommissioning cost studies with the NCUC and the PSCSC in April 2009. In addition to the decommissioning cost studies, a new funding study was completed and indicates the current annual funding requirement of \$48 million is sufficient to cover the estimated decommissioning costs. Duke Energy Carolinas received an order from the NCUC on its rate case filing on December 7, 2009, and from the PSCSC on Duke Energy Carolinas' rate case on January 27, 2010. Both the NCUC and the PSCSC approved the existing \$48 million annual funding level for nuclear decommissioning costs. See Note 9 to the Consolidated Financial Statements, "Asset Retirement Obligations," for more information.

After used fuel is removed from a nuclear reactor, it is cooled in a spent-fuel pool at the nuclear station. Under provisions of the Nuclear Waste Policy Act of 1982, Duke Energy Carolinas contracted with the DOE for the disposal of used nuclear fuel. The DOE failed to begin accepting used nuclear fuel on January 31, 1998, the date specified by the Nuclear Waste Policy Act and in Duke Energy's contract with the DOE. Duke Energy Carolinas will continue to safely manage its used nuclear fuel until the DOE accepts it. In 1998, Duke Energy Carolinas filed a claim with the U.S. Court of Federal Claims against the DOE related to the DOE's failure to accept commercial used nuclear fuel by the required date. Damages claimed in the lawsuit were based upon Duke Energy Carolinas' costs incurred as a result of the DOE's partial material breach of its contract, including the cost of securing additional used fuel storage capacity. On March 5, 2007, Duke Energy Carolinas and the U.S. Department of Justice reached a settlement resolving Duke Energy Carolinas' used nuclear fuel litigation against the DOE. The agreement provided for an initial payment to Duke Energy Carolinas for certain storage costs incurred through July 31, 2005, with additional amounts reimbursed annually for future storage costs.

## Asbestos Related Injuries and Damages Claims

Duke Energy has experienced numerous claims for indemnification and medical reimbursements relating to damages for bodily injuries alleged to have arisen from the exposure to or use of asbestos in connection with construction and maintenance activities conducted by Duke Energy Carolinas on its electric generation plants prior to 1985. As of December 31, 2010, there were 284 asserted claims for non-malignant cases with the cumulative relief sought of up to \$69 million, and 119 asserted claims for malignant cases with the cumulative relief sought of up to \$37 million. Based on Duke Energy's experience, it is expected that the ultimate resolution of most of these claims likely will be less than the amount claimed.

Duke Energy has a third-party insurance policy to cover certain losses related to Duke Energy Carolinas' asbestos-related injuries and damages above an aggregate self insured retention of \$476 million. Reserves recorded on Duke Energy's Consolidated Balance Sheets are based upon the minimum amount in Duke Energy's best estimate of the range of loss for current and future asbestos claims through 2030. Management believes that it is possible there will be additional claims filed against Duke Energy Carolinas after 2030. In light of the uncertainties inherent in a longer-term forecast, management does not believe they can reasonably estimate the indemnity and medical costs that might be incurred after 2030 related to such potential claims. Asbestos-related loss estimates incorporate anticipated inflation, if applicable, and are recorded on an undiscounted basis. These reserves are based upon current estimates and are subject to greater uncertainty as the projection period lengthens. A significant upward or downward trend in the number of claims filed, the nature of the alleged injury, and the average cost of resolving each such claim could change management's estimated liability, as could any substantial adverse or favorable verdict at trial. A federal legislative solution, further state tort reform or structured settlement transactions could also change the estimated liability. Given the uncertainties associated with projecting matters into the future and numerous other factors outside Duke Energy's control, management believes it is reasonably possible that Duke Energy Carolinas may incur asbestos liabilities in excess of its recorded reserves.

Duke Energy Indiana and Duke Energy Ohio have also been named as defendants or co-defendants in lawsuits related to asbestos at their electric generating stations. The impact on Duke Energy's consolidated results of operations, cash flows, or financial position of these cases to date has not been material. Based on estimates under varying assumptions, concerning uncertainties, such as, among others: (i) the number of contractors potentially exposed to asbestos during construction or maintenance of Duke Energy Indiana and Duke Energy Ohio generating plants; (ii) the possible incidence of various illnesses among exposed workers and (iii) the potential settlement costs without federal or other legislation that addresses asbestos tort actions, Duke Energy estimates that the range of reasonably possible exposure in existing and future suits over the foreseeable future is not material. This estimated range of exposure may change as additional settlements occur and claims are made and more case law is established.

See Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies-Litigation-Asbestos Related Injuries and Damages Claims," for more information.

### Competition

USFE&G competes in some areas with government-owned power systems, municipally owned electric systems, rural electric cooperatives and other private utilities. By statute, the NCUC and the PSCSC assign service areas outside municipalities in North Carolina and South Carolina, respectively, to regulated electric utilities and rural electric cooperatives. Substantially all of the territory comprising Duke Energy Carolinas' service area has been assigned in this manner. In unassigned areas, Duke Energy Carolinas' business remains subject to competition. A decision of the North Carolina Supreme Court limits, in some instances, the right of North Carolina municipalities to serve customers outside their corporate limits. In South Carolina, competition continues between municipalities and other electric suppliers outside the municipalities' corporate limits, subject to the regulation of the PSCSC. In Kentucky, the right of municipalities to serve customers outside corporate limits is subject to court approval. In Ohio, certified suppliers may offer retail electric generation service to residential, commercial and industrial customers. In Indiana, the state is divided into certified electric service areas for municipal utilities, rural cooperatives and investor owned utilities. There are limited circumstances where the certified electric service areas can be modified, with approval of the IURC. USFE&G also competes with other utilities and marketers in the wholesale electric business. In addition, USFE&G continues to compete with natural gas providers.

### Regulation

#### State

The NCUC, the PSCSC, the PUCO, the IURC and the KPSC (collectively, the State Utility Commissions) approve rates for retail electric service within their respective states. In addition, the PUCO and the KPSC approve rates for retail gas distribution service within their respective states. The state utility commissions, except for the PUCO, also have authority over the construction and operation of USFE&G's generating facilities. CPCN's issued by the State Utility Commissions, as applicable, authorize USFE&G 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 Duke Energy's regulated operating companies to issue securities.

#### *Duke Energy Carolinas 2009 North Carolina Rate Case.*

On June 2, 2009, Duke Energy Carolinas filed an Application for Adjustment of Rates and Charges Applicable to Electric Service in North Carolina to increase its base rates. The Application was based upon a historical test year consisting of the 12 months ended December 31, 2008. On October 20, 2009, Duke Energy Carolinas entered into a settlement agreement with the North Carolina Public Staff. Two organizations representing industrial customers joined the settlement on October 21, 2009. The terms of the agreement include a base rate increase of \$315 million (or 8%) phased in primarily over

a two-year period beginning January 1, 2010. In order to mitigate the impact of the increase on customers, the agreement provides for (i) a one-year delay in the collection of financing costs related to the Cliffside modernization project until January 1, 2011; and (ii) the accelerated return of certain regulatory liabilities to customers which lowered the total impact to customer bills to an increase of 7% in the near-term. The proposed settlement includes a 10.7% return on equity and a capital structure of 52.5% equity and 47.5% long-term debt. Additionally, Duke Energy Carolinas agreed not to file another rate case before 2011 with any changes to rates taking effect no sooner than 2012. The NCUC approved the settlement agreement in full by order dated December 7, 2009. The new rates were effective January 1, 2010.

#### *Duke Energy Carolinas 2009 South Carolina Rate Case.*

On July 27, 2009, Duke Energy Carolinas filed its Application for Authority to Increase and Adjust Rates and Charges for an increase in rates and charges in South Carolina. On September 25, 2009, Duke Energy Carolinas filed a supplemental request seeking PSCSC approval of a charge to customer bills to pay for Duke Energy Carolinas' new energy efficiency efforts. Parties to the proceeding include the South Carolina Office of Regulatory Staff (ORS), the South Carolina Energy Users Committee (SCEUC), and the South Carolina Green Party. Duke Energy Carolinas, ORS, and SCEUC filed a settlement agreement on November 24, 2009, recommending, (i) a \$74 million increase in base rates, (ii) an allowed return on equity of 11% with rates set at a return on equity of 10.7% and capital structure of 53% equity, and (iii) various riders, including one that provides for the return of Demand Side Management (DSM) charges previously collected from customers over three years rather than five years, and another that provides for a storm reserve provision allowing Duke Energy Carolinas to collect \$5 million annually (up to a maximum funding level of \$50 million accumulating in reserves) to be used against large storm costs in any particular period. On January 20, 2010, the PSCSC approved the settlement agreement in full, including the cost recovery mechanism for the energy efficiency effort. The new rates were effective February 1, 2010.

#### *Duke Energy Ohio Electric Rate Filings.*

New legislation (SB 221) passed in April 2008 and signed by the Governor of Ohio on May 1, 2008 codified the PUCO's authority to approve an electric utility's generation Standard Service Offer (SSO). An SSO may include an ESP, which allows for pricing structures similar to those under the historic Rate Stabilization Plan (RSP), or a Market Rate Offer (MRO), in which pricing is determined through a competitive bidding process. On July 31, 2008, Duke Energy Ohio filed an ESP to be effective January 1, 2009. On December 17, 2008, the PUCO issued its finding and order adopting a modified Stipulation with respect to Duke Energy Ohio's ESP filing. The PUCO agreed to Duke Energy Ohio's request for a net increase in base generation revenues, before impacts of customer switching, of \$36 million, \$74 million and \$98 million in 2009, 2010 and 2011, respectively, including the recovery of expenditures incurred to deploy the SmartGrid infrastructure and the implementation of save-a-watt. See "Commercial Power" section below for additional information related to the ESP.

**Duke Energy Ohio SSO Filing.**

On November 15, 2010, Duke Energy Ohio filed for approval of its next Standard Service Offer to replace the existing ESP that expires on December 31, 2011. The filing seeks approval of a MRO through which generation supply will ultimately be procured through a competitive solicitation format. A technical conference was held November 22, 2010, and the hearing commenced on January 11, 2011. On February 23, 2011, the PUCO stated that Duke Energy Ohio did not file an application for a five-year MRO as required under Ohio statute. As a result, the PUCO ordered that the case cannot proceed as filed. Duke Energy Ohio is evaluating its options and plans to file a revised SSO in early second quarter of 2011.

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

**Federal**

The FERC approves USFE&G's cost-based rates for electric sales to certain wholesale customers. Regulations of FERC and the State Utility Commissions govern access to regulated electric and gas customer and other data by non-regulated entities, and services provided between regulated and non-regulated energy affiliates. These regulations affect the activities of non-regulated affiliates with USFE&G.

**Regional Transmission Organizations.** Duke Energy Ohio, Duke Energy Kentucky and Duke Energy Indiana are transmission owners in a regional transmission organization operated by the Midwest Independent Transmission System Operator, Inc. (Midwest ISO), a non-profit organization which maintains functional control over the combined transmission systems of its members. In 2005, the Midwest ISO began administering an energy market within its footprint and in January 2009 it began administering an ancillary services market. Additionally, in April 2009, the Midwest ISO began administering a voluntary capacity auction, and in June 2009, instituted a tariff based capacity requirement.

The Midwest ISO is the provider of transmission service requested on the transmission facilities under its tariff. It is responsible for the reliable operation of those transmission facilities and the regional planning of new transmission facilities. The Midwest ISO administers energy markets utilizing Locational Marginal Pricing (i.e., the energy price for the next MW may vary throughout the Midwest ISO market based on transmission congestion and energy losses) as the methodology for relieving congestion on the transmission facilities under its functional control.

On May 20, 2010, Duke Energy Kentucky filed an application with the KPSC requesting permission to transfer control of certain of its transmission assets from the Midwest ISO to PJM Interconnection, LLC (PJM). There may be significant costs associated with this transition related to Midwest ISO transmission expansion costs and exit obligations. A hearing was held on November 3, 2010, and briefs were filed by November 19, 2010. On December 22, 2010, the KPSC issued an order granting approval for the transition, subject to several conditions. On January 25, 2011, the KPSC issued an order stating that the order had been satisfied and is now unconditional. The order further requires Duke Energy Kentucky to submit to the KPSC internal procedures for the receipt and tracking of

notices from PJM regarding customer requests to participate in PJM demand-response programs.

On June 25, 2010, Duke Energy Ohio and Duke Energy Kentucky submitted an initial filing to the FERC requesting that it issue an order by November 1, 2010 determining that the RTO realignment meets FERC standards for withdrawal from the RTO and approving the participation of Duke Energy Ohio and Duke Energy Kentucky load and resources in certain PJM reliability pricing model auctions. The FERC issued an order which approved Duke Energy Ohio and Duke Energy Kentucky's request on October 21, 2010, and authorized Duke Energy Ohio and Duke Energy Kentucky to terminate their existing obligations to the Midwest ISO, subject to certain conditions.

On December 16, 2010, FERC issued an order related to the Midwest ISO's cost allocation methodology surrounding Multi Value Projects (MVP), a type of Midwest ISO transmission expansion cost. The Midwest ISO expects that MVP will fund the costs of large transmission projects designed to bring renewable generation from the upper Midwest to load centers in the eastern portion of the Midwest ISO footprint. The order provides for the allocation of MVP costs to withdrawing transmission owners for projects approved by the Midwest ISO up to date of the withdrawing transmission owners' exit from the Midwest ISO. The basis for allocating such MVP costs is the withdrawing transmission owners' historical usage of the Midwest ISO system. The impact of this order could result in an increase in the Midwest ISO transmission expansion costs incurred by Duke Energy Ohio and Duke Energy Kentucky subsequent to a withdrawal from Midwest ISO. Duke Energy Ohio, among other parties, is seeking rehearing of the FERC MVP order.

Duke Energy Ohio is currently negotiating with various stakeholders regarding recovery of the costs associated with the exit from the Midwest ISO.

See "Other Issues" 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 Duke Energy's operations.

**Other**

USFE&G is subject to the jurisdiction of the NRC for the design, construction and operation of its nuclear generating facilities. In 2000, the NRC renewed the operating license for Duke Energy Carolinas' three Oconee nuclear units through 2033 for Units 1 and 2 and through 2034 for Unit 3. In 2003, the NRC renewed the operating licenses for all units at Duke Energy Carolinas' McGuire and Catawba stations. The two McGuire units are licensed through 2041 and 2043, respectively, while the two Catawba units are licensed through 2043. All but one of USFE&G's hydroelectric generating facilities are licensed by the FERC under Part I of the Federal Power Act, with license terms expiring from 2005 to 2036. The FERC has authority to issue new hydroelectric generating licenses. Hydroelectric facilities whose licenses expired in 2005 through 2010 are operating under annual extensions of the current license until FERC issues a new license. Other hydroelectric facilities whose licenses expire between 2011 and 2016 are in various stages of relicensing. Duke Energy expects to receive new licenses for all applicable hydroelectric

facilities with the exception of the Dillsboro Project, for which Duke Energy requested and the FERC approved license surrender. Duke Energy Carolinas has removed the Dillsboro Project dam and powerhouse as part of multi-project and multi-stakeholder agreements and Duke Energy Carolinas is continuing with stream

restoration and post-removal monitoring as requested by FERC's license surrender order.

USFE&G is subject to the jurisdiction of the U.S. Environmental Protection Agency (EPA) and state and local environmental agencies. For a discussion of environmental regulation, see "Environmental Matters" in this section.

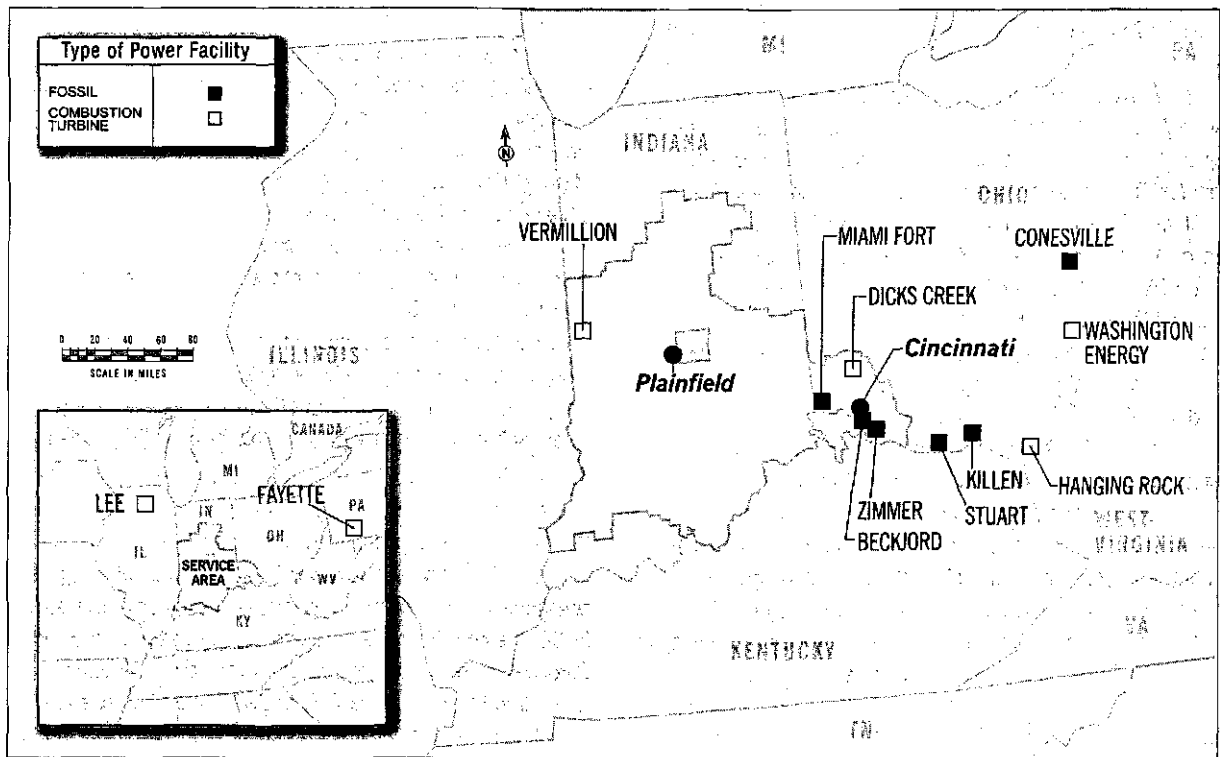
## COMMERCIAL POWER

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. Commercial Power's generation operations, excluding renewable energy generation assets, consist primarily of coal-fired generation assets located in Ohio which are dedicated under the Duke Energy Ohio ESP and gas-fired non-regulated generation assets which are dispatched into wholesale markets. These assets comprise of 7,550 net MW of power

generation primarily located in the Midwestern United States. The asset portfolio has a diversified fuel mix with base-load and mid-merit coal-fired units as well as combined cycle and peaking natural gas-fired units. Effective January 1, 2009, Commercial Power's primarily coal-fired generation assets began operating under the Duke Energy Ohio ESP, which expires on December 31, 2011, and is described below. Prior to January 1, 2009, these generation assets were contracted through the RSP, which expired on December 31, 2008.

The following map shows the Commercial Power service territory and generation facilities.

### Commercial Power Midwest Power Generation Facilities

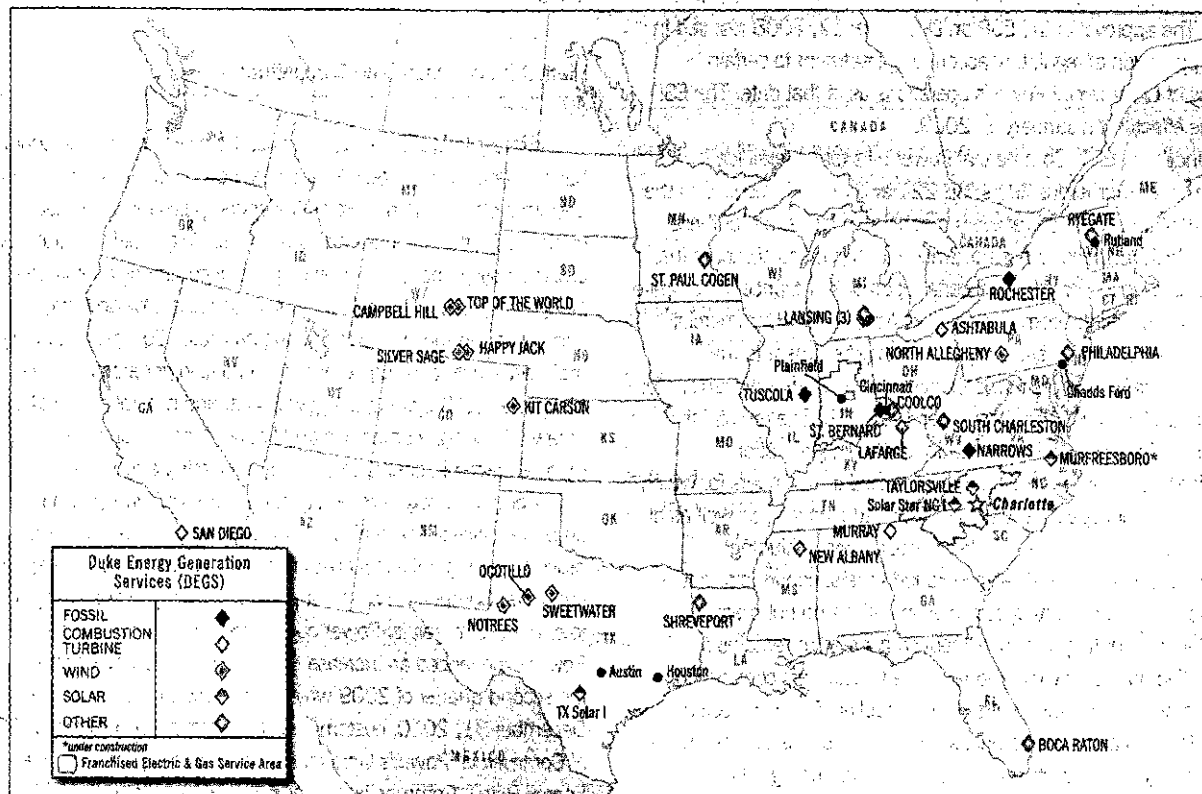


Commercial Power also has a retail sales subsidiary, Duke Energy Retail, which is certified by the PUCO as a CRES provider in Ohio. Duke Energy Retail serves retail electric customers in southwest, west central and northern Ohio with energy and other energy services at competitive rates. Due to increased levels of customer switching as a result of the competitive markets in Ohio, which is discussed further below, Duke Energy Retail has focused on acquiring customers that had previously been served by Duke Energy Ohio under the ESP, as well as those previously served by other Ohio franchised utilities.

Through DEGS, Commercial Power develops, owns and operates electric generation for large energy consumers, municipalities, utilities and industrial facilities. DEGS currently manages 4,440 MW of power generation at 28 facilities throughout the U.S. In addition, DEGS engages in the development, construction and operation of renewable energy projects. Currently, DEGS has over 5,000 MW of renewable energy projects in the development pipeline with 1,002 net MW of renewable generating capacity in operation as of December 31, 2010. DEGS is also developing transmission and biomass projects.

The following map shows the location of DEGS generation assets.

### Duke Energy Generation Services — North America Power Generation Facilities and Offices



### Rates and Regulation

Effective January 1, 2009, Commercial Power's primarily coal-fired generation assets began operating under the Duke Energy Ohio ESP, which expires on December 31, 2011. Prior to the ESP, these generation assets had been contracted through the RSP, which expired on December 31, 2008. The ESP consists of the following discrete charges:

- **Annually Adjusted Component (AAC) Rider** — This rider is intended to provide cost recovery primarily for certain environmental compliance expenditures. This component is avoidable (or by-passable) by all customers that switch to an alternative electric service provider.
- **Fuel and Purchased Power (FPP) Rider** — This rider is intended to provide cost recovery for fuel, purchased power and emission allowance expenses (including carbon or energy taxes) incurred to generate or procure electricity for retail ratepayers that are provided service by Duke Energy Ohio. This component is avoidable (or by-passable) by all customers that switch to an alternative electric service provider.
- **Capacity Dedication Rider** — This rider is intended to provide cost recovery for maintaining the generation fleet to serve the retail rate payers. This component is not avoidable (or non-by-passable) by customers that switch to an alternative electric service provider.

- **System Reliability Tracker** — This tracker is intended to provide actual cost recovery for capacity purchases made to maintain adequate reserve margin. This component is not avoidable (or non-by-passable) by all customers that switch to an alternative electric service provider.
- **Base Generation Charge** — This component reflects a market price for retail generation service and is not a cost-based rate. This component is avoidable (or by-passable) by all customers that switch to an alternative electric service provider.
- **Transmission Cost Recovery Rider** — The generation portion of this rider is designed to permit Duke Energy Ohio to recover certain Midwest ISO charges and all FERC approved transmission costs allocable to retail ratepayers that are provided service by Duke Energy Ohio. This component is avoidable (or by-passable) by all customers that switch to an alternative electric service provider.

Commercial Power's primarily coal-fired assets, as excess capacity allows, also generate revenues through sales outside the native load customer base; and such revenue is termed wholesale.

Prior to December 17, 2008, Commercial Power did not apply regulatory accounting treatment to any of its operations due to the comprehensive electric deregulation legislation passed by the state of Ohio in 1999. In April 2008, new legislation (SB 221) was passed in Ohio and signed by the Governor of Ohio on May 1, 2008. The

new law codified the PUCO's authority to approve an electric utility's Standard Service Offer either through an ESP or a MRO, which is a price determined through a competitive bidding process. On July 31, 2008, Duke Energy Ohio filed an ESP and, with certain amendments, the ESP was approved by the PUCO on December 17, 2008. The approval of the ESP on December 17, 2008 resulted in the reapplication of regulatory accounting treatment to certain portions of Commercial Power's operations as of that date. The ESP became effective on January 1, 2009.

Under the ESP, Commercial Power bills for its retail load generation via numerous riders. SB 221 and the ESP resulted in the approval of an enhanced recovery mechanism for certain of these riders, which includes, but is not limited to, a price-to-compare fuel and purchased power rider and certain portions of a price-to-compare cost of environmental compliance rider. Accordingly, Commercial Power began applying regulatory accounting treatment to the corresponding RSP riders that enhanced the recovery mechanism for recovery under the ESP on December 17, 2008. The remaining portions of Commercial Power's Ohio retail load generation operations, revenues from which are reflected in rate riders for which the ESP does not specifically allow enhanced recovery, as well as all generation associated with wholesale operations, including Commercial Power's gas-fired generation assets, continue to not apply regulatory accounting as those operations do not meet the necessary accounting criteria. Moreover, generation remains a competitive market in Ohio and retail load customers continue to have the ability to switch to alternative suppliers for their electric generation service. As customers switch, there is a risk that some or all of the regulatory assets will not be recovered through the established riders. In assessing the probability of recovery of its regulatory assets established for its retail load generation operations, Duke Energy continues to monitor the amount of retail load customers that have switched to alternative suppliers. At December 31, 2010, management has concluded that the established regulatory assets are still probable of recovery even though there have been increased levels of customer switching.

Despite certain portions of the Ohio retail load operations not meeting the criteria for applying regulatory accounting treatment, all of Commercial Power's Ohio retail load operations' rates are subject to approval by the PUCO, and thus these operations are referred to here-in as Commercial Power's regulated operations.

Commercial Power is subject to regulation at the state level, primarily from PUCO and at the federal level, primarily from FERC. The PUCO approves prices for all retail electric generation sales by Duke Energy Ohio for its retail service territory. See "Regulation" section within USFE&G for additional information regarding the regulatory environment in Ohio.

Regulations of FERC and the PUCO govern access to regulated electric customer and other data by non-regulated entities, and services provided between regulated and non-regulated energy affiliates. These regulations affect the activities of Commercial Power.

Commercial Power 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 Issues" 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 Duke Energy's operations.

## Market Environment and Competition

Similar to USFE&G's operations, the overall economic conditions have negatively impacted Commercial Power's retail volumes for all customer classes. Commercial Power competes for wholesale contracts for the purchase and sale of electricity, coal, natural gas and emission allowances. The market price of commodities and services, along with the quality and reliability of services provided, drive competition in the energy marketing business. Commercial Power's main competitors include other non-regulated generators in the Midwestern U.S., wholesale power, coal and natural gas marketers, renewable energy companies and financial institutions and hedge funds engaged in energy commodity marketing and trading.

Continuing low commodity prices have put downward pressure on power prices. The available capacity and lower prices have provided opportunities for customers in Ohio to switch generation suppliers. Competitive power suppliers have begun supplying power to current Commercial Power customers in Ohio and Commercial Power experienced an increase in customer switching beginning in the second quarter of 2009 which continued into 2010. As of December 31, 2010, customer switching levels approximated 65% of Commercial Power's Ohio retail load. However, through Duke Energy Retail, Commercial Power has been able to acquire 60% of the switched load by offering customers a choice between discounts to the ESP price or fixed price arrangements. Additionally, Duke Energy Retail has been able to acquire new customers previously served by other Ohio franchised utilities.

## Fuel Supply

Commercial Power relies on coal and natural gas for its generation of electric energy.

### Coal.

Commercial Power meets its coal demand through a portfolio of purchase supply contracts and spot agreements. Large amounts of coal are purchased under supply contracts with mining operators who mine both underground and at the surface. Commercial Power uses spot-market purchases to meet coal requirements not met by supply contracts. Expiration dates for its supply contracts, which have various price adjustment provisions and market re-openers, range through 2012. Commercial Power expects to renew these contracts or enter into similar contracts with other suppliers for the quantities and quality of coal required as existing contracts expire, though prices will fluctuate over time as coal markets change. The coal purchased is primarily produced in Illinois, Ohio and eastern Kentucky. Commercial Power has an adequate supply of coal to fuel its projected 2011 operations and a significant portion of supply to fuel

its projected 2012 operations. The majority of Commercial Power's coal-fired generation is equipped with flue gas desulfurization equipment. As a result, Commercial Power is able to satisfy the current emission limitations for SO<sub>2</sub> for existing facilities.

## 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. It conducts operations primarily through DEI and its affiliates and its activities principally target power generation in Latin America. Additionally, International Energy owns a 25% interest in NMC, a large regional producer of methanol and MTBE located in Saudi Arabia. The investment in NMC is accounted for under the equity method of accounting. International Energy has a 25% ownership interest in Attiki Gas Supply S.A. (Attiki), a natural gas distributor located in Athens, Greece, which was accounted for under the equity method of accounting through December 31, 2009. In January 2010, the counterparty to Attiki's non-recourse debt issued a notice of default due to Duke Energy's failure to make a scheduled semi-

### Gas.

Commercial Power is responsible for the purchase and the subsequent delivery of natural gas to its gas turbine generators. The majority of Commercial Power's natural gas requirements are purchased in the spot market on an as-needed basis.

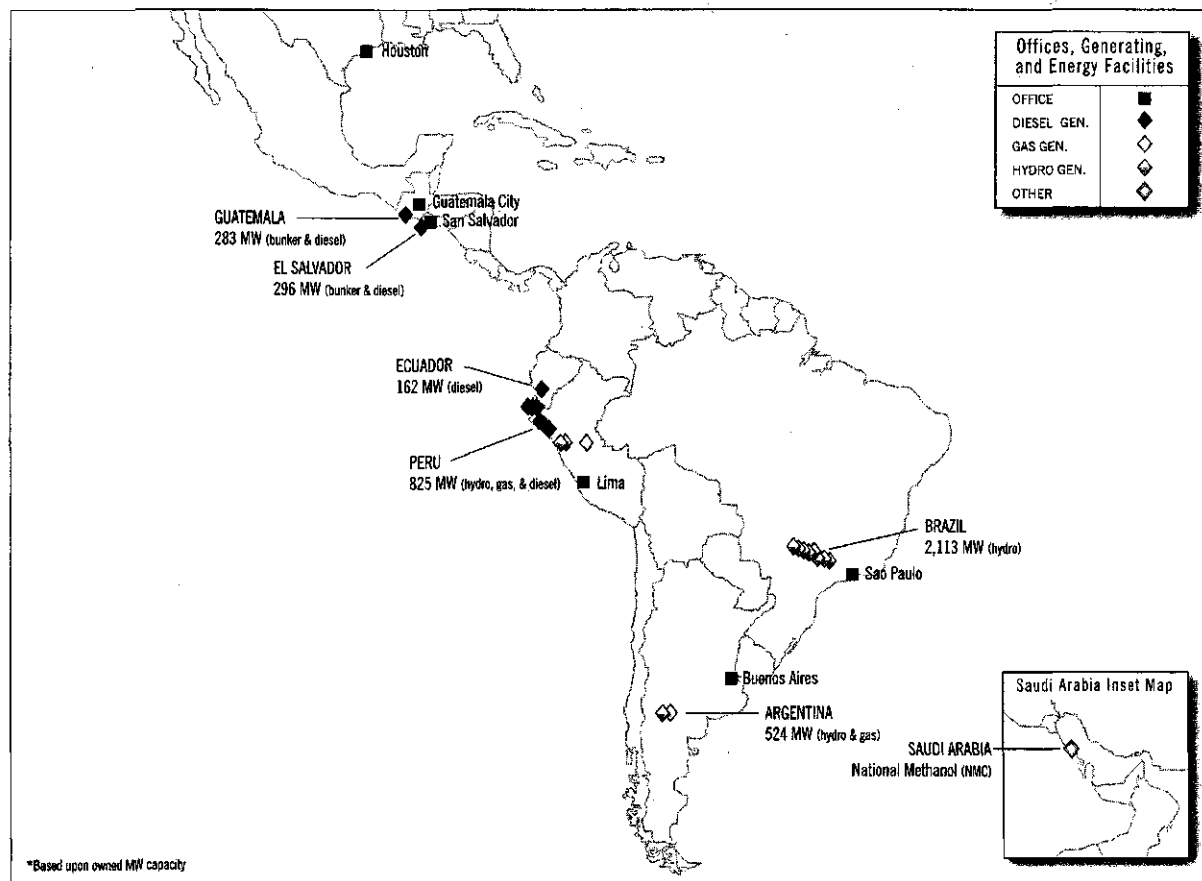
annual installment payment of principal and interest in November 2009 and following Duke Energy's December 2009 decision to abandon its investment in Attiki and the related non-recourse debt. See Note 13 to the Consolidated Financial Statements, "Investments in Unconsolidated Affiliates and Related Party Transactions," for additional information.

International Energy's customers include retail distributors, electric utilities, independent power producers, marketers and industrial/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.

International Energy owns, operates or has substantial interests in 4,500 gross MW of generation facilities.

The following map shows the locations of International Energy's facilities, including its interests in non-electric generation facilities in Saudi Arabia.

### Duke Energy International Facilities\*



## 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 base load 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, 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.)

## OTHER

The remainder of Duke Energy's operations is presented as Other. While it is not an operating segment, Other primarily includes certain unallocated corporate costs, Bison, Duke Energy's wholly-owned, captive insurance subsidiary, contributions to the Duke Energy Foundation, Duke Energy's effective 50% interest in DukeNet and related telecom businesses, and DETM, which is 40% owned by Exxon Mobil Corporation and 60% owned by Duke Energy and management is currently in the process of winding down.

Bison's principal activities as a captive insurance entity include the indemnification and reinsurance of various business risks and losses, such as property, business interruption and general liability of subsidiaries and affiliates of Duke Energy. DukeNet develops, owns and operates a fiber optic communications network, primarily in the southeast U.S., serving wireless, local and long-distance communications companies, internet service providers and other businesses and organizations.

## Competition and Regulation

The entities within Other are subject to the jurisdiction of the EPA and state and local environmental agencies. (For a discussion of environmental regulation, see "Environmental Matters" in this section.)

## GEOGRAPHIC REGIONS

For a discussion of Duke Energy's foreign operations and certain of the risks associated with them, see "Risk Factors," "Management's Discussion and Analysis of Results of Operations and Financial Condition, Quantitative and Qualitative Disclosures About Market Risk—Foreign Currency Risk," and Notes 2 and 14 to the Consolidated Financial Statements, "Business Segments" and "Risk Management, Derivative Instruments and Hedging Activities," respectively.

## EMPLOYEES

On December 31, 2010, Duke Energy had 18,440 employees. A total of 4,550 operating and maintenance employees were represented by unions.



## EXECUTIVE OFFICERS OF DUKE ENERGY

<b>Stephen G. De May</b>	48	<b>Senior Vice President, Investor Relations and Treasurer.</b> Mr. De May assumed the role of Treasurer in November 2007 and in October 2009 Mr. De May assumed additional responsibility for investor relations. Prior to that, he served as Assistant Treasurer since April 2006, upon the merger of Duke Energy and Cinergy Corp (Cinergy). Until the merger of Duke Energy and Cinergy, Mr. De May served as Vice President, Energy and Environmental Policy of Duke Energy since February 2004.
<b>Lynn J. Good</b>	51	<b>Group Executive and Chief Financial Officer.</b> Ms. Good assumed her current position in July 2009. In November 2007, Ms. Good began serving as President, Commercial Businesses. Prior to that, she served as Senior Vice President and Treasurer since December 2006; prior to that she served as Treasurer and Vice President, Financial Planning since October 2006; and prior to that she served as Vice President and Treasurer since April 2006, upon the merger of Duke Energy and Cinergy. Until the merger of Duke Energy and Cinergy, Ms. Good served as Executive Vice President and Chief Financial Officer of Cinergy from August 2005 and Vice President, Finance and Controller of Cinergy from November 2003 to August 2005.
<b>Dhiaa M. Jamil</b>	54	<b>Group Executive, Chief Generation Officer and Chief Nuclear Officer.</b> Mr. Jamil assumed his position as Chief Generation Officer in July 2009 and his position as Chief Nuclear Officer in February 2008. Prior to that he served as Senior Vice President, Nuclear Support, Duke Energy Carolinas, LLC since March 2007; and prior to that he served as Vice President, Catawba Nuclear Station, since March 2004.
<b>Marc E. Manly</b>	58	<b>Group Executive, Chief Legal Officer and Corporate Secretary.</b> Mr. Manly assumed the role of Corporate Secretary in December 2008 and assumed position of Chief Legal Officer in April 2006, upon the merger of Duke Energy and Cinergy. Until the merger of Duke Energy and Cinergy, Mr. Manly served as Executive Vice President and Chief Legal Officer of Cinergy since November 2002.
<b>James E. Rogers</b>	63	<b>Chairman, President and Chief Executive Officer.</b> Mr. Rogers assumed the role of Chief Executive Officer and President in April 2006, upon the merger of Duke Energy and Cinergy and assumed the role of Chairman on January 2, 2007. Until the merger of Duke Energy and Cinergy, Mr. Rogers served as Chairman of the Board of Cinergy since 2000 and as Chief Executive Officer of Cinergy since 1995.
<b>B. Keith Trent</b>	51	<b>Group Executive and President, Commercial Businesses.</b> Mr. Trent assumed his current position in July 2009. Prior to that he served as Group Executive and Chief Strategy, Policy and Regulatory Officer since May 2007. Prior to that he served as Group Executive and Chief Strategy and Policy Officer since October 2006 and prior to that he served as Group Executive and Chief Development Officer since April 2006, upon the merger of Duke Energy and Cinergy. Until the merger of Duke Energy and Cinergy, Mr. Trent served as Executive Vice President, General Counsel and Secretary of Duke Energy since March 2005. Prior to that he served as General Counsel, Litigation of Duke Energy from May 2002 to March 2005.
<b>Jennifer L. Weber</b>	44	<b>Group Executive of Human Resources and Corporate Relations.</b> Ms. Weber assumed her current position in January 2011. Prior to that she served as Senior Vice President and Chief Human Resources Officer since November 2008. Prior to that she served as Senior Vice President of Human Resources at Scripps Networks Interactive from 2005 to 2008.
<b>Steven K. Young</b>	52	<b>Senior Vice President and Controller.</b> Mr. Young assumed his current position in December 2006. Prior to that he served as Vice President and Controller since April 2006, upon the merger of Duke Energy and Cinergy. Until the merger of Duke Energy and Cinergy, Mr. Young served as Vice President and Controller of Duke Energy since June 2005. Prior to that Mr. Young served as Senior Vice President and Chief Financial Officer of Duke Energy Carolinas from March 2003 to June 2005.

Executive officers serve until their successors are duly elected.

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.

**GENERAL****Duke Energy Subsidiaries Overview.****Duke Energy Carolinas.**

Duke Energy Carolinas generates, transmits, distributes and sells electricity in central and western North Carolina and western South Carolina. Duke Energy Carolinas is subject to the regulatory provisions of the NCUC, the PSCSC, the NRC and FERC. Duke Energy Carolinas operates one reportable business segment, Franchised Electric, which generates, transmits, distributes and sells electricity. Substantially all of Franchised Electric operations are regulated and qualify for regulatory accounting treatment. For additional information regarding this business segment, including financial information, see Note 2 to the Consolidated Financial Statements, "Business Segments."

Duke Energy Carolinas' service area covers 24,000 square miles with an estimated population of 6.6 million in central and western North Carolina and western South Carolina. Duke Energy Carolinas supplies electric service to 2.4 million residential, commercial and industrial customers over 101,400 miles of distribution lines and a 13,100 mile transmission system.

The remainder of Duke Energy Carolinas' operations is presented as Other. Although it is not considered a business segment, Other primarily consists of certain governance costs allocated by its parent, Duke Energy.

**Duke Energy Ohio.**

Duke Energy Ohio is a wholly-owned subsidiary of Cinergy, which is a wholly-owned subsidiary of Duke Energy. Duke Energy Ohio is a combination electric and gas public utility that provides service in the southwestern portion of Ohio and in northern Kentucky through its wholly-owned subsidiary Duke Energy Kentucky, as well as electric generation in parts of Ohio, Illinois, Indiana and Pennsylvania. Duke Energy Ohio's principal lines of business include generation, transmission and distribution of electricity, the sale of and/or transportation of natural gas, and energy marketing. Duke Energy Kentucky's principal lines of business include generation, transmission and distribution of electricity, as well as the sale of and/or transportation of natural gas. References herein to Duke Energy Ohio include Duke Energy Ohio and its subsidiaries. Duke Energy Ohio is subject to the regulatory provisions of the PUCO, the KPSC and FERC.

*Duke Energy Ohio Business Segments.* At December 31, 2010, Duke Energy Ohio operated two business segments, both of which are considered reportable segments under the applicable accounting rules: Franchised Electric and Gas and Commercial Power. For additional information on each of these business segments, including financial information, see Note 2 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, as well as Other:

*Franchised Electric and Gas.* Franchised Electric and Gas consists of Duke Energy Ohio's regulated electric and gas transmission and distribution systems, including its regulated electric

generation in Kentucky. Franchised Electric and Gas plans, constructs, operates and maintains Duke Energy Ohio's transmission and distribution systems, which generate, transmit and distribute electric energy to consumers in southwestern Ohio and northern Kentucky. Franchised Electric and Gas also transports and sells natural gas in southwestern Ohio and northern Kentucky. These electric and gas operations are subject to the rules and regulations of FERC, the PUCO and the KPSC. Substantially all of Franchised Electric and Gas' operations are regulated and, accordingly, these operations qualify for regulatory accounting treatment.

Duke Energy Ohio's Franchised Electric and Gas service area covers 3,000 square miles with an estimated population of 2.2 million in southwestern Ohio and northern Kentucky. Franchised Electric and Gas supplies electric service to 820,000 residential, commercial and industrial customers over 19,800 miles of distribution lines and a 2,500 mile transmission system in Ohio and Kentucky. Franchised Electric and Gas provides regulated transmission and distribution services for natural gas to 500,000 customers via 7,200 miles of gas mains (gas distribution lines that serve as a common source of supply for more than one service line) and 6,000 miles of service lines. See Item 2, "Properties" for further discussion of Franchised Electric and Gas' generating facilities.

*Commercial Power.* 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. Commercial Power's generation operations consists of primarily coal-fired generation assets located in Ohio which are dedicated under the Duke Energy Ohio ESP and gas-fired non-regulated generation assets which are dispatched into wholesale markets. These assets are comprised of 7,550 net MW of power generation primarily located in the Midwestern United States. The asset portfolio has a diversified fuel mix with base-load and mid-merit coal-fired units as well as combined cycle and peaking natural gas-fired units. Duke Energy Ohio's Commercial Power reportable operating segment does not include the operations of DEGS or Duke Energy Retail, which is included in the Commercial Power reportable operating segment at Duke Energy. See Item 2, "Properties" for further discussion of Commercial Power's generating facilities. Through December 31, 2008, most of the generation asset output in Ohio was contracted through the Rate Stabilization Plan (RSP). Effective January 1, 2009, Commercial Power began operating under an ESP, which expires on December 31, 2011. As a result of the approval of the ESP, certain of Commercial Power's operations reapplied regulatory accounting treatment effective December 17, 2008. See Notes 1 and 4 to the Consolidated Financial Statements, "Summary of Significant Accounting Policies," and "Regulatory Matters," respectively, for a discussion of the reapplication of regulatory accounting treatment to certain of Commercial Power's operations, as well as for further discussion related to the RSP and ESP.

Duke Energy Ohio's primarily coal-fired assets, as excess capacity allows, also generate revenues through sales outside the ESP load customer base, and such revenue is termed wholesale.

In 2010 Duke Energy Ohio earned approximately 13% of its consolidated operating revenues from PJM. These revenues relate to the sale of capacity and electricity from the gas-fired non-regulated

generation assets. In 2009 and 2008 no single counterparty contributed 10% or more of consolidated operating revenue.

*Other.* The remainder of Duke Energy Ohio's operations is presented as Other. Although it is not considered a business segment, Other primarily consists of certain governance costs allocated by its ultimate parent, Duke Energy.

### **Duke Energy Indiana.**

Duke Energy Indiana is a wholly-owned subsidiary of Cinergy. Duke Energy Indiana generates, transmits and distributes electricity in north central, central, and southern Indiana. Duke Energy Indiana is subject to the regulatory provisions of the IURC and FERC. Duke Energy Indiana operates one reportable business segment, Franchised Electric, which generates, transmits, distributes and sells electricity. The substantial majority of Duke Energy Indiana's operations are regulated and qualify for regulatory accounting treatment. For additional information regarding this business segment, including financial information, see Note 2 to the Consolidated Financial Statements, "Business Segments."

Duke Energy Indiana's service area covers 22,000 square miles with an estimated population of 2.94 million in north central, central, and southern Indiana. Duke Energy Indiana supplies electric service to 790,000 residential, commercial and industrial customers over 31,000 miles of distribution lines and a 5,400 mile transmission system.

The remainder of Duke Energy Indiana's operations is presented as Other. Although it is not considered a business segment, Other primarily includes certain governance costs allocated by its ultimate parent, Duke Energy.

## **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 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, 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 Issues" 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 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 such laws are enacted, the Duke Energy Registrants would 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 Notes 4 and 5 to the Consolidated Financial Statements, "Regulatory Matters," and "Commitments and Contingencies—Environmental," respectively. Except to the extent discussed in Note 4 to the Consolidated Financial Statements, "Regulatory Matters," and 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.

## ITEM 1A. RISK FACTORS.

Unless otherwise indicated, the 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.

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

The Duke Energy Registrants' franchised electric businesses are regulated on a cost-of-service/rate-of-return basis subject to the statutes and regulatory commission rules and procedures of North Carolina, South Carolina, Ohio, Indiana and Kentucky. If the Duke Energy Registrants' franchised electric earnings exceed the returns established by the state regulatory commissions, the Duke Energy Registrants' 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.

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

The Duke Energy Registrants are subject to regulation by FERC, the NRC and various other federal agencies. Regulation affects almost every aspect of the Duke Energy Registrants' businesses, including, among other things, the Duke Energy Registrants' ability to: take fundamental business management actions; determine the terms and rates of the Duke Energy Registrants' transmission and distribution businesses' services; make acquisitions; issue equity or debt securities; engage in transactions between the Duke Energy Registrants' utilities and other subsidiaries and affiliates; and the ability of the operating subsidiaries to pay dividends to the Duke Energy Registrants. Changes to these regulations are ongoing, and the Duke Energy Registrants cannot predict the future course of changes in this regulatory environment or the ultimate effect that this changing regulatory environment will have on the Duke Energy Registrants' business. However, changes in regulation (including re-regulating previously deregulated markets) can cause delays in or affect business planning and transactions and can substantially increase the Duke Energy Registrants' costs.

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

Each of the Duke Energy Registrants and their rated subsidiaries senior unsecured long-term debt is currently rated investment grade

by various rating agencies. The Duke Energy Registrants cannot be sure that the senior unsecured long-term debt of the Duke Energy Registrants or their rated subsidiaries will be rated investment grade in the future.

If the rating agencies were to rate the Duke Energy Registrants or their rated subsidiaries below investment grade, the entities' borrowing costs would increase, perhaps significantly. In addition, their potential pool of investors and funding sources would likely decrease. Further, if the Duke Energy Registrants' short-term debt rating were to fall, the entities' access to the commercial paper market could be significantly limited. Any downgrade or other event negatively affecting the credit ratings of the Duke Energy Registrants subsidiaries could make their costs of borrowing higher or access to funding sources more limited, which in turn could increase the Duke Energy Registrants' need to provide liquidity in the form of capital contributions or loans to such subsidiaries, thus reducing the liquidity and borrowing availability of the consolidated group.

A downgrade below investment grade could also require the Duke Energy Registrants to post additional collateral in the form of letters of credit or cash under various credit 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 adverse effect on the Duke Energy Registrants' financial position, results of operations or cash flows.

**Duke Energy relies on access to short-term money markets and longer-term capital markets to finance Duke Energy's capital requirements and support Duke Energy's liquidity needs, and Duke Energy's access to those markets can be adversely affected by a number of conditions, many of which are beyond Duke Energy's control.**

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

Market disruptions may increase Duke Energy's cost of borrowing or adversely affect Duke Energy's 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; terrorist attacks or threatened attacks on Duke Energy's facilities or unrelated energy companies; or the overall health of the energy industry.

Duke Energy maintains revolving credit facilities to provide back-up for commercial paper programs and/or letters of credit at various entities. These facilities typically include financial covenants which 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 Duke Energy and its affiliates from issuing letters of credit or borrowing under the revolving credit facility. Additionally, failure to comply with these financial covenants could result in Duke Energy being required to immediately pay down any outstanding amounts under other revolving credit agreements.

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

The Subsidiary Registrants' businesses are financed to a large degree through debt and the maturity and repayment profile of debt used to finance investments often does not correlate to cash flows from the Subsidiary Registrants' assets. Accordingly, the Subsidiary Registrants rely on access to short-term borrowings via Duke Energy's money pool arrangement and financings from longer-term capital markets as a source of liquidity for capital requirements not satisfied by the cash flow from its operations and to fund investments originally financed through debt instruments with disparate maturities. If the Subsidiary Registrants are not able to access capital at competitive rates or the Subsidiary Registrants cannot obtain short-term borrowings via the money pool arrangement, their ability to finance their operations and implement their strategy could be adversely affected.

Market disruptions may increase the Subsidiary Registrants' cost of borrowing or adversely affect the Subsidiary Registrants' 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; terrorist attacks or threatened attacks on the Subsidiary Registrants' facilities or unrelated energy companies; or the overall health of the energy industry. Restrictions on the Subsidiary Registrants' ability to access financial markets may also affect its ability to execute its business plan as scheduled. An inability to access capital may limit the Subsidiary Registrants' ability to pursue improvements or acquisitions that it may otherwise rely on for future growth.

The Subsidiary Registrants' ultimate parent, Duke Energy, maintains revolving credit facilities to provide back-up for commercial paper programs and/or letters of credit at various entities. These facilities typically include financial covenants which 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 either Duke Energy or the Subsidiary Registrants could preclude Duke Energy or the Subsidiary Registrants from issuing letters of credit or borrowing under the revolving credit facility.

**The Duke Energy Registrants are exposed to credit risk of the customers and counterparties with whom the Duke Energy Registrants do business.**

Adverse economic conditions affecting, or financial difficulties of, customers and counterparties with whom the Duke Energy Registrants do business could impair the ability of these customers and counterparties to pay for the Duke Energy Registrants' services or fulfill their contractual obligations, including loss recovery payments under insurance contracts, or cause them to delay such payments or obligations. The Duke Energy Registrants depend on these customers and counterparties to remit payments on a timely basis. Any delay or default in payment could adversely affect the Duke Energy Registrants' cash flows, financial position or results of operations.

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

The Duke Energy Registrants are subject to numerous environmental laws and regulations affecting many aspects of the Duke Energy Registrants' present and future operations, including air emissions (such as reducing NO<sub>x</sub>, SO<sub>2</sub>, mercury and greenhouse gas emissions in the U.S.), 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, and 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 that its 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' regulatory rate structure and the Duke Energy Registrants' contracts with customers may not necessarily allow the Duke Energy Registrants to recover capital costs the Duke Energy Registrants incur to comply with new environmental regulations. Also, the Duke Energy Registrants may not be able to obtain or maintain from time to time all required environmental regulatory approvals for the Duke Energy Registrants' operating assets or development projects. If there is a delay in obtaining any required environmental regulatory approvals, if the Duke Energy Registrants fail to obtain and comply with them or if environmental laws or regulations change and become more stringent, then the operation of the Duke Energy Registrants' facilities or the development of new facilities could be prevented, delayed or become subject to additional costs. Although it is not expected that the costs of complying with current

environmental regulations will have a material adverse effect on the Duke Energy Registrants' financial position, results of operations or cash flows, no assurance can be made that the costs of complying with environmental regulations in the future will not have such an effect.

The EPA has proposed new federal regulations governing the management of coal combustion by-products, including fly ash. These regulations may require the Duke Energy Registrants to make additional capital expenditures and increase the Duke Energy Registrants' operating and maintenance costs.

Additionally, potential other new environmental regulations, limiting the use of coal acquired from mountaintop removal and imposing additional requirements on water discharges associated with mountaintop removal, could require the Duke Energy Registrants to make additional capital expenditures and increase costs of fuel.

In addition, the Duke Energy Registrants are generally responsible for on-site liabilities, and in some cases off-site liabilities, associated with the environmental condition of the Duke Energy Registrants' power generation facilities and natural gas assets which the Duke Energy Registrants have acquired or developed, regardless of when the liabilities arose and whether they are known or unknown. In connection with some acquisitions and sales of assets, the Duke Energy Registrants may obtain, or be required to provide, indemnification against some environmental liabilities. If the Duke Energy Registrants incur a material liability, or the other party to a transaction fails to meet its indemnification obligations to the Duke Energy Registrants, the Duke Energy Registrants could suffer material losses.

**The Duke Energy Registrants are involved in numerous legal proceedings, the outcome of which are uncertain, and resolution adverse to the Duke Energy Registrants could negatively affect the Duke Energy Registrants' financial position, results of operations or cash flows.**

The Duke Energy Registrants are subject to numerous legal proceedings, including claims for damages for bodily injuries alleged to have arisen prior to 1985 from the exposure to or use of asbestos at electric generation plants of Duke Energy Carolinas. Litigation is subject to many uncertainties and the Duke Energy Registrants cannot predict the outcome of individual matters with assurance. It is reasonably possible that the final resolution of some of the matters in which the Duke Energy Registrants are involved could require the Duke Energy Registrants to make additional expenditures, in excess of established reserves, over an extended period of time and in a range of amounts that could have a material effect on the Duke Energy Registrants' cash flows and results of operations. Similarly, it is reasonably possible that the terms of resolution could require the Duke Energy Registrants to change the Duke Energy Registrants' business practices and procedures, which could also have a material effect on the Duke Energy Registrants' cash flows, financial position or results of operations.

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

Sustained downturns or sluggishness in the economy generally affect the markets in which the Duke Energy Registrants operate and negatively influence the Duke Energy Registrants' energy operations. Declines in demand for energy as a result of economic downturns in the Duke Energy Registrants' franchised electric service territories will reduce overall sales and lessen the Duke Energy Registrants' cash flows, especially as the Duke Energy Registrants' industrial customer reduce production and, therefore, consumption of electricity and gas. Although the Duke Energy Registrants' franchised electric and gas 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, thus 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 being recorded 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 the Duke Energy Registrants' capital investments through mandated rates, and the Duke Energy Registrants' revenues and results of operations are likely to depend, in large part, upon prevailing market prices in the Duke Energy Registrants' regional markets and other competitive markets. These market prices may fluctuate substantially over relatively short periods of time and could reduce the Duke Energy Registrants' revenues and margins and thereby diminish the Duke Energy Registrants' results of operations.

Factors that could impact sales volumes, generation of electricity and market prices at which Duke Energy is 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 Duke Energy Registrants' ability to operate its facilities in an economical manner;
- supply of and demand for energy commodities;
- illiquid markets including reductions in trading volumes which result in lower revenues and earnings;
- transmission or transportation constraints or inefficiencies which impact the Duke Energy Registrants' non-regulated 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 of energy-efficient equipment which reduces energy demand;

- natural gas, crude oil and refined products production levels and prices;
- ability to procure satisfactory levels of inventory, such as coal and uranium;
- electric generation capacity surpluses which cause the Duke Energy Registrants' non-regulated energy plants to generate and sell less electricity at lower prices and may cause some plants to become non-economical to operate; and
- capacity and transmission service into, or out of, the Duke Energy Registrants' markets.

These factors have led to industry-wide downturns that have resulted in the slowing down or stopping of construction of new power plants and announcements by the Duke Energy Registrants and other energy suppliers and gas pipeline companies of plans to sell non-strategic assets, subject to regulatory constraints, in order to boost liquidity or strengthen balance sheets. Proposed sales by other energy suppliers could increase the supply of the types of assets that the Duke Energy Registrants are attempting to sell. In addition, recent FERC actions addressing power market concerns could negatively impact the marketability of the Duke Energy Registrants' electric generation assets.

**The Duke Energy Registrants' operating results may fluctuate on a seasonal and quarterly basis.**

Electric power generation is generally a seasonal business. In most parts of the United States and other markets in which the Duke Energy Registrants operate, 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 comparison less relevant.

**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 United States and its allies may lead to increased political, economic and financial market instability and volatility in prices for natural gas and oil which may materially adversely affect the Duke Energy Registrants in ways the Duke Energy Registrants cannot predict at this time. In addition, future acts of terrorism and any possible reprisals as a consequence of action by the United States and its allies could be directed against companies operating in the United States or their international affiliates. Infrastructure and generation facilities such as the Duke Energy Registrants' nuclear plants could be potential targets of terrorist activities. The potential for terrorism has subjected the Duke Energy Registrants' operations to increased risks and could have a material adverse effect on the Duke Energy Registrants' businesses. In particular, the Duke Energy Registrants may experience increased

capital and operating costs to implement increased security for its plants, including its nuclear power plants under the NRC's design basis threat requirements, such as additional physical plant security, additional security personnel or additional capability following a terrorist incident.

The insurance industry has also been disrupted by these potential events. As a result, the availability of insurance covering risks the Duke Energy Registrants and the Duke Energy Registrants' competitors typically insure against may decrease. In addition, the insurance the Duke Energy Registrants are able to obtain may have higher deductibles, higher premiums, lower coverage limits and more restrictive policy terms.

Additional risks and uncertainties not currently known to the Duke Energy Registrants or that the Duke Energy Registrants currently deems to be immaterial also may materially adversely affect the Duke Energy Registrants' financial condition, results of operations or cash flows.

**Duke Energy Carolinas may incur substantial costs and liabilities due to Duke Energy Carolinas' ownership and operation of nuclear generating facilities.**

Duke Energy Carolinas' ownership interest in and operation of three nuclear stations subject Duke Energy Carolinas to various risks including, 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.

Duke Energy Carolinas' ownership and operation of nuclear generation facilities requires Duke Energy Carolinas to meet 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 Duke Energy Carolinas' control, such as a serious nuclear incident at a facility owned by a third-party, could necessitate substantial capital and other expenditures at Duke Energy Carolinas' nuclear plants, as well as assessments against Duke Energy Carolinas to cover third-party losses. In addition, if a serious nuclear incident were to occur, it could have a material adverse effect on Duke Energy Carolinas' results of operations and financial condition.

Duke Energy Carolinas' ownership and operation of nuclear generation facilities also requires Duke Energy Carolinas to maintain funded trusts that are intended to pay for the decommissioning costs of Duke Energy Carolinas' nuclear power plants. Poor investment performance of these decommissioning trusts' holdings and other factors impacting decommissioning costs could unfavorably impact Duke Energy Carolinas' liquidity and results of operations as Duke Energy Carolinas could be required to significantly increase its cash contributions to the decommissioning trusts.

**The Duke Energy Registrants' plans for future expansion and modernization of the Duke Energy Registrants' generation fleet subject the Duke Energy Registrants' to risk of failure to adequately execute and manage its significant construction plans, as well as the risk of not recovering all costs or of recovering costs in an untimely manner, which could materially impact the Duke Energy Registrants' results of operations, cash flows or financial position.**

During the three year period from 2011 to 2013, Duke Energy anticipates cumulative capital expenditures of \$12 billion to \$14 billion of which \$10 billion relates to its regulated USFE&G businesses. The completion of the Duke Energy Registrants' anticipated capital investment projects in existing and new generation facilities is subject to many construction and development risks, including, but not limited to, risks related to financing, obtaining and complying with terms of permits, meeting construction budgets and schedules, and satisfying operating and environmental performance standards. Moreover, the Duke Energy Registrants' ability to recover all these costs and recovering costs in a timely manner could materially impact the Duke Energy Registrants' consolidated financial position, results of operations or cash flows.

**The Duke Energy Registrants' sales may decrease if the Duke Energy Registrants' 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 the electricity the Duke Energy Registrants' sell 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 the Duke Energy Registrants' growth and performance in these regions. In addition, the independent system operators 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.

**Competition in the unregulated markets in which Duke Energy Ohio operates may adversely affect the growth and profitability of Duke Energy Ohio's business. The impact of competition, including current legislation in Ohio, has caused customers of Duke Energy Ohio to select alternative electric generation suppliers. Such competition could result in unrecovered costs that could adversely affect Duke Energy Ohio's financial position, results of operations or cash flows.**

Under current Ohio legislation, electric generation is sold in a competitive market in Ohio, and Duke Energy Ohio's native load customers have the ability to switch to alternative suppliers for their electric generation service. Competitive power suppliers have begun

supplying power to Duke Energy Ohio's current customers in Ohio, and Duke Energy Ohio has experienced an increase in customer switching in the second half of 2009 and into 2010 and 2011. These evolving market conditions may continue to impact Duke Energy Ohio's results of operations, and also may impact Duke Energy Ohio's ability to continue to apply regulatory accounting treatment to certain portions of its Commercial Power business segment. To the extent competitive pressures increase, the economics of Duke Energy Ohio's business may come under long-term pressure. Increased competition could also result in increased pressure to lower prices, including the price of electricity. Retail competition could continue to have a significant adverse financial impact on Duke Energy Ohio due to impairments of assets, a loss of retail customers, lower profit margins or increased costs of capital.

Duke Energy Ohio may also face competition from new competitors that have greater financial resources than Duke Energy Ohio does, seeking attractive opportunities to acquire or develop energy assets or energy trading operations. These new competitors may include sophisticated financial institutions, some of which are already entering the energy trading and marketing sector, and international energy players, which may enter regulated or unregulated energy businesses. Duke Energy Ohio cannot predict the extent and timing of entry by additional competitors into the electric markets. This competition may adversely affect Duke Energy Ohio's ability to make investments or acquisitions.

Increased competition resulting from deregulation or restructuring efforts in Ohio could continue to have a significant adverse impact on Duke Energy Ohio's financial position, results of operations or cash flow. Duke Energy Ohio may not be able to respond in a timely or effective manner to the many changes designed to increase competition in the electricity industry. Duke Energy Ohio cannot predict when it will be subject to changes in legislation or regulation, nor can it predict the impact of these changes on its financial position, results of operations or cash flows.

**Duke Energy Ohio may be unable to secure long-term power sales agreements or transmission agreements, which could expose Duke Energy Ohio's sales to increased volatility.**

In the future, Duke Energy Ohio may not be able to secure long-term power sales agreements to customers for Duke Energy Ohio's unregulated power generation facilities. If Duke Energy Ohio is unable to secure these types of agreements, Duke Energy Ohio's sales volumes would be exposed to increased volatility. Without the benefit of long-term customer power purchase agreements, Duke Energy Ohio cannot assure that it will be able to operate profitably. The inability to secure these agreements could materially adversely affect Duke Energy Ohio's results and business.

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

Increased competition resulting from deregulation or restructuring efforts, including from the Energy Policy Act of 2005,



could have a significant adverse financial impact on Duke Energy Carolinas and Duke Energy Indiana and their utility subsidiaries and consequently on Duke Energy Carolinas and Duke Energy Indiana's results of operations, financial position, or cash flows. Increased competition could also result in increased pressure to lower costs, including the cost of electricity. Retail competition and the unbundling of regulated energy and gas service could have a significant adverse financial impact on Duke Energy Carolinas and Duke Energy Indiana and their subsidiaries due to an impairment of assets, a loss of retail customers, lower profit margins or increased costs of capital. Duke Energy Carolinas and Duke Energy Indiana cannot predict the extent and timing of entry by additional competitors into the electric markets. Duke Energy Carolinas and Duke Energy Indiana cannot predict when they will be subject to changes in legislation or regulation, nor can Duke Energy Carolinas and Duke Energy Indiana predict the impact of these changes on their financial position, results of operations or cash flows.

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

Duke Energy currently owns and may acquire and/or dispose of material energy-related investments and projects outside the United States. The economic, regulatory, market and political conditions in some of the countries where Duke Energy has interests or in which Duke Energy may explore development, acquisition or investment opportunities could present risks related to, among others, Duke Energy's ability to obtain financing on suitable terms, Duke Energy's customers' ability to honor their obligations with respect to projects and investments, delays in construction, limitations on Duke Energy's 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.

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

Duke Energy's operations and investments outside the United States expose Duke Energy to risks related to fluctuations in currency rates. As each local currency's value changes relative to the U.S. dollar—Duke Energy's principal reporting currency—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 Duke Energy's cash flows and results of operations.

**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.**

Duke Energy's 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 Duke Energy's required or voluntary contributions made to the plans. The Subsidiary Registrants participate in employee benefit plans sponsored by their parent, Duke Energy. 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 Duke Energy's plan assets and depending upon the other factors impacting Duke Energy's 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.

**Duke Energy may be unable to obtain the approvals required to complete its merger with Progress Energy or, in order to do so, the combined company may be required to comply with material restrictions or conditions.**

On January 8, 2011, Duke Energy announced the execution of a merger agreement with Progress Energy. Before the merger may be completed, approval by the shareholders of both Duke Energy and by Progress Energy will have to be obtained. In addition, various filings must be made with the FERC and various state utility, regulatory, antitrust and other authorities in the U.S. These governmental authorities may impose conditions on the completion, or require changes to the terms, of the merger, including restrictions or conditions on the business, operations, or financial performance of the combined company following completion of the merger. These conditions or changes could have the effect of delaying completion of the merger or imposing additional costs on or limiting the revenues of the combined company following the merger, which could have a material adverse effect on the financial position, results of operations or cash flows of the combined company and/or cause either Duke Energy or Progress Energy to abandon the merger.

Conditions imposed by governmental authorities, including restrictions or conditions on the business, operations, or financial performance of Duke Energy Carolinas following the merger could have a material adverse effect on the financial position, results of operations or cash flows of Duke Energy Carolinas.

---

**If completed, Duke Energy's merger with Progress Energy may not achieve its intended results.**

---

Duke Energy and Progress Energy entered into the merger agreement with the expectation that the merger would result in various benefits, including, among other things, cost savings and operating efficiencies relating to the joint dispatch of generation and combining of fuel purchasing power. Achieving the anticipated benefits of the merger is subject to a number of uncertainties, including whether the business of Progress Energy is integrated in an efficient and effective manner. Failure to achieve these anticipated benefits could result in increased costs; decreases in the amount of expected revenues generated by the combined company and diversion of management's time and energy and could have an adverse effect on the combined company's financial position, results of operations or cash flows.

---

**Duke Energy will be subject to business uncertainties and contractual restrictions while the merger with Progress Energy is pending that could adversely affect Duke Energy's financial results.**

---

Uncertainty about the effect of the merger with Progress Energy on employees and customers may have an adverse effect on Duke Energy. Although Duke Energy intends to take steps designed to reduce any adverse effects, these uncertainties may impair Duke Energy's ability to attract, retain and motivate key personnel until the merger is completed and for a period of time thereafter, and could cause customers, suppliers and others that deal with Duke Energy to seek to change existing business relationships.

Employee retention and recruitment may be particularly challenging prior to the completion of the merger, as employees and prospective employees may experience uncertainty about their future roles with the combined company. If, despite Duke Energy's retention and recruiting efforts, key employees depart or fail to accept employment with Duke Energy because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with the combined company, Duke Energy's financial results could be affected.

The pursuit of the merger and the preparation for the integration of Progress Energy into Duke Energy may place a significant burden

on management and internal resources. The diversion of management attention away from day-to-day business concerns and any difficulties encountered in the transition and integration process could affect Duke Energy's financial position, results of operations or cash flows.

In addition, the merger agreement restricts Duke Energy, without Progress Energy's consent, from making certain acquisitions and taking other specified actions until the merger occurs or the merger agreement terminates. These restrictions may prevent Duke Energy from pursuing otherwise attractive business opportunities and making other changes to Duke Energy's business prior to completion of the merger or termination of the merger agreement.

---

**Failure to complete the merger with Progress Energy could negatively impact Duke Energy's stock price and Duke Energy's future business and financial results**

---

If Duke Energy's merger with Progress Energy is not completed, Duke Energy's ongoing business and financial results may be adversely affected and Duke Energy will be subject to a number of risks, including the following:

- Duke Energy may be required, under specified circumstances set forth in the Merger Agreement, to pay Progress Energy a termination fee of \$675 million;
- Duke Energy will be required to pay costs relating to the merger, including legal, accounting, financial advisory, filing and printing costs, whether or not the merger is completed; and
- matters relating to Duke Energy's merger with Progress Energy (including integration planning) may require substantial commitments of time and resources by our management, which could otherwise have been devoted to other opportunities that may have been beneficial to Duke Energy.

Duke Energy could also be subject to litigation related to any failure to complete our merger with Progress Energy. If the merger is not completed, these risks may materialize and may adversely affect Duke Energy's financial position, results of operations or cash flows.

---

**ITEM 1B. UNRESOLVED STAFF COMMENTS.**

---

None.

**ITEM 2. PROPERTIES.****U.S. FRANCHISED ELECTRIC AND GAS**

As of December 31, 2010, U.S. Franchised Electric and Gas (USFE&G) operated three nuclear generating stations with a combined owned capacity of 5,173 MW (including a 19.25% ownership in the Catawba Nuclear Station), fifteen coal-fired stations with an overall combined owned capacity of 13,454 MW, (including a 69% ownership in the East Bend Steam Station and a 50.05% ownership in Unit 5 of the Gibson Steam Station), thirty-one hydroelectric stations (including two pumped-storage facilities) with a combined owned capacity of 3,201 MW, fifteen CT stations with an overall combined owned capacity of 5,028 MW and one CC station with an owned capacity of 285 MW. In addition, USFE&G operates a solar Distributed Generation program with an approximate 9 MW of capacity. The stations are located in North Carolina, South Carolina, Indiana, Ohio and Kentucky. The MW displayed in the table below are based on summer capacity.

Name	Total MW Capacity	Owned MW Capacity	Fuel	Location	Ownership Interest (percentage)
<b>Duke Energy Carolinas:</b>					
Oconee	2,538	2,538	Nuclear	SC	100%
Catawba <sup>(a)</sup>	2,258	435	Nuclear	SC	19.25
Belews Creek	2,220	2,220	Coal	NC	100
McGuire	2,200	2,200	Nuclear	NC	100
Marshall	2,078	2,078	Coal	NC	100
Bad Creek	1,360	1,360	Hydro	SC	100
Lincoln CT	1,267	1,267	Natural gas/Fuel oil	NC	100
Allen	1,127	1,127	Coal	NC	100
Rockingham CT	825	825	Natural gas/Fuel oil	NC	100
Cliffside	760	760	Coal	NC	100
Jocassee	730	730	Hydro	SC	100
Mill Creek CT	596	596	Natural gas/Fuel oil	SC	100
Riverbend	454	454	Coal	NC	100
Lee	370	370	Coal	SC	100
Buck	369	369	Coal	NC	100
Cowans Ford	325	325	Hydro	NC	100
Dan River	276	276	Coal	NC	100
Buzzard Roost CT	176	176	Natural gas/Fuel oil	SC	100
Keowee	152	152	Hydro	SC	100
Lee CT	82	82	Natural gas/Fuel oil	SC	100
Riverbend CT	64	64	Natural gas/Fuel oil	NC	100
Buck CT	62	62	Natural gas/Fuel oil	NC	100
Dan River CT	48	48	Natural gas/Fuel oil	NC	100
Renewables	9	9	Solar	NC	100
Other small hydro (26 plants)	589	589	Hydro	NC/SC	100
Total Duke Energy Carolinas	20,935	19,112			
<b>Duke Energy Ohio:</b>					
East Bend <sup>(b)</sup>	600	414	Coal	KY	69
Woodsdale CT	462	462	Natural gas/Propane	OH	100
Miami Fort (Unit 6)	163	163	Coal	OH	100
Total Duke Energy Ohio	1,225	1,039			
<b>Duke Energy Indiana:</b>					
Gibson <sup>(c)</sup>	3,132	2,822	Coal	IN	90
Cayuga <sup>(d)</sup>	1,005	1,005	Coal/Fuel oil	IN	100
Wabash River <sup>(e)</sup>	676	676	Coal/Fuel oil	IN	100
Madison CT	576	576	Natural gas	OH	100
Gallagher	560	560	Coal	IN	100
Wheatland CT	460	460	Natural gas	IN	100
Noblesville CC	285	285	Natural gas	IN	100
Edwardsport	160	160	Coal/Fuel oil	IN	100
Henry County CT	129	129	Natural gas	IN	100
Cayuga CT	99	99	Natural gas/Fuel oil	IN	100
Miami Wabash CT <sup>(f)</sup>	96	96	Fuel oil	IN	100
Connersville CT	86	86	Fuel oil	IN	100
Markland	45	45	Hydro	IN	100
Total Duke Energy Indiana	7,309	6,999			
Total USFE&G	29,469	27,150			

(a) This generation facility is jointly owned by Duke Energy Carolinas, along with North Carolina Municipal Power Agency Number 1, North Carolina Electric Membership Corporation and Piedmont Municipal Power Agency.

(b) This generation facility is jointly owned by Duke Energy Kentucky and a subsidiary of Dayton Power and Light, Inc.

(c) Duke Energy Indiana owns and operates Gibson Station Units 1-4 and owns 50.05% of Unit 5, but is the operator. Unit 5 is jointly owned by Duke Energy Indiana, Wabash Valley Power Association, Inc. and Indiana Municipal Power Agency.

(d) Includes Cayuga Internal Combustion (IC).

(e) Includes Wabash River IC; Includes Wabash River Units 2, 3 and 5 which are not currently in operation. Although the May 2009 court order to shutdown these units was reversed in October 2010, and a court notice was filed on January 6, 2011, which allows the units to be restarted. See Note 5 to the Consolidated Financial Statements, "Commitments and Contingencies" for further discussion.

(f) Includes Miami Wabash CT Unit 4 which is currently inoperable but in the process of being retired pending approval from the Midwest ISO.

In addition, as of December 31, 2010, USFE&G owned 20,900 conductor miles of electric transmission lines, including 600 miles of 525 kilovolts (KV), 1,700 miles of 345 KV, 3,300 miles of 230 KV, 8,900 miles of 100 to 161 KV, and 6,400 miles of 13 to 69 KV. USFE&G also owned approximately 152,200 conductor miles of electric distribution lines, including 103,300 miles of overhead lines and 48,900 miles of underground lines, as of December 31, 2010 and 7,200 miles of gas mains and 6,000 miles of service lines. As of December 31, 2010, the electric transmission and distribution systems had 2,300 substations. USFE&G also owns two underground caverns with a total storage capacity of approximately 16 million gallons of liquid propane. In addition, USFE&G has access to 5.5 million gallons of liquid propane storage and product loan through a commercial services agreement with a third party. This liquid propane is used in the three propane/air peak shaving plants located in Ohio and Kentucky. Propane/air peak shaving plants vaporize the propane and mix with natural gas to supplement the natural gas supply during peak demand periods and emergencies.

As of December 31, 2010, Duke Energy Carolinas owned 13,000 conductor miles of electric transmission lines, including 600 miles of 525 KV, 2,600 miles of 230 KV, 6,700 miles of 100 to 161 KV, and 3,100 miles of 13 to 69 KV. Duke Energy Carolinas also owned approximately 101,700 conductor miles of electric distribution lines, including 66,300 miles of overhead lines and 35,400 miles of underground lines, as of December 31, 2010. As of December 31, 2010, the electric transmission and distribution systems had 1,500 substations.

As of December 31, 2010, Duke Energy Ohio owned 2,500 conductor miles of electric transmission lines, including 1,000 miles

of 345 KV, 700 miles of 100 to 161 KV, and 800 miles of 13 to 69 KV. Duke Energy Ohio also owned approximately 19,500 conductor miles of electric distribution lines, including 14,000 miles of overhead lines and 5,500 miles of underground lines, as of December 31, 2010 and approximately 7,200 miles of gas mains and services lines. As of December 31, 2010, the electric transmission and distribution systems had approximately 300 substations. In addition, Duke Energy Ohio has access to 5.5 million gallons of liquid propane storage and product loan through a commercial services agreement with a third party. This liquid propane is used in the three propane/air peak shaving plants located in Ohio and Kentucky. Propane/air peak shaving plants vaporize the propane and mix with natural gas to supplement the natural gas supply during peak demand periods and emergencies.

As of December 31, 2010, Duke Energy Indiana owned 5,400 conductor miles of electric transmission lines, including 700 miles of 345 KV, 700 miles of 230 KV, 1,500 miles of 100 to 161 KV, and 2,500 miles of 13 to 69 KV. Duke Energy Indiana also owned approximately 31,000 conductor miles of electric distribution lines, including 23,000 miles of overhead lines and 8,000 miles of underground lines as of December 31, 2010. As of December 31, 2010, the electric transmission and distribution systems had 500 substations.

Substantially all of U.S. Franchised Electric and Gas' electric plant in service is mortgaged under the indenture relating to Duke Energy Carolinas', Duke Energy Ohio's and Duke Energy Indiana's various series of First Mortgage Bonds.

For a map showing USFE&G's properties, see "Business—U.S. Franchised Electric and Gas" earlier in this section.

## COMMERCIAL POWER

The following table provides information about Commercial Power's generation portfolio as of December 31, 2010. The MW displayed in the table below are based on summer capacity.

Name	Total MW Capacity	Owned MW Capacity	Plant Type	Primary Fuel	Location	Approximate Ownership Interest (percentage)
<b>Duke Energy Ohio:</b>						
J.M. Stuart <sup>(a)(b)</sup>	2,340	912	Steam	Coal	OH	39%
W.M. Zimmer <sup>(a)</sup>	1,300	605	Steam	Coal	OH	46.5
W.C. Beckjord <sup>(a)</sup>	1,124	862	Steam	Coal	OH	76.7
Miami Fort (Units 7 and 8) <sup>(a)</sup>	1,000	640	Steam	Coal	OH	64
Conesville <sup>(a)(b)</sup>	780	312	Steam	Coal	OH	40
Killen <sup>(a)(b)</sup>	600	198	Steam	Coal	OH	33
Beckjord CT	212	212	Simple Cycle	Fuel oil	OH	100
Dick's Creek	152	152	Simple Cycle	Natural gas	OH	100
Miami Fort CT	60	60	Simple Cycle	Fuel oil	OH	100
Total Regulated <sup>(c)</sup>	7,568	3,953				
Hanging Rock	1,240	1,240	Combined Cycle	Natural gas	OH	100
Lee	640	640	Simple Cycle	Natural gas	IL	100
Vermillion <sup>(d)</sup>	640	480	Simple Cycle	Natural gas	IN	75
Fayette	620	620	Combined Cycle	Natural gas	PA	100
Washington	620	620	Combined Cycle	Natural gas	OH	100
Total Unregulated	3,760	3,600				
Total Duke Energy Ohio	11,328	7,553				
<b>Duke Energy:</b>						
Top of the World	200	200		Wind	WY	100
Notrees	153	153		Wind	TX	100
Campbell Hill	99	99		Wind	WY	100
North Allegheny	70	70		Wind	PA	100
Ocotillo	59	59		Wind	TX	100
Kit Carson	51	51		Wind	CO	100
Silver Sage	42	42		Wind	WY	100
Happy Jack	29	29		Wind	WY	100
TX Solar	14	14		Solar	TX	100
Other small solar	2	2		Solar	NC	100
Total Duke Energy	719	719				
Total Commercial Power	12,047	8,272				

(a) These generation facilities are jointly owned by Duke Energy Ohio and subsidiaries of American Electric Power, Inc. and/or Dayton Power and Light, Inc.

(b) Station is not operated by Duke Energy Ohio.

(c) These generation facilities are dedicated under the ESP.

(d) This generation facility is jointly owned by Duke Energy Ohio and Wabash Valley Power Association, Inc.

In addition to the above facilities, Commercial Power owns an equity interest in the 585 MW capacity Sweetwater wind projects located in Texas. Commercial Power's share in these projects is 283 MW.

For a map showing Commercial Power's properties, see "Business—Commercial Power" earlier in this section.

## INTERNATIONAL ENERGY

The following table provides information about International Energy's generation portfolio in continuing operations as of December 31, 2010.

Name	Total MW Capacity	Owned MW Capacity	Fuel	Location	Approximate Ownership Interest (percentage)
Paranapanema <sup>(a)</sup>	2,307	2,113	Hydro	Brazil	95%
Egenor	650	650	Hydro/Diesel	Peru	100
Cerros Colorados	576	524	Hydro/Natural Gas	Argentina	91
DEI El Salvador	328	296	Fuel Oil/Diesel	El Salvador	90
DEI Guatemala	283	283	Fuel Oil/Diesel	Guatemala	100
Electroquil	192	162	Diesel	Ecuador	85
Aguaytia	175	175	Natural Gas	Peru	100
Total	4,511	4,203			

(a) Includes Canoas I and II, which is jointly owned by Duke Energy and Companhia Brasileira de Alumínio.

International Energy also owns a 25% equity interest in NMC. In 2010, NMC produced approximately 900 thousand metric tons of methanol and in excess of 1 million metric tons of MTBE. Approximately 40% of methanol is normally used in the MTBE

production. For additional information and a map showing International Energy's properties, see "Business—International Energy" earlier in this section.

## OTHER

Duke Energy owns approximately 4.8 million square feet of corporate, regional and district office space spread throughout its service territories in the Carolinas and the Midwest. Additionally, Duke Energy leases approximately 1.6 million square feet of office

space throughout the Carolinas, Midwest and in Houston, Texas. In February 2009, Duke Energy entered into a lease for approximately 500,000 square feet of office space in Charlotte, North Carolina that will become its new corporate headquarters.

## ITEM 3. LEGAL PROCEEDINGS.

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."

### Brazilian Regulatory Citations.

In September 2007, the State Environmental Agency of Parana (IAP) assessed seven fines against Duke Energy International Geracao Paranapanema S.A. (DEIGP), totaling \$15 million for failure to comply with reforestation measures allegedly required by state regulations in Brazil. On January 14, 2011, DEIGP received a notice that one of the fines was subsequently increased, on grounds that DEIGP is allegedly a repeat offender, which made the total current amount of all IAP assessments \$29 million. DEIGP filed an administrative appeal. Between June and August 2009, three of these fines, in the total amount of \$2.4 million, were judged to be

valid in the administrative courts. DEIGP challenged those administrative court rulings, in the Brazilian state court, by filing three judicial actions for annulment and also requested that its payment obligations be enjoined pending resolution on the merits. In one of the three cases, the court granted DEIGP's request for injunction. In the second case, a decision on DEIGP's request for injunction is pending. In the third case, DEIGP's request for injunction was denied; however, DEIGP filed a petition for permission to deposit the total amount of the fine in the court registry and to suspend entry of the debt in the state tax liability roster. DEIGP's petition was granted and DEIGP made a deposit of \$1.4 million, in the court registry on September 29, 2010.

Additionally, DEIGP was assessed three environmental fines by the Brazilian federal environmental enforcement agency, Brazil Institute of Environment and Renewable Natural Resources (IBAMA), totaling \$270,000 for improper maintenance of existing reforested areas. DEIGP believes that it has properly maintained all reforested areas and has challenged these assessments.

## ITEM 4. REMOVED AND RESERVED.

## 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 18, 2011, there were approximately 156,368 common stockholders of record.

### Common Stock Data by Quarter

	2010			2009		
	Dividends Per Share	Stock Price Range <sup>(a)</sup>		Dividends Per Share	Stock Price Range <sup>(a)</sup>	
		High	Low		High	Low
First Quarter	\$ 0.24	\$17.29	\$16.02	\$0.23	\$15.96	\$11.72
Second Quarter <sup>(b)</sup>	0.485	17.14	15.47	0.47	14.83	13.31
Third Quarter	—	18.08	15.87	—	16.02	14.10
Fourth Quarter <sup>(b)</sup>	0.245	18.60	17.19	0.24	17.94	15.33

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

(b) Dividends paid in September 2010 and December 2010 increased from \$0.24 per share to \$0.245 per share and dividends paid in September 2009 and December 2009 increased from \$0.23 per share to \$0.24 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 because they depend on future earnings, capital requirements, and financial condition, and are subject to declaration by the 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 "Liquidity and Capital Resources" within "Management's Discussion and Analysis of Financial Condition and Results of Operations" for further information regarding these restrictions and their impacts on Duke Energy's liquidity.

### 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.

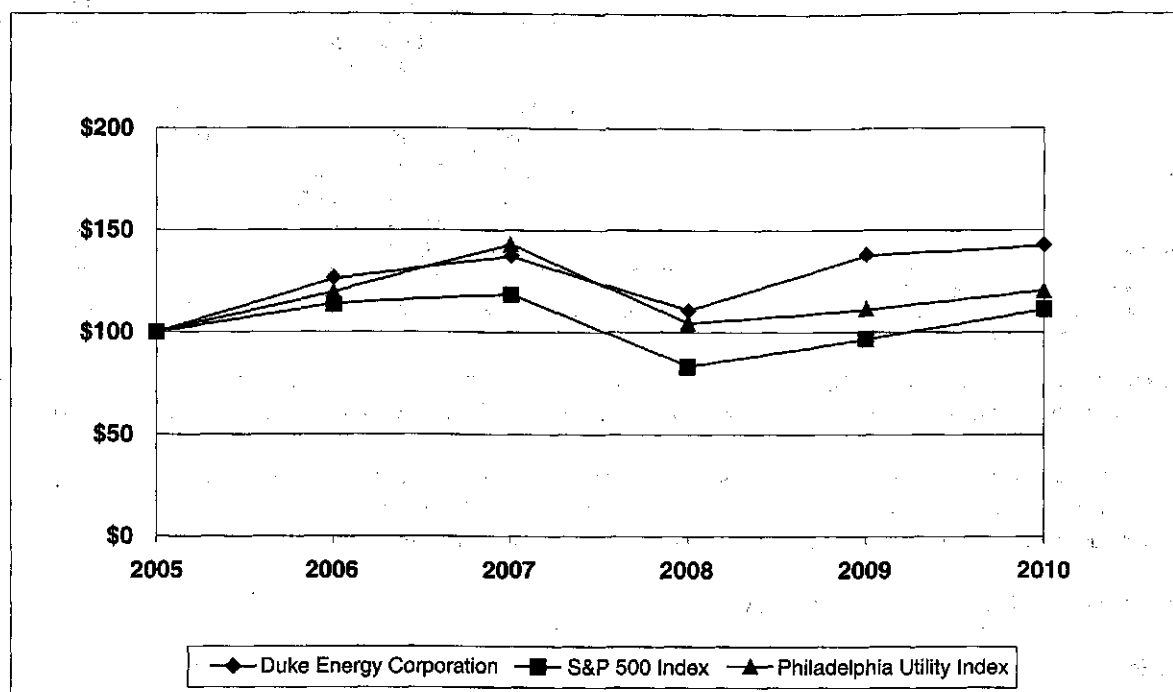
### Issuer Purchases of Equity Securities for Fourth Quarter of 2010

There were no repurchases of equity securities during the fourth quarter of 2010.

**Stock Performance Graph**

The performance graph below illustrates a five year comparison of cumulative total returns based on an initial investment of \$100 in Duke Energy Corporation common stock, as compared with the Standard & Poor's (S&P) 500 Stock Index and the Philadelphia Utility Index for the five-year period 2005 through 2010.

This performance chart assumes \$100 invested on December 31, 2005 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, 2010. In May 2010, Duke Energy's Chief Executive Officer, as required by Section 303A.12(a) of the NYSE Listed Company Manual, certified to the NYSE that he was not aware of any violation by Duke Energy of the NYSE's corporate governance listing standards.



**ITEM 6. SELECTED FINANCIAL DATA.**<sup>(a)</sup>

(in millions, except per-share amounts)	2010	2009	2008	2007	2006
<b>Statement of Operations</b>					
Total operating revenues	\$14,272	\$12,731	\$13,207	\$12,720	\$10,607
Total operating expenses	11,964	10,518	10,765	10,222	9,210
Gains on sales of investments in commercial and multi-family real estate	—	—	—	—	201
Gains (losses) on sales of other assets and other, net	153	36	69	(5)	223
Operating income	2,461	2,249	2,511	2,493	1,821
Total other income and expenses	589	333	121	428	354
Interest expense	840	751	741	685	632
Income from continuing operations before income taxes	2,210	1,831	1,891	2,236	1,543
Income tax expense from continuing operations	890	758	616	712	450
Income from continuing operations	1,320	1,073	1,275	1,524	1,093
Income (loss) from discontinued operations, net of tax	3	12	16	(22)	783
Income before Extraordinary Items	1,323	1,085	1,291	1,502	1,876
Extraordinary items, net of tax	—	—	67	—	—
Net income	1,323	1,085	1,358	1,502	1,876
Net income (loss) attributable to noncontrolling interests	3	10	(4)	2	13
Net income attributable to Duke Energy Corporation	\$ 1,320	\$ 1,075	\$ 1,362	\$ 1,500	\$ 1,863
<b>Ratio of Earnings to Fixed Charges</b>	<b>3.0</b>	<b>3.0</b>	<b>3.4</b>	<b>3.7</b>	<b>2.6</b>
<b>Common Stock Data</b>					
Shares of common stock outstanding					
Year-end	1,329	1,309	1,272	1,262	1,257
Weighted average — basic	1,318	1,293	1,265	1,260	1,170
Weighted average — diluted	1,319	1,294	1,267	1,265	1,188
Income from continuing operations attributable to Duke Energy Corporation common shareholders					
Basic	\$ 1.00	\$ 0.82	\$ 1.01	\$ 1.21	\$ 0.92
Diluted	1.00	0.82	1.01	1.20	0.91
Income (loss) from discontinued operations attributable to Duke Energy Corporation common shareholders					
Basic	\$ —	\$ 0.01	\$ 0.02	\$ (0.02)	\$ 0.67
Diluted	—	0.01	0.01	(0.02)	0.66
Earnings per share (before extraordinary items)					
Basic	\$ 1.00	\$ 0.83	\$ 1.03	\$ 1.19	\$ 1.59
Diluted	1.00	0.83	1.02	1.18	1.57
Earnings per share (from extraordinary items)					
Basic	\$ —	\$ —	\$ 0.05	\$ —	\$ —
Diluted	—	—	0.05	—	—
Net income attributable to Duke Energy Corporation common shareholders					
Basic	\$ 1.00	\$ 0.83	\$ 1.08	\$ 1.19	\$ 1.59
Diluted	1.00	0.83	1.07	1.18	1.57
Dividends per share <sup>(b)</sup>	0.97	0.94	0.90	0.86	1.26
<b>Balance Sheet</b>					
Total assets	\$59,090	\$57,040	\$53,077	\$49,686	\$68,700
Long-term debt including capital leases and VIEs, less current maturities	\$17,935	\$16,113	\$13,250	\$ 9,498	\$18,118

(a) Significant transactions reflected in the results above include: 2010 and 2009 impairments of goodwill and other assets (see Note 12 to the Consolidated Financial Statements, "Goodwill, Intangible Assets and Impairments"), 2007 spin-off of the natural gas businesses, 2006 merger with Cinergy, 2006 Crescent joint venture transaction and subsequent deconsolidation effective September 7, 2006.

(b) 2007 decrease due to the spin-off of the natural gas businesses to shareholders on January 2, 2007 as dividends subsequent to the spin-off were split proportionately between Duke Energy and Spectra Energy, Corp. (Spectra Energy) such that the sum of the dividends of the two stand-alone companies approximated the former total dividend of Duke Energy prior to the spin-off.

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

### INTRODUCTION

Duke Energy Corporation (collectively with its subsidiaries, Duke Energy) is an energy company primarily located in the Americas. Duke Energy operates in the United States (U.S.) primarily through its wholly-owned subsidiaries, Duke Energy Carolinas, LLC (Duke Energy Carolinas), Duke Energy Ohio, Inc. (Duke Energy Ohio), which includes Duke Energy Kentucky, Inc. (Duke Energy Kentucky), and Duke Energy Indiana, Inc. (Duke Energy Indiana), as well as in South America and Central America through International Energy.

When discussing Duke Energy's consolidated financial information, it necessarily includes the results of its three separate subsidiary registrants, Duke Energy Carolinas, Duke Energy Ohio and Duke Energy Indiana (collectively referred to as the Subsidiary Registrants), which, along with Duke Energy, are collectively referred to as the Duke Energy Registrants. The following combined Management's Discussion and Analysis of Financial Condition and Results of Operations is separately filed by Duke Energy, Duke Energy Carolinas, Duke Energy Ohio and Duke Energy Indiana. 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.

Management's Discussion and Analysis should be read in conjunction with the Consolidated Financial Statements and Notes for the years ended December 31, 2010, 2009 and 2008.

### EXECUTIVE OVERVIEW

#### Proposed Merger with Progress Energy, Inc.

On January 8, 2011, Duke Energy entered into an Agreement and Plan of Merger (Merger Agreement) by and among Diamond Acquisition Corporation, a North Carolina corporation and Duke Energy's wholly-owned subsidiary (Merger Sub) and Progress Energy, Inc. (Progress Energy), a North Carolina corporation. The consummation of the merger provided for in the Merger Agreement, if completed is expected to result in, among other things, Duke Energy becoming the largest U.S. electric utility in terms of enterprise value, market capitalization, electric customers, generation capacity and total assets with:

- approximately 57,000 MWs of generating capacity from a diversified mix of regional coal, nuclear, natural gas, oil and renewable power,
- more than seven million retail customers in Florida, Indiana, Kentucky, North Carolina, Ohio and South Carolina, and
- a service territory of approximately 104,000 square miles.

Upon the terms and subject to the conditions set forth in the Merger Agreement, Merger Sub will merge with and into Progress Energy with Progress Energy continuing as the surviving corporation and a wholly-owned subsidiary of Duke Energy. Pursuant to the Merger Agreement, upon the closing of the merger, each issued and

outstanding share of Progress Energy common stock will automatically be cancelled and converted into the right to receive 2.6125 shares of Duke Energy common stock, subject to appropriate adjustment for a reverse stock split of the Duke Energy common stock as contemplated in the Merger Agreement (and except that any shares of Progress Energy common stock that are owned by Progress Energy or Duke Energy, other than in a fiduciary capacity, will be cancelled without any consideration therefor). Each outstanding option to acquire, and each outstanding equity award relating to one share of Progress Energy common stock will be converted into an option to acquire, or an equity award relating to 2.6125 shares of Duke Energy common stock, as applicable, subject to the appropriate adjustment for the reverse stock split. Completion of the merger is conditioned upon, among other things, approval by the shareholders of both companies as well as expiration or termination of any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and approval to the extent required by the Federal Energy Regulatory Commission (FERC), the Federal Communications Commission (FCC), 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 Kentucky Public Service Commission (KPSC), the Public Utilities Commission of Ohio (PUCO) and the Nuclear Regulatory Commission (NRC). Duke Energy is targeting completion of the merger by the end of 2011, but cannot assure completion by any particular date. The Merger Agreement contains certain termination rights for both Duke Energy and Progress Energy, and further provides for the payment of fees and expenses upon termination under specified circumstances. Further information concerning the proposed merger will be included in a joint proxy statement/prospectus contained in the registration statement on Form S-4 to be filed by Duke Energy with the Securities and Exchange Commission (SEC) in connection with the merger.

Prior to the merger, Duke Energy and Progress Energy will continue to operate as separate companies. Accordingly, except for specific references to the pending merger, the descriptions of strategy and outlook and the risks and challenges Duke Energy faces, and the discussion and analysis of results of operations and financial condition set forth below relate solely to Duke Energy. Details regarding the pending merger are discussed in Note 3 to the Consolidated Financial Statements, "Acquisitions and Dispositions of Businesses and Sales of Other Assets."

#### 2010 Financial Results.

Net income attributable to Duke Energy was \$1,320 million for the year-ended December 31, 2010, as compared to \$1,075 million for the year ended December 31, 2009. Diluted earnings per share increased from \$0.83 per share for the year ended December 31, 2009 to \$1.00 for the year ended December 31, 2010, primarily due to the increase in net income for the year ended December 31, 2010 as compared to the same period in 2009, as described further below. Net income for both of the years ended December 31, 2010

and 2009 was impacted by goodwill and other impairment charges of \$660 million and \$413 million, respectively, primarily related to the non-regulated generation operations in the Midwest. Income from continuing operation was \$1,320 million for the year ended December 31, 2010 as compared to \$1,073 million for the same period in 2009. Total reportable segment EBIT (defined below in "Segment Results" section of Management's Discussion and Analysis of Financial Condition and Results of Operations) increased to \$3,223 million in 2010 from \$2,713 million in 2009.

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

### **2010 Areas of Focus and Accomplishments.**

In 2010, management was focused on controlling operations and maintenance expenses, maintaining operational excellence, continued modernization of infrastructure, competing effectively in Ohio and investing in renewable energy.

#### **Controlling Operations and Maintenance Expenses.**

In order to address the impact of the weakened economy on sales volumes leading into 2010 management was focused on controlling costs with the goal that operations and maintenance expenses, net of deferrals and cost recovery riders, would be flat compared to 2009, due largely to sustainable reductions achieved during 2009, as well as certain 2010 initiatives such as a voluntary severance program and office consolidation. Record temperatures and related high load demands during the year resulted in increased expenses in order to maintain Duke Energy's generation fleet and transmission and distribution systems. Due to the impact of these pressures, operations and maintenance expenses, net of deferrals and cost recovery riders, were slightly higher than 2009.

#### **Maintaining Operational Excellence.**

Duke Energy assesses operational excellence using a number of quantitative measures including but not limited to capacity factor, commercial availability, equivalent availability, system average interruption frequency index and system average interruption duration index depending on the component of the business being evaluated. During 2010 Duke Energy businesses met or exceeded most quantitative measures of operational excellence. Duke Energy's nuclear fleet demonstrated a record capacity factor at approximately 95.9%. In addition Commercial Power's non-regulated coal and gas generation assets delivered record generation volumes.

#### **Continued Modernization of Infrastructure.**

Duke Energy's strategy for meeting customer demand, while building a sustainable business that allows its customers and its shareholders to prosper in a carbon-constrained environment, includes significant commitments to renewable energy, customer energy efficiency, advanced nuclear power, advanced clean-coal and high-efficiency natural gas electric generating plants, and retirement

of older less efficient coal-fired power plants. Due to the likelihood of upcoming environmental regulations, including carbon legislation, air pollutant regulation by the U.S. Environmental Protection Agency (EPA) and coal regulation, Duke Energy has been focused on modernizing its generation fleet in preparation for a low carbon future. Duke Energy plans to invest approximately \$7 billion in four key generation fleet modernization projects with approximately 2,700 MWs of capacity within its U.S. Franchised Electric and Gas segment. During 2010, Duke Energy continued the construction of Cliffside Unit 6 in North Carolina and the Edwardsport IGCC plant in Indiana and both of these projects are approximately 80% at December 31, 2010. Both are scheduled to be placed in service during 2012. Once in service, Duke Energy will begin retiring older, less efficient coal and gas-fired units. Additionally, Duke Energy has continued construction on its 620 MW combined cycle natural gas-fired generating facilities at its existing Buck and Dan River Steam Stations. The Buck facility is approximately 74% complete and is scheduled to be placed in service in 2011. The Dan River facility is in the early stages of construction and is scheduled to be placed in service in 2012. Duke Energy invested \$1.8 billion in the above generation fleet modernization projects in 2010 and \$4.6 billion since the inception of these projects.

#### **Competing Effectively in Ohio.**

While Commercial Power's operations continue to be impacted by the competitive markets in Ohio, Duke Energy has been successful in preserving margin for its shareholders through Duke Energy Retail Sales, LLC (Duke Energy Retail). Retail customer switching levels increased to approximately 65% at December 31, 2010 from approximately 40% at December 31, 2009. However, through Duke Energy Retail, Commercial Power acquired approximately 60% of the switched load by offering customers a choice between discounts to the Electric Security Plan (ESP) price or fixed price per kWh arrangements. When factoring in the Duke Energy Retail activity, Commercial Power's net customer switching was approximately 26% at December 31, 2010 compared to 15% at December 31, 2009, although those customers acquired by Duke Energy Retail were at lower margins than customers served under the ESP. Additionally, Duke Energy Retail has been successful in acquiring new customers outside Commercial Power's ESP load territory.

On November 15, 2010, Duke Energy Ohio filed for approval of its next Standard Service Offer (SSO) to replace the existing ESP that expires on December 31, 2011. The filing seeks approval of a Market Rate Offer (MRO) through which generation supply is ultimately procured through a competitive solicitation format.

#### **Investing in Renewable Energy.**

During 2010 Commercial Power added 267 net MW of renewable energy generation capacity, including Duke Energy's first operating solar projects, bringing its total operating renewable energy generation capacity to 1,002 net MW. Commercial Power invested \$290 million, net of grants, in its renewable energy construction program in 2010.

### Non-Core Businesses.

In December 2010, Duke Energy completed the formation of a joint venture for DukeNet Communications, LLC (DukeNet) with investment funds managed by Alinda Capital Partners LLC (Alinda) and the closing of a \$150 million senior secured credit for DukeNet. Alinda acquired a 50% interest in DukeNet in exchange for \$137 million of cash. The new five-year credit facility will provide DukeNet with capital for continued expansion of its telecommunications network, future acquisitions and general corporate purposes. Duke Energy recorded a pre-tax gain of \$139 million related to the disposition of Duke Energy's 50% interest in DukeNet, as well as the re-measurement to fair value of Duke Energy's retained non-controlling interest.

In December 2010, Duke Energy completed the sale of its 30% equity investment in Q-Comm Corporation (Q-Comm) to Windstream Corp. (Windstream). The sale resulted in \$165 million in net proceeds, including \$83 million of Windstream common shares and a \$109 million pre-tax gain.

### Duke Energy Objectives — 2011 and beyond.

Duke Energy will focus on obtaining approval of the merger with Progress Energy, continued modernization of infrastructure, executing on rate case filings, cost control efforts and achieving a constructive outcome to the SSO filing in Ohio.

### Obtaining Approval of the Merger with Progress Energy.

Completion of the merger is conditioned upon, among other things, shareholder approval of both companies as well as expiration or termination of any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and approval to the extent required by the FERC, FCC, NCUC, PSCSC, FPSC, PUCC, IURC, KPSC and the NRC. Duke Energy plans to file a registration statement on Form S-4 during the first quarter of 2011 and expects shareholder meetings for both Duke Energy and Progress Energy to be held in the second or third quarter of 2011. Duke Energy will file merger applications with the NCUC, and KPSC during the first quarter of 2011. FERC and NRC filings will be made during the first quarter of 2011. Duke Energy will file for approval of combined operational control of generation facilities with the PSCSC in the third quarter of 2011. Other required filings are expected to be made during the second quarter of 2011. Duke Energy anticipates all necessary approvals will be obtained by the end of 2011, however no assurances can be given as to the timing of the satisfaction of all closing conditions or that all required approvals will be received.

### Planned and Potential Rate Cases.

The majority of future earnings are anticipated to be contributed from U.S. Franchised Electric and Gas (USFE&G), which consists of Duke Energy's regulated businesses that currently own a capacity of approximately 27,000 MW of generation. The regulated generation portfolio consists of a mix of coal, nuclear, natural gas and hydroelectric generation, with the substantial majority of all of the

sales of electricity coming from coal and nuclear generation facilities. The rate case outcomes reached in the various jurisdictions in 2009 will continue to have a positive impact on USFE&G's earnings.

Duke Energy Carolinas plans to file rate cases in North Carolina and South Carolina during 2011 and 2012. Duke Energy Indiana plans to file a rate case in 2012. Duke Energy Ohio is evaluating the need for electric distribution and gas rate cases in 2011 or 2012. Duke Energy Kentucky is evaluating the need for an electric rate case in 2011. These planned rates cases are needed to recover investments in Duke Energy's ongoing infrastructure modernization projects and operating costs. Planning for and obtaining favorable outcomes from these regulatory proceedings are a key factor in achieving Duke Energy's long-term growth assumptions.

### Continued Modernization of Infrastructure.

Duke Energy anticipates total capital expenditures of \$4.5 billion to \$5 billion in 2011. The majority of this amount is expected to be spent on committed projects, including base load power plants to meet long-term growth in customer demand and to modernize the generation fleet, ongoing environmental projects, and nuclear fuel. Approximately \$2 billion to \$2.3 billion of these expenditures are principally related to Duke Energy's ongoing generation fleet modernization projects. Duke Energy is committed to adding base load capacity at a reasonable price while modernizing the current generation facilities by replacing older, less efficient plants with cleaner, more efficient plants. Duke Energy will continue to focus on managing costs related to the Edwardsport IGCC and will work for a constructive outcome related to the cost increase proceedings. In addition to its ongoing Edwardsport IGCC plant, Cliffside Unit 6 and Buck and Dan River gas-fired generation projects, Duke Energy is evaluating the potential construction of the William States Lee III nuclear power plant in Cherokee County, South Carolina. As these major generation fleet modernization projects are completed in 2011 and 2012 the level of capital spending related to system growth will begin to decline. This will provide Duke Energy with the ability to direct capital to environmental projects where it estimates that it could spend as much as \$5 billion over the next ten years.

As the majority of Duke Energy's anticipated future capital expenditures are related to its regulated operations, a risk to Duke Energy is the ability to recover costs related to such expansion in a timely manner. Energy legislation passed in North Carolina and South Carolina in 2007 provides, among other things, mechanisms for Duke Energy to recover financing costs for new nuclear or coal base load generation during the construction phase. Duke Energy has received approval for nearly \$260 million of future federal tax credits related to costs to be incurred for the modernization of Cliffside Unit 6, as well as the IGCC plant in Indiana. In addition, Duke Energy has received general assurances from the NCUC that the North Carolina allocable portion of development costs associated with the William States Lee III nuclear station will be recoverable through a future rate case proceeding as long as the costs are deemed prudent and reasonable. Through several separate orders, the NCUC and PSCSC have deemed Duke Energy's decision to incur project development and pre-construction costs for the project as reasonable and prudent through December 31, 2009 and up to an aggregate

maximum amount of \$230 million. On November 15, 2010 and January 7, 2011, Duke Energy filed amended project development applications with the NCUC and PSCSC, respectively. These applications request approval of Duke Energy's decision to continue to incur project development and pre-construction costs for the project through December 31, 2013 and up to \$459 million. Duke Energy does not anticipate beginning construction of the proposed nuclear power plant without adequate assurance of cost recovery from the state legislators or regulators. Duke Energy is seeking joint venture partners for the William States Lee III Nuclear Station by issuing options to purchase an ownership interest in the plant.

In summary, Duke Energy is coordinating its future capital expenditure requirements with regulatory initiatives in order to ensure adequate and timely cost recovery while continuing to provide low cost energy to its customers.

### Cost Control Efforts.

Since the beginning of the economic downturn in 2007, Duke Energy was successful in holding operations and maintenance expenses, net of deferrals and cost recovery riders, flat through 2009. However, the record temperatures and related high load demands experienced during 2010 resulted in an increase in Duke Energy's operations and maintenance expenses, net of deferrals and cost recovery riders, in 2010. Duke Energy expects continued costs pressures in 2011 due to additional maintenance expenses related to new assets, additional planned outages at nuclear stations, employee benefit costs and inflation. As a result of these pressures, Duke Energy expects operations and maintenance expenses, net of deferrals and cost recovery riders, to increase in 2011. Duke Energy expects the increase to be modest from the beginning of the economic downturn in 2007.

### Ohio SSO filing.

The current regulatory environment in Ohio makes it difficult for Duke Energy to reduce risk and earn consistent, reasonable returns on its primarily coal-fired generation portfolio in Ohio. Duke Energy believes its MRO filing best positions its primarily coal-fired generation portfolio in Ohio for the long-term under the current regulatory construct. Duke Energy's proposed MRO provides the flexibility to deliver competitive and fair rates to customers, provides mechanisms to earn more adequate returns on investments in Ohio, and better balances risks and rewards to encourage future investments in Ohio. On February 23, 2011, the PUCO stated that Duke Energy Ohio did not file an application for a five-year MRO as required under Ohio statute. As a result, the PUCO ordered that the case cannot proceed as filed. Duke Energy Ohio is evaluating its options and plans to file a revised SSO in early second quarter of 2011. In conjunction with the initial MRO filing, Duke Energy plans to file a request to transfer the primarily coal-fired generation portfolio to an affiliate of Duke Energy Ohio in order to provide more flexibility around those assets in the future.

### Economic Factors for Duke Energy's Business.

Duke Energy's business model provides diversification between stable regulated businesses like USFE&G, and the traditionally higher-growth businesses like the unregulated portion of Commercial Power's operations and International Energy. Duke Energy's businesses can be negatively affected by sustained downturns or sluggishness in the economy, including low market prices of commodities, all of which are beyond Duke Energy's control, and could impair Duke Energy's ability to meet its goals for 2011 and beyond.

Declines in demand for electricity as a result of economic downturns reduce overall electricity sales and have the potential to lessen Duke Energy's cash flows, especially as industrial customers reduce production and, thus, consumption of electricity. A weakening economy could also impact Duke Energy's customer's ability to pay, causing increased delinquencies, slowing collections and lead to higher than normal levels of accounts receivables, bad debts and financing requirements. A portion of USFE&G business risk is mitigated by its regulated allowable rates of return and recovery of fuel costs under fuel adjustment clauses. The current ESP in Ohio, which expires in December 2011, also helps mitigate a portion of the risk associated with certain portions of Commercial Power's generation operations by providing mechanisms for recovery of certain costs associated with, among other things, fuel and purchased power for ESP load customers.

If negative market conditions should persist over time and estimated cash flows over the lives of Duke Energy's individual assets, including goodwill, do not exceed the carrying value of those individual assets, asset impairments may occur in the future under existing accounting rules and diminish results of operations. A change in management's intent about the use of individual assets (held for use versus held for sale) could also result in impairments or losses.

Duke Energy's 2011 goals can also be substantially at risk due to the regulation of its businesses. Duke Energy's businesses in the U.S. are subject to regulation on the federal and state level. Regulations, applicable to the electric power industry, have a significant impact on the nature of the businesses and the manner in which they operate. As noted above, Duke Energy plans to file various rate cases during 2011 and 2012. In addition, Duke Energy Indiana file a motion with the IURC proposing an updated procedural schedule to address various pending matters related to the Edwardsport IGCC. The outcome of any one or combination of these proceedings could have a significant impact on Duke Energy's earnings. New legislation and changes to regulations are ongoing, including anticipated carbon legislation, and Duke Energy cannot predict the future course of changes in the regulatory or political environment or the ultimate effect that any such future changes will have on its business.

Duke Energy's earnings are impacted by fluctuations in commodity prices. Exposure to commodity prices generates higher earnings volatility in the unregulated businesses. To mitigate these risks, Duke Energy enters into derivative instruments to effectively hedge some, but not all, known exposures.

Additionally, Duke Energy's investments and projects located outside of the United States expose Duke Energy to risks related to laws of other countries, taxes, economic conditions, fluctuations in currency rates, political conditions and policies of foreign governments. Changes in these factors are difficult to predict and may impact Duke Energy's future results.

Duke Energy also relies on access to both short-term money markets and longer-term capital markets as a source of liquidity for

capital requirements not met by cash flow from operations. An inability to access capital at competitive rates or at all could adversely affect Duke Energy's ability to implement its strategy. Market disruptions or a downgrade of Duke Energy's credit rating may increase its cost of borrowing or adversely affect its ability to access one or more sources of liquidity. For further information related to management's assessment of Duke Energy's risk factors, see Item 1A. "Risk Factors."

## RESULTS OF OPERATIONS

(in millions)	Years ended December 31,				
	2010	2009	Variance 2010 vs. 2009	2008	Variance 2009 vs. 2008
Operating revenues	\$14,272	\$12,731	\$1,541	\$13,207	\$(476)
Operating expenses	11,964	10,518	1,446	10,765	(247)
Gains on sales of other assets and other, net	153	36	117	69	(33)
Operating income	2,461	2,249	212	2,511	(262)
Other income and expenses, net	589	333	256	121	212
Interest expense	840	751	89	741	10
Income from continuing operations before income taxes	2,210	1,831	379	1,891	(60)
Income tax expense from continuing operations	890	758	132	616	142
Income from continuing operations	1,320	1,073	247	1,275	(202)
Income from discontinued operations, net of tax	3	12	(9)	16	(4)
Income before extraordinary items	1,323	1,085	238	1,291	(206)
Extraordinary items, net of tax	—	—	—	67	(67)
Net income	1,323	1,085	238	1,358	(273)
Less: Net (loss) income attributable to noncontrolling interests	3	10	(7)	(4)	14
Net income attributable to Duke Energy Corporation	\$ 1,320	\$ 1,075	\$ 245	\$ 1,362	\$(287)

### Consolidated Operating Revenues

*Year Ended December 31, 2010 as Compared to December 31, 2009.* Consolidated operating revenues for 2010 increased \$1,541 million compared to 2009. This change was primarily driven by the following:

- A \$1,164 million increase at USFE&G. See Operating Revenue discussion within "Segment Results" for USFE&G below for further information;
- A \$334 million increase at Commercial Power. See Operating Revenue discussion within "Segment Results" for Commercial Power below for further information; and
- A \$46 million increase at International Energy. See Operating Revenue discussion within "Segment Results" for International Energy below for further information.

*Year Ended December 31, 2009 as Compared to December 31, 2008.* Consolidated operating revenues for 2009 decreased \$476 million compared to 2008. This change was primarily driven by the following:

- A \$726 million decrease at USFE&G. See Operating Revenue discussion within "Segment Results" for USFE&G below for further information; and

- A \$27 million decrease at International Energy. See Operating Revenue discussion within "Segment Results" for International Energy below for further information.

Partially offsetting these increases was:

- A \$288 million increase at Commercial Power. See Operating Revenue discussion within "Segment Results" for Commercial Power below for further information.

### Consolidated Operating Expenses

*Year Ended December 31, 2010 as Compared to December 31, 2009.* Consolidated operating expenses for 2010 increased \$1,446 million compared to 2009. This change was driven primarily by the following:

- A \$624 million increase at USFE&G. See Operating Expense discussion within "Segment Results" for USFE&G below for further information;
- A \$576 million increase at Commercial Power. See Operating Expense discussion within "Segment Results" for Commercial Power below for further information; and
- A \$267 million increase at Other. See Operating Expense discussion within "Segment Results" for Other below for further information.